



**Islamic Republic Of Afghanistan
Kabul Municipality**



CASH MANAGEMENT POLICY
ADMINISTRATION AND FINANCE DEPARTMENT

H.E Mohammad Yonus Nawandesh

Mayor Signature: _____



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1. Introduction

This Cash Management Policy has been developed in order to safeguard the management of Consolidated Fund cash balances and ensure accurate and timely receipt of information. Thus, affecting Kabul Municipality Consolidated Fund cash flows if violated.

Cash management is one of the critical financial parts to manage in the government. Kabul Municipality activities has been increasing over recent years, providing agencies with the capacity to spend expense limits and potentially posing a risk to the Government's financial targets. There is also an opportunity cost associated with excess cash balances, i.e. while the cash earns a rate of return, it could potentially be put to more productive uses.

The CMP requires Kabul Municipality to operate within an agreed upon working cash limit. The limit is based upon a percentage of Kabul Municipality budgeted recurrent cash payments.

2. Objective

The primary objective of the Cash Management Policy is to proactively review Kabul Municipality's cash balances during the year and to adjust appropriation drawdowns as required, in order to encourage Kabul Municipality to manage to a predetermined working cash. Cash Management covers collection of revenues, depositing them safely into bank accounts and enable timely payments limit.

It is intended that the policy will:

- Improve the accuracy of cash forecasting by Kabul Municipality, including estimates of own-source revenues collected under net appropriation arrangements;
- Provide more proactive management during the financial year of appropriation draw downs, based on Kabul Municipality's actual cash needs; and
- Operationalize a process for identifying surplus or excess cash balances, for potential transfer to the Consolidated Account, as provided for in section 20 of the FMA.

It is hoped that point 3 will be used as a 'last resort' and that the mere existence of section 20 of the FMA will encourage agencies to work cooperatively with the Department of Revenue and Finance to better manage their cash balances throughout the course of the financial year.

3. Scope/Application

The Cash Management Policy will apply to support Kabul Municipality in the general government sector. However, a 'working cash limit' will be imposed initially to administer and manage the cash in those areas where we have large scale projects/programs in the city. The policy will also incorporate detailed reviews of Municipality's net appropriate.

4. Procedures

4.1 Account Balances Covered by the Cash Management Policy



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This policy applies initially to Kabul Municipality operating accounts. In relation to controlled funds,

KM has a number of special purpose accounts in addition to their operating account. These SPA may include true trust accounts where private cash are held, or Commonwealth, salaries or other source funds that are for legal requirements.

As a general rule, there is no authority to spend any funds from a special purpose account other than the purposes stated in the special purpose (or trust) statement or in relevant legislation. KM required maintaining cash balances to cover all special purpose accounts should be revenue accounts. .

Accordingly, the Cash Management Policy applies only to KM operating accounts, but will omit funds related to capital works projects and other funds held in the operating account that are determined to be excluded, such as Commonwealth grants.

Cash balances relating to administered items will also be excluded from the policy.

4.2 Treasury Monitoring Covered by Cash Management

All activity and balances in the revenue department shall be monitored by the Treasurer's department to assess the cash necessary to meet daily obligations and ensure adequate funds are available.

The Office of the Treasurer is responsible for the movement of funds between bank accounts maintained by the Kabul municipality. This includes, but is not limited to:

- Initiating all wire transfer of money for Safa'i purposes.
- Establishing the daily cash position of the KM and all 22 districts.
- Appropriately funding disbursement accounts for KM obligations.
- Moving depository funds for investment purposes of the KM.

4.3 Strategies, Techniques, and Procedures Covered by Cash Management

Efficient cash management strategies, techniques, and procedures shall be used to increase the productivity of cash flows while achieving the following objectives:

- Liquidity – maintaining the ability to pay obligations when they become due.
- Cash Optimization – establishing systems and procedures that help minimize investment in non-earning cash resources while providing adequate liquidity.
- Financing – obtaining both short- and long-term borrowed funds in a timely manner at an acceptable cost.
- Financial Risk Management - monitoring and assisting in the control of the KM exposure to interest rates, foreign exchange, and other financial risks.



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- Coordination - ensuring that cash management goals are communicated and integrated with the strategic objectives and policy decisions of other areas of the KM that have an impact on cash flows. The revenue account shows expenses on the operational budget and expenses on the development budget.

4.4 Daily Cash Management Practice

The Kabul Municipality Revenue Department requires that all departments and district offices collecting cash receipts, whether in cash or other forms of payment, must turn in such receipts to the FD on a daily basis together with records required to verify the accuracy of such collections. No receipts will be held overnight at any location for any reason.

All receipts shall be deposited daily by the FD.

- Investment of any idle funds will be made in accordance of this policy.
- Any violation of this section of this policy by any employee of the KM may result in disciplinary action.

4.5 Internal Controls

The Director of Finance shall establish a system of internal controls **and written guidelines**, which shall be reviewed annually by the Internal Audit Department and the Financial Control Department of the MOF. These controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions.

4.6 Reporting Requirements

The Head of Revenue Department under supervision of the Director of Accounting shall generate quarterly reports for management purposes. The reports will be made available to the Kabul Municipality as part of the quarterly financial report.

5. Consequences of Violations

6. Policy Evaluation

This policy should be regularly evaluated to ensure it is enabling and effectively moving Kabul Municipality towards its goals.

7. Policy Enforcement

The contents of this policy are enforceable after His Excellency the Mayor's approval.