

# Amahlathi Municipality



## PETTY CASH POLICY

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## **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. Therefore the Amahlathi Municipality adopts the following petty cash policy.

## **2. REGULATORY FRAMEWORK**

- a) Legislation – Municipal Finance Management Act 56 of 2003

## **3. OBJECTIVES**

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

## **4. DEFINITIONS**

### ***Accounting Officer:***

The person appointed by the council in terms of section 82 of Act 117 of 1998, also known as 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 day-to-day operating of 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) :-

- (1) The Accounting Officer of a Municipality is responsible for 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, 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 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;

## 6 PETTY CASH POLICY

### 6.1 General Policy

- a. 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 authorised by the Chief Financial Officer;
- b. The expenditure with regard to petty cash purchases shall not be deliberately split into more than one transaction to avoid the said limit;
- c. A petty cash float is not to be used for any of the following:-
  - (i) the cash 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 authorised by 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 purchases violating the true meaning of petty cash transactions, or petty cash purchases from a trading creditor that does exist on the Amahlathi Municipality 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 authorised by the Chief Financial Officer;
- d. 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 float is restricted to the purpose for which they were established.
- e. The Accounting Officer, or delegated official, may conduct internal audits to evaluate compliance with this policy.

## **6.2 ESTABLISHING AND OPERATING A PETTY CASH**

- a. 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 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 6.2 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: Creditors will advise the relevant Department accordingly and request that the senior administrative employee mentioned under 6.2 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.

## **6.3 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 for the petty cash and the other to be kept by the senior administrative employee mentioned under 6.2 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 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 the 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 float is to be reconciled and signed by the departing - as well as replacement staff members, to indicate their agreement as to its balance.

#### **6.4 COMPLETING A CASH AUTHORISATION FORM**

- a. Petty cash stationery is available from the expenditure section (Financial Services). The form consists of two parts:
  - i. Cash Purchase Authorisation
  - ii. Request for cash advance ( only when appropriate, refer paragraph on Advances).
- b. All details entered on the Cash Purchase Authorisation must appear on the Request Advance record page.
- c. The Cash Purchase Authority form must be completed as follows:
  - i. Description and cost of the goods/services purchased
  - ii. Purchasers signature
  - iii. Correct vote number with adequate budget to be charged
  - iv. Signature of the officer in charge of Petty Cash
- d. Original receipts and other valid documentation as required must be attached 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.
- e. A financial delegate cannot authorise a cash purchase claim where she or he is the purchaser**

#### **6.5 SUB-ADVANCES TO STAFF MEMBERS**

- a. 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 purchase;
  - ii. Purchaser's signature
  - iii. Correct vote number with an adequate budget to be charged;
  - iv. Signature of the Petty Cash Officer
  
- b. On completion of the purchase, the recording -, documentation – and authorisation requirements will be as stated in the above paragraph:  
Completing a Cash Purchase Claim Form (Section 6.4)
  
- c. 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 possible, alternatively be for immediate recovery from the individual's salary
  
- d. No more than one advance will be made to any one individual at a time

#### **6.6 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 authorisation requirements will be as stated in the above paragraphs (Section 6.4).

#### **6.7 PETTY CASH REGISTER**

The office in charge of the petty cash should ensure that all transactions are recorded in register.

#### **6.8 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, plus the completed cash purchase claim forms, updated in the Register, shall equal the level of petty cash advanced to a Department.
- c. Completed Cash Purchase Authorisation forms, with attached cash register slips, etc; must be submitted to the Expenditure Section for reimbursements, after the Summary Claim Cover Page and attached documentation have been authorised by a financial delegate.
- d. Reimbursement of claims where supporting documentation as prescribed in this policy is absent /missing will be declined.
- e. The prescribed Register as well as other relevant forms attached to it must be completed in full.
- f. The most recently completed Register must record the reconciliation of the petty cash float. The Accountant: Creditors 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.

## **6.9 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 required format, after a case has been logged at the South African Police Services.

## **6.10 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: Creditors, with the balance of cash on hand and 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.

<b>Implementation Date</b>	<b>Council Resolution no.</b>	<b>Approved Date</b>
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