



Finance Circular No. X/ 1383
Dated __ July 2004 (__ Saratan, 1383)

Subject: Custody arrangements for funds kept in trust

This finance circular outlines the procedures for custody arrangements for funds kept in trust consistent with the requirements of the Article 42 of the Constitution of Afghanistan and the Presidential Decree appropriating the budget for year 1383.

The Treasury and provincial mustofiat shall organize the banking arrangements for the funds in trust, while line ministries and their subordinated budget entities shall be responsible for accurate accounting of all collections and payments related with the accounts kept in trust.

1. Funds in trust

The funds held in trust differ from revenues, because these funds are subject to payment back to the original depositor upon specific conditions. Therefore, the government accounts for the funds in trust as a liability rather than revenue.

Examples of funds in trust are the following, but not limited to:

- taminat (security deposit) from different entities performing activities under the government order or upon government authorization;
- the funds of Teacher's Box; or
- funds belonging to individuals or entities temporarily in custody of a government entity.

All similar payments to ministries and other government entities in Afghanistan shall be collected and refunded only in the currency of Afghanistan.

2. Bank accounts to hold funds in trust

The following accounts are authorized for holding the funds in trust:

- Treasury Single Account in DAB No. 600100; or
- One account per each provincial mustofiat to concentrate funds in trust.

The Treasury account in DAB would be used for holding all funds in trust for the line ministries and their subordinated entities in Kabul.

A single account for funds in trust shall be opened for each provincial mustofiat to keep such funds for all government entities and authorities in the province.

3. Collections of funds in trust in the center

Ministries, government agencies, and budget entities shall instruct depositors and bonded trustees to make payment of the funds in trust to the regular sub-account opened for revenue collection for that ministry or government agency. Any depositors shall assign code (00970) on M27 revenue deposit voucher to the funds in trust deposited to the sub-account opened for the ministry. The balances on ministry and agency sub-accounts are periodically transferred to the Treasury account No. 600100.

4. Collections of funds in trust in provinces

Provincial units of ministries, government agencies, and budget entities shall instruct depositors and bonded trustees to make payment of the funds in trust to the special account opened for keeping the funds in trust for the provincial mustofiat. Any depositors shall assign code (00970) on M27 revenue deposit voucher to the funds collected in trust deposited to the trust account of mustofiat.

5. Accounting and reconciliation

A Treasury Cash Management Unit employee or due mustofiat employee upon receipt of M27 revenue deposit voucher with code 00970 shall credit trust account for the provincial unit of ministry or government entity in the Treasury (mustofiat) ledger. Due holders of trust accounts every month shall reconcile the balances and transactions on the account with the Treasury or mustofiat checking that T10 taminat ledger has correct entries.

Provincial mustofiats shall submit monthly T8 report for the funds in trust account to the Treasury Accounting and Reporting Division within 10 days after the end of month starting the report for Saratan 1383.

6. Refund of funds held in trust

Upon due application of withdrawal ministries or responsible budget entities shall produce request (form M16) to the Treasury or provincial mustofiat respectively regarding the payment of the funds held in trust. The payment does not effect the budget allotment for the current fiscal year of this ministry. The refund of such monies cannot exceed the amount of original receipt.

The Treasury shall process all due requests for refund of the funds held in trust within the limit of funds kept in trust for the requesting ministry. Any such payments in excess of the amounts kept in the treasury trust account shall be charged to the appropriation for expenditure, except for the cases described in the Section 3.

7. Budget revenue from the trust accounts

Ministries and their units in provinces shall duly inform the Treasury or provincial mustofiat respectively on the change of status of the funds kept in trust.

In case if the person or entity becomes ineligible for refund of the funds in trust, such funds shall become government revenue. The budget entity, which has collected the funds in trust, under such circumstances is responsible for entering a new M27 for the revenue and submitting it to the Treasury or provincial mustofiat respectively. Similarly funds belonging to individuals or entities not claimed for more than five years should be regarded dormant and recorded as budget revenue. The Treasury Cash Management Unit shall prepare a journal voucher to debit the trust account and credit due revenue account for the amount of funds in trust no longer eligible for refund. Provincial mustofiat under these circumstances shall produce payment instructions from the trust account to the revenue account upon the M27 form prepared by budget entity.

In case of legitimate claim by respective individual or entity of such funds transferred to the budget revenue, Treasury should make payment to the due individual or entity using the appropriation for unallocated expenditures.

The Finance circular of 1383 No. 13 "Accounts held in trust" expires upon approval of this circular.

Salutation

Dr. Ghani
Minister of Finance
