



**MANGAUNG METROPOLITAN MUNICIPALITY
FINANCIAL MANAGEMENT
PETTY CASH POLICY**

Contents

1. Declaration of Intent
2. Objective
3. Terminology and Definitions
4. Scope of Application
5. Governing Prescripts
6. Guiding Principles
7. Procedures
 - 7.1 Petty Cash Requirements
 - 7.2 Accounting Treatment and Disclosure
8. Management Reporting
9. Policy Implementation and Review

1. DECLARATION OF INTENT

At its broadest level, the Municipal Finance Management Act endeavours “to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements.”

Chapter 3 of the MFMA places the onus on each official within the Municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that official’s area of responsibility. In particular, the employee must take effective and appropriate steps to prevent, within that employee’s area of responsibility, any unauthorised, irregular, fruitless and wasteful expenditure and any under-collection of revenue due.

2. OBJECTIVE

The objective of this policy document is to clearly define the responsibilities of the Mangaung Metropolitan Municipality in terms of the Municipal Finance Management Act with respect to Petty Cash to prevent mishandling of petty cash by implementing internal controls. This policy document addresses the following areas:

- The definition of cash equivalents, petty cash and cashier in terms of the Municipal Finance Management Act.
- The roles and responsibilities of the Accounting Officer, management and other officials of the municipality with respect to regulating the management, administration and control of petty cash at Mangaung Metropolitan Municipality.

3. TERMINOLOGY AND DEFINITIONS

In this Policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned has the same meaning, and -

“**Cash equivalents**”, in relation to a municipality, means—

Short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

“**Petty cash**”, in relation to a municipality, means—

Procuring of goods and services to a maximum of R 2 000 (VAT included) may be made by means of petty cash purchases in cases where it is not possible or economically viable to procure goods and services through written quotation or competitive bidding processes.

“**Cashier**”, in relation to a municipality, means—

A person entrusted, in writing with the administration and control of petty cash

“**CFO**”, in relation to a municipality, means—

The Chief Financial Officer of Mangaung Metropolitan Municipality

“**ED**”, in relation to a municipality, means—

The Executive Director of Mangaung Metropolitan Municipality

4. SCOPE OF APPLICATION

From a responsibility perspective, this policy is relevant to all employees of the Municipality, whether full-time or part-time. It is, however, specifically applicable to the petty cash cashier, departmental head and Chief Financial Officer.

5. GOVERNING PRESCRIPTS

This Policy has been formulated in terms of:

- The Municipal Finance Management Act, 2003 (Act 56 of 2003) - (MFMA)
- Municipal Supply Chain Management Regulation of 2005
- Municipal Supply Chain Management Policy

Legal framework

This policy will be implemented within the legal framework of the relevant national legislation outlined hereunder.

- The Municipal Finance Management Act, 2003 (Act 56 of 2003):
Sections 11, 13, 62 and 65.
- The Municipal Supply Chain Management Regulations
Sections 12 and 15

6. GUIDING PRINCIPLES

This policy supports the following principles:

- To secure the sound and sustainable management of the financial affairs of municipalities and other institutions in the Metropolitan sphere of government;
- To establish treasury norms and standards for the Metropolitan sphere of government;
- Ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities and municipal entities;
- The management of the municipality's revenues, expenditures, assets and liabilities and the handling of their financial dealings.

7. PROCEDURES

7.1. PETTY CASH REQUIREMENTS

The following procedures provide guidance as to the requirements regarding Petty Cash:

1. Appointment of Petty Cash Cashier:

- An application form must be send in writing and signed by the applicant to the Executive Director to be recommended and thereafter to the CFO, an example of the application form is attached in Annexure A;
- The Petty cash cashier sign the application / nomination form for petty cash cashier (as attached in Annexure A) as proof that he / she has read and understand the Petty Cash Policy.
- The CFO shall approve the application according to his / her discretion in writing;
- The CFO shall also approve the Petty Cash amount for the approved new Petty Cash Cashier (limited to R 2,000 – two thousand rand alone);
- The approved application form is then send to the Expenditure Accountant
- The Expenditure Accountant will then request the cheque
This petty cash amount shall be included in the petty cash register by the Expenditure Accountant (an example is included in Annexure B).

2. Responsibilities of the Petty Cash Cashier:

- Safekeeping of petty cash
- Receiving and processing of requisitions for petty cash;
- Disbursing of petty cash;
- Replenishing of petty cash; and
- Maintaining of a petty cash register, reconciliation and reporting to CFO.

3. Safekeeping of Petty Cash:

- Petty cash shall at all times be kept in a suitable petty cash box under the control of the cashier;
- The petty cash box shall at all times be kept locked, and the keys of the petty cash box shall be safely kept by the cashier;
- The petty cash box shall at all times be kept either:
 - At the work station of the cashier, under the constant scrutiny of the cashier, when he or she is at the work station; or
 - In the municipality's safe.

4. Requisitions for Petty Cash

- If a section within a department requires petty cash, a petty cash requisition must be completed and signed by the section head, and counter-signed by the ED.
- The requisition form must be on the form approved by Mangaung Metropolitan Municipality and shall be pre-numbered; (example of requisition form is attached as Annexure C)
- This requisition form must be supported by an official and a valid invoice which states the name of the firm issuing it, the date, and the nature of the goods or services provided;
- Petty cash advances will not be considered without the necessary authorisation in accordance with the MFMA delegations of authority;
- Petty Cash Advances must be readily available for Auditors / reviewers without any postponement or deviation;
- The requisition form and supporting invoice must be submitted to the Petty cash cashier who shall check the document to ensure that all the details are in order, and who shall thereafter pay over the amount requisitioned to the person submitting it. The recipient shall sign an acknowledgement of receipt (example of this document is attached as Annexure D) for the cash, which acknowledgement shall be co-signed by the cashier;
- The cashier shall enter the details of each petty cash requisition and payment in the petty cash register;
- A monthly reconciliation report must be provided within 5 working days after month end to the CFO; and
- The maximum amount per invoice and petty cash requisition shall be R 2 000 (two thousand rand only).

5. Replenishing of Petty Cash

- As soon as the petty cash float reaches the minimum of 20% of the float or at least on a monthly basis, the cashier shall prepare a replenishment voucher and submit this form together with the petty cash register to the ED;
- The Petty cash cashier shall include the amount available on date of application
- The Executive Director shall review this form and co-sign this voucher as proof of authorisation (Appendix B)
- The approved voucher shall be referred to the Expenditure Division who shall make out a cheque to the cashier who shall in turn cash it and immediately place the cash in the petty cash box; and
- The cashier shall balance the petty cash, when replenishment is received.

6. Petty Cash Limits

The maximum petty cash limit shall be R 2,000 (two thousand rand only), which can be reviewed by the Chief Financial Officer.

7. Petty cash audits

- The internal auditor shall make surprise inspections of petty cash as and when he deems fit, but at least quarterly;
- A formal count of petty cash on hand shall be carried out at every replenishment and financial year end. The total shall be reconciled to the petty cash requisition forms, vouchers and other supporting documents; and
- A proper balancing of petty cash, review of replenishments and the nature of payments to verify that these expenses were actually incurred for official purposes shall be performed by a person designated by the CFO, if the CFO feels it is necessary.
- The manager to whom the Petty Cash Cashier reports to will do a count of the petty cash float on a monthly basis. A letter that confirms the count and signed by both the Petty Cash Cashier and the Manager must be kept by the Petty Cash Cashier for audit purposes. The date of the count must be mentioned in the letter.

8. Petty cash transfers

- Petty cash shall not be transferred for whatever reason from the cashier to anyone else, other than in accordance with this policy
- When there is a need for a transfer of petty cash, a letter must be written to the Budget and Treasury division. The General Manager or Manager must sign this letter confirming that the transfer must take place and that the mentioned amount on the letter is still in the Petty Cash box. The amount must not be less than the float amount.
- This letter must be signed by both the giver and receiver of the Petty Cash float in order to confirm that the said amount was transferred.
- The letter must be send as soon as possible to the Accountant Expenditure in order to update Petty Cash Register.

9. Prohibited Practices and Expenses

- Petty Cash shall not pay for instalment invoices such as for rental of equipment or open orders even if the amount falls within the limit specified;
- Petty Cash shall not be used to offer credit due to a Vendor / Supplier, where the vendor is registered with the municipality;
- It is forbidden to pay out Cellular Claims or all other employee claims and / or - benefits;
- It shall be forbidden to pay out I owe you's (IOU's);
- It shall be forbidden to split cash purchases over two or more petty cash claims;
- It shall be deemed an offence to use the Petty Cash Float for private matters despite even the good intentions to repay at the appropriate time;
- Deviation from the accepted accounting practices in the use of Petty Cash shall constitute a serious offence under the Disciplinary Code; and
- Petty Cash float or advances shall be for immediate withdrawal from the individual's salary if not accounted for within the stipulated period (after Disciplinary Action launched)

Additional prohibitions

- 1.** Purchase / procurement of any form of assets is prohibited, irrespective of the item's costs being less than the R 2 000.00 threshold.
- 2.** Refunds from the Petty Cash float are prohibited for the following items:
 - Fuel
 - Traffic fines
 - Toll gates fees
 - Training
 - Halls and venue rentals
 - Travelling and subsistence claims.

10. Review and adjustments to the Petty Cash Policy

- The petty cash policy shall be reviewed by the CFO on a yearly basis and with his discretion adjust the Petty Cash Policy, due to changing circumstances as a result of legislation or otherwise.

7.2 ACCOUNTING TREATMENT AND DISCLOSURE

- Issue of original cheque:
The original petty cash uncrossed cheque to be accounted for as follows:

Description	Vote number	Debit	Credit
Petty cash	XXXXXXXXXXXXXXXXXXXXXX	2,000	
Bank	XXXXXXXXXXXXXXXXXXXXXX		2,000

- Reimbursement of Expenses:
The schedule of petty cash vouchers (petty cash expenses) should be drawn up for approval by the Accounting officer (Room 227) before submission for issuing a reimbursement cheque.

When expenditure is reimbursed for expenses incurred and paid out of petty cash, it should be accounted as follows:

Description	Vote number	Debit	Credit
Expenditure	XXXXXXXXXXXXXXXXXXXXXX	x	
Bank	XXXXXXXXXXXXXXXXXXXXXX		x

- Disclosure of Petty Cash:
Petty Cash are disclosed together with Cash and cash equivalents.

8. MANAGEMENT REPORTING

Monthly and yearly reconciliation reports must be submitted to the CFO within 5 days after month and year end.

9. POLICY AND PROCEDURE IMPLEMENTATION AND REVIEW

- This policy and procedures is effective from date approved.
- This policy and procedures shall be reviewed annually.

000001

Application / Nomination form for petty cash cashier
MANGAUNG METROPOLITAN MUNICIPALITY

APPROVED	DISAPPROVED

Name of applicant

Postal address

Application amount R

Motivation for application

Declaration on approval as Petty Cash Cashier

I, the applicant declares the following:

- That I shall keep the Petty Cash, at all times, in a suitable petty cash box under my control
- That I shall keep the petty cash box locked at all times and the keys of the petty cash box shall be safely kept by me;
- That the petty cash box shall be kept either with me at my workstation under my constant scrutiny or locked in the Municipality's safe;
- That petty cash money may only be used for business purposes;
- That I will, on a daily basis reconcile the Petty cash money with the cash on hand and the Petty cash vouchers
- That I will perform monthly reconciliation reports and submit it within 5 working days after month end to the CFO, and
- That I take knowledge of the fact that the internal auditors or accountant or designated official shall make surprise inspections on my petty cash, at least quarterly.
- That I understand the Petty Cash Policy and procedures and that it has been explained to me.

Signature: Applicant

Signature: Chief Financial Officer
Authorised

Signature: Executive director
Recommended

Date

Date