

**THABO MOFUTSANYANA DISTRICT
MUNICIPALITY**



PETTY CASH POLICY

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1. DEFINITIONS

1.1. In the policy, unless the context indicates otherwise, the following definitions applies –

- a) Accounting Officer – The Municipal Manager for Thabo Mofutsanyana District Municipality
- b) CFO – The Chief Financial Officer for Thabo Mofutsanyana District Municipality
- c) MFMA – The Municipal Finance Management Act (Act No. 56 of 2003)
- d) Municipality – Thabo Mofutsanyana District Municipality
- e) Petty Cash – means a small amount of cash kept by the Municipality for expenses on small items.

2. OBJECTIVE

The objective of this policy is to regulate the management, administration and control of Petty Cash within the Municipality and to ensure that in disbursing Petty Cash funds the Municipality is within the ambit of Municipal Finance Management Act (MFMA), 56 of 2003.

3. SCOPE OF POLICY

This Policy applies to all councillors and officials of the Municipality.

4. METHODOLOGY OF OPERATION

4.1. A dedicated office for control of Petty Cash for use at the Municipality, but accessible manner shall be operated. The officials handling cash shall be limited to two (Financial Accounting Manager and the Secretary to the CFO), supported by the availability of a safe.

4.2. To minimise security risk, a maximum Petty Cash float of R10 000 and minimum of R2 000 shall be kept in the safe. Petty Cash must be accounted for by the user through proof of purchase (receipt). Should the user fail to provide necessary proof of purchase, such a user shall reimburse the Municipality.

- 4.3. The total amount of Petty Cash, in the form of cash, shall be counted (physical verification) in full at the end of every second week in the presence of Internal Auditor(s) for control and reconciliation purpose; and these should always equal R10 000.00 as applied in terms of the accrual basis of accounting.
- 4.4. The original issuing of Petty Cash shall be approved by the Accounting Officer. Approval will be sought from the Accounting Officer where the float needs to be increased for whatever reason.

5. PETTY CASH ADVANCE/REQUEST FORM

- 5.1. A Petty Cash Advance Form shall be used for purposes of administering Petty Cash.
- 5.2. Cash advances shall be accounted for within two working days of each request. This implies that a concession will be granted for holidays or weekends that have fallen between the advance periods. The pre-numbered advance form shall be recorded accordingly in the Petty Cash Register or Journal.
- 5.3. The Petty Cash requisition form must include:
- 5.3.1 Reason for Petty Cash.
 - 5.3.2 Amount requested (not exceeding R2 000).
 - 5.3.3 Vote number.
 - 5.3.4 Person requesting an item.
 - 5.3.5 Supported by HOD or Unit Manager.
 - 5.3.6 Person authorising (CFO or delegated official).

6. AUTHORISATION OF ADVANCES

Petty Cash advances will not be considered without the necessary authorization in accordance with MFMA delegation of authority. The same ruling that applies for Procurement Requisition Form shall apply.

7. AUTHORISED LIMIT PER EXPENDITURE

The Petty Cash Limit per expenditure voucher shall be set at R2000.00 VAT inclusive.

8. ACCOUNTING

8.1 Issue of Original Authorisation

The original petty cash authorisation to be accounted for as follows:

Allocation Description	General ledger	Debit	Credit
Petty Cash	960/960/9060	R10,000.00	
Bank	960/960/9060		R10,000.00
Expenditure	Consumables	R1,785.00	
Petty Cash	Consumables		R1,785.00

9. REIMBURSEMENT OF EXPENSES

The schedule of petty cash vouchers (petty cash expenses) should be drawn up for approval by the Chief Financial Officer before submission for issuing of imbursement cheque.

10. PROHIBITED PRACTICES AND EXPENSES

- 10.1. Petty Cash shall not pay for instalment invoices such as for rental of equipment or open orders even if the amount falls within the limit specified.
- 10.2. Petty Cash shall not be used to offer credit due to a Vendor/Supplier where the Vendor is registered with the municipality.
- 10.3. It is forbidden to pay out Cellular Claims or all other claims through Petty Cash.

- 10.4. It shall also be forbidden to purchase an asset through Petty Cash.
- 10.5. Petty Cash Advances shall be readily available for Auditors without any postponement or deviation.
- 10.6. 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.
- 10.7. Deviation from the accepted accounting practices in the use of Petty Cash shall constitute a serious offence under the Disciplinary Code.
- 10.8. Petty Cash float or advances shall be for immediate withdrawal from the individual's salary if not accounted for within the stipulated period.

11. RECONCILIATION OF PETTY CASH FLOAT

- 11.1. When the cash in the Petty Cash is utilised at +- R2,000,00, the Petty Cash register must be replenished and reconciled by the Petty Cash responsible officials as follows:
 - 11.1.1 Counts the Petty Cash money at hand and confirm the monthly closing balance of cash at hand as reflected in the Petty Cash register.
 - 11.1.2 Add up all the receipts submitted as proof of payment and agrees the total to the total reflected in the Petty Cash register.
 - 11.1.3 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.
- 11.2. Reconciles the Petty Cash total on hand with the requisition forms, vouchers and other supporting documentation.
- 11.3. Such reconciliation procedure as stated above should be performed at the end of each second week and it should be ensured that the Petty Cash Float balances to the closing ledger balance.
- 11.4. The Petty Cash Officials responsible for the review of the Petty Cash funds and petty cash register, signs as proof of the review.

- 11.5. 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.
- 11.6. The Chief Financial Officer may make surprise inspections of the Petty Cash at least once per quarter and perform the following procedures:
 - 11.6.1. Inspect the Petty Cash vouchers to ensure that all items on the voucher are items usually used by the Municipality in the performance of duties and that no purchase was made for personal use.
- 11.7. Performs a cash count, in the any shortages or surplus funds concerning Petty Cash must immediately be paid back into the municipality's bank account, followed by the Internal Audit's investigation on such mishap transpired.
- 11.8. 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 Controller and the Accountant – Expenditure and they should sign the working paper as evidence of the cash count.

12. COMPLIANCE ENFORCEMENT

- a) Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken as per the Municipality's disciplinary code of conduct.
- b) It will be the responsibility of Chief Financial Officer to enforce compliance with this policy.

13. POLICY ADOPTION

This Policy has been considered and approved by the **COUNCIL OF THABO MOFUTSANYANA DISTRICT MUNICIPALITY** as follows:

Resolution

No:..... Approval

Date:

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annexure PCV A

RECOMMENDED BY: CHIEF FINANCIAL OFFICER

APPROVED BY: MUNICIPAL MANAGER

DATE: _____

PETTY CASH VOUCHER

Date: _____

Reason for Petty Cash Requisition	Amount

Department: _____ **Vote No.** _____

I, the undersigned, hereby authorise the CFO to deduct from my salary the amount received by me if the invoice and change is not received by the Admin Officer, Financial Services Department within 48 hours of receiving the above Petty Cash.

Cash received by:

Name: _____

Signature: _____

Date: _____

Authorised by: MM / HOD _____

Date: _____

FOR FINANCE DEPARTMENT USE ONLY

Invoice Details	Amount
Cash Change Received:	
Total:	

Admin Officer: _____

Date: _____

Approved: _____

Date: _____

Manager: Financial Accounting