



PORT ST JOHNS
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PETTY CASH POLICY

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Preamble

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

A petty cash float is used to facilitate and accelerate the processing of low value transactions with minor official expenditures.

Minor expenditures are defined as less than **R300** unless authorized by the CFO. Due to inherent costs and time required to process financial transactions, it becomes practical, economical and recommended to use petty cash to process low value payments where transaction cost (e.g. electronic transfer or cheque costs) is high.

1. Purpose

This policy is meant to ensure the cost effective and efficient use of petty cash funds while maintaining the required level of control.

2. Scope of Usage

(1) This policy shall be applicable to the Port St John's Municipality.

3. Petty Cash Limits

(1) Petty cash imprest limits are set as follows:

a. R 3 000.00

b. Petty cash replenishments will only be done after having fully exhausted the allowable limit. It is imperative on custodians of petty cash to ensure that petty cash usage is monitored properly. Acquisitions by the users must be authorized by the Senior Expenditure Accountant.

4. Policy Statement

- (1) It is Port St John's Municipality's policy to use the petty cash funds for making small miscellaneous payments herein called minor expenditure when immediate settlement is required or when this method of payment is more cost-effective.
- (2) A petty cash float shall not exceed R3 000 and no single expenditure from that fund shall exceed R300 per transaction without prior approval of the CFO. The expenditure shall not be deliberately split to avoid the said limit.
- (3) The total amount of petty cash, in the form of vouchers or cash, shall be counted (physical verification) in full at year end and there should always be an amount equal to R3,000. This is in line with the accrual basis of accounting.

5. Petty Cash Usage

- (1) Petty cash will be utilized to acquire low value supplies and services with a value not exceeding **R300** (three hundred Rands) only. Purchases of items may not be split in order to fall within the determined threshold of **R300**.
- (2) There are payments which cannot be made from the petty cash fund. The prohibited payments are as follows:
 - a. Energy drinks
 - b. Toll gate slips
 - c. Travel and other salary related claims

d. Salaries and wages

e. Assets

- (3) This policy must be read in conjunction with other relevant policies and petty cash purchases should still adhere to the conditions of these other policies.
- (4) Petty cash advances must not be used to provide change, to give salary advances to employees or to cash cheques.
- (5) No personal use or check cashing from these funds is allowed. It shall be deemed an offense to use Petty cash for private matters even if the intention is to repay.
- (6) Petty cash shall not pay for installment invoices such as rental or equipment or stop orders even if the amount falls within the limit specified.
- (7) On the non-availability of the Petty cash fund, municipal employees may utilize own funds after pre-approval has been sought.
- (8) Refunds on Petty cash will be made when there was a prior arrangement with the invoices attached.
- (9) Due to the geographical spread of the municipality and in emergency instances, pre-approval is sought for immediate service delivery requirements.

6. Custodians of Petty Cash

- (1) For the municipality, the petty cash custodian will be the Senior Expenditure Accountant.

- (2) The initial cheque written to establish and replenish the fund will be written and made payable to the petty cash custodians.
- (3) The custodian of the petty cash must ensure that on a daily basis petty cash is kept in a municipality's lock up safe and is properly balanced.

7. Change in Custody of the Fund

- (1) When custody of a petty cash fund is transferred to another custodian, the petty cash must be reconciled prior to it being handed over to the new custodian.
- (2) The Senior Expenditure accountant must always ensure that the new custodian is aware of his/her responsibilities relating to the custody of the fund.

8. Disbursement of Petty Cash

- (1) A petty cash claim form or voucher must be completed and authorized by the head of the department requesting the petty cash.
- (2) It must be submitted to the petty cash custodian for authorization.
- (3) Having authorized the claim form, a cash disbursement is made by the custodian and the requesting staff member signs for having received the amount requested.
- (4) Vouchers for expenditure must be returned to the petty cash custodian for filing together with the claim form.

- (5) Where vouchers are not returned by end of the month, such amounts will be automatically deducted from the respective employee's salary.

9. Monitoring

- (1) Surprise petty cash counts must be conducted on a regular basis by the Manager Budget and reporting. The Manager Budget and reporting has been conferred with authority, in terms of this policy, to monitor its implementation thereof.
- (2) He/she may from time-to-time request for information relating to the management of the petty cash and may perform such procedures as he/she deems necessary.
 - a. Periodic unannounced verifications of the petty cash advances should be made to determine whether funds are being used properly and to ensure that they are adequately protected against loss or misuse and are properly accounted for
- (3) No information relating to access to the petty cash records may be unreasonably withheld by the custodians of the petty cash float.
- (4) The municipal manager will monitor the effectiveness of this policy by reviewing the periodic petty cash reports

10. Petty Cash Replenishment

- (1) The petty cash custodian must hand in to the Senior Expenditure Accountant all petty cash payment vouchers and the petty cash summary for verification and review.

- (2) The Senior Expenditure Accountant must check the petty cash against vouchers and for arithmetic accuracy and perform petty cash reconciliation;
- (3) A petty cash replenishment voucher in the name of the custodian must then be prepared and authorized by the Senior Expenditure Accountant.
- (4) The voucher amount must be the difference between the petty cash float; and the balance of the maximum allowable monthly petty cash amount (as per paragraph 4 above).

11. Accounting and Control

- (1) Before establishing or increasing petty cash funds, the relevant official must ensure that the security and safekeeping arrangements are commensurate with the risk of theft and the size of the petty cash fund.
- (2) There must be only one official, with one back-up, delegated by the CFO responsible for a petty cash fund at any given time. Only these two persons should be allowed to access to the cash in this fund. When the official is being changed an acknowledgement must be obtained.
- (3) When disbursements are not made frequently, the custodian should check the petty cash fund at least once a week to ascertain that no theft has taken place.
- (4) If a shortage is discovered, it must be reported promptly to the CFO who after reviewing the circumstances of the case, shall, with the municipal manager, take whatever corrective action necessary.

- (5) The custodian is required to reimburse losses and shortages unless prescribed procedures were followed and the petty cash was properly secured; there is physical evidence of breaking-in and no act or omission on the part of the custodian contributed to the loss, as stipulated.

12. Implementation

This policy must be implemented by all employees and councillors of Post St John's Municipality.

It is the responsibility of management to ensure that the policy is implemented effectively.

ADOPTION OF THE POLICY

Policy adopted by Council of Port St Johns Local Municipality for implementation.

Approved by: Council On

Date

Resolution No.

Confirmed by the Honourable Speaker

Signature

Cllr C.S. Mazuza