



**Islamic Republic Of Afghanistan
Kabul Municipality**



FINANCIAL MANAGEMENT STANDARD OPERATING PROCEDURE

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Signature: _____



Islamic Republic Of Afghanistan Kabul Municipality



Acronyms

ANDS	Afghanistan National Development Strategy
CoA	Chart of Accounts
DG	Director General
DM	Deputy Mayor
FMIS	Financial Management Information System
IPSAS	International Public Sector Accounting Standards
KM	Kabul Municipality
LM	Line Ministry
MoF	Ministry of Finance
PFEML	Public Finance and Expenditure Management Law
SoP	Standard Operating Procedures



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Definitions: The following definitions apply to this Standard Operating Procedure:

ACCOUNTING

Accounting in government refers to the practice of collecting, recording, classifying, summarizing, analyzing, communicating and reporting accounting transactions to ensure transparency, disclosure and accountability of accounting data management and timely reporting on revenues and expenditures.

ASSETS

According to IPSAS, Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. From an accounting perspective, assets are divided into the following categories:

- Fixed Assets
- Current Assets

BUDGET ENTITY

A government entity that holds the powers of incurring commitments on behalf of the state and having allotment advice issued pursuant to appropriation for settling the commitments.

CASH

Comprise cash on hand and demand on deposits.

CASH EQUIVALENTS

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CASH RECEIPT

Cash inflow or similar transaction increasing the balance of public money.

CASH PAYMENT

Cash outflow or similar transaction with the purpose of settling commitment, acquire fixed assets or in reducing liability.

EXPENDITURE

The decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.

FMIS



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Financial Management Information System (FMIS) – computer system used for keeping and controlling the accounts of the Kabul Municipality, storing and providing the information necessary for transaction processing and the financial management decisions.

LIABILITIES

Present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

REVENUE

The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

Background

The SoP on Financial Management covers important accounting and financial reporting procedures in compliance with Public Finance and Expenditure Management Law (PFEML) and other corresponding rules and regulations applicable to KM. The procedures include guidance on the use and application of the Chart of Accounts (classifications) and the proper use of the Financial Management Information System (FMIS). The descriptions and instructions in this manual deal with accounting procedures for:

- 1) Appropriation, apportionments and allotments;
- 2) Revenues and receipts;
- 3) Prepayments, advances and expenditures; and,
- 4) Accounting and Financial Reporting.

Procedures for Using FMIS

The Financial Management and Information System (FMIS) is designed and developed for KM to facilitate overall performance of budget preparation, budget amendment, budget execution, and reporting of expenditures and revenue in standard reporting templates. Preparation of narratives from program to activity level, cash management and bank account management are the integral parts of the database. Reporting switchboard is devised to facilitate generating of reports from daily management reports to quarterly, year-end, and final reports in a variety of formats and contents.

The FMIS shall be used in every step starting from budget preparation, allotment, payments, check printing and reporting. The following figure summaries the steps for using the FMIS.



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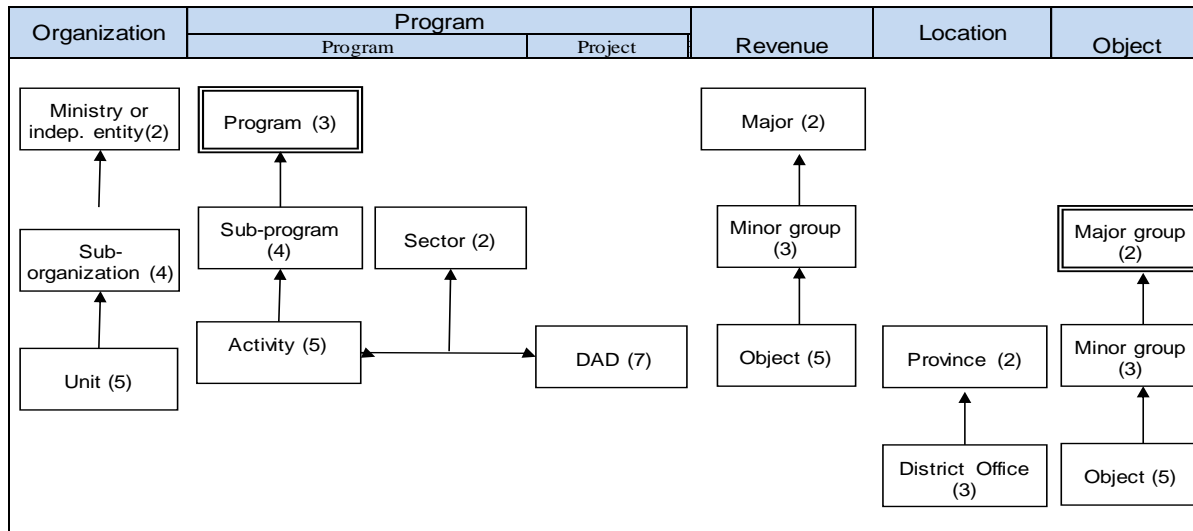


Usage of Chart of Accounts

A Chart of accounts is a list of all accounts and account codes that are used to keep track of the various accounting operations. Every transaction must be properly coded and then posted to the relevant account in the ledger. The KM uses a standard chart of accounts which is developed in conformity with the MoF Chart of Accounts. The CoA must be revised on annual basis to take into account new interventions, projects and new revenue categories and shall be coded into the FMIS. The six segments of the CoA structure comprise:

- 1) Organization (2), sub-organization (4) and unit (5) digits code
- 2) Program (3), sub-program (4) and activity (5) digit codes,
- 3) Revenue Major (2), Sub-major (3), Minor (3) and revenue object (5) digits code,
- 4) Project Codes (6) digit codes,
- 5) Location (2) province, district offices (4) digits code,
- 6) Expenditure Major Object Codes (2), Sub-major (3) and object (5) digits code.

RELATIONS OF COMPONENTS IN THE CHART OF ACCOUNTS



The following procedures shall be used while using the chart of accounts:

- 1) Once the transaction has occurred or is about to occur, analyze the transaction and find out which accounts will be affected by the transaction. At KM, most of the transactions are categorized as Expense or Revenue.
- 2) After the transaction has been analyzed, find the relevant code in sheet “Organization” of the CoA to insert the code of the department who initiated the transaction.

- 3) In this step, insert the appropriate activity code under sub-program and program category to which the transaction relates.
- 4) The next step is to put the code of location. The location codes are classified KM headquarter which is 0101 and district offices which ranges from 7901- 7922.
- 5) If the transaction is related to project payments, then the correct project code shall be identified. The projects are categorized into MoF projects and internal projects.
- 6) In the last step, put a correct object code of revenue or expense which is 5 digit code.

Financial Reporting

The KM financial officials are required to comply with the reporting requirements of Ministry of Finance (MoF) and the KM management. The bookkeeping unit and other reporting units are required to produce truthful and timely reports in compliance with the due procedures issued by KM and management. On monthly basis, the bookkeeping manager is required to submit and file the following reports:

- 1) Reconciled Project Wise Disbursement Report (for MoF funded projects),
- 2) Reconciled Project Wise Disbursement Report internal projects,
- 3) Object wise summary report at minor level based on the Chart of Accounts,
- 4) Object wise detailed report at object level based on the Chart of Accounts,

The district offices are also required on monthly basis to submit a reconciled revenue report in the following template. The report should be based on the revenue classification codes of the updated CoA and must be reconciled with bank transfers. The report will enable the Asset Management Unit in the center to record the revenue flows in FMIS and generate multiple revenue reports to the management. The report will also enable the management to control the revenue targets and provide motivational incentives for district offices that have achieved their revenue targets.

افغانی به ارقام		راپور تاریخ:				ماهوار عواید تفصیلی راپور	
پیش تفاوت حقیقی و بینی	مجموع	حقیقی عواید		شده بینی پیش عواید		عواید نوع	
		گنشته	حالیه	سال مجموع	جاری ماه	تشریح	عواید کود
0	-					سمت چهار از دخولی محصول	11180
0	-					دولتی ساختمانهای صفائی محصول	11186
0	-					نقلیه وسایط از شهری خدمات محصول	11188
0	-					شهری محصولات سایر	11192
0	-					اصناف از شهری خدمات محصول	11193
0	-					دولتی های جانید بالای شهری محصول(خودسر)	11194
58,196,000	1,804,000	1,500,000	304,000	60,000,000	5,000,000	قباله اجرای محصول فیصد یک	11195
0	-					تجارتی بیلانس محصول فیصد یک(مستوفیت)	11196
4,420,000	380,000	225,000	155,000	4,800,000	400,000	گمرکات سهم محصول فیصد یک	11197
0	-					دولتی منازل کرایه	13201
1,668,400	131,600	120,000	11,600	1,800,000	150,000	دولتی دوکاکین کرایه	13202
64,284,400	2,315,600	1,845,000	470,600	66,600,000	5,550,000	مجموع	

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