

Project: Sustainable Rural Market Development in Arid Areas (SRMDAA)
IFAD Loan: 1234-ABC

Project Financial Management Procedures (PFMP)

(Draft Version 1.0)

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Acronyms

AWPB= Annual Work Plan and Budget

CB = Central Bank

FA= Financing Agreement

FC = Financial Controller

IFAD = International Fund for Agricultural development

LPA = Lead project Agency

SDR = Special

MFI = Microfinance Institutions

MOA = Ministry of Agriculture

MOF = Ministry of Finance

PD= Project Director

PIM=Project Implementation Manual

PIU = Project Implementation Unit

WA = Withdrawal Application

1.0 Introduction

The following manual outlines the financial procedures to be followed by the Project Implementation Unit (PIU) during the following stages of the project cycle: i) preparation and planning, ii) implementation and iii) completion of the project. The manual aims to describe in detail the necessary steps to be undertaken by the relevant project staff and the Financial Controller (FC) in particular, when undertaking actions related to a) planning and budgeting, b) accounting, c) records management, d) internal controls, e) flow of funds, f) withdrawal of financing proceeds, g) processing of payments, h) financial reporting, i) fixed asset management, j) audit arrangements, k) supervision by IFAD and l) project completion and loan closure.

This manual is to be considered a living document and it is to be reviewed and updated at least once a year. It is to be read together with the Project Implementation Manual, the Procurement Manual, and the HR-manual. It is also important to note this manual makes references to the following IFAD key documents: Financing Agreement, IFAD General Conditions, Letter to the Borrower, IFAD Guidelines on Project Audits, as well as the Disbursement Handbook. Therefore, it is fundamental that the project staff, especially the Project Director and the Financial Controller master these documents before the implementation of the project begins. The generic IFAD documents listed above are available at <http://www.ifad.org/pub/basic/index.htm>.

1.1 The Project

The International Fund for Agricultural development (IFAD) has agreed to provide the Borrower on the terms and conditions set forth in the Financing Agreement, the amount of SDR 20 000 000 (approximately USD 30 000 000) to implement the Sustainable Rural Market Development in Arid Areas Project (SRMDAA) project (here after referred to as “the Project”). The Project will consists of the following components/Sub-components as outlined in schedule 1 of the financing agreement:

Component 1: Rural Market Development

Sub-component 1 a. Rural Market innovation strategy

Sub-component 1b. Rural Market infrastructure

Sub-component 1c. Women Capacity Building

Component 2: Irrigation Infrastructure

Component 3: Rural Finance

Component 4: Programme Management

The Recipient/Borrower and IFAD have agreed within the Financing agreement (FA) to allocate the financing to categories of eligible expenditures shown in the Schedule 2 of the FA. The schedule 2 also specifies the percentages of such eligible expenditures to be financed by the Financing: 100% net of tax.

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Category	IFAD loan (SDR)	IFAD Grant (SDR)	Total (SDR)	Eligible expenditures (%) net of Tax
I. Civil Works	4 000 000		4 000 000	100%
II. Equipment, Goods and vehicles	3 000 000		3 000 000	100%
III. Technical Assistance and Studies		2 000 000	2 000 000	100%
IV. Training and Workshops	2 000 000		2 000 000	100%
V. Credit line	5 000 000		5 000 000	100%
VI. PIU Management Costs	2 000 000		2 000 000	100%
Unallocated			2 000 000	
Total	16 000 000	2 000 000	20 000 000	

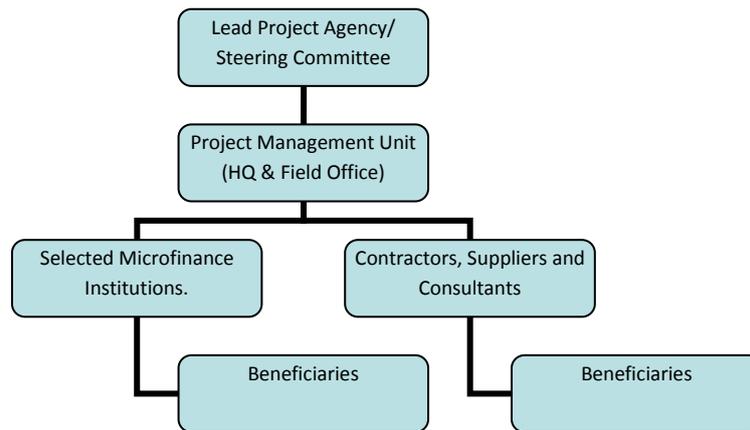
(Table 1: Schedule 2 of the financing agreement - eligible expenditures by expenditure category)

In addition to IFAD financing the Project will also receive counterpart financing from the Government, equivalent to approximately USD 2 million. The counterpart financing will include 1.7 million in the form taxes and duties and USD 0.3 million in cash from the Government's budget. The project beneficiaries will also contribute approximately USD 1.2 million to the project.

1.2 The Project Implementation Unit

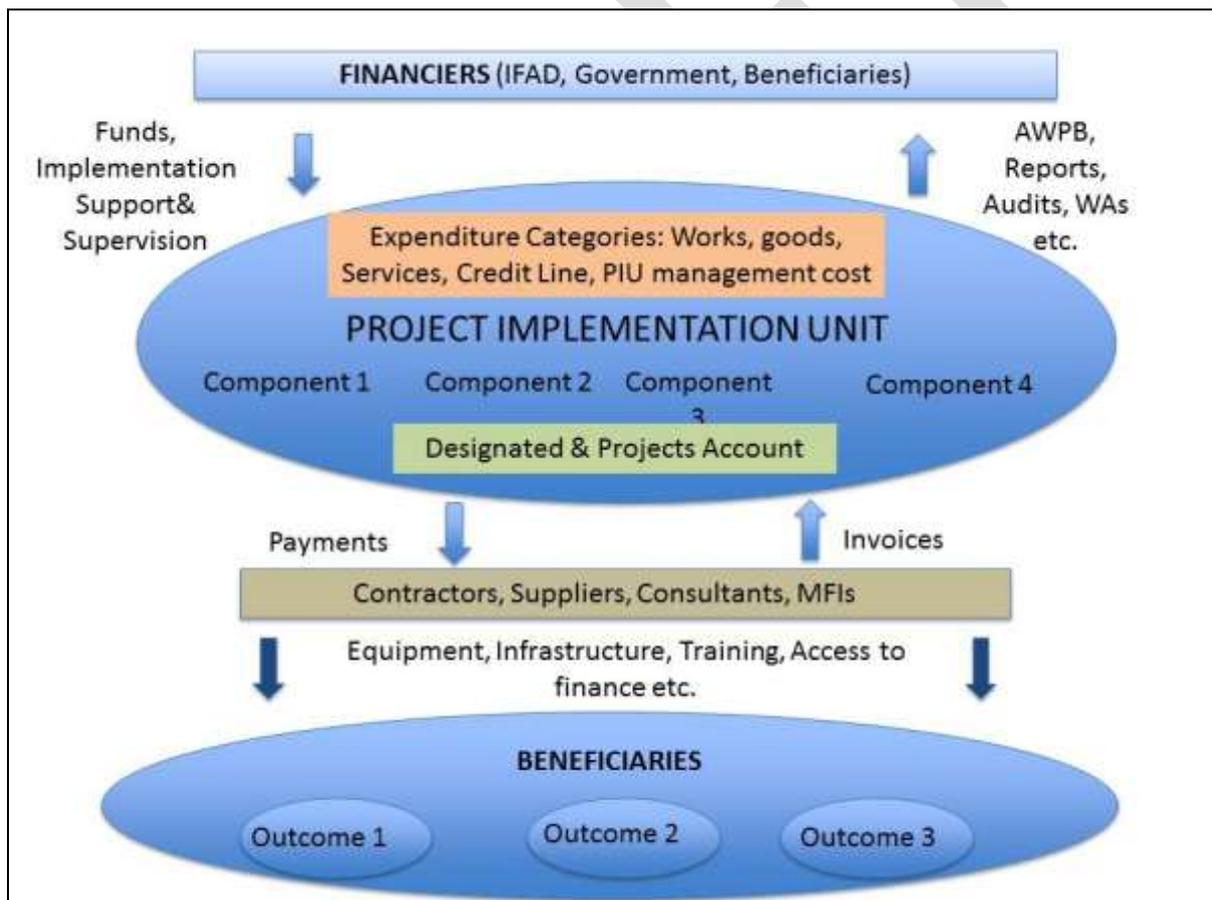
The Project Implementation Unit (PIU) is responsible for implementing the project and its different components. The PIU will be operating under the Ministry of Agriculture (hereafter referred to as the Lead Project Agency – LPA). The PIU will be located in the facilities of the LPA in the capital with the exception of a small field office, located in the project area.

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(Chart 1: organogram of the project implementation arrangements)

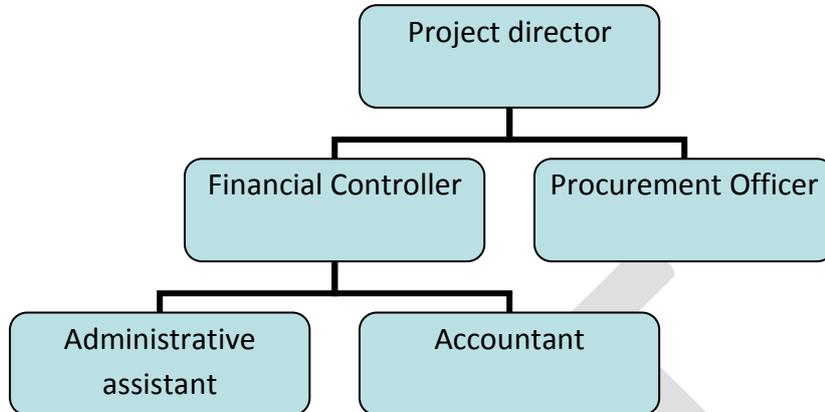
To implement the project and its components, the PIU will receive funds from the financiers (IFAD, the government and beneficiaries), which will be channelled through a designated and project accounts to cover project expenditures, in accordance to the Annual Work Plan and Budget (AWPB) and the expenditure categories as per the schedule 2 of the FA.



(Chart 2: The Financial operations environment of the PIU)

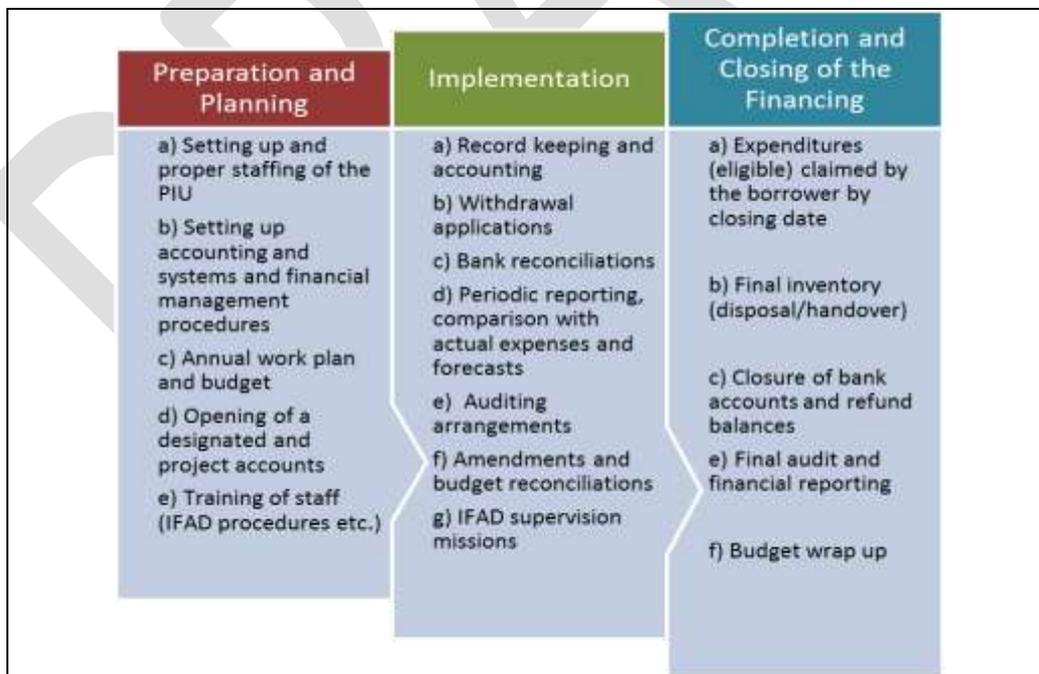
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The Project and the PIU will be managed by the Project Director who is responsible for setting up the PIU and the proper staffing of it. The project funds will be managed by the Financial Controller with support of two accountants and an administrative assistant under the direct supervision of the Project Director.



(Chart 3: Organogram of the PIU staff involved in financial operations)

In order to ensure that the financing proceeds are used for the intended purpose and as efficiently as possible, it is essential that the Financial Controller sets up and maintains adequate financial management arrangements in each stage of the project cycle: i) preparation and planning, ii) implementation as well as iii) completion and closing, as illustrated in the chart below.



(Chart 4: Financial management arrangements in the different stages of the project cycle)

Given the importance and complexity of managing the PIU, it is essential that the PIU is staffed with qualified and motivated staff. The staff will be managed in accordance with the HR manual of the PIU.

Equally it is important that the skills of the PIU staff are developed to meet the changing environment of the project. It is the Financial Controllers and the HR focal points responsibility to make sure the training needs are identified and that a staff development plan is included in the Annual Work Plan and Budget .



Sample Job descriptions for the Project director, Financial Controller, Accountant and Administrative Assistant is provided in annex I. A sample staff development plan is provided in annex II: Table 6 of the AWPB.

1.3 Anticorruption policy

The management of the project funds shall be sufficiently rigorous to safeguard against Fraud and Corruption. Fraud and corruption include, but are not limited to:

- corrupt practice - offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party
- fraudulent practice - any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation
- collusive practice - an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party
- coercive practice - impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party

IFAD applies a zero-tolerance policy towards fraudulent, corrupt, collusive or coercive actions in projects financed through its loans and grants. 'Zero tolerance' means that IFAD will pursue all allegations falling under the scope of this policy and that appropriate sanctions will be applied where the allegations are substantiated. IFAD takes all possible actions to protect individuals who submit allegations of fraudulent or corrupt practices in its activities from reprisal. The IFAD anticorruption policy is available on IFAD website at www.ifad.org/governance/anticorruption/index.htm). The IFAD website also provides instructions on how to report any alleged wrongdoing to the Office of Audit and Oversight (<http://www.ifad.org/governance/anticorruption/how.htm>).



It is the Project Director's and the Financial Controller's responsibility to make sure that all PIU staff including the financial department are aware of IFADs and the lead project agency's anticorruption policy and whistle blowing procedures.

2.0 Budgeting and Planning

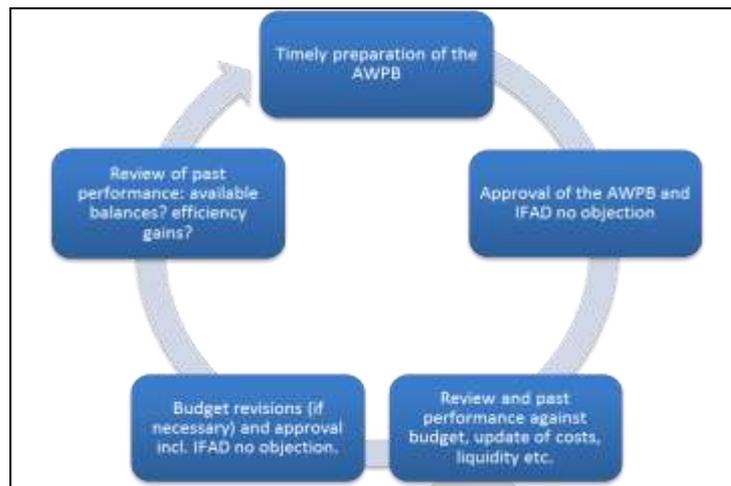
The PIU is responsible for developing an Annual Work Plan and Budget (AWPB). The AWPB is expected to contain several key elements such as:

- i) Introduction and brief background;
- ii) Strategic focus and outputs;
- iii) Major risks and mitigation actions;
- iv) Budget and Financing plan;
- v) Procurement plan;
- vi) Training and technical assistance schedule and,
- vii) PIU staff development plan

The budget and financing plan can be described as a detailed statement of the expected resources available to the project and the planned use of those resources for the upcoming project year. The AWPB and especially the budget and financing plan is an important tool for managing the financial performance of the project and to ensure sufficient cash flow .

The budgeting and planning process comprises of the following parts :

- Preparation of annual, semi-annual, quarterly and even monthly financial plans including procurement, receipts, expenditures and cash flows.
- Review of past performance against budgets and the procurement plan, to promote an understanding of the project cost base;
- Identification of potential efficiency savings; and
- Review of the main expenditure headings in light of the project implementation plan, procurement plan, and expected variations in cost e.g. pay increases, inflation and other anticipated changes.



(Chart 5: The project budget cycle)

2.1 Development of the AWPB

Before the beginning of each fiscal year for the project, the Financial Controller should in consultancy with other project staff and stakeholders, prepare the AWPB for the next year reflecting any updates to the project cost tables detailed in the project design. The budget and financing plan should be prepared and presented on a quarterly basis. The data on the number of activities to be implemented in the coming year and the estimates of the total funds needed to finance them should be presented by component and sub-component, by expenditure category as well as by financier. The estimates should be based on the project's (up to date) cost tables. In addition to the financial information described above, the budget should also take into account the physical outreach of the project (number of farmer's to be trained etc.).

When preparing the AWPB the following aspects should be taken into consideration:

- Consistency with other financial reports: It is practical to prepare the budget and financing plan in the same format as the periodic (financial) progress reports and the project financial statements of the project.
- Contingency provisions (physical and price) and allocation of funds from the unallocated expenditure category.
- Post implementation activities e.g. arrangements for after life of project, disposal of project assets (computers, vehicles etc.), future repair and maintenance.
- Availability for funds and arrangements for all audits.

After preparing the draft AWPB, the Financial Controller will send it to the Project Director and Steering Committee/LPA for review and clearance/approval before sending it to IFAD for no objection. In accordance with the FA, a draft AWPB has to be submitted to IFAD no later than 60 days before the beginning of the relevant fiscal year of the project. If required the PIU/LPA could propose adjustments in the AWPB during the relevant project year, which would become effective after IFAD' approval.

The AWPB must be accompanied by a procurement plan prepared by the Procurement Officer. The first Procurement plan should cover the first 18 months of the project lifecycle while the subsequent procurement plans should cover 12 months of the project lifecycle.



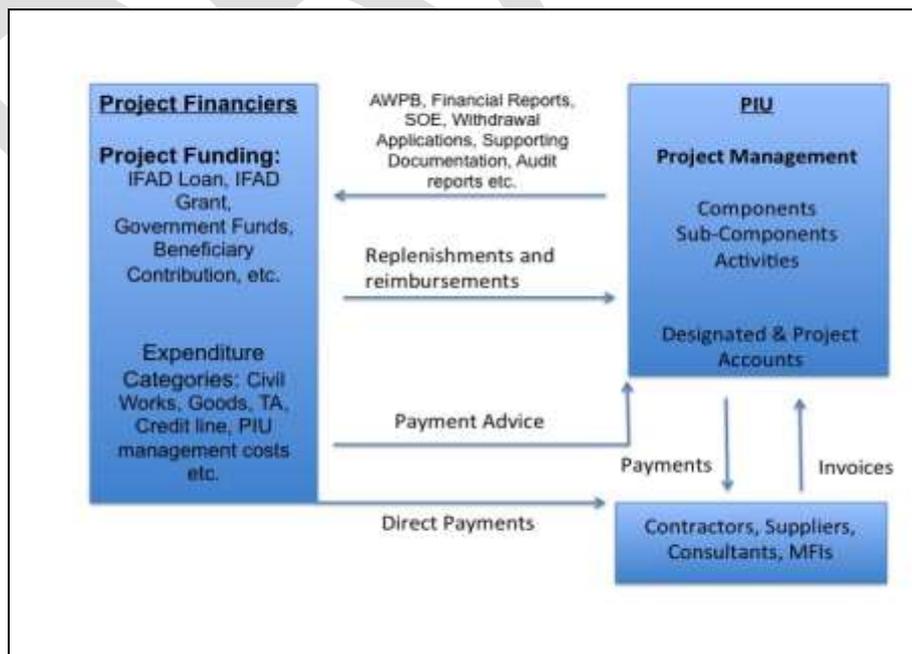
A sample of a budget and financing plan, procurement plan as well as a staff development plan is provided in Annex II.

2.2 Review of the AWPB

Every quarter, the Financial Controller should review the costs incurred during this time period. In case of differences between the planned and actual costs presented in the Annual Budget, the Financial Controller should identify the reasons for those differences and detail them in the periodic Financial Reports presented to IFAD. In case of internal problems identified during the costs review, the Financial Controller should take the necessary steps to eliminate them. Otherwise, the budget for the next quarters should be readjusted to reflect the difference between actual and planned figures.

3.0 Accounting system

The majority of project activities result in the receipt, commitment or expenditure of funds. The accounting system records, processes and organises this data in order to produce useful financial information in form of AWPB, Financial Reports, Withdrawal Applications, Financial Statements etc. needed by the Project Financiers (IFAD, Government, Beneficiaries) as well as the PIU management. The accounting system should reflect the project's needs and be designed to provide the financial information required by all interested parties (PIU, LPA and IFAD). It should also fulfil all the legal and regulatory requirements of the borrower. The accounting system is a critical part of the project's financial management system and its design.



(Chart 6: The operating environment of the project accounting system)

The Financial Controller is responsible for the following key areas related to the accounting system of the project:

- Designing the accounting system of the project
- Selection and maintenance of an accounting software.
- Development of an accounting manual

3.1 Designing the project accounting system.

When designing the accounting system of the project the Financial Controller must undertake the following steps:

Step one: Identify the different kind of reports the system is expected to generate, based on the different stakeholders requirements. - What information and in what format needs to be produced by the PIU? As a minimum requirement the Accounting system will need to produce the following reports:

- Statement of cash receipts and payments (by category and by financier),
- Statement of cash receipts and payments (by component),
- Statement of comparative budget and actual amount by component,
- Statement of Special Account movements,
- Statement of Special Account Reconciliations,
- SOE-Withdrawal Application Statement.

Step two: List the transactions and activities, which the system must account for. As a minimum requirement the accounting system must include:

- a) Purchase orders, receipts, check books and other similar documents evidencing receipt, commitment or expenditure of funds.
- b) A journal for primary entry of all transactions, including adjustments, destined to be posted to the ledger.
- c) A petty cash book (PCB) for small cash expenditures below a certain low threshold. The credit side of the PCB should be analyzed into columns, one for each project component, The totals to be posted to ledger accounts monthly.
- d) A bank cash book (one for each source of financing). The credit side should also be analyzed into columns, one for each project component (like PCB). Total of these columns should be posted to their respective ledger accounts monthly.
- e) A ledger containing separate ledger accounts for each project component. The debit side of each ledger account should be analyzed into the expenditure categories defined in the IFAD Financing Agreement (Civil Works, Equipment, Goods and vehicles, Technical Assistance and Studies, Training and Workshops, Credit Line, PIU Management cost). The ledger accounts should be closed and trial balance prepared at the end of each month.

- f) Fixed asset register to record location, price and date of acquisition (or completion) of all buildings, vehicles, computers, printers, major equipment and furniture. There register should have a separate section for each type of fixed asset.

Step Three: Design the specific accounting books, including a chart of accounts and records to be maintained, the transactions to be recorded therein and the precise accounting entries on the occasion of each transaction.

Step Four: Incorporate the systemic accounting issues as agreed with IFAD and the government including the used accounting standards and valuation criteria. - In accordance with the project design document, all project accounts will be kept on a double entry system and the used accounting standards will be IPSAS Cash.

Step Five: Resolve accounting issues (if any) rising from the fact that the project is being implemented and expenditures are being incurred in different locations (HQ vs. field office). - The field office is to provide monthly reports and to HQ by electronically by using the internet connection or by hand carrying a USB-stick.

Step Six: Determine a tentative list of users and user rights for each staff member in line with their terms of reference in order to maintain a proper level of security.

Step Seven: In the light of steps 1-5 decide, select and procure the accounting software that is able to satisfy the needs of the project. The Financial Controller needs to have an answer to steps from 1 to 5 before approaching a software company.

Step Eight: Incorporate all decisions of the previous seven steps in an accounting manual. This manual will need to be reviewed and updated once a year.

3.2 The Selection of an Accounting Software

The accounting software of the Project is an important tool for collecting, analysing, storing, and disseminating information that is vital for decision making. In addition, it enhances transparency and accountability of the project activities, provides timely reports, helps detecting errors and shortfalls during project implementation and indicates necessary corrections.

When choosing an accounting software the Financial Controller should ensure that the software is able to meet the following criteria:

- Reflect project needs and be designed to provide the minimum financial information required by all interested parties (PIU, LPA, IFAD) including the provision of accurate, timely, complete, reliable and consistent information and reports as well as fulfil the legal and regulatory requirements of MOF/MOA;
- The accounting software should be configured as a modular solution and the different modules should be suitably integrated. The software should contain the following modules: i) general ledger module, ii) accounting module incl. petty cash, iii) budget module, iv) fixed asset module, v) contract management and procurement management module. - The integration of budgeting module accounting module/system is important to enable comparison of the actual performance with budgets/targets (quarterly, annual, and cumulative for the Project).

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- Ability to account under different bases of accounting (cash, modified accrual, accrual)
- Use the double-entry system of transactions;
- Have multi-currency and multi-lingual capabilities and reporting;
- Allow for multi-period and multi-user processing and reports;
- Able to output financial reports in a variety of formats including hard copy printouts, as an excel spread sheet and as an HTML file;
- Provide adequate documentation and complete audit trail to facilitate audit.
- Have security settings and different access levels for different users
- Be user friendly. Technical support, training and installation & configuration should be offered by the supplier and be easily accessible during project implementation.
- For procurement needs, the accounting software should capture and report on the following: Prior review thresholds; Procurement methods thresholds; Procurement reference; Activity description; Component (as per the description schedule of the Loan); Category (as per disbursement schedule); Estimated amount; Procurement method used; Prior/Post review; Date of issuance of advertisement; Bank no objection on bidding documents (Goods/works) or RFP (consultants); Date of bid (Goods/works) or RFP (consultants) submission; Bid opening date (goods/works) or Financial Proposal opening date(consultants); Bank No objection to evaluation report; Bank no objection to contract draft; Date of submission to the Fund of the Copy of signed contract; Contract related data (date of signature, date of completion, contract amount, contract amendments and payments terms).

In the installation phase of the accounting system, Financial Controller will need to determine the following:

- access level and different user rights e.g. (i) active use for inputting/editing of data for different modules; (ii) read-only use; or (iii) no-access.
- Information storage and back-up
- Design of the chart of accounts and the detailed list ledger accounts required to account for transactions under the project.
- Design the detailed formats of various accounting books, records, and statements (e.g., cash and bank books, journals, various ledgers, trial balance, voucher formats, etc.).



A sample of a TORs for an accounting software is provided in annex IV

3.3 Accounting Manual

The accounting manual is an integral part of the financial management manual of the project. It is to be prepared by the Financial Controller and the accountant and will become effective after it has been approved by the Steering Committee of the project. The accounting manual is to be reviewed and updated once a year.

When developing the accounting manual, it is essential that the Financial Controller and the accountant are familiar with the following:

- National legislation and IFAD Financing agreement including the reporting requirements
- International Public Sector Accounting Standards (IPAS)- cash basis
- The features and user manual of the procured accounting software.

The accounting manual should as a minimum address the following subtopics:

Used accounting standards:

International Public Sector Accounting Standards (IPAS)- cash basis

Chart of Accounts

The Chart of Accounts is used to: (i) capture the financial data under the appropriate headings and (ii) classify and group financial data for the various financial reports. The structure of the Chart of Accounts caters data to be captured by: (i) the Project components, sub-components, activities (ii) expenditure items under each component and sub-component, (iii) The IFAD expenditures categories for the Project, and (iv) sources of funding. Expenditure categories may also be recorded by using “cost centre” functionality which is commonly available in accounting software’s.

The structure of the Chart of Accounts should conform closely to the project cost tables (as presented in the project design report) to enable comparison of actual project costs during implementation with those estimated during the project preparation.



A sample of a chart of account is provided in annex III

Budgeting and budgetary control

The project budget will be recorded in the budget module of the accounting software. Budgeting is discussed more in detail in section 2 of this manual.

Recording and processing of transactions

Whenever a transaction takes place under the Project, it should be recorded and processed using the

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accounting software that meets the project's specific accounting requirements. Processing of payments is discussed in detail in section 8 of this manual.

The recording of transactions under the Project follows the Cash basis of accounting with allows for the recognition of cash inflows in the period they are received and the reporting of expenses in the period those expenditures are paid.

Individual records of transactions are treated as source documents. For the project accounting purposes, the following source documents are considered:

- Purchase orders/ Contracts
- Purchase invoices
- Service invoices
- Consultants/engineers' reports

All transactions occurred should be registered in the accounting software in accordance with the date of occurrence and under the form of journals. The journal should contain sufficient and detailed information about the date of the transaction, its type, amount and reference to the source document. All the transactions should be entered on the accounting software using the principle of double entry, which means that each transaction should be recorded twice, once on the debit side of the transaction and once on the credit side of the transaction. The accounting software will automatically process those transactions and post them to the ledger accounts, which are accounts where all transactions of similar type are recorded. This processing of transactions also allows for the production of timely reports.

The accountant should reconcile the project accounts on a monthly basis. In case certain adjustments of entries in the accounting process have to be made, the accountant should produce a memorandum in which the reasons and the way in which the adjustment has been made is explained. The memorandum will be authorized by the Project Director after being cleared by the Financial Controller.

Petty cash management.

The accountant will manage and periodically reconcile the petty cash account. The petty cash account is discussed more in detail in the section 6.2 of this manual.

Bank account reconciliations

The accountant will need to perform monthly bank account reconciliations between the different accounts. The reconciliation is discussed more in detail in section 6.3 of this manual.

Withdrawal of funds

The accountant will be responsible for preparing withdrawal applications to be submitted to IFAD. The necessary procedures are explained in section 7 of this manual and in the IFAD disbursement Handbook.

Financial reporting:

The accountant is not only in charge for recording the financial transactions on a daily basis but also for summing up the expenditures made under each component and sub-component and for each activity under those and posting the data on accounting/financial reports on a periodic basis during the reporting periods specified in the Letter to the Borrower and in the Financing Agreement. The accountant will also need to keep track and report on the availability of project funds in the different accounts (Designated accounts, project accounts and petty cash) as well as the commitments made

by the PIU. The produced reports will be approved by the Project Director after being cleared by the Financial Controller. The different financial reports are discussed more in detail in section 9 of this manual.

Fixed asset register

The accountant needs to maintain a fixed asset register recording all fixed assets in the fixed asset module of the accounting software. Fixed asset management is discussed more in detail in section 8 of this manual.

Period for which records are to be kept

The accountant needs to file the original records in an organised way to be maintained by the PIU/LPA for a minimum 10 years after the project completion. Record management is discussed more in detail in section 4 of this manual.

Access Levels

The access to the accounting system should be governed by the privileged metrics defining the levels of access by different users: (i) active use for inputting/editing of data; (ii) read-only use; or (iii) no-access. This would allow a separated and controlled access to the Accounting module (i.e. Journal recording, posting to the General Ledger). Each accounting transaction records the user's ID, preventing unauthorized access to the system and an adequate level of protection against the input of false data or the destruction of the records. At the same time, the data-sharing nature of the system involves a strict coordination and active data exchange among its various users (primarily the PIU). In this respect the system should ensure the reliability in information storage and fast data processing.

Revision of accounting manual

The accounting manual is to be reviewed and updated once a year.

4.0 Records Management

Financial records must be created and preserved for every financial transaction performed under the project. Financial records are defined as any financial information including written, computer data, internal forms, e-mails, or any other form of storage information originated from the PIU such as internal forms, journal vouchers financial reports (Monthly & quarterly) copies of checks and withdrawal applications etc. or received by the PIU such as supplier invoices and receipts, bank statements, IFAD documents etc. within the framework of the project's official activities. The objective of this procedure is to preserve the financial records and files for further official use by the LPA, for financial audit and for review by the Fund during the supervision missions. The projects financial records are the property of the LPA/MoF and cannot be removed or destroyed.



It is important to note that in accordance with the IFAD general conditions, the recipient/borrower has to maintain the original records for a minimum 10 years after the project completion.

4.1 Filing of the financial records

The accountant is responsible for filing the financial records created or received by the project. To fulfil this responsibility, the accountant must maintain chronological files in which the financial documents have to be filed for future reference. Filing should be performed daily to prevent the accumulation of papers and to ensure that the financial records are maintained in an up-to-date

manner at all times. Each financial record should be filed under its code in a chronological order, with a sequential number assigned to every document. Any kind of additions or amendments to the financial document should be filed in a chronological order immediately following the principal document.

4.2 Storage of financial records

The financial records of the project should be stored in the PIU office, at the LPA for a minimum 10 years after the project completion. The data should be stored within the accounting software, as paper copies, as scanned copies and as computer disc copies. The Financial Officer should allocate an appropriate storage area for the financial records in paper format and maintain them in locked cabinets, safe from water and fire, to which access is controlled and limited. The Financial Officer should also classify the financial records as "Confidential", or "General". All important correspondences should be filed.

4.3 Archiving of financial records

In order to prevent an unnecessary pile-up of files in a limited office space, the Financial Controller should make sure that the financial records are archived on a regularly basis. Once a year, the Financial Controller should make sure that the completed or inactive files are archived in a manner that will allow for easy retrieval of the files in case they are required at some future date.

4.4 Back- up procedures

To avoid the loss or damage of financial data, the information should be kept in two copies: i) at the computer server of the PIU/LPA and ii) in the locked cabinets of the PIU office. Only the Project Director, the Financial Controller and the accountant are allowed to access the financial records without authorization. The access of external persons is prohibited except for the auditors & IFAD staff.

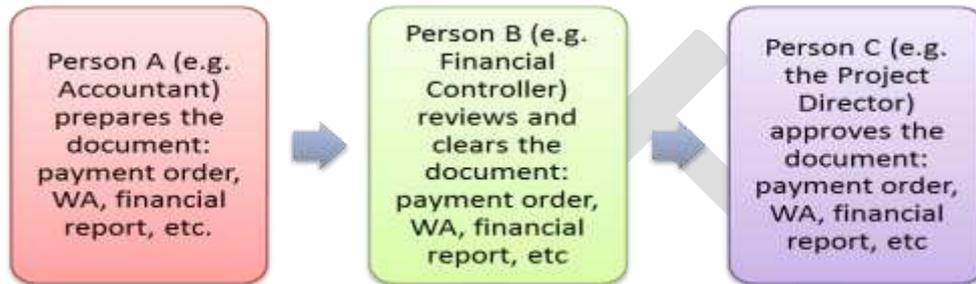
5.0 Internal controls

Designing, Installing, and maintaining a system of internal financial control is an integral part of the Financial management function. Internal financial controls aim to ensure) efficiency, ii) reliability, of financial reports and iii) compliance with applicable laws and regulations including the conditions set forth in the financing agreement. The key features of the internal control system are summarised below:

- Segregation of duties;
- Authorization;
- Reconciliations and checks;
- Restricted access; and
- Monitoring and review.

5.1 Segregation of duties

An important element in any control system is the separation of those duties which would, if combined, enable one individual to record and process a complete transaction. It is the Financial Controller's responsibility to ensure that the following duties are segregated under the project: preparation, authorisation, execution, custody, recording and the and operation of systems.



(Chart 7: Example of Segregation of duties)

5.2. Authorization

Authorization controls require the certification that a transaction or event is acceptable for further processing. Several types of authorization are in effect at the project, mainly in the procurement cycle, payment cycle, bank and cash management cycle including reconciliation. The Financial Controller should ensure that the authorizations of PIU staff ensure efficient implementation while keeping the risk as low as possible. The authorization of project staff should be in line with their respective job descriptions.

5.3 Reconciliations and Checks

Reconciliations between independent, corresponding sources of data are a key control for identifying errors and discrepancies in balances. The Financial Controller should perform the following reconciliations each month:

- Bank reconciliation
- Reconciliation between system and special account receipts and payments statement
- Any reconciling or balancing amounts should be promptly cleared. Unusual or long outstanding reconciling items must be brought to the attention of the financial officer. The financial officer will review and sign all reconciliations as evidence of his review.

In addition physical checks should be performed on assets held and on petty cash.

5.4 Restricted Access

All data, records and assets should be kept in a physically secure environment. This should cover safe keeping of finance records such as official order forms and bank details. In addition, any petty cash should be kept securely. Financial data and other records should also be protected in the form of back up procedures. All work should be regularly backed up and copy records stored securely off site

5.5 Monitoring and Review

As detailed in financial reporting section 9, periodic financial reports must be prepared and submitted to the fund. For the purposes of internal control the same information should be prepared and monitored by the project Director on a monthly/quarterly basis. The reports should be prepared on a timely basis and should normally be available for distribution two weeks after the end of the reporting period to which they relate. The periodic reports should be reviewed by the finance officer and the project director as a minimum. Where necessary, corrective action should be taken to ensure the authorized budget and procurement plan is not exceeded.

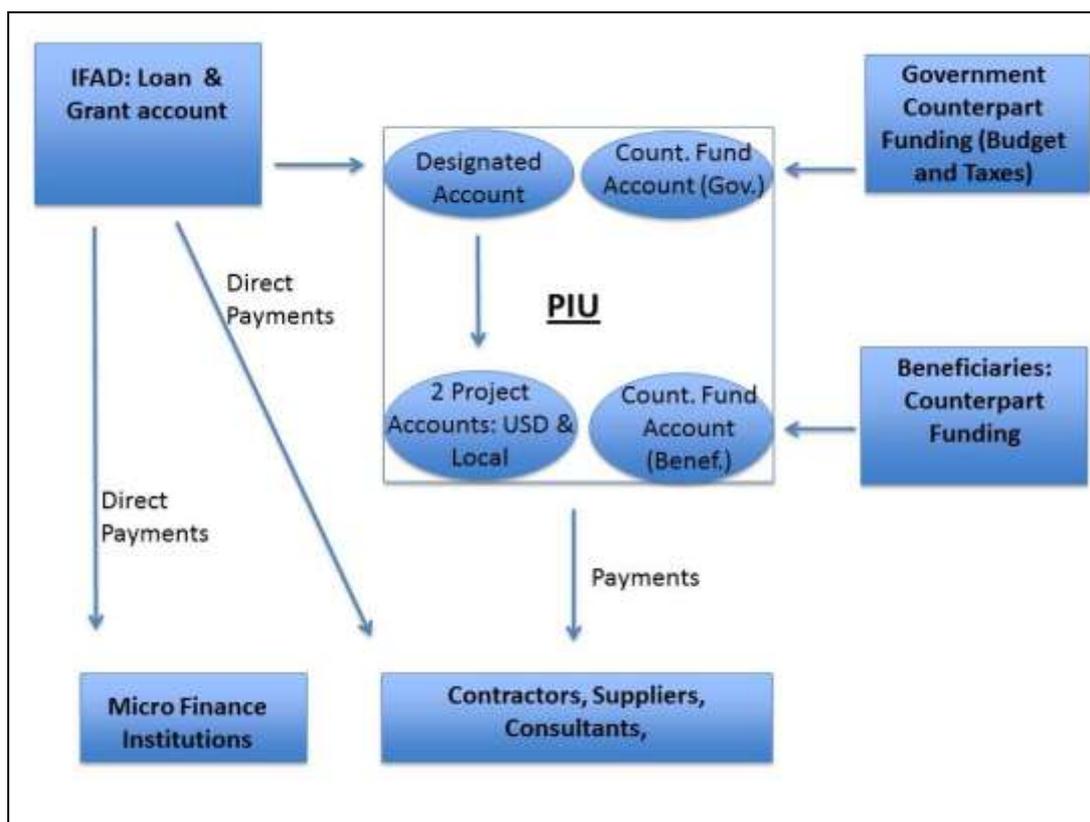
6.0 Flow of funds, cash and bank account management

The IFAD Loan will be disbursed over six years. The Loan Closing Date is the sixth anniversary of the date when the project was declared effective. IFAD disbursement procedures and the accompanied forms are outlined in detail in the Letter to the Borrower and the Disbursement handbook which should be read in parallel with this manual. Please refer to section 7 of this manual for more detailed information on the IFAD Disbursement procedures.

6.1 Flow of Funds, opening of special accounts and project accounts

As soon as entry into force, IFAD will open a loan and a grant account which will be credited with SDR 18 000 000 and SDR 2 000 000 respectively. These funds will be transferred to the project in accordance with the financing agreement and the IFAD's disbursement procedures.

The project will open two designated accounts in USD, one for the IFAD loan and another for the IFAD grant in the Central Bank of the country and two project accounts in local currency; one for the IFAD loan and another for the IFAD grant in a commercial bank acceptable to IFAD. The Project will also open two project accounts designated to receive counterpart funding from the government and from the beneficiaries. The funds under component 3 rural finance (expenditure category 5) will be transferred to the selected microfinance institutions through direct payments in accordance with section 7.5 of this manual.



(Chart 8: Flow of funds of the project)

6.2 Petty cash account

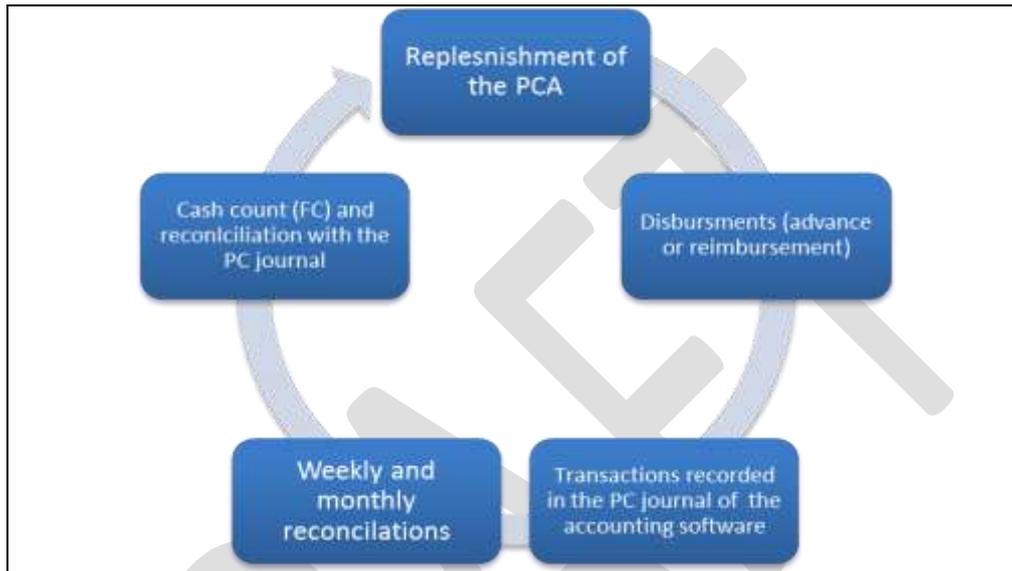
In addition to the bank accounts outlined in the section above, the PIU will operate a petty cash account in local currency up to the equivalent of USD 500. The Petty cash will be operated by the accountant. The purpose of the petty cash is to allow the PIU to make payments for low value items (e.g. minor repairs, small supplies, newspapers, taxi fares, and other sundry expenses) in a quick and efficient manner. Payments through petty cash will only be allowed for amounts up to the equivalent of USD 50 for a single transaction. The cash is placed in a locked box which is kept in the PIU safe.

The Petty cash disbursements may be in the form of an advance or a reimbursement (when the staff member has personally advanced the funds). In both cases, the requesting staff fills out a petty cash request form (Annex XXX). The payee name, the description of the goods or services, the estimated (or actual) cost and the transaction coding are indicated on the form, which is forwarded to the Financial Controller for approval and to the Account for processing.

For advances, the Accountant delivers petty cash advances on the basis of the approved request. After the purchase is made, the requestor must return the invoice/receipt along with the change, if any, to the Account for recording into the Accounting system.

For reimbursements (i.e. when the goods or services have already been delivered), the invoice or receipt is given to the Account who reimburses the requesting staff member or directly pays the supplier. The form is signed by the individual who receives the money.

The petty cash transactions will be recorded in the accounting software petty cash journal as they happen as described in the accounting manual. At the end of each week, the Accountant will reconcile the petty cash journal with the physical cash count (materialized on the form shown in Annex 6.h.). In addition, a surprise cash count will be conducted by the Accountant or FC twice a month. It will also be followed by a reconciliation of the petty cash balance per the cash journal with the actual cash held in the petty cash box.



(Chart 9: Operation of the Petty Cash Account)

The petty cash will be replenished on a monthly basis (or more often if necessary) on the basis of the last reconciliation done by the Accountant. The amount of the replenishment will be equivalent to the total disbursements made since the previous replenishment, so that the petty cash balance is maintained at the original level of the equivalent of USD 500. No funds can be deposited into the petty cash, other than the replenishments.

 A sample of a petty cash reconciliation form and a petty cash request form is provided in annex VIII A&B.

6.3 Bank reconciliation

The financial controller must perform monthly reconciliations between the designated account(s) balance recorded on bank statements and local cash book balance, recorded on the system. Performance of the monthly reconciliation should follow the following steps:

- i) Designate Account balance recorded on bank statement on reconciliation date is taken as starting figure;
- ii) Add reimbursements/replenishments/other deposits that have been processed and are due to designated account, but not yet recorded on bank statements;

- iii) Subtract undelivered cheques. Any long-outstanding cheques should be identified and investigated
- iv) Following these adjustments, the bank statement and local finance system cash totals should agree. Any remaining difference should be reported and investigated;
- v) The completed bank reconciliation statement should be signed by the finance controller; and
- vi) The reconciliation should be reviewed and countersigned by independent finance team member who understands the reconciliation process.

Periodic designated account reconciliations will be submitted IFAD as part of periodic progress report as outlined in section 9.



Please refer to annex XII (also form 104 of the Disbursement handbook) for a standard Designated Account Reconciliation Statement

7.0 IFAD Disbursement Procedures

The IFAD disbursement procedures are governed by the Letter to the Borrower (LTB) and the Disbursement Handbook, which will be sent the PIU/LPA upon the project effectiveness. The handbook is also available on the IFAD site <http://www.ifad.org/pub/basic/index.htm>.

As stated in the LTB and the LDH, four standard disbursement procedures may be used for withdrawal of financing:

Procedure I

Advance withdrawal (using imprest accounts or revolving funds with replenishment to a bank account(s) designated to receive financing resources in advance). This modality is used to advance and/or replenish funds to a bank account as designated by the borrower. The Fund may place a limit on the amount to be advanced and/or replenished. Relevant details on the modality – which is project specific – are agreed between the borrower and the Fund, and detailed in the LTB.

Procedure II

Direct payment. This modality is used for eligible project expenditures to be paid directly by IFAD, generally for large contracts, to suppliers, contractors, consultants or third parties, as authorized by the borrower.

Procedure III

Special commitment. This modality is used for eligible project expenditures related to items imported by project implementing agencies under a letter of credit requiring the issuance of guarantees for reimbursement to negotiating banks by IFAD.

Procedure IV

Reimbursement. This is applicable when eligible project expenditures, reimbursable under the

financing, have been pre-financed by the borrower. Such reimbursements are expected to be claimed no later than 90 calendar days from the date of payment by the borrower.

7.1 Evidence of Authority to Sign Withdrawal Applications

The Fund requires the borrower's (or recipient's) representative, as designated in the financing agreement, to furnish satisfactory evidence of the authority and authenticated specimen signatures of the individuals who will sign WAs on behalf of the borrower. This evidence must reach the Fund before the first WA is presented by the borrower and should be the original (photocopies, facsimiles or other means of transmission are not acceptable). A sample template is provided in annex 1 of the disbursement handbook. Each WA should be signed by such duly authorized individuals, and the Fund must be notified of any change in the signatories authorized to withdraw funds from the loan/grant account.

The Fund must also be notified of the designated signatories for operating any designated and/or programme or other accounts, including changes thereto, whether or not these authorized signatories are included in the financing agreement. Such changes, as effected during the life of the project, must be communicated promptly to the Fund. The borrower, guided by the sample in annex 1 of the disbursement handbook, should provide the names and specimen signatures of the newly appointed signatories and include the date when such change is to take effect. The original of such changed documentary evidence is to be provided to the Fund.

7.2 The Designated Account

The flow of funds for the Project starts with the opening of the project Designated Account (DA), denominated in US Dollars, in the national central bank, in accordance with the Funds requirements identified in the Financing Agreement and the Letter to the Borrower. The Financial Controller is responsible for opening and managing the Designated Account including receiving on a monthly basis the DA Statement of Account from the bank and reconciling it against PIU records. Disbursements from the DA should be recorded in the PIU account records as of the date they are made, that is when the checks are issued.

7.3 Withdrawal of Financing Proceeds and Supporting Documentation

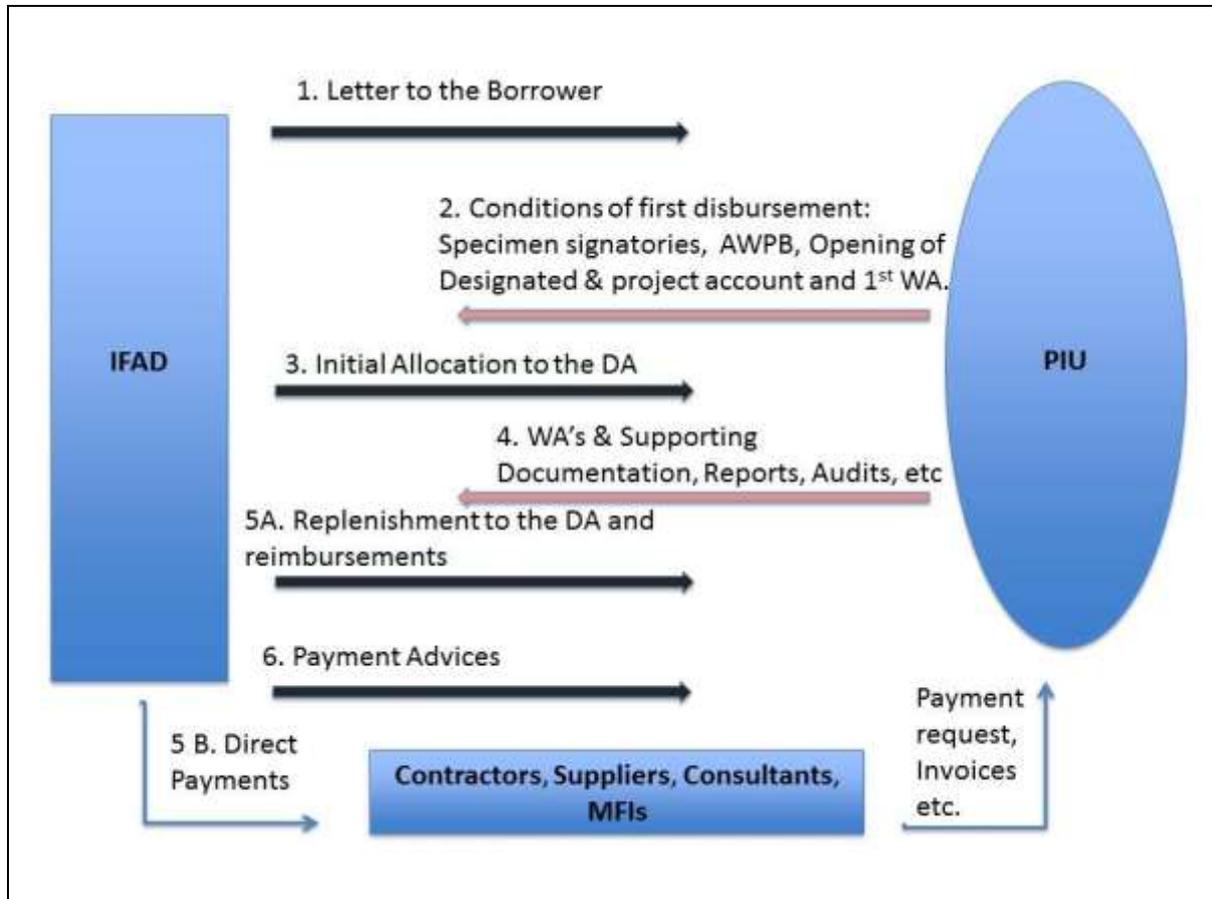
Based on the Letter to the Borrower and the Disbursement Handbook, the withdrawal of all Project financing proceeds (direct payments to contractors from IFAD, and to reimbursements and replenishments to the designated account) is done through the use of Withdrawal Applications (WA) - form 100 in the disbursement handbook.

It is the Financial Controllers and the accountant's responsibility to make sure that the WAs are correctly prepared, the documentation is complete and submitted to IFAD in a timely manner. The necessary forms and supporting documentation to be attached to the WA (form 100) are outlined in detail for each disbursement method in section 3 of the Disbursement Handbook

Upon Project entry into force and after sending to IFAD, the letter designating the two officials authorized to sign Withdrawal Applications (WA) with their names and specimen signatures, the

Project Financial Management Procedures (PFMP)

Financial controller will prepare the first Withdrawal application together with the necessary supporting documentation requesting the IFAD to transfer an initial advance to the designated account up to a ceiling of USD 1 500 000. Disbursement from the DA may then start for eligible expenditures under the Project.



(Chart 10: Withdrawal of IFAD Funds)

For the subsequent WAs, prepared by the accountant, the financial must ensure that the right supporting documentation is attached to the WAs before providing clearance. When submitted supporting documentation to IFAD should be copies the while the original documentation is to be retained by the PIU/LPA and securely located to enable inspection by IFAD representatives and auditors for a period of at least 10 after the project completion date in accordance with the IFAD General conditions.

As specified in chapter 3 of the IFAD disbursement handbook, for all payments (Works, goods, consultants' and other services) the following supporting documentation is required:

- a) The signed contract or confirmed purchase order (Showing the specified amount that is due paid. If this has been sent earlier to the fund a reference to the accompanying letter or document should be given in a footnote to the relevant Application summary Sheet – form 100)
- b) The bank guarantee for advance payment, as specified in the contract documents
- c) The bank guarantee for performance, as specified in the contract documents

Project Financial Management Procedures (PFMP)

- d) Copies of communications sent by the IFAD country programme manager to the lead project agency (LPA) providing the IFAD's no objection (post or Prior) to the contract award, and
- e) Evidence of payment.

For payments of goods, in addition to a-e:

- f) Supplier's invoice duly certified for payment by the project director – specifying the goods, their quantities and prices
- g) Bills of lading or similar documents; and
- h) As appropriate, the certificate of delivery (to include condition of goods to delivery)

For Payments of Consultants' and other services, in addition to a-e:

- i) The supplier's or consultant's claim, duly certified for payment by the project director and showing sufficient detail. If such Services relate to the importation of goods (for example, freight and insurance payments), adequate reference should be given to enable IFAD to relate each of these items to specific goods whose cost has been or is to be financed by the financing closing date; and
- j) As appropriate, a certificate of delivery of satisfactory services

For progress and retention payments of civil works in addition a-e:

- k) the claim if the contractor, including a financial progress report, stating the work performed and the amount due;
- l) A certificate signed by the project consultants or owner's representative, if any, or by the borrower's chief engineering officer or resident supervising engineer assigned to the project, to the effect that the work performed is satisfactory and the payment claimed is due in accordance with the terms of the contract, and
- m) A copy of the contract payment monitoring form signed in original by the certifying officer.

Together with each WA received for replenishment to the designated account, the project must submit the designated account reconciliation Statement, prepared by the accountant for the same reporting period in which the eligible expenditures are being claimed. This form needs to be accompanied by bank statements of the designated account and that of any other operating, district, project accounts ensuring that the closing bank balances for all these accounts correspond to the balances at the end of the same reporting period as indicated in the WA period.

In order to minimize transaction costs, the Financial Controller must make sure that withdrawals from the loan and/or grant account shall be made in amounts of no less than US\$ 20,000 or its equivalent, or such other amount as IFAD may designate in an advice to the borrower from time to time.

7.4 Use of Statements of Expenditures (SOE) and SEO Thresholds

The statement of expenditure (SOE) procedure is normally used for those expenditure types where it is impracticable or unduly burdensome to require submission of full documentation. However, the supporting documentations for the Statements Of Expenditures must be maintained by the PIU/LPA and made available for review by IFAD supervision missions upon request and to external auditors during their annual review of project accounts to enable issuing of an independent audit opinion.

Details regarding the use of the Statement of Expenditure (SOE) are provided in section 4 of the disbursement handbook. In accordance with the Letter to the Borrower the SOE threshold applies for all project expenditures up to a threshold of USD 50 000.

The SOE thresholds above may be amended by the Fund during the course of project implementation.

7.5 Withdrawal of Funds under component 3 –Micro Finance Institutions

As part of component 3 of the project, approximately USD 7.5 million (SDR 5 million) will be distributed to farmers in the project area in form of grants and credit. The credit and grants will be distributed by two microfinance institutions selected by the steering committee and approved by IFAD. The funds will be transferred to the microfinance institutions from IFAD through direct payments in accordance with the disbursement procedures and schedule outlined in the sub-agreements between the Ministry of Finance and the microfinance institutions as follows:

- a) The microfinance institutions will provide the PIU with i) the official payment request, in accordance with the disbursement schedule, containing the complete and accurate banking instructions, signed by the chief financial officer and ii) all the necessary supporting documentation (financial reports and bank statements).
- b) The Financial Controller will together with the rural finance specialist and the project director review the documentation and submit the withdrawal application and the supporting documentation to IFAD.
- c) IFAD will disburse the funds using the direct payment method.

Disbursement schedule:

- 1.st instalment of USD 4 million after signing of the sub agreement contract between the LPA and the microfinance institution, and provision of the official payment request with the necessary supporting documentation
- 2nd instalment of USD 3.5 million after the provision of i) the mandatory financial reports (outlined below), ii) justification of at least 75% of the previous advance and iii) provision of the official payment request with the necessary supporting documentation.

All unused funds at the end of the project completion date will be returned to the IFAD and deducted from the loan in accordance with the Financing Agreement.

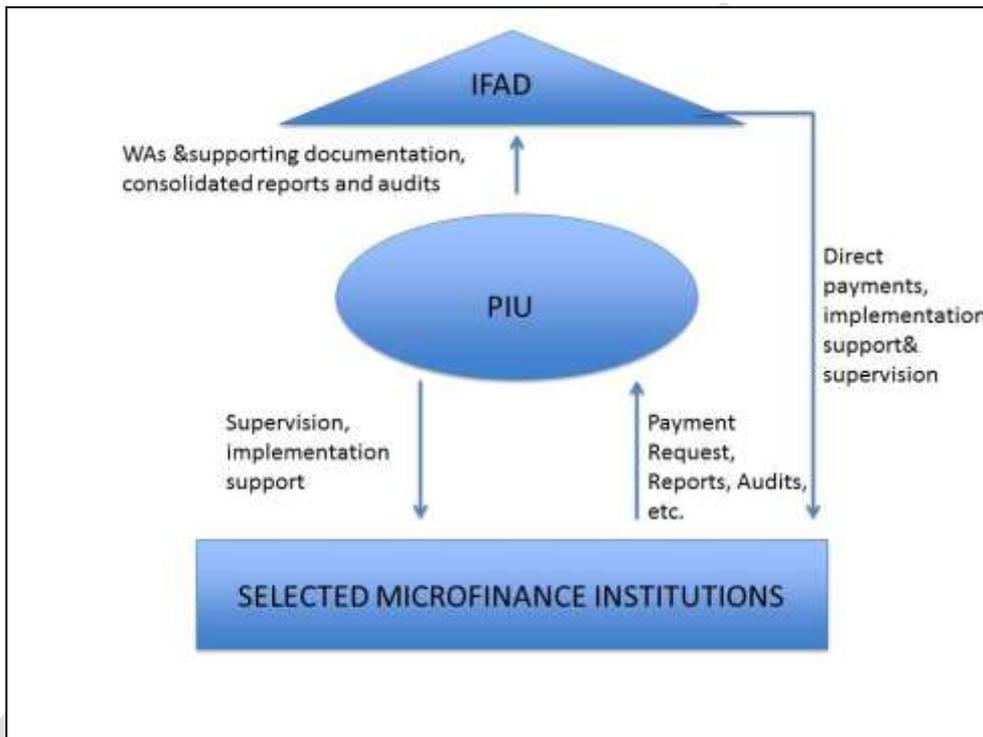
Financial reporting requirements

As outlined in the sub-agreement, the microfinance institutions are required to submit to the PIU the following financial reports:

Quarterly, semi-annual and annual portfolio reports disclosing the following information:

- a) On an aggregate level: i) number of loans disbursed in total and by branch, ii) number of loan/grant disbursed by type of investment, iii) value of loans/grants disbursed, iv) number of loan/grant disbursed by financing size, v) number of loans/grants disbursed by gender and vi) total portfolio disbursement rate, average repayment time, average, interest rate write off and outstanding amount.

- b) On an individual level: List of individual recipients/borrowers names, gender, address, amount of financing, grace period, grace period, interest rate, repayment status, write off, delays in repayment, type and amount of collateral, disbursement rate and outstanding amount.
- c) Bank statements disclosing the balance of the accounts at the beginning and the end of the reporting period.
- d) Annual audit report and management letter. The audit report should disclose separately the project funds from its other funds.



(Chart 11: Flow of funds MIFs under component 3)

8.0 Processing of payments

The Project will mainly finance, small works (rural roads, irrigation infrastructure etc.), consultants' services (design, supervision and studies), goods (office supplies, computers, cars), microfinance in the form of grants and credit as well as PIU operating costs (salaries, travel expenditures etc.). Last section outlined how the PIU will receive funds from IFAD to cover the incurred expenditures related. This section will outline the different steps involved in the outflow of funds from the PIU to the Contractors, Suppliers, Consultants etc. The procurement process of these items, including the hiring process for consultants is detailed in the project procurement manual.

8.1 General instructions

For all payments, the Financial Controller should ensure that the following steps are performed:

- i) Preparation of Payment request voucher. A payment request voucher should be prepared for each payment.
- ii) Validation of invoice. The following validation checks should be performed by the financial Controller on invoice:
 - Invoice arithmetically correct; and
 - Quantity and price recorded on invoice should be checked back to contract, order, certification of completion/delivery

If there is any discrepancy identified, it should be raised with the vendor prior to proceeding with invoice processing,

- iii) Supporting documentation: the following documents should be attached to the payment voucher to support validation:
 - Copy of invoice;
 - Copy of letter of approval from technical committee or the specialist, minister;
 - Copy of purchase order, goods received note and contract if applicable; and
 - Copy of required guarantees

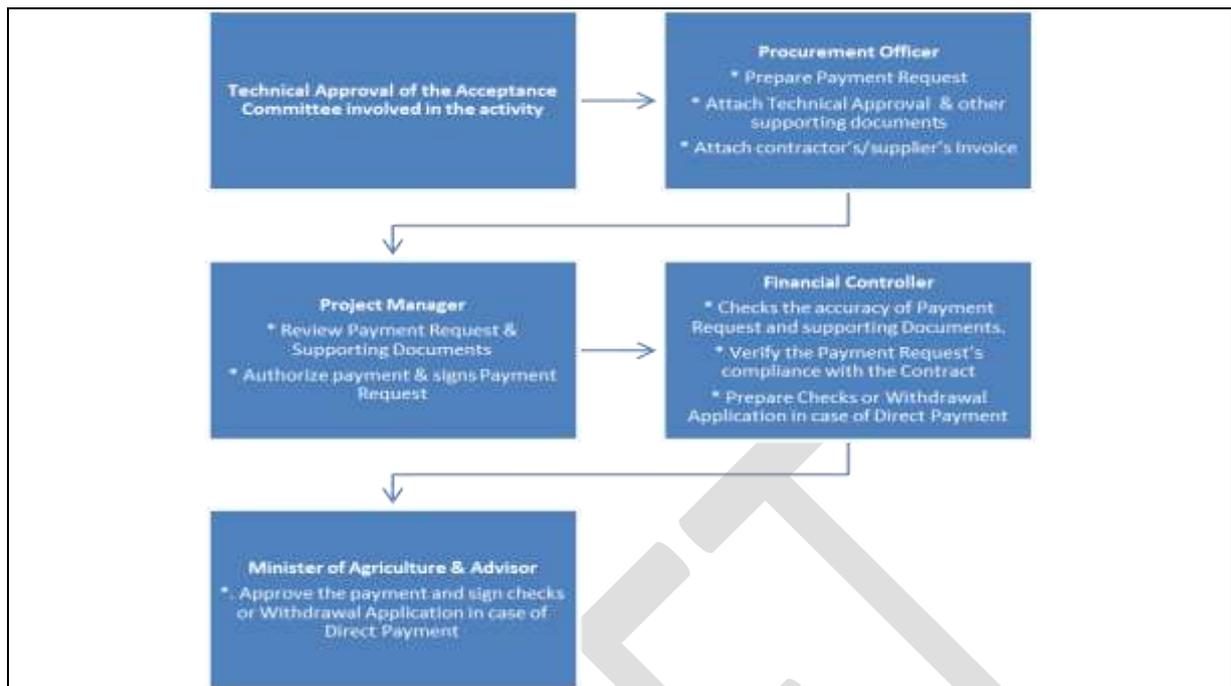
All vouchers are authorized by the Minister after signatures of the Financial Controller, Project Director the and Director General of the LPA

8.2 Processing of payments for Civil Works and Goods

Project will incur expenditures related to works under components 1 b. (Rural Market infrastructure) and 2. (Irrigation Infrastructure) in the form of rural roads, irrigation infrastructure etc. and goods under components 1 b. (Rural Market infrastructure) and 4 (Project Management) in the form of seeds, computers, cars etc.

The Expenditure Cycle for works and goods is detailed in the following chart:

Project Financial Management Procedures (PFMP)



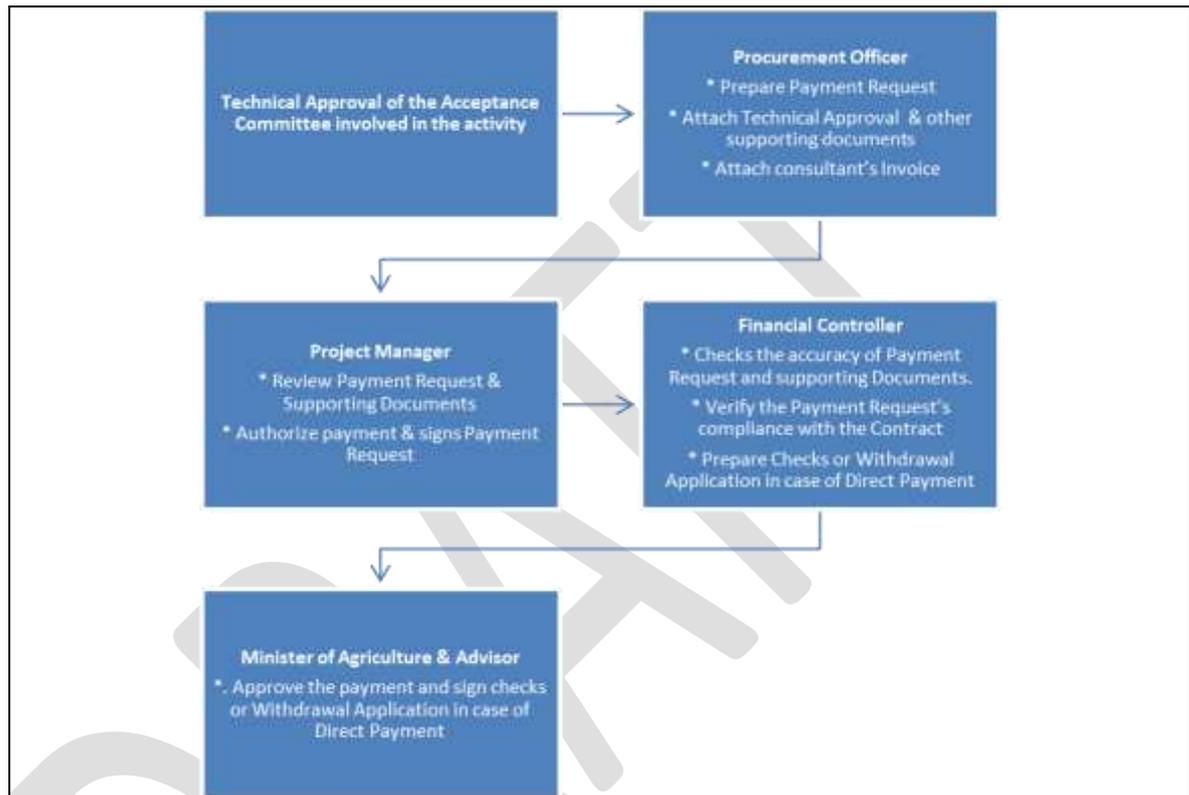
(Chart 12: Processing of payments for Works and Goods)

Before releasing the payment to the contractor or supplier, the Financial Controller will make sure the following processes are followed:

- A. The quantity of goods is checked back to the purchase order and to contract and bid award letter (if applicable). The committee members, assigned by steering committee/LPA after being assured that quality of goods is compliant with the contract conditions deliver an accepted delivery sheet or a compliant report to the Procurement Officer. The Financial Controller will ensure that the Procurement Officer provides all the necessary documents including the invoice and the acceptance/compliant report before proceeding with the payment.
- B. The condition of the goods are reviewed for any damage or impairments. Damaged goods are to be identified and returned to the supplier/replaced. If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Financial Controller should be notified. Financial Controller must keep a central record of all goods returned to suppliers and maintain a separate record of all goods and equipment delivered by suppliers by contracts funded by the IFAD financing.
- C. All the works, are to be monitored by an architect or engineer. It is good practise to assign the architect/engineer responsible for the design to monitor and assess the works of the contractor. The architect or engineer is responsible for sending compliant reports/certificate of completion to the Procurement Officer in the PIU which includes the percentage of completion of the construction and if the construction materials are compliant with the contract conditions and specifications. A request for payment is prepared by the Procurement Officer to be send to the Financial Controller. The Financial controller will ensure that the payment request includes all the necessary documents including the invoice and the compliant reports/certificate of completion before proceeding with the payment to the contractor for the completed phase.

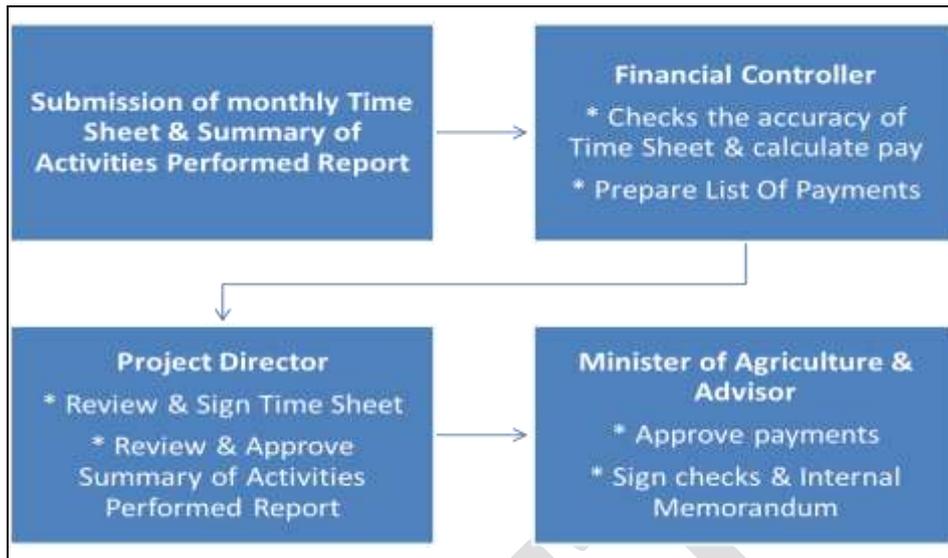
8.3 Processing of payments for Consultants' Services

Under the Project there are two types of consultants' services; a) Consultants with a lump sum contract, and b) Consultants with a time based contract. For type (a) consultants, payments will be made against the delivery of outputs as detailed in their contracts. For type (b) consultants, payments will be made against the submission of a time sheet and a summary of activities performed. PIU members will be paid against the submission of a monthly time sheet. The Expenditure Cycle for type (a) consultants is detailed in the following chart:



(Chart 13: Processing of Payments for consultants - type A)

The Expenditure Cycle for type (b) consultants is detailed in the following chart:



(Chart 14: Processing of Payments for consultants - type B)

Before releasing the payment to the consultant (firms), the Financial Controller will undertake the following steps:

- A) The consulting services reports are monitored by technical committees, assigned by the steering committee/LPA for the purpose of evaluating the deliverables submitted by the consultant (firms). Therefore the financial controller will ensure that no payment to the consultant is prepared unless an approved committee report or letter of approval received from the committee assures that the deliverable submitted by the consultant is compliant with the contract conditions, these documents should be passed first through the Procurement Officer.
- B) The consulting services reports are monitored by the specialist responsible for the activity for the purpose of evaluating the deliverables submitted by the consultant (Individual Consultant). Therefore the Financial Controller will ensure that no payment to the consultant is prepared unless an approved report received from the specialist assures that this report is compliant with the contract terms and conditions, these documents should be passed first through the procurement officer.

All Supporting Documents and Internal Forms must be retained at the PIU Office in the LPA and must be maintained and archived in accordance with the maintenance of records section of this manual.

8.4 Processing of Payments for Office Supplies and Other Operating Costs

The payment for office supplies and operating cost will be against the preparation by the procurement officer of a serially numbered checklist evidencing the receipt of office supplies, and the presentation of the Purchase order and supplier invoice. The financial controller will compare the information on the checklist to the purchase order and supplier invoice, then sign the checklist. The payment for services is against the presentation by the supplier performing the service of a service invoice.

Project Financial Management Procedures (PFMP)

At the end of each month, the financial controller will prepare a serially numbered "List of Payments" that detail all the incurred costs for office supplies and operating costs during the month and present it to the project director for review and authorization. After the project director's authorization of the payments, the financial controller will prepare the checks and send them to the project director who will prepare an "Internal Memorandum" detailing the check numbers, amounts, suppliers and explanation of payments. The "Internal Memorandum" and the checks will be presented to the Minister of Finance and his Advisor to approve the payments and sign the checks.

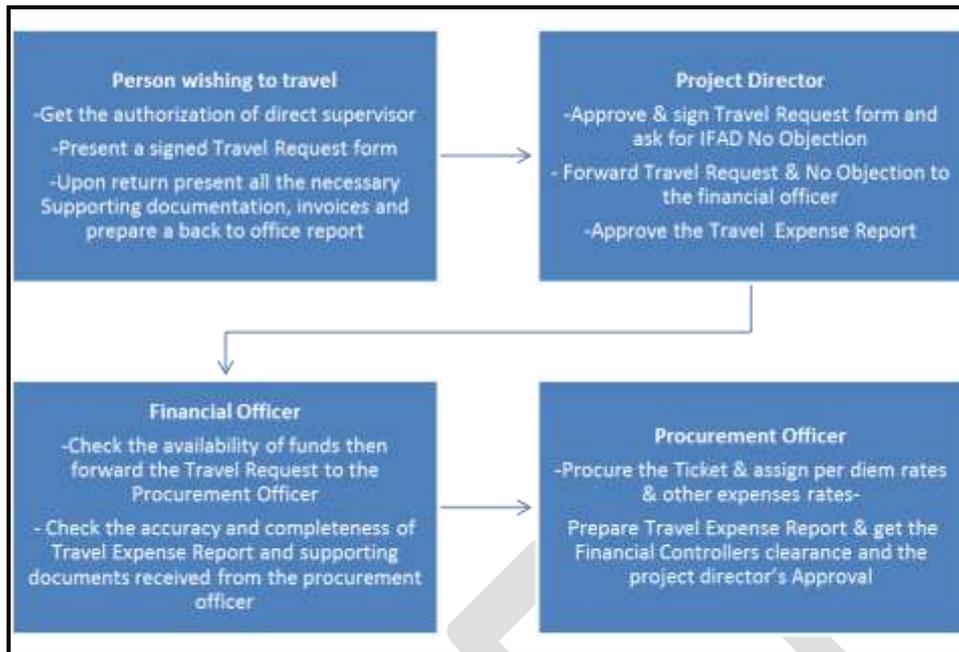
The following chart summarizes the process detailed above:



(Chart 15: Processing of Payments for Office supplies and operating costs)

8.6 Travel Arrangements & Processing of Travel Related Expenditures

Under the Project there is a budget allocated for workshops and study tours as well as staff training courses. The following chart summarizes the transaction cycle that should be followed to get approval for the travel and the expenditures related to it:



(Chart 16: Processing of Payments for Travel and Training)

9.0 Financial Reporting

Periodic financial progress reports are a formal requirement of the IFAD Financing Agreement. Sufficient information must be made available about what money is spent on, how much is spent and what the results are. The major financial reports include the following: AWPB, monthly financial reports, periodic financial progress reports, supervision reports, annual financial statements and audit reports.



(Chart 17: Project Financial reporting cycle)

In addition to the AWPB, supervision reports and audit reports (discussed in detail in section 2, 11 and 12 of this manual), the Financial Controller will ensure that the following financial reports are prepared in a timely manner and submitted to IFAD in due time (applicable to reports 2-4 only):

1. Monthly financial reports for PIU internal use only. These reports will be verified during IFAD supervision missions.
2. Periodic (semi-annual) progress reports, to be provided to IFAD within 45 days after the reporting period
3. Annual financial statements, to be provided to IFAD within 4 months after the end of the project fiscal year.
4. Annual financial statements audited by an independent auditor acceptable to the Fund and in accordance with internationally accepted auditing standards and terms of reference cleared by IFAD, to be provided to IFAD within 6 months after the project fiscal year (explained in detail in section 11).

9.1 Monthly Reports

In accordance with best practises, the Financial Controller will prepare monthly financial reports based on the accounting system to aid management decision and control. The monthly management accounts will include the following.

- Monthly Budget Execution Report, summarising the budget-actual comparison of the expenditures incurred, component-wise and category-wise. The report will also include a list of commitments entered into and still to be paid, by component and by category.
- Bank Reconciliation Statement (please refer to annex XIII or form 104 of the Disbursement handbook)
- Petty Cash reconciliation form

 Please see a sample of the above mentioned report in annex V

9.2 Periodic Progress Reports

Semi-annual progress reports should be submitted to IFAD no later than 45 days after the end of reporting period during the programme implementation period.

The importance of the periodic progress reports lies in the fact that they provide IFAD with sufficient information to determine whether the funds disbursed to the project are being used as intended, the project implementation is on track and the budgeted costs will not be exceeded. The financial information should be linked to the information on physical progress and procurement to give assurance that the financial and physical progress are consistent.

The Periodic Progress Reports include the following:

- **Project Statement of Cash Receipts and Payments by Category:** This report summarizes the sources of project financing, with the uses of funds in accordance with the disbursement categories foreseen in

the Financing agreement with the Fund. This report also states the cumulative expenditures from the start of the project until the date of the report as well as the cash flow forecast for the following semi-annual period.



The standard format for the presentation of this report is provided in Annex VI: Table 1.

- **Uses of Funds by Project category:** This report details the project expenditures by each expenditure category or sub category and by financier.



A sample of a Uses of Funds by Project category is provided in Annex VI: Table 2

- **Uses of Funds by Project Activity:** This report details the project expenditures by each component or sub-component consistent with those foreseen in the Financing Agreement. The total planned, actual and cumulative expenditures in this report should correspond to those mentioned in the uses of funds section of the “Sources and Uses of Funds” report presented above.



A sample format for this report is provided in Annex VI: Table 3

- **Cash flow forecast:** This report summarizes the cash inflow and outflow for the following semi-annual period and is explained in detail in section 9.3.



A sample of a Cash Flow Forecast is provided in Annex VI: Table 4

- **Designated Account Reconciliation Statement**



Please refer to annex XIII (also form 104 of the Disbursement handbook) for a standard Designated Account Reconciliation Statement.

- **SOE-Withdrawal Application Statement:** This report summarizes the claimed and received WA from IFAD during the reporting period.



A sample of a SOE-WA statement is provided in Annex VI: Table 5

- **Contract Expenditures:** This report details all the contracts signed and amounts paid during the quarter by category.



A sample format for this report is provided in Annex VI: Table 6

- **Physical progress report:** This report summarizes the quantitative physical progress made in achieving overall objectives and links them to project expenditures by component and by category. This report should also contain a narrative part on the strategic direction for the next planning cycle as well as the main financial problems encountered.



A sample format for this report is provided in Annex VI: Table 7

9.3 Cash Flow Forecast

Preparing periodic cash flow forecasts is essential to ensure the project has sufficient funds to meet its commitments (expenditures to contractors, service providers, suppliers of goods, salaries of the PIU staff, operating and maintenance cost of the PIU such as rent, electricity, internet etc.) as they fall due. It is the Financial Controllers responsibility to prepare periodic cash flow forecasts by undertaking the following steps:

1. Determining the opening balance of the time period
2. Determine (as accurately as possible) all the cash inflow already secured from different sources during the time period on a monthly basis.
3. Determine (as accurately as possible) all the payments due during the time period on a monthly basis.
4. Based on the calculation (steps 1-3) determine the estimated cash need for time period in question.

When preparing the cash-flow analysis, key sources for information include the AWPB (up-to-date), the procurement plan (up-to-date), disbursement timetable of all signed contracts and historic expense reports for PIU management costs as these can be assumed to stay relatively constant over the implementation period.

Based on the estimated cash flow needs, the Financial Controller in consultation with the Project Director will prepare an submit for approval the required withdrawal applications in a timely manner in order to ensure sufficient liquidity and avoid any delays to the project implementation.



Sample of a cash flow forecast is provided in annex VI, Table 4.

9.4 Annual Financial Statements and Audit Reports

IFAD requires that the financial statements are prepared in accordance with IFRS/IPSAS or IPSAS cash. (National Standards are also acceptable as long as they meet the minimum requirements) and that the annual statements are provided to IFAD within four months after the end of the fiscal year. In accordance with the Project Design Report, the project will prepare it financial statements in accordance with IPSAS cash.

The project financial statements should include the following information:

- Project Information and performance,
 - Statement of project management responsibilities,
 - Statement of cash receipts and payments (by category and by financier),
 - Statement of cash receipts and payments (by component),
 - Statement of comparative budget and actual amount,
 - Statement of Special Account movements,

- Statement of Special Account Reconciliations,
- SOE-Withdrawal Application Statement and Notes to the Financial Statements.



A sample of financial statements are provided in annex XV .

It is important to note that IFAD financing proceeds should be disclosed separately from the other financiers (donors, government, beneficiaries etc.). It is also important to note that where the project consists of more than one entity the lead-PIU must provide consolidated financial statements.

10.0 Fixed Asset Management

Fixed asset management is an important process that seeks to track fixed assets for the purposes of financial accounting and to ensure preventive maintenance, and theft deterrence. Adequate Fixed asset maintenance also increases the sustainability of the project.

There are three elements in fixed asset management that require the attention of the Financial Controller

- Purchase of equipment
- Setting up and maintaining an asset register including verification
- Setting up a plan for disposal and/or handover of the asset once the project is completed

10.1 Purchase of Equipment

All procurement and payments for project equipment will be processed in line with the guidance provided in the procurement section of the PIM. The accountant financial officer should assign a unique, sequential asset number to all furniture and equipment items purchased (excluding minor items such as stationary). This must be clearly labelled on each item. Each item of equipment must be recorded in the fixed asset register

10.2 Asset Register

The accountant must maintain a register of all (material) project equipment. This will be recorded on the asset management module of the accounting software. The asset register should record the following information for each individual piece of equipment: 1) Asset description, 2) Asset number, 3) Serial number of the item, 4) Officer responsible for asset, 5) Funding of asset (IFAD, government etc..), 6) Location; Date of purchase; and 7) Estimated life. The



A sample of a fixed asset register is provided in annex VII.

10.3 Asset Verification Review

The Financial Controller must ensure that a verification count of all equipment recorded in the fixed asset register is performed at least once a year. This should include the following checks:

- Verify that all equipment is still held in the location recorded on the register; and

- Check that equipment is still in a reasonable state of repair.
- Discrepancies between the verification exercise and the fixed asset register should be investigated. Where assets are missing or seriously damaged, they should be removed from the asset register. The removal should be formally documented and approved by the financial officer and by the LPA.

The verification review must be performed by different staff from those who use the equipment, to ensure adequate segregation of duty.

10.4 Vehicle Maintenance and Fuel

The drivers are required to record all trips and fuel refills in a logbook and collect all the supporting documentation (invoices etc.). The vehicle logbook provides control over the use of the cars as well as fuel consumption. Fuel distribution is handled by the accountant. Fuel is purchased on an as-needed basis by giving coupons to the drivers who must use the selected fuel station. The PIU is billed by the station twice a month. Unused coupons are kept in the office safe in the custody of the Accountant. For official missions, a special cash provision is given to mission leaders to allow them to purchase fuel (at reputable gas stations) during the trip.

The safety of cars is the responsibility of the recipient staff members and drivers assigned to the vehicles. Consequently, they must ensure that the cars are parked in a secure area when not in use or outside working hours. The drivers are required to monitor the maintenance of their assigned vehicles under the supervision of the PIU. The drivers must notify the PIU of maintenance needs so that the cars can be serviced on a timely basis. The cars must always be taken to the selected PIU garage for repairs and maintenance.

The accountant should on a monthly basis review the mileage and fuel usage as well as any undertaken service as reported in the log book of each car and compare these with the official invoices and travel authorizations etc. to make sure the numbers are accurate.

An insurance policy must be taken by the PIU to ensure all cars and passengers against all risks, including damage, theft, fire, as well as injury and property damage to third parties. The insurance must also cover the same risks when the cars are used by the recipient staff members outside of normal working hours.



A sample of a vehicle log and vehicle history record log is provided in annex IX A & B.

11.0 Audit Arrangements

The project audit is an ex-post review of financial statements, records of transactions & financial systems; It examines the adequacy of accounting systems & procedures, capacity to maintain appropriate accounts & documentation of the project/grant expenditures. The objective of the project audit is to provide credibility and assurance of accountability.



In accordance with the IFAD general conditions and the IFAD guidelines for project audits, the PIU must have its financial statements audited by an external auditor acceptable to IFAD. The Audited financial statements need to be sent to IFAD no later than 6 months after the end of the fiscal

year. The detailed instruction regarding project audit are outlined in the IFAD guidelines for project audits available at <http://www.ifad.org/pub/basic/index.htm>

11.1 The Audit Cycle and Appointing the Auditor

The complete audit cycle can be divided into the three main roles carried out by the financial controller/PIU, the Auditor and IFAD.

The PIU and the financial officer will:

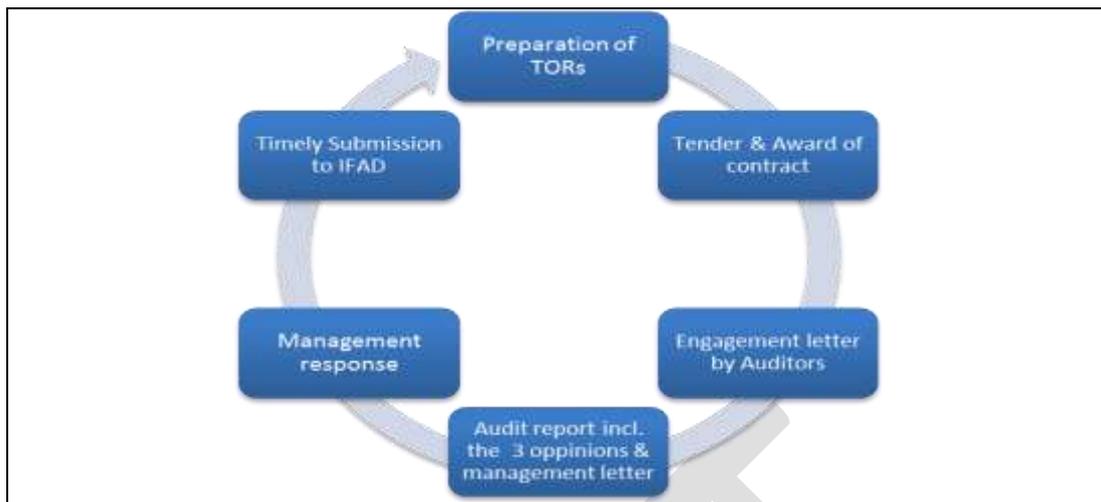
- Timely prepare TORs of the Audit and submit these to the Fund for no objection,
- manage the selection process of the auditor (if relevant)
- and appoints the auditor.
- Prepare the financial statements for reporting period
- Make available all the financial information necessary to the auditors.
- PMU should respond to the audit findings and recommendations.
- Submit the audit report to the fund no later than 6 months after the end of the project fiscal year.

The Auditor will:

- perform the audit work including the three audit opinions
- Indicate any ineligible expenditures
- Provide a management letter

The Fund will:

- Provide a non objection to the auditors TORs
- Monitor timely submission and review of audit reports
- Follow up on remedial action\apply sanction and /or remedies if relevant including suspension of disbursement and or cancellation of loan balance (Legal Notice is sent to the LPA after 3 months of delay. Suspension of disbursement to the project after 6 months delay.)



(Chart 18: Project Audit cycle)

When appointing the auditor the financial officer will need to ensure that the following steps are followed:

- a) Financial Officer/PIU prepares TORs for the auditor and sends it to IFAD for review and no-objection.
- b) IFAD communicates “no objection” to borrower.
- c) Financial Officer/PIU r initiates the procurement process using the agreed TORs.
- d) Financial Officer/PIU informs IFAD of the name of proposed auditor and the procurement process followed for the selection.
- e) IFAD communicates “no objection” to borrower on the selection of proposed auditor upon performance of the necessary due diligence.
- f) Financial Officer/PIU appoints the auditor.
- g) The auditor appointed normally issues a formal engagement letter

11.2. TORs of the Auditors and the Engagement letter

When preparing auditors TORs the financial officer should address the point outlined below:

- a) Description of the employing project authority or entity;
- b) Term of the auditor’s engagement, namely whether it is for a fiscal year or some
- c) other period;
- d) Description and the timing of the financial statements and other material to be provided by project management for the audit;
- e) Terms for delivery of the audit report;
- f) Specification that the audit be carried out in accordance with internationally accepted auditing standards;
- g) Provision of a management letter;
- h) Statement of access to project records, documents and personnel available to the auditor;
- i) Details regarding submission of a proposal and work plan by the auditor.

Furthermore, the contents of the TORS should include:

- a) A description in the TORs of the entity engaging the auditor and whether it is acting on behalf of or is a constituent part of a larger entity

- b) Legal and general descriptions of the project and the LPA, in sufficient detail to enable the auditor to understand their nature, objectives and activities.

The following additional information should also be considered:

- c) Organizational charts;
- d) Names and titles of senior managers;
- e) Names and qualifications of officers responsible for financial management, accounting and internal audit;
- f) name and address of any existing external auditor, if a change is made;
- g) Description of information technology facilities and computer systems in use;
- h) and
- i) Copies of the latest financial statements, financing agreement, minutes of financing negotiations, project design document, and annual work programme and budget, if it is available.

The auditors are required to provide a formal engagement letter confirming their acceptance of the appointment and outlining the methodology, scope and responsibilities under the audit. The borrower's representative will sign and return a copy of the letter to the auditor.



A sample of an engagement letter is provided in annex V of the IFAF guidelines for project audits.

11.3 The Audit Report

The Audit Report must include the following elements which should also be reflected in the auditor's TORs:

- An opinion on the Project's financial statements
- A separate opinion on the eligibility of expenditures included in the WA /Statement of Expenditure procedure
- A separate opinion if the use of the Special Account/Designated Account is in compliance with the financing agreement
- In addition to the audit report, the independent auditor will prepare a management letter. This will include comment and recommendations on the adequacy of the financial management system, and on the system of internal control. The management letter should also include a follow up section on the status of implementation of previous years recommendations

12.0 IFAD Supervision

The project will be subject to extensive supervision from IFAD during the whole implementation period to ensure that the PIU fiduciary requirements are completed on time and to minimise the project's fiduciary risk.

If financial arrangements of the PIU are deemed acceptable, IFAD will rely on them to provide assurance that the financing proceeds are being used for the intended purposes. In the case that IFAD identifies weaknesses in the financial arrangements, it will require the PIU/LPA to take the appropriate measures to mitigate those risks e.g. changing the design and operation of internal control processes or modifying the disbursement arrangements for an operation.

The IFAD supervision of the project includes the following measures:

- Monitor of timely submission of audit reports and review of these reports
- Verify compliance to audit recommendations and recommendations made by past supervision missions.
- Monitor the submission of timely periodic financial reports and review of these reports
- Monitor disbursements rate and the quality of the received Withdrawal Applications
- Annual or semi-annual financial management supervision missions.

12.1 Supervision missions by the Fund

Throughout project implementation, IFAD will conduct annual financial supervisory missions to develop financial management ratings and ensure compliance with the IFAD's requirements. During the supervisory missions, IFAD will assess and monitor the adequacy of the PIU/LPA financial management arrangements such as accounting, budgeting, internal controls, flow of funds, financial reporting and the auditing practices. The key findings and recommendations of the mission will be captured in the Aid Memoire.

When preparing for and during an IFAD supervisions mission, the necessary supporting actions by the financial controller will include the following:

- Update and make available for the mission, the project financial information and especially the incurred expenditures by component, by category and by financier as of the last day of the preceding month.



Please refer to annex XI for the financial tables required for the aid memoire

- Update and make available reports on the status of counterpart funding (has the Borrower/Lead Project Agency made available financing proceeds to the Project as planned?)
- Provide a walk through of the existing accounting system including its main modules, budgeting, accounting, financial reports, fixed asset register as well as the security settings in use.
- Facilitate checking of the internal controls, by system "walk through" to ensure that approved procedures are consistently being followed.

- Make available Withdrawal Applications, Statement of Expenditures and all supporting documentation regarding expenditures claimed under the SOE thresholds to facilitate the verifying of adequacy, completeness and validity of claims.
- Make available evidence of qualifications and educational background of the financial staff including, organogram of the PIU, CVs, TORs of each position and PIU training plan.
- Update and make available a complete a fixed asset register and facilitate sample test check of physical existence of the asset.
- Make available written procedures regarding financial operations such as processing of transactions, financial administration manual, accounting manual, fixed asset maintenance and records management as well as the lead project agency's anticorruption policy and whistle blowing procedures.
- Prepare and make available the updated bank account reconciliation statement and bank account statements for all designated and project accounts.
- Arrange meeting with the auditors and any other selected party requested by the mission.
- Make available all necessary documentation and contracts regarding procurement not subject to prior review.
- Provide an update on the actions taken regarding past audit recommendations as well as action points outlined in the past aide memoires.
- Make available the most recent AWPBs, annual and semi-annual reports
- Participate in report writing if necessary.

13.0 Loan completion and Closing

The closing of the loan/grant is due six months after the project completion date. Both the completion and the closing date of the loan have financial implications on the project management such as: development and submission of a recovery plan, ensuring eligibility of expenditures and submission of the necessary documents outlined below. Please also refer to section 1.3 of the Disbursement Handbook.

13.1 Recovery plan

To ensure that the designated account is completely and timely justified, the financial officer/PIU has to develop and submit to the Fund a so called recovery plan outlining the percentages per withdrawal application that will recovered and paid respectively. The recovery plan should be submitted to the fund around 6 months before the completion date or when the outstanding balance (amount still undisbursed by IFAD is less than the double of the authorized allocation.



Please refer to annex XII for a sample recovery plan.

13.2 Loan Completion

As defined in the Financing agreement the completion date of the loan is its 6th anniversary; that is six years after it entered into force. By the completion date all the project activities must have been finalised. The payments can be done also after the completion date, as long as the commitments/ contracts are signed prior to the completion date. Activities that have continued after the completion date are not considered as ineligible expenditures and can therefore not be financed by the IFAD funds.

After the completion date but no later than the closing date (six months after the completion date) the PIU can still incur expenditures related to so called winding up expenditures e.g. Final Audit, Project completion report, Project staff salaries involved in the winding up activities, PIU maintenance cost, project completion workshop.

13.3 Loan Closure

The Fund requires the following to be provided by the PIU in order to close the loan:

- Confirmation of last withdrawal application
- Submission of final audit report
- Submission of project completion report



The Final Audit Report has to cover, the final project year up to the final expenditures and it can be paid from the loan available balance by using for example direct payment or Reimbursement of pre financed expenditures.

Annexes:

Annex I: Sample Job descriptions related to Financial Management and Administration

Annex II: Sample Annual Work Plan and Budget

Annex III: Sample chart of account

Annex IV: Sample TORs for an accounting software

Annex V: Sample Monthly Budget Execution Report

Annex VI: Sample Periodic Financial Progress Report

Table 1: Sample Statement of Cash Receipts and Payments by Category

Table 2: Financial performance per expenditure category and financier

Table 3: Financial performance per component and per financier

Table 4: Project Cash Flow Forecast

Table 5: SOE-Withdrawal Application Statement.

Table 6: Signed Contract Listing

Table 7: Physical Progress Report

Annex VII: Fixed asset register

Annex VIII A: Petty Cash Request Form

Annex VIII B: Petty Cash Reconciliation Form

Annex IX A: Vehicle Log

Annex IX B: Vehicle History Record

Annex X : Sample Terms of Reference for the Audit of Project

Annex XI: Required Aide Memoire tables for IFAD Supervision missions

Table 1: Cumulative expenditures by component and Financier -

Table 2: Budgeted Expenditures and Performance against previous year's AWPB

Table 3A: Financial performance by financier

Table 3 B. Financial performance by financier by component

Table 3 C: Expenditures by category -

Annex XII: Sample recovery plan

Annex XIII: Designated account reconciliation statement (Imprest account)

Annex XIV: Checklist for Withdrawal Application

Annex XV: Sample of financial statements

Annex I: Sample Job descriptions related to Financial Management and Administration

A. Project Director

Responsible for all aspects of IFAD projects implementation under direct supervision of the Steering Committee and the Lead Project Agency. Specific duties:

- Plan, organize and coordinate project implementation in line with rules and regulations and provisions of the loan/grant agreements.
- Elaborate and review project documents as well as IFAD standard procurement and disbursement documents.
- Organize, coordinate, monitor, and control the work plan, budget and procurement plan to ensure delivery of project outputs.
- Ensure the efficient management of project resources in a transparent manner.
- Supervise project disbursement, accounting and financial management and ensure eligibility of funds use in accordance with the loan/grant agreements.
- Ensure that procurement of goods, services and works is carried out according to project design and IFAD procedures.
- Manage the PIU staff to ensure efficiency, including appraising their performance annually.
- Communicate the projects' objectives and components, to target groups including stakeholders to ensure sustainability and ownership of the project.
- Assess qualifications and pre-qualifications of implementing partners, consultants, and contractors that may be selected for project implementation.
- Negotiate contractual arrangements with various implementing partners and contractors.
- Evaluate performance of implementation by governmental and non-governmental implementing partners, consultants and contractors.
- Prepare agreements with beneficiaries, stipulating the conditions of their participation.
- Ensure a close cooperation and coordination with other national and international development partners at national and district level.
- Update the Project Implementation Manual if and when necessary,
- Prepare quarterly and annual reports to IFAD, the steering committee and LPA as well as other stakeholders (if any).
- Develop and maintain a M&E and MIS to monitor project progress and performance.
- Ensure full compliance with directives issued by the Project Steering Committee and the LPA .

B. Financial Controller

Under the direct supervision of the Project director , and within the framework of projects appraisal reports and loan/grant agreements, responsible for the financial and administrative management of the PIU , including Accounting, Budgeting , financial reporting, internal controls, auditing arrangement, flow of funds and the efficient management of projects resources. Specific duties:

- Prepare together with the Project director the Annual work plan and budget and the budget and financing plan in particular.
- Master IFAD key documents such as, the disbursement handbook, procurement guidelines and handbook, IFAD guidelines for project audits, the Financing Agreement (FA) and the Letter to the Borrower (LTB).
- Develop and maintain an efficient accounting system and reliable internal control procedures and guidelines for financial reporting and recordkeeping.

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- Responsible for the preparation, review and monitoring of projects budgets including financing plan, procurement plan (together with the Procurement Officer), and staff development plan (together with the training focal point)
- Prepare/verify all withdrawal applications for submission to IFAD, and ensure the availability of funds for all planned activities. Manage the projects bank accounts, approve and co-signs all payments.
- Responsible for all project procurement, either directly or by delegation.
- Prepare and provide financial reports including the sources and uses of funds statement, incurred expenditures by component, expenditure category and financier, designated account reconciliation statement, fixed asset list and cash flow forecast etc. for submission to the Project steering committee, LPA and IFAD on a semi and annual basis, and maintain all records in a form appropriate for audit.
- Lead the process of contracting an external audit firm to conduct an independent audit of the annual project accounts, ensuring that annual audits are carried out within the specified timeframe.
- Develop and maintain a system of financial control over all expenditure incurred by implementing partners.
- Responsible for developing and managing an effective and performance based human resources management system.
- Supervise and coordinate the work of staff placed under his/her direct authority.
- Review and regularly update the Financial and Administrative Manual of the PIU.
- Develop together with the Financial accountant the Accounting manual of the PIU.
- Responsible for the organization and supervision of the PIU office, assets, logistics, and all administrative matters.
- Undertake any other activities assigned by the Project Director.

C. Accountant

Under the direct supervision of the Financial Controller; specific duties include:

- Assist the Financial Controller in the implementation of a sound financial management system.
- Prepare financial reports, including monthly funds reconciliation, and monthly, quarterly, semi-annual and annual expenditure statements;
- Prepare transaction vouchers, and input all transactions into the PIU accounting system before submission to the Financial Controller for approval;
- Process all payments, ensuring that PIU procedures are strictly adhered to;
- Process monthly payroll, payment of salaries to staff and project contributions;
- Manage and report on the use of Petty Cash in accordance with the approved procedures;
- Assist the Financial Controller in the preparation of withdrawal applications;
- Prepare cash flow forecasts as required;
- Monitor financial returns from Implementing Partners, including periodic visits to their offices;
- Assist in the preparation and monitoring of annual operational budgets
- Functional supervision and training of Accounts & Administrative Assistants in PIU.
- Maintenance of a well organized and up-to-date filing system for accounting and financial records as well as an fixed asset tagging system;
- Perform physical inventory of project assets each year;
- Assist the Financial Controller in the preparation of the accounting manual of the PIU
- Provide assistance to the external auditors as required;
- Undertake any other activities assigned by PIU management.

D. Administrative Assistant

Under the direct supervision of the Financial Controller. Specific duties include:

Project Financial Management Procedures (PFMP)

- Assist the Financial Accountant in the implementation of a sound financial management system.
- Assist the Financial Accountant in preparing financial reports, including monthly funds reconciliation, and monthly expenditure statements;
- Assist the FA in prepare transaction vouchers, and input all transactions into the PIU accounting system before submission to the Financial Controller for approval;
- Assist the FA in process all payments, ensuring that PIU procedures are strictly adhered to;
- Assist the FA in process monthly payroll, payment of salaries to staff and Project contributions;
- Assist the Financial Accountant and Financial Controller in the preparation of withdrawal applications;
- Assist the FA and FC in prepare cash flow forecasts as required;
- Assist in reviewing and monitor financial returns from Implementing Partners, including periodic visits to their offices;
- Assist in the preparation and monitoring of annual operational budgets
- Collate data received from colleagues into the system.
- Manage a well organized and up-to-date filing system for accounting and financial records;
- Assist in providing assistance to the external auditors as required;
- Undertake any other activities assigned by PIU management.
- Supervise the driver(s) and office attendant.
- Perform secretarial duties, including maintenance of a well organized filing system.
- Collect and review financial reports from implementing partners at district level.

Annex II: Sample Annual Work Plan and Budget

Table 1-4: Sample Budget and Financing Plan

Summary table 1: Planned Project Expenditures by Component and Financier

Component	Total		Financing Source				
	Local	USD	IFAD Loan	IFAD Grant	Government (Budget)	Government (Tax)	Beneficiaries
1. Rural Market Development							
1 a. Rural Market innovation strategy							
1b. Rural Market infrastructure							
1c. Women Capacity Building							
2. Irrigation Infrastructure							
3. Rural Finance							
4. Programme Management							
Total							

Annex III: Sample chart of account

Chart of Accounts

<u>Account code</u>	<u>Account name</u>
1-00-0-0	Establishment of a Macro-Fiscal Analysis Unit
1-01-0-0	International Advisory Services
1-01-0-1	Macroeconomic Analysis & Modeling Advisor
1-02-0-0	Local Advisory Services
1-02-0-1	Full-Time Macroeconomic Analysis & Modeling Advisor
1-02-0-2	Fiscal Team Support Advisor
1-02-0-3	Public Enterprise Coverage Advisor
2-00-0-0	Public Expenditure Management
2-10-0-0	Cross-Cutting Issues
2-11-0-0	International Advisory Services
2-11-0-1	Legal Consistency Advisor
2-11-0-1	Senior Advisor PIP/ Loi-Programme
2-20-0-0	Expenditure Planning & Budget Formulation
2-21-0-0	International Advisory Services
2-21-0-1	Resident Budget Planning Advisor
2-21-0-2	Visiting Budget/ Sectoral MTEF Advisor
2-21-0-3	High-Level Review of BC / CoA Advisor
2-22-0-0	Local Advisory Services
2-22-0-1	Budget Preparation Advisor
2-22-0-2	Sectoral Economist A
2-22-0-3	Sectoral Economist B
2-22-0-4	Review of BC / CoA Advisor
2-30-0-0	Budget Execution, Monitoring & Audit
2-31-0-0	International Advisory Services
2-31-0-1	Senior Public Audit Expert
2-31-0-2	Treasury Management Strengthening Advisor

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2-31-0-3 Budget Execution System Diagnostic & Solutions Advisor

2-32-0-0 Local Advisory Services

2-32-0-1 Treasury Management Strengthening Advisor

2-32-0-2 Development of a Cash Forecasting Tool (Software Development)

2-32-0-3 Budget Execution System Diagnostic Advisor

3-00-0-0 Debt Management

3-01-0-0 International Advisory Services

3-01-0-1 Debt Strategy Formulation Advisor

3-01-0-2 Cost Risk Analysis Advisor

3-01-0-3 Debt Strategy Implementation Advisor

3-01-0-4 Data & Debt Recording Advisor

3-02-0-0 Local Advisory Services

3-02-0-1 Debt Management Advisor

3-02-0-2 Legal Advisor

4-00-0-0 Aid Coordination & Management

4-01-0-0 International Advisory Services

4-01-0-1 Resident Aid Coordination & Management Advisor

4-02-0-0 Local Advisory Services

4-02-0-1 Aid Coordination & Management Advisor

4-03-0-0 Miscellaneous Expenses

4-03-0-1 Representation at Donor Meetings

5-00-0-0 Training & Capacity Building

5-01-0-0 International Advisory Services

5-01-0-1 Training Design & Implementation Advisor

5-02-0-0 Local Advisory Services

5-02-0-1 Training Coordinator

5-03-0-0 Miscellaneous Expenses

5-03-0-1 Workshops

5-03-0-2 Study Tours

Project Financial Management Procedures (PFMP)

6-00-0-0 Project Management

6-01-0-0 Local Advisory Services

- 6-01-0-1 Project Manager
- 6-01-0-2 Financial Management Specialist
- 6-01-0-3 Procurement Specialist

6-02-0-0 Miscellaneous Expenses

6-02-1-0 Operating Costs

- 6-02-1-1 Accounting Software
- 6-02-1-2 Office Equipment
- 6-02-1-3 Office Equipment Maintenance Expense
- 6-02-1-4 Stationary & Office Supplies
- 6-02-1-5 Advertising Expense
- 6-02-1-6 Post Expense
- 6-02-1-7 Translation Expense
- 6-02-1-8 Printing Expense
- 6-02-1-9 Bank Charges

6-02-2-0 Project Audit

7-00-0-0 A/C Payables

8-00-0-0 Bank & Related Accounts

- 8-01-0-0 BDL Designated Account
- 8-02-0-0 IFAD Account
- 8-03-0-0 Foreign Exchange Difference

Annex IV: Sample TORs for an accounting software

IFAD Project XXXX

Accounting Information System

A. Background

The LPA is currently in the process of implementing an IFAD Project XXXX. The project is implemented through a project implementation unit (PIU) within the LPA. In order to comply with IFAD's reporting requirements the LPA will need to procure an Accounting Software to be used by the PIU for the Project for the following purposes:

- 1) to collect, analyze, store, and distribute information that is useful for decision making
- 2) to provide transparency and accountability of the project activities,
- 3) to provide timely reports, help detect errors and deficits during project implementation and indicate necessary corrections, and
- 4) to prepare and present progress reports to the PIU, LPA and IFAD.

The project will be managed from the PIU/LPA located in the Capital and four regional offices situated in the districts of CC, BB, and BB where the project will be implemented. The main functions will be run from the PIU in the capital but accounting entries will also be executed from the regional offices in the three districts.

B. Specifications of the Software

General features

1. The Accounting software should be configured as a modular solution and the different modules should be suitably integrated, the following are the basic modules:
 - a. Chart of Account
 - b. Accounting
 - c. Financial Reporting
 - d. Budget
 - e. Assets
 - f. Withdrawal Application
 - g. Contract Management, and integrating other modules if needed.
2. classifying the levels of the Chart of account into four levels;
 - a. Type (Assets – Liabilities – Expenses)
 - b. General Ledger Account
 - c. Subsidiary Accounts
 - d. Subsidiary -1 Accounts, to end up with auxiliary accounts.
3. Handling all the financial transactions of the Project according to the chart of account, that is used to:
 - a. Capture the financial data under the appropriate headings

Project Financial Management Procedures (PFMP)

- b. Classify and group financial data for the various financial reports. The structure of the Chart of Accounts caters data to be captured by:
 - i. the Project components and sub-components
 - ii. expenditure items under each component and sub-component
 - iii. The IFAD disbursement category for the Project
 - iv. Sources of funding
4. All vouchers used in the system are based on double entries.
5. Ability to account under different bases of accounting (cash, modified accrual, Accrual)
6. using adjusting entry when needed
7. Handling the definition of various currencies used by the system
8. Holding multi – donor’s information, with notification that no contract will have more than two donors.
9. recording the daily currency rates for all the predefined currencies, if reports can be demanded by Lebanese Government currency
10. Recording the loan number and source of fund.
11. Capacity to customize reports by e.g. exporting data to excel.

Financial reporting

12. Produce the periodic Financial Reports as requested by IFAD:
 - a. Statement of Cash Receipts and Payments per Project components showing quarterly, yearly and cumulative balances for the quarter and cumulative;
 - b. Statement of Cash Receipts and Payments per Project categories showing quarterly, yearly and cumulative balances for the quarter and cumulative;
 - c. Statement of Designated Account reconciling period-opening and end balances;
 - d. Statement of Project commitments, i.e., the unpaid balances under the Project’s signed contracts;
 - e. Statement of fixed assets,
 - f. Statement of Cash Payments using SOE.
13. produce other financial statements on a quarterly and annually basis, which are as follows;
 - a. Journal and Payment Vouchers
 - b. Statement of Special Accounts
 - c. Cost Center Statements
14. Progress report (physical) and not financial by contract, component and category (all projects). This request will involve:
 - a. A function will be designed and developed to allow the user to define the planned (estimated) physical % completion on each period (year, Quarter).
 - b. A function will be designed and developed to allow the user to enter/modify the actual reported on physical % completion on each period (year, Quarter).
 - c. An Inquiry function to display physical progress on each contract
 - d. A report showing detailed physical progress reporting per period
 - e. A report showing up-to-date physical progress reporting per period
15. Consolidated report (financial report) of all projects managed under the software.
16. Recording the budget of all the activities of the project, and enable comparison of the actual performance with budgets/targets (quarterly, annual, and cumulative for the Project).

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17. a fixed assets listing report indicating all relevant information (such as description, location, quantity, serial number, etc.) which needs to be updated and include any discrepancies between the regular physical inspection and the accounting records
18. Enhancement on the Withdrawal Application report to include the SOE and Summary sheet

Procurement

19. Keeping detailed records for all the contractors and consultants (ID number, Name, Nationality, Address, Phone, Fax, e-mail, contact name "position, phone number, fax, bank account bank address" and other information needed, and the accounting system should afford information regarding the procurement cycle that took place before contract signature and report on the following:
 - a. Prior review thresholds;
 - b. Procurement methods thresholds;
 - c. Procurement reference;
 - d. Activity description;
 - e. Component (as per the description schedule of the Loan);
 - f. Category (as per disbursement schedule);
 - g. Estimated amount;
 - h. Procurement method used;
 - i. Prior/Post review;
 - j. Date of issuance of advertisement;
 - k. Bank no objection on bidding documents (Goods/works) or RFP (consultants);
 - l. Date of bid (Goods/works) or RFP (consultants) submission;
 - m. Bid opening date (goods/works) or Financial Proposal opening date(consultants);
 - n. Bank No objection to evaluation report;
 - o. Bank no objection to contract draft;
 - p. Date of submission to the Bank of the Copy of signed contract;
 - q. Contract related data (date of signature, date of completion, contract amount, and contract amendments and payments terms).

Security

20. Handling the required security according to predefined system security and privileges.
21. The program has adequate security features including password protection , not possible to delete a posted transaction, controlled access
22. Includes proper backup and system maintenance procedures.

Training and support

23. Training of the Financial officer and head accountant and four regional accountants on all features of the software.
24. Provide a complete and a user friendly manual
25. Configuration and Full installation of the software in seven computers, three in the capital four in the different regional offices.

C. Delivery time table

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The commencement of services for this assignment is expected to be no later than the forth week of March 2012.

The main objective of the firm is to deliver a well designed software, that facilitates reflection of project needs and be designed to provide the financial information required by all interested parties (the LPA, Ministry of Finance and IFAD) and fulfil the legal and regulatory requirements of the Ministry Of Education.

The firm is expected to deliver the system during the phase mentioned below:

Ref	Deliverable's Title	Duration
	Deliverable 1 : install the present system	1 week
	Deliverable 2 : needed modifications should be applied on the system	3 weeks
	Deliverable 3 : Training sessions on the system	1 week.

Annex VI: Sample Periodic Financial Progress Report

Table 1: Sample Statement of Cash Receipts and Payments by Category

1 . Statement of Cash Receipts and Payments by Category (all financiers)			
	Reporting Period (Quarterly/Semi-annually)	Cumulative	Forecast: next 6 months
	US\$	US\$	US\$
Receipts			
IFAD Loan Designated Account	R	R [^]	R*
IFAD Loan Direct payments	S	S [^]	S*
IFAD Grant Designated Account	T	T [^]	T*
IFAD Direct payment	U	U [^]	U*
Government Funds	V	V [^]	V*
Beneficiary Funds	Y	Y [^]	Y*
Total Receipts	P=R+S+T+U+Z+V+Y	P[^]=R[^]+S[^]+T[^]+U[^]+Z[^]+V[^]+Y[^]	P*=R*+S*+T*+U*+Z*+V*+Y*
I. Civil Works	a	a [^]	e
II. Equipment, Goods and vehicles	b	b [^]	f
III. Technical assistance and Studies	c	c [^]	g
IV. Training and Workshops	d	d [^]	h
V. Credit line	f	f [^]	j
VI. Incremental Operating Costs	g	g [^]	k
Total Payments	O=a+b+c+d+f+g	O[^]=a[^]+b[^]+c[^]+d[^]+f[^]+g[^]	W=e+f+g+h+j+k
Foreign Exchange difference	X	X[^]	
Receipts less Expenditures	=P-O+X	=P[^]-O[^]+X[^]	"=P*-W"
Opening Cash Balance	L	L[^]	G
Comprising			
IFAD Loan Designated Account			
IFAD Loan Direct payments			
IFAD Grant Designated Account			
IFAD Direct payment			
Project Account			
Counterpart Accounts (for government and beneficiary funds)			
Closing Cash Balances	=L+P-O+X	=L[^]+P[^]-O[^]	=G+P*-W

Project Financial Management Procedures (PFMP)

Table 4: Project Cash Flow Forecast

5. Semi-annual cash flow forecast						
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Cash Inflow						
IFAD Loan						
IFAD Grant						
Government						
Beneficiary						
Other Sources						
Total Cash Inflow	0	0	0	0	0	0
Cash Outflow						
Category 1: Works						
Category 2: Equipment, Goods and vehicles						
Category 3: Technical assistance and Studies						
Category 4: Training and Workshops						
Category 5: PIU cost						
Salaries						
Rent						
stationary						
etc.						
Total Cash Outflow						
Net Cash flow						
Opening Balance						
Funds Available						

Project Financial Management Procedures (PFMP)

Table 5: SOE-Withdrawal Application Statement

5. Statement Of Expenditures Withdrawal Application Statement							
By category of Expenditures in Local Currency							
WA submitted to IFAD		WA n..	WA n..	WA n..	WA n..	Total	
Category	Category Description						
1	AAAA	xx	xx	xx	xx	xx	xx
2	BBBB	xx	xx	xx	xx	xx	xx
3	CCCC	xx	xx	xx	xx	xx	xx
<i>Total</i>		xx	xx	xx	xx		
In USD equiv/		xx	xx	xx	xx		
Rejected from IFAD		xx	xx	xx	xx		
<i>Net Reimbursed</i>		xx	xx	xx	xx		
WA pending submission to IFAD							
		WA n..	WA n..	WA n..	WA n..		
Category	Category Description						
1	AAAA	xx	xx	xx	xx		
2	BBBB	xx	xx	xx	xx		
3	CCCC	xx	xx	xx	xx		
<i>Total</i>		xx	xx	xx	xx		

Withdrawal applications are submitted for reimbursement to IFAD using the historical exchange rate of the transfers to the Operating Account.

Expenditures partially or totally rejected by IFAD (if any) should be detailed here.

This statement should be reconciled with the Statement of Receipts and Payments

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Table 6: Signed Contract Listing

6. Signed Contract Listing									
Reporting period:		Contract Information							
Disbursement Category	Contract Description	Contract Start	Contract End	Supplier/ Contractor Name	Contract No.	Total Contract Value	Total Contract Amount Invoiced to date	Total Disbursed on Contract	Total Undisbursed Amount
Description									
Category 1: Works									
Category 2: Equipment, goods And Vehicles									
Category 3: Consultancy services									
Category 4									
Total									

Table 7: Physical Progress Report

Annex VIII A: Petty Cash Request Form

Date: _____

Requested by : _____

Name

Mode of payment _____

Signature

Reimbursement

Advance

Description of purchases (goods/services)	Unit price	Quantity	Total cost**	Budget/ Activity code	Explanation / Comments
TOTAL AMOUNT*					

Approved by

Financial Controller

Processed by

Accountant

Payment received by

* Total amount cannot exceed xxxxx.

** Attach supporting document (invoice, receipt, etc.).

Annex VIII B: Petty Cash Reconciliation Form

Project _____ Date of reconciliation _____

Part i. Petty cash reconciliation

Petty cash balance brought forward (a) _____

Replenishments during the current month (b) _____

Total petty cash balance (c = a + b) _____

Disbursements during the current month (d) _____

Petty cash book balance (e = c – d) _____

Cash count balance (f) – see part ii. below _____

Difference (G = E – F) _____

Explanation Of Difference

Part ii - Cash Count

Description	Quantity	Total amount
bank notes		
500		
1 000		
2 000		
coins		
10		
20		
50		
total in local currency		

Counted/reconciled by (Accountant) _____ Reviewed by (FC) _____

Date _____

Annex IX B: Vehicle History Record

Vehicle registration number _____

Assigned driver _____

Date	Repairs			Service & maintenance			Insurance			Fitness tests	
	Description of repair	Garage	Cost	Description of service	Garage	Cost	Type	Period covered	Cost	Checked by	Cost

Report accidents in the space below, providing all relevant details for each occurrence:

Date:

Place:

Name of driver:

Circumstances:

Damage to PIU vehicle:

Damage to other vehicles:

Injuries (indicate name of victims and describe injuries):

Insurance settlement:

Annex X : Sample Terms of Reference for the Audit of Project XXXX

The following are the terms of reference ('ToR') on which **the LPA** agrees to engage **audit firm** 'the Auditor' to perform an Audit and to report in connection with the Agreement with the International Fund for Agricultural Development (IFAD) concerning **the project XXX** where in these ToRs the 'Contracting Authority' is mentioned this refers to **IFAD** which has signed the Agreement with the **Recipient/Borrower** and finances the services. The Contracting Authority is not a party to this engagement.

1.1 Responsibilities of the Parties to the Engagement

Recipient/Borrower refers to the entity that provides the services and that has signed the Agreement with the Contracting Authority.

- The PIU/LPA is responsible for providing a Financial Statements for the services financed by the Loan/ Grant and for ensuring that these Financial Statements can be properly reconciled to the PIU/LPA records and accounts in respect of these services.
- The PIU/LPA accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the PIU/LPA providing full and free access to its staff and records and accounts.
- The PIU/LPA shall provide the auditors with all the necessary documentation to perform the assignment properly; in particular the following information shall be provided to the auditors before the beginning of the assignment:
 - a) Project Agreement;
 - b) Annual Progress Report;
 - c) Project Implementation Manual;
 - d) Financial Management Manual;
 - e) Organizational charts along with names and titles of senior managers;
 - f) Names and qualifications of officers responsible for financial management, accounting and internal audit.
 - g) Description of information technology facilities and computer systems in use and
 - h) Copies of the minutes of negotiations, the project design document, the annual work programme and budget and the letter to the borrower if available.

'**The Auditor**' refers to the Auditor who is responsible for performing the agreed-upon procedures as specified in these ToR, and for submitting a report of factual findings to the PIU/LPA.

The Auditor shall provide:

- **A separate opinion on Project Financial Statements (PFS)**

Minimum content of the PFS:

- a) Yearly and cumulative statements of sources and application of funds, which should disclose separately IFAD's funds, other donors funds and beneficiaries funds;
- b) Statement of sources and application of funds.
- c) Yearly and cumulative SOEs by withdrawal application and category of expenditures; reconciliation of the SA.
- d) Reconciliation between the amounts shown as received by the project and those shown as being disbursed by IFAD should be attached as an annex to the PFS. As part of that reconciliation the auditor will indicate the procedure used for disbursement (SA funds, letters of credit, special commitments, reimbursement or direct payment) and indicate whether the expenditure is fully documented or uses the Summary of Expenditures format.

Project Financial Management Procedures (PFMP)

- e) Notes accompanying the Financial statements
 - f) Cumulative status of funds by category
 - g) A statement of comparison between the actual expenditures and the budget estimates
 - h) Full disclosure of cash balances and
 - i) Other statements or disclosures relevant to the project .e.g. financial monitoring reports, credit lines etc.
- **A separate opinion on the use of the Designated Accounts/Special Accounts (DA/SA);** The auditor is also required to audit the activities of the DA/SA associated with the project including the initial advance, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The auditor must form an opinion as to the degree of compliance with IFAD procedures and the balance of the DA/SA at year end. The audit should examine: (i) the eligibility of withdrawals from the DA/SA during the period under review; (ii) the operation of the DA/SA in accordance with the relevant financing agreement; (iii) the adequacy of internal controls within the project appropriate for this disbursement mechanism; and (iv) the use of correct exchange rate(s) to convert local currency expenditures to United States dollars.
 - **A separate opinion on Withdrawal Application Statement / Statement of expenditures / Summary of Expenditures (SOEs);** the audit will include a review of SOEs used as the basis for submitting withdrawal applications. The auditor will carry out tests and reviews as necessary and relevant to the circumstances. SOE expenditures will be carefully compared for eligibility with relevant financial agreements, and the disbursement letter, and with reference to the project appraisal report for guidance when necessary. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, auditors will note these separately. A schedule listing individual SOEs withdrawal applications by reference number and amount should be attached to the PFS. The total withdrawals under the SOE procedure should be part of the overall reconciliation of IFAD disbursements described above. The auditor's opinion should deal with the adequacy of the procedures used by the project for preparing SOEs and should include a statement that amounts withdrawn from the project account on the basis of such SOEs were used for the purposes intended under the agreement.
 - **A separate management letter addressing the adequacy of the accounting and internal control systems of the Programme, including compliance with IFAD's Procurement Guidelines and such other matters as IFAD may notify the PIU/LPA to include in the audit.**
- The auditor is requested to:
- a) Comment on economy, efficiency and effectiveness in the use of project resources;
 - b) Comment on achievement of planned project results;
 - c) Comment on legal and financial obligations and commitments of the project and the extent of compliance or non-compliance thereof;
 - d) Comment on systems and procedures such as improvements in accounting, information technology or computer systems, and operations that may be under development, on which the auditor's comments are necessary to ensure effective controls;
 - e) Comment on other activities on which an auditor may consider it appropriate to report
- **Auditors shall certify :**

- a) Whether the PFS are drawn up in conformity with international accepted accounting standards (IFRS or IPSAS)
- b) Whether the PFS are accurate and are drawn up from the books of accounts maintained by the Project.
- c) Whether the provisions of the Project Agreement are adhered to.
- d) Whether Procurement has been undertaken by the Project in accordance with **Article VI** of the Project Agreement,, IFAD's Procurement Guidelines
- e) Carry out a physical verification of any significant assets purchased and confirm their existence and use for project purposes.
- f) Whether the project has an effective system of financial supervision or internal audit at all levels.
- g) Whether the expenditure claimed through SOEs are properly approved, classified and supported by adequate documentation.
- h) The Auditor is a member of the International Federation of Accountants (IFAC).

1.2 Subject of the Engagement

The subject of this engagement is the financial statements of the years **20XX, 20XY, and 20XV** for the **IFAD Loan XXX and Grant XXX**. The information, both financial and non-financial, which is subject to verification by the Auditor, is all information which makes it possible to verify that the expenditures claimed by the **PIU/LPA** in Financial statements have occurred, and are accurate and eligible.

1.3 Reason for the Engagement

The **PIU/LPA** Service Provider is required to submit to the Contracting Authority an Audit report produced by an external auditor.

1.4 Engagement Type and Objective

This constitutes an engagement to perform specific agreed-upon procedures following the IFAD Guidelines on Project Audits provided to the Auditors by the **PIU/LPA** in Annex 1 of these TOR. The objective of this audit is for the Auditor to verify that the expenditures claimed by the **PIU/LPA** in the financial statements for the services covered by the Agreement have occurred ('reality'), are accurate ('exact') and eligible and to submit to the **PIU/LPA** a report of factual findings with regard to the agreed-upon procedures performed. Eligibility means that expenditure have been incurred in accordance with the terms and conditions of the Agreement.

1.5 Scope of Work

1.5.1 The Auditor shall undertake this engagement in accordance with these Terms of Reference and:

- in accordance with the International Standard on Audit (ISA) to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- In compliance with the Code of Ethics for Professional Accountants issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants.
- In accordance with International Standards on Auditing and in line with IFAD's Guidelines for Project Audits.

1.5.2 The Terms and Conditions of the Agreement

The Auditor verifies that the funds provided by the Agreement were spent in accordance with the terms and conditions of the Agreement.

1.5.3 Planning, procedures, documentation and evidence

The Auditor should plan the work so that effective audit can be performed. For this purpose he performs the procedures specified the IFAD Guidelines on Project Audits and he uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor should document matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISA and these ToR.

1.6 Reporting

The report on this audit should describe the purpose and the agreed-upon procedures of the engagement in sufficient detail in order to enable the **PIU/LPA** and the Contracting Authority to understand the nature and extent of the procedures performed by the Auditor. Use of the financial and audit reporting is compulsory.

1.6.1 Periods covered

The reports on this audit should cover the following:

- a) **IFAD Loan XXX and Grant XXX** for the years 20XX
- b) **IFAD Loan XXX and Grant XXX** for the years 20XY
- c) **IFAD Loan XXX and Grant XXX** for the years 20XV

Reports covering items **a** must be delivered no later than 120 calendar days as of the date of signing the agreement.

Reports covering items **b and c** must be delivered within months after the end of the respective fiscal year .

Annex XI: Required Aide Memoire tables for IFAD Supervision missions

Table 1: Cumulative expenditures by component and Financier -as at DD/MM/YYYY (USD '000)

	IFAD Loan	IFAD Grant	Benef.	Government	Total
1. Rural Market Development					
1 a. Rural Market innovation strategy					
1b. Rural Market infrastructure					
1c. Women Capacity Building					
2. Irrigation Infrastructure					
3. Rural Finance					
4. Programme Management					
Total					

Table 2: Budgeted Expenditures and Performance against previous year's AWPB (USD '000)

	IFAD Loan	IFAD Grant	Benef.	Government	Total	Financial Performance (%)
1. Rural Market Development						
1 a. Rural Market innovation strategy						
1b. Rural Market infrastructure						
1c. Women Capacity Building						
2. Irrigation Infrastructure						
3. Rural Finance						
4. Programme Management						
Total						

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TABLE 3 C: Expenditures by category - as at DD/MM/YYYY (USD)

Category description	Original Allocation	Revised Allocation	Expenditures	W/A pending	Balance	Per cent Spent
I. Civil Works						
II. Equipment, Goods and vehicles						
III. Technical assistance and Studies						
IV. Training and Workshops						
V. Credit line						
VI. Incremental Operating Costs						
Unallocated						
Total						

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Annex XII: Sample recovery plan

Recovery Plan								
Designated Account								
IFAD Loan No.:			IFAD Loan Amount (SDR) 20 000 000.00					
Project Completion Date: 31-Dec-12			Loan Closing Date: 30-Jun-13					
Particulars Reporting Period	WA No.	Date	US \$	EUR	SDR	Unjustified balance USD SDR		
Authorized Allocation	1	18/01/2006	\$ 250 000.00	€ -	172 648.51	0.00	(77 351.49)	
				€ -	172 648.51			
				0.00	#VALUE!			
			Exchange Rate:					
Justification:								
Ref. No.	WA No.	Date	Estimated WA value (SP)	Estimated WA value (USD)	Proposed Recovery %	Recovery Amount (USD)	Commulative Recovery Amount (USD)	Commulative Unjustified balance (USD)
1	40	21-Feb-12		111 832.56	45%	50 324.65	50 324.65	(50 324.65)
2	41	3-Mar-12		72 685.11	35%	25 439.79	75 764.44	(75 764.44)
3	42	5-May-12		74 685.11	35%	26 139.79	101 904.23	(101 904.23)
4	43	7-Jul-12		70 885.11	42%	29 771.75	131 675.98	(131 675.98)
5	44	5-Sep-12		64 885.11	40%	25 954.04	157 630.02	(157 630.02)
6	45	31-Dec-12		82 627.66	80%	66 102.13	223 732.15	(223 732.15)
7	46	10-Jun-13		26 065.11	100%	26 267.85	250 000.00	(250 000.00)
8								
				TOTAL		503 665.77 USD	250 000.00 USD	
In accordance with IFAD procedures, any amount unjustified at the time of loan closing date will be promptly refunded to IFAD.								
Prepared by: _____						15-Oct-11		
						Date		
Confirmed by: _____								
						Date		

Annex XIII: Designated account reconciliation statement (Imprest account)

5 A. Designated Account Reconciliation Statement (imprest account)

Designated Account No: _____

Bank Name: _____

1. Total Advanced by IFAD USD _____
 2. Less total amount recovered by IFAD USD _____
 3. Equals present outstanding amount advanced to the designated account (line 1 less line 2) USD _____

4. Balance of designated account per attached bank statements as of (Date: day/month/year) USD _____
 5. Plus balance of the project account(s) (listed separately) USD _____
 Plus balance of sub accounts (listed separately) USD _____
 Plus balance of Cash in Hand USD _____

Total of Bank Balances (designated A/C, PA, SUB accounts& cash in hand balance) (line 4+line 5) USD _____

6. Plus total amount claimed in this WA no. USD _____

7. Plus total amount withdrawn from the designated/PA/Grant account and not yet claimed for replenishment) or WAs pending submission USD _____

8. Plus amounts claimed in previous applications but not yet created at the date of bank statement and/or claimed after date of bank statement USD _____

Application No.	Date	USD	Amount
		\$	
		\$	
		\$	

9. Minus Interest earned (to be completed. If zero, please enter zero) USD _____

10. Total Advance accounted for (line 5 through line 9) USD _____

11. Explanation of any difference between the totals appearing in Lines 3 and 10 USD _____

e.g. Non eligible amount to be refunded to the designated account USD _____
 e.g. calculation errors in application of percentage financing counterpart financial resources to be reimbursed USD _____
 e.g. cheques not yet cleared/presented to Bank USD _____
 e.g. Bank USD _____

12 DATE _____ SIGNATURE _____
Name in full _____
Title in Full _____

Annex XIV: Checklist for Withdrawal Application

IFAD Financing No. ----

WA No. ---

Reporting period [from --- to ---]

Project Financial Management Procedures (PFMP)

FORM 100 - APPLICATION FOR WITHDRAWAL	Yes or No
1. Sequential numbering of withdrawal application	
2. Withdrawal application amount tallies with sequentially numbered summary sheets	
3. Categories/subcategories charged according to schedule 2 of financing agreement	
4. Percentage of financing applicable for each category or subcategory	
5. Availability of funds in categories and the overall financing amount	
6. Currency of payment	
7. Completeness and accuracy of banking instructions	
8. Complete name and address of correspondent bank	
9. WA is signed by Authorized Representative	
STATEMENT OF EXPENDITURE	
1. Eligibility of expenditures claimed (a) Within SOE financial ceiling	
(b) Expenditures under specific category [-----] eligibility	
2. Form 102 signed by designated Project Accountant, Project Director, Authorized Representative	
3. Form 102 supported by signed Form 101 (for items reported in 2, but over the financial ceiling)	
DESIGNATED ACCOUNT – REPLENISHMENT REQUESTS	
1. Amount within ceiling figure agreed as a reasonable limit [-- US\$ or --]; or per AWP/B period	
2. Amount at least equal to 20 per cent of the agreed limit; or per AWP/B projected requirements	
3. Amount agreed sufficient to cover a specific reporting period (revolving fund option)	
4. Exchange rate used	
5. Completeness of designated account banking and account details	
6. Enclosed designated account reconciliation and bank statements	
SUPPORTING DOCUMENTATION (attached when/if required)	
1. Copy of contract	
2. Copy of invoice, certified by Project Director	
3. Copy of bank guarantee and performance guarantee (for advance payment)	
4. Copy of delivery receipt	
5. Copy of evidence of payment	
6. Completed Form 101	
7. Completed Form 102 (A or B)	
PROCUREMENT	
1. Copy of 'no objection(s)' provided by IFAD (attached)	
2. Copy of Contract Payment Monitoring Form(s) (attached)	
COMPLIANCE WITH CONDITION(S) FOR DISBURSEMENT	
1. In accordance with terms in section E of the Financing Agreement	
2. In accordance with terms in the Letter to the Borrower/Recipient	
EXPENDITURE INCURRED/COMMITTED BEFORE PROJECT COMPLETION DATE	
1. Expenditure verified as eligible: (a) contract signed before project completion date (b) goods delivered before project completion date (c) services completed and/or rendered before project completion date	

Remarks:

Prepared by: Project Accountant/Financial Controller
Dated: _____

Certified by: Project Director
Dated: _____

Annex XV: Sample Project Financial Statements

**STATEMENT OF RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURES)
FOR THE YEAR ENDED June 30, 201X**

	Notes	201X		Cumulative
		MWK	MWK	to date
Balance B/F	4	XXX	XXX	
FINANCING				
Receipts from IFAD				
Initial Deposit				XXX
Replenishments to SA		XXX	XXX	XXX
IFAD Direct Payments	5	XXX	XXX	XXX
Government Funds	6	XXX	XXX	XXX
Other Donors	7			
Other Receipts	8			
TOTAL FINANCING		XXX	XXX	XXX
PROJECT EXPENDITURES: (BY CATEGORY OF EXPENDITURES)				
IFAD Financed				
Vehicles, Motorcycles and Equipment	9	XXX	XXX	XXX
Technical Assistance, Trainings, workshops and Studies		XXX	XXX	XXX
Support for Adaptive Research		XXX	XXX	XXX
Support for Knowledge Management and Communication		XXX	XXX	XXX
Support for Improved Agricultural Extension		XXX	XXX	XXX
Support for Access to Key Agricultural Inputs		XXX	XXX	XXX
Salaries and Allowances		XXX	XXX	XXX
Incremental Operating Costs		XXX	XXX	XXX
		XXX	XXX	XXX

Project Financial Management Procedures (PFMP)

**Malawi: Sustainable Agricultural Production
STATEMENT OF RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURES)
FOR THE YEAR ENDED June 30, 201X**

		Notes	201X	201X-1	Cumulative to date
			MWK	MWK	MWK
Government Funds					
1	Vehicles, Motorcycles and Equipment	9	XXX	XXX	XXX
	Technical Assistance, Trainings,				
2	workshops and Studies		XXX	XXX	XXX
3A	Support for Adaptive Research		XXX	XXX	XXX
	Support for Knowledge Management and				
3B	Communication		XXX	XXX	XXX
	Support for Improved Agricultural				
4A	Extension		XXX	XXX	XXX
	Support for Access to Key Agricultural				
4B	Inputs		XXX	XXX	XXX
5	Salaries and Allowances		XXX	XXX	XXX
6	Incremental Operating Costs		XXX	XXX	XXX
TOTAL PROJECT EXPENDITURES			XXX	XXX	XXX
BALANCE C/F		4	XXX	XXX	XXX

1.

Project Financial Management Procedures (PFMP)

Malawi: Sustainable Agricultural Production Programme (SAPP) STATEMENT OF RECEIPTS AND PAYMENTS (BY COMPONENT) FOR THE YEAR ENDED JUNE 30, 201X

	Notes	201X	201X-1	Cumulative to date
		MWK	MWK	MWK
Balance B/F	4	XXX	XXX	
FINANCING				
IFAD Credit				
Initial Deposit				XXX
Replenishments to SA		XXX	XXX	XXX
IFAD Direct Payments	5	XXX	XXX	XXX
Government Funds	6	XXX	XXX	XXX
Other Donors	7			
Other Receipts	8			
TOTAL FINANCING		XXX	XXX	XXX
PROJECT EXPENDITURES: (BY COMPONENT)				
IFAD				
Adaptive Research and Knowledge Management				
Adaptive Research		XXX	XXX	XXX
Knowledge Management and Communication		XXX	XXX	XXX
		XXX	XXX	XXX
Farmer Adoption of GAPS				
Awareness Raising and Sensitisation		XXX	XXX	XXX
Access to Key Agricultural Inputs		XXX	XXX	XXX
		XXX	XXX	XXX
Programme Management and Coordination		XXX	XXX	XXX
		XXX	XXX	XXX
Government Funds				
Adaptive Research and Knowledge Management				
Adaptive Research		XXX	XXX	XXX
Knowledge Management and Communication		XXX	XXX	XXX
		XXX	XXX	XXX
Farmer Adoption of GAPS				
Awareness Raising and Sensitisation		XXX	XXX	XXX
Access to Key Agricultural Inputs		XXX	XXX	XXX
		XXX	XXX	XXX
Programme Management and Coordination		XXX	XXX	XXX
		XXX	XXX	XXX
TOTAL PROJECT EXPENDITURES		XXX	XXX	XXX
BALANCE C/F	4	XXX	XXX	XXX

Project Financial Management Procedures (PFMP)

Malawi: Sustainable Agricultural Production Programme (SAPP)
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 201X

		201X Budget	201X Actual	Variance
		MWK	MWK	MWK
FINANCING				
IFAD Credit				
	Replenishments to SA	XXX	XXX	XXX
	IFAD Direct Payments	XXX	XXX	XXX
	Government Funds	XXX	XXX	XXX
TOTAL FINANCING		XXX	XXX	XXX
PROJECT EXPENDITURES: (BY CATEGORY OF EXPENDITURES)				
Cat	IFAD Financed			
	Vehicles, Motorcycles and			
1	Equipment	XXX	XXX	XXX
	Technical Assistance,			
	Trainings, workshops and			
2	Studies	XXX	XXX	XXX
	Support for Adaptive			
3A	Research	XXX	XXX	XXX
	Support for Knowledge			
	Management and			
3B	Communication	XXX	XXX	XXX
	Support for Improved			
4A	Agricultural Extension	XXX	XXX	XXX
	Support for Access to Key			
4B	Agricultural Inputs	XXX	XXX	XXX
5	Salaries and Allowances	XXX	XXX	XXX
6	Incremental Operating Costs	XXX	XXX	XXX
		XXX	XXX	XXX

Project Financial Management Procedures (PFMP)

**Malawi: Sustainable Agricultural Production Programme (SAPP)
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 201X**

		201X Budget	201X Actual	Variance
	Notes	MWK	MWK	MWK
Government Funds				
1	Vehicles, Motorcycles and Equipment	XXX	XXX	XXX
2	Technical Assistance, Trainings, workshops and Studies	XXX	XXX	XXX
3A	Support for Adaptive Research	XXX	XXX	XXX
3B	Support for Knowledge Management and Communication	XXX	XXX	XXX
4A	Support for Improved Agricultural Extension	XXX	XXX	XXX
4B	Support for Access to Key Agricultural Inputs	XXX	XXX	XXX
5	Salaries and Allowances	XXX	XXX	XXX
6	Incremental Operating Costs	XXX	XXX	XXX
TOTAL PROJECT EXPENDITURES		XXX	XXX	XXX
Surplus/Deficit for the period		XXX	XXX	XXX

The excess/deficit of actual expenditures over the Budget of 10% was due to....

**Sustainable Agricultural Production Programme (SAPP)
STATEMENT OF DESIGNATED ACCOUNT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 201X**

Account No: _____

Bank: _____

Address: _____

				USD	MWK
Opening Balance			Notes	XXX	XXX
Add:					
IFAD Replenishments:					
Date	WA No	XXX			
Date	WA No	XXX			
		XXX		XXX	XXX
Bank Interests				XXX	XXX
Total				XXX	XXX
Deduct:					
Transfers to Operating Accounts:					
Date		XXX			
Date		XXX			
		XXX		XXX	XXX
Bank Charges				XXX	XXX
Exchange Rate Difference					XXX
Closing Balance as at 30/06/201X (as per Bank Statement)				XXX	XXX

**Malawi: Sustainable Agricultural Production Programme (SAPP)
SOEs-WITHDRAWAL APPLICATION STATEMENT
FOR THE YEAR ENDED JUNE 30, 201X
by Category of Expenditures in Local Currency**

Notes	Category description	Category description	Total	In USD Equivalent	Rejected from IFAD	Net Reimbursed
	1	2				
Cat No						
WA No:	XXX	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX	XXX
Total						XXX
WA Pending for Submission:						
WA No:	XXX	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX	XXX
TOTAL						XXX
L	XXX	XXX	XXX	XXX	XXX	XXX

Withdrawal Applications are submitted for reimbursement to IFAD using the historical exchange rate of the transfers to the Operating Account. Expenditures partially or totally rejected by IFAD (if any) should be detailed here. This statement should be reconciled with the Statement of Receipts and Payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 201X

1. FINANCIAL REPORTING UNDER INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

In accordance with International Public Sector Accounting Standards (IPSAS), notes to the financial statements of an entity should:

- Present any information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events, and
- Provide additional information **which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments, cash balances and other statements as statement of financial position**

2 SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

A Basis of Preparation: The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting

B Cash Basis of Accounting: The cash basis of accounting recognizes transactions and events only when cash is received or paid by the entity.

C. Foreign Currency Transactions: Foreign currency translation for the income and expenditure account items are converted using the actual historic exchange rate at the conversion from designated to local account. Where part of the expenditures has to be met from the proceeds of subsequent draw downs from designated to local account, this is done on First in First out (FIFO) basis. All local expenditures paid from the local accounts/currency are translated back to the USD at the actual rate used for the transfer from designated to local account. Cash balances held in foreign currency are reported using the closing rate. Gains/Losses on foreign currency transactions/balances are dealt within the Statement of Designated Account Activities

3 BUDGET:

The budget is developed on the same accounting basis (cash basis), same classification and for the same period as the financial statements. Material variances (above XXX) have been explained as notes to the financial statements

4 DIRECT PAYMENTS

These payments were made directly by IFAD from the Loan/Grant account to the specified supplier/service provider in accordance with the terms and conditions of the financing Agreement

Include here details of direct payments

WA, Date, currency and amount received, amount in local currency

4. CASH/FUND BALANCES

Reconciliation

	201X MWK	201X-1 MWK
Cash Accounts	XXX	XXX
Advances	XXX	XXX
	XXX	XXX

Analyses of aging of advances to be included detailing and providing reasons for long outstanding advances

4-a CASH DETAILS

	200X MWK	200X-1 MWK
A/c No _____ Project Operating/ Holding Account	XXX	XXX
A/c No _____ IFAD Designated Account (as per SA Statement)	XXX	XXX
Petty cash	XXX	XXX
	XXX	XXX

5 GOVERNMENT COUNTERPART FUNDS

Details here. Cumulative contributions, yearly contributions (compared to budget). For information only Include details of tax treatment and counterpart contributions as tax exemption.

Note 7: OTHER DONOR FUNDS

	200X MWK	200X-1 MWK
List of Donors	XXX	XXX
	XXX	XXX
	XXX	XXX
	XXX	XXX
Add details of cumulative and expected contributions		

Note 8: OTHER RECEIPTS

	200X MWK	200X-1 MWK
Interest Income	XXX	XXX
other income (specify)	XXX	XXX
	XXX	XXX
	XXX	XXX

Note 9: NON-CURRENT ASSETS (this is for disclosure purposes only since under IPSAS Cash basis fixed assets should have be expensed but controlled through assets register)

Financial Statement Currency

	Vehicles		Motorcycles		Equipment	
	201X	201X-1	201X	201X-1	201X	201X-1
Opening Balance	XXX	XXX	XXX	XXX	XXX	XXX
Additions (Statement of Receipts and Payments)	XXX	XXX	XXX	XXX	XXX	XXX
Disposals	XXX	XXX	XXX	XXX	XXX	XXX
Closing Balance	XXX	XXX	XXX	XXX	XXX	XXX

This schedule includes all assets acquired from the commencement of the Project. These assets are stated at cost. Existence and beneficial ownership to be verified by the auditors. Apart of the summary schedule, details schedules for yearly changes to be included.

Project Financial Management Procedures (PFMP)

Note 10: YEARLY PROCUREMENTS

Include here a list of the yearly procurements including methods

Note 11: ALLOCATION AND USE OF THE FUNDS OF THE LOAN/GRANTS

	Allocated		Disbursed		Available Balance	
	SDR	USD	SDR	USD	SDR	USD
1 Category Vehicles, Motorcycles and Equipment	XXX	XXXX	XXXX	XXXX	XXXX	XXXX
2 Technical Assistance, Trainings, workshops and Studies	XXX	XXXX	XXXX	XXXX	XXXX	XXXX
3A Support for Adaptive Research	XXX	XXXX	XXXX	XXXX	XXXX	XXXX
3B Support for Knowledge Management and Communication	XXX	XXXX	XXXX	XXXX	XXXX	XXXX
4A Support for Improved Agricultural Extension	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4B Support for Access to Key Agricultural Inputs	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
5 Salaries and Allowances	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
6 Incremental Operating Costs	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX

Note 12: RECONCILIATION OF FUNDS DISBURSED BY IFAD AND FUNDS RECEIVED BY THE PROGRAMME