



Petty Cash Policy

Centlec (SoC) Ltd - Petty Cash Policy

CENTLEC (SOC) LTD	
Subject: Petty Cash Policy	Policy No: POL 020
Directorate: Finance	Last Date Of Review: 2021-2022
Sub-Directorate: Supply Chain Management	Date Approved: 31 May 2022
Custodian: GM: Supply Chain Management	Effective Date: 1 July 2022

TABLE OF CONTENT

SECTION 1: OBJECTIVES 3

SECTION 2: LEGISLATIVE CONTEXT..... 3

SECTION 3: POLICY PRINCIPLES 3

SECTION 4: REPLENISHMENT OF PETTY CASH 4

SECTION 5: USING THE PETTY CASH EXPENDITURE AGAINST PETTY CASH 4

SECTION 6: PREPARATION FOR PAYMENT: VOUCHER (INTERNAL) 5

SECTION 7: INTERNAL CONTROL OVER PETTY CASH 5

SECTION 8: REPORTING 6

SECTION 9: REVIEW PROCESS..... 6

Centlec (SoC) Ltd - Petty Cash Policy

SECTION 1: OBJECTIVES

- a) To provide for keeping limited cash resources in a form of Petty Cash in order to fulfill incidental and spontaneous transactions that are undertaken by the entity in the normal course of the operations.
- b) To facilitate compliance with the entity's Supply Chain Management Policy regarding petty cash purchases.

SECTION 2: LEGISLATIVE CONTEXT

Regulation 12(1)(a) of Municipal Budget and Reporting Regulations, 2008 provides that a Supply Chain Management Policy must provide for the procurement of goods and services by way of petty cash purchases, up to a transaction value of R 2 000 (VAT included).

Regulation 12(2), on the other hand, states that the Supply Chain Management Policy may allow the Accounting Officer (CEO) to lower, but not increase the different threshold values as stipulated in the regulations, or may direct that written or verbal quotations be obtained for any specific procurement of transaction value lower than R 2000.

Section 99(2)(e)(ii) of Municipal Finance Management Act, 56 of 2003 (MFMA), states that the Accounting Officer must take all reasonable steps to ensure that payments by the entity are made either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.

SECTION 3: POLICY PRINCIPLES

- a) The petty cash of the entity must be kept at the minimum level required to finance the day to day, minor operational requirements of the entity. For this purpose a daily, monthly and annual cash flow forecast are required.
- b) A maximum threshold of R 5 000, or any other amount as the board of directors may from time to time determine, shall be applicable to be the maximum cash to be held in relation to minor disbursements by the entity.
- c) Disbursements from the petty cash shall not exceed R 2000 per transaction (VAT included), or any other lesser amount that the Accounting Officer may determine from time to time.

Centlec (SoC) Ltd - Petty Cash Policy

SECTION 4: REPLENISHMENT OF PETTY CASH

- a) Petty cash replenishment shall be considered once a month, unless directed otherwise by the Accounting Officer or his / her delegate anytime sooner before the end of the month.
- b) A comprehensive Petty Cash Reconciliation shall be prepared and appropriately balanced before it is presented to the Chief Financial Officer for approval and in order to authorise replenishment of Petty Cash.
- c) A cash cheque equivalent to the amount authorized by the Chief Financial Officer shall be drawn and cashed by the Chief Cashier in order to have cash on hand equal to be kept in safe custody at the entity's premises.

SECTION 5: USING THE PETTY CASH (EXPENDITURE AGAINST PETTY CASH)

- a) All expenditures that are to be reimbursed from petty cash funds are to be preapproved by the fund custodian. A minimum of two quotations, obtained by the entity's Supply Chain Management unit is required in order to facilitate approval for petty cash purchases.
- b) A receipt / invoice to verify the purchase and payment must support expenditures from the fund. It is the responsibility of the fund custodian to ensure that the transaction meets the requirements as set forth in this policy.
- c) At the time the expenditure is made, invoices/ receipts/ vouchers (in the name of the Centlec (SOC) Ltd where possible) or other document, such as a cash register receipt containing the following details, must be obtained:
 - (i) Date;
 - (ii) Name of vendor;
 - (iii) Positive evidence that a payment was made (i.e., a cash register receipt or handwritten receipt on which the word "Paid" appears);
 - (iv) The amount paid;
 - (v) A description of the goods purchased;
 - (vi) A signature indicating receipt of goods;
 - (vii) The fund custodian's signature documenting approval of expenditure; and
 - (viii) An explanation of the purchase justifying the relevance of each purchased item.

Centlec (SoC) Ltd - Petty Cash Policy

- d) At any given time, cash on hand plus receipt document must equal the authorized amount of the Petty Cash. It is the responsibility of the petty cash custodian to maintain accurate transactional records of the petty cash funds.
- e) The purchase must be supported with cash register receipt. A hand written receipt will be acceptable in circumstances when a cash register receipt is not available. The vendor must sign the receipt, and the vendor's telephone number must be provided on the receipt. In all cases, adequate documentation justifying the purchase shall be required.
- f) All petty cash vouchers/ receipts must be attached on a requisition form and must be added and the form must be signed as verification.

SECTION 6: PREPARATION FOR PAYMENTS: VOUCHER (INTERNAL)

Once the petty cash transaction has been approved, the expenditure section shall process an internal payment voucher and record the transactions in accounting records.

SECTION 7: INTERNAL CONTROLS OVER PETTY CASH

- a) The Chief Financial Officer (CFO) shall be responsible for the maintenance of petty cash for the entity. The CFO may delegate the duties of maintenance of petty cash to the Chief Cashier or any other authorized senior official within the Finance Department, however, such official should be independent of other petty-cash related duties and functions in the entity.
- b) Petty Cash shall be kept in a lockable box / safe, with restricted access. Access to the keys shall be strictly controlled by the Chief Financial Officer or his/her delegate. The petty cash box should be locked in a safe after office hours.
- c) A "surprise" petty cash count shall be conducted at least once a month by an official designated by the CFO or internal auditors of the entity. A "formal" petty cash count shall be conducted at year end and the account shall be balanced and reconciled to the General Ledger Account accordingly.
- d) Petty Cash reconciliation to the General Ledger should be performed on monthly basis and reviewed by the CFO, who should sign or initial the reconciliation as proof of having reviewed it.

Centlec (SoC) Ltd - Petty Cash Policy

SECTION 8: REPORTING

- a) A monthly Petty Cash reconciliation report must be provided within 7 working days after month end to the CFO including:
- i) The total amount of petty cash purchases for that month and
 - ii) Receipts and appropriate documents for each purchase.

SECTION 9: REVIEW PROCESS

This policy and underlying strategies will be reviewed at least annually, or as necessary, to ensure its continued application and relevance.