



Finance Circular No. 10 / 1383

Dated

Subject: Procedures for operating a Petty Cash Fund

I. INTRODUCTION

All budget-funded institutions are advised of the procedures by which the Treasury, Ministry of Finance will allow establishment of a petty cash fund (advance) to be used by budget-funded institutions to facilitate small value procurements.

A petty cash fund is a relatively small amount of cash held by a department or office to pay for small incidental expenses. Unless otherwise agreed by the Treasurer, MOF, small value procurements are defined as payments for goods and services (Object codes 2000, 3000 and 4000) below 1,000 Afghanis in value.

Money received to establish a petty cash fund is not an expense, but an advance that must be properly safeguarded by its custodian and returned when the fund is dissolved.

The purpose of a petty cash fund is twofold: to improve administrative efficiency and to limit the need and frequency for small value cheques to be requested from MOF.

II. ESTABLISHING A NEW PETTY CASH FUND

To establish a new Imprest cash fund, the request for the establishment of **an imprest cash fund** should be completed by the line ministry/organization and should attach an M16 having a object code of 26130 "Unclassified expenses" and be submitted to the Treasurer for approval.

The request can be in the form of a letter and requires the following information:

- Amount requested
- Purpose of the fund (i.e., reason the fund is needed).
- Physical location of the fund:
- Plans for safeguarding the fund (e.g., locked in safe, etc.).
- Fiduciary of the fund: name and job title of the person having overall responsibility for the fund. This person would normally be the Director Administration of the institution.
- Custodian of the fund/Bonded Trustee: Name and job title of the person in whose custody the fund will be kept. This cannot be the same person as the Fiduciary of the fund.

The amount of the petty cash fund will depend upon the frequency of small value procurements and frequency of replenishment of the fund. To maximize efficiencies the petty cash fund should be sufficient in size to only require replenishment once a month. As a general rule a petty cash fund will be limited in value to 50,000 Afs.

When the new imprest cash fund is established, a check will be issued in the name of the fund and the custodian. A copy of this procedure must be provided to the custodian.

Budget-funded institutions may have more than one petty cash account, where geographic circumstances dictate. The need for multiple accounts, and their locations, needs to be addressed in each application letter. Each fund must have a separate custodian, however a fiduciary officer can be responsible for more than one account.

III. PROCEDURES FOR PETTY CASH FUNDS

The following procedures must be followed for the Imprest Cash fund. Not following these procedures will result in immediate dissolution of the fund.

- Only one person (the Custodian) should have physical custody of the fund, including possession of the keys to access the security container where the petty cash fund is stored. This person should not have custody of accounting records.
- The Fiduciary of the fund should establish an alternate Custodian to take over in the Custodian's absence (proof of absence will be on file with the fiduciary).
- The fund and all receipts and vouchers must be maintained properly and in the physical location noted in the establishment request.
- The fund should be counted/totaled and balanced each day it is used but at least once per month. Differences should be investigated and adjusted promptly. **At all times the Expenditure Receipts plus Cash on Hand, or cash book balance, must equal the Authorized Amount.**
- The fund will be reimbursed to its original authorized amount when 80% of the total fund amount has been spent and on the basis of Statement Of Expenditure (SOE) and a supporting M16 payment request received by the Treasury of Ministry of finance. (See section IV of this procedure for more details.)
- An SOE typed, properly approved by the head of administration, and listing the account code to be charged, must be obtained when making any disbursements from the fund.
- The fund is not to be used for any type of loan to any person.
- The fund must not be used to pay salaries.
- Expenses that are not within the scope of the fund's purpose may not be paid from the fund.
- A maximum single disbursement amount is to be established for the fund. The Fiduciary of the fund must approve any disbursements over the maximum amount.
- Revenues must not be used to establish or increase the size of an imprest cash fund.
- Internal Audit should be notified of any thefts or misappropriation of a fund.
- The imprest fund should be reviewed by the Fiduciary at least quarterly to determine that the above procedures are being followed and the fund is being adequately controlled; the amount of the fund is adequate but not excessive; and the need for the fund continues to exist.
- Accounting Services will verify each imprest fund's balance annually and distribute a copy of this procedure to director and the custodian/bonded trustee.
- Internal Audit will perform periodic surprise audits of balances and procedures.

IV. REIMBURSEMENT OF AN IMPREST CASH FUND

The fund should be returned to its original authorized amount before the end of each fiscal month or if it is used up to 80% of the fund.

The SOE must list all payments made from the fund. Original receipts obtained for each purchase are to be kept by the custodian.

V. CHANGES AND DISSOLUTION

The director administration, Accounting Operations and Procedures, is responsible for approving any changes to Imprest funds and for maintaining records of each fund and its custodian.

- Treasury MOF is responsible for approving any changes to petty cash fund advance amounts and for maintaining records of each fund and its custodian.
- To request an **increase to the amount** of a petty cash or change fund, a new **an petty cash fund request** should be filled and submitted to the Treasury for approval. When the increase is approved, a check will be issued to the Fund name and Custodian.
- To make a permanent **change to the Fiduciary, Custodian, or location of the fund**, a new petty cash fund request letter should be sent to the Treasury . When the Fiduciary or Custodian of an imprest cash fund changes, the fund should be reimbursed to its original amount; any overages/shortages should be investigated and recorded as described in section IV.

VI. IMPLEMENTATION

These procedures shall come into force immediately.

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