



Southampton Voluntary Services Community Accountancy Project

Petty Cash

In this case the word 'petty' does not mean not important. How an organisation uses and records their petty cash is very important. It is not simple and is the main area where money goes missing within organisations, or where insufficient records are kept.

Procedures and Controls

Ensure that a petty cash voucher is completed for each item of expenditure, where possible before making the payment.

Petty cash vouchers should be sequentially numbered and contain a signature from the person who is authorising the expenditure.

When paying staff or volunteer expenses out of petty cash use an expenses claim form.

Try to avoid making cash advances for payments. If this is necessary, the advance should be authorised.

Do not allow borrowing out of petty cash.

Avoid paying any wages out of petty cash.

Have an upper limit on the amount that can be spent out of petty cash. For any larger items of expenditure either pay by cheque or draw the cash out of the bank separately. Keep these items separate from the petty cash system.

Always top up the petty cash float from the bank. Keep any cash income separate to the petty cash system and do not pay any expenses out of cash received. This is to ensure that all income and expenditure is correctly recorded in the financial records.

Access to the petty cash tin should be restricted, with responsibility for the money being clearly assigned. This is to minimise the risk of errors or unauthorised expenditure occurring.

As little cash as possible should be kept on the organisation's premises and it should be kept in a secure place. There will also be a limit in the insurance policy of the organisation on the amount of cash that is insured to be on the premises. The amount actually held should be kept below this level.

Imprest System

This is the recommended system for petty cash. A fixed amount is set for the original cash float, based on the needs of the particular organisation.

When money is spent out of petty cash it should be replaced with a receipt and/or petty cash voucher. These are then kept in the petty cash tin until the float needs to be topped up.

The amount withdrawn from the bank to top up the petty cash float should be equal to the total of all the receipts in the tin. This will then take the amount of cash back up to the original float. The total of the cash plus the vouchers in the tin at any point in time should therefore be equal to the original float.

When they are withdrawn from the tin the details from receipts and/or vouchers should be written into the petty cash book. The paperwork can then be filed.

Recording Petty Cash Transactions

Cash transactions may be included in the main cash book, or a separate petty cash book may be used.

Whatever system is used there needs to be a detailed description of what the money has been spent on. It is also recommended that as well as having a total expenditure column, there are analysis columns to break the items down into different types of expenses, for example stationery, travel costs, or postage.

It is not sufficient to just have a 'petty cash' column under expenditure. The money has not actually been spent when it is withdrawn from the bank and this does not give the information that is needed to show what it has been spent on.

If the organisation has more than one fund, the petty cash vouchers will need to contain details of which fund the item of expenditure relates to, so that it can be entered into the appropriate cash book.

For further information, or if you require this information in another format, contact:

Southampton Voluntary Services

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