

# **NAMA KHOI MUNICIPALITY**



# **PETTY CASH POLICY**

2023 / 2024

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## 1. DEFINITIONS

*In this policy, unless the context indicates otherwise a word or expression, to which a meaning has been assigned in the Municipal Finance Management Act (MFMA) No. 56 of 2003, has the same meaning.*

*"CFO" means the Chief Financial Officer of the Nama Khoi Local Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003.*

*"GRAP" means the Generally Recognised Accounting Standards.*

*"HOD" head of department*

*"Municipal Manager" means a person appointed as the Accounting Officer of the Municipality.*

*"Municipality" means Nama Khoi Local Municipality*

*"Petty Cash" means a small amount of cash kept by the Municipality for expenses or Petty cash is a small amount of discretionary funds that are minor in the form of cash used for expenditure where it is impractical to follow (the official procurement process due to the nature of the goods and / or services required.*

*"Incidental" Occurring or likely to occur as an unpredictable or minor accompaniment.*

## **2. OBJECTIVE**

- 2.1. The objective of this policy is to regulate the use of Petty Cash Float within Nama Khoi Local 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.
- 2.2. To ensure an effective and efficient disbursement of the petty cash fund.
- 2.3. To ensure proper control and management of council assets (Cash).
- 2.4. To provide guidelines for disbursement of petty cash fund and ensure accountability.
- 2.5. Ensure goods and services are procured by the municipality in accordance with authorised processes only
- 2.6. Ensure that the items required to be procured are approved petty cash items.

## **3. SCOPE OF THE POLICY**

This policy applies to Nama Khoi local Municipality.

## **4. METHODOLOGY OF OPERATION**

- 4.1 The Petty Cash policy float approved by the Council and kept by a designate of the CFO and HOD's in the departments.
- 4.2 The custodian of Petty Cash is the CFO and HOD's designate departments who keep the cash under lock and key all the time.
- 4.3 The original Issuance of Petty Cash shall be approved by the CFO or delegated official, who will also approve any increase, for whatever reason in the float of Petty Cash.

4.4 Quotation may be requested but not compulsory, it is not compulsory for the selected supplier to be registered In the Municipal suppliers' database.

4.5 All submission regarding the request to utilised Petty Cash must be forwarded to the HOD or delegated official at least one day before the date in which petty cash is required. Poor planning will not be a Justifiable reason to deviate from this provision.

4.6 The CFO may make surprise Inspections of the Petty Cash as he deems fit at least quarterly.

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

5.1 A Petty Cash requisition form must be used for all Patty Cash requisitions. Petty cash used shall be accounted for (e.g. slips) within one (1) working day from the day when Petty Cash was issued. This period will exclude public holidays and weekends that fall within it. Failure to do so would result in the amount being deducted from the salary of the requester. An affidavit must be obtained where slips have been lost. These forms shall be pre-numbered and recorded accordingly In the Petty Cash register,

5.2 The Petty Cash requisition form must include:

- I) Reason for Petty Cash.
- ii) Amount requested (not exceeding R500.00).
- iii) Vote number.
- iv) Person requesting an Item.
- v) Supported by HOD or responsible Manager.
- vi) Person authorising (CFO or delegated official).

## **6. AUTHORISATION OF PETTY CASH ISSUANCE**

6.1 When a section needs Petty Cash, a Petty Cash requisition form must be completed and supported by the Responsible Manager or Head of Department (HOD) and approved by the CFO or delegated official.

- 6.2 No purchase of goods and services may take place before the approval to use Petty Cash is granted by the CFO or delegated official, except in the situation of urgent and emergency in which case the Responsible Manager or HOD would have to give permission to proceed with the transaction.
- 6.3 Quotations may be requested but not compulsory. It is not compulsory for the supplier to be registered In the Municipal suppliers' database.
- 6.4 The handing over of the Petty Cash temporary or permanently will be administratively handled by the CFO or designate and evidence and witnesses should support that.

## 7. AUTHORISED LIMIT FOR PETTY CASH

7.1.1 The Petty Cash float will be maintained at R 5,000.00 per month for the following departments:

7.1.1.1 Office of the Municipal Manager

7.1.1.2 Community Services

7.1.1.3 Corporate Services

7.1.2 The Petty Cash float for Technical Services Department will be maintained at R 10,000.00 per month.

7.2 The requisitioned amount must not exceed a maximum amount of R500.00 (VAT Included) per transaction as outlined In the Municipal Supply Chain Management Policy.

7.3 Approved list of Petty cash purchases are as follows:

- i. Condolences, well wish cards, bouquets and flowers; keys for offices, batteries, cloths, acetone, laminating of paper, pay-as-you-go cellular airtime etc.;
- ii. Incidental expenditures as defined in this policy.
- iii. Temporary vehicle licensing and public driver permits
- iv. Tollgate fees when an employee is driving with an official vehicle registered In the name of council
- v. Refunds (Library book fees);
- vi. Office tea, coffee etc.
- vii. Safety equipment and clothing such as clothes, ear protectors, safety glasses etc.;
- viii. Wages for labours or contract work up to R500.00 (once off) which do not have a temporary contract with the council.
- viiii. Goods & services procure under R 500-00 (VAT Included) which Is not included In paragraph 8 hereunder may be approved by the Municipal Manager or CFO In writing In exceptional cases where It is Impractical or Impossible to follow the official procurement processes.

- 7.4 The petty cash card is to be safeguarded in a lockable cash safe and should be locked away when not in use during normal business hours.
- 7.5 The petty cash official is responsible for the safekeeping of all the keys or passwords of the safe and a register thereof must be kept.



## 8. PROHIBITED EXPENSE FOR THE USE OF PETTY CASH

Use of Petty Cash Is prohibited for the following expenses:

- 8.1 No item which is available on contract basis may be purchased by using petty cash, except in the case of dire or critical need, and such Item Is not available from the contracted supplier.
- 8.2 For the purchase of a stock [tern (Item that should be kept In stores), except In the case of dire or critical need, and such Item is not available from the contracted supplier.
- 8.3 Certain types of transactions will be excluded from the Petty Cash purchases in the case where it is considered necessary to do so e.g. day to day maintenance, stationery, catering supplies, food or beverages (excluding tea/coffee/milk) etc.
- 8.4 The related low valued items which are required to be purchased repetitively on a daily, weekly and monthly basis *may* not each time be purchased by means of Petty Cash. These requirements have to be consolidated, quantified and therefore procured through the normal procurement process, e.g. coffee and milk for the boardrooms committee meetings if these items are required on a *daily*, weekly and monthly.
- 8.5 No assets may be purchased by means of a petty cash transaction that will appear on the asset register.
- 8.6 Staff Advances or loans;
- 8.7 Loans between departments are prohibited;
- 8.8 Purchases are not split over two or more cash purchase claims;
- 8.9 Consumer Deposits;
- 8.10 No subsistence and travelling claims will be paid out of the petty cash as there must be control by the salaries department for employee's tax purposes.

## 9. MONTHLY RECONCILIATION OF PETTY CASH FLOAT & SHORTAGES AND LOSSES

9.1 When the cash in the Petty Cash Float (card) is almost exhausted at month-end, the Petty Cash register must be balanced and reconciled by the Petty Cash officer as follows:

- I. Check the balance of the statement and confirm the monthly closing balance at hand as reflected in the Petty Cash register.
- II. Adds up all the receipts submitted as proof of payment and agrees the total to the total reflected in the Petty Cash register.
- iii. 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.
- iv. Reconciles the Petty Cash total on hand with the requisition forms, vouchers and other supporting documentation.

9.2 Such reconciliation procedure as stated above should be performed at the end of the month and it should be ensured that the Petty Cash Float balances to the closing ledger balance.

9.3 The Petty Cash officer responsible for the review of the Petty Cash funds and petty cash register, signs as proof of the review.

9.4 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 total balance.

9.5 Internal audit should make surprise inspections of the Petty Cash at least once per quarter and perform the following procedures:

- I. 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.

- 9.6 In the event of Identified shortages and/or losses must it immediately be reported to the Manager Finance/CFO and be paid In by the holder of the petty cash bin(s).
- 9.7 The holder of the petty cash safe 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
- 9.8 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.
- 9.9 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.

## 10. REPLENISHMENT OF PETTY CASH

- 10.1 Petty Cash Float shall be reimbursed by means of an electronic transfer to the petty cash cards where such replenishment will be approved by Manager: Finance/CFO and one other cheque signatory. The Petty Cash shall be reimbursed by an electronic transfer through the normal Financial System In use.
- 10.2 The schedule of Petty Cash vouchers (Petty Cash expenses) should be drawn up for approval by the Manager - Finance before submission for Issuing of a reimbursement electronic transfer.
- 10.3 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 Chief Financial Officer or designate.
- 10.4 The petty cash register with all petty cash vouchers, receipts or slips must be attached to the request for payment voucher.

10.7 The Assistant accountant SCM will then hand over the petty cash cards to departmental petty Cash officers.

## **11. PETTY CASH REGISTER**

The keeping of a formal Petty Cash register is compulsory, except where petty cash expenses are posted directly on the official financial system of the Municipality.

**12. LIMITATION**

- 12.1 The maximum amount allocated per petty cash bin will be determined from time to time by the Municipal Manager based on the operational requirements of the municipality and the risk of safeguarding petty cash bins.
- 12.2 When the amount per petty cash bin is increased the accountant expenditure must do an electronic transfer onto the petty cash card.
- 12.3 The responsible official must sign for the acceptance of the increased cash amount together with the accountant expenditure and be verified by the transaction control and verification section.
- 12.4 When the petty cash bin is transferred to another delegated official the petty cash must first be reconciled and be verified by the transaction control and verification section before it is handed over.
- 12.5 The assistant accountant SCM must ensure that the new holder of the petty cash safe is aware of his/her responsibilities relating to the petty cash transactions.

**13. REPORTING**

- 13.1 A monthly reconciliation report from the holder of a petty cash must monthly be submitted to the Manager Finance/CFO or designate including the total amount of petty cash purchases for that month.
- 13.2 Petty cash reconciliations with the general ledger must be reconciled before or on 30 June of each year.

**14. GENERAL PROVISION****14.1 Commencement**

This Policy will come into effect on the date of adoption by Council.

14.2 Interpretation of this policy:

- i) All words contained in this policy shall have the ordinary meaning attached thereto, unless the definition or context indicates otherwise.
- ii) The dispute on Interpretation of this policy shall be declared in writing by any party concerned.
- iii) The office of the Municipal Manager shall give a final Interpretation of this policy in case of written dispute.

14.3 Permanent/temporary waiver or suspension of this policy

- I) This policy may be partly or wholly waived or suspended by the Municipal Council on temporary or permanent basis.
- II) The Municipal Manager may under circumstances of emergency temporarily waive this policy subject to reporting of such waiver or suspension to Council.

14.4 Compliance and enforcement

- I) Violation of or non-compliance with this policy will give a just cause of disciplinary steps to be taken.
- II) It will be the responsibility of Council to enforce compliance with this policy.

14.5 Regulatory context

- I) The Local Government Municipal Finance Management Act, Act 66 of 2003
- II) Paragraph 15 of the Municipal Supply Chain Management Regulations of 2005
- III) Paragraph 15 of the Nama Khoi Municipal Supply Chain Management Policy.


14.6 Amendment and/or abolition of this policy:

This policy may be amended or repealed by Council if it may deem necessary.

**15. REVIEW**

This policy will be reviewed annually to be in line with municipal practices and legislation.

**APPROVED AND IMPLEMENTATION PLAN**

<b>COUNCIL APPROVAL :</b>	<b>IMPLEMENTATION DATE:</b>  01 JULY 2023
 <hr/> <b>SPEAKER</b>	<b>DATE : -----2023</b>