

ELIAS MOTSOLEDI LOCAL MUNICIPALITY



PETTY CASH POLICY

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|---------------------------|-------------|---------|
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Notwithstanding the date of approval, this policy shall remain effective until approved otherwise by Council and may be reviewed on an earlier date as deemed necessary.

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1. Introduction and background

Section 13(2) of the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) requires that a municipality establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed.

This policy is issued under the authority of SCM Regulation 15 issued in terms of MFMA. It complements the SCM Policy and establishes a control framework for petty cash as an acquisition and payment instrument.

This policy is consistent with the Act and the gazetted framework.

2. Adoption of Petty cash Policy

The Municipality must formally adopt a petty cash policy which shall be consistent with the Act and its regulations.

The effective date of this policy, or any amendments thereto, shall be the date of its adoption by Council.

3. Definitions

3.1 **Act** means the Local Government Municipal Finance Management Act, (Act No.56 of 2003)

3.2 **EMLM** means Elias Motsoaledi Local Municipality

3.3 **GL** means General ledger

3.4 **NT** means National Treasury

4. Purpose

The purpose is to ensure the cost-effective and efficient use of petty cash funds while maintaining the required level of control in the process.

5. Legislative framework

- The legislative framework governing petty cash are:

The Local Government Municipal Finance Management Act, Act 56 of 2003.

6. Scope and Application

- The policy is applicable to all officials and councillors of this municipality. This policy must still be read in conjunction with other relevant policies and petty cash purchases should still adhere to the conditions of these other policies.

7 Objectives

The objectives of the policy are –

7.1 to ensure compliance with the relevant legal and statutory requirements relating to petty cash management

7.2 It governs the small miscellaneous purchases payments herein called minor expenditure when immediate settlement is required or when this method of payment is more cost-effective.

8 General permission and restrictions

The conditions for the procurement of goods and services by means of petty cash purchases, include the following:

8.1 Petty cash float shall be up to a maximum amount of R20,000 per disbursement;

6.2 Goods and services may only be procured by way of petty cash purchases, up to a maximum transaction value of R2 000 (VAT included) (this shall be excluding petty cash needed for project visits);

8.3 The use of petty cash should be strictly confined to an individual cash purchases of up to the maximum of R2 000;

8.4 The expenditure with regard to petty cash shall not be deliberately split into more than one transaction to avoid the said limit;

8.5 Authorization by manager on the procurement of goods to a maximum of R 2 000 may be made by means of petty cash purchases;

8.6 All petty cash purchases should be budgeted for;

8.7 All petty cash requests shall have a budget form duly signed to indicate the segment and the available budget. The budget form to be submitted to ensure availability of funds before any expenditure is incurred;

8.8 There must be only one official, or supervisor delegated by the CFO responsible for a petty cash fund at any given time. Only these two persons should be allowed access to the cash in this fund;

8.9 All purchase requirements utilizing petty cash shall be preapproved by the relevant manager or officials above manager level on the petty cash expenditure;

8.10 An official to whom a petty cash advance is issued, is personally responsible and any loss or shortage in respect of that advance may be recovered from that individual;

8.11 A Petty cash advance form will be required before issuing an advance indicating the amount requested and the reason for the purchase, items to be purchased and authorized by the manager or officials above manager in charge of a certain vote or line item;

8.12 A Petty cash expenditure form will be required to finalize the procurement indicating the amount and items purchased, the segment to be paid from and authorization by the manager or officials above manager level in charge of a certain vote or line item;

8.13 All expenditures must have a properly filled out in the petty cash expenditure book. The supporting documents attached shall be original invoices or receipts.

8.14 The petty cash of EMLM must be kept at the minimum level required to finance the day to day operation of the municipality

8.15 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.

8.16 Before petty cash is issued there must be a written or verbal quotation as per national treasury practice note number 8 of 2007 /2008, section 4(b) (i).

8.17 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

9 Petty cash payments prohibited

9.1 Petty cash advances must not be used to provide change, to give salary advances to employees or to cash cheques.

9.2 No personal use from these funds is allowed. It shall be deemed as an offense to use Petty Cash for private matters even if the intention is to repay.

9.3 Petty cash shall not pay for instalment invoices such as rental or equipment or open orders even if the amount falls within the limit specified.

9.4 No payment will be made for lost receipts or invoice.

9.5 Departments are not allowed to have more than **five (5)** petty cash purchases per month.

*Petty cash shall **NOT** be used for:*

- Toll gate slips
- Travel or any other allowance claims
- Salaries and Wages less than R2000

10 Petty cash reporting

10.1 Regular reporting mechanisms shall be in place in order to assess the performance of the petty cash and to ensure that the petty cash processes comply with policy objectives, guidelines, applicable laws and regulations.

10.2 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.

10.3 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.

10.4 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.

10.5 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.

10.6 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.

11 Deviations from the policy

Any deviations from the policy must be approved in writing by the Municipal Manager.

12 Review of policy

This policy on petty cash will be reviewed as and when amendments are required. Any changes to the petty cash policy must be adopted by Council and be consistent with the Act and any National Treasury regulations.

13 Effective date

The effective date of this policy, or any amendments thereto, shall be the date of its adoption by Council.