

EMADLANGNI LOCAL MUNICIPALITY



PETTY CASH POLICY

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ABBREVIATIONS

ELM	Emadlangeni Local Municipality
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
HOD(SO)	Head of Department (Senior Official)
FO	Finance Officer
FM	Finance Manager
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MSA	Municipal Systems Act (No. 32 of 2000)
SCM	Supply Chain Management
VAT	Value Added Tax

1. INTRODUCTION

In terms of the Municipality's Supply Chain Management policy under Sub-paragraph 12 (1) (a), purchases from R0 up to R2000 (inclusive of VAT) to be procured using petty cash, therefore the Emadlangeni Municipality adopts then following petty cash policy.

In terms of section 65 of MFMA, the accounting officer of a municipality is responsible for the management of the expenditure of the municipality in an effective and controlled manner. The accounting officer delegates authority to the Chief Financial Officer.

2. REGULATORY FRAMEWORK

Section 217 of the Constitution of the Republic of South Africa requires an organ of state to contract for goods or services in accordance with a system which is:

- fair;
- equitable;
- transparent;
- competitive; and
- cost effective.

In support of the Constitutional objectives the Municipal Finance Management Act No 56 of 2003 (hereafter MFMA) section 110 require successful implementation of the supply chain management process. Section 111 of the MFMA requires that each municipality and municipal entity must have and implement a supply chain management policy.

In the development of such a policy guidance is provided in the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 as well as National Treasury Circulars/Guidelines. The framework to determine the Preferential Procurement Policy it is prescribed in the Preferential Procurement Policy Framework Act 2000 (Act No. 5 of 2000).

3. OBJECTIVES

Compliance with the regulatory framework in terms of the relevant legislation is required.

4. DEFINITIONS

In this Petty Cash policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government Municipal Finance Management Act, 2003 (Act No 56 of 2003), has the meaning so assigned, and:

“CFO” means the person who is appointed by the Council as the Chief Financial Officer for the Municipality and his delegates

“Channel(s)” means the line of communication commencing with the Finance Officer for supply chain management to the Chief Financial Officer to the Municipal Manager and to council;

“Close Family Members” means a person’s spouse, children, parents or brothers and sisters;

“Code of Conduct” means the code of conduct attached to this policy as Annexure ...;

“Council” means the Municipal Council of the eMadlangeni Local Municipality, its legal successors in title and its delegates;

“Delegating Authority”, means the Council, Municipal Manager, councillor or other employee to whom original powers were assigned in terms of legislation, and in relation to a sub-delegation of a power, means that delegated body;

“Delegation” means the issuing of a written authorisation by a delegating authority to a delegated body to act in his stead, and in relation to a duty, includes an instruction or request to perform or to assist in performing the duty, and **‘delegate’** and **‘sub-delegate’** has a corresponding meaning;

“Delegated body” in relation to the delegation of a power means the person to whom a power has been delegated by the delegating authority in writing;

“Employee” means any person other than an independent contractor who:

- works for another person or for the State and who receives, or is entitled to receive any remuneration; and
- in any manner assist in carrying on or conducting the business of an employer

“Emergency” means an unforeseeable and sudden event, with material harmful or potential harmful consequences for the municipality that requires immediate action;

“Employer” means the Emadlangeni Local Municipality, a municipality established in terms of the provisions of section 12 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998);

“Equity Ownership” means the percentage of an enterprise or business owned by individuals or, in respect of a private company, the percentage of a company’s shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over the enterprise or business, commensurate with their degree of ownership at the closing date of the bid;

“Director” means an executive director directly accountable to the Municipal Manager, appointed in terms of section 57 of the Systems Act, including the Chief Financial Officer;

“Goods” means those raw materials or commodities which are available for general sale;

“In the service of the state” means to be:

- a member of :
 - any municipal council
 - any provincial legislature; or
 - the National Assembly or the National Council of Provinces;
- a member of the board of directors of any municipal entity;
- an employee of any municipality or municipal entity;

- any employee of any national or provincial department, national or provincial public entity or constitutional within the meaning of the Public Finance Management act, 1999 (Act No.1 of 1999);
- a member of the accounting authority of any national or provincial public entity; or
- an employee of Parliament or a Provincial Legislature.

“Local Business” or “Local Firm” means service providers with active offices in the Municipality, which shall be interpreted on the basis of whether the offices are utilized for the goods or services to be procured, and whether the majority shareholders are local;

“Management” refers to the membership of any board or similar governing body which is charged with the day-to-day management control of the enterprise / business. This entails the power to determine policies and direction of economic activities and resources;

“MFMA” means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003);

“Municipal Manager” means the person who is appointed by the Council as the head of the administration and as accounting officer for the Municipality in accordance with section 82 of the Structures Act and his delegates;

“Municipality”, means the Emadlangeni Local Municipality, and when referred to as:

- an entity, means a municipality as described in section 2 of the Systems Act; and
- a geographic area, means the municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No 27 of 1998);

“Organ of State” means –

- any department of state or administration in the national, provincial or local sphere of government; or
- any other functionary or institution:
 - exercising a power or performing a function in terms of the Constitution or a provincial constitution; or

- exercising a public power or performing a public function in terms of any legislation, but does not include a court or a judicial officer;

“Person” includes reference to juristic person;

“Preferential Procurement Legislation” means the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) and its associated Preferential Procurement Regulations, and the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003);

“Procurement” means a process of preparing, negotiating and concluding a contract, whether in writing or verbally, which involve the acquiring of goods, services and engineering and constructions works or any combination thereof, or the acquiring of capital assets or any rights in respect of the above, by means of a purchase, lease or donation;

“Procuring” has a similar meaning;

“Rand Value” means the total estimated value of a contract in rand denomination which is calculated at the time of quotation and bid invitations and includes all applicable taxes and excise duties;

“SCM Sub-Directorate” means the Supply Chain Management Sub-directorate which is under the management and control of the Chief Financial Officer, and that is responsible for the implementation and management of the SCM Policy;

“Services” means the provision of labour and work carried out by hand, or with the assistance of plant and equipment, including the input, as necessary, of knowledge based expertise;

“Service Provider” means a current or potential supplier, manufacturer, contractor, vendor, agent or consultant;

“SMME’s” means small, medium and micro enterprises in the supply chain management system of the Municipality;

“Structures Act” means the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998);

“Systems Act” means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);

“Petty Cash” means a relatively small amount of cash kept at hand for making immediate payments for miscellaneous small expenses;

“Petty Cash Float” means the total sum of Petty Cash which has been granted to a Finance Officer;

“Expenditure Accountant” means an employee made responsible for the day to day operating of the Petty Cash Float;

“Reconciliation” is the process of comparing information with the relevant documentation and receipts;

“Sub-Advances” means a relatively small amount of cash, made available by the Finance Officer on request to buy miscellaneous small items

5. GENERAL REQUIREMENTS AND OPERATIONS

5.1.1 The submission must be completed and authorized by the Head of Department, and then forwarded to the Finance Manager for reviewal and approval by Chief Financial Officer.

5.1.2 Authority to recommend and approve submission can be delegated in writing and appointment letter must be kept in safe custody for audit purposes.

5.1.3 All submissions regarding the request to utilize petty cash must be forwarded to the Finance Department two days before the date on which the petty cash is required. Poor planning will not be justifiable reason to deviate from this provision.

- 5.1.4 No purchases of goods or services may take place before the approval to use petty cash is granted by the Chief Financial Officer or the delegated official, except in the case of urgent and emergencies in which case the Municipal Manager will have to give permission to proceed with the transaction.
- 5.1.5 The Chief Financial Officer or any other delegated senior finance official may make surprise inspections of the petty cash as he/she deems fit to do so, at least quarterly.
- 5.1.6 A petty cash requisition form must be used for all petty cash purchases. These forms shall be pre-numbered and recorded accordingly in the petty cash register.

The petty cash requisition form must include the following:

- (i) Reason for petty cash;
- (ii) Amount requested (not exceeding R200 per person, per day);
- (iii) Vote number;
- (iv) Person requesting an item; and
- (v) Authorised by Head of Department.

- 5.1.7 Urgent and emergency cases will be accommodated where immediate action is required to avoid a dangerous or life-threatening situation, misery or want or any other cases which may require immediate action to be taken to proactively avoid a negative impact on service delivery.
- 5.1.8 The use of petty cash float is strictly confined to individual cash purchases of up to a maximum of R200.00 per transaction per day, unless authorized by the Chief Financial Officer.
- 5.1.9 The expenditure with regard to petty cash purchases shall not be deliberately split into more than one transaction to avoid the said limit.
- 5.1.10 Original invoices or cash slips must be submitted to the official responsible for petty cash after such purchases have taken place.

5.1.11 The face of the original invoice or cash slip must contain the following:

- The words “tax invoice” in a prominent place,
- Trading name, address and VAT registration number of the supplier (where applicable),
- Serialized tax invoice number/reference,
- Date of the tax invoice,
- Name and address of the recipient _eMadlangeni Local Municipality (where applicable),
- VAT registration number of the recipient (where applicable),
- Accurate description of the good or services supplied,
- Quantity of good or services supplied,
- Total selling price charged including VAT. The VAT must be shown separately (where applicable).

5.1.12 Failure by any official to submit the invoices or cash slips within the period of 5 days from the date when petty cash was issued (This period will exclude public holidays and weekends that fall within it) will result in such total amount of purchases being recovered from the salary of the requisitioner (Non-Refundable/Non-Reversible).

5.1.13 Certain types of transactions may be excluded from the petty cash purchases in the case where it is considered necessary to do so e.g. day to day maintenance, stationery, subsistence and traveling claims, loans, payment of personal remuneration to any person whatsoever, instalment invoices, etc.

5.1.14 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.**

5.1.15 The Expenditure Accountant must submit a monthly reconciliation report to the Finance Manager, 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 ARRANGEMENT FOR SUBMISSIONS WITH REGARD TO THE REQUESTS TO UTILISE PETTY CASH

All submissions regarding the request to utilize petty cash must be forwarded to the SCM unit preferably two days before the date on which the petty cash is required. Poor planning will not be justifiable reason to deviate from this provision.

7 CUSTODY AND SAFEKEEPING OF PETTY CASH

The office and the safe where Petty Cash is maintained must always be locked and the keys must be kept in a safe place which is known by the custodian of the petty cash.

- 7.1.1 Any shortages in respect of a petty cash float must be reimbursed immediately by the responsible official;
- 7.1.2 If petty cash is lost, the official responsible for petty cash will be held liable; and
- 7.1.3 Where a petty cash float is stolen the incident must be reported promptly to Chief Financial Officer in the required format, after a case has been logged at the South African Police Services.

8 ACCESS TO THE PETTY CASH

The use of petty cash should be freely accessible by all staff members provided that the correct processes have been followed. The Expenditure Clerk is the only staff member authorized to issue petty cash not unless.

9 RECONCILIATION OF PETTY CASH FLOAT

- 9.1 When the cash in the Petty Cash Float is almost exhausted, the Petty Cash register must be balanced and reconciled by the Expenditure Accountant as follows:
 - 9.1.1.1 Counts the Petty Cash money at hand and confirm the monthly closing balance of cash at hand as reflected in the Petty Cash register.

- 9.1.1.2 Adds up all the receipts submitted as proof of payment and agrees the total to the total reflected in the Petty Cash register.
 - 9.1.1.3 Verifies that the total Petty Cash as at the beginning of the month plus receipts less payments for the month equals the Petty Cash on hand at the end of month.
 - 9.1.1.4 Reconciles the Petty Cash total on hand with the requisition forms, vouchers and other supporting documentation.
- 9.2 When Such reconciliation procedure as stated above should be performed at the end of the month and it should be ensured that the Petty Cash Float balances to the closing ledger balance.
- 9.3 The official responsible for the review of the Petty Cash funds and petty cash register, signs as proof of the review.
- 9.4 The Chief Financial Officer, Finance Manager, internal or external auditors of the Municipality may at any stage without prior notice, perform an audit of petty cash count to confirm the cash balance.
- 9.5 Internal audit should make surprise inspections of the Petty Cash at least once per quarter and perform the following procedures:
- 9.5.1 Inspect the Petty Cash vouchers to ensure that all items on the voucher are items usually used by the Municipality in the performance of duties and that no purchase was made for personal use.
 - 9.5.2 Performs a cash count, in the presence of the official responsible for Petty Cash.
- 9.6 Any shortages or surplus funds concerning Petty Cash must immediately be paid in at the cashier and the reason for the shortage/ surplus must be investigated by the senior official appointed by Municipal Manager or Chief Financial Officer for rectification.
- 9.6.1 At year end a cash count should be performed on all advances to ensure that the cash on hand agrees with the general ledger account. A cash count working

paper should be prepared as evidence of the cash count (preferably an Internal Auditor), the official responsible for Petty Cash and Senior Official of the Expenditure Section should sign the working paper as evidence of the cash count.

10 REPLENISHMENT OF PETTY CASH

- 10.1 Petty cash will only be replenished if the petty cash has reached a minimum amount of R2000.00. A maximum amount of R 3000 will be kept in the petty cash office in order to minimize and avoid the risk relating to theft and loss.
- 10.2 Petty Cash Float shall be reimbursed by means of an uncrossed cheque where such replenishment will be approved by the Chief Financial Officer and the cheque signed by Chief Financial Officer and one other cheque signatory. The Petty Cash shall be reimbursed by cheque through the normal Financial System in use.
- 10.3 The schedule of petty cash vouchers (petty cash expenses) should be drawn up for approval by the Chief Financial Officer before submission for issuing of a reimbursement cheque.
- 10.4 Replenishment of the petty cash float will be undertaken after the balancing and reconciliation of the petty cash register has been reviewed by Finance Manager and approved by the Chief Financial Officer.
- 10.5 A cheque must be made out to the Chief Financial Officer for the replenishment of the petty cash float and such cheque must be cashed by the Expenditure Accountant or any other person delegated by Chief Financial Officer within the expenditure unit who must record the amount received in the petty cash register.

11 PETTY CASH REGISTER

The keeping of a formal petty cash register is compulsory, except where petty cash expenses are posted directly on the official financial system of the Municipality.

12 IMPLICATION OF NON-COMPLIANCE TO THE MUNICIPAL PETTY CASH POLICY

It should be noted that failure to comply with this municipal petty cash policy constitutes financial misconduct and any employee found guilty will be subject to disciplinary procedures.

13 COUNCIL APPROVAL AND EFFECTIVE DATE

Approval of Policy by Council and Effective date: -----

MUNICIPAL MANAGER DATE.....