



## **PETTY CASH POLICY**

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## **1. DEFINITIONS**

1.1. In the policy, unless the context indicates otherwise, the following definitions are applies

- a) Accounting Officer – The Municipal Manager for Amajuba District Municipality
- b) CFO – The Chief Financial Officer for Amajuba District Municipality
- c) MFMA – The Municipal Finance Management Act (Act No. 56 of 2003)
- d) Municipality – Amajuba District Municipality
- e) Petty Cash – A an accessible store of money kept by Amajuba District Municipality for expenditure on small items

## **2. OBJECTIVE**

2.1. The objective of this policy is to regulate the management, administration and control of Petty Cash within the Municipality and to ensure that in disbursing Petty Cash funds the Municipality is within the ambit of Municipal Finance Management Act (MFMA), 56 of 2003.

## **3. SCOPE OF POLICY**

3.1. This Policy applies to all councilors and officials of the Municipality.

## **4. METHODOLOGY OF OPERATION**

4.1. A dedicated office for control of Petty Cash for use at the Municipality but accessible manner shall be operated. The officers handling cash shall be limited to two (Chief Financial Officer and the Personal Assistant to the CFO/ Petty Cash Controller), supported by the availability of a safe.

4.2. A total Petty Cash float of R10 000.00 shall be kept. Petty Cash shall be reimbursed by an authorised payment voucher.

4.3. The total amount of Petty Cash, in the form vouchers or cash, shall be counted (physical verification) in full at the end of the financial year before closure of Revenue (Cash) Offices for the financial year; and these should always equal R10 000.00 as applied in terms of the accrual basis of accounting.

4.4. The original issuance of Petty Cash shall be approved by the Accounting Officer. Approval will be sought from the Accounting Officer where the float needs to be increased for whatever reason.

## **5. PETTY CASH ADVANCE/REQUEST FORM**

- 5.1. A Petty Cash Advance Form shall be used for all purposes administering Petty Cash.
- 5.2. Cash advances shall be accounted for within two working days of each request. This implies that a concession will be granted for holidays or weekends that have fallen between the advance periods. The pre-numbered advance form shall be recorded accordingly in the Petty Cash Register or Journal.
- 5.3. The Petty Cash requisition form must include:
- 5.3.1 Reason for Petty Cash.
  - 5.3.2 Amount requested (not exceeding R2 000).
  - 5.3.3 Vote number.
  - 5.3.4 Person requesting an item.
  - 5.3.5 Supported by HOD or responsibility Manager.
  - 5.3.6 Person authorising (CFO or delegated official).

## **6. AUTHORISATION OF ADVANCES**

- 6.1. Petty Cash advances will not be considered without the necessary authorization in accordance with MFMA delegation of authority. The same ruling that applies for Procurement Requisition Form shall apply.

## **7. AUTHORISED LIMIT PER EXPENDITURE**

- 7.1. The Petty Cash Limit per expenditure voucher shall be set at R2 000 VAT inclusive.

## 8. ACCOUNTING

### 8.1. Issue of original payment voucher

The original petty cash payment voucher to be accounted for as follows:

Allocation Description	General ledger	Debit	Credit
Petty Cash	D0001/IA10216/F0001/X049/R0402/001/0006	R10,000.00	
Bank	D0001/IA02108/F0001/X049/R0402/001/0006		R10,000.00

## 9. REIMBURSEMENT OF EXPENSES/IMPREST SYSTEM

9.1. The schedule of petty cash vouchers (petty cash expenses) should be drawn up for approval by the Chief Financial Officer before submission for payment.

## 10. PROHIBITED PRACTICES AND EXPENSES

- 10.1. Petty Cash shall not pay for installment invoices such as for rental of equipment or open orders even if the amount falls within the limit specified.
- 10.2. Petty Cash shall not be used to offer credit due to a vendor/supplier where the vendor is registered with the municipality.
- 10.3. It is forbidden to pay out cellular claims or all other claims through Petty Cash.
- 10.4. It shall also be forbidden to purchase an asset through Petty Cash.
- 10.5. Petty Cash advances shall be readily available for auditors/checkers without any postponement or deviation.
- 10.6. It shall be deemed an offence to use the Petty Cash float for private matters despite even the good intentions to repay at the appropriate time.
- 10.7. Deviation from the accepted accounting practices in the use of Petty Cash shall constitute a serious offence under the Disciplinary Code.
- 10.8. Petty Cash float or advances shall be deducted from the individual's salary if not accounted for within the stipulated period.

## **11. RECONCILIATION OF PETTY CASH FLOAT**

- 11.1. 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:
  - 11.1.1 Counts the Petty Cash money at hand and confirm the monthly closing balance of cash at hand as reflected in the Petty Cash register.
  - 11.1.2 Adds up all the receipts submitted as proof of payment and agrees the total to the total reflected in the Petty Cash register.
  - 11.1.3 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.
- 11.2. Reconciles the Petty Cash total on hand with the requisition forms, vouchers and other supporting documentation.
- 11.3. Such reconciliation procedure as stated above should be performed at the end of each month and it should be ensured that the Petty Cash Float balances to the closing ledger balance.
- 11.4. The Petty Cash officer responsible for the review of the Petty Cash funds and petty cash register, signs as proof of the review.
- 11.5. The Chief Financial Officer, 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.
- 11.6. The Chief Financial Officer may make surprise inspections of the Petty Cash at least once per quarter and perform the following procedures:
  - 11.6.1. 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.
  - 11.6.2. Performs a cash count, in the presence of the official responsible for Petty Cash.
- 11.7. 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 for rectification.
- 11.8. 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 by (preferably an Internal Auditor), the Petty Cash Controller and the Accountant – Expenditure and they should sign the working paper as evidence of the cash count.

## **12. SAFEGUARD OF PETTY CASH**

- 12.1. The petty cash fund is to be safeguarded in a lockable cash safe, which should be locked, not only after hours, but also during normal business hours in a locked, fire- and thief resistant safe located in the Finance Division and at the Secretary of the Chief Financial Officer.
- 12.2. The designated official from the expenditure section and the Secretary of the Chief Financial Officer will fulfil the function of Petty Cash officials.
- 12.3. Requests for petty cash will be approved by the Chief Financial Officer and may not exceed the amount as referred to in paragraph 7.1(1) above.
- 12.4. The Secretary of the Chief Financial Officer is responsible for the safekeeping of the original key of the cash safe. The Chief Financial Officer or Municipal Manager is in possession of a spare key for the safe only.

## **13. COMPLIANCE ENFORCEMENT**

- 13.1. Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken as per the Municipality's Disciplinary Code of Conduct.
- 13.2. It will be the responsibility of Chief Financial Officer to enforce compliance with this policy.

## **14. POLICY ADOPTION**

This Policy has been considered and approved by the **COUNCIL OF AMAJUBA DISTRICT MUNICIPALITY** as follows:

Resolution No:.....

Approval Date:

**ANNEXURE: PETTY CASH VOUCHER**

Petty cash voucher is system generated from Sage 200.

**Cash Payment Voucher**

<b>PAYEE</b>
<b>Name :</b>
<b>Address :</b>
<b>Telephone Number :</b>
<b>Account Payee :</b>

<b>Voucher Number:</b>
<b>Date:</b>
<b>Voucher Type:</b>
<b>Status:</b>

<b>Cheque Number:</b>
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<b>Bank Account:</b>
<b>Bank Account Number:</b>

<b>Currency:</b>
<b>Exchange Rate : 1</b>

**Total in words**

x
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<b>Description:</b>
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<b>Particulars</b>	<b>Account</b>	<b>Amount</b>	<b>Cashbook Amount</b>
		Rx	Rx
		<b>Home Currency Total</b>	Rx
		<b>Total</b>	Rx

<b>Prepared By</b>	<b>Checked By</b>	<b>Authorised By</b>	<b>Received By</b>

