



## Standard Operating Procedures Manual SOPs

### Finance

### “Salaries payment procedure”

Presented to:

Independent Elections Commission (IEC)

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Kabul- Afghanistan

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**1. Objective and Scope**

It provides the information for payroll preparation, and bears the record of payments to each employee during one year

And to authorize the payment of monies and to show the purpose of the expenditure and the distribution of the expenditure to budgetary and operating accounts.

It covers the Salary Payment procedure as follow:

## 2. Terms, Definitions & Abbreviations

CEO:	Chief Executive Officer
IEC:	Independent Election Commission of Afghanistan
SOP:	Standard Operating Procedure
MOF:	Ministry Of Finance
GoIRA:	Government of Islamic Republic of Afghanistan
CoA:	Chart of Accounts
GOCA:	General Officer of Cash Accounting
HR:	Human Resources
M41:	Payroll
M16a:	Payment order (salaries)
AFMIS:	Afghanistan Financial Management Information System

## 3. Tasks, Responsibilities and Accountability

<b>Task</b>	<b>Authorized</b>	<b>Responsible</b>
Preparing Salary payment documents & its process implementation	CEO	AFMIS, GOCA, HR

#### 4. Operating procedure

The process to record salary expenditures and make payments is similar to the process used for ordinary expenditures of goods and services but with some important differences.

First, salary expenditures do not require the use of commitment forms and are considered post payments for time accrued by state employees. The amount of expenditures to be recorded in the M-16a Form is based on attendance sheets obtained from Human Resources and the M-41 Payroll form.

The M-41 is a summary of the total amount due each employee in a budget unit based on a calculation of all earning types and deductions from salaries resulting in a net payment to the state employee. Furthermore, the M-16a Form used for salary expenditures is a modified version called M-16a.

Second, salaries in the center and some provinces are disbursed using electronic payments whereby the DAB transfers funds directly into commercial bank accounts registered with the Treasury.

The commercial banks then distribute the funds to state employees based on M-41 Forms and electronic funds transfer instructions provided by the Treasury.

The electronic payments process is managed by the Verified Payroll Planning ("VPP") unit in the Treasury and uses the Computerized Payroll System ("CPS").

The VPP unit is responsible for setting up the CPS in the primary and secondary budget units and registering state employees for the program. The main benefit of using the VPP is that allows for the direct deposit of funds into commercial banks where employees can withdraw their salaries using debit cards reducing the potential for abuse and fraud. In addition, CPS is able to automatically create electronic versions of the M-16a and M-41 forms using attendance data entered directly into the system.

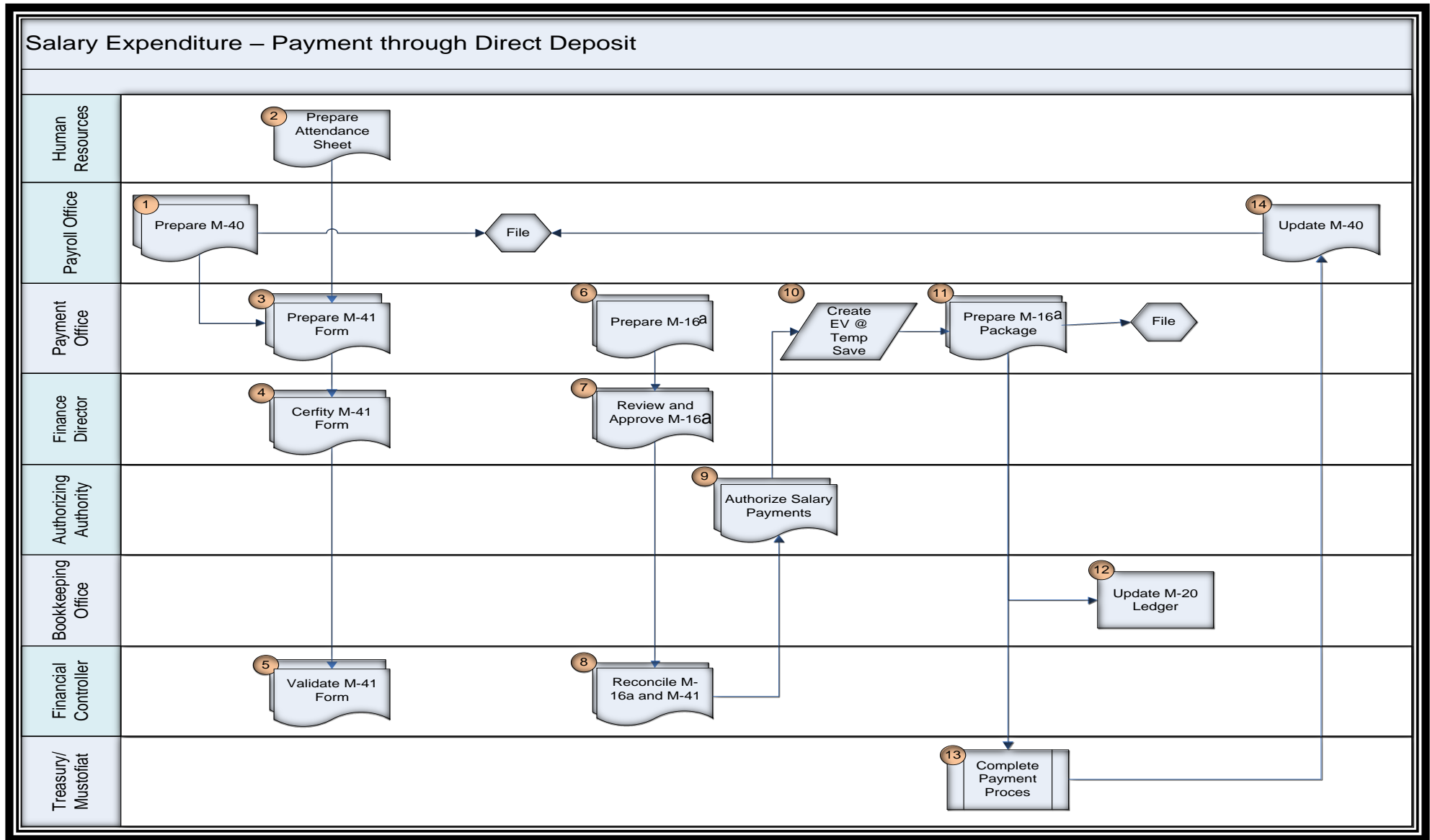
This saves both time and improves accuracy of reporting.

Note: The electronic payment processes described in this section provide an overview of the steps related to accounting, but does not discuss either comprehensive or specific details of the VPP not directly related to the Accounting Information System. Further information about the VPP is described in the VPP Manual.

Salaries that are not distributed through the VPP are distributed through the use of bonded trustees. In these cases the Treasury will write out a check to the bonded trustee who will then be responsible for disbursing the funds as per the information in the M-41 and M-16a Form.

For graphical presentation of Salary payment process refer to **Annex 1**

Error! Reference source not found. provides a graphical presentation of the process



**Detailed Steps:**

Step #1: Complete Steps 1 to 13 of Scenario #1 – Salary Expenditure Payment through a Bonded Trustee.

Step #2: The Treasury or Mustofiat will process the payment based on their internal control procedures. If during the review, the M-16 is rejected for any reason, the M-16 will be sent back to the budget unit for revision. In this case the disbursements will be made through direct payments from the Treasury bank accounts.

Responsible Party: Treasury/Mustofiat.

Step #3: Update the original M-40 Payroll (Individual Payroll Ledger) based on the returned M-41 Form. Reference the M-41 Form when filling out the M-40 Form. File the M-41 Form after verifying the payment of funds by Treasury through direct deposit.

Responsible Party: Payment Office

Notes: Salary payments take place at the end of each month with some limited exceptions for emergency payments within a month

5. Related Documents  
M-16 - Payment Order



Ministry of Finance - Treasury Department  
Form M-16 - Payment Order

Section A: (This Section shall be filled by Payment Office)							
1. M16 No.		2. Ministry/Org.		3. Issue Date	4. No. of Enclosed Sheets		
5. Budget Type		6. Payment Category		7. Electronic Voucher #			
<input type="checkbox"/> Ordinary <input type="checkbox"/> Development		<input checked="" type="checkbox"/> Postpaid <input type="checkbox"/> Prepaid					
8. Grant/Loan No./Name		9. Commit/Oblig. #		10. Payment Type			
				<input type="checkbox"/> Letter of Credit <input checked="" type="checkbox"/> Direct <input type="checkbox"/> Bank [			
				Special Account No.			
11. Procurement Details			12. Description of Expenditure				
Quantity		Price					
Total	Unit	Total	Unit				
13. Coding Block (Expenditure)							
Org. (4)	Project (6)	Program (5)	Fund (5)	Location (4)	Object (5)	14. Category Code	15. Amount
16. Total (In Words)			17. Total (In Figures)				
18. Payment Details			19. Object Code		20. Bank Acct. No		21. Amount
Total Amount of Invoice							
Less - Company Tax							
Less - Individual Tax							
Less - Taminat			42104				
Less - Returned Amount (Only for Operating Budget)			41212				
Less - Other Deductions			41210				
22. Net Amount (In Words)			23. Net Amount (In Figures)				
24. Beneficiary's Information				25. Beneficiary's Banking Information			
a. Beneficiary Name				a. Beneficiary Bank Account Name			
b. Tax Identification No.				b. Beneficiary Account Number			
c. Vendor ID				c. Invoice No./Identification No.			
26. Details of Grant/Credit and Contract				d. Bank Name			
a. Contract Ref No.				e. Bank Address			
b. Procurement Type				f. IBAN No.			
c. Post/Prior Review				g. Bank SWIFT Code			
d. Contract Amount				h. Correspondant Bank Name			
e. Currency				i. Correspondant Bank Address			
f. GRN Report No.				j. Correspondant Bank Account No.			
g. No Objection Date				k. Correspondant Bank SWIFT Code			
Section B: Review and Authorization							
27. Bookkeeping Manager (Sign & Date)		28. Payment Manager (Sign & Date)		29. Finance Director (Sign & Date)		30. Authorizing Authority (Sign & Date)	31. Stamp of Directorate
Section D: (This Section shall be filled by Financial Controller)							
32. Financial Controller (Sign & Date)				33. Remarks			

### **M-16a Instructions**

Purpose: To authorize the payment of monies and to show the purpose of the expenditure and the distribution of the expenditure to budgetary and operating accounts.

Prepare an original and one copy as follows:

Section A – Prepared by the Administrative Office of the Authorizing Ministry

- 1) M16 No. - Enter the serial number of the payment order. The serial number will begin with "1" for each fiscal year. All numbers must be accounted for to determine that no payment order is missing.
- 2) Ministry/Org. – Enter the name of the organization/ministry which will be making the payment.
- 3) Issue Date–Enter the date that the form is prepared.
- 4) No. of Pages – Enter the number of pages of the M-16 Form. Additional pages provide expenditure and coding block information that will not fit on the first page.
- 5) Budget Type – Mark "x" in the check box to indicate the budget type. Type budget type will determine which administrative office will process the form and the procedure to be followed. Payments for operating expenditures are processed by the Ordinary Budget Unit, while development expenditures are processed by the Special Disbursements Unit (SDU).
- 6) Payment Category – Mark "x" in the check box to indicate payment type of the payment order for the expenditures. The payment types are either Prepayment or Post Payment.
- 7) Electronic Voucher # - Enter the electronic voucher number(s) associated with the M-16 from AFMIS. There may more than one electronic voucher number if the M-16 has been modified.
- 8) Grant/Loan No./Name –Enter information identifying the purpose of the payment order which may include information related to specific grant and number, loan number information or name of the payment.
- 9) Commit/Oblig. # - If commitments have been issued for the expenditures in this form, insert the commitment number in this field. Only development expenditures will have a commitment number.
- 10) Type of Payment – Mark "x" in the check box indicating the type of payment used to distribute funds. Use the following check boxes: Line of Credit (LC), Bank, or Direct. If the Bank payment type is chosen, please provide any special bank account number to deposit the funds.
- 11) Procurement Details – Provide details related to the procurement of the goods and services related to the payment order. The procurement details should provide the following information:
  - a. Quantity - Total- For each item enter the usual unit of measurement, such as kilogram, liter, each, and so on.
  - b. Quantity - Unit– For each item enter the total number of units.
  - c. Price - Total- If applicable, enter for each item the price per unit shown.



- d. Price - Unit—Enter the total price for each item. Usually this will be the figure under “Total Quantity” multiplied by the figure under “Unit Price”.
- 12) Description of Expenditures— Provide details related to the purchase order associated with the expenditure. Refer to the M-3 form associated with the order for payment to reference the correct information including description of the purchase, the date and period and purchase order number.
- 13) Coding Block (Expenditure) – Enter each section of the coding block to which the M-16 will make a payment and record expenditure.
- a. Org. (4) – Insert the four (4) digits Sub organization Code of the ministry.
  - b. Project (6) – Insert the six (6) digits Project Code.
  - c. Program (5) – Insert the five (5) digits Program Code.
  - d. Fund (5)– Insert the five (5) digit Fund Component.
  - e. Location (4) – Insert the four (4) digit District Code.
  - f. Object (5) – Insert the five (5) digits Object Code.
- 14) Category Code – Enter the category code used by a grant to identify expenditure. This field will be only be used by development projects and its format is based on the requirements of the grant.
- 15) Amount- Enter the amount of each expenditure as referenced by the coding block.
- 16) Total (In Words) – Sum the total amount of expenditures on the M-16 form and write out the amount in this field.
- 17) Total (In Figures) – Sum the total amount of expenditures on the M-16 form and insert the amount in numbers in this field.
- 18) Payment Details
- a. Total Amount of Invoice –Enter the gross amount of the invoice prior to deductions. The amount is equal to the value in Total (In Words). No object code or bank account number is required for this field.
  - b. Less Company Tax– Enter the amount of company taxes to deduct from the payment amount for this M-16. This deduction will apply to payments to vendors and other service providers. Insert the revenue object code appropriate for the type of tax which is being deducted and insert the bank account number to which these funds will be transferred.
  - c. Less Individual Tax– Enter the amount of individual income taxes to deduct from the payment amount for this M-16. This deduction will apply to salary payments. Insert the revenue object code appropriate for the type of tax which is being deducted and insert the bank account number to which these funds will be transferred.
  - d. Less Taminat - Enter the amount of Taminat to deduct from the payment for this M-16. The Taminat may be required for large projects and consists of security payments to be kept in a special trust account as designated by the Ministry of Finance. The amount may be up to 10% of the project value. . The asset object code 42104 – Taminat will be prepopulated. Insert the bank account number to which these funds will be transferred.
  - e. Less Returned Amount (Operating only) – Enter the amount of any funds that should be returned to the Ministry to overpayments and/or other payment errors. The asset object code 41212 – Return of Salary and Expenses will be prepopulated. Insert the account number to which these funds will be transferred.

- f. Less Other Deductions— Enter the amount of any other deductions required not specified above. The liability object code 41210 – Other Deductions will be prepopulated in the first row. Two additional rows have been provided without an object code. Insert the bank account number to which these funds will be transferred.
- 19) Object – See 17 above.
- 20) Acct No.– See 17 above.
- 21) Amount– See 17 above.
- 22) Net Amount (In Words) – Calculate the total amount of the M-16 by subtracting the deductions from the Total Invoice Amount. Write out this amount in words and enter in this Field.
- 23) Net Amount (In Figures)–Calculate the total amount of the M-16 by subtracting the deductions from the Total Invoice Amount. Enter this amount in this Field.
- 24) Beneficiary Information – For all payment types provide the following beneficiary information:
- a. Beneficiary Name - Enter the name of the person, firm or organization to be paid.
  - b. Tax Identification No. - Enter the tax identification number of the person, firm or organization to be paid.
  - c. AFMIS Vendor ID - Insert the AFMIS vendor ID of the person, firm or organization to be paid.
- 25) Beneficiary Banking Information –If the payment consists of a transfer of funds to a bank account or is a letter of credit please provide the following information:
- a. Beneficiary Bank Account Name – Enter the name of the bank account where payments will be made to the beneficiary.
  - b. Beneficiary Account No. – Enter the bank account number where payments will be made to the beneficiary.
  - c. Invoice No./Identification No. – Enter the invoice number provided by the vendor/person requesting payment.
  - d. Bank Name –Enter the name of the bank where the payment will be deposited.
  - e. Bank Address – Enter the address of the bank where the payment will be deposited.
  - f. IBAN No. – If the payment is to be made in Euros or other foreign currencies, enter the International Bank Account Number of the bank.
  - g. Bank Swift Code – Enter the Swift Code of the bank. This is a bank’s unique identifier of Bank Identification Code (BIC).
  - h. Correspondent Bank Name – Enter the name of the correspondent bank that will process the payment on behalf of the beneficiary’s bank.
  - i. Correspondent Bank Address – Enter the address of the correspondent bank that will process the payment on behalf of the beneficiary’s bank.
  - j. Correspondent Bank Account No. Enter the bank account number of the correspondent bank that will process the payment on behalf of the beneficiary’s bank.
  - k. Correspondent Bank Swift Code – Enter the bank swift code of the correspondent bank that will process the payment on behalf of the beneficiary’s bank.

26) Details of Grant/Credit and Contract – In this section provide additional details of project related information. This information will not be required for operating expenditures.

- a. Contract Ref. No. – Enter the reference number of the contract that applies to the project code.
- b. Procurement Type – Enter the procurement type used to procure the project.
- c. Post/Prior Review – Indicate whether the current review of the M-16 is either a prior review or post review of expenditures.
- d. Contract Amount – Enter the full contract amount. This is not the same as the Total Payment Amount.
- e. Currency – Enter the currency in which the project contract is to be paid.
- f. GRN Report No. – Enter the serial number of the M-7 Form - Goods Received Notice validating that the goods purchased were received in good condition.
- g. No Objection Date – Enter the date of GRN Report No. which certifies that there is no objection to payment of the invoice.

Section B: Review and Authorization

27) Accounting Manager – This space is provided to the accounting manager at the Ministry to sign and date in order to approve the M-16 Form.

28) Payment Manager – This space is provided to the Payment Manager at the Treasury to sign and date in order to approve the M-16 Form.

29) Finance Manager - This space is provided to the Finance Manager at the Treasury to sign and date in order to approve the M-16 Form.

30) Authorizing Authority – This space is provided to the Authorizing Authority at the Treasury to sign and date in order to approve the M-16 Form. The Authorizing Authority will vary depending on the size of the order for payment as follows:

Senior General Manager - in salary up to 2 million AFN and other expenditure up to 1 million AFN

Payment Director - in salary up to 5 million AFN and in expenditure up to 3 million AFN

Director General - in salary unlimited and in expenditure up to 10 million AFN

Deputy Minister of Finance - same authorization of Director General

Minister of Finance - unlimited authorization

31) Stamp of Directorate – This space is provided to place the Treasury stamp for final approval.

Section C: (This Section shall be filled by Financial Controller)

32) Financial Controller – This space is provided for the Financial Controller to sign and date the form for their approval.

33) Remarks – This space is provided for the Financial Controller to provide additional remarks and comments.

AFMIS Transactions

Expenditures reported in Field 15 – Amount should be debited in the AFMIS Expenditure Module in the account recorded in Field 13 – Coding Block.

Deductions reported in Field 21 – Amount should be credited in the AFMIS Revenue Module in the account recorded in Field 19 – Object Code.

Distribution:

Original – Treasury/Mustofiat

Copy – Payment Office



## **M-41 Instructions**

**Purpose:** This form provides the information for payroll preparation, and bears the record of payments to each employee during one year

Prepare an original and one (1) copy as follows:

Section A: (This Section shall be filled by Payroll Office)

- 1) Payroll No. - Enter the serial number to create a Payroll No., beginning with "1" for the first Payroll Form, prefixed by the ministry symbol.
- 2) Ministry/Org. – Enter the name of the organization/ministry to which the Payroll Form applies.
- 3) Department Name: Enter the name of the department.
- 4) Coding Block - For each item enter each section of the coding block that applies to the Payroll Form.
  - a. Program (5) – Enter the five (5) digits Program Code.
  - b. Location (4) – Enter the four (4) digits District Code identifying the location of the payroll distribution.
- 5) Payroll Period – Insert the month and year for which the allotments are being reported.
- 6) No. of Pages - Enter the number of pages of the M-41 Form. Additional pages provide employee information that will not fit on the first page.
- 7) No.–Enter the Serial Number of each employee.
- 8) APIN No. - Enter the employee's Identification Number/Afghan Personnel Identification Number generated by CPS (Computerized Payroll system).
- 9) Complete Name & Father Name – Enter the full name of the employee and his/her father's name.
- 10) Grading- Enter the grade and Step if applicable of employee.
- 11) Earning and Deductions: Enter the total earning at the top and deductions in bottom row.
- 12) Net Payment: Enter amount of Net payment to be made to Employee.
- 13) Employee Sign & Bank Account No.: Enter the bank account number if salary is being transferred through bank account otherwise receive signature of employee after payment.
- 14) Remarks: Enter any comments about any employee.
- 15) Total: Enter the total amount of each Earning and Deductions at the bottom of each column.

Section B: Review and Authorization

- 16) Prepared by: (Sign and Date) – This space is provided to Preparer to sign and date verifying the information in the M-41 Payroll Form.
- 17) Certified By (Sign and Date) – This space is provided to the person designated to certify the M-41 Payroll Form to sign and date.

18) Authorizing Authority (Sign & Date) – This space is provided to the Authorizing Authority for final approval of the M-41 Payroll Form.

Section B: (This section to be filled by Financial Controller)

19) Financial Controller (Sign & Date) – This space is provided for the Financial Controller to sign and date the form for their approval.

20) Remarks – This space is provided for the Financial Controller to provide additional remarks and comments.

AFMIS Transactions:       None  
Distribution:               Original –Treasury/Mustofiat  
                                  Copy – Payment Office

M-40: payroll Ledger



Ministry of Finance - Treasury Department  
Form M-40 – Payroll Ledger (Individual Pay and Deduction Report)

Section A: (This Section shall be filled by Payroll Office)												
1. Ministry/Orgn		2. Complete Name and Father Name			3. Job Title		4. APIN No.		5. Fiscal Year		6. Grade	7. Step
8. Earnings/Deductions												
Month	a.	b.	c.	d.	e.	f.	g.	h.	other bonus	Total	Payable Amount	Remarks
	a.	b.	c.	d.	e.	f.	g.	h.	other deductions	Total		
Hamal												
Sawr												
Jawza												
Saratan												
Asad												
Sunbula												
Meezan												
Agrab												
Qaws												
Jadh												
Dalwa												
Hoot												
9. Total												



M-40 Instructions:

Purpose: This form provides the information for payroll preparation, and bears the record of payments to each employee during one year Prepare in duplicate as follows:

Section A – (Prepared by the Payroll Office)

- 1) Ministry/Org. – Enter the name of the organization/ministry to which the employee is assigned.
- 2) Complete Name & Father Name – Enter the full name of the employee and his/her father's name.
- 3) Job Title– Enter the Job Title of the Employee.
- 4) APIN No.–Enter the employee's Identification Number/Afghan Personnel Identification Number generated by CPS (Computerized Payroll system).
- 5) Fiscal Year–Enter the Fiscal year of the Ledger.
- 6) Grade: Enter Grade of the Employee.
- 7) Step: Enter Step of the Employee if applicable.
- 8) Earning and Deductions: Enter the amount of Earning at the top and Deductions at the bottom row of against each employee name from (a-h).

Other Earning: Enter the amount of other earning not matching the fields from a-h.

Other Deductions: Enter the amount of other deductions not matching the field from a-h.

Total: Enter the total of Earning and Deductions row.

Net Payable: Calculate the Net payment after deducting the Total of Deductions from earnings

Remarks: Enter any comments about any employee which cannot be expressed using any field.

- 9) Total: Enter the total amount of each Earning and Deductions at the bottom of each column.

AFMIS Transactions:

None

Distribution:

Original –Payroll Office

Duplicate – Payment Office

## 6. References

- Accounting Manual 1.26 of GoIRA
- Financial Regulations Developed pursuant to Public Finance and Expenditure Management Law, Gazette #893
- CoA ( Chart of Accounts)
- VPP Manual

## 7. Attachments

- M-16a
- M-40
- M-41