

Section J: Petty cash

9. Why is this area important?

Petty cash is useful for making small purchases. However cash is a vulnerable asset and it is important that proper controls are in place to prevent its abuse or loss. These standards contain petty cash controls covering authorisation, documentation and secure storage of cash. The governing body should ensure that these controls are in place and are adhered to.

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9.1. Handling of and payments with petty cash

Amount of petty cash

The governing body should set out in writing an appropriate level for the amount of petty cash to be held. The amount should represent a balance between convenience and the risk of holding cash on the premises.

- They should take into consideration the requirement of this form of expenditure along with the school's insurance cover and the risk of holding cash on the premises. There are many schools which do not have petty cash and write cheques for everything.
- Petty cash should be obtained from the bank by cashing a cheque. Schools can obtain petty cash by cashing a cheque from their catering supplier. This is not ideal but acceptable, provided that adequate records of the transactions are kept e.g. receipts/copies of cheques.

Access to petty cash

The head teacher should ensure that the petty cash fund is held securely and that authorised staff have access to it.

Payments from petty cash

Payments from the petty cash fund should be limited to minor items, which have been approved in advance by an authorised member of staff.

- Access to petty cash must be restricted to authorised members of staff. One person should be nominated as the petty cash account holder who should be allowed to delegate others if necessary to manage the account and/or petty cash on a daily basis. At any one time only one person should have access to, and be responsible for, the cash/account; when the responsibility is transferred the cash/account should be balanced in the presence of both members of staff. Only minor items should be purchased through petty cash; the governing body should determine the maximum amount of any single transaction that may be undertaken using a cheque or cash. An amount of £75 is recommended as a reasonable sum per claim (it is not acceptable to split claims so as to avoid the £75 limit).
- Purchases must be properly authorised by the appropriate budget holder who must ensure that there are sufficient funds in the budget prior to making a purchase. Regular payments to suppliers should be made by the school using their normal creditor payments route, not out of petty cash.

- Payments in respect of salaries, wages or any other employee related expenses must never be made out of petty cash. This applies to the payment of services received such as gardening, window cleaning, etc, where formal arrangements should be in place.
- No income may be paid into petty cash. Income must not be used to meet items of expenditure. All income must be banked into the school's bank account intact.

Personal cheques

Personal cheques *must* not be encashed from the petty cash fund.

- Personal cheques must never be cashed from a petty cash float or any other fund or income held at the school.

9.2. Petty Cash controls

Periodic checks

If the school has an imprest account or floats, periodic checks should be carried out between the petty cash accounting records and the bank statements, and reviewed by an independent member of staff.

- The petty cash fund must be independently checked by the head teacher or another senior member of staff and balanced from time to time (at least once per school half- term). This must not be done on the basis of a predictable routine.
- Governing bodies are responsible for any losses on petty cash arising through negligence or fraud, and these must be met from the school budget.
- Petty cash holders who leave the Council's employment or cease to be entitled to hold an account for other reasons must account to the governing body for the funds advanced to them.