

WEST RAND DISTRICT MUNICIPALITY



PETTY CASH POLICY

DATE OF APPROVAL _____

COUNCIL RESOLUTION NUMBER: _____

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1. PURPOSE

The purpose of the document is to provide framework to ensure that the resources of the municipality are used effectively, efficiently and economically.

The municipality will make use of bank provided prepaid cards to take care of unique expenses that may rise every month. These cards will be provided to each department/division and will be the responsibility of the head of the department.

This policy will be used in conjunction with the WRDM Supply Chain Management policy to regulate petty cash transactions.

2. DEFINITIONS

In this 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:

"Accounting Officer" – means the Municipal Manager and vice versa referred to in section 60 of the MFMA and include a person acting as the accounting officer;

"MFMA" – means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

"Chief Financial Officer / CFO" – means an officer of the Municipality, designated in terms of section 80(2) of the MFMA by the Municipal Manager to be administratively in charge of the financial affairs of the municipality and includes any person acting in that position or to whom authority is delegated;

"Council" or "Municipality" – means the Municipal Council of West Rand District Municipality as referred to in Section 18 of the Municipal Structures Act;

"Cost containment" – means the measure adopted by the Council and good financial practices implemented to curtail spending

"MCCR" – means the Municipal Cost Containment Regulations

"Petty Cash" means a small amount of discretionary funds used for minor expenditures. The municipality uses a prepaid bank card system to manage small transactions using a reloadable card instead of physical cash.

"Petty Cash Float" means is the initial fixed amount of money allocated to a petty cash fund to cover small operational expenses.

"Petty Cash Officer" means an employee, made responsible in writing by the CFO for the day-to-day operating of the Petty Cash Float.

"WRDM" – means the West Rand District Municipality

"mSCOA" – refers to the standard chart of accounts introduced by the National Treasury and was regulated in 2014. The primary objective of mSCOA is to achieve the acceptable level of uniformity and quality from collection of data to annual reporting.

"Prepaid bank cards" – Bank prepaid cards are cards that can be loaded with money and used to make purchases. They can be used like petty cash purchases.

3. OBJECTIVES OF POLICY

The objectives of the policy are to:

1. Ensure goods and services are procured by the municipality in accordance with authorised processes only.
2. Ensure that the municipality has and maintains an effective petty cash system of expenditure control.
3. Ensure that sufficient petty cash is available when required.
4. Ensure that the items required to be procured are approved petty cash items.

4. LEGISLATIVE FRAMEWORK

Municipalities must comply with the requirements of the Municipal Finance Management Act, Act 56 of 2003 (MFMA). WRDM has incorporated the applicable principles, objectives and prescripts in its policy on the management and control of petty cash.

The MFMA aims to regulate financial management in the municipalities by ensuring that all revenue, expenditure, assets and liabilities of are managed efficiently and effectively. It also outlines the responsibilities of persons entrusted with financial management in municipalities and address related matters.

Section 62(1)(b) of the MFMA states that the accounting officer must disclose to the municipal council and the mayor all material facts that are available or reasonably discoverable and that may influence the decisions or actions of the council or the mayor.

Additionally, Section 78(1)(b) and (c) places the onus on each municipal employee to ensure the effective, efficient, economical and transparent use of financial and other resources within their area of responsibility. Employees must also take appropriate steps to prevent unauthorised, irregular, fruitless and wasteful expenditure.

The legislative framework governing petty cash are:

1. The Local Government Municipal Finance Management Act, Act 56 of 2003.
2. The Municipal Supply Chain Management Regulations, Regulation 868, published under Government Gazette 27636, 30 May 2005.
3. The WRDM Supply Chain Management policy
4. The WRDM Cost Containment policy
5. Generally Recognised Accounting Principles

5. PETTY CASH PURCHASES

1. The Chief Financial Officer shall delegate the Manager: Revenue and Expenditure Management to administer and keep petty cash registers and ensure prepaid cards are replenished monthly or as needed.
2. Petty cash is limited to cash purchases of up to R2000,00 VAT included.
3. Petty cash purchases must comply with the conditions outlined in section 4.2 of the WRDM.

6. APPROVED LIST OF PETTY CASH PURCHASES

1. **Approved items for petty cash purchases, but this list is not exhaustive:**
 - a. Bouquets and flowers for official purposes;
 - b. Materials for urgent repairs that are not stocked in municipal stores;
 - c. Ad hoc stationery items;
 - d. Materials of special nature only available at specific suppliers;
 - e. Wages or labour for contract work which may or may not include material;
 - f. Purchases of an urgent nature where it is impractical to follow the official procurement process; and
 - g. Consumables.

Items outside of this list may be approved at the discretion of the Chief Financial Officer, based on departmental needs and financial consideration.

2. Prohibited Petty Cash Purchases

- a. Approved store items which are kept at the municipal stores;
- b. Subsistence and travel claims;

All petty cash transactions specified above must be approved by the Chief Financial Officer or delegated senior official before the purchase.

3. Petty Cash Card Restrictions

Withdrawal of funds from the petty cash cards are strictly prohibited unless prior approval is obtained from the CFO.

7. POLICY PROCEDURES

1. *Approval of Petty Cash Float*

- a. The CFO or delegated official shall be responsible for submitting applications for a new petty cash facility or requesting an increase in the operational amount of an existing petty cash float. These applications shall be submitted to the Accounting Officer for consideration and approval.
- b. The application must provide sound and valid reasons for the need of the petty cash float, specify the required amount, and include the relevant mSCOA segment description from which the funds will be allocated. The amount applied for must be sufficient to cover expenses for approximately one month.
- c. The municipality shall maintain petty cash float shall not exceed R16 000.00 each month, subject to an annual review.

- d. The use of petty cash shall be limited to minor requirements for which a single transaction shall not exceed R2 000.00 including VAT.

2. *Prepaid Cards*

- a. Each Department shall be issued a primary bank-issued prepaid card, and the CFO must ensure that proper and effective controls are in place within the department to prevent misuse.
- b. Where petty cash float has been approved by the Accounting Officer for departments, the responsibility for responsible use of the card remains the responsibility of the senior manager heading the department.

8. SAFEGUARDING

- 1. The petty cash custodians are responsible for controlling of petty cash float, together with supporting documentation. Specifically, the custodian is responsible for the following.
 - a. Petty cash request documents, including petty cash forms and original receipts, must be filed securely.
 - b. The Office of the Chief Financial officer is responsible for distributing newly approved petty cash bank cards.
 - c. Heads of Departments are responsible for the safekeeping of the petty cash cards and PINs. They must also ensure that cards are only used after obtaining authorisation from the Chief Financial Officer or delegated official.
 - d. The petty cash custodian must not process requisitions that have not been authorised by the senior manager or delegated official.
 - e. The petty cash custodian must not process requisition that has not been signed by the Manager: Revenue and Expenditure Management or delegated official as well as the Chief Financial Officer or delegated official.
 - f. If a petty cash card provided to a department is lost, the relevant Head of Department must immediately notify the office of the Chief Financial Officer to ensure that the card is blocked.
 - g. Departments must maintain a register of all individuals who utilises the petty cash card within the department each month. The petty cash card may only be used after obtaining authorisation from the CFO.

9. APPLICATION FOR PETTY CASH

- 1. A department requiring petty cash must complete a petty cash requisition form, requisition which must be completed by the requested user, authorised and signed by the Head of Department. The completed requisition must then be submitted to the Manager: Revenue and Expenditure Management.
- 2. In cases where minor expenditure was incurred by officials during official trips e.g. parking and toll fees. Such expenditure may be reimbursed from petty cash, but a requisition must still be completed.

3. Petty cash requisition form must include:
 - a. Reason for petty cash;
 - b. Amount for petty cash;
 - c. Amount requested (not exceeding R2 000-00;
 - d. Amount used for purchasing;
 - e. Changed returned (if any)
 - f. MSCOA segment description
 - g. Person requesting item;
 - h. Supported by HOD
 - i. Budget available, signed by the Manager: Revenue and Expenditure Management
 - j. Approved by the CFO

10. ISSUING OF PETTY CASH

1. The official who received petty cash must submit original receipts to the petty cash custodian within 5 working days on which petty cash was received. This period will exclude public holidays and weekends. Failure to do so would result in the drawn amount being deducted from the salary of the requester without prior consultation. An affidavit must be obtained where slips have been lost.
2. The municipal official receiving petty cash is entirely accountable for the amount.
3. If the official who received petty cash fails to submit the original receipts, the petty cash custodian must follow-up the next morning. If no original receipts are submitted on the following day by close of business, the matter must be escalated to the accountant who shall refer the matter to the Manager.

11. RECORDING OF PETTY CASH

1. The petty cash custodian records all petty cash transaction. The signed petty cash form, receipt and bank statement (petty cash card) will be used to record the transaction in the financial statement.
2. The expenditure in respect of the petty cash requested will be debited against the vote of the department using the relevant segment description the petty cash register module in the financial system.
3. The petty cash register must be balanced at the end of each month by the petty cash custodian or relief petty cash custodian. All petty cash transactions and requisitions must be reconciled to the petty cash register at the end of each month.
4. The petty cash custodian must sign and date the petty cash register as evidence that it was done by him or her.
5. After the balancing of the petty cash register it must be reviewed by the Accountant. The Accountant must append his or her signature and date on the petty cash register as evidence of review

12. OTHER

1. The maximum amount allocated per petty cash card will be determined from time to time by the Chief Financial Officer, based on the operational requirements of the department and in consultation with the Municipal Manager.

13. PETTY CASH REPLENISHMENT

1. Petty cash card replenishments will be done at the beginning of each month by the Manager: Revenue and Expenditure Management or delegated official.
2. A proper petty cash register must be kept where each utilisation of petty cash card is recorded.
3. The minimum detail to be recorded in the petty cash register is:
 - a. department name;
 - b. Segment description (vote) to allocate petty cash transaction;
 - c. name of vendor;
 - d. date;
 - e. amount used; and
 - f. name of person

14. DISBURSEMENT OF PETTY CASH

1. All petty cash disbursements must be completed on the prescribed petty cash voucher, authorized by the delegated official of each department as approved by council in terms of the delegation of authorities.
2. The authorized official must ensure that funds are available in the budget prior the submission of claims.
3. An invoice or an original receipt, clearly indicating it has been paid must support the petty cash voucher.

15. INTERNAL CONTROLS

1. Surprise petty cash audits must be concluded by the transaction control and verification section throughout the financial year.
2. Petty cash reconciliations with the general ledger must be reconciled before 30 June of each year and the petty cash replenished to the maximum amount allowed.
3. The petty cash reconciliations must be verified by the Manager Income and Expenditure and be approved by the Chief Financial Officer. A copy of the register must be submitted to the financial statements and assets section for audit purposes.

16. REPORTING

1. A monthly reconciliation report, including the total amount of petty cash purchases for that month, must be prepared by the petty cash holder.
2. The monthly reconciliation report of petty cash must be verified by the accountant and be approved by Manager Revenue and Expenditure to be submitted to Chief Financial Officer on/or before the 20th of the following month.

17. GENERAL ADMINISTRATION

1. Petty cash reimbursements will follow the same process as a regular petty cash request before it can be processed.
2. This policy will be reviewed annually to be in line with municipal practices and legislation.