

EMAKHAZENI LOCAL MUNICIPALITY



PETTY CASH POLICY

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PETTY CASH POLICY**

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1 Introduction

Vision and value statement

It is the vision of Council to be "A developmental local municipality striving to accelerate provision of quality services to the satisfaction of our communities and it is the mission of Emakhazeni Local Municipality to improve the quality of life of its citizens by providing accelerated services and creation of conducive environment for economic growth through good governance, innovation and integrated planning

The Values of the Council are:

Consultation

Service Standards

Access

Courtesy

Information

Transparency

Redress

Value for money

Responsiveness

Vision

"A developmental local municipality striving to accelerate provision of quality services to the satisfaction of our communities

Mission

Emakhazeni Local Municipality exist to improve the quality of life of its citizens by providing accelerated services and creation of conducive environment for economic growth through good governance, innovation and integrated planning

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2 Definitions

Definitions:

“Accounting Officer” means the Municipal Manager appointed in terms of section 82 of the Municipal Structures Act and defined in terms of section 60 of the Municipal Finance Management Act

“Chief Financial Officer” means a person designated in terms of section 80(2)(a) of the Municipal Finance Management Act, and defined in terms of section 60 of the MFMA.

“Municipality” means Emakhazeni Local Municipality

“Vote” means-

a) one of the main segments into which a budget of a municipality! is divided for the appropriation of money for the different departments or functional areas of the municipality; and

(b) which specifies, the total amount that is appropriated for the purposes of the department or functional area concerned.

“Petty cash” means a small amount of cash kept at hand for making immediate payments for miscellaneous small expenses.

“Petty cash float” means the total sum of petty cash which has been granted to a Petty Cash Officer.

3 Objectives

The objective of this policy is to establish an accounting and administrative framework for the effective and efficient use of petty cash of the Emakhazeni Local Municipality.

4 Scope of Application

This policy is applicable to the accounting and administrative management of Petty Cash at Emakhazeni Local Municipality and should be applied by the following:

Accounting Officer

Chief Financial Officer

All heads of departments (Senior Managers and Managers)

Any other officials designated by the accounting officer

5 Legislative Framework

5.1. Municipal Finance Management Act, 2003 (Act 56 of 2003)

6 Principles

In order to establish a petty cash facility, written approval from the Chief Financial Officer (CFO) shall be obtained, where sufficient need exists in an office or section to have cash available for official purposes.

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The request for the establishment of a new petty cash float shall indicate the name, amount and position of a senior administrative official to be held responsible for the control over the petty cash float within the relevant department.

- 6.4. The senior administrative official nominated shall be responsible for the security arrangements in place for the safe custody of the petty cash at the municipality premises.
- 6.5 The minimal security arrangement that shall be acceptable shall be that the petty cash float shall be kept in a locked box which shall be kept in a locked cabinet or safe.

The petty cash on hand and the petty cash vouchers shall be kept in a locked box for which there shall be two keys. One key shall be kept on the person of the Petty Cash Officer and the other shall be kept by the Deputy Manager Supply Chain in a sealed envelope in the office safe and shall be used only in emergency.

Funds for petty cash transactions are deemed to be advances, and until such an advance has been accounted for, a petty cash payment shall not be treated as a final charge.

Advances/claims should be done in accordance with the petty cash procedures and be settled within **48 hours** of the transaction date.

7 Petty Cash Policy Guidelines

Instructions

The following instructions must be complied with:

- a) The keeping of a petty cash register shall be entrusted to a responsible official in writing by the Chief Financial Officer (CFO) and the said official shall immediately enter all payments and replenishments in the petty cash register;
- b) An acceptable supporting voucher shall be obtained for each payment;
- c) Private cheques shall not be cashed from petty cash;
- d) Petty cash shall be kept apart from other state moneys but not necessarily in separate safes;
- e) The petty cash register shall be balanced on a monthly basis, then checked and signed by the Deputy Manager Supply Chain or an official nominated in writing, and verified by means of a cash count in the presence of two independent officials.

General

- a) Petty cash float limit shall be authorized by the Chief Financial Officer;
- b) Any shortages in the petty cash float shall be reimbursed immediately by the responsible petty cash officer;
- c) Where petty cash float is stolen the incident shall be reported promptly to the Chief Financial Officer and a case shall be logged at the South African Police Services;

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- d) When a petty cash float is no longer required, a departmental memorandum shall be written and signed by the Head of the relevant department to the Chief Financial Officer, with the balance of the petty cash on hand and the completed and authorized petty cash vouchers;
- e) At any one point in time, the sum of petty cash on hand and the petty cash vouchers shall equal the petty cash float;
- f) No more than one advance shall be made to the same employee at any one point in time;
- g) The use of the petty cash float shall be confined to individual petty cash purchases up to a maximum of R500 (VAT incl), authorized by the Chief Financial Officer.
- h) The expenditure with regard to petty cash purchases shall not be deliberately split into more than one transaction to circumvent the limit of R500(VAT incl).
- i) The petty cash float shall **not** be used for any of the following:
 - i. Transport and subsistence claims and advances;
 - ii. Tollgate fees outside Emakhazeni municipal boundaries;
 - iii. Expenditure related to the repair of labour saving devices; and
 - iv. Parking fees unless proof of payment is submitted.
 - v. Loans to any person whatsoever;
 - vi. Payment of remuneration to any person whatsoever, whether for fees, salaries, wages or any allowance;

Requisitions

A Petty Cash Requisition form shall be completed and approved by the respective Head of Section when a section needs Petty Cash.

The petty cash requisition form details shall include the vote to be debited

The Petty Cash requisition after receiving the vote, will be submitted to the Petty Cash Officer to safe guard until submission of the claim

The quantity and descriptions of the items to be purchased shall be specified and purchases must be motivated in full

The requisitioned amount shall not exceed a maximum amount of R500.00 (VAT incl)

Advances

The Petty Cash Officer shall only issue cash to employees once they have completed a properly authorized advance voucher and the applicant must personally collect the advance payment where upon the official shall sign for the receipt of cash.

The Head of the Section in which the employee is employed shall sign the advance voucher to indicate authorization.

The quantity and descriptions of the items to be purchased shall be specified and purchases must be motivated in full.

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Supporting vouchers for the advance shall be submitted to the Petty Cash Officer within 48 hours of the advance been given. If an advance is not settled by a claim submitted to the Petty Cash Officer within forty eight hours, it shall be deducted from the applicant's salary without further notification.

Claims

The Petty Cash Officer shall only process a claim once a completed and properly authorized claim documents are submitted and linked to a valid Petty Cash requisition form.

The quantity and descriptions of the items purchased shall be specified.

Supporting vouchers for the claim should be submitted to the Petty Cash Officer within 48 hours of the Petty Cash requisition date. Should a claim not be submitted to the Petty Cash Officer within forty eight hours, it shall be deemed and none refundable claim to the employee.

Replenishing Petty Cash

When the petty cash float reaches the minimum amount determined by the Chief Financial Officer from time to time, the Petty Cash Officer shall prepare and submit the voucher and the petty cash register to the Deputy Manager Supply Chain for approval of replenishment.

The Petty Cash Officer shall ensure that the cheque for encashment is processed and update the petty cash register as evidence of encashment of cheque

Relief of Petty Cash Officer

If a person entrusted with the receipt, payment or collection of Petty Cash moneys is relieved of official duties, either temporarily or permanently, the cash, vouchers and Petty Cash register shall be checked and balanced and the correctness of the balances and cash on hand certified by the signatures of the person being relieved, the person taking over and the supervisor.

If the person being relieved is for any reason not able to so certify, a third person shall, where possible, be called upon to certify the correctness of the balance by appending official signature.

When a person is relieved, a list shall be compiled of the contents of any safe or cash register handed over and this list shall be certified by the persons referred to in that instruction.

8 Roles and Responsibilities

Deputy Manager Supply Chain

The roles and responsibilities of the Deputy Manager Supply Chain shall be to ensure that:

- a) a dedicated person is appointed be responsible for petty cash;
- b) a dedicated person to check and approve Petty Cash officers transactions on the register

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- c) Petty Cash requisitions are checked for correct allocations against appropriated funds; and
- d) monthly Petty Cash counts and spot checks are performed.

Petty Cash Officer

The roles and responsibilities of the Petty Cash Officer are to:

- a) Ensure Petty Cash requisition forms are completed in full and are correct;
- b) Ensure Petty Cash balance at all times according to register, and if any shortfall occur then it should be paid in by the Petty Cash Official, and any surplus should be deposited at the income section cashier;
- c) Reconcile Petty Cash register for replenished purposes;
- d) Prepare the cash count documents before submission of replenished claim;
- e) Ensure Petty Cash float is adequate and replenished when necessary;
- f) Safeguard Petty Cash;
- g) Manage petty cash in terms of the requirements of this policy; and

Other officials

The roles and responsibilities of the other municipality officials are to:

- a) Ensure Petty Cash requisition forms are completed correctly and signed by the responsible person;
- b) Ensure that outstanding Petty Cash advances are settled by submitting supporting vouchers to the Petty Cashier; and
- c) Ensure safeguarding of Petty Cash money received from Petty Cashier

9 Monitoring, Evaluation and Reporting

The total amount of the Petty Cash advance shall be reflected in the Municipality's accounts and financial statements.

The Petty Cash outstanding advances, outstanding claims and total expenditure allocated shall monthly be reported to the Chief Financial Officer.

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10 Annexure

- Petty cash procedures
- Petty cash reconciliation form
- Petty cash count form
- Official hand over of petty cash form
- Petty cash replenishment form
- Petty cash advance voucher
- Petty cash request form
- Petty cash claim form

11 Implementation

The Petty Cash Policy will be adopted and implemented at the start of the financial year after Council approval.