

# GREATER TZANEEN MUNICIPALITY



## PETTY CASH POLICY

PETTY CASH POLICY	
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**NO.****TABLE OF CONTENTS****PAGE**

NO.	TABLE OF CONTENTS	PAGE .....	2
Definitions	3		
	GLOSSARY OF TERMS .....		3
	TERMS AND DEFINITIONS .....		5
1.	Purpose .....		8
2.	Approval to establish a petty cash facility .....		8
3.	Designated of petty cash cashier .....		8
4.	Advances granted to employees from a petty cash facility .....		8
5.	Maximum and allowance amounts payable from a petty cash facility .....		9
A1	Requesting a petty cash advance .....		9
6.	SAFEGUARDING .....		10
7.	LIMITATION .....		10
8.	PETTY CASH AND REPLANIMENT .....		11
9.	INTERNAL CONTROL .....		11
10.	REPORTING .....		11
11.	SHORT TILTE .....		11

## Definitions

### **GLOSSARY OF TERMS**

AFS	Annual Financial Statements
AG	Auditor General (Note: including the AG's representatives)
DOM	Domestic
DoRA	Division of Revenue Act
DPSA	Department of Public Service and Administration
EBT	Electronic Bank Transfer
EFT	Electronic Funds Transfer
FSB	Financial Services Board
GTM	Greater Tzaneen Municipality (Note: Also referred to as the Municipality)
GPG	Gauteng Provincial Government
GRAP	Generally Recognised Accounting Practice
GRN	Goods Received Note
HR	Human Resources
IT	Information Technology
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MFRC	Micro Finance Regulatory Council
MM	Municipal Manager
MMS	Major Management Service
MOC	Management of Compensation
PMG	Payment Master General
PST	Provincial Support Team
REF	Reference
SARS	South African Revenue Service
SCM	Supply Chain Management

SITA	State Information Technology Municipality
SMS	Senior Management Service
TCC	Travel Credit Card
TR	Treasury Regulations
VAT	Value Added Tax
GIAMA	Government Immovable Asset Management Act

## TERMS AND DEFINITIONS

TERMS	DEFINITIONS
<b>Accounting Authority</b>	The Municipal Manager as appointed by the Council.
<b>All applicable taxes</b>	Includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
<b>Authoriser</b>	The person responsible for approving a Procurement Requisition in each Unit or Cost Centre Manager.
<b>Authority</b>	The right or power attached to a rank or appointment permitting the holder thereof to make decisions, to take command or to demand action by others.
<b>Municipal Manager</b>	The Municipal Manager has the general responsibility of running the Municipality on day to day basis, accountable to the Council, and to assist the Council in discharging the duties as prescribed in the MFMA and perform such duties and responsibilities as have been delegated to him / her.
<b>Chief Financial Officer</b>	The CFO has the general responsibility to assist the Municipal Manager and Council in discharging the duties
<b>Code of Conduct</b>	GTM's Code of Conduct.
<b>Council</b>	The Council of the Municipal in term of the MFMA.
<b>Day(s)</b>	Calendar days unless the context indicates otherwise.
<b>Delegation Authority</b>	any person or committee delegated with authority by the Municipality in terms of the provisions of the Municipal Finance Management Act.
<b>Designated sector</b>	A sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content.
<b>Director</b>	the employee designation in writing and who is responsible and accountable for all resources allocated to business unit.
<b>Employee</b>	a person in the employ of the Municipality
<b>Family</b>	a spouse, any dependent child and/or any relative who resides permanently with an employee and is of necessity dependent, and whose income, from whatever source, does not exceed the amount of the applicable maximum basic pension prescribed in regulations made under the Social Pension Act
<b>Government</b>	The Government of the Republic of South Africa.

TERMS	DEFINITIONS
<b>Institution</b>	All constitutional institutions, public entities as defined in the PFMA,
<b>Mayor</b>	Political head
<b>Management</b>	The EXCO who have delegated and charged with the day-to-day management of the GTM. This also entails the power to determine policies, the direction of economic activities and the allocation and use of resources of the GTM.
<b>Mayor</b>	Political head
<b>Liquid refreshments” means</b>	any drink and includes coffee, tea, sodas, and fruit juices but excludes any alcohol or spirits, malt or related substances
<b>Meals</b>	breakfast, lunch and dinner and includes any liquid refreshments
<b>Municipal Entity</b>	Entity as defined in the Systems Act.
<b>Municipal Finance Management Act (MFMA)</b>	Local Government: Municipal Finance Management Act, 56 of 2003.
<b>Municipal Manager</b>	The Municipal Manager has the general responsibility of running the Municipality on day to day basis, accountable to the Council, and to assist the Council in discharging the duties as prescribed in the MFMA and perform such duties and responsibilities as have been delegated to him / her.
<b>Official</b>	An employee of the GTM.
<b>Official journey</b>	a journey undertaken by an employee in his/her capacity as government employee and/or representing the Municipality in that capacity
<b>Permanent companion</b>	a person who is cohabiting with an employee, Mayor or Councillors and is publicly acknowledged by the employee mayor or councillors as a permanent companion, provided the employee, Mayor or councillor has informed the municipality in writing of such companion
<b>Person</b>	A juristic person which includes a natural or juristic entity.
<b>Policy</b>	Supply Chain Management
<b>Practitioner</b>	A person who practices a profession or art, or is an expert in a particular field.
<b>Rand Value</b>	Total estimated value of a contract in South African currency, calculate at the time of tender invitations, and includes all applicable taxes and excise duties.
<b>Redundant</b>	No longer needed or useful.

TERMS	DEFINITIONS
<b>Responsibility</b>	The obligation imposed on an official to properly exercise the authority vested in him to carry relevant functions or act in a particular manner within the limits of his authority. This involves the power to command and to demand action in the proper execution of the relevant duties. (Responsibility may be delegated).
<b>Risk Management</b>	The identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise.
<b>SCM Unit</b>	The SCM function established in the GTM is rendered by person(s) with the relevant authority or delegated authority.
<b>Spouse</b>	a person legally married to an employee, mayor, council including a spouse in a polygamous marriage or permanent companion
<b>Supply Chain Management</b>	An integral part of financial management. This function is the collaborative strategy that integrates the planning, procurement and provisioning processes in order to eliminate the non-value adding cost infrastructure, time and activities. SCM seeks to introduce international best practices, whilst at the same time addressing Government's preferential procurement policy objectives and serving the end-users and customers efficiently.
<b>System Act</b>	The Local Government – Municipal System Act, 32 of 2000.
<b>The State</b>	The government of the Republic of South Africa and any of its organ or institutions.
<b>Traveller</b>	an employee travelling for official purposes
<b>Urgency</b>	A situation where, in the best interest of the GTM, immediate action is deemed necessary to continue with or to complete a project.
<b>Value For Money</b>	The best available outcome when all relevant costs and benefits over the procurement cycle are considered.

## 1. Purpose

- 1.1 The purpose of this document is to provide departmental prescripts and guidelines employees should abide by when administering and requesting money from a petty cash facility.

## 2. Approval to establish a petty cash facility

- 2.1 Where sufficient need exists in an office or section to have cash available for the immediate payment of urgent and petty items, the written approval of the Chief Financial Officer must be obtained for the establishment of a cash facility. Should the amount of the petty cash advance prove to be insufficient, a request to increase the limit should also be approved by the Chief Financial Officer.
- 2.2 Cash made available for a petty cash facility shall be deemed to be an advance, which shall be accounted for monthly until such an advance has been recorded as an expense or has been re-deposited into the cashier.

## 3. Designated petty cash cashier

- 3.1 The petty cash facility shall be entrusted to a responsible employee who:
- a) Shall enter all payments and replenishments in the petty cash register;
  - b) Shall obtain supporting vouchers for each payment;
  - c) May not cash private cheques from petty cash;
  - d) Shall keep petty cash monies apart from other monies;
  - e) Must safeguard petty cash monies from theft;
  - f) Must reconcile the petty cash register with the actual cash on hand; and
  - g) Must ensure that the petty cash facility is replenished on a timely basis.

## 4. Advances granted to employees from a petty cash facility

- 4.1 An advance made from a petty cash facility shall be treated as an advance until such time the transaction can be supported by an actual acquisition. Advance from a petty cash facility may only be granted:
- a) After receipt of a duly completed and approved petty cash advance form;
  - b) After assurance has been obtained the applicant has no outstanding advances; and
  - c) For items listed on paragraph 5.1 and not exceeding the stated amount.

4.2 Petty cash advances must be settled within five working days after taking receipt of an advance amount, which includes the return of any unspent money and submitting all substantiating documentation.

## 5. **Maximum and allowance amounts payable from a petty cash facility**

5.1 Payments may be made from a petty cash facility for urgent and petty items provided the amount does not exceed R200.00 per transaction.

5.2 The splitting of payments to circumvent the above provision is not permissible.

5.3 The under-mentioned items may not be paid from a petty cash facility:

- a) Subsistence and travel advances or claims;
- b) Parking expenses for private vehicles;
- c) General or special services; and
- d) Donations or sponsorships.

### Annexure A-Petty cash procedures

## A1 **Requesting a petty cash advance**

Procedure		Responsibility
A1.1	Determine the advance amounts required for the acquisition goods.	Employee
A1.2	Complete the Petty Cash Application form and supporting documentation for validity, completeness and availability of funds for the anticipated purchase and attach signature as proof of verification prior to forwarding the request to the budget manager.	Directors and Managers
A1.3	Scrutinise the Petty Cash Application Form and supporting documentation for validity, completeness and availability of funds for the anticipated purchase and forwarding the request to the budget manager.	Directors and Managers

A1.4	Scrutinise the Petty Cash Application Form and supporting documentation for validity, completeness and attach signature as proof of approval and return the approved Form to the applicable employee.	Employee Managers Expenditure
A1.5	Submit the approved Petty cash application Form to the Chief Financial Officer for processing.	Manager Expenditure
A1.6	Review and verify the approved Petty Cash Application Form for completeness, correctness and approvals prior to processing the request.	Manager Expenditure
A1.7	Process and pay advance amount to employee	Expenditure Clerk

## 6. Safeguarding

- 6.1.1 The petty cash is to be safeguarded in a lockable cash safe and should be locked away when not in use during normal business hours.
- 6.1.2 After normal business hours, the official responsible for the safekeeping of all the keys of the cash safe and a register thereof must be kept.
- 6.1.3 For proper segregation of duties the accountant expenditure or the sectional manager must be in possession of a spare key or combinations for the safe only.
- 6.1.4 In the event that the clerk responsible for petty cash goes on leave, the official to relieve him/her must take over and balance the cash available and both parties must sign as agreement that the petty cash balances

## 7. Limitation

- 7.1 The maximum amount allocated per petty cash bin will be determined from time to time by the Chief Financial Officer based on the operational requirements of the municipality and the risk of safeguarding petty cash bins.
- 7.2 The responsible official must sign for the acceptance of the increased cash amount together with the accountant expenditure and be verified by the transaction control and verification section.
- 7.3 When the petty cash bins is transferred to another delegated official the petty cash amount must first be reconciled and be verified by the transaction control and verification section before it is handed over.
- 7.4 The accountant expenditure must ensure that the new holder of the petty cash bin is aware of his/her responsibilities relating to the petty cash transactions.

## 8. **Petty cash and replenishment**

Petty cash replenishments will only be done after having fully exhausted the available cash in the bins.

## 9. **Internal control**

Surprise petty cash audits must be concluded by the transaction control and verification section throughout the financial year.

## 10. **Reporting**

A monthly reconciliation petty cash report of a must be submitted by the Expenditure Clerk to the Accountant/ Senior Accountant Expenditure for review and to the Manager Expenditure for Approval.

## 11. **Short title**

This policy shall be called the petty cash policy of the Greater Tzaneen Local Municipality.

## 12. **Deviation**

Any deviation of this policy must be approved by the CFO or the Municipal Manager.