Standard Operating Procedures Manual SOPs

Finance
Recording and Reporting of Financial Transaction

Presented to:
Independent Elections Commission (IEC)

Funded and Supported By

United Nations Development Programme (UNDP)

Kabul- Afghanistan

Date: March 2016/ Hoot 1394

Prepared by: BDO- Jordan & SH

Issue date	Hoot-1394/ March 2016	Department	Finance
SOP No.	F-02	Revision No. and date	NEW
Implemented By	Accounting & Finance Department	Review authority	
No. of pages	13	Signature/ stamp	

1. **Objective and Scope**

As a result of the implementation of AFMIS, several of the previous ledgers, registers and reports from the Accounting Manual 1342 are no longer required and have been replaced by electronic reports and the General Ledger in AFMIS. This has reduced the reporting burden of budget units and centralized more reporting at the Treasury. However, Mustofiats and primary budget units still have to prepare both monthly and annual reports from information related to the control ledgers they maintain.

This SOP covers the following areas:

    a) Allotment/Sub allotment Control Ledger   M 20
    b) Preliminary Monthly Status of Allotment Report   M 22

2. Terms, Definitions & Abbreviations

M3:   Purchase order (using for all purchases except petty cash)
M10:   Advance Request form (both for petty cash other Advance)
M11:   Miscellaneous Commitment Document
M12:   Advance acquittal
M13:   Travel order form
M16b: Payment order
M20:   Allotment/ Sub allotment Control Ledger
M22:   Preliminary Monthly Status of Allotment Report
B20:   Sub Allotments form
B27:   Allotments form

CEO: Chief Executive Officer
IEC: Independent Election Commission of afghanisan
SOP: Standard Operating Procedure
MOF: Ministry Of Finance
GRN: Goods Received Note
GoIRA: Government of Islamic Republic of Afghanistan
CoA: Chart of Accounts
GOCA: General Officer of Cash Accounting

3. Tasks, Responsibilities and Accountability

Task	Authorized	Responsible
Updating the M20 Book	GOCA	Bookkeeper
Preparing M22 Report	CEO	GOCA

4. Operating procedure

a) Allotment/Sub allotment Control Ledger M-20

The M-20 Allotment/Sub allotment Control Ledger is used by line ministry and Mustofiat bookkeeping offices to control commitments and expenditures in a specific allotment or sub allotment (as per a B-27 or B-20)

Each M-20 Ledger maintains a running total of uncommitted balances[1] by recording expenditures, advances, prepayments, commitments and refunds against allotment totals.

Transactions in the M-20 Ledger are posted after the approval of accounting forms, e.g. the M-3 Purchase Order. Expenditures are recorded after the approval of the M-16 Payment Order or the M-12 Advance Acquittal forms, while the following forms will require the posting of a commitment in the M-20 Ledger:

    M-3 Purchase Order Form
    M-11 Miscellaneous Commitment Form
    M-13 Travel Order Form

The M-20 Allotment Control Ledger is managed by line ministries/Mustofiats and its transactions are not entered into AFMIS. This is an internal ledger used by the bookkeeping offices to manage allotments and sub allotments. A summary of the M-20 ledger transactions and balances are reported to Treasury using the M-22 Monthly Status of Allotment Report.

Line ministries must maintain M-20 Ledger for each advice of allotment received from the Ministry of Finance. Mustofiats will maintain one M-20 ledger for each sub allotment received from a line ministry.

Error! Reference source not found.**/ Sub allotment control ledger** provides a graphical presentation of the process. More detailed instructions follow.

---

[1] Uncommitted balances are allotments that have not been either committed or disbursed.

<u>Instructions</u>

Each transaction in the M-20 Ledger will be posted in Fields 7 to 14 changing the uncommitted balance of the allotment, which is recorded in Field 15 – Balance. The uncommitted allotment balance changes as follows:

> Field 7 – Post Payment is subtracted from the Balance
> Field 8–Advance Payment is subtracted
> Field 9 -Acquittal is neither added nor subtracted from the Balance
> Field 10 – Commit. Incurred is subtracted from the Balance
> Field 11 – Commit. Liquid. is added to the Balance
> Field 12 – Refund is added to the Balance
> Field 13 – Allotment is added to the Balance
> Field 14 – Sub allotment is subtracted from the Balance

It is important to add the accuracy of transaction in the M-20 Ledger. As a quick check of accuracy the sum of Field 11 – Commit. Liquid. Should equal the sum of Field 7 - Post Payment and Field 8 - Advance Payment. Expenditures are calculated as sum of Field 7 - Post Payment and Field 9 - Acquittal less Field 12 - Refund.

b) Preliminary Monthly Status of Allotment Report M-22

M-22 Monthly Status of Allotment Report

Primary budget units and Mustofiats are required to report to the Treasury information related to allotment expenditures using the M-22 Monthly Status of allotment Report. The M-22 Report is due five days after the end of the month.
There are three versions of the M-22 Status of Allotment which vary by the level of consolidation of allotment expenditure data. The three versions are as follows:

- **Preliminary Monthly Status of Allotment Report (Which we Discuss it here)**
- Consolidated Monthly Status of Allotment Report by Province
- Consolidate Monthly Status of Allotment Report by Primary Budget Unit

The original source data of the M-22 Report comes directly from the M-20 Allotment/Sub allotment Control Ledger.

Preliminary M-22 Monthly Status of Report

The following steps provide instructions on how to transfer information from M-20 Allotment/Sub allotment Control Ledger to the Preliminary M-22 Report. Mustofiats and primary budget units should apply the steps to report each allotment and sub allotment which are tracked in M-20 ledgers. The information from one M-20 Ledger will be one row in the M-22 Report. Mustofiats should be aware that each Preliminary M-22 Report is prepared for one line directorate only. The Preliminary M-22 Report should not mix line directorates.

Step #1: Enter the Ministry or Organization name in Field 1 – Ministry/Org., the Location Name and Code of the Province in Field 2 – Location Name and Code and the month and year of the reporting period in Field 3 – Report Period.

Step #2: Copy the account information from Field 3 – Coding Block (Allotment #2 or Financial Budgeting (Sub allotment)) of the M-20 ledger and insert into Field 4 – Coding Block (Allotment #2) of the Preliminary M-22 Report in a single row. However, do not include the Location Code because it has already been copied in Field 2 – Location Name and Code.

Step #3: Sum the value of each record in Field 6 – Post Payment of the M-20 ledger and insert into Field 5 – Post Payments of the Preliminary M-22 Report in the same row as the coding block in Step #2.

Step #4: Sum the value of each record in Field 7 – Advance Payment of the M-20 ledger and insert into Field 6 – Advance Payments of the Preliminary M-22 Report in the same row as the coding block in Step #2.

Step #5: Sum the value of each record in Field 8 – Acquittal of the M-20 ledger and insert into Field 7 –Acquittals of the Preliminary M-22 Report in the same row as the coding block in Step #2.

Step #6: Sum the value of each record in Field 9 – Commit. Incurred of the M-20 ledger and insert into Field 8 – Commitments Incurred of the Preliminary M-22 Report in the same row as the coding block in Step #2.

Step #7: Sum the value of each record in Field 10 – Commit. Liquidated of the M-20 ledger and insert into Field 9 – Commitments Liquidated of the Preliminary M-22 Report in the same row as the coding block in Step #2.

Step #8: Sum the value of each record in Field 11 – Refund of the M-20 ledger and insert into Field 10 – Refunds of the Preliminary M-22 Report in the same row as the coding block in Step #2.

Step #9: Sum the value of each record in Field 12 – Allotment of the M-20 ledger and insert into Field 11 – Allotments of the Preliminary M-22 Report in the same row as the coding block in Step #2.

Step #10: Calculate Field 12 – Balance by adding or subtracting the values of the columns in the records above as follows:

- (-) Subtract Post Payments
- (-) Subtract Advance Payments
- (-) Subtract Commitments Incurred
- (+) Add Commitments Liquidated
- (+) Add Refunds
- (+) Add Allotments (For use by Line Ministries/Independent Agencies only)
- (+) Add Sub allotments (For use by Mustofiats only)

Error! Reference source not found.**Preliminary Monthly Status of Allotment Report M-22** provides a graphical presentation of the process.

5. Related Documents

Error! Reference source not found. shows a sample M-20 ledger with several budget execution transactions.

Transaction Details			Transaction Amounts								
4. Document Ref. No.	5. Commit. Doc. No.	6. Description	7. Post Payment (-)	8. Advance Payment (-)	9. Acquittal	10. Commit. Incurred (-)	11. Commit. Liqu. (+)	12. Refund (+)	13. Allotment (+)	14. Suballot. (-)	15. Balance
B-27/01		1st Quarter Allotment							150,000		150,000
M-10/016		Purchase of Computer				100,000					50,000
M-16/011	M-10/016	Post Payment of M-3/016	100,000				100,000				50,000
M-10/017		Purchase of Printer				25,000					25,000
M-16/012	M-10/017	Prepayment for M-3/017 with M-10/011		25,000			25,000				25,000
M-12/015		Acquittal of M-10/017			25,000						25,000
M-3/018		Purchase of Office Equipment				10,000					15,000
M-16/013	M-10/018	Prepayment for M-3/018 with M-10/012		10,000			10,000				15,000
M-12/016		Acquittal of M-10/019			8,000						15,000
Awaiz-20		Refund of Prepayment from M-16/013						2,000			17,000
B-20/001		Suballotment to Herat Province								5,000	12,000
M-13/004		Commitment for Travel				5,000					7,000
M-16/014	M-13/004	Advance Payment for travel from M-13/004		5,000			5,000				7,000
M-12/017		Acquittal of travel from M-13/004			5,000						7,000
M-13/004		Actual travel costs above estimate from M-13/004				2,000					5,000
M-16/015	M-13/004	Payment for M-13/004 additional costs	2,000				2,000				5,000

Recording of Allotment in M-20 Ledger

Transaction #1: Records an allotment as per a B-27 Form with a serial number of 01 and is posted in Field 13 – Allotment. This increases the allotment balance to 150,000 AFN.

Recording of Post Payment in M-20 Ledger

Transaction #2: Records a commitment of 100,000 as per a M-3 Purchase Order Form with a serial number of 016 and is posted in Field 10 – Commitment Incurred. This decreases the uncommitted allotment balance by an amount of 100,000 AFN. This amount will be reserved from this M-3 commitment form until its liquidation and cannot be used for other expenditures.

Transaction #3: Records the payment of the M-3 Purchase Order Form with a serial number of 016. The net effect on uncommitted balance is zero because the payment is posted in Field 7 – Post Payment which reduces the balance by 100,000 AFN, but the liquidation of the commitment posted in Field 11 – Commit. Liquid. Increases the balance by 100,000 AFN. The funds are no longer committed, but have expended.

Recording of Transactions where Prepayment equals Expenditure

Transaction #4: Records a commitment of 25,000 as per a M-3 Purchase Order Form with a serial number of 017 and is posted in Field 10 – Commitment Occurred. This decreases the uncommitted allotment balance by 25,000 AFN to 25,000.

Transaction #5: Records the prepayment of the M-3 Form with a serial number of 017 by posting 25,000 AFN in Field 8 – Advance Payment and 25,000 AFN in Field 11 Commit. Liquid. The net effect on the uncommitted allotment balance is 0.

Transaction #6: Records the acquittal of the prepayment made from the M-16 Form with serial number 012 and M-10 Request for Advance Form with serial number 017. This has no effect on the uncommitted allotment balance.

Recording of Transactions with Prepayment greater than Expenditure

Transaction #7: Records a commitment of 10,000 as per a M-3 Purchase Order Form with a serial number of 018 and is posted in Field 10 – Commitment Occurred. This decreases the uncommitted allotment balance by 10,000 AFN to 15,000.

Transaction #8: Records the prepayment of the M-3 Form with a serial number of 018 by posting 10,000 AFN in Field 8 – Advance Payment and 10,000 AFN in Field 11 Commit. Liquid. The net effect on the uncommitted allotment balance is 0.

Transaction #9: Records the partial acquittal of 8,000 AFN from the prepayment made from the M-16 Form with serial number 013 and M-10 Request for Advance Form with serial number 019. This has no effect on the uncommitted allotment balance.

Transaction #10: Records the refund of the prepayment made from the original M-16 serial number 013 of 2,000 AFN. This amount is posted in Field 12 – Refunds and Field 9 – Commitments Liquid. The net effect on the uncommitted allotment balance is an increase of 2,000 AFN.

Recording of Sub allotment in M-20 Ledger

Transaction #11: Records the sub allotment of 5,000 AFN to Herat Province based on the B-20 Form with serial number 001 in Field 14 – Sub allot. This reduces the uncommitted allotment balance by 5,000 AFN to 12,000 AFN.

Recording of Transactions with Prepayment less than Expenditure

Transaction #12: Records a travel commitment based on the M-13 Travel Order Form with serial number 004 by posting 5,000 AFN in Field 10 – Commit. Incurred. This reduces the uncommitted allotment balance to 7,000 AFN.

Transaction #13: Records the payment of the travel estimated in the M-13 Travel Order Form with serial number 004 by posting 5,000 AFN in Field 8 – Advance Payments and Field 11 – Commit. Liquid. This has no effect on the uncommitted allotment balance.

Transaction #14: Records the acquittal of the M-10 Form with serial number 004 by posting 5,000 AFN in Field 9 – Acquittal. This has no effect on the uncommitted allotment balance.

Transaction #15: Records a commitment based on the actual costs of travel reported in the finalized M-13 Travel Order Form with serial number 004 which are 2,000 AFN greater than the original estimate of 5,000. This reduces the uncommitted allotment balance to 5,000.

Transaction #16: Records the payment of the additional travel costs in the M-13 Form with serial number 004 and liquidates the commitment incurred by posting 2,000 AFN in Field 11 – Commit. Liquid. and Field 7 – Post Payments. The effect on uncommitted allotment amount is 0.

M -20 Accuracy Check

Total Commit. Incurred =   Total Post Payment +   Total Prepayment
142,000 AFN   =   102,000 AFN   +   40,000 AFN

Total Commit. Incurred =   Total Commit. Liquidate
    142,000 AFN   =   142,000 AFN

Apply the following formula to identify total expenditures:

Total Expenditure =   Total Post Payment +   Total Acquittal   -   Total Refund
140,000 AFN   =   102,000 AFN   +   40,000 AFN   -   2,000 AFN

M-22 – Preliminary Monthly Status of Allotment Report

<table>
<tr><td colspan="14" align="center">Ministry of Finance - Treasury Department
Form M-22 – Preliminary Monthly Status of Allotment Report</td></tr>
<tr><td colspan="14">Section A: (This Section to be filled out by Payment Office)</td></tr>
<tr><td colspan="5">1. Ministry/Org.</td><td colspan="5">2. Location Name and Code</td><td colspan="4">3. Report Period</td></tr>
<tr><td colspan="5"></td><td colspan="5"></td><td colspan="2" align="center">Month</td><td colspan="2" align="center">Year</td></tr>
<tr><td colspan="5">4. Coding Block (Allotment #2 of Financial Budgeting (Suballotment))</td><td>5. Post Payments</td><td>6. Advance Payments</td><td>7. Acquittals</td><td colspan="2" align="center">8. Commitments</td><td>9. Refunds</td><td>10. Allotments</td><td>11. Balance</td></tr>
<tr><td>Org. (4)</td><td>Project (6)</td><td>Program (3)</td><td>Fund (5)</td><td>Object (3)</td><td></td><td></td><td></td><td>Incurred</td><td>Liquidated</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="13">Section B: Review and Authorization</td></tr>
<tr><td colspan="13">Certification Match: I hereby, certify that the items of this report are matched with M-20.</td></tr>
<tr><td colspan="8">12. Bookkeeping Manager (Sign & Date)</td><td colspan="5">13. Authorizing Authority (Sign & Date)</td></tr>
<tr><td colspan="8"></td><td colspan="5"></td></tr>
</table>

M-22 Instructions

Purpose: To report the monthly status of budget unit allotments and expenditures
Prepare an original and one (1) copy as follows:

Section A: (This Section to be filled out by Payment Office)

1)   Ministry/Org. – Enter the name of the organization/ministry to which the allotment report applies.

2)   Location Name and Code - Insert name and location code of the budget unit

3)   Report Period – Insert the month and year for which allotment report is being prepared.

4)   Coding Block (Allotment #2 or Financial Budget (Sub allotment)) –Enter each section of the Allotment #2 coding block to which the expenditures and commitments will be recorded.
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 (3) – Insert the three (3) digits Program Code.
d.   Fund (5) – Insert the five (5) digits Fund Component.
e.   Object (3) – Insert the three (3) digit Object Code.

5)   Post Payments – Enter the totals for the post payment amount as recorded in the Allotment Control Ledger (M-20) for each allotment expenditure account.

6)   Advance Payments - Enter the totals for the pre-payment amount as recorded in the Allotment Control Ledger (M-20) for each allotment expenditure account.

7)   Acquittals - Enter the totals for the payment applied as recorded in the Allotment Control Ledger (M-20) for each allotment expenditure account.

8)   Commitments - Enter both obligation and liquidation information in this Field.

a.   Incurred - Enter the commitments/obligations incurred as recorded in the Allotment Control Ledger (M-20) for each allotment expenditure account.

b.   Liquidated - Enter the amount of the obligation that has been liquidated as recorded in the Allotment Control Ledger (M-20) for each allotment expenditure account.

9)   Refunds -Enter the totals for any refunds of expenditures as recorded in Allotment Control Ledger (M-20) for each allotment expenditure account.

10)   Allotments - Enter the totals for allotments as recorded in Allotment Control Ledger (M-20) for each allotment expenditure account.

11)   Balance Enter the totals for balance as recorded in the Allotment Control Ledger (M-20) for each allotment expenditure account.

Section B: Review and Authorization

Certification Match – Each reviewer of the Monthly Status of Allotment Report will certify that the information is correct and matches the Allotment/Sub allotment Control Ledger (M-20).

12)   Bookkeeping Manager - (Sign & Date) – This spaced is provided for the Payment Manager to sign and date to certify that the information in the report matches the Allotment Control Ledger (M-20).

13) <u>Authorizing Authority</u> (Sign & Date) - This spaced is for the authorizing authority in the ministry/organization to sign and date to certify that the information in the report matches the Allotment Control Ledger (M-20).

<u>AFMIS Transactions:</u>   None

<u>Distribution:</u>   Original - Bookkeeping Office/Mustofiat

        Copy – Bookkeeping Office of Primary Budget Unit

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)

7. Attachments (Soft)

   • M3
   • M11
   • M12
   • M13
   • M16a
   • M16b
   • M20
   • M22
   • M41