



Finance Circular No. X/ 1383

Dated __ 2004 (__ , 1383)

Procedures for accounting for stale salary payments

Background

Earlier in 1383 Treasury issued Finance Circular #11 on the subject of procedures to be followed for repayment of un-paid salary. These instructions are repeated below and amplified below – accordingly Finance Circular #11 is withdrawn and replaced by this circular.

Treasury is implementing a program of Individual Salary Payments (ISP) to government employees.

Not all Government entities are part of the ISP process at this time; however it is anticipated the ISP process or a similar secure procedure for paying salary to employees will be gradually implemented in all Government entities and Budget Users in Kabul over the coming months.

The ISP scheme has the Da Afghanistan Bank (DAB) and Commercial Banks making payments to staff from documents provided from Treasury, MOF.

Some employees do not attend the payment location to collect their salary.

Government entities not covered by the ISP process frequently fail to deposit unpaid salaries back to the Treasury or provincial mustofiat accounts.

Purpose

The purpose of this Finance Circular is to inform the procedures to be used to properly account for the return of the un-collected salary to the Treasury.

Current Procedures

Currently Government entities are asking DAB to bank the un-paid salary into Account No. 600100 – Treasury Single Account.

Government entities are completing an M27 – Statement of Revenue and booking the receipts as revenue. **This is incorrect, since these returns of salary are not revenue.**

DAB and the Commercial Banks are advising the ISP management of the details of the un-paid salary.

Problems/Issues

As noted above, the un-paid salary is not revenue – it is a reversal of expenditure.

What needs to happen is for the expenditure item for the Government entity that has the un-collected salary to be credited, and the cash returned to the Single Treasury Account.

Failure to properly pay full entitlements to the government employees and failure to deposit unpaid amounts back to the correct account of the Ministry of Finance and provincial mustofiat is mishandling of government funds and subject of criminal penalty.

New Procedures – ISP Government entities

The ISP salary procedures provide a set period for DAB or the Commercial Bank making the payments to the individual employees to attempt to action the ISP request. The period is 5 working days from receipt of the cheque and ISP documents (M41) at the bank. Staffs that are not able to present themselves to the bank to collect their salary within this period will have to wait for the next month's payroll to collect salary.

After the expiration of this period of 5 working days the bank distributing the payroll is required to credit the un-paid salary amounts to the account of the MOF or provincial mustofiat on which the salary cheque has been drawn, and pass the un-paid salary information to the ISP team in Treasury. (Commercial Banks will return funds to DAB via the inter-bank clearing system, and DAB will credit the correct account of the MOF or provincial mustofiat). The note on the credit advice must contain the following text:

Uncollected salary refund for treasury cheque # XXXX.

DAB will identify the credit (from credit advice) on the Daily Bank Statement for Account No. 600100 or expenditure account of provincial mustofiat the following:

- Cheque number;
- Name of sub-organization; and
- Amount.

Cash Management Unit of the Treasury, on receipt of the reversal (copy of credit advice) will raise a Journal Voucher (JV) crediting the Government entity with the repayment (against major object code 10000 – see below).

The Treasury ISP team will advise the Government entity of the names and numbers of no-shows for salary, and the amount of the credit to their salary budget.

At the end of every month Treasury send expenditure (and revenue) reports from AFMIS records for the budget users to reconcile with their M20. It is the responsibility of budget users to align the un-paid salary from the M41 with the AFMIS record and M20 and prepare instructions for Treasury to reflect the salary reversal at the lower object code level (below 10000).

New Procedures – non-ISP Government entities

A bonded trustee is responsible for paying due salary to the individual employee on the payroll M41 form only and to obtain his original signature (??? Signature stamp) in exchange for exact amount for distribution on the payroll list.

The bonded trustee is responsible for depositing the amount of salaries uncollected in 14 days after cashing the salary cheque. The deposit shall be made to the bank account, on which the salary cheque has been drawn. The deposit slip must contain the following text:

I certify that this deposit is full balance of funds after paying duly entitled and identified individuals against the M41 payroll roster for (name of sub-organization) for the (month), 138 x year Treasury cheque # XXXX .

For non-ISP Government entities the repayment of salary should not be booked as revenue. Rather, the M27 form should identify the correct expenditure codes the non-paid salary was paid from, and the cash repaid to Single Treasury Account 600100 at DAB.

Questions

Budget users are invited to direct questions about the repayment of un-paid salary to the ISP team in Treasury in the first instance – the Head of the ISP Team is Naeem

Implementation

The procedures outlined in this Finance Circular come into effect immediately for all government entities.

Abdul Salem Rahimi
Deputy Minister