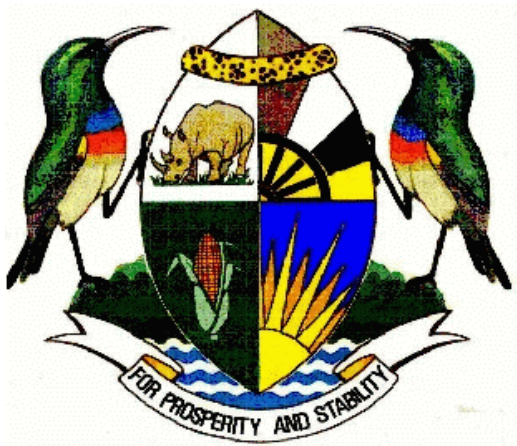


WATERBERG DISTRICT MUNICIPALITY



PETTY CASH POLICY

WATERBERG DISTRICT MUNICIPALITY

APPROVED BY COUNCIL ON 4 SEPTEMBER 2008
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Petty Cash Policy

1. Preamble

This policy is issued under the authority of SCM Regulation 15 issued in terms of MFMA. It complements the SCM Policy and establishes a control framework for petty cash as an acquisition and payment instrument.

A petty cash float is used to facilitate and accelerate the processing of low value transactions with minor official expenditures. Minor expenditures are defined as less than R100 unless authorised by the CFO. Due to inherent costs and time required to process financial transactions, it becomes practical, economical and recommended to use petty cash to process low value payments where the transaction cost (e.g. electronic transfer or cheque costs) is high.

2. Definitions

A petty cash float is an authorised cash advance issued to an official or Councillor of the WDM who will be responsible for the security of the fund and the control of disbursements made from the fund.

3. Scope of Application

3.1 This policy is applicable to all employees and Councillors of WDM.

4. Policy Objective

4.1 To ensure the cost-effective and efficient use of petty cash funds while maintaining the required level of control.

5. Policy Statement

5.1 It is WDM's policy to use petty cash funds for making small miscellaneous payments herein called minor expenditure when immediate settlement is required or when this method of payment is more cost-effective.

5.2 A petty cash float shall not exceed R2,000 and no single expenditure from that fund shall exceed R100 per transaction without the prior approval of the CFO. The expenditure shall not be deliberately split to avoid the said limit.

- 5.3 The total amount of petty cash, in the form vouchers or cash, shall be counted (physical verification) in full at year end before closure of Revenue for the financial year and there should always be an amount equal to R 2,000. This is in line with the accrual basis of accounting.

6. Prohibited Petty Cash Payments

- 6.1 Petty cash advances must not be used to provide change, to give salary advances to employees or to cash cheques.
- 6.2 No personal use or check cashing from these funds is allowed. It shall be deemed an offense to use Petty Cash for private matters even if the intention is to repay.
- 6.3 Petty cash shall not pay for installment invoices such as rental or equipment or open orders even if the amount falls within the limit specified.

Petty cash shall not be used for:

- 6.4 Energy drinks (e.g. Red Bull)
- 6.5 Car wash
- 6.6 Catering (except snacks, e.g. cookies)
- 6.7 Personal gifts (e.g. cakes and flowers for birthdays)
- 6.8 Petrol charges
- 6.9 Toll gate slips
- 6.10 Travel or any other claims
- 6.11 Assets

Deviation from the accepted accounting practices in the use of Petty Cash shall constitute a serious offense under the Disciplinary Code.

Petty Cash float or advances shall be for immediate withdrawal from the individual's salary if not accounted for within 10 working days.

7. Authority and Reporting

- 7.1 The CFO or the delegated person must ensure the control and safekeeping of petty cash funds (including suitable locks, keys or combinations in accordance with the suitable cash handling regulations and policies.

- 7.2 Excesses, shortages, losses and thefts must be reported and recorded promptly to the CFO.
- 7.3 Reporting on the utilisation of the petty cash shall be reported to the CFO on a monthly basis.
- 7.4 The custodian of a petty cash fund shall give a reconciliation to the CFO within 5 working days of the end of each month in which expenditures are incurred by showing that the cash on hand plus receipts, less paid vouchers equals the amount of the advance.

8. Monitoring

- 8.1 The Municipal Manager may conduct internal audits to evaluate compliance with this policy.
- 8.2 Periodic unannounced verifications of the petty cash advances should be made by internal audit to determine whether the funds are being used properly and to ensure that they are adequately protected against loss or misuse and are properly accounted for.
- 8.3 The Municipal Manager will monitor the effectiveness of this policy by reviewing internal audit reports.

9. Accounting and control

- 9.1 Petty cash must be used when it is more cost-effective than other payment methods such as electronic transfer or cheques within the ambit of this policy.
- 9.2 Before establishing or increasing petty cash funds, the Divisional Manager: Expenditure must ensure that the security and safekeeping arrangements are commensurate with the risk of theft and the size of the petty cash fund.
- 9.3 There must be only one official, with one backup, delegated by the CFO responsible for a petty cash fund at any given time. Only these two persons should be allowed access to the cash in this fund. When the official is being changed, an acknowledgement must be obtained.
- 9.4 When disbursements are not made frequently, the custodian should check the petty cash fund at least once a week to ascertain that no theft has taken place.
- 9.5 If a shortage is discovered, it must be reported promptly to the CFO who, after reviewing the circumstances of the case, shall take whatever corrective or recovery action is necessary.
- 9.6 The custodian is required to reimburse losses and shortages unless the prescribed procedures were followed and the petty cash was properly secured; there is physical evidence of breaking-in and no act or omission on the part of the custodian contributed to the loss, as stipulated by the policy.

10. Safekeeping and advancing of the Petty Cash

- 10.1 The petty cash fund should be kept separately from other funds and to be safeguarded in a lockable cash box which should be kept locked not only after hours but also during normal business hours in a safe or a filing cabinet approved by the CFO. Keys and combinations should be kept in a secure place by the custodian.
- 10.2 All purchase requirements utilising petty cash shall be approved by the relevant Senior Manager prior to issuing.
- 10.3 An official to whom a petty cash advance is issued is personally responsible and any loss or shortage in respect of that advance may be recovered from that individual.
- 10.4 A Petty Cash voucher will be required indicating the amount requested and the reason for the purchase and items to be purchased.
- 10.5 All expenditures must have a properly filled out petty cash voucher with original invoices or receipts attached. If it is not possible to get these supporting documents, clearly explain this on the voucher. Once paid, these supporting documents must be stamped "paid" to prevent re-use. No payment will be made for lost receipts or invoices.
- 10.6 Claims must be made within **two** weeks of the actual expenditure being incurred. Failure to claim within this period will result in the expenditure being forfeited.
- 10.7 Repayment of all or part of a petty cash advance that has to be reimbursed must be made in full by the custodian in a single payment.
- 10.8 When the official delegated by the CFO issues a petty cash advance, he or she may at any time, by written notice to the official to whom the advance has been made, require an accounting and repayment of any unexpended balance. The custodian shall, not later than 2 days after receiving such notice, provide an accounting and repay the advance.
- 10.9 Petty cash will be issued Mondays to Fridays between the hours of 8h00 to 15h00 and reconciliation of petty cash will take place every Friday afternoon.
- 10.10 Replenishment of the petty cash fund can be done by the delegated official when the fund balance reaches the minimum of R 400.

11. References

This policy is issued under the authority of section 15 of SCM Regulations and should be read in conjunction with the Supply Chain Management Policy.

12. Implementation

This policy must be implemented by all employees and councillors of WDM, but managers and supervisors should ensure that this policy is implemented effectively.

Any employee who breaches this policy shall be liable for disciplinary measures.