



GARDEN ROUTE DISTRICT MUNICIPALITY

PETTY CASH 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 Garden Route District Municipality adopts the following petty cash policy.

- **REGULATORY FRAMEWORK**

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 17 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 payments

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.

- The accounting officer must, for the purposes of subsection (1), take all reasonable steps to ensure-
 - that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds;
 - that the municipality has and maintains a management, accounting and information system which-
 - recognizes expenditure when it is incurred;
 - 1. accounts for creditors of the municipality, and
 - 2. accounts for payments made by the municipality.

- that the municipality has and maintains a system of internal control in respect of creditors and payments;
 - that payments by the municipality are made-
 - directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and
- (i) 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.

12 **PETTY CASH POLICY**

12.1 **General Policy**

- The use of a petty cash float (a float may not exceed R3,500.00) is strictly confined to individual cash purchases of up to a maximum of R750.00, unless otherwise authorized by the Chief Financial Officer;
- The expenditure with regard to petty cash shall not be deliberately split into more than one transaction to avoid the said limit;
- A petty cash float is not to be used for any of the following:
 - the cashing of cheques;

13 loans to any person whatsoever;

- 14 payment of personal remuneration to any person whatsoever, whether for fees, salaries, wages, travel allowance as part of remuneration, honorarium or other reason.
- 9.** for instalment invoices such as rental of equipment or open orders, even if the amount falls within the specified limit;
- 10.** any purchase violating the true meaning of petty cash transactions, or petty cash purchases from a trade creditor that does not exist on the Supply Chain Management Supplier database. This will be regarded as a deviation from the accepted accounting practices in the use of petty cash, and will constitute a serious offence under the Disciplinary Code, unless authorized by the Chief Financial Officer.
- 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.
 - The accounting officer, or delegated official, may conduct internal audits to evaluate compliance with this policy.

12.2 Establishing and Operating a Petty Cash Float

- 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.
- A request for the establishment of an advance will indicate the position of a senior employee to be held responsible for the control over the petty cash float within the relevant department.
- The employee mentioned under 6.2 (b) will be responsible for the security and that leave arrangements are in place to ensure safe custody of funds in the office.
- The minimum 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.
- When an advance is approved, the Chief Accountant: Creditors will advise the relevant department accordingly, and request that the designated employee mentioned under 6.2 (b) collect the advance.

12.3 Security of Petty Cash Floats and Documentation

- The cash on hand and used petty cash vouchers are to be kept in a locked box for which there are to be two keys. One key is to be retained by the petty cash officer (on their person) normally responsible for petty cash, and the other by the senior 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.
- 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

employee only. At no stage should staff other than the responsible employee/s have access to the storage place of the petty cash box.

- Under no circumstances are keys to be left in the lock of the petty cash box, cabinet or safe.
- 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 the replacement staff member, to indicate their agreement as to its balance.

12.4 Completing Petty Cash Vouchers and the Petty Cash Reconciliation and Register

- Petty cash stationery is available from the Expenditure section. The form consists of two parts:
 - Petty Cash Voucher
 - 4.) Petty Cash Reconciliation and Register
 - 5. Receipt for cash advance (Only when appropriate-refer to paragraph on Advances)

(the same form as in (i) above)

- All details entered on the Petty Cash Voucher must appear on the Petty Cash Reconciliation and Registersheet.
- Original receipts and other valid documentation as required must be attached as proof of payment, with the signature of the designated officer on this documentation. The receipt and invoice must be in a formal business format.

12.5 Sub-advances to staff members

- If it is necessary to make an initial sub-advance to a staff member, a receipt for the cash advance must be completed (Petty Cash Voucher) . The receipt for the 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 Petty Cash Voucher.
- All 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 to any one individual at a time.

12.6 Out-of Pocket Payments

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

- 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) .
- The recording-documentation-and authorization requirements will be as stated in paragraph 6.4

12.7 Reimbursement of Petty Cash Floats

- A petty cash float is operated on the basis that expenditure from the float is reimbursed **not more than twice monthly**. Such reimbursement requires:-
 - returning the cash level of the petty cash float to its original level, and;
 - (ii) charging the expenditure which has been incurred to the correct expenditure vote.
- Accordingly, **at any point in time**, the sum of the cash on hand, i.e. remaining unspent, plus the cash advances for unfinalized purchases, plus the completed cash purchase claim forms, updated on the Petty Cash Reconciliation and Register form, shall equal the level of the petty cash advanced.
- Completed Petty Cash Reconciliation and Register forms, with attached cash register slips etc. must be submitted to the Expenditure section for reimbursement, after the relevant documentation has been authorized by the relevant head of the department.

- Reimbursement of claims where supporting documentation as prescribed in this policy is absent/ missing, will be declined.
- The prescribed forms as mentioned in 6.4 (a) (i) to (iii) above, as well as other relevant forms attached to it, must be completed in full.
- The most recently completed Petty Cash Reconciliation and Register form must record the reconciliation of the petty cash float. The Chief Accountant: Creditors will decline reimbursement of claims where this is not supplied.
- A petty cash float must never be reimbursed with funds derived from any other source whatsoever.

5.8 Shortages

- Any shortages in respect of a petty cash float must be reimbursed immediately by the responsible petty cash officer.
- 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

7.2 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 Chief Accountant: Creditors, with the balance of cash on hand and completed and authorized forms. The most recently completed Petty Cash Reconciliation and Register form will record the reconciliation of the petty cash float.

The Cashier will issue a receipt to the person delivering the cash.

7.3 Short title and commencement

This Policy is called the Garden Route District Municipality Petty Cash Policy and takes effect from, July 2021, and should be reviewed annually