



**MAKHUDUTHAMAGA LOCAL  
MUNICIPALITY  
PETTY CASH POLICY  
PROCEDURES MANUAL  
2023/2024**



## DRAFT PETTY CASH POLICY PROCEDURES

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## DRAFT PETTY CASH POLICY PROCEDURES

### **1 Introduction**

A petty cash fund may be established in a department when there is evidence that a continuing cash advance should be kept on hand to permit the purchase of low-value supplies and services that cannot be purchased under the Low-Value Purchase Authorization procedures.

### **2. Definitions**

CFO	Chief Financial Officer
MLM	Makhuduthamaga Local Municipality
MM	Municipal Manager
Petty cash float	is an authorized cash advance issued to an official of Municipality who will be responsible for the security of the funds and the control of disbursements made from fund.

### **3. Scope of application**

3.1 This policy is applicable to all employees and Councilors of MLM.

### **4. Policy Objectives**

- a) To ensure the correct procedures are followed when requesting a petty cash facility
- b) To ensure that petty cash is kept safe at all times



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- c) To ensure that advances are only paid for valid expenses purchases and that all transactions are accurate and complete
- d) 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
- e) 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.
- f) To ensure that the petty cash facility is available and managed well in the absence of the regular petty cash official

### 5. Policy Statement

5.1 It is MLM's policy to use petty cash funds for making small miscellaneous payments herein called *minor expenditure* when immediate settlement is required or when this method of payment is urgent and more cost effective

5.2 The petty cash float shall not exceed R 2000 and no single expenditure from fund shall exceed R 500 per transaction without prior approval of CFO.

The expenditure shall not be deliberately split to avoid the said limit.

5.3 The total amount of petty cash, in the form vouchers or cash shall be counted (Physical verification) in full at the end of the financial year and must always be an amount equals to R 2000

5.4 The petty cash shall be issued strictly 07h30 – 13h00 daily (any exceptions shall be limited to emergencies only)

The CFO shall ensure that a suitable official is appointed in writing as the petty cash official and that employee is adequately trained.



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### 6. Operating procedures

When a petty cash fund has been authorized for a department, the following operating procedures must be followed:

#### 6.1 Designation of custodian

A custodian of the fund, who is directly responsible for the safekeeping and disbursement of the cash, must be appointed in writing by the CFO. The original cheque written to establish the fund, and cheque written to replenish it, are made payable to the custodian of the fund. Written instructions detailing the procedures that must be followed in using petty cash funds should be provided to the custodian.

#### 6.2 Petty cash disbursements

Expenses paid from a petty cash fund can only be made for the purpose(s) for which the fund was authorized and must be supported by receipts, which should contain the following information:

- a) Date of purchase or payment;
- b) Name of vendor or other payee;
- c) Positive evidence that a payment was made, i.e., a cash register receipt or a handwritten receipt on which the word "Paid" appears;
- d) Amount paid;
- e) Description of the goods purchased (entered by the vendor if a handwritten receipt is obtained, or by the purchaser if a cash register tape is issued), or of the services provided; and
- f) Signature indicating receipt of purchases or services.

**The total receipts plus the cash on hand must equal the specified amount of the petty cash fund at all times.**



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### 6.2 Reimbursement of funds

Reimbursements made to a fund custodian for petty cash expenditures are based on a Cheque Request Form , which must be supported by purchase receipts. Such requests must be approved for payment by someone with signature authority who is neither the petty cash fund custodian nor an employee who reports to the fund custodian. Reimbursement should be requested as needed, but the fund should always be reimbursed by the end of the fiscal year.

### 6.3 Physical security

The petty cash funds should be kept separately from other funds and be safeguarded in lockable cash box which should be kept locked not only after hours but also during normal business hours in safe and keys kept in secure place

In the event of a theft, the loss must be reported to the South African Police Services and CFO

If any loss/shortage is discovered, it must be reported to the CFO who ,after reviewing circumstance of the case shall take whatever corrective or recovery action necessary

The custodian is required to reimburse the losses and shortages unless the petty cash was properly secured, there is physical evidence of breaking in and no act or omission on part of the custodian contributed to the loss as stipulated in the policy

### 6.4 Change in custody of fund

When custody of a petty cash fund is transferred to another custodian, the existing fund should be turned in to the designated officer and confirm that by signing petty cash handing over form



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### 7. Internal control procedures

#### 7.1 Surprise petty cash counts

A surprise cash count of each petty cash fund, including a review of the documents on hand, must be performed annually, or more frequently if the accounting officer or the head of another campus department determines that this is necessary.

The following procedures must be followed:

- 7.1.1 An employee from the accounting office must perform the count.
- 7.1.2 The employee should be selected to perform a specified cash count only for this one instance, i.e., the designation should terminate upon completion of the assignment.
- 7.1.3 An employee who is the custodian of other cash, or who reports to, or whose work functions directly relate to, those of the custodian, whose cash is to be counted, should not be selected to perform this count.
- 7.1.4 If the cash count is performed by a non-accounting office employee, the results must be reported to the accounting office
- 7.1.5 Supported by valid supporting documentation, up to a maximum of the authorized size of the petty cash float
- 7.1.6 Petty cash requests must be properly authorized and have the relevant Vote number.
- 7.1.7 Petty cash requests (copy attached) must be accompanied by the relevant / appropriate supporting documentation e.g. cash sales slips,



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receipts, etc.

7.1.8 In the event where advance was given cash sales slips or receipts be returned within 24hours

7.1.9 Once the petty cash float has reached 500,00, the petty cash float must be replenished in the following manner:

1. a voucher must be drawn to replenish the float by attaching all requests with receipts, cash sale slips. A summary of the register must accompany the voucher.
2. The replenishment will always equal the difference between the imprest amount and cash on hand.
3. Notwithstanding the above, the petty cash register must be updated regularly (at least once every 2 days) and reconciled.

7.1.10 The petty cash register is reviewed and signed on a weekly basis.

7.1.11 The petty cash float must be counted at least once a month on an unscheduled and unannounced basis.

### **8. Petty cash hand-over procedures:**

(a) The petty cash official is responsible for informing the Manager concerned in advance of the intention to take leave.

(b) 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.





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(c) The Municipal official taking over as auxiliary (back-up) petty cash official is entirely responsible for the petty cash while managing the float.

(d) Where Petty Cash official is sick or off without prior arrangements, the Petty Cash must be counted and balanced by two responsible officials.

### 9. Prohibited Petty Cash Payments

9.1 The petty cash advances must not be used to give salary advances to employees

9.2 No personal use of petty cash is allowed .it shall be deemed an offence to use petty cash for private matters even if intention is to repay

9.3 The petty cash shall not used to pay for installment invoices such as rental or equipment or open orders even if the amounts fall within the specified limit.

The petty cash shall not be used for:

- Caterings
- Travel claims
- Personal gifts (e.g. cakes and flowers for birthday)
- Assets
- Toll gate slips
- Energy drinks (e.g. Red Bull)

### 10. Reporting on Petty cash

10.1 Reporting on utilization of the petty cash shall be reported to the CFO on a monthly basis

10.2 The custodian of petty cash fund shall give reconciliation to the CFO within 5working days of the end of each month in which expenditure are incurred by showing that the cash on hand plus receipts less paid vouchers equals to the total amount of approved petty cash



### 11. Monitoring of petty cash

11.1 The MM may conduct internal audits to evaluate compliance with this policy. Periodic unannounced verification of 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, misuse or personal interest and are properly accounted for.

11.2 The MM will monitor the effectiveness of this policy by reviewing internal audit reports.

### 12. Petty cash count at year end

- (a) At the end of each financial year, independent senior personnel should conduct a cash count on the 30 June every year;
- (b) Counted cash on hand should be agreed to the records, and any discrepancies should be investigated immediately.

### 13. Implementation of petty cash policy

This policy must be implemented by all employees and councilors of MLM, but managers and supervisors should ensure that this policy is implemented effectively. Deviation from the accepted accounting practices in the use of petty cash shall constitute a serious offence under Disciplinary Code. Any employee who breaches this policy shall be liable for disciplinary measures.



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### 14 Policy review

This policy will be reviewed annually and revised as necessary

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