



**UMZIMVUBU**  
— LOCAL MUNICIPALITY —

## **PETTY CASH POLICY**

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### **Introduction**

The main purpose for the Petty cash policy is to assist municipal departments with emergency payments of a minor and recurring nature where it is impracticable to follow Supply Chain Management policies and procedures

### **Legislative Framework**

Paragraph 15 of Umzimvubu Local Municipality policy Supply Chain Management policy

### **Objective**

To provide a framework for the usage and management of petty cash funds

### **Applicability**

The policy is applicable to all municipal departments

### **Purpose of Policy**

Where the need may arise in a department to have cash available for payments of a minor and recurring nature and it is impracticable to follow Supply Chain Management policies and procedures for every expense, such payments (excluding remuneration for services rendered) may be handled by means of petty cash facilities.

Formal application for petty cash facilities must be made to the Municipal Manager who is ultimately accountable for the management of a petty cash float.

The Municipal Manager may delegate control and management of the petty cash float to Chief Financial Officer in which event reference to the Municipal Manager in this policy shall be construed as reference to the Chief Financial Officer.

At the discretion of the Municipal Manager, departments of the Municipality may be provided with their own petty cash floats or to a designated petty cash officer who may be appointed for the entire municipality.

In the event of a Department being authorised to keep a petty cash float, the Head of Department concerned shall designate a staff member as a Departmental Petty Cash Officer.

### **Maximum Petty Cash Float**

The Council shall by resolution determine the maximum amount which may be withdrawn from the banking account of the Council for purposes of the petty cash float.

The maximum petty cash amount is **R11, 500.00** per month and will be allocated to departments as follows

<input type="checkbox"/> Budget and Treasury Office	R2, 000.00
<input type="checkbox"/> Corporate Services	R1, 500.00
<input type="checkbox"/> Council	R1, 000.00
<input type="checkbox"/> Infrastructure & Planning	R2, 000.00
<input type="checkbox"/> Municipal Manager's Office	R1, 000.00
<input type="checkbox"/> Local Economic Development	R1, 000.00
<input type="checkbox"/> Citizens & Community Services	R2, 000.00
<input type="checkbox"/> Special Programmes	R1, 000.00

**R11, 500.00**

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

- 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.
- 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 and Segment from which funds are to be applied for the petty cash. The amount should be sufficient to cover expenses for approximately one month.
- The responsibility for operating petty cash and the safe keeping of petty cash funds in a Department must be assigned to the designated Petty Cash Officer only and the head of the department shall be co-responsible for petty cash management in such Department.
- Petty Cash Officer has to ensure that a formal petty cash register is properly kept and updated regularly whenever petty cash amount is issued. The register has to be reviewed on a monthly basis by a senior official.

- Payments to establish a petty cash float may only be by way of Electronic Funds Transfer made payable to the designated Petty Cash Officer and upon submission of a requisition signed by such Petty Cash Officer and countersigned by the relevant Head of Department or Divisional Head.
- The requisitioned amount should not exceed a maximum amount of R11, 500.00 per month and R500.00 per day.
- Petty Cash payments may only be made to the designated Petty Cash Officer upon production of a cash requisition accompanied by proper supporting documents such as cash sale slips or receipts containing the supplier's name.
- Petty cash form should be completed by the person requesting funds and the relevant Head of Department should sign the form as evidence of approval. The signed form should be submitted to the Petty Cash Officer for payment and updating petty cash register.
- After a purchase is made, the supporting document[s] must be submitted to Petty Cash Officer within a week from the date of such advance. Failure to submit relevant supporting documents will result in salary deduction, an amount equal to petty cash issued from the person who requested petty cash
- 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 expenditure is submitted.
- When the cash in the petty cash float is almost exhausted, the petty cash register must be balanced and reconciled on a monthly basis. Reconciliation should be reviewed and signed by a senior official.
- 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 his delegate.
- The petty cash float, should for all intents and purposes be kept in a lockable, fireproof safe.
- Entry and access to the safe is gained by means of a unique 4 digit pin known individually to the Expenditure Accountant and Petty cash

officer. In cases where petty cash officer will not be available, Expenditure Accountant should appoint temporary petty cash officer. Proper cash count & hand over of entry codes should be done. Both the Expenditure accountant and Petty cash officer should sign confirming cash on hand.

- Reasonable precautions must be exercised for the safe keeping of keys to the petty cash container and the room where it is kept. The keys must not be left at the premises after hours.
- Petty cash funds are to be used exclusively for the payment of smaller official expenses (excluding any form of remuneration for services rendered) and it is not to be used to pay for operational transactions on a daily basis, in such cases proper Supply Chain regulations must be implemented to procure the goods or services.
- The Internal auditors of the Municipality may, an audit of a petty cash to confirm the cash balance.
- 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 Chief Finance Officer with a view to rectification.
- The total balance of petty cash funds must be paid in at the Council's main Cashier before 30 June in each year. A receipt for the payment must be issued by the Cashier.
- The Petty Cash total on hand at financial year end must be reconciled to the petty cash requisition forms, voucher and other documentation.
- The petty cash provision may be resumed at the beginning of the next financial year at the request of the department concerned in accordance with the procedures outlined above.