



Finance Circular No. 37/ 1383

Dated

Procedures for accounting for return of expenditure (including return of salary)

Effective date – 1 Hamal 1384

Background

Earlier in 1383 Treasury issued Finance Circular #11 on the subject of procedures to be followed for repayment of un-paid salary. This finance circular supersedes Finance Circular #11 and therefore Finance Circular #11 is cancelled.

Purpose

The purpose of this Finance Circular is to inform Ministries of the proper procedures to be used to account for the un-collected salary and to account for return of expenditure to the Treasury Single Account.

Problems/Issues

Un-paid salary and return of other expenditure is not revenue – it is a reversal of expenditure.

The return of uncollected salary and return of other expenditure is in fact a return and reduction of expenditure, therefore the expenditure object code originally used should be credited for the Ministry concerned, and the cash returned to the Single Treasury Account.

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

Non ISP – bonded trustee

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 in exchange for exact amount for distribution on the payroll list.

Uncollected salary

If after 14 days after the end of a salary payment period the bonded trustee still holds salary monies that have not been collected the bonded trustee is responsible for depositing the uncollected amounts into the Treasury Single Account on that day, the 14th day. 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 **is not** to 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.

When employees do not attend the payment location to collect their salary, either through the ISP or Bonded Trustee system uncollected salary payments are deposited back into 600100 – Treasury Single Account.

Overpaid salary

As a part of normal business practice salaries are paid at the end of each month. From time to time staff will receive full payment for a month when they have been absent from work on unpaid leave. When this occurs the following month M41 is to be amended and only request the net amount required for salary payment.

Ministries are to be advised that they will no longer be paid the overpayment to be returned to MoF and recorded as revenue.

M16's are to be processed requesting payment for the net amount of salary payment required only.

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 Treasury Single Account, 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). 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 the Treasury Single Account or expenditure account of provincial mustofiat the following:

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

Once the ISP team has reviewed and reconciled M41, advice will be provided to Ministries on collected and uncollected salary payments.

The Ministries must then provide details to the Accounting and Reporting Department 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 original expenditure object code).

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.

Return of other expenditure

All other expenditure returned to the TSA is also to be credited to the original expenditure object code. Ministries are to include this return on the M27 report and nominating the expenditure object code(s) that the returned expenditure relates to.

Monthly reconciliations

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 original object code the

expenditure was posted to. It is also the responsibility for the budget user to reconcile the return of other expenditure with MoF records.

Implementation

The procedures outlined in this Finance Circular come into effect 1 Hamal 1384 for all government entities.

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