

THEMBISILE HANI LOCAL MUNICIPALITY PETTY CASH POLICY



2016/2017

INTRODUCTION

Petty cash is a small amount of discretionary funds that are minor 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.

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.

1. LEGISLATIVE FRAMEWORK

The legislative framework governing petty cash are:

- 3.1 The Local Government Municipal Finance Management Act, 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.

2. PETTY CASH PURCHASES

- 4.1 The Chief financial Officer must delegate personnel from the expenditure section in the treasury office and 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.

5. APPROVED LIST OF PETTY CASH PURCHASES

5.1 Approved items for petty cash purchases, but not limited:

- (a) bouquets and flowers utilized for official for official purposes;
- (b) tollgate fees;
- (c) refreshments and catering
- (d) pay-as-you-go cellular airtime; and/or
- (e) purchases of an urgent nature where it is impractical to follow the official procurement process.

5.2 Departments co-operation is requested not to utilize the petty cash for the following items:

- (a) approved store items which are kept at the municipal store;
- (b) any items which can be classified as assets, example, calculators and memory sticks;
- (c) subsistence and travel claims;
- (d) stationery and computer related equipment;
- (e) ordinary material and tools for repairs except for the petty cash bins kept by supply chain management;
- (f) safety equipment and clothing such as clothes, ear protectors, safety glasses, etc; and/or
- (g) wages for contractors, labour or contract work less than R500,00.

5.3 Petty cash other than that specified in 5.1 (a-d) above must be approved by the Chief Financial Officer or delegated senior official prior to the transaction.

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 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.

- 6.3 The petty cash official is responsible for the safekeeping of all the keys of the cash box and a register thereof must be kept.
- 6.4 For proper segregation of duties the Sectional Head (expenditure) or the Head Financial Planning & Expenditure must be in possession of a spare key or combinations for the safe only.

7. LIMITATION

- 7.1 The maximum amount allocated per petty cash bin will be determined from time to time by the Chief Financial Officer based on the operational requirements of the municipality and the risk of safeguarding petty cash bins.
- 7.2 When the amount per petty cash bin is increased the Financial Officer must draw a cheque and encash it at the municipal bankers.
- 7.3 The responsible official must sign for the acceptance of the increased cash amount together with the Financial Officer and be verified by the transaction control and verification section.
- 7.4 When the petty cash bins is 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 handed over.
- 7.5 The Sectional Head expenditure must ensure that the new holder of the petty cash bin is aware of his/her responsibilities relating to the petty cash transactions

8. PETTY CASH REPLENISHMENT

- 8.1 Petty cash replenishments will only be done after having full exhausted the available cash in the bins.
- 8.2 A proper petty cash register must be kept where each disbursement of petty cash transaction is recorded.
- 8.3 The minimum details 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; and
 - (e) amount issued.

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

9. DISBURSEMENT OF PETTY CASH

- 9.1 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.
- 9.2 The authorized official must ensure that funds are available in the budget prior the submission of claims.
- 9.3 An original receipt, clearly indicating it has been paid must support the petty cash voucher.
- 9.4 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 Finance Department will take no responsibility if the money is not received by the originator of the transaction.
- 9.5 In the case where a petty cash advance was granted, the recipient of the advance must bring the cash vouchers within five (3) working days from receipt of the advance.
- 9.6 Where proof of expenditure could not be provided on petty cash advances within the prescribed period, will the advance automatically be deducted from the respective employee's salary.

10. SHORTAGES AND LOSSES

- 10.1 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.

10.2 In the event of identified shortage and/or losses must it immediately be reported to the Chief Financial Officer and be paid in by the holder of the petty cash bin(s)

11. INTERNAL CONTROLS

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

11.2 Petty cash reconciliations with the general ledger must be reconciled before 30 June of each year.

12. REPORTING

12.1 A monthly reconciliation report from the holder of a petty cash must monthly be submitted to the Chief Financial Officer including the total amount of petty cash purchases for that month.

13. REVIEW

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

14. SHORT TITLE

This policy shall be called the Petty Cash Policy of Thembisile Hani Local Municipality.