Petty Cash

Summary: This document is for Management Group, Executive Directors and senior finance staff. It contains mandatory provisions and discretionary actions required when dealing with petty cash including nominating petty cash officer, security considerations, the petty cash account, petty cash float and petty cash receipts. It further details the responsibilities of both local and national finance teams and the process of reconciliation.

Supersedes: Finance Guidance Letter (FGL)21
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ANNEXES

ANNEX I  Petty Cash Bank Details and Specimen Signatories
ANNEX II Petty Cash Request for Early Reimbursement
ANNEX II Example of Petty Cashbook for Periodic Reconciliation
Introduction

1 This document provides guidance on accounting and administration of petty cash. It provides procedural guidelines on the use of petty cash.

2 The authorised delegated signatories and those staff responsible for petty cash should be familiar with the procedures for making reimbursement of petty cash and for replenishing cash floats.

3 Petty cash should only be used for incidental expenses. The Procurement card should be used where possible.

4 Petty cash may be subject to internal audit review to ensure conformity to the financial regulations.

Nominated petty cash officers

5 The local LSC will need to nominate at least two Petty Cash Officers with a maximum of three to authorise any petty cash floats. The following rules should be observed:

   • The Treasury Officer at National Office must be informed of the nominated officers and their signatures using the form in Annex I.

   • Any change of signatories should be notified immediately to the Treasury Officer at National Office.

   • The initial request for a petty cash float should be made through the Executive Director to the Treasury Officer at National Office.

   • If a nominated officer leaves, the local Head of Finance must inform the Treasury Officer that the individual needs to be withdrawn from the authorised signatory list.

   • Replacement/new Petty Cash Officers should be notified to the Treasury Officer at National Office by a memo from the Executive Director with the form in Annex I to confirm the new signatures.

6 It will be the duty of Petty Cash Officers to:

   • ensure any petty cash reimbursement is properly authorised

   • carry out the duties set out below.
Security

7 There should be sufficient security measures at local offices and the National Office for safeguarding petty cash. These should include:

- keeping all monies in a fireproof lockable petty cash box
- the petty cash box being kept secure and locked
- a designated member of staff holding the key to the petty cash box
- petty cash cheques being cashed by two members of staff for safety reasons (where practicable).

Petty cash account

8 For any payments made through the petty cash account the guidelines set out below should be followed:

- A prior check must be made with the nominated Petty Cash Officer before colleagues purchase items through petty cash to ensure sufficient cash is available.

- The maximum amount that can be expended through the petty cash account is £50 per claim.

- The petty cash officer should ensure that proper receipts are obtained and that records are reconciled accordingly.

- The petty cash account should be used for minor value and ad hoc purchases and not to make payments that relate to ongoing charges, such as programme budgets, car hire, temporary staff or telephone bills.

- The procurement card should be used to purchase items rather than petty cash where at all possible. The use of petty cash should be seen as only for exceptional items.

Petty cash float

9 The National Office and each local LSC was given an initial petty cash float of £250 which has been superseded by GPC cards. If a float is still held the following guidelines should be followed:

- The total amount of cash held at local offices overnight, including petty cash, should not exceed £500. Any cash received should be banked immediately. (Refer to the cash, cheque and BACS receipts procedures for the management of cash – section 7 of CODA manual).

- Cash receipts must not be used to supplement the petty cash imprest balance and must not be paid into the petty cash account.
• Re-imbursement cheques will be made payable to local offices (made out to cash). Any of the three nominated local officers may cash cheques on presentation of their personal identification. The bank will check this against their schedule of authorised signatories. For the National Office, re-imbursement cheques will be made payable to the nominated officer.

Petty cash receipts

10 As the petty cash receipt is the proof of purchase, records should be maintained in order to satisfy the HM Customs and Excise that VAT has been properly accounted for.

• Receipts for items should be attached to pre-numbered petty cash receipts.

• The petty cash receipt should be completed fully to include: date, claimant’s name, reason for using petty cash and description of what it was used for, amount, the VAT element and the account code (refer to Figure 1).

• The receipt must be signed by the claimant and authorised by the budget holder.

Figure 1: Example of a Petty Cash Receipt

<table>
<thead>
<tr>
<th>Petty Cash Receipt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number: 001 (Numerical Listing)</td>
</tr>
<tr>
<td>DESCRIPTION</td>
</tr>
<tr>
<td>Stationery</td>
</tr>
<tr>
<td>Letterheads</td>
</tr>
<tr>
<td>Copy Shop</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>Summary of reason: Urgently required – photocopier broken</td>
</tr>
<tr>
<td>Signed:</td>
</tr>
<tr>
<td>Authorised:</td>
</tr>
<tr>
<td>Account code: Local LSC: Nominal: Sub-Nominal: Creditor/Dept: Amount (DR)</td>
</tr>
<tr>
<td>Local LSC: 7330: 7330000: Department: Amount (CR)</td>
</tr>
<tr>
<td>VAT Code as required</td>
</tr>
</tbody>
</table>
Local finance team’s responsibility

11 It is the local LSC’s finance team’s responsibility to ensure the following:

- the petty cash account is reconciled on a regular basis
- each petty cash receipt is posted to the accounting system within one day of issue.
- the original petty cash receipts are filed as part of the necessary audit trail.
- confirm receipt of the cheque to increase the petty cash float by email to the Treasury Officer at the National Office. Request early reimbursement if required using the form in Annex II.

National Finance Team responsibility

12 The National Office Treasury Officer will be responsible for the following:

- checking all accounts for petty cash transactions which exceed the £50 limit
- issuing a top-up cheque if the balance falls below £50
- confirming that the petty cash balances are not in excess of £250
- raising the necessary journals to record the transfer of cash from the National Office bank account to the respective local LSC
- sending a signed top-up cheque with a covering letter to the Executive Director by recorded delivery to cash at the local National Westminster bank branch.

CODA Financials

13 The petty cash account is held in CODA-Financials rather than CODA Procurement, as they relate to direct cash transactions. The Petty Cash Officer should ensure:

- the petty cash input is raised and posted directly to the books; (Section 7.3 of the CODA manual which explains how Petty Cash should be input into the CODA ledger)
- the Control account code used is 7330000 (CR) and there is a debit entry to offset this, this would be the nominal code. A description of the item should be recorded (for example, Letterhead photocopying). Any VAT should be coded correctly to the VAT code on the journal.
Reconciliation

14 The petty cash book can be kept electronically or manually. (Refer to the example of the petty cashbook in Annex III). In summary the following movements should be accounted for:

- Opening balance for the period
- Expenditure/transactions for period
- Closing balance for period
- Balance carried forward
- Top-up cheque amount required

15 The cashbook should be signed by the designated manager to confirm that the expenditure had been properly incurred on LSC business and the petty cash was allocated, coded, recorded and used for the purposes intended.

16 The petty cashbook should be kept up-to-date to maintain an audit trail. The balance should be maintained at £250.