

# **PETTY CASH MANAGEMENT POLICY**

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## INTRODUCTION

The accounting officer of a municipality is responsible for the management of the expenditure of the municipality in an effective and controlled manner. Therefore the Tswelopele Local Municipality adopts the following petty cash policy.

## REGULATORY FRAMEWORK

a) Legislation – Municipal Finance Management Act 56 of 2003

## OBJECTIVES

Compliance with the regulatory framework in terms of the relevant legislation is required.

## DEFINITIONS

**Accounting Officer:** The person appointed by council in terms of section 82 of Act 117 of 1998, also known as the Municipal Manager, and defined in terms of section 60 of Act 56 of 2003 (MFMA).

**Chief Financial Officer:** The person designated in terms of section 80(2) (a) of Act 56 of 2003 (MFMA), and includes any person acting in that position or to whom authority is delegated.

**Petty Cash:** A relatively small amount of cash kept at hand for making immediate payments for miscellaneous small expenses.

**Petty Cash Float:** The total sum of Petty Cash which has been granted to a Petty Cash Officer.

**Petty Cash Officer:** An employee, made responsible for the day-to-day operating of the Petty Cash Float.

**Reconciliation:** Is the process of comparing information, for example cash spent, compared with the relevant documentation and receipts.

**Sub-advances:** A relatively small amount of cash, made available by the Petty Cash Officer on request, to buy miscellaneous small items.

## RESPONSIBILITY AND ACCOUNTABILITY

The key responsibilities in terms of the MFMA (Section 65) are:

Accounting Officer (Municipal Manager)-

- 1) The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.
- 2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure:
  - a) That the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, and withdrawal and payment of funds;
  - b) That the municipality has and maintains a management, accounting and information system which:
    - (i) recognises expenditure when it is incurred;
    - (ii) accounts for creditors of the municipality; and
    - (iii) accounts for payments made by the municipality;
  - c) That the municipality has and maintains a system of internal control in respect of creditors and payments;
  - d) That payments by the municipality are made:
    - (i) directly to the person to whom it is due unless agreed otherwise reasons as may be prescribed; and
    - (ii) either electronically or by way of non-transferable cheques, provide that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit;

The Municipal Manager delegates authority to the Chief Financial Officer.

## PETTY CASH POLICY

### General Policy

- (i) The use of a petty cash float (a float may not exceed R2000-00) is strictly confined to individual cash purchases of up to a maximum of R200-00, unless authorized by the Chief Financial Officer;
- (ii) Petty cash purchases from Creditors/Suppliers that are registered on the MUNSOFT financial system may not exceed R200-00 per incident;
- a. The expenditure with regard to petty cash purchases shall not be deliberately split into more than one transaction to avoid the said limit;
- b. A petty cash float is not to be used for any of the following:
  - (i) the cashing of cheques;
  - (ii) loans to any person whatsoever;
  - (iii) payment of personal remuneration to any person whatsoever, whether for fees, salaries, wages, travel allowance as part of remuneration, honorarium or other reason, unless authorized by the Chief Financial Officer;
  - (iv) for instalment invoices such as rental of equipment or open orders, even if the amount falls within the specified limit;
  - (v) any purchase violating the true meaning of petty cash transactions, or petty cash purchases from a trading creditor that does exist on the Tswelopele Municipal Financial System will be regarded as a deviation from the accepted accounting practices in the use of Petty Cash and shall constitute a serious offence under the Disciplinary Code, unless authorized by the Chief Financial Officer;
- c. Other cash floats may also be established for the purpose of providing change for a cash register, or any other purpose approved by the Chief Financial Officer. Use of such floats is restricted to the purpose for which they were established and does not form part of the scope of this policy;
- d. The Internal Audit Section may conduct internal audits to evaluate compliance with this policy.

### Establishing and Operating a Petty Cash Float

- a. To establish a new petty cash float or increase an existing advance, written application must be made to the Chief Financial Officer by the relevant Manager of a department.

- b. A request for the establishment of an advance will indicate the position of a senior administrative employee to be held responsible for the control over the petty cash float within the relevant department.
- c. The senior administrative employee mentioned under b. will be responsible for the security and leave arrangement in place to ensure safe custody of funds in the office.
- d. The minimal security arrangement that will be acceptable is that the float will be kept in a locked box which will be kept in a locked filing cabinet or safe.
- e. When an advance is approved, the Accountant: Expenditure will advise the relevant Department accordingly and request that the senior administrative employee mentioned under b. collect the advance.

This establishing/initial advance will be charged to a "Petty Cash Advances - Position/Dept." in the General Ledger and not against any expenditure votes. A register of advances is thus maintained per Ledger Account for the purpose of accounting for all petty cash floats.

### Security of Petty Cash Floats and Documentation

- a. The cash on hand and used petty cash vouchers are to be kept in a locked box for which there should be two keys. One key is to be retained by the petty cash officer (on their person) normally responsible or the petty cash and the other to be kept senior administrative employee mentioned under b. in a sealed envelope in the office safe or other secure place, to be used only in an emergency.
- b. The locked petty cash box must be kept in a secure place when not in use and should be removed and returned by the responsible staff member only. At no stage should staff other than the responsible administrative/clerical staff member have access to the storage place of the petty cash box.
- c. Under no circumstance are keys to be left in the lock to the petty cash box, cabinet or safe.
- d. if the responsible Petty Cash Officer is either going on leave or is leaving the Municipality's employment, the Petty Cash Officer must perform a reconciliation and a Summary Claim Cover Page compiled, before possession of Petty Cash, can be handed over. The Summary Claim Cover Page must be signed by both the Petty Cash Officer and the recipient, in order to verify that the amount in cash, correspond with the balance on the Summary Claim Cover Page.
- e. When the Petty Cash is returned to the Petty Cash official, the same processes must be taken.

### Completing a Cash Purchase Claim Form

- a. Petty cash stationery is available from the Remuneration Section (Financial Services). The form consists of two parts:
  - (i) Cash Purchase Claim page
  - (ii) Cash Advance Page (Only when appropriate, refer paragraph on (Advances)).
- b. The Cash Purchase Claim must be completed as follows:
  - (i) description and cost of the goods/services purchased
  - (ii) purchaser's signature
  - (iii) Correct vote number with an adequate budget to be charged signature of the Officer in Charge of Petty Cash.
- c. Original receipts and other valid documentation as required must be attached as proof of payment, with the signature of an appropriate financial delegate on this Documentation. The receipt and invoice must be in a formal business format. Receipts must set forth the complete description of the purchase. When a vendor's printed invoice is used as a receipt, the invoice must clearly indicate that it has been paid.
- d. A financial delegate cannot authorise a cash purchase claim where she or he is the purchaser.

### Sub-Advances to Staff Members

If it is necessary to make an initial sub-advance to a staff member, a receipt for cash advance must be completed. The receipt for cash advance Form must be completed as follows:

- (i) description and estimated cost of the goods/services purchased;
- (ii) purchaser's signature;
- (iii) correct vote number with an adequate budget to be charged;
- (iv) signature of the Petty Cash Officer.

On completion of the purchase, the recording-, documentation- and authorization requirements will be as stated in the above paragraph completing a Cash Purchase Claim Form.

All such sub-advances will be accounted for within 24 hours by submitting original receipts and other applicable documentation required, attached as proof of payment (with the approval signature on the documentation). Where this cannot be achieved, the buyer will be liable to pay back the advance without any delay or if not possible, alternatively be for the immediate recovery from the individual's salary.

No more than one advance will be made for the same purchases (event)

### Out-of-Pocket Payments

- a. Where a staff member has made a purchase from own funds and seeks reimbursement from the petty cash, supporting documentation must be provided to substantiate the claim.

- b. The responsibility to ensure that the purchase will be in accordance with all the prescriptions of this policy will be the sole responsibility of the purchaser of such item(s).
- c. The recording-, documentation- and authorization requirements will be as stated in the above paragraphs (Section 2.5).

### Reimbursement of Petty Cash Floats

- a. A petty cash float is operated on the basis that expenditure from the float is periodically reimbursed. Such reimbursement requires-
  - (i) returning the cash level of the petty cash float to its original level , and;
  - (ii) charging the expenditure which has been made to the correct expenditure vote.
- b. Accordingly, at any point of time, the sum of the cash on hand, i.e .remaining unspent, plus the cash advances for un-finalised purchases, plus the completed cash purchase claim forms, updated on the Summary Cash Purchase Claim form, shall equal the level of the petty cash advanced to a Department.
- c. Completed Cash Purchase Claim forms, with attached cash register slips, etc., must be submitted to the Accountant Expenditure for reimbursement, after the Summary Claim Cover Page and attached.
- d. Reimbursement of claims where supporting documentation as prescribed in this policy is absent /missing will be declined.
- e. The prescribed Summary Cash Purchase Claim form as well as other relevant forms attached to it must be completed in full.
- f. The most recently completed Cash Purchase Claim form must record the reconciliation of the petty cash float. The responsible official will decline reimbursement of claims where this is not supplied.
- g. A petty cash float must never be reimbursed with funds derived from any other source whatsoever.

### Shortages

- a. Any shortages in respect of a petty cash float must be reimbursed immediately by the responsible petty cash officer.
- b. Where a petty cash float is stolen the incident must be reported promptly to the Chief Financial Officer in the required format, after a case has been logged at the South African Police Services.



### Procedure where a Petty Cash Float is Repaid/Cancelled

When an advance is no longer required, a departmental memorandum must be submitted, signed by the Manager of the relevant Department, to the Accountant: Income, with the balance of cash on hand and completed and authorized Cash Purchase Claim forms. The most recently completed Cash Purchase Claim form will record the reconciliation of the petty cash float. The Cashier will issue a receipt to the person delivering the cash.