



KNYSNA

Policy Name	PETTY CASH POLICY
Original Author(s)	
Policy status	Draft
Council Resolution No and Date of approval	
Signature of Speaker	
Signature of MM	

1.	PREFACE	12
2.	REGULATORY FRAMEWORK.....	12
3.	OBJECTIVES OF THE POLICY.....	12
4.	DEFINITIONS	12
5.	RESPONSIBILITY AND ACCOUNTABILITY	13
6.	PETTY CASH POLICY	14
6.1	GENERAL POLICY.....	14
6.2	ESTABLISHING AND OPERATING A PETTY CASH FLOAT	14
6.3	SAFE GUARDING	15
6.4	REQUEST FOR REIMBURSEMENT.....	15
6.5	SECURING OF PROPER RECEIPTS FOR PETTY CASH REIMBURSEMENT.....	15
6.6	DOCUMENTATION CONTROL.....	16
6.7	RECONCILIATION.....	16
6.8	SHORTAGE/LOSSES.....	16
6.9	OUT-OF-POCKET PAYMENTS.....	16
6.10	TRANSFERAL OF FUNCTION.....	17
7.	REVIEW OF THE POLICY.....	17

1. PREFACE

The accounting officer of a municipality is responsible for the management of the expenditure of the municipality in an effective and controlled manner. Therefore Knysna Municipality adopts the following Petty Cash Policy.

2. REGULATORY FRAMEWORK

- The Municipal Finance Management Act (56 of 2003)
- Section 15 of the Municipal Supply Chain Regulations
- Supply chain management policy

3. OBJECTIVES OF THE POLICY

The objectives of the policy are to ensure that the petty cash funds of the municipality are managed and controlled effectively, efficiently, economically and transparent in accordance with the procurement processes of the municipality and the prescribed legislation.

The SCM policy provides for the procurement of goods and services by way of petty cash purchases, up to a transaction value of R2000 (VAT included).

4. DEFINITIONS

Accounting Officer:	means the municipal officials referred to in section 60 of the MFMA (2003) and include a person acting as the accounting officer.
Chief Financial Officer:	The person designated in terms of section 80(2) of Act 56 of 2003 (MFMA), and 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 official.

Petty Cash Official:	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.

5. RESPONSIBILITY AND ACCOUNTABILITY

5.1 The key responsibilities in terms of the MFMA (Section 65) are: Accounting Officer (Municipal Manager)-

5.1.1 The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.

5.1.2 The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure:

5.1.2.1 that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;

5.1.2.2 that the municipality has and maintains a management, accounting and information system which:

5.1.2.2.1 recognises expenditure when it is incurred;

5.1.2.2.2 accounts for creditors of the municipality; and

5.1.2.2.3 accounts for payments made by the municipality;

5.1.2.3 that the municipality has and maintains a system of internal control in respect of creditors and payments;

5.1.2.4 that payments by the municipality are made:

5.1.2.4.1 directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and

5.1.2.4.2 either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit;

5.2 The Municipal Manager delegates authority to the Chief Financial Officer in terms of Section 79 of the MFMA.

6. PETTY CASH POLICY

6.1 GENERAL POLICY

- 6.1.1 The maximum amount allocated to the Petty Cash box will be R700.00, unless authorized, to exceed the prescribed amount, by the Chief Financial Officer.
- 6.1.2 An individual claim may not exceed R150.00 (Vat included), however the CFO may approve amounts exceeding R150.00 in exception instances, where said withdrawal does not exceed R300.00
- 6.1.3 Loans or advances to employees for personal use from the Petty Cash funds are forbidden.
- 6.1.4 No item, which is available from a supplier on the Knysna Municipalities' database of tenders or rfq's, may be purchased through Petty Cash.
- 6.1.5 The only exception for above would be emergency purchases, after official business hours and this will be authorized by the respective departmental head.
- 6.1.6 Other cash floats may also be established for the purpose of providing change for a cash register, or any purpose approved by the Chief Financial Officer. 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.

6.2 ESTABLISHING AND OPERATING A PETTY CASH FLOAT

- 6.2.1 To establish a new petty cash float or increase an existing advance, a written application must be made to the Chief Financial Officer by the relevant Manager of a department;
- 6.2.2 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;
- 6.2.3 The senior administrative employee mentioned under 6.2(b) will be responsible for the security and safe custody of the float;
- 6.2.4 The minimal security arrangement that will be acceptable is that the float will be kept in a locked box which will be kept in a locked filing cabinet or safe;
- 6.2.5 When an advance is approved, the Expenditure section will advise the relevant Department accordingly and request that the senior administrative employee mentioned above to collect the advance; and

6.2.6 The initial capturing of the advance will be charged against a control vote in the General Ledger and not against expenditure votes.

6.3 SAFE GUARDING

6.3.1 The petty cash float is to be safeguarded in a lockable cash box, which should be locked, not only after hours, but also during normal business hours in a locked, fire and tamper resistant safe located in the section.

6.3.2 The designated official from the Creditor section will fulfil the function of Petty cash official.

6.3.3 The Petty cash official is responsible for the safekeeping of all the keys of the cashbox. The Accountant or Section Head is in possession of a spare key for safekeeping only.

6.4 REQUEST FOR REIMBURSEMENT

6.4.1 Request for Petty Cash reimbursement must be authorized by the delegated official, Head of Department or Section Head, as approved by council, in allotted space, on a requisition form. The recipient must sign the Petty cash form as proof of receipt and to verify that the amount is correct.

6.4.2 The official signatory must ensure that funds are available on the budget, prior to submitting claims.

6.4.3 An applicable vote number must be supplied on the requisition form.

6.4.4 Reason for purchase must be supplied.

6.4.5 An official petty cash form must be used for all the above (Annexure A)

6.5 SECURING OF PROPER RECEIPTS FOR PETTY CASH REIMBURSEMENT

6.5.1 An original receipt/invoice, signed by the person to reimburse must support the requisition form.

6.5.2 Receipts must set forth the complete description of the purchase. If not identified on the receipt or cash register slip, the purchase must be itemized on a separate document, signed by the salesperson, and attached to the receipt, the invoice must clearly indicate that it has been paid, containing the vendors name and signed by the salesperson.

6.5.3 Receipts that bear evidence of alternation cannot be accepted or processed.

6.6 DOCUMENTATION CONTROL

- 6.6.1 All documentation (requisition form and receipts), applicable for the period between replenishments, must be kept in lockable cash box which will always be kept in a locked, fire-and tamper resistant safe.
- 6.6.2 With replenishment, the above documentation together with a reconciliation sheet, must be attached to the cheque/payment voucher.

6.7 RECONCILIATION

- 6.7.1 A request for replacement must be supported by a reconciliation sheet compiled by the Petty cash official.
- 6.7.2 The above sheet must be signed by the Petty cash official and authorized by the Accountant or Section head.
- 6.7.3 Such reconciliation must be done once a month and submitted to the Manager Expenditure.
- 6.7.4 A year-end reconciliation and replenishment must be done, at the 30th of June, by the Accountant: Expenditure.

6.8 SHORTAGE/LOSSES

- 6.8.1 The Petty cash official will be held accountable for losses and shortages unless:
 - 6.8.1.1 Prescribed procedures were followed.
 - 6.8.1.2 Petty Cash was properly secured.
 - 6.8.1.3 There is physical evidence of breaking-in and no act or omission, on the part of the Petty cash official, contributed to loss.
- 6.8.2 Failure to adhere to the above after investigation will lead to the Petty Cash official having to reimburse the losses and shortages.

6.9 OUT-OF-POCKET PAYMENTS

- 6.9.1 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;
- 6.9.2 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); and

6.9.3 The recording-, documentation- and authorization requirements will be as stated in the above paragraphs (Section 6.3 and 6.4).

6.10 TRANSFERAL OF FUNCTION

6.10.1 The Petty Cash official must perform a reconciliation and a summary report compiled, before possession of Petty Cash, can be handed over.

6.10.2 The summary report must be signed by both the Petty Cash official and the recipient, in order to verify that the amount in cash, correspond with the balance on the summary report.

6.10.3 When the petty cash is returned to the Petty Cash official, the same processes must be taken.

6.10.4 In cases where the Petty Cash official is on leave for more than five business days, the responsibility of safeguarding, as well as procedures set out by this policy, may be transferred to the next level official appointed by the Expenditure: Section Head.

7. REVIEW OF THE POLICY

7.1 This Petty Cash Policy is the sole policy petty cash in the municipality. The Municipal Council must approve any reviews to this policy.

7.2 The Mayor must submit any proposed changes to this policy to the Council as part of the annual review of policies submitted with the budget documentation.

7.3 Whenever the Minister of Finance or the National Treasury or the Auditor-General requires changes to the policy by means of legislation or requests, it should be reviewed promptly in accordance with such requirements, giving full details of the reasons for the revision.