

Making Payments & Cash Handling

Your group treasurer is responsible for all payments required to run the group. However, these must be authorised by the group executive committee (or on their delegated authority). Some will be easy to fulfil as these may be regular payments to statutory authorities. Others may be to reimburse leaders for expenses incurred or to facilitate an activity that has been organised. Payments will usually be made by cheque against a supporting document. This may be a bill, receipt or letter. Cash payments should be discouraged as payments through the bank account are a great deal easier to track. If you do need to make a cash payment always get a signed receipt.

It is good practice to number each payment document and enter the number against the entry in the account book, spreadsheet or accounting package. Keep all the documents in order; sorting them by month can be useful. Remember that at the end of the year any audit/scrutiny of the accounts is going to go through all the paperwork.

Ensuring that floats held by others are properly accounted for

Floats held by others will make the treasurer's job more complicated. They will, however, be unavoidable unless your treasurer is going to be available at every section meeting to receive and pay out money.

Each of the sections is likely to operate a float (petty cash system). They will use this to take in from the young people in membership subscriptions and to pay out routine activity expenses.

The group treasurer should make arrangements to collect funds not immediately required for the running of the section. Doing this roughly monthly is sensible, more frequently if there is a big intake of money (e.g. after a big fundraising event).

Each float holder is responsible for keeping proper records which will be inspected and counted and must be produced at the request of the group treasurer. They should be inspected and counted at least once during each three-month period.

It is a mistake to believe that because the sums involved in petty cash accounting are frequently small, petty cash is less in need of thoroughness than other accounting practice. All money that your group handles should be accounted for in a responsible way.

Confusion sometimes arises over the distinction between cash and petty cash:

Cash is money received in the form of coins and notes. It should be paid into the bank and recorded in the account book in the same way as cheques.

Petty cash is a float system which is used to pay small expenses. The petty cash book is where these payments are recorded.



Imprest system

The system that many organisations use is to withdraw money from the bank and keep it in a petty cash box. As and when necessary payments are made 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 one

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 group's account book in a column called "Petty cash".

Step two

Put the cash in your petty cash box and enter it in your petty cash book on the receipts side. 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 three

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. Of course, with the best will in the world, 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 four

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. 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 five

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 six

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 seven

For the purpose of your 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 a column of your group account 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; and try not to put off doing this!

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!

Is petty cash compulsory?

Certainly not, paying by cheque is frequently easier to do and far easier to account for. Don't run a petty cash system for its own sake. If you can make all your payments by cheque, do so!

