



BITOU LOCAL MUNICIPALITY

DRAFT PETTY CASH POLICY

DRAFT REVIEW SUBMITTED TO COUNCIL 31 MARCH 2017

(POLICY PREVIOUSLY APPROVED BY COUNCIL 30 JUNE 2016 PER RESOLUTION C/3/152/06/16)

Policy Title: Bitou Municipality Petty Cash Policy

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1. DEFINITIONS

In this policy, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Municipal Finance Management Act (MFMA) No. 56 of 2003, has the same meaning.

“CFO” means the Chief Financial Officer of Bitou Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003.

“GRAP” means the Generally Recognised Accounting Standards.

“HOD” head of department

“Municipal Manager” means a person appointed as the Accounting Officer of Bitou Municipality.

“Municipality” means Bitou Municipality

“Petty Cash” means a small amount of cash kept by the Municipality for expenses.

2. OBJECTIVE

The objective of this policy is to regulate the use of Petty Cash Float within Bitou 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 THE POLICY

This policy applies to Bitou Municipality.

4. METHODOLOGY OF OPERATION

4.1 The Petty Cash policy float approved by the Council and kept by a designate of the CFO in the Finance Department.

4.2 The custodian of Petty Cash is the CFO designate in the Finance Department who keeps the cash under lock and key all the time.

4.3 The original issuance of Petty Cash shall be approved by the CFO or delegated official, who will also approve any increase, for whatever reason, in the float of Petty Cash.

4.4 Quotation may be requested but not compulsory, it is not compulsory for the selected supplier to be registered in the Municipal suppliers' database.

4.5 All submission regarding the request to utilised Petty Cash must be forwarded to the CFO or delegated official at least one day before the date in which petty cash is required. Poor planning will not be a justifiable reason to deviate from this provision.

4.6 The CFO or delegated official may make random inspections of the Petty Cash as he deems fit at least once on quarterly basis.

5. PETTY CASH ADVANCE AND REQUEST FORM

5.1 An official Petty Cash requisition form must be used for all Petty Cash requisitions. Petty cash used shall be accounted for (e.g. slips) within five

days (5) from the day when Petty Cash was issued. This period will exclude public holidays and weekends. Failure to do so would result in the drawn amount being immediately deducted from the salary of the requester without prior consultation. An affidavit must be obtained where slips have been lost.

5.2 The Petty Cash requisition form must include:

Reason for Petty Cash.

Amount requested (not exceeding R500.00).

Amount used for purchasing,

Change returned, if any.

Vote number.

Person requesting an item.

Supported by HOD or the responsible Divisional Manager.

Person authorising, e.g. CFO or delegated official.

6. AUTHORISATION OF PETTY CASH ISSUANCE

6.1 When a section needs Petty Cash, a Petty Cash requisition form must be completed and supported by the Responsible Divisional Manager or Head of Department (HOD) and approved by the CFO or delegated official.

6.2 No purchase of goods and services may take place before the approval to use Petty Cash is granted by the CFO or delegated official, except in the situation of urgent and emergency in which case the Responsibility Manager or HOD would have to give permission to proceed with the transaction.

6.3 Quotations may be requested but not compulsory. It is not compulsory for the supplier to be registered in the Municipal suppliers' database.

7. AUTHORISED LIMIT FOR PETTY CASH

7.1 The Petty Cash float will be maintained at R7 000.00 per month.

7.2 The requisitioned amount must not exceed a maximum amount of R500.00 per transaction as outlined in the Municipal Supply Chain Management Policy unless otherwise motivated and approved by the Chief Financial Officer with the provision that the amount may not exceed the limits as determined in accordance with the Municipal Supply chain regulations applicable to petty cash purchases.

8. PROHIBITED EXPENSE FOR THE USE OF PETTY CASH

Use of Petty Cash is prohibited for the following expenses:

8.1 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.

8.2 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.

8.3 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.

8.4 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.

9. RECONCILIATION OF PETTY CASH FLOAT

9.1 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:

Count the Petty Cash money on hand and confirm the monthly closing balance of cash on hand as reflected in the Petty Cash register.

Add up all the receipts submitted as proof of payment and agrees the total to the total reflected in the Petty Cash register.

Verify 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.

Reconciles the Petty Cash total on hand with the requisition forms, vouchers and other supporting documentation.

9.2 Such reconciliation procedure as stated above should be performed at the end of the month and it should be ensured that the Petty Cash Float balances to the closing ledger balance.

9.3 The Petty Cash officer responsible for the review of the Petty Cash funds and petty cash register, signs as proof of the review.

9.4 The Chief Financial Officer/ Director – Finance, 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.

9.5 Internal audit should also random inspections of the Petty Cash at least once per quarter and perform the following procedures:

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.

Perform a cash count, in the presence of the official responsible for Petty Cash.

9.6 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 Municipal Manager or Chief Financial Officer for rectification.

9.7 At year-end a cash count should be performed on all advances to ensure that the cash on hand reconciles with the general ledger account. A cash count working paper should be prepared as evidence of the cash count (preferably by an Internal Auditor), the cashier and senior official within the Income Division should sign the working paper as evidence of the cash count.

10. REPLENISHMENT OF PETTY CASH

10.1 Petty Cash Float shall be reimbursed by means of an uncrossed cheque where such replenishment will be approved by Chief Financial Officer or Manager: Expenditure. The Petty Cash shall be reimbursed by cheque through the normal Financial System in use.

10.2 The schedule of Petty Cash vouchers (Petty Cash expenses) should be drawn up for approval by the Manager: Expenditure before submission for issuing of a reimbursement cheque.

10.3 Replenishment of the Petty Cash Float will be undertaken after the balancing and reconciliation of the Petty Cash register has been checked and approved by the Chief Financial Officer or Manager: Expenditure.

10.4 A cheque must be made out to the Town Treasurer (Bitou Municipality) for the replenishment of the Petty Cash Float and such cheque must be cashed by the Petty Cash Officer who must then record the amount received in the Petty Cash register.

11. PETTY CASH REGISTER

The keeping of a formal Petty Cash register is compulsory for Bitou Municipality.

12. GENERAL PROVISIONS

12.1 Commencement

This Policy will come into effect on the date of adoption by Council .

12.2 Interpretation of this policy:

All words contained in this policy shall have the ordinary meaning attached thereto, unless the definition or context indicates otherwise.

The dispute on interpretation of this policy shall be declared in writing by any party concerned.

The Office of the Municipal Manager shall give a final interpretation of this policy in case of written dispute.

12.3 Permanent/temporary waiver or suspension of this policy

This policy may be partly or wholly waived or suspended by the Municipal Council on temporary or permanent basis.

The Municipal Manager may under circumstances of emergency temporarily waive this policy subject to reporting of such waiver or suspension to Council.

12.4 Compliance and enforcement

Violation of or non-compliance with this policy will give a just cause of disciplinary steps to be taken.

It will be the responsibility of Council to enforce compliance with this policy.

12.5 Amendment and /or abolition of this policy:

This policy maybe amended or repealed by Council s it may deem necessary.

13. POLICY ADOPTION

This policy has been considered and approved by the Council of BITOU Municipality on this day.....of..... 2016.