

ILEMBE DISTRICT MUNICIPALITY



PETTY CASH POLICY

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1. DEFINITIONS

In this Policy, unless the context indicates otherwise, the following definitions are applied:-

- “CFO”** means the Chief Financial Officer of the ILembe District Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003.
- “GRAP”** means the Generally Recognised Accounting Standards.
- “Municipal Manager”** means a person appointed as the Accounting Officer of the Municipality.
- “Municipality”** means ILembe District Municipality.
- “Petty Cash”** means a small amount of cash kept by the Municipality for expenses;

2. OBJECTIVE OF THE POLICY

To regulate the use of Petty Cash Float within ILembe District Municipality and to ensure that in disbursing petty cash funds the Municipality is within the ambit of Municipal Finance Management Act (MFMA).

3. SCOPE OF THE POLICY

This policy applies to the iLembe District Municipality.

4. PETTY CASH PROCEDURES IN TERMS OF PARAGRAPH NO. 2.3.4. OF THE GRAP IMPLEMENTATION GUIDE

4.1 Petty Cash Requisitions and Authorisations

4.1.1 A Petty Cash Requisition Form shall be used for all purposes of administering petty cash. If cash is advanced without supporting documents it should be on the basis of cash advance, under signature of the receiving official and authorised by the Head of the Department and such cash advances shall be accounted for within two (2) working days of each request. A concession will be granted for holidays or weekends that have fallen between the advance periods;

4.1.2 Further to the foregoing paragraph and for purposes of audit trail all petty cash forms should be properly vouched with proof of expenditure in the form of invoices, cash receipts or cash sale slips;

4.1.3 Petty Cash advances will not be considered without the necessary authorisation in accordance with MFMA delegation of authority;

4.1.4 Petty Cash advances not accounted for within five (5) working days after the expiry of the period stipulated in (4.1.1) above and no valid reasons are provided for such failure to account, an instruction for immediate withdrawal from the individual's salary will be implemented through the payroll system;

4.1.5 The petty cash officer must regularly pursue outstanding advances and long outstanding advances must be brought to the attention of the Chief Financial Officer/ Director – Finance or senior official in the Finance Department who must take the appropriate action to ensure that the amount advanced has been properly spent and proof of the expenditure is submitted, and if necessary, that the above recovery procedure is instituted.

4.2 Petty Cash Register

The keeping of a formal petty cash register is compulsory, except where petty cash expenses are posted directly on the official financial system of the Municipality.

4.3 Safekeeping of Petty Cash Float

4.3.1 Petty Cash Float must at all time be secured in a lockable container suitable for securing money, and secured in a lockable cabinet;

4.3.2 Reasonable precautions must be exercised for the safe keeping of the keys to the petty cash container and room where it is kept.

4.4 Prohibited Practices and Allowable Expenses

4.4.1 Petty Cash shall not be used to pay for installment invoices such as rental of equipment or open orders (i.e. expenditure that would ordinarily go through the normal procurement process e.g. purchase of stationery, etc.) even if the amount falls within the limit specified below;

4.4.2 The Petty Cash limit per expenditure voucher shall be set at R2,000.00 VAT inclusive except if the Chief Financial Officer/ Director – Finance authorises the petty cash voucher for a higher amount;

4.4.3 It is forbidden to pay out any claims (including cellular claims, travel claims, etc) through Petty Cash Float;

4.4.4 It is also forbidden to purchase any Municipal asset through Petty Cash Float;

4.4.5 It shall be deemed an offence to use the Petty Cash Float for private matters (including private loans) despite even the good intentions to repay at the appropriate time;

4.4.6 Under no circumstances may staff cheques be cashed out of Petty Cash Float.

4.5 Maximum Petty Cash Float

A total cash float of R40, 000.00 shall be maintained.

4.6 Balancing/ Reconciliation of Petty Cash Float

4.6.1 When the cash in the Petty Cash Float is almost exhausted, the petty cash register must be balanced and reconciled by the petty cash officer as follows:

- i. Counts the petty cash money at hand and confirm the monthly closing balance of cash at hand as reflected in the petty cash register;
- ii. Adds up all the receipts submitted as proof of payment and agrees the total to the total reflected in the petty cash register;
- iii. Verifies that the total petty cash as at the beginning of the month plus receipts less payments for the month, equals the petty cash on hand at the end of month; and
- iv. Reconciles the petty cash total on hand with the requisition forms, vouchers and other supporting documentation.

4.6.2 Such reconciliation procedure as stated above should be performed at the end of the month and it should be ensured that the Petty Cash Float balances to the closing ledger balance.

4.6.3 The petty cash officer responsible for the review of the petty cash funds and petty cash register, signs as proof of the review.

4.6.4 The Chief Financial Officer/ Director – Finance, internal or external Auditors of the Municipality may at any stage without prior notice, perform an audit of petty cash to confirm the cash balance.

4.6.5 Internal audit should make surprise inspections of the petty cash at least once per quarter and perform the following procedures:

4.6.5.1 Inspect the petty cash vouchers to ensure that all items on the voucher are items usually used by the Municipality in the performance of duties and that no purchase was made for personal use.

4.6.5.2 Performs a cash count, in the presence of the official responsible for petty cash as follows:

Count the petty cash in the petty cash box	R xx
Add the total of invoices for the month	<u>R xx</u>
Equals the float	<u>R xx</u>

4.6.6 Any shortages or surplus funds concerning petty cash must immediately be paid in at the cashier and the reason for the shortage/ surplus must be investigated by the senior official appointed by Municipal Manager or Chief Financial Officer/ Director – Finance for rectification.

4.6.7 At year-end a cash count should be performed on all advances to ensure that the cash on hand agrees with the general ledger account. A cash count working paper should be prepared as evidence of the cash count (preferably an Internal Auditor), the Cashier and Senior Official of the Income section should sign the working paper as evidence of the cash count.

4.7 Petty Cash Custodians

4.7.1 The ultimate responsibility for control and management of Petty Cash Float lies with the Municipal Manager who may delegate this responsibility to the Chief Financial Officer/ Director – Finance.

4.7.2 In the event where the Chief Financial Officer/ Director – Finance appoints an officer to take control of Petty Cash Float, such officer must be independent of all other cash functions such as cashiering.

4.7.3 In the event that a need arises for Petty Cash Float or to increase an existing float, formal application for petty cash facilities must be made to the Municipal Manager who is ultimately accountable for the management and control of Petty Cash Float.

5. REPLENISHMENT OF PETTY CASH

- 5.1 A bank transfer payment (EFT) must be made out to the Revenue Bank Account for purposes of replenishment of the Petty Cash Float. Once all relevant parties have signed to authorize replenishment and the funds have been transferred to the Revenue Bank Account, the Petty Cash Officer shall take the request for replenishment to the senior clerk within Revenue Unit, who, after verifying that funds have been transferred into the Revenue Bank Account, shall give to the petty cash official an amount requested for replenishment from daily consumer receipts and file the requisition documentation for purposes of balancing his/her daily banking.

- 5.2 Petty Cash Float shall alternatively be reimbursed by means of an uncrossed cheque where such replenishment will be approved by Manager: Finance/ Expenditure and the cheque signed by Director – Finance and one other cheque signatory. The Petty Cash shall be reimbursed by cheque through the normal Financial System in use.

- 5.3 The schedule of petty cash vouchers (petty cash expenses) should be drawn up for verification and approval by the Manager – Finance/ Expenditure before reimbursement of petty cash float.

- 5.4 Replenishment of the Petty Cash Float will be undertaken after the balancing and reconciliation of the petty cash register has been checked and approved by the Chief Financial Officer/ Director – Finance or Manager – Finance/ Expenditure.

- 5.5 Replenishment of the Petty Cash Float shall be limited to two in any one month.

6. POLICY ADOPTION

This Policy has been considered and approved by the Council of **iLembe District**

Municipality inJune..... 2020.