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# FINANCIAL SERVICES POLICIES

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## PETTY CASH POLICY



# BREEDVLE

MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

2020/2021 FINANCIAL YEAR

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A caring valley of excellence.

## Table of Contents

<b>1. INTRODUCTION .....</b>	<b>3</b>
<b>2. DEFINITIONS .....</b>	<b>4</b>
<b>(2) 3. OBJECTIVES .....</b>	<b>4</b>
<b>(3) 4. REGULATORY FRAMEWORK.....</b>	<b>4</b>
<b>4. 5. RESPONSIBILITY AND ACCOUNTABILITY .....</b>	<b>5</b>
<b>(5) 6. PETTY CASH PURCHASES.....</b>	<b>5</b>
<b>7. PETTY CASH POLICY .....</b>	<b>6</b>
7.1 General Policy.....	6
7.2. POLICY PROCEDURES.....	7
<b>8. REPORTING.....</b>	<b>11</b>
<b>9. DELEGATIONS.....</b>	<b>11</b>
<b>10. SUPPLY CHAIN MANAGEMENT EXTRACT.....</b>	<b>12</b>
<b>11. IMPLEMENTATION AND REVIEW PROCESS.....</b>	<b>13</b>
<b>12. SHORT TITLE.....</b>	<b>13</b>

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## 1. INTRODUCTION

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The management of expenditure of the municipality in an effective and controlled manner is the responsibility of the Accounting Officer of the Municipality. Therefore, the following Petty Cash policy is adopted by the Breede Valley Municipality

Breede Valley Municipality included the towns and rural areas (departments included) of:

1. **Worcester;**
  - 1.1. Fire department
  - 1.2. Library
  - 1.3. Nekkies Holiday Resort
  - 1.4. SCM Expenditure
2. **De Doorns,**
  - 2.1. Town manager
3. **Touwsrivier**
  - 3.1. Town manager and
4. **Rawsonville**
  - 4.1. Town manager

## 2. DEFINITIONS

Accounting Officer	The person appointed by council in terms of section 54A2 of the Local Government: Municipal Systems Act, No 32 of 2000, also known as the Municipal Manager, and defined in terms of section 60 of the MFMA No. 56 of 2003
Chief Financial Officer	The person designated in terms of section 80(2)(a) of Act No. 56 of 2003 [MFMA] includes any person acting in that position or to whom authority is delegated.
Petty Cash	A relatively small amount of cash kept at hand for making immediate payments for miscellaneous small expenses.
Petty Cash Float	The total sum of Petty Cash which has been granted to a Petty Cash Officer
Petty Cash Administrator/Officer	An employee, made responsible for the day-to-day operating of the Petty Cash Float.
Reconciliation	Is the process of comparing information, for example cash spent, compared with the relevant documentation and receipts.
Expense	is a cost that occurs as part of a municipal operating activities during a specified accounting period
Incidental	occurring or likely to occur as an unpredictable or minor commitment

## (2) 3. OBJECTIVES

- a) To comply with regulatory framework in terms of the relevant legislation.
- b) To ensure an effective and efficient disbursement of the Petty Cash fund.
- c) To ensure proper control and management of council assets (Cash).
- d) To provide guidelines for disbursement of Petty Cash fund and ensure accountability
- e) Goods and / or services are procured by the municipality in accordance with an authorised process only;
- f) Sufficient Petty Cash is available when required; and
- g) The items to be procured are approved Petty Cash items (Refer to para 6 (a)).

## (3) 4. REGULATORY FRAMEWORK

- a) The Municipality Municipal Finance Management Act (56 of 2003)

- b) Paragraph 12 and 15 of the Municipal Supply Chain Management Regulations of 2005.
- c) Paragraph 15 of the Breede Valley Municipal Supply Chain Management Policy.

#### **4. 5. RESPONSIBILITY AND ACCOUNTABILITY**

The key responsibility in terms of the MFMA (Section 65) are:

- (a)1. The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.
- (b) 2. The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure-
  - (b) (a) that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation and payment of funds
  - (c) (b) That the municipality has and maintains a management, accounting and information system which –
    - i. Recognises expenditure when it is incurred
    - ii. Accounts for creditors of the municipality; and
    - iii. Account for payment made by the municipality
  - (c) It is the responsibility of the official to obtain the Budget holders authorisation prior to any claims against the Petty Cash system. With submission of the claim, the official should submit the relevant vote numbers and U-key/s applicable.
  - (d) The Petty Cash payment/s the municipality make/s must be directly made to the official to whom it is due, unless agreed otherwise in writing for the reasons as may be prescribed.

#### **(5) 6. PETTY CASH PURCHASES**

Petty Cash request will be made to the designated Petty Cash custodian in writing on an official requisition (IDO). The applicant must ensure that the items requested are approved. Petty Cash is restricted to cash purchases only:

- (a) **Up to a transaction value of R1000 (VAT included)**

**Approved list of Petty Cash purchases are as follows:**

- i. Condolences, well wish cards, bouquets and flowers; keys for offices

- ii. Incidental expenditures as defined in this policy
- iii. Temporary vehicle licensing and public driver permits
- iv. Tollgate, public transport, parking fees when an employee is driving with an official vehicle registered in the name of council
- v. Refund ( Library book fees)
- ( vi) iv. Postage, Offices tea, coffee etc.
- (vii) v. Goods & services procure under R500

**(b) Purchase other than that specified in (i) to (iv) above,**

May be approved by the CFO in exceptional cases where it is impractical or impossible

**(c) Maximum amount of Petty Cash reconcilable monthly**

The maximum amount of Petty Cash fund are limited to the following amount per town:

6.1 Worcester – R 10 000.00 R 14 000.00

6.1.1 Fire department (R1000)

6.1.2 Library (R2000)

6.1.3 Nekkies Holiday Resort (R1000)

6.1.4 SCM Expenditure (R10 000)

6.2 De Doorns – R 1000.00 R 2000.00

6.2.1 Town manager (R2000)

6.3 Touwsriver – R 1000.00

6.3.1 Town manager and (R1000)

6.4 Rawsonville – R 1000.00

6.4.1 Town manager (R1000)

## **7. PETTY CASH POLICY**

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### **7.1 General Policy**

(a) The use of a Petty Cash float (**a float may not exceed R 10 000-00**) is strictly confined to **individual cash purchases of up to a maximum of R1 000-00**. The Accounting Officer or Delegated Official may approve Petty Cash purchases up to R2000:

(b) The Petty Cash float is only to be used for non-recurring expenditure of an ad-hoc nature with a maximum of 10 sub-advances per Department per month; except in instances with the explicit pre-approval of the Accounting Officer or Delegated Official.

(c) The expenditure with regard to Petty Cash purchases **shall not be deliberately split into more than one transaction to avoid the said limit:**

(C) The Following items cannot be reimbursement via petty cash:

(d) The Petty Cash float is not to be used for any of the following:

(i) the cashing of cheques;

(ii) loans to any person whatsoever;

(iii) payment of personal remuneration to any person whatsoever, whether for fees, salaries, wages, travel allowance as part of remuneration, honorarium or other reason, unless authorized by the Accounting Officer or Delegated Official;

(iv) for instalment invoices such as rental of equipment or open orders, even if the amount falls within the specified limit;

(v) Fuel; or

(vi) any purchase violating the true meaning of Petty Cash transactions will be regarded as a deviation from the accepted accounting practices in the use of Petty Cash and shall constitute a serious offence under the Disciplinary Code, unless authorized by the Accounting Officer or Delegated Official;

(vii) No store items may be purchased by means of a Petty Cash transaction;

(viii) No fixed asset may be purchased by means of a Petty Cash transaction

(viii) No travel and subsistence claims or disbursement may be paid via Petty Cash;

(xi) Hospitality entertainment

(xii) Catering supplies, food or beverage (excluding tea/coffee/ milk)

(xiii) Publication postage. Uniforms, subscription, telephone cost, prizes Christmas function and decorations.

(e) Other cash floats may also be established for providing change for a cash register, or any other purpose approved by the Accounting Officer or Delegated Official. Use of such floats is restricted to the purpose for which they were established and does not form part of the scope of this policy; and

## 7.2. POLICY PROCEDURES

### 7.2.1. Establishing and Operating a Petty Cash Float

(a) To establish a new Petty Cash float or increase an existing advance, a written application must be made to the Accounting Officer or Delegated Official by the relevant Manager of a department.

(b) A request for the establishment of an advance will indicate the position of a senior administrative employee to be held responsible for the control over the Petty Cash float within the relevant department.

(c) The senior administrative employee mentioned under paragraph 7.2(b) will be responsible for the security and leave arrangement in place to ensure safe custody of funds in the office.

(d) The minimal security arrangement that will be acceptable is that the float must be kept in a locked box, which will be kept in a locked filing cabinet or safe.

(e) When an advance is approved, the Accountant: Creditors will advise the relevant Department accordingly and request that the senior administrative employee mentioned under paragraph 7.2(b) collect the advance. This establishing/initial advance will be charged to a "Petty Cash Advances – Position/Dept" in the General Ledger and not against any expenditure votes. A register of advances is thus maintained per Ledger Account for the purpose of accounting for all Petty Cash floats. Clarity from Morne in terms of SAMRAS

### **7.2.2. Security of Petty Cash Floats and Documentation**

The Petty Cash custodians are responsible for controlling of Petty Cash float, together with supporting documentation. Specifically, the custodian is responsible for the following:

(a) The cash on hand and used Petty Cash vouchers are to be kept in a locked box for which there must be two keys. One key is to be retained by the Petty Cash officer (on his / her person) normally responsible for the Petty Cash and the other to be kept by a senior administrative employee mentioned under paragraph 7.2(b) in a sealed envelope in the office safe or other secure place, to be used only in an emergency.

(b) The locked Petty Cash box must be kept in a secure place when not in use and must be removed and returned by the responsible staff member only. At no stage must staff other than the responsible administrative / clerical staff member have access to the storage place of the Petty Cash box.

(c) Under no circumstance are keys to be left in the lock to the Petty Cash box, cabinet or safe.

(d) If the responsible Petty Cash Officer is either going on leave or is leaving the Municipality's employment, the Petty Cash Officer must perform a reconciliation and compile a Summary Claim Cover Page, before possession of Petty Cash, can be handed over.

(e) The Summary Claim Cover Page must be signed by both the Petty Cash Officer and the recipient in order to verify that the amount in cash correspond with the balance on the Summary Claim Cover Page.

(f) When the Petty Cash is returned to the Petty Cash official, the same processes must be undertaken.



### **7.2.3. Completing a Cash Purchase Claim Form**

- (a) Request for Petty Cash must be completed on an IDO.
- (b) All details entered on the IDO must appear on the Cash Purchase record page.
- (c) The Cash Purchase Claim must be completed as follows:
  - (i) description and cost of the goods/services purchased
  - (ii) purchaser's signature
  - (iii) correct vote number and U-key with an adequate budget to be charged
  - (iv) signature of the Officer in Charge of Petty Cash.
- (d) Original receipts and other valid documentation as required must be attached as proof of payment with the signature of an appropriate financial delegate on this documentation. The receipt and invoice must be in a formal business format. Receipts must set forth the complete description of the purchase. When a vendor's printed invoice is used as a receipt, the invoice must clearly indicate that it has been paid.
- (e) A financial delegate cannot authorise a cash purchase claim where he or she is the purchaser.

### **7.2.4. Sub-Advances to Staff Members**

- (a) If it is necessary to make an initial sub-advance to a staff member, a receipt for cash advance must be completed. The receipt for cash advance form must be completed as follows:
  - (i) description and estimated cost of the goods/services purchased;
  - (ii) purchaser's signature;
  - (iii) correct vote number with an adequate budget to be charged;
  - (iv) signature of the Petty Cash Officer.
- (b) In order to receive an initial sub-advance, the relevant staff member must submit an approval notice (authorized by a delegated official/budget holder) to the Petty Cash Officer.
- (c) On completion of the purchase, the recording-, documentation- and authorization requirements will be as stated in paragraph 7.4.
- (d) All such sub-advances will be accounted for within 48 hours, by submitting original receipts and other applicable documentation required, attached as proof of payment

(with the approval signature on the documentation). Where this cannot be achieved, the buyer will be liable to pay back the advance without any delay or if not possible, such advance to be deducted from the individual's salary and of which the individual agrees in writing to the deduction when completing the receipt for cash advance form.

(e) No more than one advance will be made to any one individual at a time.

#### **7.2.5. Out-of-Pocket Payments**

(a) 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, which must be submitted within 5 working days from date of incurring the expense.

(b) The responsibility to ensure that the purchase will be in accordance with all the prescriptions of this policy will be the sole responsibility of the purchaser of such item(s). Non-compliance to this policy automatically authorise the employer to deduct expenses from the official's salary.

(c) The recording-, documentation- and authorization requirements will be as stated in paragraph 7.4 above.

#### **7.2.6. Reimbursement of Petty Cash Floats**

(a) A Petty Cash float is operated on the basis that expenditure from the float is periodically reimbursed. Such reimbursement requires-

(i) Returning the cash level of the Petty Cash float to its original level, and;

(ii) Charging the expenditure, which has been made to the correct expenditure vote.

(b) Accordingly, at any point of time, the sum of the cash on hand, i.e. remaining unspent, plus the cash advances for un-finalised purchases, plus the completed cash purchase claim forms, updated on the Summary Cash Purchase Claim form, shall equal the level of the Petty Cash advanced to a Department.

(c) Completed Cash Purchase Claim forms, with attached cash register slips, etc., must be submitted to the Expenditure Section for reimbursement after the Summary Claim Cover Page (IDO) and attached documentation have been authorised by a financial delegate.

(d) Reimbursement of claims where supporting documentation as prescribed in this policy is absent / missing, must be declined.

(e) The prescribed Summary Cash Purchase Claim Form (IDO) as well as other relevant forms attached to it must be completed in full.

(f) The most recently completed Cash Purchase Claim Form must record the reconciliation of the Petty Cash float. The Accountant: Creditors will decline reimbursement of claims where this is not supplied.

(g) A Petty Cash float must never be reimbursed with funds derived from any other source whatsoever.

(h) Once the expenditure voucher has been processed the cash cheque is issued. The cheque is presented at the bank in exchange for cash to replenish Petty Cash.

### **7.2.7 Shortages and losses**

(a) The holder of the Petty Cash float will be held accountable for any shortages and / or losses unless there is physical evidence of breaking in and no act or omission on the part of the relevant official contributed to the loss.

(b) Any shortages in respect of a Petty Cash float must be reimbursed immediately by the responsible Petty Cash officer.

(c) Where a Petty Cash float is stolen the incident must be promptly reported to the Accounting Officer or Delegated Official in the required format and a case be logged at the South African Police Services.

### **7.2.9. Procedure where a Petty Cash Float is repaid / Cancelled**

When an advance is no longer required, a departmental memorandum must be submitted, signed by the Manager of the relevant Department, to the Accountant: Creditors, with the balance of cash on hand and completed and authorized Cash Purchase Claim forms. The most recently completed Cash Purchase Claim form will record the reconciliation of the Petty Cash float.

The Cashier must issue a receipt to the person delivering the cash.

## **8. REPORTING**

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A monthly reconciliation report must be provided within 2 working days shortly on the 5<sup>th</sup> working day after month end to the Supply Chain Manager/ Financial Officer Accountant Payments that must include:

- i. The total amount of Petty Cash purchases for that month: and
- ii. Receipts and appropriate documents for each purchase
- iii. Cash on hand

## **9. DELEGATIONS**

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- i. The Municipal Manager Accounting Officer hereby delegates authority to the Chief Financial Officer or Delegated Official.

- ii. The Chief Financial Officer Accounting Officer or Delegated Official hereby sub delegate the authority to the Manager Expenditure and Logistics.

## **10. SUPPLY CHAIN MANAGEMENT EXTRACT**

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### **Supply Chain Regulations:**

#### **12. Range of procurement processes**

12.1 Goods and Services may only be procured by way of -

- a) Petty Cash purchases, up to a transaction value of R1000 (VAT included);

#### **15. Petty Cash purchases**

15.1 The Chief Financial Officer Accounting Officer or Delegated Official must keep the Petty Cash and the conditions for the procurement of goods by means of Petty Cash purchases are as follows –

- a) Payment is limited to the amount as determined per paragraph 12.1 (a) per transaction;
- b) Expenses incurred must be authorised by accounting officer or his d delegate;
- c) Funding must be available on the respective vote;
- d) Complete and appropriate documents with regards to invoice with receipt or descriptive cash register slip/receipt for each purchase
- e) Payment from Petty Cash is limited to incidental cost only;
- f) Petty Cash on hand is limited to a maximum of R10 000;
- g) Any shortfall must immediately be receipt as revenue recovered from the responsible official;
- h) Any surplus must immediately be receipted as revenue, and
- i) A monthly reconciliation report must be submitted to the accounting officer, from the delegated official indicating the total amount of Petty Cash purchases, summarised per type, for that month

15.2 The Chief Financial Officer Accounting Officer or Delegated Official is authorised to increase the amount as stipulated in paragraph 15.1 (f) for a specific period and when justified.

15.3 The Chief Financial Officer Accounting Officer or Delegated Official is authorised to increase the amount as stipulated in paragraph 12.1 (a) for a specific period and when justified but only to R2 000.

Incidental: Occurring or likely to occur as an unpredictable or, minor accompaniment.

Expense – money spent to perform work and usually reimbursed by an employer; “he kept a careful record of his expenses at the meeting”

## **11. IMPLEMENTATION AND REVIEW PROCESS**

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This policy will come into effect on 1 July 2019

This policy will be reviewed at least annually or when required by way of a Council resolution.

## **12. SHORT TITLE**

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This policy shall be called the Petty Cash Policy of the Breede Valley Municipality

<b>POLICY SECTION:</b>	<b>ACCOUNTABLE OFFICIAL: MANAGER: EXPENDITURE AND LOGISTICS</b>
<b>CURRENT UPDATE</b>	18 March 2018
<b>PREVIOUS REVIEW</b>	
<b>PREVIOUS REVIEW</b>	
<b>PREVIOUS REVIEW</b>	
<b>PREVIOUS REVIEW</b>	
<b>PREVIOUS REVIEW</b>	
<b>APPROVAL BY COUNCIL</b>	
<b>APPROVAL BY EXECUTIVE MAYOR:</b>	