

# **Ulundi Local Municipality**

**“The City of Heritage”**



## **Petty Cash Management Policy**

**Vers 01**

# Ulundi Local Municipality Petty Cash Management Policy and Procedures

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# Ulundi Local Municipality Petty Cash Management Policy and Procedures

## 1. Policy objective

- (1) The purpose of this policy is to ensure effective administration and appropriate internal controls over petty cash management in a consistent and acceptable manner throughout the Municipality.
- (2) This policy covers the accountability of all parties involved in the financial management of Ulundi petty cash floats.

## 2. Terminology

<i>Petty Cash</i>	Refers to money held by the delegated component to fund sundry expenses not incurred through normal SCM processes.
<i>CFO</i>	Chief Financial Officer
<i>HOD</i>	Head of Department
<i>GL</i>	General Ledger
<i>SCM</i>	Supply Chain Management
<i>PCC</i>	Petty Cash Controllers

## 3. Scope

- (1) This policy applies to all Ulundi Local Municipality employees (both full time and part time), especially those with financial responsibility, such as Heads of Departments that uses petty cash floats.
- (2) It also applies to all requests or claims for all Ulundi petty cash floats.

## 4. Legislative prescripts

- (1) The following is a list of applicable legislative prescripts which Ulundi needs to comply with:
  - a) Municipal Finance Management Act (Act No. 56 of 2003)
  - b) Treasury Regulations (March 2005)
  - c) Financial Management Delegations of Authority Framework.
  - d) Ulundi Local Municipality Supply Chain Management Policy

## **5. Guiding Principles**

### **5.1 Overall control**

- (1) It is the duty of the Municipal Manager and the Chief Financial Officer to ensure proper segregation of duties with respect to the management of petty cash, reporting all exceptions to the Accounting Officer.
- (2) Petty cash funds must be properly safeguarded.
- (3) The only monies to be paid into a petty cash float are reimbursements of expenditures made from petty cash float.
- (4) No other monies, particularly those in respect of trading activities, must be mixed or held with the cash float.

### **5.2 Use of petty cash facility**

The petty cash facility may only be used for:

- (1) Disbursements or purchases not exceeding limits stipulated in the Ulundi Local Municipality *Supply Chain Management Policy* and other applicable thresholds;
- (2) Any other payments where a registration of a supplier on the database would *not* be cost effective. This should be authorized and pre-approved by the CFO; and
- (3) Non-recurring and incidental expenses within petty cash limits.

### **5.3 Unauthorised use of petty cash**

It is an offence to use petty cash for the following type of expenditures:

- (1) Payment for items that should be purchased through the normal SCM processes.
- (2) Personal expenses.
- (3) Payment for parking tickets and other traffic fines.
- (4) Purchase of any items for re-sale purposes.
- (5) Personal borrowings (IOU's) and other personal loans.
- (6) Cashing of cheques.
- (7) Any items that should be recorded or paid via payroll function in terms of SARS, such as the travel and subsistence claims.

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## 5.4 Permitted value (threshold) of petty cash float

- (1) Ulundi Local Municipality has adopted an Imprest System for managing its petty cash float.
- (2) Maximum petty cash to be maintained by the Petty Cash Controller shall be limited to a **maximum of R1, 000.00** or any other amount as approved by the Accounting Officer of the Municipality.
- (3) This limit shall be reviewed by the Chief Financial Officer from time to time.
- (4) The maximum limits shall comply with the limit prescribed in the applicable Municipality's SCM Policy.

## 5.5 Security for petty cash floats

- (1) Petty cash shall at all times be kept in a suitable petty cash box under the control of the Petty Cash Controller.
- (2) The petty cash box shall at all times be kept locked, and the keys thereof shall be safely kept by the Petty Cash Controller.
- (3) The petty cash box shall at all times be kept either:
  - At the work station or office of the Petty Cash Controller, under the constant scrutiny of the PCC, when he/she is at the station;
  - At all other time, in the Municipality's safe.
- (4) No person other than the Petty Cash Controller, or another person designated by the CFO may have access to/or should open the petty cash box.
- (5) Handing over of cash to the person collecting the cash (Payee) from the Petty Cash Controller must be recorded in the petty cash voucher by both their signatures and the date, with one copy given to the payee as proof of cash receipt.

## 5.6 Accounting for petty cash expenditure

- (1) Petty cash must be accounted for using excel spreadsheet (**Refer attachments**)
- (2) All petty cash payments must be supported by:
  - Petty cash voucher – accurately describing expense, as well as the name and signature of the person receiving the cash and all supporting source documentation verifying the expenditure.
- (3) Cash counts must be performed by the Petty Cash Controller once on monthly basis and reconciled to the balance reflected in the petty cash book. Should differences arise:
  - Shortages/or overs must be reported to the Chief Financial Officer.
  - Reasons for above must be ascertained by the Chief Financial Officer.
  - All shortages should be paid back or refunded into the float by the Petty Cash Controller.

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## **6. Appointment of Petty Cash Controllers**

- (1) The Chief Financial Officer shall appoint the PCC in writing to manage and control petty cash.

## **7. Procedures for managing petty cash**

### **7.1 Requisitions for petty cash**

- (1) If a section within a Department requires petty cash, a petty cash requisition, designed in a format approved by the CFO, shall be completed and signed by the requester (Payee), and countersigned as authorised by the relevant HOD.
- (2) Such form must state the name of the relevant section, the amount requisitioned, the purpose for which it requisitioned, and the cost centre or GL code to be *debited*.
- (3) Such form must be *supported* by an official invoice/or slip or quotation which states the name of the supplier, the date, and the nature of the goods or services provided.
- (4) That till slips shall be accepted with a petty cash requisition form signed by Payee, HOD and approved by the CFO or designated official.
- (5) Therefore if cash is advanced **prior** to the purchase being made, it should be on the basis of an advance until the purchase is made and the supporting document (invoices/slips) must be submitted **within 48 hours** of advance being made.
- (6) The requisition form and supporting invoice/slip must be submitted to the PCC who shall check same to ensure that all the details are in order, and who shall thereafter pay over the amount requisitioned to the person submitting it. The recipient shall sign an acknowledgement of receipt for the cash, which acknowledgement shall be co-signed by the PCC.
- (7) The PCC shall enter the details of each petty cash requisition in the monthly petty cash reconciliation.
- (8) The maximum amount which may be requisitioned for petty cash disbursement for any **single** transaction shall be limited to **R 200-00** (*Two Hundred Rands only*).

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## 7.2 Replenishing of petty cash

- (1) When the petty cash float reaches the **minimum** amount as determined from time to time by the CFO, the PCC shall prepare a replenishment voucher/requisition and submit the same to the CFO or the person delegated by the CFO.
- (2) If the CFO is satisfied with the voucher, the voucher shall be referred to the designated official who shall make out a cheque to the PCC who shall in turn cash it and immediately place the cash in the petty cash box.
- (3) The PCC shall reconcile the petty cash at every replenishment.

## 7.3 Reconciliations of petty cash

- (1) Petty cash reconciliations shall be performed by the PCC on a **monthly** basis.
- (2) The reconciliations shall indicate:
  - Petty cash opening balance,
  - Total amount *disbursed* during the month. This total should be supported by appropriate invoices/or slips,
  - Closing petty cash balance at month-end.
- (3) The monthly reconciliations shall be presented to the CFO or another designated official for review and approval **by the 05th of the following month.**

## 7.4 Petty cash audits

- (1) The Internal Auditor or Accountant or other designated official (other than the responsible PCC) shall make **surprise inspections** of petty cash as and when it is deemed fit, but at least once on *quarterly* basis.
- (2) A count of petty cash on hand shall be carried out at *every replenishment* and *financial year end*.
- (3) The total shall be reconciled to the petty cash requisition forms, vouchers and other supporting documents.
- (4) If this should be necessary, a proper reconciliation of petty cash shall be performed by a person designated by the CFO.

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**8. Changing the petty cash custodian or authorised signatory**

- (1) Petty cash signatory verification form shall be used for all changes required to be effected to change the petty cash authorised signatory. **(Refer attachments)**
- (2) Responsibility of petty cash shall not be transferred for whatever reason from the PCC to anyone else, other than in accordance with this policy.
- (3) Any transfer of petty cash responsibility shall be approved by the CFO.

**9. Losses and shortages**

- (1) All losses and shortages of petty cash must be reported to the CFO **within a day** upon discovery.
- (2) Any losses or shortages that arise out of negligence, fraud or theft by the PCC shall be recovered from his/her salary on the next pay date and consideration given to proper disciplinary proceedings against the PCC.

**10. Review, amendments and updates of this policy**

- (1) This petty cash policy shall be reviewed at least **once a year** or at the discretion of the CFO due to changing circumstances as a result of the legislation changes or otherwise.
- (2) Once reviewed and updated, this policy shall be presented to the Accounting Officer and the Council for their approval.

**11. Other general considerations**

- (1) Ulundi Local Municipality's Supply Chain Management Policy and any Treasury Regulations relating the Supply Chain Management must be observed and adhered to at all times in the application of this policy.
- (2) Supporting documentation must be submitted to the Petty Cash Controller **within 48 hours** of the advance being paid.
- (3) No *IOU's* (I OWE YOU) or personal loans shall be paid out from petty cash.
- (4) Any non-adherence or non-conformance to this policy should be brought to the attention of the CFO, who should take proper necessary disciplinary steps against the offending employee.