FINANCIAL CONTROLS AND PROCEDURES

– A SIMPLE GUIDE CONTAINING:

• BASIC GUIDELINES ON SETTING UP CONTROLS AND PROCEDURES

• SAMPLE PROCEDURES

• SAMPLE FORMS AND ‘HOW TO GUIDES’

Rochester treasurer guides no 2 (Autumn 2004)
INTRODUCTION

This guidance sets out the basic internal financial controls that PCC’s need to consider. The PCC and its officers are acting in a trustee capacity when dealing with money and it is therefore of utmost importance that there should be no criticism possible on the way church funds are administered.

When on the rare occasion parish money is misappropriated it is a cause not only of criticism but of embarrassment and concern. The PCC must therefore give serious consideration to the whole matter, and, it has not been unusual for independent examiners or auditors to comment on the lack of appropriate procedures with some PCC’s.

This guidance does not give an exhaustive list of controls and not all the controls will be applicable to every PCC, but it is essential that there are adequate internal financial controls over the PCC’s assets and their use. This guidance has been produced to help PCC’s secure the protection of property under their charge, to advise them of the best practices to employ, and to assist in promoting greater professionalism in church management.

On occasions it will be necessary for PCC’s to seek further guidance or advice as this document cannot possibly cover every eventuality. If you feel that you need advice over the application of this guide for your own particular circumstances, please refer to the Diocesan Secretary, Diocesan Treasurer or the Diocesan Accountant.

DISCLAIMER

Whilst every care has been taken in providing this advice, it is given on the distinct understanding that the Rochester Diocesan Board of Finance cannot accept responsibility for it.

This booklet is for guidance only and is not comprehensive. It is not a statement of law and has no legal force.
MEANINGS

Meaning of words and expressions used in this guide

**Budget** - an estimate of future incoming funds, expenditure and other applications of funds for a particular accounting period.

**Trustees** - charity trustees, i.e. members of the PCC. Charity trustees are the people who, are responsible for “the general control and management of the administration of a charity”.

**Current assets** - includes cash, bank, building society and diocesan deposits, stock, debtors and prepayments or any other amounts receivable in the short term.

**Fixed assets** - includes land, buildings, vehicles and equipment and investments held on a continuing basis.

**Independent examiner** - a person independent of the PCC who is reasonably believed to have the requisite ability and practical experience to carry out a competent examination of the charity’s accounts.

**Auditor** - a person eligible under section 25 of the Companies Act 1989 to audit the accounts of companies (i.e. a registered auditor), or, in the case of an audit which is required by the governing document of a charity rather than by the Charities Act 1993 or the Companies Act 1985, a person qualified to conduct the audit.

**Must** - used to refer to actions that PCC members as trustees, or their agents or employees, are obliged to take by law.

**Recommend** or **advise** are used where we are suggesting to the PCC actions which we consider to be good practice but which are not a legal requirement.
ARE CONTROLS REALLY NECESSARY?

It is sometimes argued by members of the church that they should not be required to put systems of control into place because they operate on the trust of individuals alone. While this may be the ideal situation, it is not realistic. The PCC must therefore be able to show that all assets are safe. Without the ability to show that checks and controls have been implemented it is not possible to offer that security.

It is important to remember that while the vast majority of people are honest, all organisations need to take steps to avoid putting people in situations where they might be tempted to defraud. Do not forget we are full of sinners and some of us still do! If a PCC fails to have proper guidelines, individuals may, out of ignorance, act in a way which damages the reputation of that church (such as by not separating PCC funds from their own).

Having good controls can serve as a protection for church officers from any accusations of misuse or misappropriation of church funds and, and the PCC from any charge of neglecting their duties.

Accounting requirements and audit trail

The PCC are under a duty to ensure that they keep proper books and records, and that annual accounts are prepared, together with an annual report. The report and accounts should conform to all relevant church and charity requirements and recommendations. Every transaction should be supported by documentation that has been appropriately authorised (and ideally by people other than the treasurer). The accounting records should be able to be traced from the original document or entry to its final inclusion in the annual accounts.

The PCC must ensure that the accounts are subjected to external scrutiny by an Independent examiner or registered auditor. The PCC need to formally approve the charity’s annual report and accounts BEFORE it goes to the APCM.
BASIC PRINCIPLES

Separation of duties and funds

One of the prime means of control is the separation of duties, which if combined would enable one person to record and process a complete transaction. When segregated, there is less scope for errors and oversights, or abuse, and it builds in additional checks. For example, if the person who records cash receipts is the same person who checks that cash paid in is recorded on the bank statements, it would not be so easy to detect any mistakes or dishonesty.

Although some small churches may find it difficult to segregate duties, every effort should be made to include other personnel where possible. The degree of separation will vary according to the size and nature of the church concerned, but every effort should be made to involve others as it is an ideal to be aimed at.

Church funds should NEVER be mixed up with an individual’s personal funds, and at all times should always be in the name of the church.

Openness

The church should receive frequent financial reports and the PCC should be encouraged to check them against the church records regularly. The relationship between the PCC, treasurer, and independent examiner or auditor should be one of ongoing dialogue, rather than an annual exchange of records and information. Any advice from the independent examiner or auditor, such as in the annual management letter after the review of the accounts, must be brought to the attention of all the PCC.

Budgetary controls

In order to achieve full control over the finances, it is advisable that the PCC have an agreed budget and undertake full financial planning. Estimates of expected income and expenditure should be made for each financial year, and that regular reviews are made to ensure that the budgets are not stretched beyond their limits.

Annual Accounts

Approval of the budgets and accounts can only be done after discussion by the PCC. PCC members must understand the financial information that is given to them. They may therefore need to consider appointing
individuals with particular financial expertise to a finance sub-committee to look at these matters on behalf of the PCC. But do not forget, the PCC still have the overall responsibilities for management. It is good practice for various members of the PCC to meet the independent examiner or auditor as well as the treasurer when the audit/independent examination takes place.
CONTROL OVER INCOMING FUNDS

PCC members are under a duty to take control of and to safeguard all funds to which the church becomes entitled.

Weekly Offertory Collections

Two people should be present throughout the counting, recording and bagging of collections. Ideally this task should be rotated rather than always being the same people, and the team should not be related family members, etc. Loose cash should NEVER be taken away from church premises for “safe counting” (!) but should always be counted on the church premises.

If there are planned giving envelopes the amount of cash contained should be written on each envelope and a weekly record sheet should be kept that shows the total received against each envelope. This sheet needs to be reconciled to the amount banked (see Appendix VI). The planned giving officer would need to see the sheet to record against each donor amounts given.

Wall boxes

These should be opened and counted regularly, at the very least once a year, depending on the frequency of visitors and/or how much gets given. Money should never be visible in the wall box as this could encourage theft by outsiders.

Records of any collections should be made and added to the weekly banking sheets when banked (see Appendix VI). Care needs to be taken that counted cash is kept secure in the church safe until banked. The PCC needs to ensure that it has adequate insurance cover for the maximum contents amount.

Postal receipts

It is unlikely that many churches will have much in the way of postal receipts, as most giving will be made either direct into the bank via standing orders, or via the weekly plate collection. However, some churches will organise conferences, training events, or special activities whereby money could be received through the post. Therefore it is important to bring all funds sent by post into PCC control as soon as possible. Circumstances will vary from one to another but the controls to be considered include the following:
• Incoming post to be opened at the earliest opportunity and (ideally) in the presence of two responsible people.
• All incoming cheques and cash to be recorded immediately and entries verified by someone other than the person who has made the entry. (This is particularly important for cash). Ideally the PCC should try to ensure that all donations are sent to a central point, preferably not a private house, and that a book or ledger is kept to record the receipt of all mail with money enclosed.
• The security of unopened mail needs to be ensured. If the church office is only open during the morning, but the church is open all day, any unopened post needs to be kept secure. Make sure unopened post is not visible from outside.

Fund-raising events
The responsibilities of the PCC is to make sure that the charity is in control of the funds raised on its behalf so that it receives all the money to which it is entitled from such events. Records need to be maintained for each fund-raising event, in sufficient detail to identify gross receipts and how they have arisen, and all costs incurred.

Similar records need to be maintained for other fund-raising activities (such as a church magazine) or sponsored events.

The Gift Aid Scheme
Donations via the Gift Aid Scheme are a tax-efficient way of raising funds. The church should encourage church members and other occasional donors to give in a tax-efficient way, and it is good financial management. However, it is important that accurate records are maintained in order to ensure that the church receives all that is due to it from both the donor and the Inland Revenue, and that all money due is brought within the control of the church without delay.

To ensure that the church receives all the money to which it is entitled, we recommend that PCC’s:

• make regular checks against records to ensure that expected amounts have been received from the donor;
• make regular checks to ensure that in the case of Gift Aid donations from individuals all reclaimable tax has been obtained from the Inland Revenue (there is nothing to reclaim in the case of Gift Aid payments from companies); and
• are careful not to overclaim tax repayments – particular care needs to be taken to avoid making tax repayment claims in relation to Gift Aid payments which have not in fact been received.

Banking and custody procedures

Care always needs to be taken to ensure that, once funds are received into the control of the church, their security is maintained. The guidelines below will provide a basic level of protection for the church’s funds, but additional controls may be necessary depending on individual circumstances.

• Incoming receipts should be banked regularly and as soon as possible – at least weekly. The frequency of banking will depend on the amount of cash received. Keeping cash in a locked cash box is only suitable for small amounts of money, such as less than £100.

• Cash and cheques should be placed in the church safe if they cannot be banked on the day of receipt, such as after Sunday services. A nominated officer should hold the keys for the safe, usually a churchwarden. The church insurance cover must be sufficient to cover cash held in the safe up to a specified limit. Think Christmas collections!

• All incoming money should be banked gross – with no amounts held back for "feeding" petty cash. Without banking incoming money intact it is impossible to trace specific donations given.

• It is important that the money of the church is kept quite separate from any individual’s personal money. For example, the treasurer should NEVER use their own bank account for the church’s finances.

• PCC’s should consider the safety of getting money to the bank. Two people might be required if the amounts are large, particularly if significant sums of cash are involved, such as after the annual fete, or the Carols by Torchlight service. Insurance cover needs to be considered to cover cash in transit.

• It is desirable that the banking is carried out by someone other than the treasurer, but after the credit has been made the paying in slips and accounting sheets need to be passed onto the treasurer for entry into the accounting records. Any discrepancy between the bank credit and the banking sheets needs to be explained.
Checks on income records

It is important that the PCC make regular checks to ensure that records are being accurately maintained (so that money and other assets received can be traced through the accounting system), and that there are no discrepancies in the accounting records. This is an elementary control, but often ignored and will serve as an early warning of anything going wrong. We recommend that checks are made to ensure that:

- records of cash and cheques received agree with bank paying-in slips;
- the paying-in slips equate with the bank statements, both in terms of amount banked and date of credit; and
- all transfers or other direct payments into the bank can be identified and verified against paperwork.

These checks should be made by someone other than the person concerned with the original recording of the transactions.

Care needs also to be taken to identify and administer separately any funds received where the donor has placed restrictions upon their use, and to ensure that they are only used in accordance with these restrictions.

Records need also to be checked to ensure that there has been no unauthorised credit extended (such as through an overdraft facility) and that the finances of the charity are not placed under any strain by credit which has not been approved.
CONTROLS OVER EXPENDITURE

PCC members must remember that they are responsible for all the expenditure of charitable funds and have to account for how the church’s funds have been applied. The basic rules of proper record-keeping, segregation of duties, and safekeeping of valuables are all vital.

When making payments, we recommend that the following rules are followed:

- All expenditure and investment of charitable funds should be properly authorised and that there is supporting documentation (eg itemised receipt or invoice) for all items of expenditure.
- Instruments of payment (such as cheque book, building society passbook and bank mandate forms) need to be kept in safe custody, with access limited to nominated persons.
- The preparation of documentation for authorisation should be undertaken by someone other than the persons authorising the payment.
- There is a written statement of policy and practice covering payment procedures, which is available to all PCC members, church members and staff. This would include instructions on who is authorised (and in what circumstances and up to what limit) to place orders or contracts, or to incur any liability on behalf of the PCC.

Controls over purchases

PCC’s have a responsibility to ensure that adequate checks are made to both confirm that purchases have been properly authorised, and that goods or services ordered have actually been received. Although a large element of this control can be managed by agreeing and authorising an annual budget PCC’s should be aware that the following is carried out:

- Invoices received need to be checked against orders made.
- Records are kept of orders placed but not yet carried out.
- The quality and quantity of goods supplied ought to be inspected in order to ensure they correspond with orders placed and those invoiced for. Services supplied need to be similarly checked.
- Regular stock-taking be undertaken (if large supplies are held).
- Authorisation levels for the placing of orders to be documented.
- Payments only be made against original invoices.
Expenses

If staff or church members regularly incur expenses, the PCC should adopt a policy which sets out the level of expenses they are willing to contribute, or other criteria they wish to adopt. A system need to be in force to ensure that costs have been necessarily incurred in the course of carrying out the PCC’s business.

Reimbursement should be a straight payment of actual cost incurred and not round sum payments. Evidence should be produced of the actual costs incurred, eg bills or receipts. Travel costs can be paid at fixed mileage rates but Inland Revenue limits must not be exceeded to avoid tax or national insurance liabilities.

The PCC may wish to say who can authorise, when and how claims should be made, and when reimbursement is made. They may also wish to draw up their own expense form or specify the manner in which claims are to be made (a sample is shown in appendix III).

Payment by cheque

If possible all payments should be made by cheque. Although payment by cheque is generally a safe method of payment, there are still basic controls that are recommended in order to prevent any misuse of PCC funds.

- The bank mandate must specify at least two signatories required on every cheque, unless the PCC can claim that some other method should be followed as a matter of operational necessity.
- It is always advisable to have a "pool" of people authorised to sign cheques which is more than the minimum number of signatures required on the mandate. This helps prevent the situation arising where insufficient signatories are available. All people in the "pool" must, of course, either be PCC members or be otherwise qualified and authorised by the PCC to sign cheques.
- Depending on each parish, we would suggest the list of authorised signatories could include incumbent, churchwardens, treasurer, lay chair of PCC, PCC secretary, and/or church administrator.
- The PCC should review the bank mandates at regular intervals to review the signatories, suggested at least annually or when officer holders change (new churchwardens, treasurers etc). Any agreed limits (if any) for individual signatories should be recorded in the bank mandate and circulated amongst the PCC members.
• Cheques made payable to a nominated signatory should not be signed by that person. Another reason why it is important to have a "pool" of mandated signatories. So the vicar should not sign his expenses cheque!
• Close control should be exercised over access to the cheque books.
• Related PCC members should not sign cheques together.
• Blank cheques should NEVER be signed in advance. Signing blank cheques would be regarded as neglecting the duty of care owed by PCC members.
• All expenditure by cheque should be recorded in the cash book and cross referenced to the cheque number, with the nature of the payment and the payee clearly identified.
• All cheque book stubs (or equivalent) should be completed at the time of payment, and retained (they form part of the charity’s accounting records).
• Regular spot checks should be made of the expenditure records against primary documents such as invoices. No cheques should be signed without a corresponding invoice, or other documentary evidence as to the nature of the payment.
• Expenditure should be regularly summarised for inspection by the PCC with exceptionally large items highlighted, although this could be part of the treasurer’s regular report.

Payment by cash

Dealing with cash represents an extra degree of risk, so care needs to be exercised. We recommend that:

• Cash payments should be kept to an absolute minimum.
• All cash payments should be made from a cash float of a fixed amount that has been agreed by the PCC which is regularly replenished from the bank or building society account and not by the retention of incoming money.
• Payments should only be made against authorised vouchers. If the PCC have an expense form or petty cash form it must be completed (see appendix III).
• The record of expenditure made (and reimbursed) should be recorded in a petty cash book.
• All claims for replenishment of the cash float should be backed up by the supporting documentation/vouchers which should agree with the petty cash book.
• Regular reconciliation of the petty cash float should be made, ideally by an authorised person independent of the person
managing the petty cash. This involves counting the balance of cash in hand and reconciling the float by totalling the vouchers for the amounts paid out and not yet reclaimed by the petty cash manager (see appendix VI).

Wages and salaries

Although many PCC’s do not employ individuals, where they do this is often a major item of expenditure, and warrants particular care. The PCC needs to ensure that they are not exposed to possible consequences by a breach of regulations, for example, failing to deduct and account for PAYE. We recommend that:

- Personnel records should be kept for each member of staff separately from the pay records. Salary payments should be properly authorised and paid in accordance with that authorisation and in accordance with the personnel records.
- All payments of wages or salary should be made by cheque or bank transfer. Where (if absolutely necessary) payments are made in cash, these must be paid out by someone other than the person making up the payroll, with the employee signing as evidence of receipt.
- PCC’s need to ensure that employees have a proper contract of employment and that individuals are not incorrectly classified as self-employed. PCC’s must ensure they deduct and account for PAYE and national insurance contributions for any employees they have. In any case of doubt, guidance should be sought from the local Inland Revenue office. For example, if your organist or verger is working under instructions from the PCC for financial reward then they are (most likely) an employee.

Checks on expenditure records

As with incoming funds it is essential to check regularly that records of expenditure are being accurately maintained. We recommend that checks are made to verify that:

- records of payments made agree with cheque stubs, paid invoices or other authorisations and are in accordance with budgets;
- cheques have been presented for payment by the bank or building society as shown by the statement; and
- standing orders and direct debit payments are in accordance with valid instructions and mandates given to the bank or building society.
These checks should be made by someone other than the person concerned with the original recording of the transactions. Care also needs to be taken to verify that payments have been made out of the correct fund, such as for example a special appeal fund or an endowed fund.
FIXED ASSETS

This includes items such as land, buildings, vehicles, and office equipment which are used in the church’s activities. We recommend that the following guidelines be observed:

- A list of fixed assets be held and updated regularly. This needs to include all assets donated for use. The churchwardens have to maintain the terrier, which will include many of these items – this could be just an extension of that listing.
- It is good practice to label all assets which cross-references with the asset listing. This will help identify what belongs to the church and what is temporarily loaned (such as music and PA equipment).
- All fixed assets should be checked at regular intervals to ensure they remain in good repair.
- The PCC to give due consideration to the need for insuring assets, and to the extent of cover which is appropriate.
- The use made of fixed assets should be reviewed annually to ensure they are put to best use and continue to serve the interests of the church.

Investments

Investments (which include stocks, shares, land and buildings) are normally held in order to generate income and to protect the capital invested. Although an investment policy is only necessary for those preparing accounts under SORP we recommend the following:

- Full records are kept of all investments held (including details of all those sold or purchased), and that these records are kept in a secure place.
- The formulation of an investment policy by the PCC and the regular review of the performance of those investments against that policy.
- Controls should be put in place to ensure that all dividends or interest payments due are promptly received and all purchases and sales of investments are properly authorised and accounted for.
- Wherever possible, investments need to be diversified so as to ensure that the reduced performance of one investment does not have a major impact. Trustees of a charity have a general legal duty to have regard to the need for diversification of investments of the trust in so far as is appropriate to the circumstances of that trust.
Bank and building society deposits

In the case of bank or building society deposits, we recommend that:

- A record (other than the passbooks) of all bank and building society deposits should be held in a safe place.
- Regular bank reconciliations should take place on all active accounts, and the PCC need to ensure that this is being done. Any discrepancy should be fully explored and resolved.
- Instructions to open or close accounts should only be carried out under the authorisation of the whole PCC, or if delegated to a finance subcommittee, the PCC to be kept informed of all developments.
- The names of any accounts should be identifiable as being under the authority of the PCC. For instance, the youth work account could be called ‘St John PCC (Youth work) Account’
- The signatories and bank mandate should be reviewed regularly
- Accounts should not be allowed to remain dormant and should be reviewed to confirm suitability and necessity.
- Regular statements should be sent to a nominated individual, usually the treasurer, but should be made available for inspection by any other PCC member.
FURTHER REFERENCE

For further information you may find it useful to refer to the following publications:

Relevant Charity Commission Publications:

CC3 Responsibilities of Charity Trustees
CC20 Charities and Fund-raising
Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2000)
CC66 – SORP 2000: Example Reports and Accounts
CC61 Charity Accounts 2001: The Framework
CC62 Charities SORP: What has changed
CC63 Independent Examination of Charity Accounts 2001: Directions and Guidance Notes
CC64 Receipts and Payments Accounts Pack 2001
CC65 Accruals Accounts Pack 2001

Other Publications:

Accounting and Reporting by Charities: Statement of Recommended Practice (Revised 2000) HMSO
The ACAT Church Treasurers Handbook - available to members of the Association of Church Accountants and Treasurers
APPENDIX I

St Michael PCC – Financial Procedures

SUNDAY SERVICES

After each service has ended a Warden or Sidesperson will take the collection into the vestry to be counted. There shall always be at least 2 people to count and record the amounts given and to note it into the service book and enter the same onto the accounting sheet for the appropriate week. The only exception will be the 8.00am Communion Service where the Sidesperson on duty will count and record the collection taken. All monies will be put into the safe until the end of the day. NB the PCC Secretary has drawn up a rota of who are requested to be counters for each week. The collection should NEVER be left unattended. If the counters are not present when the collection is delivered, the Sidesperson must remain present until they arrive.

GIVING ENVELOPES

These should be opened following each service. The amount contained should be recorded on the face of the envelope. All envelopes will be passed on to the Stewardship Officer so that the register of planned giving can be updated. The information on those in support of gift aid claims will be passed onto the Gift Aid Secretary.

MID-WEEK SERVICES

When services take place during the week it will be the Minister’s responsibility to count and record any collection taken, to put the collection into a cash bag, to mark what the service was and to place the money into the safe until the following Sunday. The Treasurer will then check the amount and place the proceeds into the appropriate account.

OTHER INCOME

Income other than Collections, such as donations, fees, rents etc., will be passed to the Treasurer for banking. These will be added to the weekly account sheets. The wall boxes will be emptied every month by the Treasurer and treated in the same way. If any donations are given as restricted gifts for a particular purpose that the PCC has not yet decided upon, the donation will be banked and reported to the next PCC meeting.
The PCC reserve the right to refuse the gift if they feel it is inappropriate, in which case it will be returned to the donor in its entirety.

**EXPENSES CLAIMED**

If a member of the Church requires reimbursement of expenses they must produce a receipt which should clearly state what the expenditure was for and hand it to the Treasurer. Reimbursement will normally be by cheque and only in exceptional cases will cash be issued. The Treasurer will pay all staff, including the Organist, Verger, Cleaner and Administrator on a monthly basis.

**CHEQUE PAYMENTS**

When expenditure is to be made by cheque, a receipt or invoice must be received and the Treasurer will write out the appropriate cheque. All cheques require two signatures, and those who are allowed to sign are:

The Vicar  
The Church Wardens  
The Treasurer  
The PCC Secretary

If the payee is a signatory, two others must sign the cheque. Any two of the above are allowed to sign. This also applies to Standing Orders, Direct Debits or other payments that may be required.

**BANKING ARRANGEMENTS**

At the end of each Sunday the Treasurer will add up the accounting sheet. All monies will be banked on the next available day by one of the Wardens. Any discrepancies with the banking slips will be reported to the Treasurer immediately so that the accounting sheets can be amended accordingly.

**OTHER DUTIES TO BE CARRIED OUT**

1. The Treasurer shall enter all amounts from the weekly accounting sheet, cheque book and bank statements into the books of account and will give to the Wardens and Standing Committee a monthly Bank Reconciliation showing the cash book position on the PCC account.
2. The Treasurer will produce each month a set of simple financial statements for the Standing Committee and a set of full Income and Expenditure statements compared to the Budget for each PCC
meeting. The PCC must be kept fully informed of the current and projected financial position.

3 The Treasurer will present to the Standing Committee in October or November each year a Budget for the coming year. The figures produced will be based on the known Income and Expenditure for the current year but adjusted for any changes expected to happen with regard to building costs, stipend increases, parish share, salaries, rentals etc. The Standing Committee will discuss this and a recommended budget will be placed before the PCC for agreement in November or December. Once approved the Budget for the year will be circulated to the congregation for their information (and challenge!).

4 When the monthly bank statements are received, a copy will be passed to the Gift Aid Secretary for him/her to record amounts given by individuals under Gift Aid.

5 The Gift Aid Secretary will make a claim on the Inland Revenue every three months, and will report to the Treasurer at the end of the year how much outstanding tax is due back to the PCC.

6 Bank Accounts can only be opened with the express authority of the PCC. Although different church groups may feel they need to have their own bank account, for control purposes all financial activity must be fully accountable to the PCC. If an account is deemed necessary, the PCC will instruct as to where the account can be held, who are to be signatories, and how the account is to be named.

In the absence of the Treasurer, the Assistant Treasurer or the Churchwardens will take over the responsibility of accounting for all income and expenditure. In the event of nominated individuals being absent on a Sunday, any others on the Standing Committee may be asked to help out.

J Smith – Churchwarden
St Michael PCC
July 2004
APPENDIX II

St John with St James Church PCC

FINANCIAL PROCEDURES

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SUNDAY SERVICES & GIVING ENVELOPES

After each service the designated persons will take the collection into the vestry to be counted and recorded. There shall always be at least two people to count and record the collection. The procedure to be followed is as follows:

1. The envelopes are to be separated from the cash collection.
2. The cash collection is counted by one of the designated persons and entered in the column in the weekly income sheet.
3. The other designated person opens the envelopes one at a time and writes the amount on the outside of the envelopes.
4. Once stages 2 & 3 are complete, the designated persons then swap and check the cash and envelopes. Once the envelopes have been checked, the cash from the envelopes should be counted and checked and entered in the relevant column of the weekly income sheet.
5. The total income for the service is then calculated by adding the two columns on the weekly income sheet.
6. The amounts collected from the envelopes and cash should be entered in the service book.
7. The envelopes should be handed to the Gift Aid Secretary (or the Treasurer in the Gift Aid Secretary’s absence)
8. The values on the envelopes relating to Gift Aids are later recorded on a Gift Aid spreadsheet and the envelopes are retained.
MID-WEEK SERVICES

When services take place during the week, the collection will be counted by a responsible person and recorded under the relevant column on the weekly income sheet. The money must then be placed in the safe and clearly marked to be checked by the Treasurer/Warden on Sunday and banked with the Sunday Collections.

BANKING ARRANGEMENTS

The cash & cheques held will then be banked within the next five working days by the Treasurer or other authorised person. At the end of each Sunday the weekly income sheet will be totalled by the Assistant Treasurer (Banking) or Administrator and agreed to the total cash & cheques banked.

BUDGET RESPONSIBILITY

The Church budget will be divided amongst a number of different departments (e.g. music, youth). Each department will have a budget holder who will be responsible for authorising payment from their department’s budget. The Treasurer will not have authority to make a payment unless he/she has received written authorisation from the appropriate budget holder (a list of departments and budget holders is attached). The budget holders are responsible for ensuring that any expenditure from their budget meets with the PCC’s financial procedures and the Charities Act. Budget holders are also responsible for ensuring that they keep within the agreed budget limits and should ensure that they have sufficient funds in their budget before ordering goods or services.

Budget holders do not have authority to spend above their agreed budget limits (except where costs are unavoidable e.g. utility bills, stipends, insurance). If a budget holder considers that they require extra funding they should in the first instance discuss with the Treasurer. If appropriate the matter will then be raised at the next PCC meeting or Standing Committee meeting. In urgent cases, where funds are required before a PCC meeting or Standing Committee meeting can take place, budget limits can be amended with the agreement of the Incumbent and Treasurer, although the matter should be brought before a PCC or Standing Committee meeting as soon as possible.
PLANNED EXPENDITURE

All work undertaken or items purchased on behalf of the church by an individual who is expecting the reimbursement of expenses must firstly receive the permission of the appropriate budget holder. Where the expenditure is likely to be in excess of £200, the permission of the PCC must also be sought in advance where possible. In the case of any work undertaken on behalf of the Church, at least three written quotations or estimates must be received in advance and presented to the PCC if expenses are to be refunded. Should an individual require paying before work is undertaken, written authorisation should be obtained from the budget holder and all receipts and Monies unused returned to the Treasurer within a week.

Expenses Claimed

If any member of the Church requires reimbursement of expenses they must produce a receipt which should clearly state what the expenditure was for and hand it to the appropriate budget holder. The budget holder will then pass the receipt onto the Treasurer and authorise payment. The agreement of the appropriate budget holder should be sought before any items are purchased on behalf of the Church. Reimbursement will normally be by cheque unless prior arrangements have been made with the Treasurer and will be settled within a week of receiving receipts/invoices. The Treasurer will pay the Organist, choirmaster, verger, cleaners, parish administrators on a regular basis or at such times that these people are needed e.g. weddings/funerals.

CHEQUE PAYMENTS

When expenditure is to be paid by cheque, a receipt or invoice must be received and the Treasurer will write out the appropriate cheque, the cheque must have two signatures on it. Those who are allowed to sign are:

- Vicar
- The Churchwardens
- Treasurer
- Administrator (Financial Bookkeeper)

Any two of the above are allowed to sign cheques. This also applies to Standing Orders, setting up of direct debits, bank transfers or other payments that may be required.
Under NO circumstances must blank cheques be pre-signed. This is a serious matter relating to the security of the funds held in the bank account. To avoid loss of funds and the threat of theft and fraud, cheques should only be signed for bone-fide expenses supported by a valid receipt/expenses claim.

OTHER DUTIES TO BE CARRIED OUT

i. The Treasurer will present each PCC and Finance Working Group meeting a set of accounts to show Income and Expenditure against Budget. The Finance Working group will look at the figures produced and advise accordingly. The PCC must be kept informed of the current and projected financial position.

ii. The Treasurer will submit a budget for the following year to the PCC in November for its approval. The budget must have been discussed by the Finance Working Group before hand and budget holders must have been given the opportunity to submit a bid for their area of responsibility.

iii. At the July PCC meeting the PCC will review the budget. Where possible changes to the budget should only be made at the July PCC meeting and any other changes should only be made where the PCC or Standing Committee consider such changes to be unavoidable.

iv. The Gift Aid Secretary will make a claim on the Inland Revenue to recover the Tax due on Gift Aids within 2/3 months of end of the tax year.

RESERVES POLICY

The church will hold between £0 and a sum equal to three months income as its reserve. However, where the church receives a large donation or legacy, the PCC has the right to hold some or all of such sums in reserve for a period of up to 12 months while they consider how to use the money. In making their decision on how to use any such donations or legacies the PCC will abide by the policy of not holding more than three months income as a reserve.
## BUDGET HOLDERS

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>BUDGET HOLDER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stipend</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Vicars/vicarage expenses</td>
<td>Incumbent</td>
</tr>
<tr>
<td>Insurance</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Parish Share</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Utilities</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>PCC Administrator</td>
<td>P.C.C.</td>
</tr>
<tr>
<td>Music</td>
<td>Music Co-ordinator</td>
</tr>
<tr>
<td>Youth</td>
<td>Youth Co-ordinator</td>
</tr>
<tr>
<td>Away Giving</td>
<td>Mission Committee</td>
</tr>
<tr>
<td>Parish Evangelism</td>
<td>Incumbent</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>Fabric Committee</td>
</tr>
<tr>
<td>Photocopier</td>
<td>Administrator</td>
</tr>
<tr>
<td>Stationery</td>
<td>Administrator</td>
</tr>
<tr>
<td>Service Expenses</td>
<td>Incumbent</td>
</tr>
<tr>
<td>Teaching &amp; Training</td>
<td>Incumbent</td>
</tr>
<tr>
<td>Church Fabric Fund</td>
<td>Fabric Committee</td>
</tr>
<tr>
<td>Church Hall</td>
<td>Administrator</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Incumbent</td>
</tr>
</tbody>
</table>
# St John with St James Church PCC

## FINANCIAL PROCEDURES FOR PARISH CLUBS

<table>
<thead>
<tr>
<th></th>
<th>After School Club</th>
<th>Lunch Club</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsibility</strong></td>
<td>ASC Supervisor</td>
<td>Lunch Club Committee</td>
</tr>
<tr>
<td><strong>Chief Administrator</strong></td>
<td>PCC Administrator</td>
<td>PCC Administrator</td>
</tr>
<tr>
<td><strong>Bank</strong></td>
<td>Nat West</td>
<td>Nat West</td>
</tr>
<tr>
<td><strong>Signatories</strong></td>
<td>Administrator</td>
<td>Administrator</td>
</tr>
<tr>
<td></td>
<td>ASC Supervisor</td>
<td>Incumbent</td>
</tr>
<tr>
<td></td>
<td>PCC Treasurer</td>
<td>Church Warden</td>
</tr>
<tr>
<td></td>
<td>Church Warden</td>
<td>Church Warden</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th><strong>Youth Club</strong></th>
<th><strong>Pram Club</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsibility</strong></td>
<td>Youth Co-ordinator</td>
<td>Youth Co-ordinator</td>
</tr>
<tr>
<td><strong>Administrator</strong></td>
<td>Youth Co-ordinator</td>
<td>Youth Co-ordinator</td>
</tr>
<tr>
<td><strong>Bank</strong></td>
<td>A&amp;L</td>
<td>GIRO Bank</td>
</tr>
<tr>
<td><strong>Signatories</strong></td>
<td>Youth Co-ordinator</td>
<td>Youth Co-ordinator</td>
</tr>
<tr>
<td></td>
<td>PCC Treasurer</td>
<td>B Brown</td>
</tr>
<tr>
<td></td>
<td>Administrator</td>
<td>J Bartle</td>
</tr>
<tr>
<td></td>
<td>Church Warden</td>
<td>Church Warden</td>
</tr>
</tbody>
</table>

## GENERAL

At each meeting of the group it is important to ensure that proper financial records are kept. It is the responsibility of the PCC to ensure that proper accounting records are kept and the person responsible for each activity must ensure that the following procedures are followed.
INCOME

AFTER SCHOOL CLUB
1. All income whether by cheque or cash should be recorded in the receipt book and a receipt issued. The money received should be banked as soon as possible but at least weekly.

OTHER CLUBS
1. All income should be marked against a register of attendance and reconciled to cash held at the end of the activity. A weekly or event cash sheet should be prepared showing income collected and should be signed by the administrator of the club and the person responsible.
2. Surplus cash should be banked and only a small petty cash float should be retained. If possible the best practice is bank the whole income each week.

EXPENSES

If any member of the Club requires reimbursement for expenses they must produce a receipt which should clearly state what the expenditure was for and hand it to the Administrator for the Club for payment. Best practice is for ALL payments to be made by cheque, however common sense must prevail and it is not necessary to draw cheques for small items. Payments under £10 may be made by cash, but that reimbursement above £10 should be by CHEQUE.

CHEQUE PAYMENTS

All cheques to require TWO signatures.

Under NO circumstances must blank cheques be pre-signed. This is a serious matter relating to the security of the funds held in the bank account. To avoid loss of funds and the threat of theft and fraud cheques should only be signed for bone-fide expenses supported by a valid receipt/expenses claim.

OTHER DUTIES TO BE CARRIED OUT

- The PCC’s Financial year runs from 1st January to 31 December. The books and records of the Club must be presented to the Church Treasurer by the end of January after the year end.
- The Administrator for each club should keep a cash book, recording the income received and the payments made. On a regular basis (i.e.
every month) the cash book should be reconciled to the Bank statements and the balance at the bank and cash held agreed to the balance in the cash book.

- Any discrepancies MUST be investigated immediately and if necessary assistance should be obtained from the Church Treasurer or Assistants.

St John and St James Church PCC
June 2004
CLAIM FOR REIMBURSEMENT OF EXPENSES INCURRED

NAME: .................................................................  DATE: __________________________

CLAIM FOR THE MONTH OF: ________________________________

GUIDANCE NOTES

For journeys undertaken whilst on official business as agreed by the PCC, the mileage rate payable is according to the table below. The public transport rate is payable for unusually long journeys.

<table>
<thead>
<tr>
<th>All Cars</th>
<th>Public Transport</th>
<th>Motorbikes</th>
<th>Pedal Cycle</th>
<th>Additional Passenger Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 10,000 miles p.a.</td>
<td>40p</td>
<td>25p</td>
<td>25.9p</td>
<td>24p</td>
</tr>
<tr>
<td>Over 10,000 miles p.a.</td>
<td>25p</td>
<td>12p</td>
<td>5p</td>
<td>5p</td>
</tr>
</tbody>
</table>

1. All claims for expenses must be approved by the PCC prior to committing to expenditure. No claims will be paid without prior PCC authorisation.
2. All reasonable expenses incurred in connection with parochial duties or on behalf of the PCC will be reimbursed.
3. Every month (or as required) this expense claim should be submitted to the PCC treasurer for reimbursement, after appropriate authorisation by the incumbent or churchwarden.
4. The expense claim should include all costs incurred for which reimbursement is requested.
5. All relevant receipts must be attached.
6. To help the treasurer process your claim as efficiently as possible, please make your claim within one month of the end of the period for which the claim is being made. The PCC reserve the right to refuse any claim submitted outside this time-scale.
7. For amounts above £10, a cheque in settlement will be raised by treasurer. For amounts below £10, the church administrator can reimburse you from petty cash should you wish.

<table>
<thead>
<tr>
<th>TRAVEL (Journeys detailed on back)</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>...................... Miles @ 40p per mile</td>
<td>£</td>
</tr>
<tr>
<td>...................... Miles @ .......... per mile</td>
<td>£</td>
</tr>
<tr>
<td>Car Parking (receipts attached)</td>
<td>£</td>
</tr>
<tr>
<td>Public Transport (receipts attached)</td>
<td>£</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>£</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER EXPENSES (receipts attached)</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone</td>
<td>£</td>
</tr>
<tr>
<td>Postage</td>
<td>£</td>
</tr>
<tr>
<td>Stationery</td>
<td>£</td>
</tr>
<tr>
<td>Equipment</td>
<td>£</td>
</tr>
<tr>
<td>Entertaining &amp; Hospitality</td>
<td>£</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>£</td>
</tr>
<tr>
<td>Other (please give details) ..................</td>
<td>£</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>£</td>
</tr>
</tbody>
</table>

TOTAL CLAIMED £

Signed……………………… Approved by…………………………

Accounting coding …………………………………..
**JOURNEY DETAILS**

Please detail all journeys undertaken in the table below:

<table>
<thead>
<tr>
<th>DATE</th>
<th>FROM</th>
<th>TO</th>
<th>REASON</th>
<th>MILEAGE</th>
<th>FARE £</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

**TOTALS**

<table>
<thead>
<tr>
<th></th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### WEEKLY ACCOUNTING SHEET

<table>
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<th>SUNDAY SERVICES</th>
<th>OTHER SERVICES</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td></td>
<td>8.00 10.30 6.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planned Giving Envelopes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collections at Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Donations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees - Vicar</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- PCC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Raising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Parish Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL BANKINGS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX IV

Sale of Goods (such as from a church gift shop)

To prevent the misappropriation of goods, it is suggested that following procedures and controls are used:

Sales by cash

- Check that notes and coins are correct i.e. no foreign currency
- When giving change, if necessary get someone else to check the change for you
- Keep any spare cash and float out of reach of those purchasing and at regular intervals remove excess quantities away to a safe place (locked and secure)

Sales by cheque

- Please ask for all cheques to be made payable to ........... (the name of the relevant church)
- Please make sure that the cheque is dated correctly, signed by the purchaser and that the amount and words agree
- All cheque payments should be supported with a valid bank card
- Check that the signature agrees with the bank card
- Enter the bank card number onto the reverse of the cheque
- If necessary get someone else to check the details for you
- Place the cheques in a safe place for future recording

- An extra security in case of any queries would be to make sure you have a record of the purchaser’s address on the back of the cheque (unless it is recorded elsewhere)

- Make sure that bankings are carried out at regular intervals and entered onto the weekly/daily cash sheet.

It may not be appropriate to make sales on credit terms, unless you are confident in the purchaser, as it is likely that any follow it up may be overlooked.

MJB
July 2004
APPENDIX V

How to Carry out a Bank Reconciliation

Why you should do a regular reconciliation

If you look at a bank statement, the danger is that the last entry in the right-hand column is what you think you have as money in the bank. However, this seldom reflects the true position. The closing amount on the bank statement must be ‘reconciled’ with the cash book balance to show the true financial position. This is often referred to as ‘doing the bank rec’.

A reconciliation is a simple way to check the bank’s records against yours. Although at the time that the reconciliation is carried out there are differences between the two sets of records, if you had no further transactions for a couple of weeks they would eventually agree.

The aims of reconciliation are:

- To check that your cash book balance is correct
- To ascertain your latest balance at the bank
- To pick up any errors on cheques paid or credits made
- To ensure all credits made have been received
- To identify cheques still outstanding

Tips for successful reconciliations

- Always keep the main cash book entirely for bank transactions. Every item in the cash book should then appear, at some time or other, on the bank statement, or vice versa.
- Follow the same procedure every time. The layout in which the reconciliation is written should always be the same.
- Either keep a note book specifically for reconciliations, or use a ring binder and a standard form that can be photocopied and completed every time you reconcile.

What you will need – first steps

- The cash book (or receipts books and payments books if income and expenditure are recorded in separate ledgers)
- Bank statements
- Paying in book
- Cheque book
Ensure the cash book is fully up to date. Enter all cheques drawn, all bankings made, all transfers shown (such as from deposit to current account, or from diocese to current account), any other adjustments the bank have been asked to carry out but not yet recorded.

Rule a line across the bank statement underneath the last entry in the period for which you are doing the reconciliation. Usually this is underneath the last entry on the statement, but not always.

**Procedure**

You are comparing the amounts on the bank statement either with those in your cash book or on the previous bank reconciliation. These two sets of records should be ticked off against each other.

- Use a different coloured pen to one used for writing up the cash book so that the marked off items can be seen. Red is most common, although some like to use a different colour each reconciliation (red, then green, then orange, then red again).
- Place your tick or mark near the figures, but not so close to obscure the detail.
- Always work FROM the bank statement TO the cash book and/or the last reconciliation.
- You can either work down the bank statement line by line, or alternatively receipts first, then payments. The latter method is advantageous in that you do not need to keep moving between the opposite sides of the cash book.

**Receipts**

Working down the receipts side of the bank statement, tick each amount off in turn from the bank statement to the cash book or last reconciliation, ensuring the amounts agree with each other.

You may need to enter additional items into your cash book which have appeared on the bank statement, but are not yet in the cash book (such as standing orders from parishioners, rental income payments, grants, transfers from other accounts, etc). Once entered these need to be ticked off as ‘bank processed’.

On your reconciliation sheet, head it up with the date of the reconciliation (eg bank rec w/e 30 June 2004). Fill in the amount of the total credit balance held at the bank as per the last entry on the bank statement, followed by any deposits made to the bank which have NOT been ticked off.
in your cash book but which were made prior to the date of reconciling. These receipts have not yet been credited by the bank, hence why you have not ticked them.

Payments

Do the same for expenditure items as you have just done for income, ticking off agreed items as you work down the statement.

Do not forget you may need to enter additional items into your cash book which have appeared on the bank statement, but are not yet in the cash book (such as standing orders or direct debits set up with the diocese, bank charges made, transfers into other accounts, etc). Again with these, once entered these need to be ticked off as ‘bank processed’.

On your reconciliation enter all payments still outstanding (not ticked off) in your cash book as they have not yet ‘hit’ the bank.

Check the results

Finally see that the result on your bank reconciliation agrees with the closing balance in your cash book.

Possible reasons for an imbalance

The point of doing the ‘bank rec’ is to identify problems and correct them, and they are often only spotted when it does not balance.

- Look at the previous reconciliation. Have all the cheques shown been presented to the bank? Have you included on you list still (or not)?
- Scan both the cash book and bank statement for items not ticked. Have you missed anything?
- Check your addition in the cash book. Have you entered the figures correctly on the reconciliation?
- Make sure you are not missing a page from the bank statement and that the balances between pages agree. Make sure it is your bank statement!
- Does the difference divide by nine? By some mathematical fluke, if you have written down the right figures in the wrong order, the difference will divide by nine.
- Have you entered all the cheques in the cash book?
It has been known to see:

- A cheque drawn on someone else’s account
- Cheques processed for a slightly different figure than raised (usually only a few pence different)
- Deposits applied to other accounts with similar account numbers
- Cancelled direct debits to be activated again

All of these should be queried with the bank and corrected.

Example

Bank reconciliation for St Stephen PCC current account 12345678
Reconciliation as at 30 June 2004

Balance per bank statement 30 June 2004 £2,340.54

(List all items where cash has been paid in but does not yet appear on the bank statement)

Add: Bankings not yet credited paid in 30/6 £350.00

(Then list all cheques not marked off in the cash book as not yet presented to the bank)

Less: Cheques not yet presented

<table>
<thead>
<tr>
<th></th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7843</td>
<td>29/6</td>
<td>17.16</td>
</tr>
<tr>
<td>7845</td>
<td>29/6</td>
<td>28.34</td>
</tr>
<tr>
<td>7846</td>
<td>30/6</td>
<td>48.18</td>
</tr>
</tbody>
</table>

(93.68)

£2,596.86

Balance b/fwd 1/6/04 2,183.22
Add total receipts per cash book 3,440.26 5,623.48
Less total payments per cash book (3,026.62)
Balance per cash book £2,596.86

Reconciled by MRP on 7/7/04
APPENDIX VI

How to Reconcile the Petty Cash

Introduction

All cash payments should be made out of a cash float and recorded. The amount spent, supported by receipts (properly called ‘vouchers’) will then be reimbursed, to bring the float back to the original amount. This is called the ‘imprest’ system.

How the ‘imprest’ system works

1. You are given a ‘float’ of; say £50, out of which to make cash payments when vouchers are presented to you.
2. As each payment is made, you pay out money from the float based on those vouchers, thus reducing the cash ‘balance’ which is the remaining cash-in-hand. Therefore every payment out of the initial £50 float reduces the cash-in-hand by that amount. For example, a payment of £4.99 reduces the float to £45.01.
3. You make further payments on the vouchers until you have only a small amount left, say less than £5.00 of the original £50.00 float. You then complete an ‘expenses claim form’ and obtain reimbursement of the total amount spent by drawing fresh cash from the bank to bring the float back to the original amount.
4. Some people use up petty cash until they have only a small amount left, whereas others may draw petty cash, say every month. However, try to avoid running out of money to prevent embarrassment.

Recording Cash Payments

You should keep a separate record to record how the money is spent. The form in which this is done depends on how many items there are, but a three-column cash book would probably be ideal. If you keep your petty cash book in the same form as this example, you can check the balance (cash-in-hand) with the actual cash you hold at any time. If there is any difference, you should look for the error immediately and correct it.

Cash Reconciliation

This is simply checking that the cash-in-hand agrees with the balance in the imprest cash book.
<table>
<thead>
<tr>
<th>Date</th>
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**Accounting Entries**

**Balance sheet:**
When the first drawing of petty cash is made to set up the system, you are moving cash from your bank account to your petty cash. You are moving cash from one asset to another. You should therefore show within your balance sheet or your statement of assets and liabilities ‘cash in hand’ as being what your petty cash float is. Do not forget if the petty cash float increases, the asset will also increase.

**Cash book:**
When you reimburse the petty cash by drawing fresh cash from the bank, the cash book entry needs to be noted as to how the expenditure has been incurred. At the end of the year lots of entries described as ‘petty cash’ are not very helpful and will need to be analysed before your independent examiner reviews the accounts! It is therefore more correct to note the expenditure as it is incurred.

With the above example the reimbursement of £38.48 related to £10.98 for photocopying, £15.60 for mileage, £4.50 for postage and £7.40 for cleaning materials. These amounts need to be entered in the cash book in their relevant column against the cheque entry for the petty cash reimbursement.