



Overview of Treasury Operations

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Treasury General Directorate

The Article 7 of the Public Finance and Expenditure Management Law (PFEML) specifies the role of the Treasury in the following terms:

In order to carry out the relevant affairs, the Treasury of the Ministry of Finance shall have the following responsibilities and authorities:

- Efficient management of the State's financial resources through a centralization of budgetary revenues, efficient financial planning and timely management of budget expenditure.
- Managing the Consolidated Fund.
- Implementing and managing the treasury bank accounts and payment procedures, which include the Treasury Single Account and official bank accounts through defining the Treasury Single Account structure of accounts and sub accounts, and ensuring necessary cooperation for activating treasury accounts including opening and closing bank accounts.
- Implementing financial plans.
- Managing cash assets.
- Implementing the budget and performing expenditure controls in accordance with revenue and expenditure plans.

This department ensures full compliance to laws and guidelines on the disbursement of funds and management of debit on behalf of the GoIRA is demonstrated.

It also conducts oversight and management of disbursement to suppliers of goods and services to the GoIRA.

The treasury department is headed by the DG of Treasury and its various functions are further delegated to three key officials, which are as follows:

- I. Director of Payments
- II. Director of Accounting
- III. Director of Financial Development and Expansion

I Directorate of Payments

The Director of Payments is responsible for handling operational and development budget reimbursements as well handling the payroll payment for the line ministries. This is classified into three divisions:

- a) Operating Budget Payment
- b) Development Budget Payment
- c) Verified Payroll Program

The main purpose is to process the operational and development budget reimbursement and payroll payment timely and accurately. This department ensures primary interface with the suppliers of goods and services to the GoIRA.



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a) Operating Budget Payment Unit:

Ensure processing payment requests to be accurately prepared and approved from the operating budget as well to ensure processing payments according to the approved laws, regulations and procedures.

This unit carries out full compliance to the requirements set-forth by GoIRA on executing disbursement of funds as well as prompt processing of requests is maintained.

It also administers and oversees the disbursement and recording GoIRA funds in compliance with GoIRA regulations.

b) Development Budget Payment:

Special Disbursement Unit (SDU) is the unit within the Treasury Department of the Ministry of Finance that is responsible for processing payment requests for the Development Budget component of the State Budget of Afghanistan, including donor grants/loans and the accounting thereof. Apart from making the disbursement, the unit is also responsible for liaison with the donors and Implementing Agencies in respect of the disbursement and financial management of the development budget.

SDU is supported by both the Treasury Department and the Financial Management Advisor under the World Bank grant provided for the reforms of public financial management. The management of donor grants and loans is based on financing agreements with the donors.

This unit is responsible to secure full compliance to the requirements set-forth by donors on executing disbursement of funds as well as prompt processing of requests is maintained.

Additionally, administer and oversee the disbursement and recording of donor funds in compliance with donor established requirements and GoIRA regulations.

Overview of Special Disbursement Unit Sub-Units:

The Special Disbursement Unit is composed of the following sub-units:

1. Sub-Unit Reception

Responsible for coordination and administration of M-16 and supporting documents with submitting agencies

2. Sub-Unit Processing

Responsible for processing and posting of M-16s

3. Sub-Unit Control

Responsible for controlling and verification of M-16s supporting documents

4. Sub-Unit Check Printing

Responsible for printing checks

5. Sub-Unit Filing

Responsible for filing of processed M-16 and supporting documents

c) Verified Payroll Program Unit (VPP):



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Verified Payroll Plan (VPP) reform was introduced as a solution to support these initiatives within the MoF and provide clear and proper processes and procedures to meet the mandate by the government. There is a plan to cover all government organizations (civilian and military) under this new reform. This reform includes the payment of Afghanistan Civil Servants through the Electronic Funds Transfer (EFT) program, where they receive their monthly salaries through direct deposit from the MoF to a commercial bank employee salary account. The main purpose is to provide employees with:

- On-time payment
- Accurate payroll calculation
- Due amount based on official Tashkeel and budget
- Payment made to identifiable employee

It ensures full compliance with rules and regulations on payrolls and facilitating the processing of payrolls ensuring that personnel are verified accurately.

Main Activities:

As the VPP unit works to support the payroll process for the Treasury department, the main steps are broken down for execution phases. The VPP process has four main steps:

1. Registration of all government employees and distribution of Identification card
2. Opening of bank accounts – providing employee salary accounts for all GIRA employees
3. Training and implementation of Computerized Payroll System (CPS) Payment process.

II Directorate of Accounting

The Director of Accounting is responsible for Reporting of Central Accounts, Coordinating between Ministries and Controllers. This directorate ensures primary interface with internal financial and accounting operations of the GoIRA. This directorate ensures accounting records in order, up-to-date and compliance with GoIRA regulations. The units working under this directorate are as follow:

- a) Reporting
- b) Central Accounts
- c) Ministry Coordination Controller
- d) Bank Reconciliation

It is also responsible for oversight and controlling of accounting records for the following:

- ✓ Provinces
- ✓ Ministries
- ✓ Mustofiats
- ✓ Revenue

a) Reporting Unit:

Ensure duly and fully preparation of budget reports, financial performances and control of the financial affairs in accordance with the related laws, regulations and procedures.



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b) Central Accounts Unit:

Ensure the completeness of accounting control during the prepaid processes. Manage recording the government assets and conducting the financial control activities within the budgetary units in the center according to laws, regulations and procedures of the Islamic Republic of Afghanistan.

c) Ministry Coordination Controller Unit:

To control, supervise and comply with the laws when performing the controllers' job. Perform regular control and supervision as well discipline within the organization and accelerating performances as per the related provision of law and directions. Organize the routine plan ensure increasing supervision of the tasks assigned and coordination in controllers' activities.

d) Operating Budget Bank Reconciliation Unit:

Ensure complete entry of all banking transactions of the operating budget and regulating the valuable documents.

III Directorate of Development and Expansion of Financial Affairs

The Director of Finance and Development is responsible for developing regulations, Cash and Debt Management, maintenance of Afghanistan Financial Management System (AFMIS) and coordinating with the Mustofiats (Provincial Treasury Offices). This directorate ensures primary interface with budget DG, payroll processing and AFMIS system maintenance.

- a) Regulations
- b) Cash and Debt Management
- c) IT-Afghan Financial Management Information System (A FMIS)
- d) Mustofiats Coordination

This department ensures that the budget execution occurs in compliance with approved budget, AFMIS is stable and performing according to intent and Payroll payments are complainant with regulations.

It is also responsible for oversight of compliance of budget execution to approved budget, maintenance of AFMIS systems and compliant payroll systems and processes.

a) Regulations Unit:

Control, supervise and direct the equivalent implementation of charts of accounts (in cash and goods) and provide effective and efficient guidance regarding financial and accounting affairs for budgetary units according to the laws and regulations of the government of Islamic Republic of Afghanistan.

a) Cash and Debt Management Unit:

Generate work plan and provide information for units and controlling the transfer of assets to provincial centers and agencies. It ensures that the debt of GoIRA is managed in compliance with its covenants and administered in compliance with the guidelines established by the government.



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Its responsibility is to record debt, monitor and administer debt agreement requirements. Prepare and report on debt administration.

b) Afghanistan Financial Management Information System (AFMIS) Unit:

Evaluate the provision of information system of financial management, capacity building of legal users and development of Afghanistan Financial Management Information System (AFMIS) in accordance with the MoF plan and strategy.

It takes care of the robust and reliable operation of the AFMIS group of operating system: i.e., Free Balance, Debt Management, VPP, PMS, etc. It provides full system operational support and direction. Risk monitoring and maintenance of infrastructure as well as users to insure a constant, dependable AFMIS

c) Mustofiats Coordination Unit:

Study and analysis of reports, official letters and questionnaires (Istelams) received and collecting them from Mustofiats for further processing.

IV The Afghanistan Financial Management Information System (AFMIS)

Afghanistan installed and operated the Afghanistan Financial Management Information System (AFMIS), as part of a contract to help the government upgrade its accounting system. The project, financed by the World Bank, is viewed as a critical step to ensuring accountability for processing and reporting the Government's budget, which is largely financed by international contributions.

The development of the AFMIS application with an initial basic configuration started in 2002. International aid is expected to flow to the Islamic Transitional State of Afghanistan; some of which AFMIS will help track as the system's coverage grows to include grants for donor-funded projects. AFMIS is based on the Free-Balance Accountability Suite.

The AFMIS has supported the Government of Afghanistan agenda of reform and modernization. More than 99% of the government's budget execution is captured in AFMIS on a real-time basis. Regular training on AFMIS resulted in 500+ government employees being added to the AFMIS skilled workforce.

In 2010 the AFMIS Rollout team in Nuristan prints its first cheque. With this achievement, the rollout of the AFMIS across the provinces of Afghanistan was completed as Nuristan was the last province to be connected to the AFMIS network. Core functions of AFMIS are successfully rolled out to Ministries and Provincial Mustofiats (Treasury offices in the provinces)

All 34 Afghanistan provinces and all line Ministries at the centre now have system-based budget controls, and can execute system-based payments with a very high degree of fiduciary control.



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Provincial Mustofiat have access to AFMIS for data entry and reporting, provincial directorates can obtain reports on allotment releases and provincial expenditures from the Mustofiat.

Currently, the system covers the ordinary budget.

In the April 2011 World Bank Economic Premise note titled “Strengthening Public Financial Management in Post-conflict Countries,” the Government of Afghanistan was given a rating of “substantial” — the highest rating — for PFM rebuilding and reform progress.

The AFMIS system is comprised by core modules:

- Appropriations
- Expenditures
- General Ledger

and non-core modules:

- Purchasing
- Assets

V Appropriations

Appropriations / Allotments provide real-time information on commitments, obligations, actual spending, remaining free balances and forecasted deficits or surpluses.

Allotment Transfer Voucher

Treasury has implemented the Allotment and Budget Transfer Voucher function to record increases and decreases in allotment and budget coding block amounts, thereby enabled tracking the activity in any particular allotment and budget. With the new functionality treasury is able to report on original budget changes, budget transfers, and adjustments. An allotment transfer voucher represents a single or multi-use transfer of funds between existing and active allotments. Allotment and Budget Transfers to and from allotments can only occur if:

- a. Allotments exist,
- b. Amounts being transferred exist in the allotment being debited, and
- c. Transfer is specified between the same types of allotments.

Through the Allotment and Budget Transfer Voucher an authorized user can:

- a. Increase or decrease allotments,



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- b. Transfer single or multiple allotment amounts where an increase in one allotment is equal to a decrease in another.

VI Expenditures

Expenditures tracks expenses against commitments and obligations and provide real-time analysis of current cash flow and payments, including foreign currency transactions.

Multi-currency check printing

Introducing the Multi-Currency check printing functionality in AFMIS, Treasury has managed to integrate the check printing into one consolidated system. Previously Treasury was using two parallel systems for check printing; a SDU (Special Disbursement Unit) database for foreign check printing and AFMIS for national currency check printing, which made reconciliation process challenging. By implementing AFMIS Multi-Currency check printing functionality Treasury managed to have Check Registry book into one single system.

VII General Ledger

General Ledger provides a central repository for all transactions and generates multi-dimensional analysis reports.

VIII Purchasing Module

The AFMIS Purchasing Module is slowly expanding to line ministries, a diverse range of human and hardware capacities, and communication links at Line Ministries are decelerating project implementation. While capacity building trainings are conducted for all Line Ministries a need for additional and one-to-one training remains.

With a strong CSTC-A support, MoI and MoD are using Purchasing Module at their main offices, with a plan to expand to other units as soon as we have a new contract with internet communication provider. The internet communication provider bid is under evaluation process and it is estimated to be finalized by the end of the month. Expansion to MoI and MoD units is projected over the coming months.

Treasury has issued a circular to Line Ministries requesting them to purchase IT equipment for connecting to AFMIS to use the Purchasing Module. As to now AFMIS team have not receive hardware from Line Ministries to configure access to Purchasing Module.

Benefits of Purchasing Module

Features provided through the purchasing module would strengthen the expenditure control environment. Purchase Order automatically creates an Obligation /Commitment,



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which sets funds aside from Allotment, this to control and not allowing to over commit. One of the main benefits of the Purchasing module is the display arrangement of items for purchasing; it provides a list of goods ordered and the status. Confirming delivery via Goods Received Notes provides information on tracking and identifying which items are delivered from a specific order.

Purchasing, however, offers additional functionality to manage and report goods receipting and returns.

IX Assets Module

Asset management procedures followed by Line Ministries are set out in the 1967 Warehouse Supply and Conduct manual (referred to as the 'Assets Manual'). In the surveys on the Asset Management Module conducted at selected Ministries, it is found that these procedures were largely followed by the Line Ministries: Ministry of Education, and Ministry of Finance, with varying degrees of computerization of forms and records.

The introduction of FMIS functionality is not be viewed as a technology project, fitting the current procedures into the chosen platform, but as an opportunity for process improvement to achieve more effective management and to deliver more relevant information to managers.

Recommendations as to the areas of the current asset management procedures that should be considered for specification or change are under development.

Benefits

A fixed assets registry system is important because it provides for effective property management, control, and safeguarding of a large public investment. It also can assist in making management decisions, and it can prevent possible misstatement of financial statements.

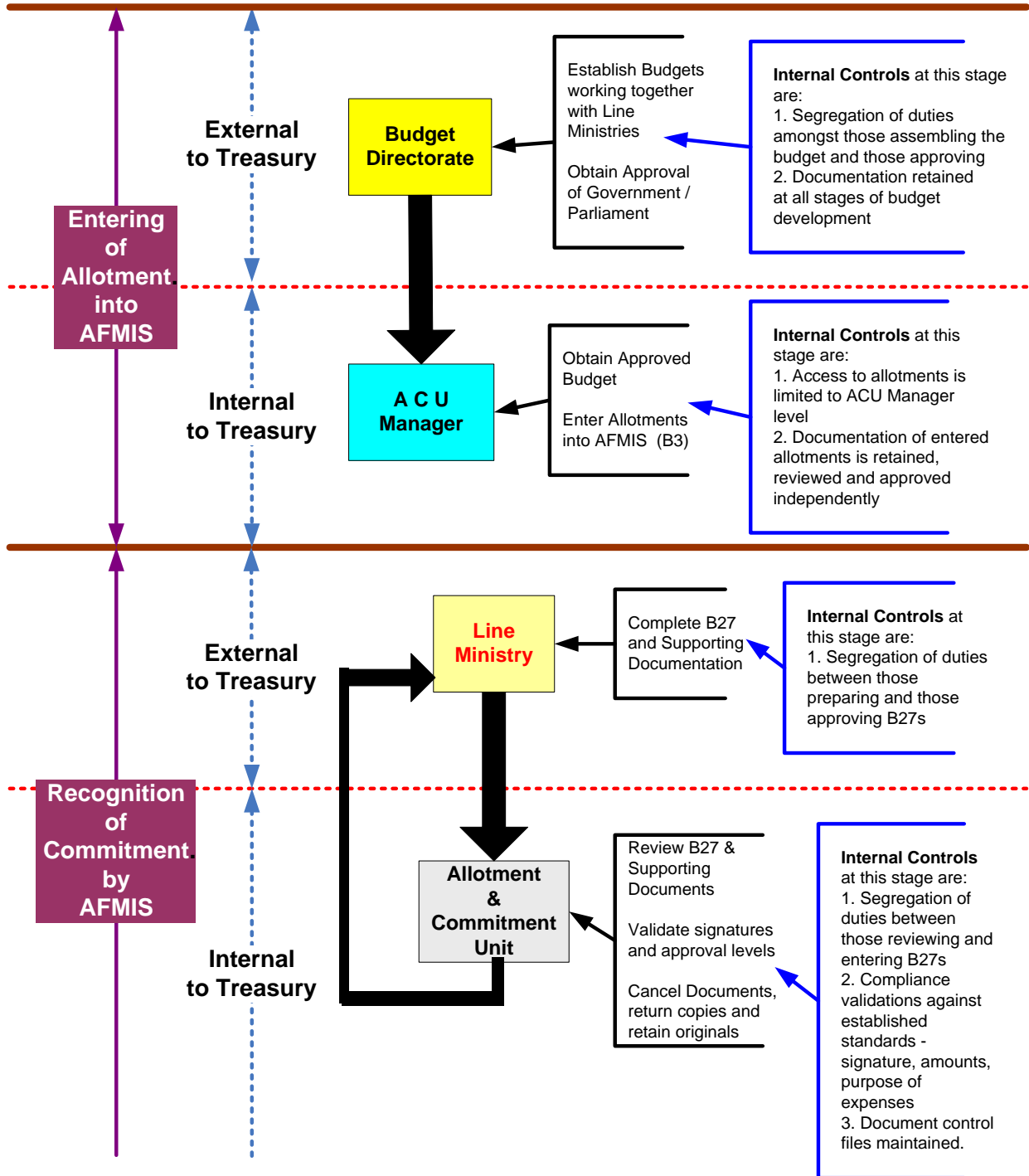
Process of Establishing Budgetary Allotment and Commitments



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X Internal Controls - Allotment and Commitment

Process of Establishing Budgetary Allotment and Commitments





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XI Internal Controls Payments

