

UMJINDI LOCAL MUNICIPALITY

PETTY CASH POLICY

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| Core Business Area | Financial Services Directorate |
| Operational Area | Expenditure Management |

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DOCUMENT APPROVAL

| Position | Name | Signature | Approval Date |
|-------------------------|----------------------|-----------|---------------|
| Mayor | R V Lukhele | | |
| Municipal Manager | S F Mnisi | | |
| Chief Financial Officer | M S Tlali | | |
| Business Owner | N S Janse van Vuuren | | |

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1. LEGEND TO ABBREVIATIONS

| ABBREVIATION | DESCRIPTION TO ABBREVIATION |
|--------------|-----------------------------------|
| Imprest | Replenishment to Petty Cash Float |
| MFMA | Municipal Finance Management Act |

2. POLICY OBJECTIVES

- To ensure the correct procedures are followed when requesting a petty cash facility
- To ensure that petty cash is kept safe at all times
- To ensure that advances are only paid for valid expenses purchases and that all transactions are accurate and complete
- To ensure that petty cash is balanced and reconciled on a daily basis in order to detect mistakes, and to prevent the float being depleted before replenishment takes place
- To ensure that replenishment of petty cash is done when required and that replenishment only takes place for amounts that are supported by valid supporting documents.
- To ensure that the petty cash facility is available and managed well in the absence of the regular petty cash official.

3. REFERENCE TO LEGISLATION

This Policy is in compliance with requirements from the following legislative instruments:

| TYPE OF REFERENCE | DESCRIPTION OF POLICY REQUIREMENTS |
|-------------------|------------------------------------|
| MFMA | Municipal Finance Management Act |

4. TARGET AUDIENCE:

This Policy applies to the following roles and/or positions:

- Salaries Clerk
- Petty Cash Holders
- Accountant Expenditure
- Directors
- Managers (Deputy and Assistant Deputies)
- Political office

5. POLICY REQUIREMENTS:

5.1 Request for petty cash float:

- The Chief Financial Officer approves a new Petty Cash Float and an amount for a Department requesting a petty cash facility.
- Once approved, the Director takes full responsibility for the petty cash functioning in their respective offices
- The Directors ensures that a suitable official (preferably Secretaries) is appointed in writing as the Petty Cash official and that this employee is adequately trained.
- The Directors are responsible for appointing and arranging training for an alternative petty cash official as back-up in cases where the appointed petty cash official resigns, or takes any form of leave.
- The Petty Cash Float operates on an imprest basis. Replenishment can only be requested for the amount disbursed, which is supported by valid supporting documentation, up to a maximum of the authorized size of the petty cash float.
- The petty cash facility may not be utilized to cash any private or personal cheques.

5.2 Petty Cash Safekeeping

- The safekeeping of petty cash is ultimately the sole responsibility of the Directors

5.3 Money requested form Petty Cash (prior to a purchase being made)

- Petty cash advances are not to be utilized for items classified as:
 - (i) Non-Umjindi business expenditure
 - (ii) Purchases of a Capital nature / Inventory Items
 - (iii) Recurring expenses
 - (iv) Services to be rendered for longer than 30 days.
- The Municipality official receiving a cash advance is entirely accountable for the amount of the advance.
- Valid supporting documentation for petty cash purchases performed with petty cash advances, together with change, are to be submitted to the Petty Cash Official within 48 hours of the advance being received.
- Any amount paid as an advance to an employee that is not settled or returned within 4 working days is recovered from the employee via a salary deduction during the next month.
- All entries on the application forms are in ink – no correcting fluid is permitted.

5.4 Reimbursement from Petty Cash (after purchase has been made)

- Reimbursement from petty cash are only made with the written authorization from the appropriate Director or his/her delegate.
- Procurement of products and services from petty case are only made in accordance with the R500.00 limit as determined in the Supply Chain Management Policy of the Municipality
- Petty Cash claims for subsistence and travel are note permitted
- No reimbursements are to be made for items classified as:
 - (i) Non-Municipal business expenditure
 - (ii) Purchases of a capital nature / Inventory Items
 - (iii) Recurring expenses
 - (iv) Services rendered for longer than 30 days
- No reimbursement from petty cash is made without valid supporting documentation
- All entries on the application forms are in ink – no correcting fluid is permitted.

5.5 Balancing of Petty Cash:

- Petty Cash is balanced and reconciled on a weekly basis to prevent the float from being depleted before replenishment takes place
- The petty cash register is maintained electronically and backed-up daily. The register is printed on a weekly basis and kept on file.
- The petty cash register is reviewed and signed on a weekly basis
- The petty cash float must be counted at least once a month on an unscheduled and unannounced basis.

5.6 Replenish Petty Cash Float:

- The petty cash float operates on an imprest basis. Replenishment can only be requested for the amount disbursed, which is supported by valid supporting documentation, up to a maximum of the authorized size of the petty cash float.
- Sufficient petty cash float must be maintained to ensure that the day-to-day requirements are accommodated and must be replenished as and when required.
- All petty cash batches which are accumulated and grouped for replenishment must be reviewed and approved.

5.7 Petty Cash Hand-over Procedures:

- The petty cash official is responsible for informing the Manager concerned in advance of the intention to take leave
- The Manager is responsible for appointing and arranging training with finance to train the alternative petty cash official as back up in cases where the petty cash official resigns, or takes any form of leave.
- The Municipal official taking over as auxiliary (back-up) petty cash official is entirely responsible for the petty cash while managing the float.
- Where Petty Cash official is sick or off without prior arrangements, the Petty Cash must be counted and balanced by two responsible officials.

SHORT TITLE

This policy will be known as the Petty Cash Policy for the Umjindi municipality.

