SALDANHA BAAI BAY
MUNISIPALITEIT | MUNICIPALITY | uMASIPALA

PETTY CASH POLICY

For implementation as from 1 July 2024

TABLE OF CONTENTS

1. INTRODUCTION

The accounting officer of a municipality is responsible for the management of the expenditure of the municipality in an effective and controlled manner. This includes petty cash, which is an amount of cash kept on hand for small incidental purchases. Therefore, the Saldanha Bay Municipality adopts the following petty cash policy.

2. SCOPE OF THE POLICY

2.1 Regulatory framework

2.2 Objectives of the policy

2.3 Safeguarding of petty cash

2.4 Petty cash float

2.5 Record keeping

2.6 Limitation on petty cash

2.7 Reconciliation of petty cash

2.8 Shortages and losses

2.9 Internal controls

2.10 Implementation and review process

3. REGULATORY FRAMEWORK

3.1 The Municipal Finance Management Act (56 of 2003);

3.2 Section 15 of the Municipal Supply Chain Regulations;

3.4 Municipal Cost Containment Regulations, 2019;

3.5 MFMA Circular 97 (Cost Containment Measures);

3.6 Cost Containment Policy; and

3.7 Any subsequent MFMA and Circulars relevant to Petty Cash, Cost Containment or Supply Chain Management in general that may be issued.

4. OBJECTIVES OF THE POLICY

Ensure the cost effective and efficient use of petty cash funds, while maintaining the required levels of control.

The objectives of the policy are to –

4.1 Comply with the regulatory framework in terms of the relevant legislation;

4.2 Ensuring the efficient use of petty cash funds and safeguarding thereof;

4.3 Ensure that sufficient petty cash is available as and when required; and

4.4 Refer all recurring expenses requested to be procured from petty cash funds to SCM to investigate and assess process to be followed to obtain such goods/ services.

5. SAFEGUARDING OF PETTY CASH

5.1 Petty cash funds are always to be locked during the day in a lockable box and stored in the fire resistant safe within the Expenditure section. Only the personnel of the Expenditure section shall have access to the safe and petty cash box.

5.2 A designated Controller(s): Creditors will perform the duties and functions pertaining to petty cash administration. The Controller(s) will have access to the key, petty cash box and fire resistant safe. A spare key of the safe is kept with the Senior Accountant: Expenditure.

5.3 Petty cash boxes are also held at other departments under the supervision of a Manager. Requests for petty cash may not exceed the amount as referred to in paragraph 8.1.1. The managers referenced shall take all reasonable steps to ensure the safekeeping of cash on hand.

6. PETTY CASH FLOAT

6.1 To establish a new petty cash float or increase an existing advance, a written request must be made to the Chief Financial Officer by the relevant department, motivating the need for a petty cash float.

6.2 The request for the establishment of an advance will need to indicate the position and name of the employee who will be held accountable for the control of the petty cash box within the relevant department.

6.3 The requesting department must adhere to the safeguarding requirements as set out in paragraphs 5.1 to 5.3.

7. RECORD KEEPING

7.1 All documentation relating to petty cash purchases must be filed with a payment voucher and reconciliation in a locked safe. The documents must be referenced numerically as per system allocation.

7.2 Records of petty cash replenishments shall be kept for audit purposes.

7.3 All petty cash transactions must be recorded on the financial system on a petty cash module to comply with mSCOA and relevant circulars issued by National Treasury or other relevant institutions.

8. LIMITATION ON PETTY CASH

8.1 The maximum petty cash floats of each office are as follow:

✓ Expenditure Department	R 5 000.00
✓ Libraries Department	R 1 950.00
✓ Area Engineer: Langebaan and Hopefield	R 1 000.00

8.1.1 Petty cash requests are limited to R 300.00 per department per day.

8.1.2 No deliberate split of expenses shall be allowed to avoid the specified limit.

8.1.3 No advances to municipal officials for personal use will be permitted.

8.1.4 No expenses in contradiction with the Cost Containment Policy will be permitted.

8.1.5 No funds from petty cash will be availed for purchasing of stock items without a form signed by Controller: Stores confirming the unavailability thereof.

8.1.6 All requests and/or purchases shall be in line with the approved SCM policy and Standard Operating Procedure for petty cash.

8.1.7 No funds shall be issued without an approved requisition.

8.1.8 No funds shall be issued to departments with insufficient budget available.

8.1.9 No funds shall be issued without the reason supplied for the intended use of the cash. All other goods procured with money requested shall be for the account of the requesting department.

8.1.10 Petty cash may not be replenished more than two times per week.

The following categories of expenses, but not limited to, is prohibited to be sourced through petty cash:

8.2.1 Day allowance claims;

8.2.2 Employee related costs;

8.2.3 Refreshments for official use;

8.2.4 Wreaths, flowers, gifts, etc. for officials except for where an employee has been employed for more than 10 years and retires;

8.2.5 Payment of invoices for orders processed through a supply chain management process; and

8.2.6 Fuel.

9. RECONCILIATION OF PETTY CASH

9.1 A report will be generated from the financial system containing all petty cash withdrawals and refunds processed to date which will indicate the amount that the petty cash box must be replenished with. The report will be used to perform a reconciliation by the petty cash custodian(s).

9.2 The petty cash reconciliation must be performed at least once a month.

9.3 The reconciliation which must include the total amount of petty cash purchases for the month with all supporting documentation and cash on hand must be independently reviewed by the Senior Accountant: Expenditure/ Chief Accountant: Expenditure and approved by the Chief Accountant: Expenditure/ Manager: Expenditure.

9.4 All steps to be in line with the standard operating procedures for petty cash handling.

9.5 A quarterly review of the petty cash module and general ledger on the financial system will be performed to ensure that all differences are accounted for.9.6 Reconciliations for all petty cash boxes must be performed and reviewed by the respective petty cash custodians and managers of the referenced departments.

10. SHORTAGES

10.1 The holder of the petty cash float will be held accountable for any shortages and/or losses unless there is physical evidence of forcible entry and no act or omission/negligence on the part of the relevant official contributed to the loss.

10.2 Shortages on the petty cash float must be reimbursed immediately by the responsible petty cash custodian unless this can be recovered from the relevant official who contributed to the loss.

11. INTERNAL CONTROLS

11.1 Verifications of all floats, including petty cash floats, are performed by the Revenue section on a quarterly basis.

11.2 Random/surprise petty cash counts/ audits to be performed throughout the financial year by the relevant manager.

11.3 All petty cash boxes to be replenished and reconciled to general ledger on or before 30 June.