

uMFOLOZI LOCAL MUNICIPALITY



DRAFT

PETTY CASH POLICY

February 2018

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1. PREAMBLE

The Accounting Officer of a municipality is responsible for the management of the expenditure of the municipality in an effective and controlled manner.

UMfolozi Local Municipality adopts the following petty cash policy which must comply with the regulatory framework of the Municipal Finance Management Act 56 of 2003 (MFMA) and National Treasury regulations in terms of section 13(1) of the Act.

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2. DEFINITIONS

Accounting Officer means the Municipal Manager;

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

Irregular expenditure means:

- (a) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned in terms of section 170 of the MFMA;
- (b) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure";

Mayor means the councilor elected as the Mayor of the municipality in terms of section 55 of the Municipal Structures Act;

Municipal council or **council** means the Council of a municipality referred to in section 18 of the Municipal Structures Act;

Municipality:

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

National Treasury means the National Treasury established by section 5 of the Public Finance Management Act;

Official means:

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of staff of the municipality or municipal entity; or
- (c) a person contracted by a municipality or municipal entity to work as a member of staff of the municipality or municipal entity otherwise than as an employee;

Overspending:

- (a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

Unauthorized expenditure means any expenditure incurred by a municipality otherwise than in accordance with sections 15 or 11(3) of the MFMA, and includes:

- (a) Overspending of the total amount appropriated in the municipality's approved budget;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA;

3. OBJECTIVES

To ensure compliance with the regulatory framework in terms of the relevant legislation and to avoid wasteful and fruitless expenditure.

To provide guidelines and procedure for the operation of the petty cash floats within the Municipality.

4. RESPONSIBILITY AND ACCOUNTABILITY

- 4.1 The Accounting Officer of a municipality is responsible for the management of the expenditure of the municipality
- 4.2 The Accounting Officer must for the purpose of subsection (1) take all reasonable steps to ensure:
- (a) That the Municipality has and maintains a management, accounting and information system which:
 - (I) recognises expenditure when it is incurred;
 - (II) Accounts for creditors of the Municipality; and
 - (III) Accounts for payments made by the Municipality;
 - (b) That the Municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
 - (c) That payments by the Municipality are made:
 - (I) directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and
 - (II) 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;
 - (c) That the Municipality has and maintains a system of internal control in respect of creditors and payment.

5. GENERAL PRINCIPLES

- 5.1 It is forbidden for one purchase or payment which has been incurred by the same person to be split over two or more cash purchase claims.
- 5.2 A petty cash float is not to be used for any of the following:
- (a) the cashing of cheques;
 - (b) Loans to any person whatsoever;
 - (c) Payment of personal remuneration to any person whatsoever, whether for fees, salaries, wages, travel allowance as part of remuneration, honorarium or other reason.

- 5.3 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.
- 5.4 The use of petty cash floats is strictly confined to individual cash purchases of:
- (a) up to a maximum of R500, where the petty cash floats of other departments, other than the Finance Directorate Petty Cash, are utilized to make purchases.
 - (b) up to a maximum of R2 000, when claimed from the Financial Services Petty Cash Float.

6. PETTY CASH FLOAT PROCEDURES

6.1 ESTABLISHMENT OF A PETTY CASH FLOAT

- 6.1.1 To establish a new petty cash float or increase an existing advance, a written application is to be made to the Chief Financial Officer by the relevant department.
- 6.1.2 A request for the establishment of an advance will indicate the name and status of senior administrative or clerical staff to be held responsible for the operation of the petty cash float. The staff member's specimen signature must be submitted by the department to the Chief Financial Officer, together with the application documentation.
- 6.1.3 The total value of the advance requested will be an amount which would normally necessitate reimbursement approximately once a week. This level of advances keeps to a minimum the overall cash in the buildings on municipal property and ensures regular inclusion of information regarding expenditure in financial reports and for budget control purposes.
- 6.1.4 The application will indicate the security arrangements in place to ensure safe custody of funds in the office. The minimum acceptable security arrangement is that the float will be kept in a locked box which will be kept in a locked filing cabinet or safe.
- 6.1.5 If an advance is approved, the Accountant: Expenditure will advise the department accordingly and request that the responsible staff member collect the advance. This establishing advance will be charged to a "Petty Cash Advances - ...Name/Dept..." in the General Ledger and not against any expenditure votes. A register of advances is thus maintained per Ledger Account for the purpose of accounting for all petty cash floats.

6.2 CASH ADVANCES TO STAFF MEMBERS

- 6.2.1 If it is necessary to make an initial sub-advance to a staff member for various needs, a receipt for cash advance must be completed. The receipt for cash advance form must be completed as follows:
- (a) Description and estimated cost of the goods/services purchased
 - (b) Purchaser's signature
 - (c) Vote number to be charged

- (d) Signature of the officer in charge of petty cash.
- 6.2.2 On completion of the purchase, the recording, documentation and authorization requirements will be as stated in the above paragraph: Completing a Cash Purchase Claim Form.
- 6.2.3 All such 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 delay.
- 6.2.4 No more than one advance will be made to any one person at one time.

6.3 REIMBURSEMENT OF PETTY CASH FLOATS

- 6.3.1 A petty cash float is operated on the basis that expenditure from the float is periodically reimbursed. Such reimbursement:
 - (a) Returns the cash level of the petty cash float to its original level; and
 - (b) Charges the expenditure which has been made, to the correct expenditure vote.
- 6.3.2 Accordingly, at any point of time, the sum of the cash on hand, i.e., remaining unspent, plus the cash advances for unfinalised purchases, plus the completed cash purchase claim forms, will equal the level of the petty cash advanced to the department.
- 6.3.3 Completed Cash Purchase Claim forms, with attached cash register slips, etc., must be taken by the officer in charge of the petty cash in a Directorate/department, to the Accountant: Expenditure for reimbursement, after the Summary Claim Cover Page and attached documentation have been authorised by a financial delegate at least once in 14 days. Reimbursement of claims where supporting documentation is missing will be refused.
- 6.3.4 The prescribed Summary Cash Purchase Claim form as well as other relevant forms attached to it must be completed in full.
- 6.3.5 The most recently completed Cash Purchase Claim form must record the reconciliation of the petty cash float. The Accountant: Expenditure will refuse reimbursement of claims where this is not supplied.
- 6.3.6 A petty cash float must never be reimbursed with funds derived from any other source whatsoever.

6.4 SECURITY OF PETTY CASH FLOATS

- 6.4.1 The cash on hand and used petty cash vouchers are to be kept in a locked box for which there should be two keys. One key is to be retained by the officer (on their person) normally responsible for the petty cash and the other is to be kept in a sealed envelope in the office safe or other secure place, to be used only in an emergency.
- 6.4.2 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 staff member only. At no stage

should staff other than the responsible administrative/clerical staff member have access to the storage place of the petty cash box.

- 6.4.3 Under no circumstance are keys to be left in the lock to the petty cash box, cabinet or safe.
- 6.4.4 If the responsible 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 members, to indicate their agreement as to its balance. The replacement staff's specimen signature must also be submitted to the Chief Financial Officer.

6.5 SHORTAGES

- 6.5.1 Any shortages in respect of a petty cash float must be paid in immediately.
- 6.5.2 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 Service.

6.6 OUT-OF-POCKET PAYMENTS

- 6.6.1 Where a staff member has made purchases from their own funds and now seeks reimbursement from the petty cash, supporting documentation must be provided to substantiate the claim.
- 6.6.2 The supporting documentation is to be attached to the claim.
- 6.6.3 The recording, documentation and authorization requirements will be as stated in the following paragraph (completing a cash purchase claim form).

6.7 COMPLETING A CASH PURCHASE CLAIM FORM

- 6.7.1 Petty cash stationery is available from the Expenditure Section (Financial Services). The form consists of two parts:
 - (a) Cash Purchase Claim page
 - (b) Cash Purchase Record page
 - (c) Receipt for cash advance (only when appropriate, refer to paragraph on Advances).
- 6.7.2 All details entered on the Cash Purchase Claim appear on the Cash Purchase record page.
- 6.7.3 The Cash Purchase Claim must be completed as follows:
 - (a) Description and cost of the goods/services purchased
 - (b) Purchaser's signature
 - (c) Vote number to be charged
 - (d) Signature of the officer in charge of petty cash.
- 6.7.4 Original receipts or other valid documentation as required must be attached as proof of payment, with the signature of an appropriate financial delegate on this

documentation. A financial delegate cannot authorise a cash purchase claim where she or he is the purchaser. The receipt and invoice must be in a formal business format.

7 PROCEDURE WHERE A PETTY CASH FLOAT IS REPAYED/CANCELLED

When an advance is no longer required, a statement is to be completed and signed by the head of the relevant department and submitted to the Accountant: Expenditure, with the balance of cash on hand and completed and authorized Cash Purchase Claim forms. The most recently completed Cash Purchase Claim form will record the reconciliation of the petty cash float.

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

8. ADOPTION AND IMPLEMENTATION

This policy was adopted by the Municipal Council on per Resolution Number:

MAYOR

MUNICIPAL MANAGER

