

# BLUE CRANE ROUTE MUNICIPALITY



## Petty Cash Policy

No. 19

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## **1. INTRODUCTION**

The establishment of petty cash account is informed by the need that exist within the Municipality to have cash available for the immediate payment of sundry expenditure (for procurement of goods and services which fall within the petty cash process). Petty cash becomes essential as officials often require cash from time to time for unanticipated payments and purchases of once off items of low value. A petty cash float will therefore be established to address such a requirement within the Blue Crane Route Municipality.

The accounting officer of the municipality must ensure that internal control procedures and control measures are in place for payment, approval and processing of petty cash.

The internal control must provide reasonable care that all petty cash related expenditure is:

- Necessary and appropriate
- Paid and reimbursed promptly and
- Adequately recorded and reported

In determining the content of this policy, cognisance was taken of the Supply Chain Management Policy and the requirements of Municipal Finance Management Act 56 Of 2003.

## **2. DEFINITIONS**

- a) A word or expression, to which a meaning has been assigned in the MFMA, has the same meaning
- b) Clause headings are for convenience only and will not be used in its interpretation, and the following terminologies bear the meanings assigned to them and similar expressions bear corresponding meanings:

<b>Term</b>	<b>Definition</b>
<b>SAMRAS</b>	means a financial system for Blue Crane Route Municipality
<b>CFO</b>	means the Chief Financial Officer in terms of MFMA
<b>The Municipality</b>	means Blue Crane Route Municipality
<b>Petty cash</b>	means a relatively small amount of cash kept on hand for sundry expenses
<b>Petty cash float</b>	means the total sum of petty cash, which has been granted to the petty cash officer
<b>Petty Cash Officer</b>	means an official, entrusted in writing for the day to day administration and management of petty cash (Written Delegation)
<b>MFMA</b>	means Municipal Finance Management Act 56 of 2003, its regulations, guidelines and circulars
<b>Petty Cash Relief Officer</b>	means an official entrusted in writing to relieve the Petty Cash Officer temporarily from the administration and management of petty cash (Delegation)
<b>Replenishment</b>	means the process of making funds available again in the petty cash float for petty cash purchases and re-imbursments
<b>Reconciliation</b>	means the process of comparing and matching figures on the supporting documentation with the entries in the petty cash register
<b>mSCOA</b>	means Municipal Standard Chart of Accounts, which is a structure of municipal accounts
<b>Treasury Regulations and Guidelines</b>	means the regulations and guidelines as promulgated in terms of section 168 of the Municipal Finance Management Act

### **3. APPLICATION**

This policy applies to all officials of Blue Crane Route Municipality

### **4. LEGAL FRAMEWORK**

- ✓ Municipal Finance Management Act

- ✓ Supply Chain Management Policy for Blue Crane Route Municipality
- ✓ SCM Regulation

## **5. OBJECTIVE**

- i. The petty cash policy seeks to provide guidelines for all officials who need petty cash from the Municipality for the procurement of goods and services within the petty cash threshold
- ii. The main objective of this policy is to:
  - a. Provide guidance on the effective and efficient control of petty cash
  - b. Ensure management of petty cash in a transparent manner that is in line with the Blue Crane Municipality Supply Chain Management Policy
  - c. Set the timeframes for the submission of cash receipts by users and thereby ensuring availability of **cash at all times**
  - d. Establish an efficient manner of conducting petty cash reconciliation
  - e. Ensure that vouchers are supported by a corresponding audit trail that supports the expenditure; and
  - f. Outline the procedural framework for the requisitioning and management of petty cash as reflected in Annexure A

## **6. ESTABLISHMENT OF PETTY CASH FLOAT**

**As a sufficient need exists for the municipality to establish and maintain a petty cash account, the following requirements must be observed on matters relating to petty cash –**

- a) The petty cash system may not be abused and items in regular use must be bought in bulk through the normal procurement process
- b) The procurement of items on petty cash must at all times be within the threshold as determined by the Supply Chain Management Policy
- c) The Accounting Officer must designate the Petty Cash Officer or relief Petty Cash Officer in writing to manage petty cash in the Municipality

- d) The petty cash float determined by the Accounting Officer is R3 000.00 per month, provided that this amount may be amended from time to time in writing by the Accounting Officer, and must be reviewed at least once every year
- e) Any increase in the petty cash float must be motivated for in writing and approved by the Accounting Officer.
- f) Once the approval has been obtained a cheque must be written and given to the relevant official for encashment and custody of such cash
- g) Authority to procure goods and services by means of petty cash is hereby given to the Sectional Heads in line with the municipality financial delegations
- h) The monetary value for petty cash purchases is R300.00 per case or per request; and
- i) The municipality can close the petty cash float by depositing the cash back into the municipality's primary bank account

## **7. MANAGEMENT OF PETTY CASH**

The duly designated petty cash officer or relief petty cash officer, within the post establishment of expenditure management unit, must administer and manage the petty cash, provided that:

- a) In the event that the Petty Cash Officer is temporarily relieved from his duties, the petty cash register, the cash on hand, the receipts , the supporting documentation and the balance as reflected on the petty cash reconciliation, must be reconciled and balanced utilising the petty cash reconciliation form, attached hereto as Annexure D; and
- b) A handing-over certificate must be completed and certified with the signatures of the Petty Cash Officer being relieved, the Relief Petty Cash Officer, and the Supervisor, utilising Annexure E hereto.

Petty cash must at all times remain locked in the safe allocated for this purpose, and the petty cash office must always be locked and the keys must always be kept on a safe place, known only to the Petty Cash Officer or the Relief Petty Cash Officer and his supervisor.

Petty cash must be replenished once a month.

The Petty Cash Officer or the Relief Petty Cash Officer must ensure the safekeeping and regular updating of the petty cash register, and all payments and replenishments must immediately be recorded in the petty cash register.

Petty cash reconciliations must be performed on a monthly basis and whenever replenishment is necessary by the Petty Cash Officer or Relief Petty Cash Officer and checked by the Accountant Expenditure, whereafter the relevant reconciliation must be submitted to the Manager – Supply Chain Management for review.

## **8. GENERAL CONDITION FOR PETTY CASH**

All requests for petty cash must be in the prescribed petty cash request form, signed by the Sectional Head, provided that:

- a) Purchases exceeding R300.00 may not be split in order to circumvent the petty cash threshold
- b) Municipal supply chain management delegations must be followed for all purchases exceeding R300.00.
- c) All requests for petty cash purchases shall be approved by sectional heads.
- d) Receipts or cash slips must be returned within 24 hours after a petty cash advance was issued; and
- e) Under no circumstances may the official who applied for petty cash purchase in respect of goods and services which have not been authorised on the voucher.
- f) Private funds should not be mixed with Petty Cash funds.
- g) At the end of each month the Petty Cash on hand will be replenished to R3 000.00.

## **9. MONITORING THE MANAGEMENT OF PETTY CASH**

- a) Cash counts must be conducted every time a petty cash account replenishment is performed and all discrepancies must immediately be recorded and reported to the Manager Supply Chain Management in writing.
- b) The Accountant - Expenditure must assess the trends of errors and prepare training sessions of Petty Cash Officers and Relief Petty Cash Officer in order mitigate the recurrence of the errors, provided that continuous shortages or surpluses must be investigated, and corrective action must be instituted against the relevant Petty Cash Officers or Petty Cash Relief Officers. Such corrective action will include among other ordering the officer to repay the shortage immediately or subject such officer to a disciplinary hearing.

- c) Random visits or surprise cash counts must be conducted regularly by the Accountant Expenditure
- d) All shortfalls identified during reconciliations and surprise cash counts, must be recorded and the relevant amounts must be recovered from the Petty Cash Officer or Relief Petty Cash Officer.
- e) A receipt must be issued in respect of all surpluses identified, whereafter it must be recorded as revenue and banked accordingly.
- f) All steps contemplated in Annexure A, must be observed

## **10. RESTRICTIONS ASSOCIATED WITH THE USE OF PETTY CASH**

The following items are excluded from procurement through petty cash:

- a) Any registration fees
- b) Reimbursement for cellular phone expenditure
- c) Subsistence and travel claims
- d) Entertainment as defined in terms of SCOA classification 2 of 2008/9
- e) Assets as defined in the Blue Crane Route Municipality Asset Management Policy
- g) Any items of low value, including, but not limited to, coffee, tea, or milk for meetings, which items must be consolidated, quantified and procured through normal supply chain management processes and
- h) Stationery and any stock item, which is on the stores item list
- i) Major services of any municipal Vehicles.

Petty cash advance may not be issued to directorates which have not returned cash slips or receipts in respect of previous petty cash advances.

Petty cash will not be issued after 12h00 (noon) on the last day of the month, to allow the Petty Cash Officer to conduct petty cash replenishment.

Petty Cash may not be utilised by employees for purchases of any item or service for personal use.

Any deviations from this policy must be motivated by the requestor and approved by the Chief Financial Officer.

The Petty Cash Officer may not authorise the cash purchase claim where she or he is the purchaser.

## **11. PETTY CASH REPLENISHMENT**

Petty cash replenishment and cash counts must be conducted on a monthly basis by the Petty Cash Officer utilising Annexure C, which must be witnessed by the Accountant Expenditure.

## **12. MONTHLY STATEMENT RECONCILIATION**

- a) The Petty Cash Officer or Relief Petty Cash Officer is responsible for downloading a SAMRAS report for petty cash suspense account at every month end
- b) Monthly petty cash reconciliations must be completed, signed by the Petty Cash Officer or Relief Petty Cash Officer, checked by the Accountant Expenditure and submitted to the Manager – Supply Chain Management for approval utilising Annexure D.
- c) A compliance certificate must be completed monthly by the Petty Cash Officer and the Accountant - Expenditure and submitted to the Manager – Supply Chain Management.

## **13. STRUCTURE OF PETTY CASH VOUCHER**

- i. Date
- ii. Contain an explanation for the expenditure and the original invoice
- iii. Indicate the line item number to be charged at the time of the re-imburement of funds
- iv. Show the amount of expenditure numerically and in words
- v. Be signed by the Sectional Head
- vi. Be signed by the person receiving the money
- vii. And signed by the person issuing the money

## **14. NON-COMPLIANCE WITH THE POLICY**

Any failure to comply with this policy and its provisions may constitute financial misconduct and any employee found to be transgressing this policy will be subjected to a disciplinary hearing.

## **15. MONITORING AND EVALUATION**

The CFO and the Manager Supply Chain Management must monitor the implementation of this Policy on a regular basis, provided that this Policy may be reviewed and amended from time to time as and when the need arises.

## **16. EFFECTIVE DATE**

This policy was adopted by Council on 30 June and will be effective 1 July.

## 17. PROCEDURAL FRAMEWORK FOR THE REQUISITIONING AND MANAGEMENT OF PETTY CASH

Step	Procedure	Responsible Person	Timeframe / Service Standard
1	Complete and sign the petty cash request form (Annexure D – Petty Cash Request Voucher) or voucher including amount and description of goods / services being requested	Applicant	As per procurement plan / As required
2	Approve the expenditure by certifying that the goods or services are required	Sectional Head	Within 24 hours of submitting the request
3	Complete the mSCOA allocations and certify that funds are available	Expenditure Accountant	Upon presentation of the Petty Cash Requisition form
4	Forward the completed petty cash request form / voucher to the petty cash officer	Applicant	Upon confirmation of funds
5	Issue cash required to the applicant	Petty Cash Officer – Senior Creditor’s Clerk	Upon presentation of fully signed petty cash requisition
6	Register amounts paid from petty cash in the register (Revisit the format of the register)	Petty Cash Officer - Senior Creditor’s Clerk	Daily
7	Return original cash sales slips / cash receipts and change within 24 hours after receiving cash as proof that goods were received or services were rendered	Applicant	Within 24 Hours from time of receiving the cash
8	Acknowledge receipt of original cash slips / receipts and change by signing	Petty Cash Officer	Upon submission of original cash slips by

	on the appropriate field on the voucher		the applicant
9	Sign cash slip/receipts and reconciling goods or services requested against the actual purchases	Sectional Heads	Within 24 hours of submission of slips / receipts
10	Conduct petty cash replenishment in order to reimburse petty cash float	Petty Cash Officer – Senior Creditor’s Clerk	Monthly
11	Capture and authorise petty cash transactions through SAMRAS	Delegated officials with authorisation rights on SAMRAS	Monthly
12	Perform Petty Cash reconciliations whenever replenishment is taking place and at the end of the month	Petty Cash Officer	Monthly
13	Perform Petty Cash Counts	Accountant Expenditure	Monthly
14	Check Petty Cash monthly reconciliations and submit to Manager – Supply Chain Management for review	Accountant Expenditure	Monthly