



Nkomazi Municipality

NKOMAZI LOCAL MUNICIPALITY
MP324

2020/2021 **PETTY CASH POLICY**

NKOMAZI LOCAL MUNICIPALITY

PETTY CASH POLICY

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|---------------------------|------------------------------------|
| Core Business Area | Budget and Treasury |
| Operational Area | Expenditure/Revenue/SCM Management |

Document Classification:

Confidential

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1. POLICY OBJECTIVES

- To ensure the correct procedures are followed when requesting a Petty Cash facility
- To ensure that Petty Cash is kept safe at all times
- To ensure that advances are only paid for valid expense purchases and that all transactions are accurate and complete
- To ensure that Petty Cash is balanced and reconciled on a daily basis in order to detect mistakes, and to prevent the float being depleted before replenishment takes place
- To ensure that replenishment of Petty Cash is done when required and that replenishment only takes place for amounts that are supported by valid supporting documents.
- To ensure that the Petty Cash is available and managed well in the absence of the regular Petty Cash official.

2. REFERENCE TO LEGISLATION

This Policy is in compliance with requirements from the following legislative instruments:

| TYPE OF REFERENCE | DESCRIPTION OF POLICY REQUIREMENTS |
|-------------------|------------------------------------|
| MFMA | Municipal Finance Management Act |

3. TARGED AUDIENCE

This Policy applies to the following roles and/or positions:

- Salaries Clerk
- Petty Cash Holders
- Accountant Expenditure
- Directors
- Managers (Deputy and Assistant Deputies)
- Political Office

4. POLICY REQUIREMENTS

4.1 General Policy

- (i) The use of petty cash float is strictly confined to individual department cash purchases up to a maximum of R2000, 00 in terms of the Supply chain Policy, it should be noted that purchases are restricted up to R 500, 00 at a go. Any purchases above R 500, 00 at a go can be allowed in the cases of emergency for example: buying of water fittings or electrical equipment in the case of emergency;
- (ii) 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;
- (iii) 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
- (iv) 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

4.2 Requests for Petty Cash Float

- The Chief Financial Officer approves a Petty Cash Float and an amount for a Department requesting a Petty Cash facility;
- Once approved, the Director takes full responsibility for the Petty Cash functioning in their respective offices;
- The Directors ensures that a suitable official (preferably Secretaries) is appointed in writing as the Petty Cash official and that this employee is adequately trained;
- The Directors are responsible for appointing and arranging training for an alternative Petty Cash official as back-up in cases where the appointed Petty Cash official resigns, or takes any form of leave;

- The Petty Cash Float operates on an imprest basis. Replenishment can only be requested for the amount disbursed, which is supported by valid supporting documentation, up to a maximum of the authorized size of the Petty Cash float.

4.3 Petty Cash Safekeeping

- The safekeeping of Petty Cash is ultimately the sole responsibility of the Directors;
- 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;
- The responsible Petty Cash Official must lock away the Petty Cash bins in a fire and theft resistant safe;
- The Petty Cash Official is responsible for the safekeeping of all the keys of the cash box and Petty Cash register must be kept;
- Under no circumstance are keys to be left in the lock to the petty cash box, cabinet or safe;
- 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 replacement staff members, to indicate their agreement as to its balance.

4.4 Money requested from Petty Cash (prior to a purchase being made)

- Petty Cash advances are not to be utilized for items classified as:
 - (i) Non-Nkomazi business expenditure
 - (ii) Purchase of a Capital nature / Inventory items
 - (iii) Recurring expenses
 - (iv) Services to be rendered for longer than 30 days.
- The Municipal official receiving a cash advance is entire accountable for the amount of the advance

- Valid supporting documentation for Petty Cash purchases performed with Petty Cash advances, together with change, are to be submitted to the Petty Cash Official within 48 hours of the advance being received.
- An amount paid as an advance to an employee that is not settled or returned within 4 working days is recovered from the employee via a salary deduction during the next month
- All entries on the application forms are in ink – no correcting fluid is permitted.

4.5 Petty Cash purchases

- Petty Cash is restricted to Cash purchases up to a transaction value of R2000.00 VAT included per individual department per month, of which for any transaction should be R500, 00 at a go. Refer to paragraph 4.1 above
- Petty Cash purchases may not deliberately be broken up over two or more transaction claims for the same items in order to fall within the determined threshold of R500.00 VAT included.

4.6 Reimbursement from Petty Cash (after purchase has been made)

- Reimbursement from Petty Cash are only made with the written authorization from the appropriate Director or his/her delegate
- Procurement of products and services from Petty Cash are only made in accordance with the R500.00 limit as determined in the Supply Chain Management Policy of the Municipality at a go;
- Petty Cash claims for subsistence and travel are no permitted;
- No reimbursements are to be made for items classified as:
 - (i) Non-Municipal business expenditure
 - (ii) Purchases of a capital nature / inventory items
 - (iii) Recurring expenses
 - (iv) Services rendered for longer than 30 days

4.7 Balancing of Petty Cash

- Petty Cash is balanced and reconciled on a monthly basis to prevent the float from being depleted before replenishment takes place
- The Petty Cash register is reviewed and signed on a weekly basis by departments.
- Within five days after the end of the month, departments must submit to the office of the Chief Financial Officer the report of the expenditure of the petty cash and the office of the chief financial officer to check and make sure that the receipt of expenditure reconcile to the amount issued, and can issue another cheques equal to the expenditure or issue a R 2000 new Cheque while departments must return all the monies left.

4.8 Replenish Petty Cash Float:

- Replenishment can only be requested for the amount disbursed, which is supported by valid supporting documentation, up to a maximum of the authorized size of the Petty Cash float.
- Sufficient Petty Cash float must be maintained to ensure that the day-to-day requirements are accommodated and must be replenished as and when required.
- All Petty Cash batches which are accumulated and grouped for replenishment must be reviewed and approved.
- A proper Petty Cash register must be kept where each disbursement of Petty Cash transactions is recorded.
- The Petty Cash register with all Petty Cash receipts must be attached to the Cheque or request for payment voucher.

4.9 Reporting

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.

4.10 Internal Controls

- Surprise Petty Cash audits must be conducted by the Internal Audit unit throughout the Financial Year
- Petty Cash reconciliations with the General Ledger must be reconciled before 30 June of each year.

4.11 Petty Cash Hand-over Procedures

- The Petty Cash official is responsible for informing the Manager concerned in advance of the intention to take leave;
- The Manager is responsible for appointing and arranging training with Finance to train the alternative Petty Cash official as back up in cases where the Petty Cash official resigns, or takes any form of leave.
- The Municipal official taking over as auxiliary (back-up) Petty Cash official is entirely responsible for the Petty Cash while managing the float.
- Where Petty Cash official is sick or off without prior arrangements, the Petty Cash must be counted and balanced by two responsible officials.

4.12 Shortages & Losses

- The Petty Cash holders 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.
- In the event of identified shortages / losses must be immediately be reported to the Chief Financial Officer and paid in by the holder of the Petty Cash.

SHORT TITLE

This policy will be known as the PETTY CASH POLICY for the Nkomazi municipality.