



Finance Circular No. 40/ 1384
Dated 28 August 2005 (6 Sunbola, 1384)

Official Bank Accounts of the Government

This finance circular has been issued to establish procedures and rules applying to the official bank accounts of the government according to the requirements of Article 42 of the Constitution, the Public Finance and Expenditure Management Law, and Decree of the president approving 1384 Ordinary and Development Budget.

This circular has been prepared with the view of ensuring that:

- all revenues and expenditures of the state administration are accounted for in full amount on gross basis and duly presented in the government financial statements;
- government units and due state officials are handling public money upon proper authorization;
- all receipts of the State are duly deposited into an official bank account and properly consolidated to the Treasury Single Account; and
- public money is paid and spent according to the law.

This finance circular shall be applied together with finance circulars issued earlier as follows:

- FC 20 Consolidation of line ministry revenues collected in provinces
- FC 24 Custody arrangements for funds kept in trust
- FC 26 Bank accounts opened for provincial mustofiats
- FC 23 Procedures for Disbursing Payments under Development Budget in Provinces
- FC 29 Use of the currency of Afghanistan in payment transactions

The following finance circulars shall expire with the enactment of this finance circular:

- FC 2 Requirements for Central Ministries Bank Accounts
- FC 4 Regular Sweeping of Revenue Bank Accounts
- FC 6 Overdraft Prohibition
- FC 7 Central Ministry Revenue sub-accounts
- FC 13 Accounts held in trust
- FC 16 Custody arrangements of bid security
- FC 39 Development Budget Imprest Bank Accounts

1. Official Bank Accounts – legal basis

Only the Ministry of Finance may authorize opening official bank accounts for depositing the public money or paying public money.

All receipts collected by government units other than government owned units operating under state owned enterprise (tasady) law or business organizations under the Commercial Law shall be deposited to the official account of the Ministry of Finance. Other regulations and guidance of the State Owned Enterprise Department of the Ministry of Finance shall determine the opening and use of bank accounts for the state owned enterprises.

2. Responsibility for Custody of Public Money

The officials responsible for revenue collection in a budgetary shall advise the payer to make direct deposit of the due amount directly to the mustofiat revenue account. The receipt advice (document) shall be prepared in three copies and contain the following information:

- Name of the budgetary unit claiming the payment;
- Account number of the mustofiat and the name of DAB branch;
- Identification of the payer (name of individual or legal entity), taxpayer identification number or personal identification number as applicable;
- Purpose of the payment, e.g. passport fee, payment for service provided, etc.
- Amount of payment in the currency of Afghanistan

3. Types of Official Bank Accounts

The Ministry of Finance will open and maintain the following Official Bank Accounts:

- Main Government Account in DAB in the currency of Afghanistan
- Main Government Account in DAB in foreign currency
- Receipt sub-accounts for consolidation
- Expenditure payment accounts
- Special accounts for disbursement of donor loans or grants
- Accounts for the funds in trust
- Accounts for official missions of Islamic Republic of Afghanistan abroad
- Accounts necessary for the purposes of cash management

Any official accounts of Afghanistan shall be open in the name of the Ministry of Finance or mustofiat, provincial units of the MOF. However, the Ministry of Finance may assign such accounts to the responsibility of other government units and officials. MOF accounts assigned to other agencies and units shall include the name of the unit for which the official account has been opened and the purpose of the account, e.g.

- Ministry of Finance account for revenue collection for the Ministry of Transport or
- Ministry of Finance account for customs revenue – Spin Boldak
- Ministry of Finance account for distribution of benefits for Martyrs and Disabled – Kunduz

It is strictly prohibited to assign the names of government units to private accounts (accounts that are not official accounts).

4. Opening Official Bank Accounts

MOF delegates to provincial mustofiats opening a set of official bank accounts in the name of the Ministry of Finance in strict compliance with the procedures as defined in the finance circulars 23 and 26.

Ministries and government units shall apply to the Ministry of Finance in writing for opening any new Official Bank Accounts. The application should explain:

- The purpose of the official bank account;
- The responsible entity;
- The DAB (bank) branch at, which the account would be opened;
- Knowledge of the accountability requirements for taking the custody of an official bank account.

The MOF shall make the decision on the application and issue due instructions to DAB (bank) as appropriate. MOF shall provide the responsible entity with due notification on opening an official bank account upon its request and advice on applicable rules and procedures.

The Treasury shall maintain due register of authorized official bank accounts up to date.

The MOF (Treasury) shall control proper use of the official bank accounts and as deemed necessary to ensure due accountability and discipline in the government finance may order:

- Closing the official bank account;
- Removing control of officials on the bank account.

5. Accounts for receipt consolidation

Responsible government entity shall advise all legal and physical persons making payments to the government to deposit due funds directly to the receipt consolidation account opened for the entity. In case of collecting funds to the government on temporary basis (trust funds) the provisions of finance circular 24 shall apply.

The MOF will make arrangements with responsible banks to ensure that funds are regularly transferred from receipt consolidation accounts to the Treasury Single Account (main government account). Responsible entities shall have no right to make withdrawals or payments from these accounts.

Government units shall provide the Treasury or provincial mustofiat as appropriate with receipt deposit vouchers M27 or monthly receipt statements M29 accompanied with bank account reconciliation statement T8 not later than five days after the end of month.

Heads of respective government units shall be responsible for due collection of all government claims on individuals and legal entities, including all types of budget revenue.

For banking and payment arrangements for line ministry revenues collected in provinces FC 20 shall apply.

6. Rules regarding the accounts for payment

Provincial mustofiat are prohibited from obtaining cash for expenditures from any source other than the Treasury.

Overdrafts on the official accounts are strictly prohibited. An overdraft occurs when a payment instrument is processed by a responsible entity and drawn on an account which contains insufficient positive cash balance to meet the value of the payment instruction.

In calculating the positive cash balance of an expenditure bank account, the official staff of the responsible entity must take into account the value of payment instructions previously issued and not cashed as well the physical cash balance.

The responsible entity shall prepare monthly payment report M23 and T8 bank accounts reconciliation statement not later than instructed according to the rules established during opening of the payment account.

7. Accounting and Reporting

The government units responsible for official accounts according to separate regulations established by the Ministry of Finance shall:

- Maintain accurate records on all transactions processed through the official account;
- Ensure due reconciliation of the transactions and balances on the official account;
- Report to the Treasury or other government unit appointed by the Treasury regarding the transactions processed through the official account.

FC 29 shall apply, if other currencies are used in the payment claims and settlements involving the units of the government of Afghanistan.

8. Penalties and Enforcement

The Ministry of Finance shall confiscate for the government revenue any amounts government units fail to report or deposit to the official account without further compensation. The Director General of the Treasury Department shall notify the government units on such occasions in writing.

The Ministry of Finance in cooperation with the DAB shall hold annual inspection of government accounts in all banks and bank branches operating in Afghanistan.

The Ministry of Finance shall take other inspection and audit measures as necessary to enforce this finance circular.

This finance circular comes into force immediately.

Salutation

Wahidullah Shahrani
Deputy Minister of Finance
