

**MAKHADO  
LOCAL MUNICIPALITY**

**DRAFT PETTY CASH POLICY, 2018/2019**

DRAFT

## **1. OBJECTIVES**

To provide for keeping limited cash resources in a form of Petty Cash in order to fulfill incidental and spontaneous transactions that are undertaken by the municipality in the normal course of the operations.

## **2. LEGISLATIVE REQUIREMENT**

The Municipality shall at all times manage its cash and other assets in compliance with the provisions of any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003 especially the requirement of safeguarding the assets of the Municipality.

## **3. POLICY PRINCIPLES**

- The petty cash of the municipality must be kept at the minimum level required to finance the day to day operation of the municipality. For this purpose a daily, monthly and annual cash flow forecast are required.
- A maximum threshold of R10 000, or any other amount as the council may from time to time determine, shall be applicable to be the maximum cash to be held in relation to minor disbursements by the council.
- Disbursements from the petty cash shall not exceed R1000, or any other amount that the council may determine from time to time.

## **4. REPLENISHMENT OF PETTY CASH**

Petty cash replenishment shall be considered once a month, unless directed otherwise by the Municipal Manager or his / her delegate anytime sooner before the end of the month.

A comprehensive Petty Cash Reconciliation shall be prepared and appropriately balanced before it is presented to the Chief Financial Officer for approval and in order to authorise replenishment of Petty Cash.

A cash cheque equivalent to the amount authorized by the Municipal Manager or his delegate shall be drawn and cashed by the **Petty Cash Custodian** in order to have cash on hand equal to be kept in safe custody at the municipality's premises.

## **5. USING THE PETTY CASH (EXPENDITURE)**

- All expenditures that are to be reimbursed with petty cash funds are to be preapproved by the fund custodian. A receipt to verify the purchase and payment must support expenditures from the fund. It is responsibility of the fund custodian to determine if the transaction meets the requirements as set forth in this policy.
- At the time the Expenditure is made, invoices/ receipts/ vouchers (in the name of the Municipality) or other document, such as a cash register receipt containing the following, must be obtained:
  - Date
  - Name of vendor
  - Positive evidence that a payment was made (i.e., a cash register receipt or handwritten receipt on which the word "Paid" appears)
  - The amount paid
  - A description of the goods purchased
  - A signature indicating receipt of goods
  - The fund custodian's signature documenting approval of expenditure
- An explanation of the purchase justifying the relevance of each purchased item at any given time, cash on hand plus receipt document must equal the authorized amount of the Petty Cash. It is the responsibility of the petty cash custodian to maintain a current record of the fund's financial status. The following format is recommended:

<b>Date</b>	<b>Description</b>	<b>Purchases</b>	<b>Reimbursement</b>	<b>Balance</b>
2016/09/05	Opening Balance			R1000.00
2016/09/13	Name of Vendor	R300.65		R699.35
2016/09/15	Name of Vendor	R250.00		R449.35
2016/09/25	Name of Vendor	R55.00		R394.35
2016/09/30	Reimbursement		605.65	R1000.00

- The purchase must be supported with cash register receipt. A hand written receipt will be acceptable in circumstances when a cash register receipt is not available. The vendor must sign the receipt, and the vendor's telephone number must be provided on the receipt. In all cases, adequate documentation justifying the purchase is required.
- All petty cash vouchers/ receipts must be attached on a requisition form and must be added and the form must be signed as verification.

## **6. PREPARATION FOR PAYMENTS: VOUCHER (INTERNAL)**

Once payment has been approved, the expenditure department shall complete and sign a voucher authorizing payment and record the transactions in accounting records.

## 7. INTERNAL CONTROLS OVER PETTY CASH

- The Chief Financial Officer (CFO) shall be responsible for the maintenance of petty cash for the municipality. The CFO may delegate the duties of maintenance of petty cash to the **Senior Cashier** or any other authorized municipal official who should be independent of other functions in the Municipality.
- Petty Cash shall be kept in a lockable box. The access of the office where petty cash is restricted only to authorized personnel and access to the keys shall be strictly controlled by the Chief Financial Officer or his/her delegate. The petty cash box should be locked in a safe after office hours.
- A “surprise” petty cash count shall be conducted at least once a month by an official designated by the CFO. A “formal” petty cash count shall be conducted at year end and the account shall be balanced and reconciled to the General Ledger Account accordingly.
- Petty Cash will only be issued upon receipt by the **Senior Cashier** designated for petty cash of properly authorizes petty cash voucher with supporting documents.
- Petty Cash reconciliation to the general Ledger should be performed on monthly basis and reviewed by the CFO, who should sign or initial the reconciliation as proof of having reviewed it.

## 8. REPORTING

- A monthly Petty Cash reconciliation report must be provided within 7 working days after month end to the CFO including:
  - i) The total amount of petty cash purchases for that month and
  - ii) Receipts and appropriate documents for each purchase.