

PETTY CASH POLICY

1 JULY 2015



**STEVE TSHWETE
LOCAL MUNICIPALITY
MP 313**

TABLE OF CONTENTS

1. Introduction
2. Objectives of policy
3. Legislative framework
4. Petty cash purchases
5. Approved list of petty cash purchases
6. Safeguarding
7. Transfer of petty cash bins and keys
8. Other
9. Petty cash replenishment
10. Disbursement of petty cash
11. Shortages and losses
12. Internal controls
13. Reporting
14. Review
15. Short title

1. **INTRODUCTION**

Petty cash is a small amount of discretionary funds in the form of cash used for expenditure where it is impractical to follow the official procurement process due to the nature of the goods and/or services required.

2. **OBJECTIVES OF POLICY**

The objectives of the policy are to:

- 2.1 Ensure goods and services are procured by the municipality in accordance with authorized processes only.
- 2.2 Ensure that the municipality has and maintains an effective petty cash system of expenditure control.
- 2.3 Ensure that sufficient petty cash is available when required.
- 2.4 Ensure that the items required to be procured are approved petty cash items.

3. **LEGISLATIVE FRAMEWORK**

The legislative framework governing petty cash are:

- 3.1 The Local Government Municipal Finance Management Act, 56 of 2003.
- 3.2 The Municipal Supply Chain Management Regulations, Regulation 868, published under Government Gazette 27636, 30 May 2005.
- 3.3 The municipal supply chain management policy.

4. **PETTY CASH PURCHASES**

- 4.1 The Executive Director Financial Services must delegate personnel from the expenditure section in the treasury office and the supply chain management unit to keep petty cash registers and make petty cash payments up to the maximum amount as allowed per transaction.
- 4.2 Petty cash is restricted to cash purchases up to a transaction value of R500,00 VAT included.

- 4.3 Petty cash purchases may not deliberately be broken up over two (2) or more transaction claims or be split over more than one (1) day for the same items in order to fall within the determined threshold of R500,00 VAT included.
- 4.4 To limit the risk of cash handling and misuse of petty cash, purchases to a maximum amount of R1 500,00 will be paid by EFT subject to the following conditions:
- (a) Such payments will only be for reimbursement expenditure incurred by officials with his/her own funds.
 - (b) No claims will be accepted if to be paid to a supplier directly.
 - (c) Proof of payment of such expenditures must be provided with each claim.
 - (d) Claims will only be dealt with at treasury office and not at the supply chain unit.
 - (e) Only claims applicable to 5.2 will be reimbursed.
 - (f) Claims must be submitted to the Accountant Expenditure.
 - (g) The Accountant Expenditure must record these claims in a separate register and monthly be included in the report referred to in subsection (13).

5. **APPROVED LIST OF PETTY CASH PURCHASES**

- 5.1 Approved items for petty cash bin purchases, but not limited:
- (a) Bouquets and flowers utilized for official purposes;
 - (b) Tollgate fees;
 - (c) Refreshments and catering / entertainment;
 - (d) Pay-as-you-go cellular airtime;
 - (e) Purchases of an urgent nature where it is impractical to follow the official procurement process; and/or

- 5.2 Approved items for EFT petty cash reimbursements:
- (a) Materials for urgent repair work not kept or not available at the municipal stores;
 - (b) Ad hoc stationery items;
 - (c) Refreshments and catering;
 - (d) Materials of special nature only available at specific suppliers; and
 - (e) Purchases of an urgent nature where it is impractical to follow the official procurement process.
- 5.3 Departments may not utilize the petty cash for the following items:
- (a) Approved store items which are kept at the municipal stores;
 - (b) Any items which can be classified as assets (inventory items), for example, calculators, memory sticks (USB); tools etc.;
 - (c) Subsistence and travel claims;
 - (d) Safety equipment and clothing such as clothes, ear protectors, safety glasses, etc.;
 - (e) Wages or labour for contract work which may or may not include material; and/or
 - (f) Books and magazines.
 - (g) Any fuel purchases;
 - (h) Parts/material for vehicle repairs, excluding tyre repairs.
- 5.4 Petty cash specified in 5.1(e) and 5.2(e) above must be approved by the Executive Director Financial Services or delegated senior official prior to the transaction.
- 5.5 Petty cash bins kept by the supply chain unit may only be utilized for materials and/or repair work for work less than R500,00 where it is impractical to follow an official procurement process as per 5.1(e) and 5.3.

5.6 Petty cash purchases as per 5.1(a-e) may only be claimed from petty cash bins kept at the treasury office.

6. **SAFEGUARDING**

6.1 The petty cash is to be safeguarded in a lockable cash box and should be locked away when not in use during normal business hours.

6.2 The keys of the petty cash box must be safeguarded by the petty cash official.

6.3 After normal business hours, the responsible petty cash official must lock away the petty cash bins in a fire and theft resistant safe as identified.

6.4 The Chief Accountant Expenditure and Salaries is responsible to keep a key register of keys allocated or transferred to the relevant delegated official.

7. **TRANSFER OF PETTY CASH BINS AND KEYS**

7.1 When the petty cash bins are transferred to another delegated official, the petty cash must first be reconciled and be verified by the transaction control and verification section before it is officially handed over. The new incumbent must sign for the petty cash bin as well as for the keys to the bin.

7.2 The Chief Accountant Expenditure and Salaries will be responsible to record the transfer of the bin as well as the transfer of the keys in the appropriate register and also ensure that the officials sign the register.

7.3 The Chief Accountant Expenditure and Salaries must ensure that the new holder of the petty cash bin is aware of his/her responsibilities relating to the petty cash transactions as well as the contents of this policy.

7.4 For proper segregation of duties, the following:

(a) only the official delegated official may have the key to the petty cash bin;

(b) the Accountant Expenditure is responsible to place the petty cash bin in the official safe in the presence of the holder of the petty cash bin;

(c) only the Accountant Expenditure may be in possession of the combination to the safe; and

(d) a register must be kept on daily basis and signed by both parties when a petty cash bin is locked away in the safe.

7.5 The spare keys of the petty cash bin will be in possession of the Executive Director Financial Services.

7.6 The Assistant Director Treasury Office and/or the Chief Accountant Expenditure and Salaries are the only officials who are allowed to be in possession of the combination to the safe.

8. **OTHER**

8.1 The maximum amount allocated per petty cash bin will be determined from time to time by the Executive Director Financial Services, based on the operational requirements of the municipality and the risk of safeguarding petty cash bins.

8.2 When the amount per petty cash bin is increased the Accountant Expenditure must draw a cheque and encash it with the municipal bankers.

8.3 The responsible official must sign for the acceptance of the increased cash amount together with the Accountant Expenditure and be verified by the transaction control and verification section.

9. **PETTY CASH REPLENISHMENT**

9.1 Petty cash replenishments will only be done after having fully exhausted the available cash in the bins.

9.2 A proper petty cash register must be kept where each disbursement of petty cash transactions are recorded.

9.3 The minimum detail to be recorded in the petty cash register is:

- (a) department name;
- (b) cost centre (vote) to allocate petty cash transaction;
- (c) name of vendor;
- (d) date;
- (e) amount issued; and
- (f) name of person

- 9.4 The petty cash register with all petty cash vouchers, receipts or slips must be attached to the cheque and/or request for payment voucher.
- 9.5 The transaction control and verification section must check the petty cash float against the petty cash payment vouchers.
- 9.6 The cheque amount must be the difference between the petty cash float and the maximum allowable amount allocated to each petty cash bin.

10. **DISBURSEMENT OF PETTY CASH**

- 10.1 All petty cash disbursements must be completed on the prescribed petty cash voucher, authorized by the delegated official of each department as approved by Council in terms of the delegation of authorities.
- 10.2 The authorized official must ensure that funds are available in the budget prior the submission of claims.
- 10.3 An invoice or an original receipt, clearly indicating it has been paid must support the petty cash voucher.
- 10.4 The authorized official or delegated person must sign for the acceptance of the petty cash monies and ensure that the monies are correct. Once paid out, the Directorate Financial Services will take no responsibility if the money is not received by the originator of the transaction.
- 10.5 In the case where a petty cash advance was granted, the recipient of the advance must bring the invoice and/or original receipt within five (5) working days from receipt of the advance to the petty cash official from when he/she received the cash advance.
- 10.6 Where proof of expenditure could not be provided on petty cash advances within the prescribed period, the advance will automatically be deducted from the respective employee's salary.

11. **SHORTAGES AND LOSSES**

- 11.1 The holder of the petty cash bins will be held accountable for losses and shortages unless there is physical evidence of breaking-in and no act or omission on the part of the relevant official contributed to the loss.

11.2 In the event of identified shortages and/or losses it must immediately be reported to the Executive Director Financial Services and be paid in by the holder of the petty cash bin(s).

12. **INTERNAL CONTROLS**

12.1 Surprise petty cash audits must be concluded by the transaction control and verification section throughout the financial year.

12.2 Petty cash reconciliations with the general ledger must be reconciled before 30 June of each year and the petty cash replenished to the maximum amount allowed.

13. **REPORTING**

13.1 A monthly reconciliation report from the holder of a petty cash must be submitted to the Executive Director Financial Services including the total amount of petty cash purchases for that month before the 20th of the following month.

14. **REVIEW**

This policy will be reviewed annually to be in line with municipal practices and legislation.

15. **SHORT TITLE**

This policy shall be called the Petty Cash Policy of the Steve Tshwete Local Municipality.