

# **MATJHABENG LOCAL MUNICIPALITY**



## **PETTY CASH POLICY**

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### **Purpose of policy**

1. Where the need may arise in a department/division to have cash available for payments of a minor and recurring nature and it is impracticable to obtain cheque payments for every expense, such payments may be handled by means of petty cash facilities.
2. The Municipal Manager may delegate control and management of the petty cash float to the Chief Financial Officer in which event reference to the Municipal Manager in this policy shall be construed as reference to the Chief Financial Officer.
3. At the discretion of the Municipal Manager, departments or divisions of the Municipality may be provided with their own petty cash floats.
4. In the event where the Municipal Manager appoints an officer to take control of a petty cash float, he/she must be independent of all other cash functions such as cashiering.
5. In the event of a department or division being authorised to keep a petty cash float, the Head of the Department or Division concerned shall designate a staff member of that department/division as a departmental or divisional petty cash officer.

### **Maximum Petty Cash Float**

The Municipal Manager may determine the maximum amount per petty cash officer, which may be withdrawn from the banking account of the Council for purposes of departmental/divisional floats.

### **Procedures for the handling of Petty Cash**

1. The application for a petty cash facility or for increase of the operational amount of an existing petty cash float, must be made in writing to the Municipal Manager.
2. The application must state reasons for the need of a petty cash float and the amount required for its operation, as well as the cost centre from which funds are to be applied for the petty cash. The amount should be sufficient to cover expenses for approximately a month.

3. The responsibility for operating petty cash and the safe keeping of petty cash funds in a department or division must be assigned to the designated petty cash officer only, and the head of the department/division shall be co-responsible for petty cash management in such department or division.
4. The keeping of a formal petty cash register is compulsory, except where petty cash expenses is posted directly on the official financial system of the municipality.
5. Payments to establish a petty cash float may only be, by way of a cheque made payable to the designated petty cash officer and upon submission of a requisition or memo signed by such petty cash officer.
6. Petty cash payments may only be made by the designated petty cash officer upon production of a petty cash voucher accompanied by proper supporting documents such as cash sale slips or receipts containing the supplier's name.
7. The petty cash limit per expenditure voucher shall be set at R 10 000.00 PM , VAT inclusive, except if the Municipal Manager or Chief Financial Officer authorise the petty cash voucher for a higher amount.
8. If cash is advanced without supporting documents it should be on the basis of an advance or I.O.U , under signature of the receiving official, and authorised by the Head of the Department or divisional head. The receiving official must ensure that the relevant cash slips or receipts must reach the petty cash officer not later than three working days after the money was received.
9. The petty cash officer 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.
10. Each petty cash voucher must be signed by the receiving official, Head of department or divisional head and a senior official of the finance department.
11. When the cash in the petty cash float is almost exhausted, the petty cash register must be balanced and reconciled.
12. Replenishment of the petty cash float is undertaken after the balancing and reconciliation of the petty cash register has been checked and approved by the Chief Financial Officer or manager of the finance department.

13. A cheque must be made out to the petty, Full time Political Office Bearers Secretary Senior Managers' Secretary, cash officer for the replenishment of the petty cash float and such cheque must be encashed by this officer who must record the amount received in the petty cash register.
14. Petty cash funds must at all times be secured in a lockable container suitable for securing money, and secured in a lockable cabinet.
15. Reasonable precautions must be exercised for the safe keeping of the keys to the petty cash container and room where it is kept.
16. Petty cash funds are to be used exclusively for the payment of smaller official expenses, excluding the following:
  - No private loans from petty cash funds are permitted.
  - No staff cheques may be cashed out of petty cash funds.
  - No travelling claims of officials may be paid from petty cash funds.
  - No installment invoices such as the rental of equipment are permitted.
  - It is forbidden to purchase a capital item / asset through petty cash.
17. The petty cash is operated by means of imprest payments. The cash balance added to the total expenses at any stage, must be equal to the authorised imprest amount. The internal or external auditors of the municipality may at any stage without prior notice, perform an audit of a petty cash to confirm the cash balance.
18. Shortages and 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 head of the department or division with a view to rectification.
19. 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 the revenue offices, and these should equal the authorised imprest amount. This step is in line with the accrual basis of accounting.