

## **ELIAS MOTSOLEDI LOCAL MUNICIPALITY**



### **PETTY CASH POLICY**

Original Council Approval		Amended
Date of Council Approval	31 May 2023	
Resolution Number	M22/23-54	
Effective Date	01 July 2023	

**1. Policy objective**

- The objective of the policy is to set out to:
  - Ensure goods and services procured by the municipality are in accordance with authorized processes only.
  - Ensure that the municipality has and maintains an effective petty cash system of expenditure control.
  - Ensure that sufficient petty cash is available when required.
  - Ensure that the items required to be procured are approved petty cash items

**2. Legislative framework**

- The legislative framework governing petty cash are:
  - The Local Government Municipal Finance Management Act, Act 56 of 2003.

### **3. POLICY PRINCIPLES**

- ❖ The petty cash of the municipality must be kept at the minimum level required to finance the day to day operation of the municipality.
- ❖ A maximum threshold of R20 000, or any other amount as the council may from time to time determine, must be applicable to be the maximum cash to be held in relation to minor disbursements by the council.
- ❖ Disbursements from the petty cash must not exceed R1000, or any other amount that the council may determine from time to time.

#### **3.1 REPLENISHMENT OF PETTY CASH**

- ❖ Petty cash replenishment must be considered once a month, unless directed otherwise by the Municipal Manager or his / her delegate anytime sooner before the end of the month.
- ❖ A comprehensive Petty Cash Reconciliation must be prepared and appropriately balanced before it is presented to the Chief Financial Officer for approval and in order to authorise replenishment of Petty Cash.
- ❖ A cash cheque equivalent to the amount authorized by the Municipal Manager or his Delegate to replenish petty cash must be drawn and cashed by the Petty Cash Custodian in order to have cash on equivalent to R20 000 in the municipality

#### **3.2 SING THE PETTY CASH (EXPENDITURE)**

- ❖ All expenditures that are to be reimbursed with petty cash funds are to be preapproved by the departmental head and Budget Office to verify the budget availability.
- ❖ Before petty cash is issued there must be a quotation, signed memorandum or verbal quotation as per national treasury practice note number 8 of 2007 /2008, section 4(b) (i).
- ❖ A receipt to verify the purchase and payment must support expenditures from the fund. It is responsibility of the fund custodian to determine if the transaction meets the requirements as set forth in this policy.
- ❖ At the time the Expenditure is made, invoices/ receipts/ vouchers (in the name of the Municipality) or other document, such as a cash register receipt containing the following, must be obtained:
  - ❖ Date
  - ❖ Name of vendor
  - ❖ Positive evidence that a payment was made (i.e., a cash register receipt or handwritten receipt on which the word “Paid” appears)
  - ❖ The amount paid
  - ❖ A description of the goods purchased

- ❖ A signature indicating receipt of goods
  - ❖ The departmental head signature documenting approval of expenditure.
  - ❖ An explanation of the purchase justifying the relevance of each purchased item
  - ❖ The purchase must be supported with cash register receipt. A hand written receipt will be acceptable in circumstances when a cash register receipt is not available. The vendor must sign the receipt, and the vendor's telephone number must be provided on the receipt. In all cases, adequate documentation justifying the purchase is required.
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- ❖ All petty cash vouchers/ receipts must be attached on a requisition form and must be added and the forms must be signed as verification.
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- ❖ The quotations may not be split as to circumvent the R1000 disbursement as per the policy. In the event where the quotation exceeds the R1000 threshold the normal procurement process must be followed.

### **3.3 APPROVED LIST OF PURCHASES FOR PETTY CASH PURCHASES**

The list is not limited to:

- a) Tollgate and parking (for Mayors driver and municipal official drivers)

### **3.4 PROHIBITED LIST OF PURCHASES**

The list is not limited to:

- a) Approved store items which are kept at the municipal store
- b) Subsistence and travel claims (i.e. kilometers claim, accommodation)
- c) Stationery
- d) Ordinary material and tools for repairs except for the petty cash bins kept by the supply chain management
- e) Wages for contractors, labour or contract work less than R1000
- f) Catering and Repairs

### **3.5 PREPARATION FOR PAYMENTS: VOUCHER (INTERNAL)**

- ❖ Once payment has been approved, the expenditure department must complete and sign a voucher and keep the documentation until the reconciliation is done and the transactions is recorded in the accounting records.

### **3.6 INTERNAL CONTROLS OVER PETTY CASH**

- ❖ The Chief Financial Officer (CFO) must be responsible for the maintenance of petty cash for the municipality. The Chief Financial Officer may delegate the duties of maintenance of petty cash to the Senior Accountant/Accountant in expenditure or any other authorized municipal official who should be independent of other functions in the Municipality.
- ❖ Petty Cash must be kept in a lockable box. The keys of the lock box must be strictly controlled by the delegated official. The petty cash box should be locked in a safe after office hours.
- ❖ A “surprise” petty cash count must be conducted at least once a quarter by an official designated by the Chief Financial Officer. A “formal” petty cash count must be conducted at year end and the account must be balanced and reconciled to the General Ledger Account accordingly.
- ❖ Petty Cash will only be issued upon receipt by the Senior Accountant/Accountant in expenditure section designated for petty cash of properly authorized petty cash voucher with supporting documents.
- ❖ Petty Cash reconciliation to the general Ledger should be performed on monthly basis and reviewed by the Chief Financial Officer/ Manager Expenditure who should sign the reconciliation as proof of having reviewed it.