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DISTRICT MUNICIPALITY

*Province of the Eastern Cape*

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*progress through development*

## **PETTY CASH POLICY**

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## 1. OBJECTIVES

To comply with regulatory framework in terms of the relevant legislation.

## 2. PURPOSE

To ensure that the Municipality's Petty Cash System is managed in an accountable manner.

## 3. PETTY CASH CUSTODIAN

The petty cash custodian is situated in the office of the cashier in the Department of Finance and Corporate Services.

## 4. RESPONSIBILITIES OF THE PETTY CASH CUSTODIAN

It will be the responsibility of the petty cash custodian to ensure that this fund is used to cover only those expense reimbursements for which it is not possible, or is infeasible, to use normal purchasing methods. In addition, the custodian will ensure that fund use is consistent with the manner described in this document.

The custodian is responsible to perform a full reconciliation of the fund on a monthly basis which he/she will provide to the Senior Accountant (I & E.) A weekly report will be submitted to the Finance Manager for consideration at management meetings.

## 5. SECURITY OF PETTY CASH FUNDS

Cash and receipts for unreimbursed expenditure must be kept in a locked container such as a fire-proof file cabinet, safe, or other suitable device to which unauthorised access is difficult. The petty cash custodian is personally responsible for the cash which was specifically issued to him/her.

## 6. APPROVAL PROCESS

An employee purchasing items using petty cash funds does the following:

- Obtains prior approval from the Departmental Head or supervisor;
- Petty Cash will only be presented to the requester based on the official petty cash voucher, which must have the following completed:
  - the date of advance;
  - the amount of the advance;
  - a full description of expenditure;
  - account number to be debited;
  - the cost centre and line item;
  - the signature of the claimant; and
  - the signature of the authoriser.

Each time petty cash is given, the custodian must maintain a record of the above information.

- Obtains, when necessary, a petty cash advance from the petty cash custodian. The advance is provided to the employee only to purchase legitimate petty cash items.
- The custodian is responsible for following up to ensure that the employee returns any unused cash and/or receipts.
- Makes the purchase with the petty cash advance and obtains an itemized receipt or cash register sales slip.
- Presents the original sales receipt or cash register sales slip to the petty cash custodian. The receipt(s) must include:
  - description of the item(s)
  - date of purchase
  - place of purchase
  - itemized amount

- The petty cash receipt/s and/ or unused cash must be returned to the petty cash custodian as soon as possible, but no later than **three (3) working days** of issuing the petty cash.
- For officials who have received petty cash and are away from the office, must return the receipt/s and/or unused cash to the petty cash custodian as soon as possible, but no later than **three (3) working days** after their return to Head Office.

## 7. PETTY CASH PURCHASES

- As per the Supply Chain Management Policy, petty cash is up to and including an amount of R2 000 (VAT incl) per department and limited to R40 000 (VAT incl) per month per Directorate.
- For the purposes of this policy, the maximum amount of petty cash purchases is limited to R2 000 (VAT incl) per day per Directorate.
- Petty cash purchases between R1 001 (VAT incl) and R2 000 (VAT incl) must be authorised by Heads of Departments; and
- Purchases may not be split over two or more cash purchase claims.

## 8. REIMBURSEMENT FROM PETTY CASH FUNDS

- In certain instances, e.g. parking charges, toll fees, claim for reimbursement may be after the date of incurring the expense. Such claims must be authorised by the Head of the Department.
- A claim for reimbursement must be supported by an original tax invoice and receipt.
- The purpose of the expenditure should be noted and the receipt and invoice dated and attached to a petty cash voucher.
- The petty cash voucher must include:
  - the date of disbursement;
  - the amount of the disbursement;
  - a full description of expenditure;
  - account number to be debited;
  - the signature of the claimant; and
  - the signature of the authoriser.

- The petty cash voucher must be checked and the petty cash custodian must verify that the voucher has been appropriately authorised before handing over the cash to the claimant.

#### 9. SPECIFIC PETTY CASH PURCHASES DISALLOWED

Petty cash are available to purchase minor items when it would be otherwise impractical to purchase items through the usual purchasing methods.

Certain purchases are specifically excluded such as:

- Any purchases above R2 000 (VAT incl);
- Petty cash excludes all subsistence and travel claims which result in a taxable earnings from petty cash purchases which will be paid by the Payroll Section; and
- No fixed asset may be purchased by means of a petty cash transaction.