

Chron file

To : Mr Muhanna Jassim Al-Battat, Director General of Accounts
Mr Hashim Obeid, Acting Minister, Ministry of Finance

From: Mr David Oliver, Director, OMB

Subject: Procedure for settlement of outstanding obligations of budget organizations (centralized finance) and of state-owned enterprises (self-financed)

Date: 1st August 2003

The CPA Office of Management and Budget, following our recent discussions, authorizes the Ministry of Finance to establish the procedure set out below for settling the outstanding obligations of budget organizations (centralized finance) and of state-owned enterprises (self-financed) to the private sector that arose before 9th April 2003.



David Oliver
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Procedure for settlement of outstanding obligations of budget organizations (centralized finance) and of state-owned enterprises (self-financed) to the private sector.

Taking into account the closure of previous accounts of budget organizations and the transfer of the remaining balances to the Treasury account, and the freezing of the previous accounts of state-owned enterprises, this circular sets out the procedure for transferring the frozen funds in the accounts of state-owned enterprises to the Ministry of Finance, and for settling the obligations to the private sector which were incurred before 9th April 2003 by budget organizations and by state-owned enterprises:

For budget organizations (centralized finance):

1. Preparation of a bank reconciliation statement for each account of each department to show the amounts recorded in the books and the amounts recorded in the bank statement as of 9th April 2003. The difference should be equivalent to the total value of cheques outstanding.
2. All unused cheques from frozen accounts must be returned to the banks at which the accounts were held.
3. Outstanding cheques. The list of the cheques which were drawn before 9th April 2003 but not presented to the bank for payment should be audited by the Board of Supreme Audit to verify that these cheques are valid and reflect genuine obligations to the private sector. If the Board of Supreme Audit confirms that they are valid and reflect genuine obligations to the private sector compatible with CPA policy (e.g. not including bonus payments), it should confirm the list by signing it. The budget organization must then send the verified list to the Accounts Department of the Ministry of Finance. Subject to approval by the CPA Adviser to the Ministry of Finance, the Accounts Department will then transfer these cheques to the Treasury with an instruction to issue a new cheque drawing on the Treasury account in settlement of the obligation to the beneficiary of the outstanding cheque.
4. Other obligations. In the case of obligations which arose but were not paid by cheque before 9th April 2003, the Board of Supreme Audit

will audit the documents for those obligations to ensure that they are valid and reflect genuine obligations to the private sector. If the Board of Supreme Audit in consultation with the CPA Senior Adviser to the Ministry of Finance or his delegate confirms that they are valid and reflect genuine obligations to the private sector compatible with CPA policy (e.g. not including bonus payments), it should confirm the documents by signing them. The budget organization must then send the documents verified by the Board of Supreme Audit to the Accounts Department of the Ministry of Finance. Subject to approval by the CPA Adviser to the Ministry of Finance, the Accounts Department will then issue an instruction to the Treasury to issue a cheque drawing on the Treasury account in settlement of the obligation.

For state-owned enterprises (self financing):

5. Preparation of a bank reconciliation statement for each account of each state-owned enterprise to show the amounts recorded in the books and the amounts recorded in the bank statement as of 9th April 2003. The difference should be equivalent to the total value of cheques outstanding as of that date.
6. All unused cheques from frozen accounts must be returned to the banks at which the accounts were held.
7. The funds in the frozen accounts of state-owned enterprises should be transferred to a single new Treasury account ("the Treasury SOE loan account").
8. Outstanding cheques. The list of cheques which were drawn before 9th April 2003 but not presented to the bank for payment should be audited by the Board of Supreme Audit to verify that these cheques are valid and reflect genuine obligations to the private sector. If the Board of Supreme Audit confirms that they are valid and reflect genuine obligations to the private sector compatible with CPA policy, it should confirm them by signing the list, and forward them to the Accounts Department of the Ministry of Finance. Subject to approval by the CPA Senior Adviser to the Ministry of Finance, the Accounts Department of the Ministry of Finance will issue an authorization to

pay the beneficiary of the outstanding cheque from the Treasury SOE loan account in the amount of the outstanding cheque.

9. Other obligations. In the case of obligations arising before 9th April 2003 which were not paid by cheques before 9th April 2003, the Board of Supreme Audit will audit the documents for those obligations to verify that they constitute a valid and genuine obligation to the private sector. If the Board of Supreme Audit confirms that they valid and reflect genuine obligations to the private sector compatible with CPA policy, it should confirm the documents by signing them and submit them to the Accounts Department of the Ministry of Finance. Subject to approval by the CPA Senior Adviser to the Ministry of Finance, the Accounts Department of the Ministry of Finance will issue an authorization to pay the beneficiary from the Treasury SOE loan account in the amount of the outstanding obligation.

10. After outstanding obligations have been settled, the Accounts Department of the Ministry of Finance should calculate net profit due to the Treasury from each state-owned enterprise, and transfer the appropriate amounts from the Treasury SOE loan account to the general Treasury account. It should then prepare a report to the CPA Ministry of Finance on balances remaining in the Treasury SOE loan account.