

Productive Partnerships In Agriculture (PPAP)
PROJECT IMPLEMENTATION MANUAL

Section 4 – Financial Management Manual

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Abbreviations

Abbreviation	Description
ATC	Assets Transfer Committee
AWP	Annual Work Program
CB	Cocoa Board
CIC	Coffee Industry Commission
CPA	Certified Practising Accountant
DA	Designated Bank Account
DAL	Department of Lands and Agriculture
SFMO	Senior Financial Management Officer
FMM	Financial Management Manual
FMR	Financial Monitoring Report
FMA	Financial Management Advisor
GoPNG	Government of Papua New Guinea
IAS	International Accounting Standards
IDA	International Development Association
IFAD	International Fund for Agricultural Development
INTOSAI	International Organisation Of Supreme Audit Institutions
ISA	International Standards on Auditing
M&E	Monitoring and Evaluation
OAG	Office of the Auditor General
PAD	Project Appraisal Document
PCB	Petty cash book
SPO	Senior Procurement Officer
PCU	Project Coordinating Unit
PGK	Papua New Guinea Kina
PIP	Project Implementation Plan
PM	Program Manager in PMU
PMU	Project Management Unit
PNG	Papua New Guinea
PNGAS	PNG Accounting Standards
PPAP	Productive Partnerships in Agriculture Project
PSC	Project Steering Committee
SOE	Statement of Expenditure
TAC	Technical Appraisal Committee
TOR	Terms of Reference
WA	Withdrawal Application
WB	World Bank

Introduction

This Financial Management Manual (FMM) is section 4 of the PNG Productive Partnerships in Agriculture Project (PPAP) Project Implementation Manual (PIM). The FMM defines the objectives, targets, mechanisms, criteria and documents that shall be used in implementing the (PPAP). The initial phase of the project will require the formulation of a uniform system of prime rules and procedures as the agencies composing PPAP work together. As the project evolves and requirements in specific areas are identified, the manual may be amended as needed subject to prior no objection from the World Bank (WB).

All staff involved in the PPAP is required to be aware of the scope and contents of this FMM. Furthermore, all personnel charged with accounting and financial responsibilities under the project (including, but not limited to, the Program Managers, the Senior Financial Management Officers, the Senior Procurement Officer, and the Financial Management Advisor) must understand all sections of the FMM and observe the FMM's provisions to carry out the project's day-to-day activities.

In addition, it is expected that all PPAP staff will carry out their duties to the expected professional standard and ensure that good governance is applied at all times.

The following documents provide the framework for the FMM:

- Project Appraisal Document (PAD);
- World Bank Operational Policies OP/BP10.02 Financial Management;
- World Bank Disbursement Handbook for Clients, May 2006; and

The primary objective of the PPAP's financial management system is to control and manage PPAP assets; track resources and expenditures of the project; and generate timely financial information, prepared in a transparent and consistent format, all of which facilitates better planning and control by the PPAP Management team in implementing the Project.

In general, the requirements of the PPAP's project financial management and reporting system are to:

- Generate Financial Monitoring Reports (FMRs);
- Generate annual financial statements complying with generally accepted accounting principles, which are audited annually and received by the World Bank on a timely basis. Provide information regarding adequacy of resources in the annual budget;
- Enable timely disbursement of funds to allow individual tasks/projects to proceed in a timely manner; and
- Provide confidence that financial transactions have been completed to accurately, efficiently and promptly.

The manual is also designed to support strong corporate governance across the project, allowing staff to undertake duties to a high standard and in a sustainable manner.

This FMM contains policies and procedures to assist in ensuring the orderly and efficient management and control of all project assets and resources, and to render proper accountability to all stakeholders. It is concerned with effective financial control over project assets, liabilities, funds, and expenditure, together with the systems required to account for the financial operations of the project. The manual sets out the policies and procedures for the guidance of all personnel charged with financial responsibilities. The policies and guidelines convey standards for sound financial management and administration for the project, and are designed to:

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- Promote orderly, economic, efficient and effective operations consistent with project objectives;
- Prevent and detect fraud and errors;
- Ensure accuracy and completeness of the accounting records;
- Facilitate timely preparation of financial information and ensure that financial statements are fairly and accurately presented;
- Safeguard project assets; and
- Ensure compliance with applicable laws, financial policies and regulations.

Organisational Structure

From an operating and financial perspective, PPAP will operate with:

- A Project Steering Committee (PSC);
- A Project Coordinating Unit (PCU); and
- Two Project Management Units (PMUs).

The PSC will provide national project oversight and will consist of members representing various related stakeholders in PPAP.

The staffing of the PCU will provide specialist Technical Assistance to the project and build capacity within the project and the related agencies.

The PMU teams will be responsible for the implementation of the project, as well as building capacity within their own teams and with counterparts in related agencies.

Each of the three operating Project Units (the PCU and the two PMUs) will report individually and further report as a consolidated entity, with consolidated reports being prepared in the PCU. The units are also responsible for the implementation of the Financial Management Action Plan, presented in Annex 7 of the Project Appraisal Document, and in Appendix N to this manual.

The Organisational Accounting Reporting structure is presented in *Appendix A, Reporting Chart (for consolidation and reporting purposes)*.

In addition to the above, there will be counterpart (Government of Papua New Guinea – GoPNG) funding to the three implementing agencies: the Department of Lands and Agriculture (DAL), Coffee Industry Commission (CIC) and Cocoa Board (CB). Counterpart transactions will not form part of the consolidated PPAP reporting, i.e. PPAP consolidating reporting will capture funding from IDA and IFAD only – as in *Appendix A, Reporting Chart (for consolidation and reporting purposes)*.

However, the above counterpart funding records must be fully accounted for so that the ultimate funding share between IDA, IFAD and GoPNG can be reconciled.

Financial Management Duties and Responsibilities of PPAP Staff

The detailed description of key staff Terms of Reference (TOR) is attached in *Appendix B, Terms of Reference for Key Financial Staff*. As part of the consideration of the possible reduced division of duties and inexperience in meeting World Bank requirements for project accounting within the

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operating units, a consultant will be employed to conduct an internal audit within 6 months of the effectiveness of the project and the external audit terms of reference will be expanded to include a review of internal systems.

The general duties and responsibilities of PPAP staff are as follows:

- Responsibility for coordination and management of all activities under the PPAP rests with the Project Manager (PM) in each of the PMUs;
- Ultimate financial responsibility within PPAP rests with the Senior Financial Management Officers (SFMO) based in the PMUs, working under the supervision of the respective Project Managers. In addition, a Financial Management Advisor/Specialist (FMA/FMS) will be responsible for guiding (and mentoring) the SFMOs within the PMUs, as well as consolidating all financial reports. For tasks within the PCU, the role of the FMA/FMS will be similar to those of the SFMOs in the PMU;
- Responsibility for observing the financial management policies, including accounting policy and procedures, reporting, budgeting, internal control, financial planning and forecasting is imposed on the SFMO. The SFMO is responsible for:
 - Managing all financial and accounting aspects of the PPAP activities;
 - Submission of all financial transactions and documents to the PM for approval and authorization;
 - Organisation and control over withdrawal and disbursement operations both of IDA and co-financing proceeds;
 - Control over timely and accurate accounting and the preparation of financial reports and supporting documents;
 - Timely and accurate recording of all financial transactions;
 - Physical control and safety of assets and accounting records, including bank, cash, and fixed assets; and
 - Other responsibilities in accordance with the SFMO TOR.
- The Senior Procurement Officer (SPO) in each PMU will be responsible for the procurement of goods and services to PPAP, together with the control of all contracts.

Given the limited number of key staff on the PPAP project, both the segregation of duties and the practical flow of work need to be reviewed and managed so that the objectives of both good controls and efficient flow of activities and tasks are achieved. However, if at any time a decision on re-assigning duties is taken, the management of the Project (including consultation with the SFMO) should ensure that proper and appropriate internal control is in place. A combination of duties by technical staff is optional and left to the discretion of the PPAP PM.

PPAP Authorities and Signatories of Accounts

From the overall project perspective and within the PMUs, the general allocation of duties and documents will be:

- Business and non-financial matters to be dealt with by the PM; and

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- All Financial matters to be dealt with by the SFMO.

All PPAP's project financial documents should be verified by the SFMO.

Within the PCU, the FMA/FMS will report to the Project Coordinator of the PCU.

Table 1-1 lists the authorities that should be observed in respect of Withdrawal Applications during project implementation.

Table 1-1 Authorities observed for Withdrawal Application during project implementation

Approval of Withdrawals	Authority	
	1st Signatory (A)	2nd Signatory (B)
Replenishment / Withdrawal Application for the Designated bank Account (DA). This will be based upon the prior approval of: <ul style="list-style-type: none">• The PCU PC and FMA (for the PCU DA); or• The PM and SFMO of the PMU (for the PMUs DA)	Ministry of Finance and Treasury Delegate(s)	Ministry of Finance and Treasury Delegate(s)
Payments from the DA (payments to contractors, bank transfer, cheques for petty cash, etc.)	PCU PC (for PCU) PMU PM (for PMU)	FMA/FMS (for PCU) SFMO (for PMU)

Replenishment / Withdrawals from the Disbursement Credit Account

The Ministry of Finance and Treasury is acting as the representative of GoPNG in the withdrawal application process. The Ministry of Finance and Treasury is both approving the completeness of the request received from the PPAP unit, and confirming that the request is in line with the overall loan agreement.

A World Bank "Application for Withdrawal" known as the Withdrawal Application (WA) is attached as *Appendix C, Withdrawal Application*. The Project staff will need to use original forms (or work online through Client Connections) when requesting project funds¹.

The approval of the representatives of the Ministry of Finance and Treasury will be based on the prior approval of the PCU PC and FMA (in the case of the PCU DA), and that of the PMU PM and SFMO, (in the case of the two PMUs), together with full supporting documentation as required.

In order for the Ministry of Finance and Treasury to accept the WA, it must be clear that the Application has been approved by:

- The PC and FMA in the case of the PCU DA; and
- The PM and the SFMO from the PMU in the case of the PMU DA.

¹ Withdrawal Applications will be sent to the World Bank office in Manila, which will take care of linking with IFAD for the processing of the IFAD share of each application. This process will keep it simple for the Implementing Agencies, which will only have to prepare one WA each time.

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Payments from the Designated bank Accounts (DAs)

The payment documents (bank payment order, cheque, etc.) from the DAs should bear the signatures of both officials, one from the “A” list and another from the “B” list of authorised signatories. This follows standard robust control on signing authorities.

Project Financial Monitoring

The PPAP project comprises three prime components. These will need to be monitored using different tools.

Component 1 will provide institutional strengthening and general industry coordination and as such the types of expenses incurred will be relatively standard expenses that would generally be considered overhead in nature, relating to personnel (either staff or contracted assistance), personnel-associated costs, travel, communication, studies, workshops and office facilities and support. As such, these transactions will be relatively standard.

Component 2 will record the transactions behind the productive partnerships entered into during the life of the project. Due to the nature of the project, these partnership projects are all expected to be uniquely different. The implementation manual for Component 2 describes the disbursement procedures to be used for those Partnerships (or sub-projects). The FM monitoring system will need to record both contributions from the project and from the partners.

Component 3 addresses market infrastructure access and will require the Senior Procurement Officer (SPO) to work closely with the SFMO and PM to ensure that approved procurement procedures are followed at all times.

From a financial perspective, each activity will be accounted for within its own unit and further consolidated, by the PCU FMA, to present a PPAP consolidated report.

GST Registration

Once the PPAP is effective, the PCU will immediately apply to PNG tax authorities to register as an exempt entity, meaning that suppliers will not charge PPAP for GST on supplies and suppliers' invoices.

Accounting Policies, Principles and Standards

The accounting policies represent a set of principles, methods, rules and practical settings to be applied by the project and developed in accordance with the generally accepted procedures on financial accounting, reporting and auditing.

Cash Basis Accounting

In recognising specific features of project accounting, in particular the revenue flows, the cash basis of accounting (in Papua New Guinea Kina (PGK)) is considered to be most appropriate for PPAP since all project business activities are closely connected to the operation of project cash-flows. The cash basis of accounting means a basis of accounting that recognises transactions and other events only when cash is received or paid.

Accounting Set Up of PMUs

The PCU and PMUs will need to work closely together, as financial reports from the three units will need to be consolidated to present financial reports of PPAP. Through the PCU, the FMA will provide overall financial management guidance and oversight to the PPAP.

In more detail:

- The PMU based within the offices of the CB in Kokopo will act as the local PMU to manage all financial transactions relating to the activities supporting the cocoa industry under the Project. Currently this office operates the Attache accounting package;
- The PMU based within the offices of the CIC in Goroka will manage all financial transactions relating to the activities supporting the coffee industry under the Project. Currently this office operates the AccPac accounting package; and
- The PCU based within the offices of the Department of Agriculture and Livestock (DAL) in Port Moresby will be responsible for M&E on PPAP.

See *Appendix A, Reporting Chart (for consolidation and reporting purposes)*.

As a result of the three units being separate entities and using different accounting packages, it will not be possible to have entirely consistent charts of accounts. However, as far as practically possible, consistency on all levels of accounting, including the chart of accounts, must be applied to all transactions and reports under PPAP.

The consolidation process to be undertaken by the PCU will need to address the different layout of information to produce consolidated reports.

Working Chart of Accounts

Due to the cash basis of accounting, the Working Chart of Accounts will be relatively simple, although because of the three units involved not having the same accounting software, they are unlikely to be entirely consistent at source. It will be the role of the PCU FMA/FMS to consolidate this source information and generate consistent reports for the end users.

Major categories of accounts include:

-

2 Accounting Policies, Principles and Standards

- Cash and bank;
- Receipt; and
- Expenses, structured by the project expenditure classifications. (this will include both expense & asset expenditure)

Project expenditure categories will be used as the basis for developing the expense section of the consolidated working Chart of Accounts.

Accounting System

The project will produce consistent reports for all users/stakeholders. Therefore, prior to the project being implemented, harmonisation of stakeholder reporting requirements will be required to facilitate the design of the PPAP accounting format.

These financial transactions resulting in a receipt, expenditure or commitment to expend project funds are to be booked into the accounting system in a timely manner.

The project accounting system will cover the recording of:

- Cash receipts (primarily DA advances and replenishments) with full supporting documentation to support the receipt of funds.;
- Cash payments will be recorded in the cash book of the ledger with full supporting documentation to support the payment of funds. It is expected that these entries will be made on a regular basis, and not less often than weekly;
- Direct Payments made by WA must be included both as a receipt and a payment even though there is no flow of cash within the project accounts.
- Recording of transactions from the petty cash book (PCB) for small cash expenditures below a certain low threshold. The credit side of the PCB is to be analysed into columns, one for each project component / expense category. The totals are to be posted to ledger accounts when reimbursement cheques are drawn.;
- PPAP bank accounts payments and transactions from the DA. This account will enable cheque payments to be raised efficiently and allows for ease of obtaining cheque signing from authorised signatories;
- Fixed Assets Register to record the location, price and date of acquisition (or completion) of all capital expenditure, including buildings, vehicles, computers, major equipment, furniture and other. There should be a separate section of the register for each class of fixed asset.

At the end of each month, the simple accounting records proposed above will produce summaries of expenditure.

Analyses/Reporting – the ability to analyse/report expenditures to satisfy government and IDA reporting requirements is required. This will include the ability to report on expenditures **by project component, by financier and by expenditure category**, and also include the ability to report in the formats required as agreed to with the World Bank for the purpose of preparing FMRs.

2 Accounting Policies, Principles and Standards

A separate record will need to be maintained to handle the IDA WA tracking – this will be kept outside the core accounting system, will likely be maintained in Microsoft Excel format. It will have the ability to track expenditures that have been submitted for replenishment via WAs (supported by Statements of Expenditure (SOEs), including full documentation of direct payments) and the current status of that expense on the WA (under consideration, rejected or accepted). This record should be maintained in the PCU.

As both PMUs and the PCU will maintain separate sets of books based on separate accounting systems, the consolidation process (particularly early in the project) will need particular focus. This review and consideration of the consolidation process will be led by the FMA/FMS within the PCU.

Security / Back-up of Accounting System

Back-up files should be maintained regularly in order to protect data from any damage.

For both PMUs and the PCU, daily records (tapes) will be produced and stored in a safe place on site. These tapes should be numbered 1 to 5 and reused in the following week to replace the prior week's tape for the corresponding day.

A monthly tape will be produced and held in a safe location offsite (at a bank is suggested) and replaced each month.

An annual tape will also be produced and held in the same offsite location for the longer of either 12 months after the final audit of the project accounts, or whatever is stipulated in PNG legislation. Duplicates of the monthly and annual tapes should also be held on site, but in a separate safe and fireproof location.

The objective is that at any stage during the course of the project there is the ability, should a disaster occur, to recover all (or virtually all) prior project financial records.

All PPAP financial records must be retained for at least 12 months after the final audit of the project.

Accounting Treatment of Inventories

It is not expected that the use of inventories will be significant during the life of the project, and all overhead type expenses will only be incurred as needed.

Accounting Records and Documents

Both PMUs and the PCU will maintain a computerised General Ledger system recording PPAP transactions supported by appropriate primary documents. Subsidiary ledgers are also required in the formats generated by the accounting system.

All accounting entries will be based on source transaction documents, e.g. supplier invoices. These documents will need to be approved and verified against contractual arrangements and agreements, where appropriate, before the transaction can be completed with a payment being made.

All primary documents should be filed and stored in the following hard copy files:

- WA file (the WA copies, supporting documents, SOEs, copies of certificates for payment, IDA and IFAD credit account monthly reconciliation statements, internet print-outs and original statements, WAs for direct payment);

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- Invoice Payable copies file (for supplier invoices and certificates until paid);
- Bank payment orders and/or cheque payment vouchers (with the contract number included on every order) and DA bank statement files (with supporting SOEs, certificates paid and other supporting documents);
- DA bank payment orders with bank statement files (with a number of the contract put on every order and invoices paid);
- Petty cash vouchers file (debit order accompanied by all pertaining credit orders) and Petty Cash Advance Reports (advance reports with all supporting documentation);
- Payroll File. Wage Sheets are prepared on the basis of Working Time Sheets;
- Procured Fixed Assets File, including procurement contracts copies and acts of transfer and acceptance for the assets;
- Motor Vehicles Maintenance Files, including maintenance contracts and repairs undertaken by repair contractors;
- Insurance Contracts File, to contain contract details of insurance cover taken out to cover the project's operations and assets;
- Supply and Tender File. This file should contain all contracts for provision of goods or services awarded by the Central Supply and Tenders Committee and/or the PPAP Tender Committee;
- Inventory File (divided by invoices on purchases and acceptance acts);
- File for local consulting services, including contracts copies; and
- File for foreign consulting services, including contracts copies.

Budgeting and Financial Planning

Project planning is a tool that is crucial in achieving the objectives of the Project. The Project Implementation Plan (PIP) and PAD should guide all planning efforts of the PPAP team. PPAP planning is closely related to budgeting and control over the budget implementation. Since sources, amounts of financing, and budgets for each category of expenses are established within the project documents, the annual budget is a quantitative expression of the Annual Work Program (AWP) of actions to be undertaken.

Project planning and budgeting includes:

- Linking the PIP, PAD, project cost tables and Project Procurement Plan to the annual Project budget and establishing a detailed budget with time limits for each planned action;
- Establishing physical targets to be achieved during the planning period and linking these to financial outlays required to meet the targets;
- Periodic monitoring of variances between actual and planned cost and activities;
- Proper budgetary controls; and
- Timely initiation of budget changes through the re-allocation of financing from one category to another (within limits provided under the approved Project budget).

Annual Work Program and Annual Budget

PPAP management should prepare an annual financial project plan – in other words, an annual budget. The plan should be realistic and identify the following:

- All activities required to complete the interim and overall project objectives, areas of procurement by components and sub-components of the Project, project management (staffing, consulting services, etc.), and other relevant activities;
- Cost estimates for each action; and
- Time schedule for implementing all actions planned.

Procedures to accomplish the above objectives are as follows:

- During the last quarter of each year, PPAP will develop a consolidated AWP for the next year. The annual program will be further divided into quarterly sections. In accordance with the AWP (or plan), the PPAP management team will develop a budget for the next year by month;
- Activities not achieved during the current year could be included in the AWP for the next year. Savings of funds of the current year could potentially be expended during the next year in either the same categories of eligible expenditures or redistributed to other items within one expenditure category where the funds are insufficient. Any redistribution from a prior year's unused budget to another activity or task must be highlighted;
- A review committee consisting of the PC, FMA/FMS, PM, SFMO, SPO will jointly review the AWP and the draft Project Budget for the next year. The AWP must be approved by the PSC and receive the no objection of the World Bank before the new financial year for PPAP commences;

3 Budgeting and Financial Planning

- In addition, the PCU will need to ensure that the consolidated PPAP AWP is achievable; and
- Following approval by the PSC and by the World Bank, the budget will be entered into the accounting system.

During the course of each year, the annual plan should be used in the preparation of quarterly SOEs.

Budget Monitoring

A budget is an ongoing process under constant review. Within the PMUs, the SFMO – and in the PCU, the FMA/FMS – will be responsible (together with the PM and the SPO) for the monitoring and managing of the budget on a line-by-line basis during the course of the year.

The SFMO should also work with the FMA if needed to amend certain categories of applicable budgets within the overall Project budget in order to reflect realistically planned expenditures, and their likely timing, based on current actual activities.

Budgetary Control

A high standard of planning and budgeting is required to manage and control project resources efficiently. Adequate budgeting will help to ensure that the appropriate amount of funds required to implement project activities are available from the right sources, at the right time.

Prior to each fiscal year, the PPAP management will review and revise, as necessary, the project budget for the coming year, reflecting any updates of the PIP. The revised budget will be sent to IDA (the World Bank) at least two months before the beginning of the project fiscal year.

Once the project financing becomes available, planning and budgeting activities increase to involve preparation, implementation, and monitoring of:

- Annual and quarterly (or monthly) physical activities designed to achieve project outputs; and
- Annual and quarterly (or monthly) financial plans, including procurement, receipts, expenditures, and cash flows.

In setting up the first annual and quarterly budgets, the figures to be used will be those in the project cost tables. This is to generate consistency between the project proposal and actual implementation. The first year's estimates will be adopted as the first year's project cost budget with minor adjustments as needed. Physical and financial budgets will be set up in the same format for quarterly reporting as for the annual financial statements, in order to prevent having to report the same information in different formats.

Multi-year Accounting and Budgetary Control

At the time of preparation of the project's annual budget and before the beginning of each subsequent fiscal year, the PPAP management will review and revise, as necessary, the whole of project budget for the project life or term remaining, reflecting any updating of the PIP. The revised whole of project budget for the remainder of the project life will be sent to IDA with the annual project plan for the ensuing year at least two months before the beginning of the project fiscal year.

3 Budgeting and Financial Planning

Appendix E, Suggested Layout for Multi Year Budget shows the whole of project reporting format which will likely be maintained on Microsoft Excel software, with expenditure data recorded from the annual financial statements and budget data from annual budget review, the AWP and the project cost tables.

Disbursement Procedures and Banking Arrangements

Disbursement Operations and Management of Funds

The responsibility for implementation of the project and for the payment of goods and services rests with the PMs of the two PMUs, working closely with the PCU. The PSC can be consulted if the issue to be addressed is based on strategy rather than detail. Detailed issues should be resolved within the PPAP core project team.

Disbursements of credit proceeds to the Designated Accounts are made only at the PPAP's request through the Ministry of Finance and Treasury. The Disbursement Letter outlines the disbursement procedures to be followed.

Designated Bank Accounts

Three Designated Accounts (DAs) DAs will be established, one for each PMU and one for the PCU. The PMUs and the PCU may select a level one bank of their choice to establish their DA – subject to IDA and Ministry of Finance and Treasury approval of the proposed bank.

Selection of the DAs

The DAs can be opened with the Bank of Papua New Guinea or with one of the first level commercial banks recommended by the Bank of Papua New Guinea or the PNG Ministry of Finance and Treasury for this purpose.

The DA bank should be able to demonstrate that it:

- Executes foreign exchange and local currency transactions;
- Opens letters of credit;
- Has been audited regularly, and has satisfactory audit reports;
- Handles a large number of transactions promptly;
- Issues prompt and detailed monthly bank statements;
- Is able to perform a wide range of banking services satisfactorily; and
- Has established a satisfactory correspondent-banking network.

Establishment of the DA

The DA is a revolving account funded with an advance from the Credit Disbursement Account, which is generated by contributions from both IDA and IFAD.

- The right to manage the special DA is delegated to the officers of PPAP. The Ministry of Finance and Treasury is responsible for the approval of replenishment funds for the DA from the IDA credit and co-financing (IFAD) disbursement account.
- Prior to the first disbursement of the credit monies, the Ministry of Finance and Treasury will furnish to the IDA a letter with authenticated specimen signatures of the delegates from the Ministry of Finance and Treasury designated to sign WAs. The letter should be promptly renewed upon the IDA's request or if any changes in the list of the authorised representatives occur.

4 Disbursement Procedures and Banking Arrangements

DA – a Project Operational Account in Local Currency

The DA is the project's operational account. This account will be used to make operational payments to suppliers and consultants, etc.

It is expected that each DA will be subject to a ceiling (maximum amount the Bank will advance) and these are outlined in the Disbursement Letter.

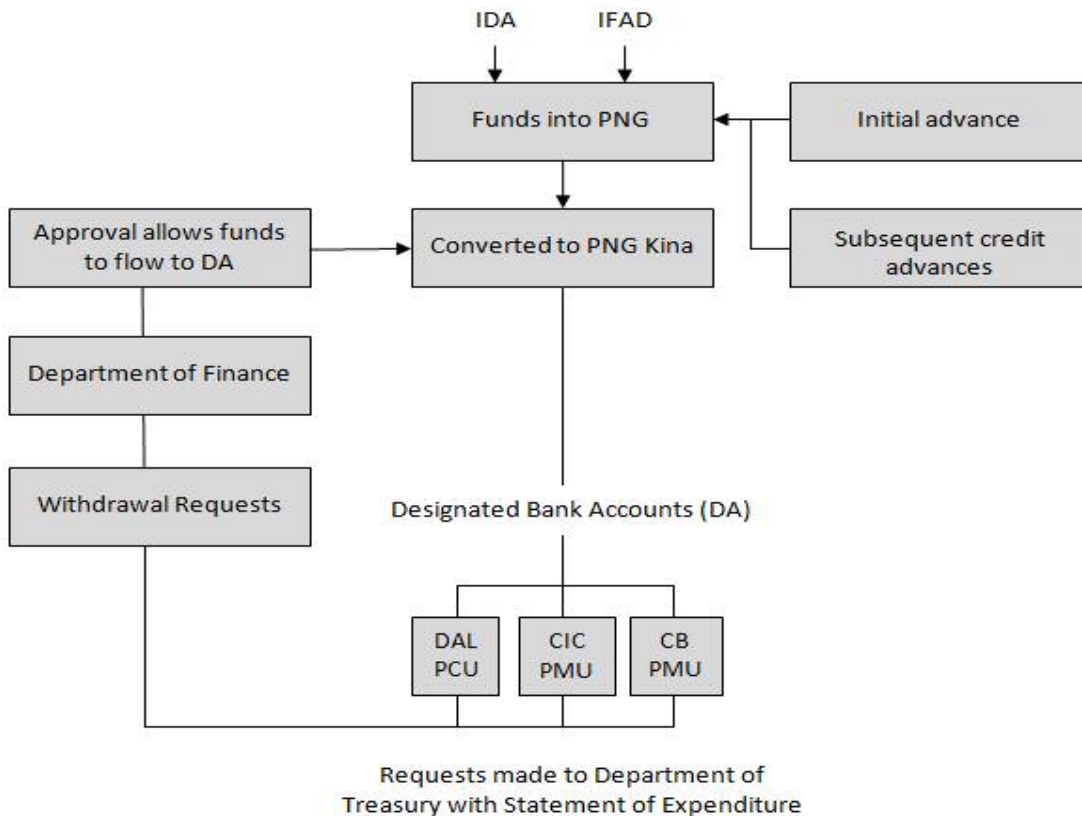
Flow of Funds Chart

Funds from IDA and IFAD will be advanced to the individual DAs in kina.

Advances to the DAs held by the PMUs and the PCU will not exceed the nominated ceilings as outlined in the Disbursement Letter.

A trust instrument will be used to enable each of the Implementing Agencies to open the Designated Accounts.

Figure 4-1 IDA funds flow



4 Disbursement Procedures and Banking Arrangements

Description of Fund Flows

Replenishment of Designated Bank Accounts

The SFMO and PM of both PMUs (and the FMA within the PCU, in the case of the PCU DA) will prepare the necessary supporting information for the standard Withdrawal Application (WA) as it relates to the activities of the project to be regularly processed. Once the PM (or PC respectively) approves the WA, it is sent to the Ministry of Finance and Treasury to seek replenishment of the DA from respectively the IDA and IFAD. Two approved delegates from the Ministry of Finance and Treasury will approve and sign such WA, with supporting documents such as SOE listings for expenditures incurred and Summary Sheet for contracts above a certain amount (the Disbursement Letter provides standard formats). Withdrawal Applications for replenishment should be prepared monthly or when DA funds are insufficient to cover the next months estimated expenditure. See *Appendix C, Withdrawal Application*.

See *Appendix D, Suggested Statement of Expenditure*.

Direct Payments

A WA for a Direct Payment may be used to pay a supplier, contractor or consultant where the amount is above the threshold as outlined in the Disbursement Letter. .

Payment under this method requires the preparation of a Withdrawal Application and submission of a copy of the invoice approved for payment. This method has the benefit of retaining funds within the DA for other activities needed on a more day to day basis.

Payments made through the Direct Payment Method must also be included in the projects financial reports as both a source of funds (receipt) and use of funds (payment).

Client Connection

It is recommended that appropriate finance staff register with the Bank to obtain access to Client Connection. This allows World Bank partners to access information related to loans, credits, grants and trust funds through a secure password protected website. Initially this will require each implementing agency to contact the Bank's Financial Management Specialist for guidance on registration with Client Connection.

Reconciliation with IDA Records

The SFMO and FMA/FMS will reconcile monthly the project financial records with the IDA's Disbursement Summary statement found in Client Connection.

Reconciliation of the DAs

The SFMO (FMA/FMS in the PCU) will reconcile the balance of the DAs (three in total) under their direct control, reconciling internal records with the statements received from the bank at the end of each month. The PM (PC in the PCU) will review the reconciliation. If staffing will allow, there is a benefit in an employee who does not have cheque writing or deposit responsibilities having a role in the preparing of the monthly bank reconciliations.

4 Disbursement Procedures and Banking Arrangements

Bank Account Management Policy

The SFMO of each unit (FMA/FMS in the PCU) has the authority and responsibility to manage the bank accounts of the PPAP. However, the PM and PC have responsibility to supervise the work of the SFMO and FMA/FMS, respectively, to ensure that the DA is managed efficiently and effectively.

Other Banking Control Procedures

The SFMO will review all cancelled cheques returned with the bank statement and verify that the payees and the amounts on the cheques appear correct and have not been modified. As part of this exercise, the SFMO will ensure that all disputed items, unidentified receipts, and bank charge-backs are properly handled and recorded within the banking transactions.

- The SFMO in each unit will be responsible for keeping blank cheques in a secure location at all times.
- Cheque signing (approval) may only take place when the cheque is complete and supporting documentation has been reviewed and confirmed.
- Whenever cheques are voided, the SFMO will write "void" across the face of the cheque in ink and keep it in the cheque book.
- The SFMO will scan all cancelled checks to ensure that there are no suspicious endorsements and that no cheque amounts or payees are altered. The SFMO will account for the numerical sequence of all cancelled, voided, and outstanding cheques.

Designated Bank Accounts

The following accounts are opened and maintained by the PPAP. There will be separate DAs for the two PMUs and the PCU:

PPAP must manage accounts in a way ensuring full accountability. Checks and balances must be in place; in particular, monthly reconciliations of bank account balances must be completed in a timely manner. In addition, the responsibilities of all staff involved in financial management and control should be clearly understood, generating transparency and accountability.

Key control points include:

- Risks of loss, leakage, fraud, inaccuracy, or mistake should be identified at all levels, carefully assessed, and measures put in place to eliminate or minimise them.
- Measures to control risk should not cost more than the possible loss that could result from their absence.
- The measures should not unduly slow down the flow of funds, or project implementation.

The cheque book:

- Contains cheques to make payments to suppliers, including consultants and contractors.
- Has cheque stubs to record payments when they are made and subtract payment amount from the balance forwarded from the last cheque drawn.

4 Disbursement Procedures and Banking Arrangements

- Can be used to:
 - Make cash withdrawals from the account – these should be kept to a minimum;
 - Pay invoices.

The Bank Statement:

- The bank will provide a bank statement at least every month;
- The statement includes the following information:
 - Opening balance
 - Cheque numbers, amounts paid, and dates presented
 - Deposits
 - Bank charges
 - Closing balance.

Balancing a Bank Statement – Bank Reconciliation:

- The SFMO (or delegate) will check each entry in the bank statement against the project's own cash book to ensure that entries have been correctly recorded both in the cash book and the bank statement.
- The SFMO will check the monthly reconciliation of the bank accounts and ensure that the Bank Reconciliation Statement has been correctly prepared and that there are no outstanding or unusual items that require further follow up. All long outstanding or unusual items appearing on the bank reconciliation must be followed up and comments on actions recorded. The SFMO will sign these bank reconciliations to demonstrate their confirmation and approval.

See *Appendix F, Suggested Layout for Bank Reconciliation And Control Account.*

Cash Advances for Travel

When cash is advanced to a Project consultant or staff member to pay for expenditures (often travel-related) while on project business, the recipient is required to sign the cash advance record for the amount of money taken and provide a receipt showing where it was spent within five days of either incurring the expense or returning from a travel assignment.

The SFMO (or FMA/FMS for the PCU) will be responsible for managing cash advances, which will often be travel-related (as well as managing petty cash) to staff as needed. The PM (or PC for the PCU) will approve the cash advance only after the staff member requesting the advance has completed the cash advance form showing the amount and reason for the advance being needed. Staff in receipt of a cash advance must indicate with a signature that they have received the advance. To acquit advances, recipients must provide original receipts.

Information to be included on a receipt:

- Full name of the person receiving the money;
- Amount of money received; and

4 Disbursement Procedures and Banking Arrangements

- Date received.

A PPAP team member may not receive a second or further cash advance until the initial cash advance has been fully acquitted.

See *Appendix H, Suggested Cash Advance Form*.

Receipt of Goods/Services and Payment of Invoices

In respect to supplier invoices, the Invoice must include the date, name of supplier, what was purchased, quantity, price per item, so that the actual items received can be checked against it. Where a purchase order has been used the information on the purchase order should be checked against the invoice and the actual goods received. A cheque requisition form should be completed and approved before a cheque is raised. The cheque requisition should summarise the payment required. The cheque requisition should be authorised by the officer directly involved with the purchase and approved by the PM (or PC in the case of the PCU), and should be attached to the payment batch.

Project funds shall only be used to pay for project expenditure and not for any other purpose. Two officers must sign the cheque to authorise the payment.

The general policy regarding payments of invoices is stated below. The policy incorporates necessary controls to ensure that only invoices for goods or services received in the right quantity and quality are paid, and in the right amounts. The procedure for processing an invoice for payment, including required approvals and documentation, is as follows

1. The SFMO (or FMA/FMS) receives invoice with required reporting documents, registers invoice, and checks it against the contract terms and conditions. An officer of PPAP must have approved the invoice to confirm that the goods and services have been received by PPAP.
2. The SFMO (or FMA/FMS) prepares a payment order (or application for withdrawal, in case of Direct Payment) and approves it before forwarding it to the PM (or PC).
3. The PM (PC) approves the invoice, signs the payment order, and forwards it for payment.
4. Upon receipt of approved invoice and payment order signed by authorised persons, the SFMO (FMA/FMS) effects the payment, and registers transaction in appropriate books in the Accounting System.

See *Appendix G, Suggested Cheque Requisition Form*

Payment of Operating Costs

The procedure of invoice payments is as follows:

5. The SFMO (or FMA/FMS) receives and registers the invoices and supporting documents.
6. The SFMO (or FMA/FMS) sends the invoices and supporting documents to the Procurement unit for approval.
7. Upon approval, the approved documents are returned to the SFMO (FMA/FMS).
8. The SFMO (or FMA/FMS) prepares the payment documents and submits them together with invoices and supporting documents to PM (PC) for signature.
9. The PM (PC) signs the payment documents and returns them to the SFMO (FMA/FMS).

4 Disbursement Procedures and Banking Arrangements

10. The SFMO (or FMA/FMS) submits the payment documents to the bank for payment.
The SFMO (or FMA/FMS) is responsible for checking and examining invoices on operating costs.

Project Reporting

Users of Financial Statements

The PPAP submits financial statements to the following users:

- PPAP Management in DAL, CIC and Cocoa Board
- PSC (only on a semi-annual and annual basis)
- IDA
- IFAD – which will be done through IDA
- Ministry of Finance and Treasury

The PPAP PCU will consolidate financial records for the project as a whole. Consolidation will require the reports to be sent to the central PPAP PCU on a quarterly basis from these sources:

- CB PMU
- CIC PMU

The figures from the two PMUs and the PCU will be consolidated to form the PPAP financial statements. The PCU will prepare its own financial reports and the consolidated reports.

The two PMUs and the PCU will prepare standalone financial reports, which in addition will form a component of the consolidated PPAP financial report.

See *Appendix A, Reporting Chart (for consolidation and reporting purposes)*.

Reporting

Reports will be produced as follows:

- Monthly for internal management purposes;
- Quarterly for internal management and IDA/IFAD purposes; and
- Annually for internal management, IDA/IFAD, and external reporting purposes.

The reports produced will be common throughout the year, to have the advantage of consistency of both preparation and information.

The final format of these reports will be resolved between the stakeholders, the FMA and the Office of the Auditor General of PNG (OAG) at project implementation, but should contain:

- Contract Management Report
- Source of Funds, and
- Financial Statements.

The documents prepared for the monthly/quarterly reports must be in a form that can be replicated for the year end financial statements.

The quarterly reports will be Interim Unaudited Financial Statements (also called Quarterly Financial Management Reports) and must be submitted to IDA within 45 days of the end of the period. These reports will be in a format agreed to by the World Bank at the time of loan negotiations.

5 Project Reporting

The Monthly Unaudited Financial Statements may include as subsets project summaries that can be forwarded to participating partners to allow them to understand the progress on their nominated activities.

External Reporting

At the end of each fiscal year, the PPAP will prepare Project Annual Financial Statements to be audited by OAG, and submit the resultant audited financial statements to IDA no later than six months after the end of each audited year. Financial Reports shall include a statement showing for the period and cumulatively (current financial year and project life) inflows by sources and outflows by main project components; beginning and ending cash balances of the project; and supporting schedules comparing actual and planned expenditures in the annual plan.

The financial statements and all reports are to be prepared in PNG Kina.

Project Progress Monitoring Reports

Brief discussion of project progress

In addition to standard financial reports (as above), sub project progress reports will be required under Component 2. At the end of each month or quarter, the PM, SFMO and SPO will need to undertake a review of sub project progress. This review will address:

- Physical activities designed to achieve project objectives and progress of completion of activities (including monitoring of performance of contracts awarded). There should also be a brief narrative of the key achievements/progress of the sub project.
- Actual expenditure and financial plans, including procurement, receipts, expenditures, and cash flows relating to the physical implementation of activities. The financial progress of a sub project will be judged against the AWP, but it is also important to make a judgement on the total progress (not just the financial progress) of a sub project.

Physical Progress Report

Example activity monitoring progress reports are included in *Appendix II, Project Monitoring – Progress Report* and *Appendix J, Project Monitoring – Completion Report*. The *Appendix II* example is for a project in progress, and relates costs to Project components and activities. The *Appendix JJ* example is for a completed project, and shows outputs of the project.

Monitoring reports may be accompanied by written reports on the sub project prepared by the Component 2 Coordinators, recording additional information which could include, but should not be limited to reasons for delays (if Work Program is behind implementation schedule) and other relevant information, as may be requested by stakeholders.

Internal Control Procedures

Payments to Contractors from the Designated Bank Account

Payments to contractors, suppliers or consultants are made from the DA using the regular Cheque Payments procedure (with the exception of cases when the Direct Payment method is used). Contractors, suppliers or consultants must provide an original invoice summarising total expenditures already incurred (or Certificate for statement of work) and a cover letter on official letterhead. Such documentation is submitted on the basis of either contract terms or on a monthly basis. The format of the supporting documentation may vary depending on contract conditions.

11. The SFMO (or FMA/FMS) verifies all expenditures made by contractors and/or consultants for their eligibility.
12. The SFMO (or FMA/FMS) prepares and seeks authorisation of a cheque payment voucher for the cheque to be drawn and recorded in the computerised accounting system. If combining two or more contractor/vendor invoices on a Cheque Payment Voucher, the total net amount is entered.
13. The SFMO (or FMA/FMS) delivers the signed cheque to the contractor, supplier or consultant after the contractor, supplier or consultant has signed a cheque payments register that the cheque is in his possession and received. Details to be noted in the cheque payment register include the date the cheque was given; payee; amount; name of the officer delivering the cheque; details of invoices the cheque was settling; and name, position title and signature of the person collecting the cheque on behalf of the contractor, consultant or supplier.
14. The SFMO (or FMA/FMS) posts the transaction in the computerised accounting system using the cheque voucher as the basis for recording the transaction. Simultaneously, the computerised accounting system compares the changed cumulative expenditures in the relevant expenditure category or component with the budget items planned.
15. The SFMO (or FMA/FMS) files the cheque voucher in the primary document file "Cheque Payment Vouchers", annotates the contract number, and records the transaction in the Cheque Voucher Register.

For interim internal control over the DA, the SFMO (or FMA/FMS) may occasionally make random requests of PPAP staff directly involved with bank transactions and controls.

Petty Cash Operations

Petty Cash Fund

A petty cash fund is an amount of money kept by the units to be used on a revolving basis for small payments of an emergency nature, incidental expenditure, and PPAP administrative expenditures, but generally excluding salary or related payments. Petty cash payments should only be used as a last resort and, whenever possible, payments should be made by cheque via nominated bank accounts.

Petty cash floats will be maintained in each of the two PMUs and the PCU. It is suggested that the initial petty cash imprest (holding) balance should be PGK500, and that an imprest system should operate whereby the balance is replenished to the imprest balance (PGK500) when needed.

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The initial draw down of petty cash will be the imprest balance and entered into the accounting ledgers as the petty cash balance. This imprest balance should be maintained at all times, unless a review concludes that this balance is inappropriate. On a regular basis (expected to be twice monthly), the petty cash paid will be summarised from the petty cash book and a reimbursement of petty cash arranged taking the balance of petty cash back to PGK500. The documentation supporting this cheque reimbursement request will form the entry of the expenses into the accounting ledger.

All petty cash transactions should be recorded in the manual Petty Cashbook. If there is a need to make a manual change to the Petty Cashbook, such as when transactions need to be overridden or voided, there must be sufficient documentation and the transaction must be approved by both the Petty Cash Controller and the SFMO (FMA/FMS).

Only the Petty Cash Controller should have access to the petty cash fund, which is to be kept in the PPAP safe (or similarly secure area). If the Petty Cash Controller is not available for an extended period of time, responsibility will be temporarily delegated to the SFMO (FMA/FMS).

Petty cash withdrawals should be registered on the same day as the transaction in the Petty Cashbook on the basis of cash debit order. Both cash debit and credit orders must be pre-numbered and filed in sequential order in a separate folder titled "Petty Cash Vouchers".

Any discrepancies within the petty cash imprest balance must be investigated immediately by the SFMO (FMA/FMS). If the matter is not resolved within 5 working days, the issue must be reported to the PM or PC.

Any cash receipts received into PPAP will be banked into the DA within 24 hours of receipt.

Authorised Uses of Petty Cash

The Petty Cash account should only be used when a cheque payment is not possible and may only be used only to pay:

- Local market purchases of supplies and materials for the unit's office requirements, office supplies, minor miscellaneous supplies, minor repairs, and replacement parts for machinery and equipment not under procurement contracts. Such payments may be made provided that the items cannot be expediently paid through regular payment procedures;
- Passenger Motor Vehicle fares, airfares, transport and carrier charges;
- Postage due on mail;
- Travel advances; and
- Office utilities, communications (if any), and fuel system.

Special authorisation of the PM is required in order for the petty cash account to be used for purposes other than those listed above or if the payment is deemed to be large or unusual.

Petty Cash Advances

The PPAP will use a petty cash advance system when needed, and only when cash advances are to be used for a standard qualifying petty cash expense.

A payee fills out a Petty Cash Advance, which is signed by the payee and the SFMO (FMA/FMS). The following must be recorded on the petty cash credit order form: date, name of payee, purpose of

6 Internal Control Procedures

disbursement, amount paid, and signatures. The transaction is immediately posted to the Cashbook and the computerised accounting system.

The payee cannot get a second advance until he or she submits the Petty Advance Report documenting the use of the previous advance (with supporting documents and receipts) and acquits the advance. If the SFMO (FMA/FMS) determines all expenditures are eligible for reimbursement, he or she signs the Advance Report form, and clears the amount of cash due from or to the payee (if the advance was not completely used, a refund is due from the person clearing the advance). After approval, the SFMO may reimburse the payee or return the unused cash balance to the Petty Cash Fund.

The SFMO (or delegate) files the petty cash Advance Report form with all supporting documentation in the file "Petty Cash Advances". The transaction is posted to the Cashbook and the computerised accounting system.

Cheques for Petty Cash Withdrawal

The PM and the SFMO (or respectively PC and FMA/FMS for the PCU) should sign cheques prepared by the SFMO to replenish funds to the petty cash fund from the DA. It is expected that these replenishments should take place twice per month and require the balance of petty cash in hand and the reimbursement to total the imprest float, i.e. currently PGK500. In addition, the reimbursement total is to be fully supported by approved invoices or vouchers.

Petty Cash Accounts

Reconciliation of Petty Cash Accounts

The total cash on hand plus the amount of disbursements represented by the documents should equal the total amount of the petty cash fund. Cash receipts retained on the premises overnight are to be minimised and kept in a locked secured place, such as a safe.

- It is recommended that regular counting of cash and reconciling to vouchers held takes place to ensure that any discrepancies are acted upon at the earliest opportunity.
- The SFMO (FMA/FMS) should plan PPAP cash operations in such a way to ensure leaving only small amounts of petty cash in the safe over weekends and holidays (not more than K 500).
- The SFMO (FMA/FMS) is to be prohibited from cashing personal cheques or notes of personal indebtedness, and paying salary advances.
- All disbursements from petty cash accounts are to be supported by original (not photocopied) receipts or vouchers bearing the signature of the payee, or petty cash advance forms.
- Petty cash accounts are to be reconciled twice a month.
- Surprise counts of petty cash are to be made on a regular basis to enhance the control of the petty cash balance.

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Managing Petty Cash

- The cash box must be locked when not being used.
- The Petty Cash Controller should keep the keys.
- Keep the box in a safe place and keep as little money in it as possible.
- PM and SFMO (PC and FMA/FMS) should sign the cheque to allow cash to be reimbursed back into the petty cash imprest balance.
- When a Project staff member receives cash to pay for any item, the SFMO (FMA/FMS) should record the money in the petty cash book and ask that person to sign the book.
- When the Project staff member provides a receipt and/or cash, the SFMO should record it in the petty cash documentation.

Limiting Access to Cash

- Cash is to be protected by the use of safes, or locks, and kept in areas of limited access.
- Access to the keys to the office safe should be restricted to the SFMO (FMA/FMS). Keys should be maintained in a safe, locked place. Office safe combinations and locks should be changed periodically, especially when personnel leave employment.
- All office safes should be kept locked throughout the day. When the SFMO (FMA/FMS) leaves the area, the office safe should be locked and the key should be left with a designated person (PM/PC).

Theft of Petty Cash

If a theft occurs, notify the Police Department for a complete investigation and a report. Attach a copy of the Police report to the Petty Cash Orders file.

If the theft or loss is determined to be due to negligence on the part of the SFMO (FMA/FMS), the PM may choose to require him or her to personally replenish the funds.

Inventory Management

Effective, physical safeguards over inventories are a good deterrent to theft, and timely and accurate inventory reports can help reduce losses by providing early warning signals that misuse or overstocking are occurring.

The PPAP may be responsible for purchasing and storing of goods necessary for the Project implementation. Inventory handling procedures are simple.

The PPAP will use the specific item identification method of inventory cost write-off to operating expenditures. Inventory write-offs should be done in accordance with the *Public Finance (Management) Act* and approved by the SFMO (FMA/FMS) with the approval of the PM (PC).

6 Internal Control Procedures

Payroll Procedures

The SFMO (FMA/FMS in the case of the PCU) is responsible for tracking employees' sick days, and annual leave taken in accordance with the policy approved.

The SFMO (FMA/FMS) will prepare the base information needed by the agency accounting/payroll system to allow PPAP staff salaries to be paid accurately and on a timely basis. Salaries should be calculated and paid out in accordance with the employment contracts of the staff member. If necessary, salary amounts are adjusted on a daily rate basis. The daily rate is determined as a monthly pay rate divided by the quantity of working days in the month. The Payroll sheet should be checked by the SFMO (FMA/FMS) and signed by the PM (PC).

Payments are made on the basis of the Payroll sheet. Every payee should sign the documents. The SFMO (FMA/FMS) pays the salaries and wages every fortnight in net amounts.

Should an advance of salary have been received, then the employee must repay this advance at the earliest possible payroll payment opportunity. As before, payroll advances will not normally be approved. Any payroll advance must receive the approval of the SFMO (FMA/FMS) and PM (PC)

Employees are not allowed to receive a salary payment for another employee.

If the salary is not paid directly to the staff's bank account but is paid in cash, the employee should count the money in the presence of the SFMO (FMA/FMS), and sign for it at that time.

The SFMO (FMA/FMS) files timesheets and the summary payroll sheets to the Payroll file. Responsibility for time keeping, payroll processing, disbursement and general ledger functions lies with the SFMO (FMA/FMS). The SFMO (FMA/FMS) should control and check payroll processing and approve payroll sheets.

- Payroll records and reports should be adequately safeguarded.
- All changes in employment status (additions and terminations), salary and wage rates, and employee deductions should be properly authorised, approved, and documented in writing.

The SFMO (FMA/FMS) must maintain adequate records to be able to quantify the amount of leave provisions accruing against PPAP staff members. As PPAP will account on a cash basis, these leave accruals/provisions will sit outside the formal reported financial statements but will need to be included in the notes to the financial statements, if material.

General Policy

To be recognised as expenditure, the expenditure must:

- Be a necessary expenditure of the project;
- Have clear business purpose and be directly related to the goals of the project;
- Consistent with the project legal agreements;
- Be reasonable and appropriate under the circumstances; and
- Be fully documented.

The following are examples of the type of expenditures that should NOT be paid/reimbursed under any condition:

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- Political contributions;
- Gifts to or funeral expenses paid on behalf of employees and officials of participating stakeholders;
- Meals during working hours, with the exception of meal allowance during business trips and hospitality expenditure;
- Any unexplained or undocumented expenditure;
- Expenditures not included in the Credit Agreements and PAD.

Documentation

An original receipt must accompany all expenditures. The documentation must include:

- The date, location and description of the expenditure;
- The name(s), title, company, affiliation and business relationship of the person(s) in attendance;
- Business purpose for incurring the expenditure;
- Approval of the expenditure through the normal administrative channels; and
- Exchange rate applied and exchange checks.

Travel Procedures

General

The implementation of project activities will often involve some staff travel. As travel will often result in expenses to be paid out of project funds, the procedures for making a travel request, authorising travel, obtaining travel advances, and returning advances should be clearly documented. Reimbursable expenses will be financed from the category "Operating costs".

Travel Planning

At the end of each quarter, each project staff will submit to the PM/PC their Travel Plan and Budget for the next quarter for their PMU/PCU. The plan will include the number of trips for each staff member, the itinerary, the estimated duration of trips, and the budget. The planned figures must be in compliance with the approved Annual Budget.

Approval

The PM/PC approves the total allocation of funds for travel for each component of the project.

Travel Authorisation

In accordance with the quarterly travel budget approved by the PM/PC, the PM/PC authorise travel requests of subordinate staff. It is the SFMO's responsibility to track that aggregated amount of travel expenses to ensure that the total to be incurred does not exceed the approved allocation for the

6 Internal Control Procedures

Component. At the end of the quarter, unused balance (if any) will be added to the next quarter allocation.

Per Diem Rates and Ceilings

Per-diem rates and lodging ceilings established by the *DPM General Orders* will apply.

Travel Report and Supporting Documents

Upon completion of the trip, and no more than five days after the return of the staff member, they will submit a report of the trip to the SFMO (or FMA/FMS) and (or in case of SFMO/FMA's travel, to the PM/PC) in a format to be agreed to by PPAP PMU/PCU management. This report should contain relevant information of the travel expenses subdivided by categories (Transportation, Lodging, Per-Diem, Communications, etc.) It is subject to approval by the Component Coordinator, PM/PC and SFMO/FMA. All the expenses, except Per-Diem, must be supported by documents (tickets, hotel bills, invoices, etc.) proving the expense.

Travel Advance

Staff members authorised to travel may receive a travel advance. Travel advances will not exceed 100 percent of the estimated reimbursable expenditure. Such advances should be adequately reflected in the Travel Report.

Fixed Assets Management

The two main reasons for ensuring that project fixed assets are managed properly are:

- To ensure that fixed assets are available to do the project work for which they were acquired; and
- To ensure that the project satisfies the fiduciary responsibilities imposed by the financing agreements.

The project will maintain a fixed assets register and carry out annual physical verification to confirm existence and state of the fixed assets. The PPAP SFMO (FMA/FMS in the PCU) will conduct physical verification of fixed assets not only under their direct physical custody, but make arrangement to verify existence of fixed assets delivered to the project sites under the control of their PMU.

PPAP will maintain uniform registers, and these registers will be up-to-date and will include all assets purchased with project funds. All the members who participated in the verification exercise must sign the physical inventory forms and the PM (or PC in the PCU) should review and approve the inventory forms.

The project will not disclose fixed assets in the balance sheet of the annual financial statements, because the project's accounts are kept on a cash basis. But there will be a disclosure of fixed assets acquisition cost within in the annual financial statements. Nominal book values of assets should also be noted in the annual financial statements.

During the annual audit, the auditor should verify the existence, value of fixed assets.

Fixed Assets Management and Control

This section provides a systematic and accountable method of monitoring and controlling the acquisition, construction, remodelling and renovation of all fixed assets under the Project, consistent with IAS 16.

Fixed Asset Register

In this policy statement, *asset* is defined to include any item of building, plant, equipment, transportation means, or furniture acquired during the Project as an expenditure of the Project financing that has a useful life of more than one year.

Major types of project assets include:

- Items of office equipment and furniture;
- Computing hardware and software;
- Vehicles of every description; and
- Any other items which, in the opinion of the SFMO (FMA/FMS), should be included in the register of equipment and furniture.

Computers, office equipment and vehicles acquired under the Project are to be included in the Register of the PPAP.

All assets purchased (or renovated or refurbished) during the Project must be included in the Fixed Asset Register maintained by the SFMO in the computerised accounting system and will be subject to

7 Fixed Assets Management

the specific item identification accounting and annual physical inventory. The records should be reviewed and updated in a timely manner for any additions or deletions.

The Fixed Assets Register should specify details such as type of an asset, asset cost, , date of acquisition, insurance cover, location, person responsible for the asset and other useful information as determined by the SFMO.

See *Appendix K, Suggested Fixed Asset Register*.

Fixed Assets Purchased

Purchases of fixed assets must be correctly approved, with competitive tenders being received, and the item having been nominated in the annual plan before any purchase can proceed.

The cost of the asset will include any related cost incurred to deliver or install the asset to its required standard, and to allow it to operate efficiently for the benefit of PPAP.

For all capital purchases:

- The records should assign responsibility for the asset to a particular employee.
- If practical, smaller, high-kina value assets deemed to be sensitive to loss or theft should be assigned to specific individuals, and/or stored in locked cabinets or storerooms, with access limited to only a few key employees.
- Controls are to be established to ensure that all assets recorded in the Register (i.e. procured under the Project) are not misappropriated by the entities given the rights of disposal over the assets until the end of the Project.

Depreciation Policy

. No depreciation of the Project's assets will be charged to the accounts, because the project has adopted the cash basis of accounting. .

Internal Control Procedures (Fixed Assets)

Quarterly Physical Inventory

The PPAP unit will conduct a complete physical inventory of all assets under the Project on a quarterly basis. The SFMO (FMA/FMS for the PCU) should manage this activity and coordinate with other PPAP staff for interim stocktaking, if necessary.

A complete physical inventory of all fixed assets must be taken to ensure that property control records accurately reflect the actual inventory on hand, equipment operated by the implementing entities, and fixed assets at the PPAP offices' disposal. The key to ensuring an accurate physical inventory is the quality of the planning effort prior to conducting the physical counts.

Causes for differences between quantities determined by physical inspection and those shown on accounting records of PPAP are to be investigated and conclusion documented. It is expected that improvements in procedures will be made following such an incident to prevent future error or losses. Accounting records are to be brought into agreement with the physical inventories.

7 Fixed Assets Management

Physical Inventory Stock Sheets

While stocktaking, the stock sheets must be completed. Stock sheets must include the following:

- The original working stock sheets reference;
- The certificate of physical inventory ; and
- Any paperwork associated with the transfer, write-off or retirement of any assets listed.

Taking pictures of assets should be considered part of the physical inventory exercise.

All location changes and serial number corrections are to be made directly on the stock sheets.

See *Appendix L, Suggested Fixed Asset Physical Inventory Sheet*.

Individual Physical Inventory

The SFMO (or FMA/FMS) shall conduct a physical inventory of the assets under the custody or control of an employee prior to that employee departing from the project. The inventory verification should ascertain whether the fixed asset is on hand and the condition the asset is in. Any new appointee will sign for acceptance of the assets from the outgoing incumbent upon completion of the physical inventory and all remedial action as required.

Responsibility for the Security of Assets

The PM/PC and SFMO/FMA are generally responsible for the safe custody of assets acquired and kept at the PMU/PCU. The PM/PC are ultimately responsible for the safe custody and security of assets, while the SFMO/FMA are responsible for the correct accounting for those assets. As noted, the PM/PC may delegate authority for particular assets to other PPAP team members.

Appropriate insurances should be in place for fixed assets.

Misplaced or Lost Equipment or Assets

When an asset of significant value is believed lost, the PPAP employee responsible for the use, care and maintenance of the item will report the situation to the PM/PC, who will investigate the matter.

The PM/PC will notify the Police Department for an immediate investigation and search. Should the investigation prove unsuccessful, the fullest possible details must be reported to the PSC and IDA. The details of this report should include the following information:

- Date of loss;
- Circumstances of loss;
- Description of item, including model and serial numbers; and
- Equipment list item number.

Based on Police Department Report, the PPAP will:

- Write off the assets into losses; or
- Require an employee of PPAP to repay the cost of assets if the loss or theft occurred due to his (her) negligence.

7 Fixed Assets Management

PPAP may also implement disciplinary procedures in accordance with the provisions of the *Public Finance (Management) Act*.

Accounting Treatment of Fixed Assets

PPAP financial statements will not include fixed assets however a copy of the assets register will be required as part of the quarterly reports.

Auditing

PPAP must prepare and present audited annual financial statements and be able to supply the final audit report prepared by the OAG. These documents should be submitted upon completion of the audit, but not later than six months after the end of each fiscal year.

The OAG must examine project financial statements each financial year. The audit scope should include the entire Project and be a consolidated activity of the project,

See *Appendix A, Reporting Chart (for consolidation and reporting purposes)*.

The prime objective of the external audit will be reporting on the annual accounts as prepared.

General Requirements

The World Bank has issued the *Audit Guidance Note – 1 August 2005* providing guidance on the audit of projects. The Auditor General of PNG will be the auditor to PPAP and will need to ensure the guidelines specified in the *Audit Guidance Note – 1 August 2005* or its successor document are implemented before carrying out the audit.

Terms of Reference

TOR for the annual audit should include the following main headings:

- Purpose
- Background
- Objective and Scope of Audit
- Deliverables.

Guidance on what to specify under the purpose, background, objective and scope of audit and deliverables are also included on the *Audit Guidance Note – 1 August 2005*.

The PNG OAG will draft the TOR for the audit of the PPAP project. Once drafted, the TOR should be consistent with the World Bank *Audit Guidance Note – 1 August 2005*.

The audit should ensure that there is a complete review of internal controls applied across PPAP. This could take the form of an Internal Audit.

An example of a TOR which may be considered by the project when discussing audit TOR or by OAG to formulate the project's audit TOR is included in *Appendix M, Terms of Reference for Financial Audit*.

The audited annual financial statements are likely to include:

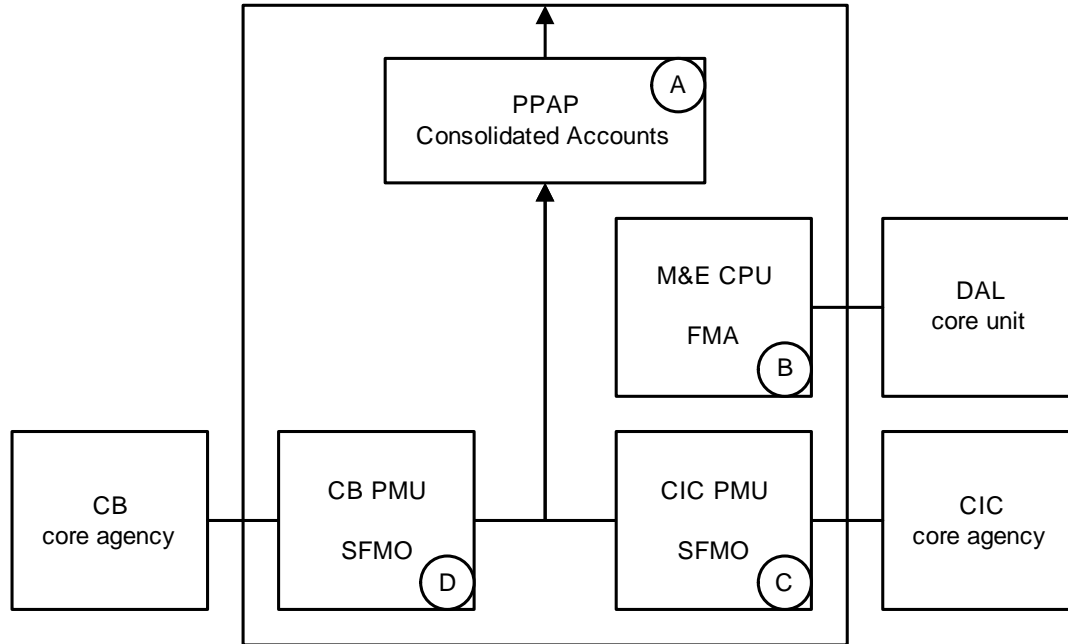
- Consolidated cash receipts and payments
- Comparison of Budget and Actual by Activities
- Payments by Program Activities
- Notes to the Financial Statements.

8 Auditing

The Internal Audit

A consultant, most likely an accounting firm, will be employed to provide an internal audit review of the project activities within six months after effectiveness of the project. This review will cover all three implementing agencies in addition to providing advice to DAL on how to strengthen its internal audit capacity. Recommendation and changes to procedures introduced from the review will be followed up by World Bank staff to ensure compliance. In addition the TORs for the external audit will be broadened to cover internal controls and the issues raised during the internal audit review.

Appendix A Reporting Chart (for consolidation and reporting purposes)



PPAP Comprises

- A/ Consolidated Accounts To be individually audited
- B/ M&E CPU Audited as an extension of the DAL audit
- C/ CIC PMU Audited as an extension of the CIC audit
- D/ CB PMU Audited as an extension of the CB audit

Appendix B Terms of Reference for Key Financial Staff

Introduction

The Productive Partnerships in Agriculture Project (PPAP) is a agriculture sector development project designed to improve the livelihoods of small holder cocoa and coffee producers through the improvement in the performance and sustainability of value chains in cocoa and coffee producing areas.

The project consists of the following components.

Component 1: Institutional Strengthening and Industry Coordination

The specific objective of this component would be to improve the performance of sector institutions and to enhance industry coordination in the cocoa and coffee sectors. The ultimate goal would be to enable those institutions to support the structural changes required in the cocoa and coffee sectors in response to market demand and other major developments such as the impact of the cocoa pod borer on yields and quality. Subcomponents will focus on:

16. Industry coordination and policy development. This subcomponent would build the capacity of industry level coordination committees (Industry Coordination Committees) to support sector dialogue and policy development respectively in the cocoa and coffee subsectors.
17. Communication and information management systems. This subcomponent would aim at improving transparency in the sector and support policy development. It would finance targeted communication campaigns identified by the industry coordination committees around key policy and farming practice changes.
18. Quality promotion and sustainability management. This subcomponent would strengthen quality promotion in the coffee and the cocoa industries and support, where appropriate, the adoption of sustainability practices.
19. Project management and monitoring and evaluation (M&E). This sub-component would finance all project management functions and the Technical Appraisal Committee (TAC).

Component 2: Productive Partnerships

The specific objective of this component would be to foster the integration of a greater number of smallholder producers in performing and remunerative value-chains, by developing and implementing public-private alliances in the project areas. This component would have two sub-components:

20. Productive partnerships in cocoa growing areas. Result-oriented partnerships in cocoa-growing areas will be developed which improve the profitability, quality and sustainability of smallholder cocoa production, as well as cocoa farming systems.
21. Productive partnerships in coffee growing areas. Result-oriented partnerships in coffee-growing areas will be developed which improve the profitability, quality and sustainability of smallholder coffee production, as well as coffee farming systems.

Component 3: Market access infrastructure

The specific objective of this component would be to improve smallholder market access in targeted areas under the project. Lack of market access is directly correlated with high levels of poverty in the project areas. Investments would be directed at the rehabilitation of existing transport links that provide access between smallholder farming communities and marketing or processing points (located

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on a trafficable route), for which a sustainable maintenance regime can be introduced or strengthened during the project. There will be two sub-components:

22. Preparation of market access infrastructure investments. This will include identification, screening, assessment and ranking of all candidate routes/ nodes that provide access to and from the targeted communities.
23. Market access infrastructure development. The implementation process will cover the investigation, design and documentation of infrastructure, preparation of bid documents, tendering and construction. The project will also assist district administrations to plan and implement routine, periodic and emergency maintenance of all rehabilitated infrastructure.

Appendix B

Terms of Reference

Senior Finance Management Officer, Cocoa PMU (SFMO –Cocoa)

Description

Senior Finance Management Officer based in the Kokopo PMU (Cocoa Board), with frequent travel to the Autonomous Region of Bougainville and other cocoa growing provinces an integral part of duties. Reporting to the PM in the Kokopo PMU.

Key tasks and responsibilities

The SFMO will be the lead manager for all administration, finance, and financial reporting. S/he will work closely with the Cocoa Board Finance Manager, who manages the core CB finances. The SFMO will be specifically responsible for:

- With guidance from the Financial Management Advisor (FMA), establishing and operating a suitable program financial management information system for project operations both in Kokopo and ARB, including maintaining detailed desk operating instructions, using the PPAP Financial Management Manual as guidance;
 - Work with the FMA to develop standard reporting consistent to all PPAP units and satisfying the needs of all users of the financial statements;
 - Ensuring that the program complies with the *Public Finance and Audit Act and associated Financial Instructions*;
 - Preparing the stand alone PPAP CB Annual Financial Statements (monthly, quarterly and annual), including the submission of annual statements for audit and liaising with the OAG on the audit process;
 - Establishing a good working relationship with the auditors and ensuring that all financial documentation is made available for the external auditors: Oversight of PPAP financial management operations in ENB Province and ARB and supervision of Financial Instructions;
 - Ensuring that the PPAP complies with the provisions of the financing agreements;
 - Preparing Withdrawal Applications to draw down project funds from the Designated Bank account. These WA's are to be approved by the PMU PM before being submitted to the Ministry of Finance and Treasury;
 - Manage all aspects of the Designated Bank account, including the financial controls around that account. Effectively managing the cash flow of the PMU will be a critical requirement;
 - Maintaining fixed asset records so that the location and condition of assets can be determined at all times;
 - In conjunction with the PM ensure that PMU risks are adequately covered at all times;
 - Providing guidance and assisting the Coordinator for Component 2 regarding all financial management aspects, including the preparation of the annual budgets and financial management reporting tasks;
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- Take responsibility for drafting the Annual Budget for the PMU in consultation with other project staff;
- Supporting the Program Manager and Transport Planner/Senior Engineer in the supervision of the implementation of Component 3;
- Ensuring that the program financial files and records are properly set up, maintained and in working order;
- Ensuring that as far as possible, the most robust division of duties is adopted within the PMU;
- Ensuring that sub project (partnerships) disbursements under Component 2 are made in accordance with required approvals and procedures and only after the partner contributions (in whatever form) have been received; and
- Supporting the Program Manager in providing routine reports on PPAP progress. These will include:
 - An Inception Report two months after start-up of the project that sets out a project implementation plan for PY1 with agreed milestones and budgets;
 - Monthly financial management reports that summarize progress, current expenditures and forecast cash requirements for the coming period; and comply with GOPNG financial instructions;
 - Quarterly financial reports in a format as agreed with the World Bank;
 - An annual financial report that summarizes progress against meeting agreed milestones and budgets and which would form the basis of annual financial statements; and
 - Other progress reports as instructed by the PM.

Duration

5.5 years starting in the second half of 2010 (Probationary period of six months, annual performance review determines whether contract would be continued)

Full time position.

Required qualifications

The SFMO will be an experienced finance manager with a demonstrated track record in a similar position (Financial management of a large scale investment program). S/he will establish good working relationships with other staff and be proactive in identification of and solving financial management issues. Knowledge of PNG Government systems and working with development projects would be required. The successful candidate would be expected to have the following qualifications and experience:

- Tertiary qualification in finance or accounting (CPA or equivalent preferred);
 - At least 10 years work experience in financial management, with some experience as a manager;
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- Ability to communicate effectively, orally and in writing;
- High integrity and accountability in all aspects of project financial management;
- Computer literate and extensive knowledge of the accounting software to be used under PPAP . or demonstrated experience in a similar accounting package.
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Terms of Reference

Senior Finance Management Officer, Coffee (SFMO-Coffee)

Description

Senior Finance Management Officer based in the Goroka PMU (CIC), with frequent travel to Western Highlands and other coffee growing provinces an integral part of duties. Reporting to the PM in the Goroka PMU.

Key tasks and responsibilities

The SFMO will be the lead manager for all administration, finance, and financial reporting. S/he will work closely with the CIC Finance Manager, who manages the core CB finances. The SFMO will be specifically responsible for:

- With guidance from the Financial Management Advisor (FMA), establishing and operating a suitable program financial management information system for project operations in the Goroka PMU, including maintaining detailed desk operating instructions, using the PPAP Financial Management Manual as guidance;
 - Work with the FMA to develop standard reporting consistent to all PPAP units and satisfying the needs of all users of the financial statements;
 - Ensuring that the program complies with the *Public Finance and Audit Act and associated Financial Instructions*;
 - Preparing the stand alone PPAP CIC Annual Financial Statements (monthly, quarterly and annual), including the submission of annual statements for audit and liaising with the OAG on the audit process;
 - Establishing a good working relationship with the auditors and ensuring that all financial documentation is made available for the external auditors: Oversight of PPAP financial management operations in the provinces covered by the Goroka PMU and supervision of Financial Instructions;
 - Ensuring that the PPAP complies with the provisions of the financing agreements;
 - Preparing Withdrawal Applications to draw down project funds from the Designated Bank account. These WA's are to be approved by the PMU PM before being submitted to the Ministry of Finance and Treasury;
 - Manage all aspects of the Designated Bank account, including the financial controls around that account. Effectively managing the cash flow of the PMU will be a critical requirement;
 - Maintaining fixed asset records so that the location and condition of assets can be determined at all times;
 - In conjunction with the PM ensure that PMU risks are adequately covered at all times;
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- Providing guidance and assisting the Coordinator for Component 2 regarding all financial management aspects, including the preparation of the annual budgets and financial management reporting tasks;
- Take responsibility for drafting the Annual Budget for the PMU in consultation with other project staff;
- Supporting the Program Manager and Transport Planner/Senior Engineer in the supervision of the implementation of Component 3;
- Ensuring that the program financial files and records are properly set up, maintained and in working order;
- Ensuring that as far as possible, the most robust division of duties is adopted within the PMU;
- Ensuring that sub project (partnerships) disbursements under Component 2 are made in accordance with required approvals and procedures and only after the partner contributions (in whatever form) have been received; and
- Supporting the Program Manager in providing routine reports on PPAP progress. These will include:
 - An Inception Report two months after start-up of the project that sets out a project implementation plan for PY1 with agreed milestones and budgets;
 - Monthly financial management reports that summarize progress, current expenditures and forecast cash requirements for the coming period; and comply with GOPNG financial instructions;
 - Quarterly financial reports in a format as agreed with the World Bank;
 - An annual financial report that summarizes progress against meeting agreed milestones and budgets and which would form the basis of annual financial statements; and
 - Other progress reports as instructed by the PM.

Duration

5.5 years starting in the second half of 2010 (Probationary period of six months, annual performance review determines whether contract would be continued)

Full time position.

Required qualifications

The SFMO will be an experienced finance manager with a demonstrated track record in a similar position (Financial management of a large scale investment program). S/he will establish good working relationships with other staff and be proactive in identification of and solving financial management issues. Knowledge of PNG Government systems and working with development projects would be required. The successful candidate would be expected to have the following qualifications and experience:

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- Tertiary qualification in finance or accounting (CPA or equivalent preferred);
 - At least 10 years work experience, with some experience as a finance manager;
 - Ability to communicate effectively, orally and in writing;
 - High integrity and accountability in all aspects of project financial management;
 - Computer literate and extensive knowledge of the accounting software to be used under PPAP or demonstrated experience in a similar accounting package.
-

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Terms of Reference

Financial Management Advisor (FMA)

Description

The Financial Management Advisor will work with the Program Coordination Unit of Department of Agriculture and Livestock (DAL) in Port Moresby and the Program Management Units in Kokopo (Cocoa Board) and in Goroka (CIC).

Reporting to the PCU Project Coordinator based in DAL.

Key tasks and responsibilities

The Financial Management Advisor will provide guidance to the PPAP Senior Finance Management Officers in the PMUs to operationalize the financial management arrangements for the PPAP as described in the Financial Management manual. The FMA will be specifically responsible for:

- Reviewing the accounting software used by the two PMUs to establish whether any upgrades or enhancements are required to benefit PPAP. After this review work with the SFMOs to establish a uniform chart of accounts, training (where necessary) in operation, identifying and preparing instructions for all reconciliations required;
 - Resolving with interested parties, particularly the WB and the OAG, the content and form of all regularly produced financial statements. Preparing PPAP financial reports based on the templates contained in the financial management manual with instructions on how these are to be maintained;
 - Design and implementation of suitable records for:
 - Contract Management
 - Establishing a budget preparation mechanism, consistent with Government budget preparation processes, to be used across the program and which will provide the inputs into the annual joint reviews of PPAP implementation
 - Preparing the first annual budget (AWP) for the entire PPAP;
 - Managing the Designated Account of the PCU;
 - Managing the day to day financial affairs of the PCU to ensure that financial transactions and requirements are effected efficiently and are accurately recorded;
 - Overseeing all accounting activities in the two PMUs, providing guidance and assistance to SFMOs whenever required;
 - Consolidating all PPAP reports from the three units (two PMUs and the PCU) to form the consolidated PPAP reports. These consolidated reports will be produced on a monthly basis for management, and quarterly and annually for third party use;
 - Ensuring that the annual audit of PPAP occurs within the prescribed time and efficiently. This will require coordination with the two SFMOs;
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- Working with auditors (both internal and external) and establishing a good relationship to ensure that appropriate and efficient processes are being employed by PPAP at all times;
- Providing advice on appropriate solutions to the project MIS requirements and assisting the SFMOs to implement the solutions;
- Reviewing the implementation of the PPAP financial management procedures, quality controls and upgrades as needed, in particular at critical times in PPAP implementation;
- Ensuring that all PPAP risks are appropriately addressed and managed at all times;
- Providing guidance and leadership to the SFMOs in the two PMU's to ensure that the highest possible accounting and professional standards are followed at all times and that a superior degree of governance is followed by all PPAP staff; and
- Mentoring the two SFMOs as needed.

Duration

Forty (34) months over the life of the project (12, 6, 4, 4, 4).

Required qualifications

The Financial Management Advisor will be an experienced manager with a financial background and a track record of working in environments similar to Papua New Guinea. S/he will need to establish excellent working relationships with the SFMOs and be able to demonstrate familiarity with project finance requirements. The successful candidate would be expected to have the following qualifications:

- University Degree in finance or accounting. A professional Accountancy qualification would be required;
 - At least 10 years work experience at international level, with at least three years working in Development Finance and experience with projects financed by IFIs such as the World Bank and IFAD. Previous experience with the World Bank would be an advantage;
 - Experience with training and mentoring of counterpart staff;
 - A good level of written and spoken English language; and
 - Computer literacy to a high competency level (Knowledge of Accounting Softwares used in the project would be necessary).
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Appendix C Withdrawal Application



APPLICATION FOR WITHDRAWAL

Instructions: You can use this form to request a payment and/or to document expenditures. Please complete and sign this form, and send it (with any required attachments) to the Loan Department, at the address found in the disbursement letter for your project. [See reverse side for detailed explanations and instructions.] For general inquiries, please send an email to wdisbursement@worldbank.org.

A. Application type and project reference

1. Application type

a. Advance to designated account

(name or number of designated account)

- Advance to designated account (fill sections A, B, D)
- Advance to and documentation of designated account (fill all sections)
- Documentation of prior advance(s) to designated account (fill sections A, C, D)

b. Reimbursement (fill all sections)

c. Direct payment

(beneficiary's payment/invoice reference)

(fill all sections)

d. Tranche payment under a development policy loan/financing/grant (fill sections A, B, D)

2. Financier and loan number

Loan/Financing/Grant No.(s)

IBRD

IDA

Trust fund

Cofinancier

3. Subproject reference (if any)

4. Country name

5. Borrower reference

B. Payment instructions

6a. Application currency

6b. Application amount

6c. Equivalent payment currency (if different from application currency)

6d. Application amount (in words)

7. If the application covers more than one loan (as specified in item 2 above), please provide amounts allocated to each financier.

Loan/Financing/Grant No.

Amount

Loan/Financing/Grant No.

Amount

8. Name and address of beneficiary

9. Amount to be paid in installments? Yes No

(if yes, complete Form 2301, "Requested Schedule for Advance Payments")

10a. Name and address of the beneficiary's bank

10b. Account no. (or IBAN for euro payments) of the beneficiary at the beneficiary's bank

10c. SWIFT code of the beneficiary's bank

11a. Name and address of the intermediary bank

11b. Account no. (or IBAN for euro payments) of the beneficiary at the intermediary bank

11c. SWIFT code of the intermediary bank

12. Special payment instructions (if any)

C. Documentation of eligible expenditures

13. Documentation type(s)

- Interim financial report (e.g., financial monitoring report)
- Statement of expenditure
- Copies of records (e.g., invoices, receipts)

14. Category and contract reference - If expenditures relate to more than one category or contract reference, leave 14a and 14b blank and ensure this information is included in the supporting documentation.

15a. Documentation currency

15b. Documented amount

14a. Category reference

14b. Contract reference

15c. Documented amount (in words)

16. If the documentation applies to more than one loan (as specified in item 2 above), please provide amounts allocated to each financier.

Loan/Financing/Grant No.

Amount

Loan/Financing/Grant No.

Amount

D. Assertions and signature

The undersigned certifies, warrants and undertakes the following:

- A. If the undersigned is making a request for an advance to be deposited in a designated account: (1) the amount requested is consistent with the planned project expenditures furnished to the World Bank; and (2) the documentation for this advance is/will be furnished to the World Bank in accordance with the reporting period specified in the related legal agreement(s) or disbursement letter for this project. If the undersigned is documenting expenditures paid from a designated account: (a) the expenditures covered by the application are eligible for financing out of the proceeds of the loan/financing/grant in accordance with the terms of the related legal agreement(s); and (b) these expenditures have not been financed previously from sources other than the borrower nor will the undersigned request financing for the expenditures from any other source in the future.
- B. If the undersigned is making a request for reimbursement or direct payment: (1) the expenditures covered by the application are eligible for financing out of the proceeds of the loan/financing/grant in accordance with the terms of the related legal agreement(s); and (2) these expenditures have not been financed previously from sources other than the borrower nor will the undersigned request financing for the expenditures from any other source in the future.
- C. If the undersigned is making a request for a tranche payment under a development policy loan/financing/grant: (1) an equivalent amount of this deposit will be accounted for in accordance with the terms of the related legal agreement(s); and (2) the proceeds of the loan/financing/grant will not be used to finance excluded expenditures specified in the related legal agreement(s).
- D. The undersigned will make all records related to the expenditures covered by this Application for Withdrawal available for review by auditors and by World Bank staff.

17. By (name of borrower)

18. Date signed

19a. Print name(s) and title(s) of authorized signatory(ies)

19b. Signature(s)

20. Contact details

Name

Phone

Facsimile

Email



Instructions for Completing the Application for Withdrawal Form 2380

NOTES: Application Use: Please use this form to request a payment and/or to document expenditures under IBRD loans, IDA financings, Project Preparation Facility advances, recipient-executed grants, cofinanciers' loans, credits or grants executed by the recipient and administered by the Bank.

Terminology: References to financings on this form and instructions also apply to IDA credits and IDA grants. References to development policy loans/financings/grants also apply to development policy credits and adjustment loans/credits/grants. References to designated accounts also apply to special accounts. Grants include non-repayable funds either held in trust or held by a cofinancier and administered by the Bank.

Dual Form Functions: Form 2380 has been designed to handle two functions: (1) to request the Bank to make a payment from the loan/financing/grant account; and (2) to document expenditures financed under the loan/financing/grant. In some instances, you will use the form for only one of the functions (e.g., to request an advance to a designated account, to request payment under a development policy lending loan, to document expenditures paid from a designated account) whereas in other instances you will use it simultaneously for both functions (e.g., to request a direct payment or reimbursement and simultaneously document the expenditures, to request a new advance to a designated account and concurrently document expenditures paid from a previous advance).

Advances: You should request advances to designated accounts on the basis of planned project expenditures and the ceiling in the disbursement letter. To ensure that funds are available only when needed, the advances may be paid in periodic installments as provided by you on the "Requested Schedule for Advance Payments" Form 2381. You are required to document the expenditures paid from the designated account at the end of (or during, should you so choose) the reporting period indicated in the disbursement letter. Advancing of funds and documenting of expenditures are independent functions and you may choose to submit a request for an advance separately and at different times from documenting the expenditures. To request an advance, fill out sections A, B and D of the form. To document expenditures paid from the advance(s), fill out sections A, C and D.

A. Application Type and Project Reference

- 1. Application Type:** Check the applicable type. The sections of the form which need to be completed are shown in parentheses beside each type.
- 2. Financier and Loan Number:** Insert the number(s) of the loan/financing/grant agreement(s) on the corresponding lines as it/they appear on the related legal agreement(s). For example, for an IDA/IBRD blended project, insert the loan number on the line next to "IBRD" and the IDA number on the line next to "IDA".
- 3. Subproject Reference:** Use only for loans divided into subprojects as indicated in the withdrawal of proceeds section of the legal agreement(s), insert the subproject reference for which the application for withdrawal is provided; otherwise leave the field blank.
- 4. Country Name:** Provide the name of your country. If this is a regional or global project, provide the name of the region or insert "global" respectively.
- 5. Borrower Reference:** Provide your reference for the application for withdrawal. Number applications consecutively, beginning with number one. A prefix or suffix may be used to identify applications from different implementing agencies (e.g., MF1 = Ministry of Finance No.1).

B. Payment Instructions [Fill in this section to request a payment]

- 6a-d. Application Currency and Amount(s):** Insert the currency name (6a) and the amount of the application - both in figures (6b) and in words (6d). These should correspond: (i) for advances, to the currency of the designated account and to the share to be financed by the loan(s)/financing(s)/grant(s) of the amount required for the planned project expenditures; (ii) for direct payments and reimbursements, to the currency and to the share financed by the loan(s)/financing(s)/grant(s) of the expenditures covered by the request; and (iii) for payments under development policy lending loans and financings, to the currency of the loan/financing account and to the amount of the approved tranche. If the payment is to be made in a different currency than the currency of the application, enter the currency of payment in field 6c. For example, if the application is for US\$ 10,000,000 and the payment is to be made for the equivalent amount in euros, you should enter "US dollars" in field 6a, "10,000,000" in field 6b, "euros" in field 6c and "US dollars ten million and 00/100" in field 6d.
- If the amount to be paid pertains to more than one loan/financing/grant account, the amount in field 6b should be broken down by loan/financing/grant number.
 - 8. Name and Address of Beneficiary:** Give the full name and address of the payment beneficiary.
 - 9. Amount to be Paid in Installments:** If the advance to a designated account is to be paid in installments, indicate "yes" and attach Form 2381 to this form.
- 10a-c. Beneficiary's Bank:** Give the full name and address of the beneficiary's bank, the account number of the beneficiary at the bank and the Society for Worldwide Interbank Financial Telecommunication / Bank Identifier Code (SWIFT BIC) of the bank. For payments in euros, give the International Bank Account Number (IBAN) instead of the account number. If the SWIFT BIC is unavailable, provide the sort code or ABA fedwire number of the beneficiary's bank in field 12.
- 11a-c. Intermediary Bank:** For payments in a currency which is not the currency of the country in which the beneficiary's bank is located, give the full name and address of the beneficiary's bank in the country which issues the currency (known as the intermediary bank), the account number (or IBAN for euro payments) of the beneficiary's bank at the intermediary bank and the SWIFT code of the intermediary bank. If the SWIFT BIC is unavailable, provide the sort code or ABA fedwire number of the intermediary bank in field 12.
- 12. Special Payment Instructions:** Precise payment instructions will help to ensure that a payment is made swiftly and correctly. Please give any special instructions that would help to expedite a payment in this field. For example, for banks which are not members of SWIFT, determine directly or through the supplier if another identifier is available such as a sort code or ABA fedwire number (for payments within the USA) and include the reference(s) here.

C. Documentation of Eligible Expenditures [Fill in this section for direct payments, reimbursements and to document expenditures paid from an advance]

- 13. Documentation Type(s):** Indicate the type of documentation that is attached to the application in accordance with the requirements specified in the disbursement letter. A direct payment requires copies of records (e.g., invoices, bills); a reimbursement or documentation of expenditures paid from advances could include an interim financial report, a statement of expenditure, copies of records, or a combination thereof.
- 14a-b. Category and Contract Reference:** In cases where the documentation relates to one category/contract (i.e., mainly for direct payments), provide the category and contract information in these fields. For all other cases, please ensure a breakdown of expenditures by category is available in the supporting documentation. If expenditures include payments against contracts that are subject to the Bank's prior review, you may attach a list of the payments and related contracts if this cannot be derived from the supporting documentation.
- 15a-c. Documentation Currency and Amount:** Give the currency name (15a) and amount of documented expenditures eligible for Bank financing - both in figures (15b) and in words (15c). For direct payments and reimbursements, the documentation currency and amount should be the same as the application currency and amount (see fields 6a, b, and d above).
- If the amount of expenditures being documented pertains to more than one loan/financing/grant account, the amount in field 15b should be broken down by loan/financing/grant number.

D. Assertions and Signature

- 17. Name of Borrower:** Fill in the name of the borrower/recipient as it appears on the loan(s)/financing(s)/grant(s) agreement(s).
- 18. Date Signed:** Give the date on which the authorized signatory(ies) sign(s) the application for withdrawal.
- 19a-b. Name(s) and Title(s) of Authorized Signatory(ies):** Provide both the name and title of the signatory(ies) and obtain the signature(s) of the authorized signatory(ies).
- 20. Contact Details:** Provide contact information in this field of the person/office to contact in case of questions.

Attachments

The following should be attached to this form, as appropriate:

- Requested Schedule for Advance Payments Form 2381 - see field 9
- Supporting documentation - see field 13
- [Optional] Summary of Category / Contract Information Sheet - see fields 14a and 14b

Appendix D Suggested Statement of Expenditure

Payments made during the period from _____ to _____

Date: _____

Application No. _____

IDA Credit No. _____

Summary Sheet No. _____

Category 1

Provide information on what expenditure is included e.g. contract to consultants under \$100,000. There may be more than one category here. The disbursement letter will provide guidance.

1	2	3	4	5	6	7	8	9	10	11
Item	Name of Supplier/ Consultant	Brief Description of Expenditure	Total Amount of Contract	Total Amount of Invoices Covered by Application (net of retention)	Category No.	Eligible Percentage from Sched 1 of the Financing Agreement	Amount Eligible for Financing	Total US Dollar Equivalent Charged to the Special Account (if any)	Exchange Rate	Remarks
TOTAL										

Supporting documents for this SOE are retained at _____ (insert location) and will be made available for review during supervision missions.

Authorised Representative

Appendix E Suggested Layout for Multi Year Budget

PPAP Annualised Project Budget (Original or Revised) By Component

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Component 1						
Sub Component / Activity a						
Sub Component / Activity b						
Sub Component / Activity c						
Total Component 1						
Component 2						
Sub Component / Activity a						
Sub Component / Activity b						
Sub Component / Activity c						
Total Component 2						
Component 3						
Sub Component / Activity a						
Sub Component / Activity b						
Sub Component / Activity c						
Total Component 3						
Total						

Appendix F Suggested Layout for Bank Reconciliation And Control Account

IDA Grant No: _____

Summary of Project Budget	Total Available	Committed	Unallocated
Component 1	\$ -	\$ -	\$ -
Component 2	\$ -	\$ -	\$ -
Component 3	\$ -	\$ -	\$ -
TOTAL			

Cashbank Movements of Designated Accounts		Bank Statement Reconciliation		
Opening Cash Balance	\$ -	Balance per bank Statement as at:	(Insert Date)	Designated A/C
WB Funds received	\$ -	- Designated Account No.		\$ -
Add Interest received	\$ -			
Others fees received	\$ -			
Sub Total Receipts	\$ -	Total per bank statement		\$
		Less Outstanding Cheques:		
		Date	Cheque No	
Less Project Expenditure	\$ -			
Less Other Project Expenditure	\$ -			
Sub Total Payments	\$ -			\$ -
Closing Cash Balance	\$ -	Cash at Bank		\$ -

Appendix F

Cash On Hand

Cash at Bank and on Hand



Appendix G Suggested Cheque Requisition Form

CHEQUE REQUISITION (PPAP)

PAYEE	<input type="text"/>	INVOICE NO	<input type="text"/>		
INV. DATE	<input type="text"/>	INV. AMOUNT	\$ <input type="text"/>	TRADING TERMS	<input type="text"/>
PMU/PCU	<input type="text"/>	CHEQUE NO	<input type="text"/>	CHEQUE DATE	<input type="text"/>

VENDOR NAME: _____

VENDOR ADDRESS: _____

Amount (PGK)	Account code	Subproject	Activity	Description
-------------------------	-------------------------	-------------------	-----------------	--------------------

GOODS/SERVICES RECEIVED: _____ DATE: _____

SFMO APPROVAL: _____ DATE: _____



Appendix H Suggested Cash Advance Form

H.1 PPAP Cash Advance

Employee Name: _____ Date: _____
Office Location: _____ Activity: _____
Sub Project Name: _____
If Travel – Purpose of Travel: _____

CASH ADVANCE OTHER EXPENSES

Type of expense: _____
Type of expense: _____
Type of expense: _____
Total Amount Requested: _____
Date Cash Advance Required: (allow sufficient time for processing) _____

PER DIEM CALCULATION

From Date	To Date	#of Days	Location	Per Diem Rate	Amount
-----------	---------	----------	----------	---------------	--------

Employee Acknowledgement and SIGNATURE	
Acknowledgement of Cash Advance: I understand that I AM REQUIRED TO SUBMIT AN EXPENSE CLAIM WITH FULL SUPPORTING DOCUMENTATION to clear the cash advance within 5 days of returning to the office. I understand that no further advance will be made until I fully acquit this advance	
Employee Signature _____	Date _____
SIGNATURES (AUTHORISATION)	
Direct Supervisor _____	Date _____
SFMO _____	Date _____
FULLY AQUITTED ON _____	
EMPLOYEE _____	
SFMO _____	

Appendix I Project Monitoring – Progress Report

Subproject Activity Monitoring Progress Report

To be submitted to the PMU Project Manager (PM) with the Contractor's Claim for Payment for Works or Services undertaken under the Detailed Implementation Plan.

Submitted to: PMU PM, _____, CB/CIC PMU

Name of Subproject Activity: _____

District _____, Province _____

Brief description of the project works / activity: _____

Subproject works / activity Approved: Month _____, Year _____

Total contract amount approved _____ Kina.

Funds Spent to date, Amount: _____, Date: _____

Have works or activities been carried out according to the detailed implementation plan?

If not, provide a brief explanation:

Has procurement and expenditure occurred according to the detailed implementation plan?

If not, provide a brief explanation.

Are there any outstanding problems that may delay completion of the subproject works/activity? If so, briefly describe them.

What will be done to solve or overcome these problems ?



Names and Signatures of the activity coordinators:

PMU – PM comments: (PM to fill in)

Name and position of person providing comments:

PM recommendations: (PM to fill in);

Name and position of person providing recommendations:



Appendix J Project Monitoring – Completion Report

Subproject Activity Completion Report

To be submitted to the PMU Project Manager (PM) when the subproject activity has been completed.

Submitted to: PMU Project Manager (PM), _____ CB/CIC PMU

Name of Subproject Activity: _____

District _____, Province _____

Brief description of the subproject works / activity: _____

Total contract amount approved _____ Kina.

Funds Spent to date, Amount: _____, Date: _____

Are all works or activities now complete ?

If not, what remains outstanding?

Were all works or activities carried out according to the detailed implementation plan?

If not, provide a brief explanation:

Did procurement and expenditure occur according to the cost summary in the detailed implementation plan?

If not, provide a brief explanation

Are there any outstanding problems that may delay completion of the subproject: If so, briefly describe them.

What will be don't to solve or overcome these problems ?



Has the subproject works / activity coordinator held an open meeting with the contractor, the provincial authorities and the community to inform the community of all aspects of the subproject?

What feedback or suggestions were obtained from the contractor, the provincial authorities and the community members at the open meeting ?

Names and Signatures of the activity coordinators:

PMU Project Manager (PM) comments: (PM to fill in)

Name and position of person providing comments: _____

PM recommendations: (PM to fill in);

Name and position of person providing recommendations: _____

Appendix M Terms of Reference for Financial Audit

Background

The International Development Association (IDA) and the International Fund for Agriculture Development (IFAD) are providing funding towards the cost of the Productive Partnerships in Agriculture Project (PPAP). PPAP is a rural development project and its objective is to improve the livelihoods of smallholder cocoa and coffee producers through the improvement of the performance and the sustainability of value chains in cocoa- and coffee-producing areas.

The project has three components. Component 1 focuses on institutional strengthening and industry coordination in the cocoa and coffee sectors. Component 2 focuses on Productive Partnerships in cocoa and coffee growing areas. Component 3 addresses Market Access Infrastructure.

Objective:

The objective of the audit of the Project's Financial Statements is to enable the auditor to express a professional opinion on the financial position of the funds disbursed by the World Bank and IFAD for the Productive Partnerships in Agriculture Project.

The consolidated project accounts provide the basis for preparation of the PPAP Financial Statements, which are established to reflect the financial transactions in respect of the project, as maintained by the Department of Agriculture & Livestock (DAL), the Project Implementing Entity responsible for the consolidation of the project reports. The consolidated reports will include the project funds provided to DAL, to the Coffee Industry Corporation (CIC) and to the Cocoa Board (CB). In addition an audit report will be required on the individual project financial statements on the specific project funds provided to each of the implementing agencies, namely DAL, CIC & CB.

Scope of Services:

The audit will be carried out in accordance with International Standards of Auditing, and will include such tests and controls as the Auditor considers necessary under the circumstances. In carrying out the audit, special attention should be taken into account on the following:

- (a) All project funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided.
- (b) Goods and services financed have been procured in accordance with the relevant Financing Agreement. All necessary supporting documents, records, and accounts have been kept in respect of all project ventures including expenditures reported via SOE or DA. Clear linkages should exist between the books of account and reports presented to the Bank.
- (c) That the three Designated Accounts have been maintained in accordance with the provisions of the relevant Financing Agreements and Disbursement

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Letters. This should also include a review of the Withdrawal Applications and the accompanying documentation provided.

- (d) The consolidate project accounts have been prepared in accordance with consistently applied cash basis accounting standards and give a true and fair view of the financial situation of the project at 31 December in each year of the project and of resources and expenditures for each year ended on that date.
- (e) The individual project financial statements from each of the three implementing agencies have been prepared in accordance with consistently applied cash basis accounting standards and give a true and fair view of the financial situation of the project funds received by the implementing agency at 31 December in each year of the project and of resources and expenditures for each year ended on that date.
- (f) The project accounts both consolidated and individual financial statements are audited separately from the respective implementing agency accounts:
- (g) There is a review of the internal controls in each of the three implementing agencies both in terms of their effectiveness and compliance to the controls. Any recommendations arising from the Internal Audit Review should also be reviewed in the first audit following this review to ensure the recommendations have been adopted and implemented. Where changes have occurred directly from the Internal Audit review the compliance to these changes should also be audited.
- (h) Where assets are purchased that there is a testing of the verification of the assets purchased.

Consolidated Project Financial Statements

The Consolidated Project Financial Statements shall include:

- (a) a Statement of Accounting and Financial Policies together with a management assertion that funds have been expended in accordance with the intended purposes;
 - (b) a Statement of the Consolidated Sources and Application of funds (Receipts and Payments on a cash basis) by budget line item and funding source showing comparisons with annual budgets and previous periods;
 - (c) a schedule showing the total value of contracts entered into which are still being implemented (or where payments are still to be made) so as to provide information on total expenditure commitments
-

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- (d) a schedule reconciling of the individual Statement of the Sources and Application of Fund to the Statement of the Consolidated Sources and Application of funds.
- (e) A consolidated assets register (if required).

Implementing Agency Project Financial Statements

Each Implementing Agency Project Financial Statements shall include:

- (a) a Statement of Sources and Application of funds (Receipts and Payments on a cash basis) by budget line item and funding source showing comparisons with annual budgets and previous periods;
- (b) a schedule showing the value of contracts entered into which are still being implemented (or where payments are still to be made) so as to provide information on total expenditure commitments
- (c) Reconciliation of the Designated/Special Account. As part of that reconciliation the Auditor shall indicate the mechanism for the disbursement, e.g. Designated Accounts, Statements of Expenditures, direct payment or reimbursement.
- (d) An assets register (if required).

Statements of Expenditures (SOEs)

In addition to the audit of the individual PFSs, the Auditor is required to audit all SOEs used as the basis for the submission of withdrawal applications. The Auditor shall apply such test and controls as he considers necessary under the circumstances. These expenditures should be carefully compared for project eligibility with the relevant Financing Agreement, and with reference to the Project Appraisal Document for guidance when considered necessary. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, the same should be separately noted by the Auditor. The Project Financial Statements should be a schedule listing individual SOE withdrawal applications by specific reference number and amount. The total withdrawals under the SOE procedure should be part of the overall reconciliation of Bank disbursements described above.

Designated Accounts

In conjunction with the audit of the individual Project Financial Statements, the Auditor is also required to audit the activities of the Designated Accounts associated with the Project. The Designated Accounts usually comprise:

- deposits and replenishments received from the Bank;
 - payments substantiated by withdrawal applications;
 - interest that may be earned from the balances and which belong to the Borrower; and
-

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- the remaining balances at the end of each fiscal year.

The Auditor must form an opinion as to the degree of compliance with the Bank's procedures and the balance of the Designated Accounts at year-end. The audit should examine the eligibility and correctness of financial transactions during the period under review and fund balances at the end of such a period, the operation and use of the DAs in accordance with the Financing Agreements, and the adequacy of internal controls for this type of disbursement mechanism.

Audit Opinion

Besides a primary opinion on the Consolidated Project Financial Statements, the annual audit report of the Individual Project Accounts should include a separate paragraph, where applicable, commenting on the accuracy and propriety of expenditures withdrawn under SOE procedures and the extent to which the Bank can rely on SOEs as a basis for credit disbursement and a separate paragraph on the Designated Account. The financial statements, including the audit report, should be submitted to OPIC no later than six months after the end of the accounting period to which the audit refers

Management Letter

In addition to the audit reports, the Auditor will prepare a Management Letter for the Consolidated Reports, in which he will:

- (a) give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- (b) identify specific deficiencies and areas of weakness in systems and controls and make recommendations for their improvements;
- (c) report on the degree of compliance of each of the financial covenants on the Financing Agreement and give comments, if any, on internal and external matters affecting such compliance;
- (d) communicate matters that have come to attention during the audit which might have a significant impact on the implementation of the project;
- (e) bring to the Borrower's attention any other matters that the Auditor considers pertinent; and
- (f) where required, comment any issues relating specifically the individual implementing agency financial statements.

Exit Conference

Upon completion of fieldwork, the Auditor General will hold an exit conference with senior officials of the Ministry of Finance and Treasury and DAL. The exit conference will give the auditor an opportunity to obtain management's comments on the accuracy and completeness of the auditor's facts or conclusions, including whether or not management concur with the audit findings.

General Provision on Client's Inputs

The Auditor will be given access to all legal documents, correspondence, and any other information associated with the Project deemed necessary by the Auditor. Confirmation

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should also be obtained of amounts disbursed and outstanding at the Bank and of amounts disbursed under IDA. The Bank's Task Team Leader can assist in obtaining these confirmations.

It is highly desirable that the Auditor become familiar with a copy of the IDA's *Project Financial Management Manual* and the Bank's *Financial Accounting, Reporting and Auditing Handbook* and the Bank's *East Asia Pacific Audit Manual* which summarizes the Bank's financial reporting and auditing requirements. The Auditor should also be familiar with the Bank's *Disbursement Manual*. These documents may be provided by DAL.

Appendix N

Appendix N Financial Management Action Plan

	Action	Date due by	Responsible
1	Prepare formats of unaudited IFRs that will be used for the Project and make them consistent with IDA formats	By negotiations	DAL , IDA
2	Agree on terms of reference for external auditors	By negotiations	AGO and IDA
3	Appoint an FM Specialist to assist DAL-PCU and the two FM officers in CIC-PMU and CB-PMU. Designate qualified accountants to work with the FM consultants on this Project.	Three months after effectiveness	DAL, CIC, CB
4	CB Audit of financial statements for 2005, 2006, 2007, 2008 shall be carried out by AGO. CB response to AGO should include a time bound action plan acceptable to IDA to address weaknesses identified in the audit reports.	Before disbursement	AGO, CB
5	Update software to accommodate Project needs or acquire new accounting software for the Project.	Three months after effectiveness	DAL, CIC, CB
6	Recruit an independent audit consultant to conduct an internal audit of the project systems in each of the implementing agencies.	Six months after effectiveness	DAL, CIC, CB
7	IFRs submitted to IDA	45 days after the end of the required period	DAL,CIC, CB
9	Annual audit of Project Financial Statements and consolidated Financial Statements.	Within 6 months after the end of each fiscal year	DAL

