

Government of Pakistan
Finance Division
(Budget Wing)

No.F.2(1)-BR-II/2007-909.

Islamabad, June 30, 2010

OFFICE MEMORANDUM

Subject: **Revised Accounting Procedure for Revolving Fund Accounts (Foreign Currency Assignment Account).**

The undersigned is directed to refer to this Division's O.M. No.F.2(1)-BR-II/2007-538, dated 28th April, 2010 on the subject cited above and to state that the following amendments/corrections may please made in the Revised Foreign Aid Assignment Accounts Procedure for donors share of financing circulated vide this Division's O.M. referred above:-

- i) In paragraph (II) line No.8 "foreign currency" may be replaced with "US Dollar".
- ii) In paragraph (II) line No.10, the words "foreign currency" occurring before "debit/credit" may be replaced with "US Dollar".
- iii) In paragraph (IV), line No.2, after the words "as well as in the" the words "US Dollar" may be inserted instead of "foreign currency"
- iv) In paragraph (VII) line No.4 after words "equivalent of the" the words "US Dollar" may be read instead of "foreign currency".
- v) In paragraph (IX) "foreign currency" occurring in line No.2 and 3 may be replaced with "US Dollar".
- vi) In paragraph (XVIII) line No.1 the word "foreign currency" occurring after the words "balance available in" may be replaced with "US Dollar".
- vii) The full stop (.) appearing in second line of Para (VII) after the words "SBP Karachi" may be replaced with comma (,) and the word "The" may be changed as 'the'.
- viii) The words "and the" may be inserted after the words "Pak Rupee" appearing in first line of Para (VIII).

2. Revised Accounting Procedure for Revolving Fund Accounts (Foreign Currency Assignment Account), after making the above amendments/corrections is enclosed herewith. It is also clarified that the Revolving Fund Accounts (Foreign Currency Assignment Account) is also applicable on the existing accounts.

3. Kindly acknowledge receipt, at the earliest.

(M. Qamar-Uz-Zaman Farooqui)
Deputy Secretary (BR-II)
Tele: # 9209346

To

All Ministries/Divisions, Islamabad/Rawalpindi.

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Copy forwarded for information and similar action to: -

1. The Secretary Finance Department, Government of the Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, Gilgit Baltistan (Lahore, Karachi, Peshawar, Quetta, Gilgit).
2. The Secretary, Planning & Development Department, Government of the Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, Gilgit Baltistan (Lahore, Karachi, Peshawar, Quetta, Gilgit).
3. Auditor General of Pakistan, Constitution Avenue, Sector G-5/1, Islamabad
4. Controller General of Accounts (CGA), CGA Complex, Sector G-5/2, Islamabad.
5. Accountant General Pakistan Revenues, (Foreign Aid Section), G-8/4, Islamabad.
6. Additional Chief Secretary, FATA Secretariat, Peshawar.
7. All Financial Advisers/Deputy Financial Advisers, Islamabad/ Rawalpindi.
8. AGPR, Sub-Offices, (Lahore, Karachi, Peshawar, Quetta, Gilgit).
9. All Accountant Generals of the Provinces, Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, (Lahore, Karachi, Peshawar, Quetta).
10. The Director General, Pak PWD, Islamabad.
11. Director General, Pakistan Postal Services, Islamabad.
12. Chief Accounts Officer, Ministry of Foreign Affairs, Islamabad.
13. The Director, Accounts Department, State Bank of Pakistan, (Central Directorate), I.I. Chundrigar Road, Karachi (Registered).
14. The Chief Manager, State Bank of Pakistan, I.I. Chundrigar Road, Karachi (Registered).
15. Executive Vice President, National Bank of Pakistan, I.I. Chundrigar Road, Head Office, P.O. Box 4937, Karachi.
16. Director of Accounts, Economic Affairs Division (Accounts Wing), 'C' Block, Pak: Secretariat, Islamabad.
17. Deputy Chief(R&S), Economic Affairs Division, Islamabad.
18. Deputy Secretary(World Bank), Economic Affairs Division, Islamabad
19. Deputy Secretary (Asian Development Bank), Economic Affairs Division, Islamabad.
20. Deputy Secretary(DM), Economic Affairs Division, Islamabad
21. All Joint Secretaries of the Finance Division, Islamabad.

(M. Qamar-Uz-Zaman Farooqui)
Deputy Secretary (BR-II)

REVISED ACCOUNTING PROCEDURE FOR REVOLVING FUND ACCOUNTS
(FOREIGN CURRENCY ASSIGNMENT ACCOUNT).

- (I) For a foreign donor-assisted project, a Revolving Fund Account (RFA) in respect of donor financing under loan/credit/grant shall be established at a branch of the National Bank of Pakistan (NBP), separately from the account to be established for the government's share of project financing (counterpart funds) if any required. Such Accounts shall be in the nature of Assignment Accounts.
- (II) The NBP shall be the designated bank for handling all transactions of Revolving Fund Accounts. The foreign currency amounts received under a foreign credit/ loan/ grant for RFAs shall be translated/ converted into Pak Rupees at the State Bank of Pakistan's (SBP) Weighted Average Buying Rate of exchange prevailing on the date of transfer of funds by the Donors. The payments out of RFAs by way of reimbursement to NBP would be translated notionally at the aforesaid SBP rate of exchange prevailing on the date of payments from the RFAs. The RFAs at NBP branches shall show debits, credits and balance in PAK Rupees along with the US Dollar equivalent. However, for the utilization/ expenditure, the funds available to the Project management would be PAK Rupees while the equivalent US Dollar debit/ credit and balance amounts shall be used by the project management for reporting to, reimbursement/ disbursement from and reconciliation with the Donors.
- (III) Separate Revolving Fund Accounts shall be established by the project management at the NBP for each of the Loans/Credits/Grants, and each Revolving Fund Account will be designated a special Sub-Fund Identification Number upon establishment of the account. These individual sub-accounts will together constitute a single but separate account (Child Account) under Central Government Account No.1 (Non-Food) held presently with the SBP. The transactions against individual assignment accounts will be recorded and reported along with the other Government balances by the respective office of SBP Banking Services Corporation (SBP-BSC) to SBP Karachi (Finance Department-Government Accounts Division) on daily basis. The reimbursement of payments made by the NBP shall be claimed by NBP from SBP-BSC respective office on daily basis. The State Bank of Pakistan will ensure the reimbursement to NBP within two working days. The balances of the RFAs will be reported in SBP Finance Department Karachi's daily report of the consolidated balances of the Federal/Provincial Government Account along

with other Government balances to the Federal/Provincial Government (Finance Division/ Finance Department/Respective AGs). The CGA will issue a Code Classification in the Chart of Account for RFA's . The code for Assignment Accounts for the Government counterpart funding is already allotted/available i.e. G01191. The SBP BSC respective office after making re-imburement to NBP shall prepare a separate Debit (payment) Voucher for each payment out of RFAs for onward submission to FTO Karachi. The Federal Treasury Officer Karachi shall pass the following journal entry:

Debit: G01-Cheque Clearing Account – Foreign Aid Assignment Account.

Credit: F01-Central Government Account-I – (Non-Food).

- (IV) The balance of Revolving Fund Accounts for Donor's share of financing shall be maintained in Pak Rupees as well as in the US Dollar but the funds available for utilization/ expenditure to the project management would be the Pak Rupee balance. This Account shall also be lapsable. However, the lapsed balance in one year will be protected through the budgetary allocation in the next year.
- (V) If the funds from donors are received in currencies other than US Dollars, these shall be credited in respective Revolving Fund Accounts with Dollar equivalent at the prevailing rate of the other currencies vis-a-vis the US Dollar.
- (VI) Revolving Fund Accounts maintained in US Dollar will be converted into other currencies to pay for eligible expenditures when they occur at the prevailing exchange rate of US Dollar vis-a-vis the other currencies.
- (VII) On receipt of the credit advice in respect of a disbursement of foreign currency funds to the project from donors that must be routed through the SBP Karachi, the SBP's Finance Department will advise the Chief Manager (SBP-BSC) Karachi, to credit Pak Rupee equivalent of the US Dollar to the Assignment Account (sub account of Central Account-I) under the appropriate Debt or Grant head. The Chief Manager will, in turn, and at maximum by the next business day, authorize amount in Pak Rupee credit into the relevant Revolving Fund Account of the project.

a. In the books of FTO/AGPR:

Debit: F01-Central Government Account-I(Non Food)

Credit: E03301-Permanent Debt (Foreign) - Direct **or**

Credit: C036-Foreign Grants (under relevant detailed head).

- (VIII) The (SBP-BSC) Karachi will immediately report the receipt in the Pak Rupee and the equivalent foreign currency to NBP HQ with a copy to respective NBP branch, the relevant Project Director, Planning & Development Division/Department (as the case may be), Economic Affairs Division and Finance Division/Department and AGPR/AG. No Accounting Entry shall be made in the books of DAO/AG/AGPR at this stage.
- (IX) On intimation of receipt of funds from SBP BSC Karachi, the respective branch of NBP will record it in the Revolving Fund (Proforma) Account both in Pak Rupee and US Dollar equivalent under intimation to SBP Karachi, local office of SBP-BSC, relevant Project Director and NBP head office.
- (X) In case of receipts on account of projects under the control of Provincial Governments, or Local Governments, Financial and Non-Financial Institutions under the administrative control of the Provincial Governments, the SBP will simultaneously transfer the funds for credit to the concerned Provincial Government Account. The Provincial Finance Department shall ensure that the Budget allocations are available in the Provincial Schedule of Authorized Expenditure. The following Journal Entries will be passed:

1. In the Books of Federal Government:

a. In the books of AGPR:

(i) On receipt of funds from donor:

Debit: F01-Central Government Account-I (Non-Food)

Credit: E03301-Permanent Debt (Foreign)- Direct **or**

Credit: C036-Foreign Grants

(ii) On transfer of funds to Provincial Government:

Debit: Demand No. & Function - A08-Loans and Advances to Provinces (under the relevant detailed head of account) **or**

Debit: A052- Grants Domestic (under the relevant detailed head of account)

Credit: F01-Central Government Account-I (Non-Food)

2. In the Books of Provincial Government AG:

Debit: F01-Provincial Government Account-I(Non-Food)

Credit: E03302-Permanent Debt (Foreign) - received from Federal Government **or**

Credit: C036-Foreign Grants.

3. On issue of payment/cheque following entry shall be made (Govt. Department only):

Debit: Demand No. & Function Code- A-Expenditures (under the relevant detailed head of account).

Credit: G01-Cheque Clearing Account – Foreign Aid Assignment Account.

- (XI) All payments from the Revolving Fund Accounts shall be effected through NBP Cheques/Authorizations issued by at least two persons authorized to sign. The payments into the account in respect of donor funds shall be initiated through withdrawal applications signed by such persons as may be nominated by the project management with the approval of the administrative Ministry/Division/Department. Each project management shall submit, through its appropriate administrative Ministry/Division/Department, its budget for the following year as required for all budgets that will be included in the ‘Schedule of Authorized Expenditure’ and such budgets shall be prepared and submitted with the information including Grant/Loan No. (Project ID), Project Name/Description, Fund Code, Cost Center, Sub-detailed Function, Detailed Object, consistent with the Government Chart of Accounts and within the Government’s budget calendar.
- (XII) Each project shall prepare its own annual financial statements comprising expenditure from Revolving Fund Account and Direct Payments (showing in three separate columns for RF Account, GOP Assignment Account and Third Party payments) and submit the same to Donor/Lender as well as to external audit as required under the loan/credit/grant agreements. Nevertheless, the project accounts, being sub-accounts of receipts and expenditures under the consolidated fund of the government(s) will be subject to certification as part of the consolidated government financial statements by the Auditor General of Pakistan.
- (XIII) After the internal agreements containing provision for the opening of Revolving Fund Accounts have been signed, the concerned Ministries/Divisions/Departments and the project implementing agencies will arrange immediate opening of the Assignment Accounts at a branch of the NBP and special instructions for operation of the Accounts, if any, shall be provided to all parties concerned. NBP will, however, open the account after obtaining necessary permission from Exchange Policy Department of SBP Karachi, and

will provide a monthly statement of accounts to the project management by the end of first week of the succeeding month. It shall be mandatory for the NBP, in all cases, to mention clearly the name and Account No. of the payee on the Monthly Bank Statement. NBP shall send copy of the Bank Statement on 5th of the following month to SBP which shall be returned by SBP to NBP duly verified by 10th of the month. Even 'Nil' balance shall also be reported by NBP to SBP.

(XIV) Withdrawal Applications will be prepared and submitted to donors by the project management, requesting the amount of initial deposits/subsequent funding to the Revolving Fund Account through the foreign currency account of SBP Karachi for further simultaneous credit to the Revolving Fund Account (a named sub-account of the Central Account-I) at the concerned branch of the NBP. The assigned identification number of the Revolving Fund Account will be indicated on the Withdrawal Applications. The person authorized to sign Withdrawal Applications and/or operate 'Revolving Fund Accounts' shall furnish copies of the Withdrawal Applications, simultaneously, to their respective Administrative Ministries /Divisions as well as to the Economic Affairs Division, NBP Head Office, Karachi, relevant branch of NBP, SBP Finance Department, Karachi and concerned AG/AGPR office.

(XV) The Finance Managers of the respective projects (or the persons so authorized) shall perform the role of DAO to the extent of authorization for payment within the available budgetary limits. He will also be responsible for the reconciliation with NBP, reporting of authorized 'direct payments' to the contractors/suppliers through the donors, and financial reporting. All payments, except for an authorized petty-cash to be notified in writing by the Project Director to the relevant NBP branch, shall be made directly to the recipients through crossed-cheques. Cash payments or funds transfers from Assignment Accounts to any DDO-account or any other account for the sake of onwards disbursements shall be strictly prohibited. The following entries will be made at the time of issue of payment/cheque out of each Assignment Account:

Debit: Demand No. & Function Code - A-Expenditures (under the relevant detailed head of account)

Credit: G01-Cheque Clearing Account- Foreign Aid Assignment Account (for separate Assignment Accounts).

(XVI) The 'direct payment' shall be noted as a 'third party transaction' for the purposes of reporting and an equivalent amount shall be entered as a 'contra' receipt from the donor to

ensure that the fiscal balances match the monetary balances of the project. The project Finance Manager shall be responsible for reporting of third party payments. The project authorities shall make sure that the detail of this payment has been communicated in written to EAD/Finance Division and respective AG/AGPR. The following entry at time of submission of Withdrawal Application shall be passed:

Debit: Demand No. & Function Code - A-Expenditures (under the relevant detailed head of account)

Credit: E03301-Foreign Debt or C036-Foreign Grants (as the case may be).

- (XVII) The consultancy charges payable by the donors shall be paid after verification of services rendered by the consultant, by the concerned Project Director/ Ministry/ Division or by the Provincial Governments. However, in case of foreign training prior approval of concerned Ministry/Division will be required.
- (XVIII) In case there is balance available in US Dollar at the close or short- close of the project which is required to be refunded to the Donor, SBP Finance Department, Karachi will arrange remittance to the Donor at the prevailing exchange rate in consultation with EAD after clearance/approval for the refund by the concerned Ministry/Division/ Department under budgetary procedure. After the full utilization of Credits/Loans/Grants, the concerned Ministries/Divisions and the project implementing agencies will arrange immediate closing of the Assignment/ Revolving Fund Accounts at the concerned branch of the NBP.
- (XIX) In order to record expenditure upon issue of cheques, the concerned Project Authority/ DDO shall ensure that the copy of the schedule in the format at Annex-A is received to the concerned AGPR/AG Office on daily basis (or as the cheques are drawn depending on the volume). The copy of the schedule will also be sent to the NBP by the DDO. The Project Authority/DDO shall also provide/submit a statement of account to AGPR/AG on monthly basis.
- (XX) The controlling Ministries/Divisions shall reconcile expenditure on account of Foreign Aid with AGPR and EAD on monthly basis. The controlling departments of the Provincial Governments will similarly reconcile the expenditure on foreign aided projects with the AG/Provincial Finance Department. In case of non-reconciliation by 21st of the following month, AGPR/Provincial A.Gs to advise the donor through the EAD to take appropriate action as per the donor's "Financial Management Guidelines".

ANNEX-A

SCHEDULE OF FOREIGN AID ASSIGNMENT ACCOUNT CHEQUES

Serial No: _____
(Pre Numbered)

Date: _____

Name of Deptt and DDO: _____

Assignment A/c Name and No: _____

Cost Center _____

Project Description _____

Project Code _____

SUB-Detailed Function _____

Grant No _____

Serial No.	Cheque No	Date of Cheque	Payee Name	Amount (Rs)	Detailed Object Code

Certificate

It is certified that money being drawn through above cheque/cheques is required for immediate disbursement and will not be kept in any bank account.

DDO's Signatures and/stamp