

BITOU MUNICIPALITY



DRAFT PETTY CASH POLICY

This policy was reviewed by Council in 2021/22. No changes are proposed to Council.

2022/23

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1. INTRODUCTION

- 1.1. Petty cash is small amount of discretionary funds in the form of cash used for expenditure where *it* is impractical to follow the official procurement processes due to the nature of the goods and/or services required.

2. OBJECTIVES OF POLICY

- 2.1. The objectives of the policy are to:
 - 2.1.1. Ensure goods and services are procured by the municipality in accordance with authorized processes only,
 - 2.1.2. Ensure that the municipality has and maintains an effective petty cash system for expenditure control,
 - 2.1.3. Ensure that sufficient petty cash is available when required,
 - 2.1.4. Ensure that the items required to be procured are approved petty cash items.

3. LEGISLATIVE FRAMEWORK

- 3.1. The legislative framework governing petty cash are:
 - 3.1.1. The Local Government Municipal Finance Management Act, Act 56 of 2003,
 - 3.1.2. The Municipal Supply Chain Management Regulations, Regulation 868, published under Government Gazette 27636, 30 May 2005,
 - 3.1.3. The municipal supply chain management policy.

4. AUTHORISED LIMIT FOR PETTY CASH

- 4.1 The Petty Cash float will be maintained at R20 000.00 per month.
- 4.2 The requisitioned amount must not exceed a maximum amount of R2 000.00 per transaction as outlined in the Municipal Supply Chain Management Policy unless

otherwise motivated to 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.

5. PETTY CASH PURCHASES

Section 5
amended

- 4.1 The Chief Financial Officer must delegate personnel from the Expenditure Management Division to keep petty cash registers and make petty cash payments up to the maximum amount as allowed per transaction.
- 4.2 Petty cash must be restricted to cash purchases up to a transaction value of R2 000,00 VAT included.
- 4.3 Petty Cash must not be used for any of the following:-
 - a. Loans to any person or whatsoever,
 - b. Payroll related payments such as wages, salaries, travel allowances, subsistence and travel claims, etc.
 - c. Fuel and lubricants, etc.
 - d. Human resource related costs such as doctors' fees, employees' studies per study-aid policy, etc.
 - e. Instalment payments such as invoices relating to SCM contracts, stock items, and payments related to debit orders, rental of equipments, etc.
 - f. Any items which can be classified as an assets,
 - g. Safety equipment and clothing such as clothes, ear protectors, safety glasses, etc.
- 4.4 Petty cash will be drawn and paid to user-departments by means of an Instant Payment Method (also known as *eWallet System*).
- 4.5 The electronic voucher number as well as the withdrawal PIN code must be sent to the mobile number of the respective Manager.
- 4.6 A pre-numbered petty cash claim form must be completed and authorized by the relevant Manager prior to the claim being processed.

- 4.7 Petty cash purchases may not deliberately be broken up over two (2) or more transaction claims or be split over more than one (1) day for the same items in order to fall within the determined threshold of R2 000,00 VAT included.
- 4.8 In a quest of reducing the bank's service fees, procurements made from municipal suppliers will be through the SCM Petty Cash Order System.
- 4.9 Such purchases (per 4.6) will be subject to the following conditions:
 - 4.9.1 The originator of the SCM Petty Cash Order must obtain a quotation from the supplier,
 - 4.9.2 The Manager must sign the quotation and supply with a U-Key,
 - 4.9.3 The Manager must complete and signs the "Request for Petty Cash Order Form" and attach the quotation,
 - 4.9.4 The originator must submit the request form to Budget Office for the validation of the U-Keys,
 - 4.9.5 The originator must submit the request form and quotation to Creditors Section for processing,
 - 4.9.6 The Principal Clerk: Creditors must complete an SCM Petty Cash Order and records the transaction in the SCM PCO Register,
 - 4.9.7 The Principal Clerk: Creditors must issue an SCM Petty Cash Order Number (as per register),
 - 4.9.8 The SCM PCO voucher must be submitted to the Manager: Expenditure and/or delegated official for approval,
 - 4.9.9 On receipt of the SCM PCO voucher, the originator must then collect the goods and be issued with an invoice which he/she must submit to Creditors Section for payment,
 - 4.9.10 The supplier must include the invoice per 4.7.9 on the referred monthly creditor's statement for payment,
 - 4.9.11 The Creditors Clerk must then reconcile the statement and process a direct payment to the supplier.
- 4.10 The SCM Petty Cash Order Register must be submitted to the Manager: Expenditure as part of monthly reporting.

6. OUT-OF-POCKET EXPENSES

- 6.1. Where a staff member has made a purchase from own funds and seeks reimbursement from the petty cash, supporting documentation must be provided to substantiate the claim.
- 6.2. The responsibility to ensure that the purchase must be in accordance with all the prescriptions of this policy will be the sole responsibility of the purchaser of such items.
- 6.3. All the reimbursements relating to out-of-pocket expenses must be processed through the Supply Chain Management Division.
- 6.4. A reimbursement purchase order must be processed in this regard. And, such an order must be in the names of employee claiming to be reimbursed.
- 6.5. No Instant Payment Method must be allowed for Out-of-Pocket Expenses.

7. PETTY CASH REPLENISHMENT

- 7.1. Petty Cash replenishments will only be done after having fully exhausted the available balance on the Petty Cash U-Key.
- 7.2. A proper petty cash register must be kept where each disbursement of petty cash transactions are recorded.
- 7.3. The minimum detail to be recorded in the petty cash register is:
 - 7.3.1. department name,
 - 7.3.2. U-Key to allocate petty cash transaction,
 - 7.3.3. name of vendor,
 - 7.3.4. date,
 - 7.3.5. amount issued, and
 - 7.3.6. name of Manager,
 - 7.3.7. Instant Payment voucher number,

- 7.4. The petty cash register with all petty cash vouchers, receipts or slips must be attached to the Petty Cash Control Sheet.
- 7.5. The Principal Clerk: Creditors must reconcile the petty cash balances on the system against the Petty Cash Control Sheet.
- 7.6. The reconciliation process must be between the Petty Cash Control Account and Expenditure U-Keys of different Directorates.

8. DISBURSEMENT OF PETTY CASH

- 8.1. All petty cash disbursements must be completed on the prescribed petty cash voucher, authorized by the delegated official of each department as approved by Council in terms of the delegation of authorities.
- 8.2. The authorized official must ensure that funds are available in the budget prior the submission of claims. The Budget Office must also provide with confirmation to the U-Key utilized and the availability of funds.
- 8.3. An invoice or an original receipt, clearly indicating the description of items purchased must support the petty cash voucher.
- 8.4. In the case where a petty cash advance has been granted in the form of Instant Voucher Payment; the recipient of the voucher must submit an invoice and/or original receipt within five (5) working days from receipt of the voucher to the petty cash official.
- 8.5. Where proof of expenditure could not be provided on petty cash advances within the prescribed period, the advance will automatically be deducted from the respective employee's salary.

9. INTERNAL CONTROLS

- 9.1. Surprise petty cash audits must be concluded on random basis throughout the financial year.
- 9.2. Petty cash reconciliations with the general ledger must be reconciled before 30 June of each year and the petty cash replenished to the maximum amount allowed.
- 9.3. The petty cash reconciliations must be verified by the Accountant: Creditors and approved by the Manager: Expenditure. A copy of the register must be submitted to the Manager: Annual Financial Statements for audit purposes.

10. REPORTING

- 10.1. A monthly reconciliation report, including the total amount of petty cash purchases for that month, must be prepared by the petty cash holder.
- 10.2. The monthly reconciliation report of petty cash must be reviewed by the Accountant: Creditors or delegate and verified by Manager: Expenditure.

11. GENERAL ADMINISTRATION

- 15.1 **Petty cash will be reimbursed from Monday to Thursday between 14h00 until 16h00.**
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12. REVIEW

- 12.1. This policy will be reviewed annually to be in line with municipal practices and legislation.

13. SHORT TITLE

13.1. This policy shall be called the Petty Cash Policy of the Bitou Municipality.