PETTY CASH POLICY

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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MUNICIPAL MANAGER

SPEAKER

MR. I.E AISENG
JOHN TAOLO GAETSEWE
DISTRICT MUNICIPALITY
SPEAKER

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

PETTY CASH POLICY

2023-2024

FINAL

MR. I.E AISENG
JOHN TAOLO GAETSEWE
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TABLE OF CONTENTS **PAGE**

1. Introduction 4

2. Regulatory Framework 4

3. Objectives 4

4. Definitions 4

5. Responsibility and Accountability 5

6. Petty Cash Policy 6

6.1 General Policy 6

6.2 Establishing and Operating a Petty Cash Float 7

6.3 Security of Petty Cash Floats 8

6.4 Completing a Cash Purchase Claim Form 9

6.5 Sub-Advances to Staff Members 10

6.6 Out-of-Pocket Payments 10

6.7 Reimbursement of Petty Cash Floats 11

6.8 Shortages and Losses 12

6.9 Internal Controls 12

6.10 Procedure where a Petty Cash Float is Repaid or Cancelled 13

7. Implementation and Review of Policy 13

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SPEAKER

1. INTRODUCTION

The accounting officer of a municipality is responsible for the management of the expenditure of the municipality in an effective and controlled manner. This includes Petty Cash, which is a small amount of funds that are minor in the form of cash, used for expenditure where it is impractical to obtain prior quotations due to the nature of the goods, monitory value and/or services required.

Therefore, the John Taolo Gaetsewe District Municipality adopts the following petty cash policy.

2. REGULATORY FRAMEWORK

- Municipal Finance Management Act 56 of 2003
- John Taolo Gaetsewe District Municipality's Supply Chain Management Policy

3. OBJECTIVES

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

The objectives of the policy are to ensure that:

a) Goods and/or services are procured by the municipality in accordance with authorised process only;
b) The municipality has and maintains an effective Petty Cash system of expenditure control;
c) Sufficient Petty Cash is available when required; and
d) The items to be procured are approved Petty Cash items.

4. 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).

MR. I.E AISENG
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SPEAKER

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.

5. RESPONSIBILITY AND ACCOUNTABILITY

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

Accounting Officer (Municipal Manager):

5.1 The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.

5.2 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, withdrawal and payment of funds;

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DISTRICT MUNICIPALITY
SPEAKER

(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 for reasons as may be prescribed; and

(ii) either electronically or by way of non-transferable cheques, provided 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.

6. PETTY CASH POLICY

6.1 General Policy

6.1.1.1 The use of a petty cash float **(a float may not exceed R5 000-00)** and is strictly confined to **individual cash purchases of up to a maximum of R2 000 (VAT inclusive).** The Chief Financial Officer may approve petty cash purchases up to R3 000;

6.1.1.2 **Petty cash purchases from Creditors/Suppliers that are registered** on the Central Supplier Database (CSD) and financial system may not exceed **R2 000-00 (VAT inclusive)** per incident;

6.1.2 The expenditure with regard to petty cash purchases shall not be deliberately split into more than one transaction to avoid the said limit;

6.1.3 A petty cash float is not to be used for any of the following:

MR. I.E AISENG
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SPEAKER

6.1.3.1 The cashing of cheques;

6.1.3.2 Loans to any person whatsoever;

6.1.3.3 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;

6.1.3.4 For instalment invoice such as rental of equipment or open orders, even if the amount falls within the specified limit;

6.1.3.5 Any purchase violating the true meaning of petty cash transactions, or petty cash purchases from a trading creditor that does exist on the John Taolo Gaetsewe District 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;

6.1.4 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;

6.1.5 The Accounting Officer, or delegated official, may conduct internal audits to evaluate compliance with this policy.

6.2 Establishing and operating a petty cash float

6.2.1 To establish a new petty cash float or increase an existing advance, a written application must be made to the Chief Financial Officer by the relevant Manager: Budget and Reporting.

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DISTRICT MUNICIPALITY
SPEAKER

6.2.2 A request for the establishment of an advance will indicate the position of the Petty Cash Officer to be held responsible for the control over the petty cash float within the Budget and Treasury Office.

6.2.3 The Petty Cash Officer mentioned under 6.2.2 will be responsible for the security and leave arrangement in place to ensure safe custody of funds in the office.

6.2.4 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.

6.2.5 When an advance is approved, the Manager: Budget and Reporting will advise the Petty Cash Officer accordingly and request that the Petty Cash Officer mentioned under 6.2.2 collect the advance. This establishing/initial advance will be charged to a "Petty Cash Advances – Budget and Treasury Office" 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 the petty cash float.

6.3 Security of Petty Cash Float and Documentation

6.3.1 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 for the petty cash and the other to be kept by the Manager: Budget and Reporting mentioned under 6.2.2 in a sealed envelope in the office safe or other secure place, to be used only in an emergency.

6.3.2 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 staff member has access to the storage place of the petty cash box.

6.3.3 Under no circumstance are keys to be left in the lock to the petty cash box, cabinet or safe.

6.3.4 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

MR. I.E AISENG
JOHN TAOLO GAETSEWE
DISTRICT MUNICIPALITY
SPEAKER

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.

When the Petty Cash is returned to the Petty Cash official, the same processes must be taken.

6.4 Completing a Cash Purchase Claim Form

6.4.1 Petty cash stationery is available from the Budget and Treasury Office (Expenditure Section). The form consists of two parts:

(i) Cash Purchase Claim page

(ii) Cash Purchase Record page

(iii) Receipt for cash advance (Only when appropriate, refer paragraph on Advances).

6.4.2 All details entered on the Cash Purchase Claim must appear on the Cash Purchase record page.

6.4.3 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

(iv) signature of the Petty Cash Officer in charge of petty cash.

6.4.4 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.

6.4.5 A financial delegate cannot authorise a cash purchase claim where he/she is the purchaser.

6.5 Sub-advances to Staff Members

6.5.1 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.

6.5.2 In order to receive an initial sub-advance, the relevant staff member must submit an approval notice (authorized by a delegated official) to the Petty Cash Officer.

6.5.3 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 (Section 6.4).

6.5.4 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.

6.5.5 No more than one advance will be made to any one individual at a time.

6.6 Out-of-pocket Payments

6.6.1 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.

MR. I.E AISENG
JOHN TAOLO GAETSEWE
DISTRICT MUNICIPALITY
SPEAKER

6.6.2 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).

6.6.3 The recording-, documentation- and authorization requirements will be as stated in the above paragraphs (Section 6.4).

6.7 Reimbursement of Petty Cash Floats

6.7.1 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.

6.7.2 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 the Petty Cash Officer.

6.7.3 Completed Cash Purchase Claim forms, with attached cash register slips, etc., must be submitted together with the Summary Claim Cover Page and attached documentation to the Manager: Budget and Reporting to review and submit to Chief Financial Officer to authorize the reimbursement, unless otherwise delegated as per approved Systems of Delegations.

6.7.4 Reimbursement of claims where supporting documentation as prescribed in this policy is absent / missing, will be declined and the Petty Cash Officer will have to ensure to obtain the correct documentation or will be held liable for the amount of the declined slip.

6.7.5 The prescribed Summary Cash Purchase Claim form as well as other relevant forms attached to it must be completed in full.

6.7.6 The most recently completed Cash Purchase Claim form must record the reconciliation of the petty cash float. The Manager: Budget and Reporting will decline reimbursement of claims where this is not supplied.

6.7.7 A petty cash float must never be reimbursed with funds derived from any other source whatsoever.

6.8 Shortages and losses

6.8.1 The holder of the Petty Cash float will be held accountable for any shortages and/or losses unless there is physical evidence of breaking in and no act or omission on the part of the relevant official contributed to the loss.

6.8.2 Any shortages in respect of a petty cash float must be reimbursed immediately by the responsible Petty Cash Officer.

6.8.3 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.

6.9 Internal Controls

6.9.1 At least four (4) Surprise Petty Cash counts / audits must be conducted by the relevant Manager / Senior Manager throughout the financial year.

6.9.2 Petty Cash Float reimbursement requests must be summarized into a monthly report to the Chief Financial Officer, including the total amount of petty cash purchases for that month.

6.9.3 Petty Cash reconciliations to the General Ledger must be reconciled and replenished before 30 June of every year (financial year-end).

MR. I.E AISENG
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SPEAKER

6.10 Procedure where a petty cash float is repaid / cancelled

6.10.1 When an advance is no longer required, a departmental memorandum must be submitted, signed by the Manager of the relevant Department, to the Manager: Expenditure and Payroll, with the balance of cash on hand and completed and authorized Cash Purchase Claim forms.

The Petty Cash Officer will issue a receipt to the person delivering the cash.

7. IMPLEMENTATION AND REVIEW OF THE POLICY

This policy will come into effect on **1 July 2023**;

This policy will be reviewed at least annually or when required by way of a Council resolution.

POLICY SECTION:	**MANAGER:EXPENDITURE MANAGEMENT AND PAYROLL**
CURRENT UPDATE	**27 MARCH 2023**
APPROVAL BY COUNCIL:	**27 MAY 2022**

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