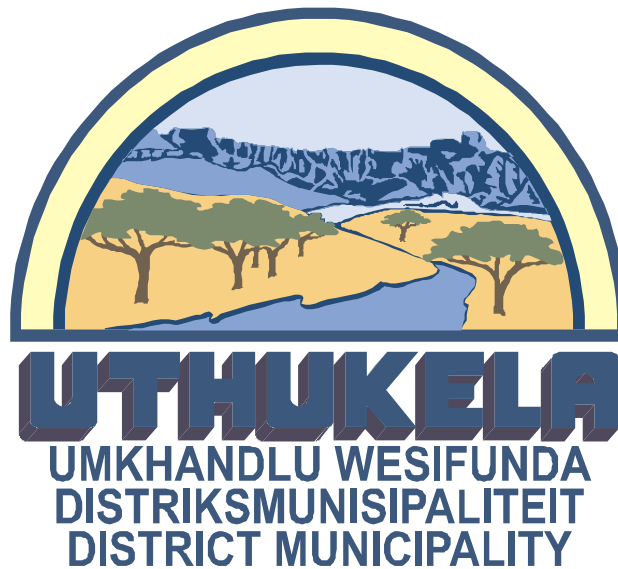


UTHUKELA DISTRICT MUNICIPALITY



PETTY CASH

POLICY

2019/2020

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1. Purpose

To provide a source of funds for low value, low risk and infrequent purchases whilst safeguarding and control of municipal funds.

2. Objectives of Policy

The objectives of the policy are to:

- 2.1 Ensure goods and services are procured by the municipality in accordance authorized processes only.
- 2.2 Ensure that the municipality has and maintains an effective petty cash system Expenditure control.
- 2.3 Ensure that sufficient petty cash is available when required
- 2.4 Ensure that the items required to be procured are approved petty cash items.

3. Legislative Framework

The legislative framework governing petty cash are:

- 3.1 The Local Government Municipal Finance Management Act, Act 56 of 2003.
- 3.2 The Municipal Supply Chain Management Regulations, Regulation 868, published under Government Gazette 27636, 30 May 2005.
- 3.3 The municipal Supply Chain Management Policy as amended from time to time.

4. Petty Cash Threshold

- 4.1 The Chief financial Officer must delegate personnel from the expenditure section in the treasury office and to keep petty cash registers and make petty cash payments up to the maximum amount as allowed per transaction.
- 4.2 Petty cash is restricted to cash purchases up to a transaction value of R2000,00 VAT included.
- 4.3 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 R2000,00 VAT included.
- 4.4. Petty cash will have a float of R 10 000.00
- 4.5 Replenishment of the petty cash float is undertaken after the balancing and reconciliation of the petty cash register has been checked and approved by the Chief Financial Officer or his/her delegate.

4.5 To establish a new petty cash float or increase an existing advance, a written application is to be made to the Chief Financial Officer by the relevant Department.

4.6 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 boardrooms committee meetings if those items are required on a regular basis.

5. Reporting

The Expenditure Officer must submit a monthly reconciliation report to the Chief Financial Officer, containing the total number and value of petty cash purchases for each month, including the opening balance and closing balance as well as the names of suppliers where goods and services have been purchased.

6. Claiming of Petty cash and advancements

6.1 The authorised official must ensure that funds are available in the budget prior the submission of claims.

6.2 The authorised official or delegated person must sign for the acceptance of the petty cash monies and ensure that the monies are correct. Once paid out, the Finance Department will take no responsibility if the money is not received by the originator of the transaction.

6.3 In the case where a petty cash advance was granted, the recipient of the advance must bring the cash vouchers within five (5) working days from receipt of the advance. An original receipt, clearly indicating what the purchase was for must support the petty cash voucher.

6.4 Where proof of expenditure could not be provided on petty cash advances within the prescribed period, will the advance automatically be deducted from the respective employee's

salary.

7. Safe Storage of Petty Cash

7.1 The petty cash is to be safeguarded in a lockable cash box and should be locked away when not in use during normal business hours.

7.2 After normal business hours, the responsible petty cash official must lock away the petty cash bins in a fire and theft resistant safe as identified.

7.3 The petty cash official is responsible for the safekeeping of all the keys of the cash box and a register thereof must be kept.

7.4 At no stage should staff other than the responsible administrative/clerical staff member have access to the storage place of the petty cash box.

8. Monitoring

8.1 The Municipal Manager may conduct internal audits to evaluate compliance with this policy.

8.2 Periodic unannounced verifications of the petty cash advances should be made by internal audit to determine whether the funds are being used properly and to ensure that they are adequately protected against loss or misuse and are properly accounted for.

8.3 The Municipal Manager will monitor the effectiveness of this policy reviewing internal audit reports.

9. Petty Cash Shortages

The Chief Financial Officer is required to investigate all material cash shortages (losses) and a written record of the loss will be retained including details of the following:

- The amount of cash (or other monies) missing;
- The reason for the loss (shortage); and
- The action taken about the loss, including but not limited to, review of faculty/department processes/procedures, security of monies, action taken to recover the loss (if applicable).

The holder of the petty cash bins will be held accountable for losses and shortages unless there is physical evidence of breaking-in and no act or omission on the part of the relevant official contributed to the loss.

In the event of identified shortage and/or losses is a result of official misconduct it must be immediately reported to the Chief Financial Officer and be paid by the holder of the petty cash bin(s).

10. Effective Date

This policy must be read in conjunction with the Supply Chain Management Policy of uThukela District Municipality and may be amended as and when needed.

This policy comes into effect as off 1 July 2020