



## **UMDONI LOCAL MUNICIPALITY**

### **DRAFT PETTY CASH POLICY 2024/2025**

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<b>Department</b>	<b>Finance</b>
<b>Policy Name</b>	<b>Petty Cash Policy</b>
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## **PREAMBLE**

It is impractical to follow the Supply Chain Management Policy in respect of every expense, especially payments of a minor and non-recurring nature. In terms of the Municipality's Supply Chain Management Policy purchases from R0 up to R5 000 (inclusive of VAT) may be procured using petty cash facilities.

## **PURPOSE**

The purpose of this Policy is to:

1. Provide guidelines on the usage and management of petty cash by all employees appointed by the Municipality.
2. Ensure that such guidelines are in accordance with the Act.

## **REGULATORY FRAMEWORK**

**This Policy is guided by the following legislative framework:**

- 1 The Constitution of the Republic of South Africa, 108 of 1996
- 2 The Local Government: Municipal Finance Management Act 56 of 2003 (and applicable Regulations)
- 3 The Local Government: Municipal Systems Act 32 of 2000 (and applicable Regulations)
- 4 The Local Government: Municipal Structures Act 32 of 2000 (and applicable Regulations)

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## 1 Definitions

In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and:

- 1.1 “**Act**” means the Local Government: Municipal Finance Management Act 56 of 2003;
- 1.2 “**Accounting Officer**” means the Municipal Manager of the Municipality appointed in terms of section 82 of the Municipal Structures Act and the head of administration and accounting in terms of section 55 of the Municipal Structures Act.
- 1.3 “**Chief Financial Officer or his delegate**” means an officer of the Municipality, designated by the Municipal Manager to be administratively in charge of the financial affairs of the Municipality.
- 1.4 “**Municipality**” means Umdoni Local Municipality;
- 1.5 “**Municipal Structures Act**” means the Local Government: Municipal Structures Act 32 of 2000;
- 1.6 “**Municipal Systems Act**” means the Local Government: Municipal Systems Act 32 of 2000;
- 1.7 “**Official**” means an employee of the Municipality;
- 1.8 “**Petty Cash**” means a small amount of cash kept by the Municipality for minor or non-recurring expenses.
- 1.9 “**Revenue Manager**” means a manager appointed to oversee the revenue department

## 2 Policy Procedures

- 1 Appointment of petty cash officers
  - (a) bear the responsibility of managing and controlling petty cash;
  - (b) acknowledge appointment by appending his or her signature and date as an acceptance of the responsibilities;
  - (c) ensure that he or she is familiar with all relevant statutory requirements and institutional responsibilities attached thereto; and
  - (d) abide by the contents of this Policy and the Act.

- 2 The Revenue Manager shall be appointed in writing by the Accounting

Officer as a relief petty cash custodian. As relief custodian the Revenue Manager shall:

- (a) be responsible for managing and controlling petty cash in the absence of the Chief Financial Officer;
- (b) acknowledge appointment by appending his or her signature and date as an acceptance of the responsibilities;
- (c) ensure that he or she is familiar with all relevant statutory requirements and institutional responsibilities attached thereto.
- (d) abide by the contents of this Policy and the Act.

3 The Accounting Officer has the discretion to assign petty cash floats within the various departments in the Municipality, provided that:

- (a) he or she must be reasonably satisfied that there are sound controls within those departments to manage and control the petty cash;
- (b) the responsibility for the management, safe keeping and operation of the petty cash float in the departments rest with the Head of a particular department;
- (c) the Heads of the various departments with petty cash float must appoint a designated petty cash custodian and a relief custodian who shall bear the responsibilities set out in paragraphs 2.1(1) and (2) above;
- (d) the Heads of the various departments with petty cash float shall ensure that the petty cash custodian and a relief custodian so appointed have no previous convictions or suspicions relating to commercial crimes (e.g. theft, fraud, corruption, funds embezzlement, forgery, bribery, uttering, extortion etc); and
- (e) officials who have garnishee orders against their salaries must not be appointed as petty cash custodians.

4 Section 78(1)(b) and (c) of the Act requires each and every employee within the Municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that employee's area of responsibility. In particular, the employee must take effective and appropriate steps to prevent, within that employee's area of responsibility, any unauthorised, irregular, fruitless and wasteful expenditure and any under-collection of revenue due.

5 All petty cash officers shall adhere to section 78(1)(b) of the Act.

## 2.2 Custody & safe keeping of petty cash

- (1) The custodian (or relief custodian in the absence of the designated custodian) is specifically responsible for the following:
  - (a) Petty cash float (including original receipts and vouchers) must be kept secured in a locked cash box.
  - (b) The cash box shall be kept in a safe in an office. The safe and office shall at all times be kept locked and the key to the safe where cash float is kept shall be kept by the custodian.
  - (c) The custodian must sign for the key and always keep it in a safe place.
  - (d) Only the custodian must have access to and disburse petty cash. Handling of petty cash must only take place in secure locations.
  - (e) The custodian must ensure that petty cash is only disbursed to an authorised employee who produces an original requisition signed by such employee and the Head of the relevant department and where petty cash is kept within different departments, signed by the Chief Financial Officer or delegated official.
  - (f) The petty cash custodians must not put her personal monies or of any other employee's money in the box and the safe where petty cash is kept.
- (2) If petty cash float is lost, the petty cash custodian responsible for that petty cash shall be held liable.

## 2.3 Approval of petty cash float

- (1) An application for the establishment of a petty cash facility or the increase of an existing petty cash float shall be made by the Manager Revenue or delegated official to the Chief Financial Officer for consideration and decision.
- (2) The Revenue Manager or his delegated official shall motivate reasonable and valid reasons for the application and amount required.
- (3) The petty cash float amount shall be reviewed annually and shall at no time exceed and amount of R5 000.
- (4) The use of petty cash shall be limited to minor requirements for which a single transaction shall not exceed R500.

2.4 The Municipality shall at all times endeavour to avoid using the petty cash in instances where the Municipality has an account with the supplier or can negotiate opening an account. Such purchases shall comply in particular with the Municipality's Supply Chain Management Policy which regulates the acquisition and disposal of goods and services

2.5 Application for petty cash

- (1) Petty cash can only be requested upon application and by the completion of a requisition form, authorised and signed by the Head of the relevant department.
- (2) The requisition form must then be submitted to the Chief Financial Officer or his delegate. In the case where petty cash is being kept within different departments then the requisition must be sent to the relevant petty cash custodian for approval and sign-off.
- (3) Petty cash may not be given to the employee requesting the petty cash until such time as the requisition has been approved by the relevant Head of department, the Chief Financial Officer and the petty cash custodian.
- (4) In cases where minor expenditure was incurred by employees during official trips e.g. parking and toll fees then such expenditure may be claimed from petty cash but a requisition must still be completed. In these cases, employees must first obtain approval from the Head of his/her department prior to such purchases taking place. No refund will be made in the absence of such prior approval.
- (5) The petty cash requisition form must include:
  - (a) reasons for the petty cash request;
  - (b) the amount requested (not exceeding **R500** VAT incl)
  - (c) vote number;
  - (d) the identity of the person requesting the petty cash;
  - (e) signature of the Head of the department authorising;
  - (f) signature of the Chief Financial Officer or his delegated official authorising the requisition in cases where petty cash is kept within different departments;
  - (g) signature of the custodian approving the request; and
  - (h) confirmation of funds available per specific department.



- (6) The abovementioned requirements may be dispensed with in the case of an urgent and emergency situation and in order to avoid a dangerous or life threatening situation, misery or a situation which may have a negative impact on service delivery.

## 2.6 Issuing of petty cash

- (1) The Chief Financial Officer must inspect the requisition received and be satisfied that it is correct in every respect and authentic, sign and date the requisition as evidence that he/she has checked it.
- (2) Once checked and signed the Chief Financial Officer must submit the requisition to the relevant petty cash custodian in the case where petty cash is kept within different departments.
- (3) The petty cash custodian then has to complete a petty cash voucher using information on the requisition and hand over cash to the employee who submitted the requisition.
- (4) The employee receiving such cash must acknowledge receipt by appending his or her signature and date on the petty cash voucher. The requisition is then attached to the petty cash voucher by the petty cash custodian.
- (5) The employee who received petty cash must submit original receipts to the petty cash custodian before the close of business on the date on which petty cash was received.
- (6) The employee receiving petty cash is entirely accountable for the amount claimed in the requisition.
- (7) If the employee who received petty cash fails to submit the original receipts before the close of business on the date of receiving the petty cash, then the petty cash custodian must follow up the next morning. If no original receipts are submitted within five (5) days, the matter must be reported to the Chief Financial Officer who shall refer the matter to the Accounting Officer. If the employee fails to submit the original receipts, then that will result in the total amount claimed being deducted from his or her salary.
- (8) If cash is advanced without supporting documents then it should be on the basis of a cash advance, under signature of the receiving employee and authorized by the Head of the department and Chief Financial Officer. 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.
- (9) Should a petty cash advance not be accounted for within five (5) working days after the expiry of the period stipulated in 2.6(7) above and no valid reasons are provided for such failure to account, then the petty cash custodian shall immediately instruct the payroll system to withdraw the amount

from the employee's salary.

- (10) The petty cash custodian must regularly pursue outstanding advances and long outstanding advances must be brought to the attention of the Chief Financial Officer 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.

## **2.7 Recording of petty cash**

- (1) The petty cash custodian must record in the petty cash register the records of each petty cash request with the following information: the date of the petty cash voucher, requisition number, petty cash voucher number, description of what the petty cash is required for and the amount requested. The petty cash register must be numbered throughout consecutively for control purposes.
- (2) The expenditure in respect of the petty cash requested will be debited against the vote of the department that requested cash.
- (3) All entries on the requisition, petty cash voucher, expenditure voucher and petty cash register must be recorded in ink and no correcting fluid or tip-ex must be used.
- (4) The petty cash register must be balanced in accordance with paragraph 4 at the end of each month by the petty cash custodian or relief petty cash custodian. All petty cash vouchers and requisitions must be reconciled to the petty cash register at the end of each month.
- (5) The petty cash custodian must sign and date the petty cash register as evidence that it was done by him or her.
- (6) After the balancing of the petty cash register it must be reviewed by the Chief Financial Officer who must then append his or her signature and date on the petty cash register as evidence of review.

## **3 Replenishment of petty cash**

- (1) For purposes of replenishing the petty cash, the petty cash custodian must complete the "expenditure voucher" and attach all requisitions and petty cash vouchers thereto. The expenditure voucher must be signed by the petty cash custodian and Chief Financial Officer as authorizing officials.

### **OPTION 1**

- (2) Once the expenditure voucher has been processed and approved; in place of the cheque which is discontinued, a journal by expenditure will be processed to the petty cash vote to complete the transaction.
- (3) A copy of the approved expenditure voucher (excluding attachments) will be provided

to the Revenue Accountant. The Accountant will deduct the amount as reflected on the expenditure voucher from one days taking from the cashier's deposit for the day.

- (4) The Accountant will process a journal to petty cash vote and bank to the value of the voucher to reconcile cashiers daily deposit. The expenditure voucher will be evidence attached to the journal to support the cashiers deposit for the one day.
- (5) There shall be no advance provision utilising cashiers daily cash in the event the petty cash is depleted.

## **OPTION 2**

- (6) The Revenue Manager and Chief Financial Officer shall sign the expenditure voucher to authorise replenishment.
  - (7) A bank transfer payment (EFT) shall then be made out to the Revenue Bank Account for purposes of replenishment of the petty cash float.
  - (8) Once the funds have been transferred to the Revenue Bank Account, then the petty cash custodian 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 custodian the amount requested for replenishment.
  - (9) The requisition documentation shall be filed for purposes of balancing his/her daily banking.
- 3.2 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 Revenue Manager and the Chief Financial Officer.
- 3.3 The petty cash float shall be replenished on a monthly basis in accordance with paragraph 5 and not more than twice in one month.

## **4 General control measures**

- 4.1 When the petty cash custodian is on leave a proper handing over certificate should be completed with the relief petty cash custodian. The handing over should be done after reconciliation and balancing of the petty cash float. This process should be done under the supervision of the Chief Financial Officer. The handing-over certificate should be signed by the petty cash custodian handing over and the relief custodian taking over the petty cash as well as the Chief Financial Officer who witnessed the handing-over process.

- 4.2 When the petty cash custodian is on sick leave or any unplanned leave due to circumstances that are beyond his or her control and a proper handing-over cannot be done, then a key to the safe and cash box must be collected by the Chief Financial Officer if petty cash is urgently required.
- 4.3 The Chief Financial Officer must investigate the reasons for non-compliance with this Policy and make recommendations. This recommendation will be based on the written explanation submitted by the employee who received petty cash.
- 4.4 Should the matter remain unresolved by the attempts of the Chief Financial Officer, then the Chief Financial Officer must refer the matter to the Director and at this level. The Head of the department in which the employee is employed who received petty cash must be involved and be asked to take the necessary disciplinary measures in terms of the code of conduct of the Municipality.
- 4.5 Should the Head of the department whose employee received petty cash fail to resolve the matter within that month on which petty cash was received the following must take place:
- (1) The Head of department or delegated official who authorised the requisition shall be held responsible for reimbursement of petty cash, should proof of purchase in the form of receipt not be submitted within five (5) days on which petty cash was handed over.
  - (2) Should the Head of the department or delegated official fail to comply with paragraph 4.5(1) above then the full amount of petty cash shall be deducted from his/her salary without any further notice.

## 5 Balancing and reconciliation of petty cash float

- 5.1 The petty cash custodian (or relief custodian) is responsible to balance and reconcile the petty cash register at the end of the month or when the petty cash reaches a minimum amount of R500.
- 5.2 The balancing and reconciliation of the petty cash register must be done as follows:
- (1) count the petty cash money at hand and confirm the monthly closing balance of cash at hand as reflected in the petty cash register;
  - (2) add up all the receipts submitted as proof of payment and agree the total to be reflected in the petty cash register;
  - (3) verify 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
  - (4) reconcile the petty cash total on hand with the requisition forms, vouchers and other supporting documentation.
- 5.3 The petty cash custodian (or relief custodian) shall ensure that the petty cash float

balances to the closing ledger balance.

- 5.4 The petty cash custodian (or relief custodian) responsible for the review of the petty cash funds and petty cash register, shall sign off the balancing and reconciliation as proof of the review.
- 5.5 The Chief Financial Officer, internal or external Auditors of the Municipality may at any stage without prior notice, conduct an audit of the petty cash to confirm the cash balance.
- 5.6 Internal audit should make surprise inspections of the petty cash at least once per quarter and perform the following procedures:
- (1) Inspect the petty cash vouchers to ensure that all items on the vouchers are items usually used by the Municipality in the performance of duties and that no purchase was made for personal use.
  - (2) Perform a cash count, in the presence of the petty cash custodian (or relief custodian) as follows:  
  
Count the petty cash in the petty cash box      R xx  
  
Add the total of invoices for the month      R xx  
  
Equals the float      **R 5000.00**
- 5.7 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 a senior employee appointed by the Accounting Officer or Chief Financial Officer for rectification.
- 5.8 A cash count must be performed at the end of each year 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 by an Internal Auditor), which has to be signed by the cashier and senior employee of the income section as evidence of the cash count.

## **6 Prohibited practices and allowable expenses**

- 6.1 It is forbidden to use the petty cash for purposes of paying:
- (1) instalment invoices, open orders or any other purchase that would ordinarily go through the normal procurement process e.g. stationery, even if the amount falls within the limit specified in this Policy;

- (2) claims such as cellular and travel claims;
  - (3) a municipal asset; and/or
  - (4) staff advances.
- 6.2 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.

## **7 Implementation and review of this Policy**

- 7.1 The Accounting Officer shall be responsible for the implementation and administration of this Policy with the assistance of the Revenue Manager and the Chief Financial Officer once approved by Council.
- 7.2 In terms of section 17(1) (e) of the Act this Policy shall be reviewed on annual basis and the reviewed Policy tabled to Council for approval as part of the budget process.

### **Date of adoption:**

The Council of the Umdoni Local Municipality resolves to adopt the following as the official Petty Cash Policy of the Umdoni Local Municipality.

This Policy has been considered and approved by the Council of the Umdoni Local Municipality as follows:

- Resolution No:
- Approval Date: