

## Managing Petty Cash

This fact sheet provides an overview of what petty cash is and systems for administering it.

It is important to remember that organisations should not have too much petty cash on their premises and where it is available to ensure the right systems and processes are in place to ensure it is managed well.

### What is Petty Cash?

Petty Cash is a float system which is used to pay small expenses, for example volunteer lunch and travel expenses or paying back a staff member who purchased some milk for a training session etc.

It is important to record all payments from petty cash and to keep the receipts for reconciliation. You may record these in a Petty Cash Book or an excel spreadsheet. Note that the Petty Cash Book can be written up using a page in your Bank Analysis Book.

It is important to keep cash received separate from your Petty Cash float: if you mix the two you are courting disaster! Don't be tempted to put money received in your Petty Cash box and then make payments from it. How will you distinguish between money received and money drawn from the bank for your Petty Cash float?



Always pay money received straight into the bank, so that it appears in the Bank Analysis Book and on your bank statement.

Never make payments directly from cash received. Ideally no cash payments should be made other than through Petty Cash.

### Imprest system

The Charity Commission recommends that voluntary sector organisations adopt the 'imprest' system for administering petty cash. Many organisations withdraw money from the bank and keep it in a Petty Cash box. Payments are made, as and when necessary, until the fund is run down. Some more money is then withdrawn from the bank.

This method is adequate, but it is difficult to know exactly how much money should be in the Petty Cash fund at any one time.

And it's easy to become too relaxed about accounting, particularly when it comes to filling in the Petty Cash Book and keeping a proper filing system for Petty Cash vouchers.

The Imprest System, by using a tightly controlled float of a specified sum, makes accounting far easier and mistakes less likely. But it needs to be backed up with a strong set of rules.

## Here is a seven step guide to running an imprest system:

### Step 1

Decide on the appropriate amount for your float - say £100 - and withdraw that sum from the bank by cashing a cheque. The cheque details should be entered in the Bank Analysis Book in a column called 'Petty Cash', or on a computerised accounting system it should be recorded as a TRANSFER from your current account into the Petty Cash account.

### Step 2

Put the cash in your Petty Cash box and enter it in your Petty Cash Book on the receipts side. You can buy a Petty Cash Book from stationers. Alternatively, you can use a page in your Bank Analysis Book. On a computerised system, the TRANSFER has already been recorded so there is no need to do anything else at this stage.

**NB** Petty Cash should be kept in a lockable cash box. Only one person should operate the Petty Cash system at any one time, and they are the only person who should have access to the box. When the Petty Cash system is handed over from one person to another, it should be done in front of a witness and the amount of cash and the amounts for vouchers should be written up in the Petty Cash Book.

### Step 3

Any money paid out should be replaced with a Petty Cash voucher made out to that amount. The voucher should be placed in your Petty Cash box. There should then always be £100 worth of cash and Petty Cash vouchers in the box. Receipts should always be obtained for Petty Cash claims, and the receipts should be stapled to Petty Cash vouchers. Pads of Petty Cash vouchers are available from stationers. Of course, sometimes receipts are not always available. In this instance an explanation as to why a receipt isn't available should be written on the back of the Petty Cash voucher. All Petty Cash vouchers should be signed and then authorised by someone else. The person making the claim should never be the person that authorises it!

### Step 4

Top-up the float when you are likely to be near the point of exhausting your Petty Cash fund. In your Petty Cash Book record details of payments. On a computerised system, record details of payments as an expense in your accounting system, as a payment from the petty cash account.

The total of these payments is the amount that you withdraw from the bank to restore your float to £100. If, for example, your payments come to £76.91, there should be £23.09 in your Petty Cash box. All you have to do is withdraw £76.91 to restore your float to £100.

### Step 5

The Petty Cash Book should be written up on a regular basis, ideally every time you draw more money from the bank for your Petty Cash fund. For large Petty Cash funds you should write up the book on a more frequently - this should make you question whether to hold large sums as Petty Cash.

## Step 6

Petty Cash vouchers, with receipts, should be filed in date order. It helps to number the vouchers and put a corresponding number against that item of expenditure in the Petty Cash Book. It is important that vouchers are kept as they will be needed when you prepare your accounts.

## Step 7

For the purpose of accounts, on the last day of the financial year the Petty Cash should be counted in front of a witness and a signed certificate for that amount should be made out or the petty cash book should be signed.

## One off events

For one-off events like AGMs and day trips it is often better to establish a float separate from your general Petty Cash fund. Withdraw the money from the bank, recording the details in the miscellaneous column of your Bank Book.

The reason for having a separate float is that it is often difficult to follow Petty Cash rules to the letter during one-off events - and this can seriously disrupt what had been a well-run Petty Cash system. It may, for instance, not be possible to get receipts for many small items of expenditure. You should make a note of all expenditure on Petty Cash vouchers.

Put the vouchers into a file and keep them for your accounts. Unspent money should be paid back into the bank - not put into the Petty Cash box!

## Personal imprests

It is sometimes easier to issue people with a personal imprest for repeat expenses like travel. Claims can be submitted on an agreed basis - i.e. monthly. It should be noted, however, that this system only works if people are happy to have expenses paid through their own bank account.

## Example of a Petty Cash Procedure

1. The organisation will have one petty cash float which will be managed according to the Imprest system.
2. The float will be £xxx and the petty cash tin will, at all times, contain a combination of vouchers and cash totalling £xxxx.
3. Cash will be kept in a locked tin.
4. There will be one named key holder who will also maintain the petty account.
5. No payment out of petty cash will exceed £ xxxxx

## Resources

- **The Charity Treasurer's Handbook** by Gareth G Morgan; Directory of Social Change ; <https://www.dsc.org.uk/>; £9.95
- **A Practical Guide to Charity Accounting** edited by Kate Sayer; [www.dsc.org.uk](http://www.dsc.org.uk); £18.95
- **A Practical Guide to Financial Management – For Charities & Voluntary Organisations;** by Kate Sayer; [www.dsc.org.uk](http://www.dsc.org.uk); £18.95
- **CASH** [www.cash-online.org.uk](http://www.cash-online.org.uk)
- **Know How Non-Profit:** <http://knowhownonprofit.org/organisation/operations/financial-management/management>

## Support

If you would like any support with Petty Cash, other financial management issues or any other issues facing your organisation, please contact the Development Team at Community Southwark: [development@communitysouthwark.org](mailto:development@communitysouthwark.org) or 020 7358 7020.