FINAL

PETTY CASH POLICY

01 JULY 2025

GAMAGARA LOCAL MUNICIPALITY

NC453

Approved: 29052025

Council Resolution: 20250529/10.2

PETTY CASH POLICY

1. PREAMBLE

Where the need may arise in a department of the municipality to have cash available for payments of a minor and non-recurring nature and it is impracticable to follow Supply Chain Management policies and procedures for every expense, such payments (excluding remuneration for services rendered) may be made by means of petty cash facilities

2. POLICY OBJECTIVES

The objective is to provide guidelines on the usage and management of petty cash by Gamagara Local Municipality.

3. SCOPE OF POLICY

This policy applies to all Gamagara Local Municipal employees, whether full-time or part-time, or paid on a salaried or an hourly individual basis and to duly appointed cashiers.

4. APPLICABLE LEGISLATION

Municipalities must comply with the requirements of the Municipal Finance Management Act, act 56 of 2003 (MFMA) and Gamagara Municipality has incorporated the applicable principles, objectives and prescripts in its policy on the management and control of petty cash. The MFMA endeavours “to regulate financial management in the municipalities; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those municipalities; and to provide for matters connected therewith.” Section 78(1)(b) and (c) of the MFMA places the onus on each employee within the municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that employee'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.

5. POLICY PRINCIPLES

Before approving expenditure or incurring a commitment to spend using petty cash, the delegated or authorised official must ensure compliance with any limitations or conditions attached to the delegation or authorisation. All transactions must be supported by authentic documents

6. POLICY PROCEDURES

6.1 Approval of Petty Cash Float

6.1.1 The CFO or delegated official shall be responsible for making application for petty cash facility or for increase of the operational amount of an existing petty cash float to the Accounting Officer for consideration and decision.

6.1.2 The application shall state sound and valid reasons for the need of petty cash float and the amount required for its operation, as well as the cost centre and vote number from which funds are to be applied for petty cash. The amount applied for must be sufficient to cover expenses for approximately one month.

6.1.3 The municipality shall keep petty cash not exceeding R5 000.00 which must be reviewed on annual basis.

6.1.4 The use of petty cash shall be limited to minor requirements for which a single transaction shall not exceed R500.00 however any purchase exceeding R500 but limited to R5 000 should be approved by the CFO or official delegated by the CFO.

6.1.5 In cases where the municipality has an account with the supplier or can negotiate opening an account, the municipality should avoid at all costs to use petty cash but use the account in terms of the policies of the municipality, in particular Supply Chain Management policy which regulates acquisition and disposal of goods and services.

6.2 Appointment of Petty Cash Officers

6.2.1 The CFO must appoint in writing one of the Chief Creditors Clerks/Practitioners as a petty cash custodian who shall be assigned the responsibility of managing and controlling petty cash. The custodian of petty cash must acknowledge appointment by appending his or her signature and date as an acceptance of the responsibilities and must abide by the contents of this policy and MFMA.

6.2.2 The CFO must appoint in writing one of the Senior Accountants as a relief petty cash custodian who shall be assigned the responsibility of managing and controlling petty cash in the absence of the designated petty cash custodian. The Senior Accountant must acknowledge appointment by appending his or her signature and date as an acceptance of the responsibilities and must abide by the contents of this policy and MFMA.

6.2.3 During absence of the designated petty cash custodian, the designated Senior Accountant must assume the responsibilities as a relief petty cash custodian. The petty cash custodian and relief petty cash custodian must ensure that they are familiar with all relevant statutory requirements and institutional responsibilities attached thereto.

6.2.4 Should the Director wish to keep petty cash float within their departments; the CFO must satisfy himself whether there were proper and sound controls within that department and assess the reasons for request for petty cash float.

6.2.5 Where petty cash float has been approved by the Accounting Officer for departments or sub-offices and satellite offices, the responsibility for operating petty cash and safe keeping rest with the Director of that department. Directors must assign to the designated petty cash custodians who have financial acumen only and who have no previous conviction or suspicions relating to commercial crimes (e.g. theft, fraud, corruption, funds embezzlement, forgery, bribery, uttering, extortion etc).

6.2.6 Officials who have garnishee orders against their salaries must not be appointed as petty cash custodians.

6.3 Custody & Safe Keeping of Petty Cash

6.3.1 The petty cash custodians are responsible for controlling of petty cash float, together with supporting documentation. Specifically, the custodian is responsible for the following:

6.3.1.1 Petty cash float (including original receipts and vouchers) must be kept secured in a locked cash box.

6.3.1.2 The office and the safe where petty cash float is kept shall always be kept locked and the key to the safe where cash float is kept shall be kept by the petty cash custodian.

6.3.1.3 The petty cash custodian must sign for the key and must always be kept in a safe place.

6.3.1.4 Only petty cash custodian must have access to and disburse petty cash. Handling of petty cash must only take place in secure locations.

6.3.1.5 The petty cash custodians must ensure that petty cash is only disbursed to authorised officials when an original requisition signed by a duly delegated official has been produced.

6.3.1.6 The petty cash custodian must not process requisitions that is not authorised by the Director or delegated official.

6.3.1.7 The petty cash custodian must not process requisition that has not been checked, signed and dated by the Senior Accountant who is the supervisor of the custodian.

6.3.1.8 The petty cash custodians must not put her personal monies or of any other officials in the box and the safe where petty cash is kept

6.3.2 If petty cash float is lost, the Petty Cash Officer responsible for that petty cash shall be held liable

6.4 Application for Petty Cash

6.4.1 The department that requires petty cash must complete a requisition which must be authorised and signed by the Director. The requisition must be submitted to the Senior Accountant.

6.4.2 In cases where minor expenditure was incurred by officials during official trips e.g. parking and toll fees. Such expenditure may be claimed from petty cash, but a requisition must still be completed

6.5 Issuing of Petty Cash

6.5.1 On receipt of requisition the Senior Accountant must check the requisition and be satisfied that it is correct in every respect and authentic, sign and date the requisition as evidenced that she has checked it. Once checked and signed the Senior Accountant must submit the requisition to petty cash custodian.

6.5.2 The petty cash custodian completes a petty cash voucher using information on the requisition and hand over cash to the official that submitted the requisition.

6.5.3 The official receiving such cash must acknowledge receipt by appending his or her signature and date on the petty cash voucher. The requisition is then attached to the petty cash voucher by the petty cash custodian.

6.5.4 The official who received petty cash must submit original receipts to the petty cash custodian before the close of business on the date on which petty cash was received.

6.5.5 The municipal official receiving petty cash is entirely accountable for the amount.

6.5.6 If the official who received petty cash fails to submit the original receipts before the close of business, 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 Senior Accountant who shall refer the matter to the Manager Expenditure and Salaries or Senior Manager Finance

6.6 Recording of Petty Cash

6.6.1 The petty cash custodian records the date of petty cash voucher, requisition number, petty cash voucher number, description of what petty cash is required for and the amount on the petty cash register. The petty cash register must be numbered throughout consecutively for control purposes.

6.6.2 The expenditure in respect of the petty cash requested will be debited against the vote of the department that requested cash.

6.6.3 All entries on the requisition, petty cash voucher, expenditure voucher and petty cash register must be recorded in ink and no correcting fluid or tip-ex must be used. 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 vouchers and requisitions must be reconciled to the petty cash register at the end of each month.

6.6.4 The petty cash custodian must sign and date the petty cash register as evidence that it was done by him or her.

6.6.5 After the balancing of the petty cash register it must be reviewed by the Senior Accountant. The Senior Accountant must append his or her signature and date on the petty cash register as evidence of review.

6.7 Reimbursements

6.7.1 The petty cash custodian completes the "expenditure voucher" and attaches all requisitions and petty cash vouchers to the expenditure voucher. The expenditure voucher must be signed by the petty cash custodian, Senior Accountant as a checking official and Manager Expenditure and Salaries or the Senior Manager as authorizing official.

6.7.2 Once the expenditure voucher has been processed the cheque is issued in favour of the Municipal Manager, in his capacity as accounting officer. The cheque is presented at the bank in exchange for cash to replenish petty cash.

6.7.3 Petty cash shall be reimbursed monthly.

7. GENERAL CONTROL MEASURES

7.1 When the petty cash custodian is on leave a proper handing over certificate should be completed with the relief petty cash custodian. The handing over should be done after reconciliation and balancing petty cash. This process should be done under the supervision of the Senior Accountant. The handing over certificate should be signed by the official handing over and the official taking over petty cash as well as the Senior Accountant who witnessed the handing over process. The Senior Accountant will then report the handing over to the Manager Expenditure and the Senior Manager who will report to the CFO.

7.2 When the petty cash custodian is on sick leave or any unplanned leave due to circumstances that are beyond the official and a proper handing over cannot be done, the key to the safe and cash box must be collected by the Senior Accountant or the Manager Expenditure if petty cash is urgently required.

7.3 The Manager Expenditure or Senior Manager Finance must investigate the reasons for non-compliance with this policy and make recommendations. This recommendation will be based on the written explanation submitted by the official who received petty cash.

7.4 If the issue is not resolved through the Manager's efforts, the Manager must escalate the matter to the Senior Manager who will then involve the CFO. At this stage, the Director responsible for the official who received the petty cash must become involved and must take the appropriate disciplinary action in accordance with the municipality's code of conduct.

7.5 Should the Director whose official received petty cash fail to resolve the matter within that month on which petty cash was received the following must take place:

7.5.1 The Director or delegated official who authorised the requisition shall be held responsible for reimbursement of petty cash should proof of purchase in the form of receipt is not submitted before the close of the same day on which petty cash was handed over or within 24 hours from the date of receipt of petty cash.

7.5.2 Should the Director or delegated official fail to comply with paragraph above the full amount of petty cash shall be deducted from his/her salary without any further notice.

7.6 The CFO or delegated person must conduct surprise review of petty cash on hand against the petty cash register and petty cash vouchers and requisitions on quarterly basis.

7.7 Internal auditors and Auditor-General staff are entitled to conduct any surprise petty cash audit at any time and must not be prevented from doing so.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

8.1 The Accounting Officer shall be responsible for the implementation and administration of this policy with the assistance of the CFO once approved by Council.

8.2 In terms of section 17(1) (e) of the Municipal Finance Management Act, 2003 this policy shall be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

9. COUNCIL APPROVAL AND EFFECTIVE DATE

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

MUNICIPAL MANAGER DATE

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MR. L Seetile

ACCOUNTING TREATMENT OF THE PETTY CASH

The accounting treatment for petty cash must follow the standards and regulations set out by the Municipal Finance Management Act (MFMA), Generally Recognised Accounting Practice (GRAP) standards, and internal municipal policies.

1. Establishment of Petty Cash Float

The municipality must:

- Approve a petty cash float limit which is currently R5,000 as per Gamagara Petty Policy
- Assign a petty cash custodian or official
- Establish an official petty cash policy in line with internal controls and MFMA requirements.

Accounting Entry to Establish Float

Dr Petty Cash (Asset account)	*R5 000.00*	
Cr Bank Account (Asset account)		*R5 000.00*

2. Recording Petty Cash Transactions

Each time petty cash is spent:

- The custodian must issue a voucher with supporting documentation (invoices, receipts)
- The transaction is recorded in a petty cash register

Petty cash expenses are recorded as they occur, either immediately or at the point of replenishment.

Example: Payment for printer paper (R200):

Dr Stationery Expense (or relevant account)	*R200.00*	
Cr Petty Cash		*R200.00*

3. Year-End and Period-End Treatment

At the end of the financial year or reporting period:

- *A **cash count** is performed*
- *Outstanding vouchers must be submitted*
- *Petty cash is **reconciled** to ensure:*

  Cash on hand Vouchers=Float amount

- *Any discrepancies (shortages or overages) must be investigated and recorded*

Discrepancy Entry Example (R50 shortage):

Dr Cash Shortages (Expense)	*R50*	
Cr Petty Cash		*R50*

Internal Controls Required

- *Segregation of duties: Custodian ≠ approver*
- *Regular spot checks and reconciliations*
- *Proper documentation for every payment*
- *Limits on individual transactions*
- *Secure storage of cash*