

*PETTY CASH PROCEDURE*

*(NON-SCHOOLS)*

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# Introduction

## Definition of Petty Cash and Petty Cash Imprest

### Petty cash is an amount of money held by establishments in cash, or in a

### bank account, to meet minor expenditure requirements (below £100).

### All petty cash accounts are kept on an imprest basis. This is an amount of money the Petty Cash Account Holder has been authorised to hold as petty cash. At any point in time, the value of the receipts held but not yet claimed, plus any outstanding petty cash reimbursements, un-presented cheques, cash in hand and the bank balance will equal the amount of the approved petty cash imprest level.

## Scope and Purpose

**2.2.1** This document covers the processes to be used for the management and administration of non-schools petty cash accounts, and aims to:

* provide clear instructions and guidance to staff responsible for operating petty cash accounts; and to those claiming petty cash reimbursements;
* standardise procedures for opening new petty cash accounts across the City Council, so that new accounts are only opened where there are no other more cost effective means to pay for minor items of expenditure;
* ensure that all petty cash accounts are supported by a valid business case, and closed promptly where they are no longer required.

## Enforcement and Compliance

### City Finance retains the right to close petty cash accounts or to reduce the level of imprest where issues around non-compliance with this procedure are apparent.

### Roles and responsibilities are set out in section 7, but in particular, the Petty Cash Account Holder is responsible for ensuring the bank account does not become overdrawn and for accounting for any losses on the account.

### Any individual member of staff found contravening this standard or jeopardising the security of information that is the property of Birmingham City Council may be investigated under the Council’s disciplinary procedure and, where appropriate, disciplinary or legal action may be taken.

### Third parties or partner organisations found contravening this standard or jeopardising the security of information that is the property of Birmingham City Council may be investigated and, where appropriate, legal action may be taken.

###

# Administering Petty Cash

## Petty Cash Purchases

### A petty cash account is held to pay for minor items of expenditure (under £100) which **cannot** be met by any other means, such as through the official purchase order system, the use of a purchase card or by inter-departmental transfers for internal services; and is required as a matter of urgency.

### Approval is required for each item of petty cash expenditure. The supporting documentation must be retained by the Petty Cash Account Holder to document the approval, reason and date on which it was provided.

### Receipts must be obtained for all petty cash expenditure items and retained for audit purposes.

### Petty cash **must not** be used for the following:

* purchases over £100;
* goods and services which can be purchased through Corporate Procurement Services, the Voyager payments system or by using a purchase card;
* claims for disturbance allowance or relocation expenses;
* wages or salaries;
* mileage allowances, car parking fees, bus and taxi fares and any other expenses for attending meetings, training and ALL other work related travel, which should be claimed through payroll;
* travelling expenses incurred going to and from home to the normal place of work;
* cashing of personal cheques;
* payments to individuals such as tradesmen, consultants or any other service provider;
* expenditure incurred with internal council services, for which an inter-departmental transfer of costs should be made.

It should be noted that the above list is not exhaustive – if in doubt, advice should be sort through the petty cash mailbox: Non Schools Petty Cash Support

### Value Added Tax (VAT) **must** be dealt with correctly: where a supplier is registered for VAT, a valid VAT invoice or receipt **must** be obtained to support petty cash expenditure. This is because the tax element of the purchase price can be recovered from HM Revenues and Customs (HMRC), and only the net cost of the purchase will then be charged to the relevant service budget code.

### To be a valid VAT receipt, it must include the following information:

* Name and address of supplier;
* VAT registration number of supplier;
* Time of supply (generally date of purchase);
* Details of the goods or services purchased;
* Total cost including VAT;
* For each VAT rate applicable, the subtotal including VAT per VAT rate.

### 3.1.7 It should be noted that even when a supplier is VAT registered, there are some supplies that are not typically subject to VAT, for example, basic food items and newspapers.

### 3.1.8 VAT must be shown correctly on Voyager and details on this are given in a separate note on the PSPG – see Petty Cash Training Notes (page 12). In particular, the tax code box on the petty cash journal screen must be completed in all cases, even where zero-rated VAT applies.

## Opening an Account

### The City Council aims to reduce the number of petty cash accounts, so that new accounts are now only opened where there are no other more cost effective means to pay for minor items of expenditure.

### The reasons as to why a new account is needed must be clear and requests should demonstrate that other options for processing the expenditure have been explored. This should be discussed with the nominated Finance Officer before proceeding with making a request.

### Requests to open a new account must be made in writing to the petty cash mail box: Non Schools Petty Cash Support. The email should include the following information, as a minimum:

* Approval by an appropriate line manager;
* The name of Finance Officer;
* Clear reasons as to why a petty cash account is needed;
* An explanation as to why the expenditure cannot be processed through the official purchasing system, a purchase card, or by using an existing petty cash account arrangement as a host;
* The value of the imprest required.

### **3.2.4** Should the request be approved, then the Open a New Petty Cash Account form will need to be completed to enable the petty cash account to be set up. The form is available on the Birmingham.gov.uk web page:

https://www.birmingham.gov.uk/downloads/file/8419/open\_new\_petty\_cash\_account

All parts of the forms must be completed with the account details, the authorised signatories, Open Credit Arrangements (OCA) and nominated contact.

### For information, the guidance and forms are updated from time to time, so it is important to use forms directly from the web page as needed rather than saving them to a local PC for future use.

### The above form should be scanned and sent to the petty cash mail box:, Non Schools Petty Cash Support who will review and forward them to

### cashiers.income.control@birmingham.gov.uk, for processing.

### The original Open a Petty Cash Account form should also be posted to

### Petty Cash, Zone 02, City Finance, Birmingham City Council PO Box 16306 Birmingham B2 2XR. Finance will forward the informationto cashiers, as required.

### Once the account is opened, Barclays Bank will forward a cheque book to

### the establishment directly. Should any interim arrangements be required before receipt of the cheque book, then advice should be sought through the petty cash mailbox: Non Schools Petty Cash Support.

### Cheque books usually take approximately 7-10 working days to arrive following the submission of the information to Barclays Bank. If establishments have not received the stationery within this timescale, then the nominated contact (as on the Barclays nominated contact form above) will need to contact clientservice4@barclays.com directly.

### Open Credit Arrangements (OCA) enable authorised OCA signatories to take a cheque into a nominated Barclays Bank branch and cash it. This is a method by which establishments can access cash from their account. Please note that this facility **must** be completed for the establishment’s nominated OCA branch.

### There is detailed guidance on the Web page:

### <https://www.birmingham.gov.uk/downloads/file/8418/petty_cash_banking_guidance-non_school>

### regarding setting up and administering OCAs with the Bank. The OCA mandate form, should be completed as part of the open a petty cash form.

### Nominated contacts are the only people who can speak directly to Barclays.

## Petty Cash Imprest Changes

Permanent Increases

### The City Council aims to reduce the level of expenditure administered through petty cash, so that permanent increases to imprest levels are now only approved where there are clear reasons for doing so. In particular, it is important that other options for processing petty cash have been explored. This should be discussed with the establishment’s nominated Finance Officer before proceeding with making a request.

### Requests for a permanent increase to the imprest, setting out the reasons and the amount required, should be made by email to the petty cash mailbox: . Non Schools Petty Cash Support.

### The Petty Cash Account Holder will only be contacted by the Finance Team if an issue with the request arises. This will depend upon the reasons for the increase and the previous administration of the account. For example, more frequent claims for reimbursement may well negate the need for an increase.

### If approved, then a BACS payment for the increase to the imprest will be created, forwarded to Barclays Bank and paid into the establishment’s account. This transaction will normally take approximately 4-5 working days.

Temporary Increases

### Occasionally, if there are a number of petty cash items to be paid for

urgently and a petty cash reimbursement claim has not been submitted, a Petty Cash Account Holder may require a temporary increase of the imprest to avoid going overdrawn on the account.

### Requests for a temporary imprest increase should be made in the same way as for requests for permanent increases (set out in the paragraph above).

### The temporary increase requested must total the value of petty cash expenditure requiring payment.

### Petty Cash Account Holders should not recoup the expenditure incurred through the temporary imprest increase. This will automatically reduce the imprest back to its original permanent level.

## Change of Authorised Signatory

### Where a change to the authorised signatories is required, the Petty Cash Account Holder should complete the change a petty cash form from the website https://www.birmingham.gov.uk/downloads/file/8416/change\_of\_petty\_cash\_account\_details

### If the Petty Cash account has an Open Credit Agreement (paragraph 3.2.10), the petty cash holder can change signatories by completing the appropriate form within the change a petty cash account document. The nominated contact can also be changed using this form.

### The bank must not be contacted to amend OCA or nominated contact signatories via the authorised signatory form. Amendments can only be made using the change a petty cash account OCA form or nominated contact form (as above).

### It is very important that the account is reconciled before the new signatory accepts responsibility for the account and that a copy of the reconciliation is made available for this person. Details of how to reconcile the petty cash imprest are contained in paragraph 3.8 below.

### Once completed, the mandate form should be scanned and sent to the petty cash mailbox: Non Schools Petty Cash Support in the first instance, where it will be emailed to cashiers.income.control@birmingham.gov.uk for processing.

### The original completed form should also be posted to the Petty Cash, City Finance; Birmingham City Council; PO Box 16306, Birmingham B2 2XR. Finance will forward the information to cashiers, as required.

### Once the request has been submitted to Barclays Bank, it will take approximately 5-7 working days to amend.

## Reviewing Usage and Closing Petty Cash Accounts

**3.5.1** The City Council aims to reduce the number of petty cash accounts, so that accounts continue to be operational only where there remains a valid business case to demonstrate that there are no other more cost effective means to pay for minor items of expenditure.

**3.5.2**The Petty Cash Account Holder should continue to review the operation of the account and to explore other options for processing expenditure. City Finance will also review the operation of live accounts on a regular basis and may request updated business cases to be made by the Petty Cash Account Holder to justify continued use.

**3.5.3** If a Petty Cash account is no longer required, for example where an establishment is closing, the Close a Petty Cash Account form should be downloaded and completed: https://www.birmingham.gov.uk/downloads/file/8417/closure\_of\_petty\_cash\_account.

This should then be sent to the petty cash mailbox: Non Schools Petty Cash Support, who will forward the request to close to the Cashiers Section to arrange for the account to be closed.

**3.5.4** As part of this process, the petty cash account must be reconciled and agreed to the approved imprest level (see paragraph 3.8). The completed reconciliation form (which forms part of the Close a Petty Cash form) should be reviewed and signed by the establishment’s manager and emailed to the petty cash mailbox: Non Schools Petty Cash Support, together with a scanned copy of the bank statement.

**3.5.5** The Petty Cash Account Holder must ensure that the information on Voyager (petty cash journal screen) is fully up to date when the account is closed. This should include: posting the final claim and reimbursement, and posting the final receipt from the bank to the cash receipt tab.

**3.5.6** If the petty cash account has a remaining balance of cash on the premises on closure, then advice should be sought on the best way to pay this into the bank from the petty cash mailbox: Non Schools Petty Cash Support.

**3.5.7** As part of the final claim process, the Petty Cash Account Holder will need to ensure that all cheques written against the petty cash account have been presented at the bank. They should also request an up-to-date bank statement from the bank to check this, as the account will not be closed until all transactions have been cleared.

**3.5.8**The Finance team will be responsible for arranging to close the PCJ on the voyager system.

**3.5.9** All remaining Barclays Bank cheques should be made unusable by writing or stamping “VOID” across the face of each cheque and counterfoil in ink. These should be stored securely and retained for audit purposes for six years, plus the current financial year. Further guidance can be sought through the petty cash mailbox: Non Schools Petty Cash Support

## Petty Cash Reimbursement

### A petty cash account reimbursement must be generated each time a claim is made. This allows sufficient time for a reimbursement BACS payment to be processed, forwarded to the bank and credited to the account, thus avoiding an overdrawn balance.

### For each item of petty cash expenditure, Petty Cash Account Holders should satisfy themselves that they have a receipt and written manager approval on file before they post a petty cash journal**.**

### Petty Cash Account Holders must record individual voucher and receipt details on the Voyager system rather than grouping items and entering in bulk, as subsequent Voyager reports will need to show that each item was below the £100 petty cash threshold.

### A meaningful description of each item should be recorded in the narrative.

### The Petty Cash Account Holder is responsible for generating the appropriate petty cash journal on Voyager. In particular, attention must be given to making sure items are posted to Voyager correctly (showing a green triangle) and not just saved (showing as a yellow triangle). This will ensure that all expenditure is showing against the correct expenditure code. It is also important that items on each claim are checked to identify and exclude any that may have already been reimbursed, to assist the reconciliation process.

### All petty cash vouchers and receipts must be retained for six years, plus the current financial year, in line with current Financial Regulations.

## Security

### Adequate security must be provided for petty cash (cash floats) and cheque books held at establishments. They must be locked in a safe and the keys carried by the Petty Cash Account Holder or nominated deputy at all times.

### The cash holding limits must NOT be exceeded. The Petty Cash Account Holder must check the cash holding limits for their particular safe with the Insurance Manager.

### Theft of cash from an establishment is covered by the Council's "Cash in Transit" policy, provided there is no proof of negligence involved. (Cash held in a filing cabinet is not covered by the Councils "Cash in Transit" policy).

### In order to protect staff, it is important to try and vary the time and route taken to the bank.

### Any loss of cheques should be reported to clientservice4@barclays.com or call: 0800 206 1707

## Petty Cash Imprest Reconciliation

### The reconciliation process is an essential part of the monitoring process and helps to avoid the bank account becoming overdrawn. It involves taking the balance from the last bank statement, subtracting the value of cheques or cash drawn and adding reimbursement claims received, to determine the balance in the account.

### Petty Cash Account Holders should reconcile the account to its approved imprest level at least quarterly, the form detailed below can be used (please amend dates on form as appropriate)

### <https://www.birmingham.gov.uk/downloads/file/8420/reconciliation_form_-_financial_certificate>,

### and then be retained locally for potential inspection.

### Guidance and a partially pre-populated financial reconciliation form will be issued to each Petty Cash Account Holder in advance of the end of year process , but it is a standard closedown requirement that the following is forwarded to the petty cash mail box: Non Schools Petty Cash Support.

* a copy of the last bank statement used. (The statement used to complete the end of year reconciliation.)
* completed financial reconciliation form.
* The completion of an annual year end declaration by the Petty Cash Account Holder confirms that they have carried out a review of expenditure, and that the petty cash account is still required and cannot be replaced by alternative payment methods, e.g. Purchase cards.

### It is the petty Cash Account Holder’s responsibility to ensure that the petty cash account journal screen on Voyager is up to date at 31 March each year, and that all expenditure is accounted for in the correct financial year.

## General Notes

### Non-Petty Cash Income

### Non-Petty Cash income received on behalf of an establishment must not be paid into a Petty Cash account. It must be banked and paid using a General Fund paying in book. Likewise, money from other sources must not be paid into a Petty Cash imprest bank account and all establishment fund monies (unofficial funds) should be administered separately from Petty Cash monies.

### If the establishment is awarded a grant or donation from an external body, it should be treated as an official fund. The funding organisation may request bank details to enable them to make payment by BACS. If this is the case, details of Birmingham City Council’s General Fund bank account (as detailed below) must be provided, not the Petty Cash bank account details:

### Bank Name: Barclays Bank

### Bank Address: 15 Colmore Row, Birmingham, B3 2BH

### Sort Code: 20 07 90

### Account No: 53552667

### Account Name: Birmingham City Council General Fund

### The next step is to ensure the grant is recorded correctly and credited to the establishment’s budget, avoiding it being posted to the City Council’s unidentified income account. To do this, the establishment should, on receipt of a remittance advice from the grant awarding organisation, contact the Cash Books Section on 303 3277/3286 and inform them of the following:

### Date the payment will be made into the City’s bank account;

### Name of the organisation making payment and a reference number,

###  if provided;

### Value of the payment;

### Voyager code to which the grant should be posted.

### Further clarification on this procedure should be sought from the service’s nominated Finance Officer.

### Cheque book controls

### Only one cheque book should be in use at any one time for an account, each book being exhausted before cheques are issued from the next. The cheque numbers continue from book to book and should be used in numerical order.

### If a cheque remains unpresented for three months, the person to whom the cheque was sent should be contacted to ask for it to be presented at their bank.

### If the cheque has gone astray, establishments must contact the bank and put a "stop" on the original cheque for which a fee may be charged.

### Where a cheque has gone astray and payment is still required, it may be necessary to issue a replacement cheque and this must be cross-referenced to the original cheque and expenditure.

### Establishments may well have submitted a reimbursement claim for the unpresented cheque, which will mean that there will be an initial surplus on the account. However, when the replacement cheque is presented and deducted from the bank account then this will correct any surplus. This will need to be taken into consideration when reconciling the account.

### In cases where payment has been made by a cheque, which is later cancelled, the value of the cheque may well have been recouped through a Petty Cash reimbursement claim. If it has, then establishments will have a surplus in the bank account. To correct this, the Petty Cash Account Holder will need to complete a petty cash return for the item using the same expenditure code as the original entry.

### If a cheque is not presented for payment within six months of the date of issue, the bank will not honour it. If payment is still required then a new cheque may be issued but this must be cross-referenced to the original cheque and expenditure. Remember: Do not recoup for the replacement cheque, as the original cheque will have been claimed already.

### Where a cheque is written and for any reason is subsequently not required, both the counterfoil and the cheque must be marked “cancelled" by the initiating signatory. The cheque must be retained with the Petty Cash account records. Adjustments should be made to reverse any entry in the records so the Petty Cash Account Holder will need to complete a petty cash return for the item using the same expenditure code as the original entry.

### Cheques must not be pre-signed for the remaining details to be filled in later. **Signatories must only sign fully detailed cheques.**

### If one of the signatories is the beneficiary of a cheque, then the other two authorised signatories must sign the cheque.

### If the person who administers the account on a day-to-day basis is absent for a time, for example, due to annual leave, then, prior to this absence, responsibility must be passed to another member of staff. Where a cash float is held, written notification of the cash value must be given to the person taking over responsibility, a reconciliation carried out and this person must check the cash value and sign to state they have received that amount.

### If a bank account signatory is going to be absent for over 6 weeks an additional signatory should be appointed by completing the Imprest Mandate form in line with the steps outlined in paragraph 3.2. The absentee signatory will be able to remain as a signatory and the temporary signatory can be removed upon return of the absentee signatory.

# Implementation

## Implementation of the Procedure

The approved document will be put on the PSPG database by the Corporate Finance. It will also be sent to Petty Cash Account Holders directly.

# Appendices

**https://www.birmingham.gov.uk/downloads/file/8420/reconciliation\_form\_-\_financial\_certificate**

# DOCUMENT CONTROL INFORMATION

**Document History:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Version** | **Date** | **Author** | **Notes** |
| 1.0 | 2007 | Margaret Elcocks | First Publication |
| 2.0 | 2016 | Kay Parsons | Update |
| 3.0 | 2017 | Kay Parsons | Update |

**Contacts:**

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**Review Period**

This document will be reviewed annually as a minimum or more often if there is a change of influencing cirmcumstances.

##

# ROLES AND RESPONSIBILITIES

|  |  |
| --- | --- |
| **Role** | **Responsibility** |
| Employee claiming petty cash | * Ensure expenditure cannot be completed through other means.
* Obtain manager approval prior to incurring expenditure.
* Obtain and submit valid VAT receipt.
* Return cash balance, where applicable.
 |
| Approving Manager | * Verify appropriateness and validity of petty cash requests, prior to approval.
* Review and authorisation of the account reconciliation form, including checking to current bank statement and Voyager totals.
 |
| Petty Cash Account Holder  | * Responsible for the operation of the account so that it does not become overdrawn at the bank.
* Accountable for any losses should the account go into deficit.
* Receive petty cash claims, supported by the relevant receipts.
* Check the validity and completeness of the claim presented, and its approval. If the claim is not a valid petty cash or imprest claim and should be paid via payroll or through the expense process, advise the employee to submit the claim correctly.
* Enter the claim against the correct cost where the claim is valid.
* Make a payment to the employee, where the claim is valid and has been authorised correctly. The payment may be in cash or by cheque.
* Obtain signature for cash paid out of the float and for any cash balances returned.
* Ensure that the petty cash account journal screen on Voyager is kept up to date.
* Ensure the proper use of expenditure codes on Voyager and that income is accounted for correctly.
* Ensure that VAT receipts are analysed correctly on Voyager.
* Ensure the financial closedown procedures are followed in full, and that all expenditure is accounted for in the correct financial year.
* Reconciliation of the petty cash account to the approved imprest level.
* Retention of all documents for six years plus the current financial year.
 |
| Nominated petty cash signatories | * Review of supporting receipts and validity of expenditure prior to signing cheques.
* Review of completed cheque details prior to signing.
 |
| Note: the roles of City Finance, the Voyager Support Centre and Central Cashiers are set out in a separate document.  |