



# **DR. NKOSAZANA DLAMINI ZUMA LOCAL MUNICIPALITY**

## **PETTY CASH POLICY**

**2017/2018**

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## 1. DEFINITIONS

**“Chief Financial Officer (CFO)”** shall mean the Chief Financial Officer (CFO) of Dr Nkosazana Dlamini Zuma Local Municipality;

**“Petty Cash officer/ Custodian”** refers to the person appointed by the Chief Financial Officer for the management of petty cash for the Municipality.

**“Municipality”** Means the Dr Nkosazana Dlamini Zuma Local Municipality

**“Supply Chain Management”** shall mean Supply Chain Management (SCM) of Dr Nkosazana Dlamini Zuma Municipality..

## 2. PREAMBLE

Where the need may arise in a department of the municipality to have cash available for payments of a minor and non-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 made by means of petty cash facilities.

## 3. POLICY OBJECTIVES

The objective is to provide guidelines on the usage and management of petty cash by the Municipality.

## 4. SCOPE OF POLICY

This policy applies to all employees and Councillors of the Municipality, whether full-time or part-time, or paid on a salaried or an hourly individual basis and to duly appointed cashiers.

## 5. APPLICABLE LEGISLATION

5.1 Municipalities must comply with the requirements of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) and the Municipality has incorporated the applicable principles, objectives and prescripts in its policy on the management and control of petty cash.

5.2 The MFMA endeavours “to regulate financial management in the municipalities; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those municipalities; and to provide for matters connected therewith.”

5.3 In particular, Section 78(1)(b) and (c) of the MFMA places the onus on each 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.

## **6. POLICY PRINCIPLES**

Before approving expenditure or incurring a commitment to spend using petty cash, the delegated or authorised official must ensure compliance with any limitations or conditions attached to the delegation or authorisation. All transactions must be supported by authentic documents.

## **7. POLICY PROCEDURES**

### **7.1 Approval of Petty Cash Float**

7.1.1 The CFO or delegated official shall be responsible for making application for petty cash facility or for increase of the operational amount of an existing petty cash float to the Accounting Officer for consideration and decision.

7.1.2 The application shall state sound and valid reasons for the need of petty cash float and the amount required for its operation, as well as the cost centre and vote number from which funds are to be applied for petty cash. The amount applied for must be sufficient to cover expenses for approximately one month.

7.1.3 The Municipality shall keep petty cash not exceeding R5 000.00 which must be reviewed on annual basis.

7.1.4 The use of petty cash shall be limited to minor requirements for which a single transaction shall not exceed R500.00.

7.1.5 In cases where the Municipality has an account with the supplier or can negotiate opening an account, the Municipality should avoid at all cost to use petty cash but use the account in terms of the policies of the Municipality, in particular Supply Chain Management policy which regulates acquisition and disposal of goods and services.

## 7.2 Appointment of Petty Cash Officer / Custodian

- 7.2.1 The CFO must appoint in writing one of the Expenditure Unit Official as a petty cash custodian who shall be assigned the responsibility of managing and controlling petty cash. The custodian of petty cash must acknowledge appointment by appending his or her signature and date as an acceptance of the responsibilities and must abide by the contents of this Policy and MFMA.
- 7.2.2 The Petty Cash Officer shall be responsible for:
- a) The safekeeping of petty cash.
  - b) The receiving and processing of requisitions for petty cash.
  - c) The disbursing of petty cash.
  - d) The replenishing of petty cash.
  - e) The maintaining of a petty cash register.
  - f) The daily and monthly reconciliation of the Petty Cash.
- 7.2.3 The CFO must appoint in writing one of the Accountants as a relief petty cash custodian who shall be assigned the responsibility of managing and controlling petty cash in the absence of the designated petty cash custodian. The Accountant must acknowledge appointment by appending his or her signature and date as an acceptance of the responsibilities and must abide by the contents of this Policy and MFMA.
- 7.2.4 During absence of the designated petty cash custodian, the designated Accountant must assume the responsibilities as a relief petty cash custodian. The petty cash custodian and relief petty cash custodian must ensure that they are familiar with all relevant statutory requirements and institutional responsibilities attached thereto.
- 7.2.5 Should the Senior manager wish to keep petty cash float within their departments, the CFO must satisfy himself/herself whether there were proper and sound controls within that department and assess the reasons for request for petty cash float.
- 7.2.6 Where petty cash float has been approved by the Accounting Officer for departments or sub-offices and satellite offices, the responsibility for operating petty cash and safe keeping rest with the Senior Manager of that particular department. Senior Managers must assign to the designated petty cash custodians who have financial acumen only and who have no previous conviction or suspicions relating to commercial crimes (e.g. theft, fraud, corruption, funds embezzlement, forgery, bribery, uttering, extortion etc).

7.2.7 Officials who have garnishee orders against their salaries must not be appointed as petty cash custodians.

### 7.3 Custody & Safe Keeping of Petty Cash

7.3.1 The petty cash custodians are responsible for controlling of petty cash float, together with supporting documentation. Specifically the custodian is responsible for the following:

- a) Petty cash float (including original receipts and vouchers) must be kept secured in a locked cash box.
- b) The office and the safe where petty cash float is kept shall at all times be kept locked and the key to the safe where cash float is kept shall be kept by the petty cash custodian.
- c) The petty cash custodian must sign for the key and must be always kept in a safe place.
- d) Only petty cash custodian must have access to and disburse petty cash. Handling of petty cash must only take place in secure locations.
- e) The petty cash custodians must ensure that petty cash is only disbursed to authorised officials when an original requisition signed by a duly delegated official has been produced.
- f) The petty cash custodian must not process requisitions that is not authorised by the senior manager or delegated official.
- g) The petty cash custodian must not process requisition that has not been checked, signed and dated by the Accountant who is the supervisor of the custodian.
- h) The petty cash custodians must not put her personal monies or of any other officials in the box and the safe where petty cash is kept.

7.3.2 If petty cash float is lost, the Petty Cash Officer responsible for that petty cash shall be held liable.

#### 7.4 Application for Petty Cash

7.4.1 A petty cash requisition form must be used for all petty cash requisitions. Petty cash used shall be accounted for (e.g. slips) within three days (3) 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. The requisition forms must be pre-numbered and recorded accordingly in the petty cash register.

7.4.2 The petty cash requisition form must include:

- a) Reason for petty cash;
- b) Amount requested (not exceeding R500.00);
- c) Vote number;
- d) Person requesting an item;
- e) Authorised by Senior Manager; and
- f) Person authorizing (CFO).

7.4.3 The department that requires petty cash has to complete a requisition which must be authorised and signed by the senior manager. The requisition must be submitted to the Accountant.

7.4.4 In cases where minor expenditure was incurred by officials during official trips e.g. parking and toll fees. Such expenditure may be claimed from petty cash but a requisition must still be completed.

#### 7.5 Issuing of Petty Cash

7.5.1 On receipt of requisition the Accountant must check the requisition and be satisfied that it correct in every respect and authentic, sign and date the requisition as evidenced that she/he has checked it. Once checked and signed the Accountant must submit the requisition to petty custodian.

7.5.2 The petty cash custodian completes a petty cash voucher using information on the requisition and hand over cash to the official that submitted the requisition.

- 7.5.3 The official 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.
- 7.5.4 The official 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.
- 7.5.5 The municipal official receiving petty cash is entirely accountable for the amount.
- 7.5.6 If the official who received petty cash fails to submit the original receipts before the close of business, the petty cash custodian must follow-up the next morning. If no original receipts are submitted on the following day by close of business, the matter must be escalated to the Accountant who shall refer the matter to the Manager.

## 7.6 Recording and Reconciliation of Petty Cash

- 7.6.1 The petty cash custodian records the date of petty cash voucher, requisition number, petty cash voucher number, description of what petty cash is required for and the amount on the petty cash register. The petty cash register must be numbered throughout consecutively for control purposes.
- 7.6.2 The expenditure in respect of the petty cash requested will be debited against the vote of the department that requested cash.
- 7.6.3 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. The petty cash register must be balanced 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.
- 7.6.4 When the cash in the Petty Cash Float is almost exhausted, the Petty Cash register must be balanced and reconciled by the Petty Cash officer as follows:
- a) Counts the Petty Cash money at hand and confirm the monthly closing balance of cash at hand as reflected in the Petty Cash register.
  - b) Adds up all the receipts submitted as proof of payment and agrees the total to the total reflected in the Petty Cash register.
  - c) 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.

- 7.6.5 The petty cash custodian must sign and date the petty cash register as evidence that it was done by him or her.
- 7.6.6 After the balancing of the petty cash register it must be reviewed by the Accountant. The Accountant must append his or her signature and date on the petty cash register as evidence of review.
- 7.6.7 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 cash balance.
- 7.6.8 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 Accounting Officer or Chief Financial Officer for rectification.
- 7.6.9 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 by (preferably an Internal Auditor), the Petty Cash Officer and the Accountant – and they should sign the working paper as evidence of the cash count.

#### 7.7 Replenishment of Petty Cash

- 7.7.1 When the petty cash float reaches the minimum amount as determined from time to time by the Chief Financial Officer, the float needs to be replenished.
- 7.7.2 The petty cash custodian completes the “payment voucher” and attaches all requisitions and petty cash vouchers to the payment voucher. The payment voucher must be signed by the petty cash custodian, Accountant as a checking official and by the MM/CFO as authorizing official.

7.7.3 Petty cash shall be replenished on a monthly basis.

#### 7.8 Prohibited expenses for the use of petty cash

- 7.8.1 Use of petty cash is prohibited for the following expenses:
- a) 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

- b) For the purchase of a stock item (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
- c) 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, subsistence and travelling claims, airtime, etc.
- d) 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.
- e) It shall be deemed an offence to use the Petty Cash Float for private matters despite even the good intentions to repay at the appropriate time.

## **8. GENERAL CONTROL MEASURES**

- 8.1 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 petty cash. This process should be done under the supervision of the Finance Manager. The handing over certificate should be signed by the official handing over and the official taking over petty cash as well as the Finance Manager who witnessed the handing over process.
- 8.2 When the petty cash custodian is on sick leave or any unplanned leave due to circumstances that are beyond the official and a proper handing over cannot be done a key to the safe and cash box must be collected by the Accountant and the Finance Manager if petty cash is urgently required.
- 8.3 The manager 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 official who received petty cash.
- 8.4 Should the matter remain unresolved by the attempts by the manager, the manager must refer the matter to the Director and at this level the Senior manager whose official 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.

8.5 Should the senior manager whose official received petty cash fail to resolve the matter within that month on which petty cash was received the following must take place:

- a) The senior manager 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 before the close of the same day on which petty cash was handed over or within 24 hours from the date of receipt of petty cash.
- b) Should the senior manager or delegated official fail to comply with paragraph 8.5 (a) above the full amount of petty cash shall be deducted from his/her salary without any further notice.

## **9 IMPLEMENTATION AND REVIEW OF THIS POLICY**

9.1 The Accounting Officer shall be responsible for the implementation and administration of this Policy with the assistance of the CFO once approved by Council. All future applications for indigent registrations must be considered in accordance with this policy.

9.2 In terms of section 17(1) (e) of the Municipal Finance Management Act, 2003 this policy shall be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

## **10 EFFECTIVE DATE**

The Policy shall come to effect upon approval by Council of Dr. Nkosazana Dlamini Zuma Local Municipality.

## **11 POLICY ADOPTION**

This Policy is adopted and approved by the full Council of Dr. Nkosazana Dlamini Zuma Local Municipality for implementation as follows.

Resolution Number \_\_\_\_\_

Approval Date \_\_\_\_\_