

FINANCIAL PROCEDURES MANUAL

FOR

FEDERAL PROJECT MANAGEMENT UNIT

AND

STATE PROJECT IMPLEMENTATION UNIT

RURAL ACCESS AND AGRICULTURAL MARKETING

PROJECT (RAAMP)

FEBRUARY 2020

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ACRONYMS

APA	Assistant Project Accountant
Bank	Commercial bank
BB	Bank Book
BRS	Bank Reconciliation Statement
CBs	Cash Books
COSTAB	Project Costs Table
CCF	Contract Completion Form
CIR	Cheques Issued Register
CPV	Cheque Payment Voucher
DCA	Development Financing Agreement
DN	Delivery Note
DPRS	Director Planning Research & Statistics
FAR	Fixed Assets Register
FMOF	Federal Ministry of Finance
FPFMD	Federal Project Financial Management Department
FPMU	Federal Project Management Unit
IFR	Interim Financial Reports
GRN	Goods Received Note
GRR	Goods Received Register
IAC	Internal Audit Coordinator
ICB	International Competitive Bidding
ISA	International Standards on Auditing
LGA	Local Government Authority
LPO	Local Purchase Order
LIB	Limited International Bidding
MoU	Memorandum of Understanding

NCB	National Competitive Bidding
NCR	National Coordinator RAMP
NGO	Non – Governmental Organization
NO	World Bank’s No Objection
OAGS	Office of the Accountant General of the State
PA	Project Accountant
PAD	Project Appraisal Document
PCJF	Petty Cash Journal Form
PCV	Petty Cash Voucher
PFMU	Project Financial Management Unit
PFS	Project Financial Statements
PIA	Project Internal Auditor
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PMU	Project Management Unit
RAAMP	Rural Access and Agricultural Marketing Project
SIV	Store Issue Voucher
SPC	State Project Coordinator
SPCC	State Project Coordinating Committee
SPIU	State Project Implementation Unit
SO	Store Officer
SOE	Statement of Expenditure
SRN	Stores Requisition Note
SRV	Store Receipt Voucher
The Bank	World Bank
WAF	Withdrawal Application Form
WB	Way Bill

SECTION 1: INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

A. Financial Management Arrangement

1. Responsibility for maintaining acceptable Financial Management for Rural Access and Agricultural Marketing Project will be provided by the Project Accounts Section (PAS) within the existing Federal Project Financial Management Department (FPFMD) at the Federal level and the Project Financial Management Units (PFMUs) at the State levels. The FPFMD and PFMUs are multi-donor and multi-project FM platforms, established at Federal level and in all States respectively through the joint efforts of the World Bank and the Government and are presently involved in the implementation of the Association assisted projects. The FPFMD will be headed by a Director and the Project Financial Management Unit (PFMU) will be headed by Head PFMU, respectively.
2. Furthermore, the FPFMD and FPMU existing within the Office of the Accountant Generals at the Federal and States will ensure that the project implements based on strong financial management system which includes:
 - All important business and financial processes are covered;
 - Quarterly Interim Financial Reports are prepared on a timely basis;
 - The financial information required by the FPMU/SPIUs are prepared promptly;
 - FPMU and SPIUs should have an adequate number and mix of skilled and experienced staff.
 - The internal control system should ensure the conduct of an orderly and efficient payment and procurement process, and proper recording and safeguarding of assets and resources.
 - The accounting system should support the project's requests for funding and meet its reporting obligations to IDA and other financiers.
 - The system should be capable of providing financial data to measure performance when linked to the output of the project.
 - The annual financial statements are prepared on a timely basis; and
 - The annual external audit is completed in time and audit findings and recommendations are implemented expeditiously.
3. The FPFMD/PFMU will amongst other things:
 - Be properly staffed;
 - Have a clear reporting line;
 - Be headed by a relevantly qualified Accountant with a minimum of 10 years post professional qualification experience and who is not below grade level 14;
 - Have efficient and effective disbursement arrangements;
 - Maintain all project financial records and book of accounts, documentations, and internal controls;
 - Ensure adequate internal audit arrangements and activities;
 - Ensure adequacy and reliability of the project's financial management arrangements;
 - Be responsible for preparing budgets, monthly and quarterly reports, and provide regular/ad-hoc financial reports; and
 - Ensure compliance with financial management requirements of the World Bank and the government.
4. The designated Director FPFMD or Head of FPMU will have reporting to him, other relevantly qualified accountants who will be responsible for the under-mentioned accounting functions:
 - **Receipts and Payments:** This entails handling all banking operations, the preparation of payment vouchers and other related documentation, maintenance of major Cash Books including their reconciliation.

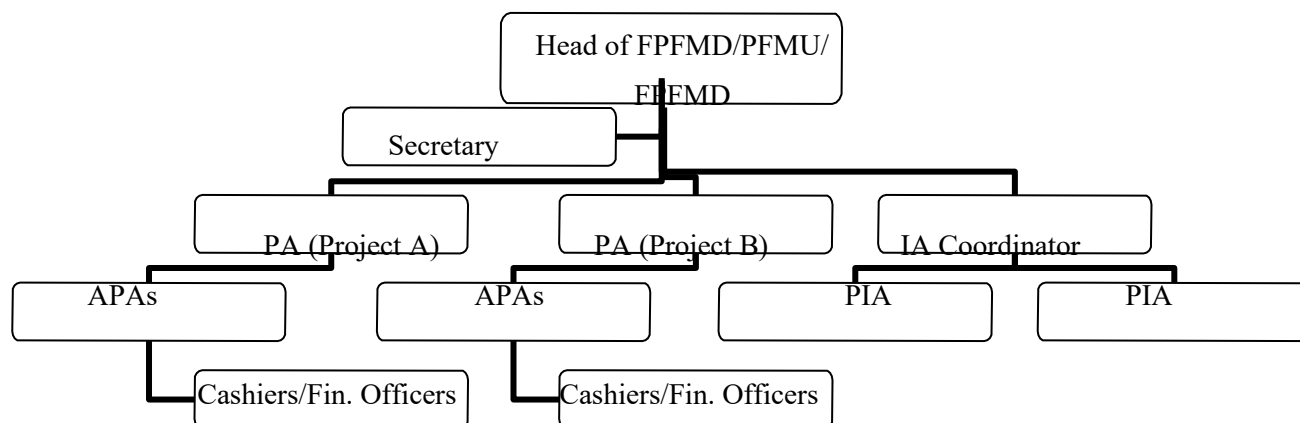
- **Prepayments/Advances and General Accounting:** This entails recording of all advances and their subsequent retirement as well as updating major subsidiary ledgers, including the maintenance of major books of accounts, the fixed assets register and other general accounting duties.
 - **IDA and L'Agence Française de Développement or French Development Agency (AFD) Budget:** Involves handling all matters of IDA/World Bank Credit and other donors – records, SOEs, replenishments, correspondences, and other issues that may have to do with the budget. It also entails the preparation of Withdrawal Applications and updating of the IDA Drawdown register.
 - **Audited Annual Financial Statements:** the audited financial statements for and Management Letters will be submitted to the World Bank within six months after the government Financial Year i.e. before June 30 following the financial year.
5. Within the FPFMD/FPMU will be the Director and Head supported by designated Project Accountants (PAs), with primary responsibility for the Project but will be assisted in carrying out dual controls and other ancillary functions for the Project, whose finances are being managed by the FPFMD/FPMU. The PA shall be an experienced and relevantly qualified accounting personnel who is not below grade level 12. Additionally, the designated Head of FPFMD/FPMU will have reporting to him, a relevantly qualified and experienced Internal Audit Coordinator who is not below grade level 13 and who will be responsible for supervising and directing Project Internal Auditors (PIA). The designated PIA will report to the Internal Audit Coordinator and will have responsibility for the following internal audit functions:
- Reviewing and appraising the soundness, adequacy and application of accounting, financial, and other operating controls and promoting effective controls at reasonable cost.
 - Determining the extent to which Project assets are accounted for and safeguarded from losses of all kinds.
 - Ascertaining the reliability of management data developed within the organization.
 - Appraising the quality of performance in carrying out assigned responsibilities.
 - Ascertaining the extent of compliance and determine adherence with established institutional policies, plans, and procedures.
 - Recommending operating improvements by making appropriate constructive suggestions and recommendations.
6. The Internal Audit function will be carried out by an experienced and relevantly qualified Project Internal Auditor not below G/L 12. The Project Internal Auditor will reside within the FPFMD/PFMU and work under the administrative and professional supervision of the Head of the FPFMD/PFMU for proper co-ordination and effectiveness. The Project Internal Auditor will submit her/his audit reports through the Internal Audit Coordinator to the Head of the FPMU/PIUs, the supervising director in the relevant sector ministry (normally the DPRS), the Accountant-General, the Auditor-General and the Head of the FPFMD/PFMU. Both the PA and the IAC will have a dotted reporting line to the Head of the PMU/SPIU on all operational matters.

B. Relationship between the PIU and the FPFMD/PFMU

7. The Federal Project Financial Management Department/Project Financial Management Unit (FPFMD/PFMU) will, under a service contract arrangement to be evidenced by a Memorandum of Understanding (MoU) between it and the PMU/SPIU, undertake to perform the financial management functions of the Project being implemented by the PMU/SPIU. The basic functions of the FPFMD/PFMU will be accounting, planning, budgeting, reporting, internal control, internal auditing, and management of project funds. The FPMU/SPIU will have the responsibility for achieving project development objectives by providing an overall framework for planning, executing, controlling, monitoring and evaluating project activities.

C. FPFMD/PFMU Organizational Chart

8. Developing an organizational structure for the FPFMD/PFMU involves determining the key areas of authority and responsibility and appropriate lines of reporting. The recommended organizational chart is as depicted below:



9. Appropriate training shall be provided to all FPFMD/PMU/PIU staff prior to project effectiveness in the key areas of project management, financial management and control, procurement, and contract management. Additionally, similar training would be provided to the Directors and other key decision makers of the Implementing Ministry/Agency involved in project implementation for them to be confident that they have the capacity to fulfill their oversight role and fiduciary responsibilities.
10. Indicative job descriptions for the key project officers and the Terms of Reference of the key project staff are depicted in Appendix 1.

D. State Project Coordinating Committee

11. Coordination of project components and activities will be effected through a State Project Coordinating Committee (SPCC) to be chaired by the DPRS, or where they are more than one, the most senior DPRS, and comprises, at a minimum, Head(s) of the PIU(s) within the State and the PMU at the federal level together with the Director FPFMD/HPFMD a representative of the OAGF and AGF with responsibility for counterpart funding, and the designated Project Accountant(s).
12. The SPCC will meet once a month to assess progress, identify weaknesses, prepare and apply remedial strategies as well as make short-term action plans and review progress reports. Indicative TOR for the SPCC is depicted in Appendix 2

E. Project Components

13. The RAAMP fund will finance the components indicated in the Project Appraisal Documents (PADs). The PAD should be consulted for information on projects overall focus, project components and detailed project activities.

F. Legal Covenant

14. All applicable agreements and covenants are spelt out in the project documents. The financial covenants relating to the Project are contained in Section 4.01 of the Financing Agreement (FA) and Grant Agreement (GA).

Procurement of goods and services under IDA development Financing Agreement will be made according to IDA procurement guidelines of which an overview is provided both in the PAD, FA and GA.

SECTION 2: ACCOUNTING PRACTICES AND POLICIES

15. This section summarizes the recommended accounting practices and policies to be adopted by the Project. The procedures by which the policies are implemented are contained in the relevant sections of the manual.

A. Responsibility for Accounting Policies

16. The Director/Head of the FPFMD/PFMU, Project Accountant, the Project Internal Auditor and the External Auditors (OAUDGF) may recommend accounting policies to a PIU/PMU management for approval, depending on the nature of the Project being undertaken. However, the implementation of accounting policies shall be the responsibility of the Head of FPFMD/PFMU and the designated project accountant.

B. The Accounting Systems

17. The Project Accounting Systems shall be based on a rational combination of Accounting Policies and Practices best suited to report the financial affairs of the projects being implemented. The policies and practices are generally in conformity with generally accepted accounting principles namely:

- Going Concern - Projects operations will be sustained into the foreseeable future and that there will be no significant liquidation of its assets due to a reduction in the scale of operations or Credit closure/ cancellation.
- Consistency - Accounting policies set forth below will be applied consistently from one accounting period to another, and within accounting period, except when there is a special reason to depart from such policies. However, such reason(s) will be fully disclosed in the Project's Financial Statements.
- Prudence - Adequate restraint will be exercised in the determination of Income to be included in the Income and Expenditure Account and that all known costs and liabilities are charged in relevant period accounts with due regard to the accounting basis.
- Cash Accounting - Income and charges relating to a specific financial year will be considered. ONLY when the related cash are received or paid.

C. Accounting Policies

18. The following are the significant accounting policies to be followed in recording transactions and in reporting the results of operations and financial position of the Project.

- Accounting Convention

The accounts are to be prepared under the historical cost convention.

- Basis of Accounting

The cash basis shall be adopted in the preparation of Project's Financial Statements.

Fixed Assets and Depreciation

- (a) Fixed Assets are those intended for use over a period exceeding one accounting year and whose value per unit is not below N100,000.
- (b) Items with respective unit costs below N100,000 are classified as "Special Project Assets" and included in a Special Project Assets Register.
- (c) In applying the capitalization policy, all related (landed) costs and installation costs are included in the acquisition cost of the fixed asset item.
- (d) Capital expenditure on contract works will be included on the basis of valuation certificates including retention;

- (e) No Depreciation is charged on the project's fixed assets as there are no revenues to be matched against such charges and because the cash basis of accounts is in effect.

- Inventory

Inventory is valued at the lower of cost and net realizable value.

- Debtors

Debtors are stated after making specific provision for debts considered doubtful of recovery.

- Foreign Currency

Income and Expenditure items in foreign currencies are converted to Naira at the rates ruling on the transaction dates. Assets and Liabilities expressed in foreign currencies are converted to Naira at the rates ruling at the balance sheet date and gains or losses on such conversions are credited or charged to reserve in the period which they arise.

SECTION 3: BUDGETING AND BUDGETARY CONTROLS

A. Budgeting

19. Project costs by components and categories are included in all World Bank project appraisal documents. These tables typically show expenditure by components and activities. Lack of a detailed budget at the start of the project could be problematic and it is important that simple budgeting procedures are determined and put in place prior to project effectiveness.
20. Each Head of Unit within a FPMU/SPIU shall submit to the Head/SPC of their respective FPMU/SPIU annual action plans derived from their Project components not later than 1 September each year in accordance with the Project Implementation Manual (PIM). These will be consolidated into individual Project's Annual Work Plan which will be forwarded to the World Bank for review and concurrence.
21. The Work Plan will use the trends and assumptions in the PIM and the PAD, and set out the SPIUs/FPMUs specific objectives, targets, performance measures and financial plan for the forthcoming financial year, and the way in which those will be met. The agreed Work Plan for the year shall be the basis for developing an annual budget and a calendarized financial plan for each of the Projects whose finances are being managed and integrated by the State FPFMD/PFMU which shall cover both recurrent operational and investment/development costs of the respective FPMU/SPIUs. The Financial Plan will lay emphasis on funds requirements as well as the timing.
22. Each State FPFMD/PFMU will submit annual work plan and budget approved by the PMU State Steering Committee to the Bank (TTL) for review and clearance. A copy of such annual plan/budget should be sent by the Head of the FPMU/SPIU to the World Bank at least 30 days before the beginning of the applicable financial year. When the Bank gives a 'No Objection' on the annual workplan/budget, the Head FPFMD/PFMU would submit such plan and budget to the State/Federal Accountant General for inclusion into the budget.
23. Once the Annual Budget is approved, the necessary budgetary control machinery shall be put in place to ensure effective monitoring of the activities under the various components of the Projects. The State FPFMD/PFMU shall maintain separate Vote Control Book for each of the Projects and Expenditures will be collated to update the Vote Control Books and monitor allocations. No expenditure or LPO commitment will be authorized by the respective Heads of FPMU/SPIU except in accordance with the approved budget.
24. The annual Budget will include, for each Project, forecast balance sheet, income and expenditure statement, sources and uses of fund, and the planned capital expenditure, usually broken down by category and by components.

B. The Budget Subcommittee

25. To effectively coordinate the budget, there shall be a Budget subcommittee of the State Project Coordinating Committee with the Head of the FPFMD/PFMU serving as the Chairman and the designated Project Accountant serving as the Secretary. The Secretary to the Budget subcommittee will be responsible for:
 - issuing detailed instructions for the preparation of each year's budgets;
 - ensuring that the time set for budget preparation are strictly followed by other Units;
 - ensuring that the procedures and formats for the preparation of budgets are carefully followed.
26. S/he shall also be responsible for the detailed work of consolidation of the estimates. To ensure that the annual estimates are approved by the respective FPMU/SPIU Management and the responsible officer at the Implementing Ministry /Agency before the commencement of the financial year to which the budget relates, the Budget Instruction shall stipulate a strict time table to be adhered to for each stage of the budget while latest date for the completion of each step shall be clearly set out.

C. Budgetary Control

27. The Budget shall provide a mechanism for ensuring that adequate controls are maintained over expenditure and revenue through the use of the Vote Control Books.
28. With respect to expenditure:
 - FPFMD/PFMU will refer to the appropriate Vote Control Book to ensure that requests for funds are within the budget limit
 - FPFMD/PFMU will advise against payment where allocated amounts have been exhausted
 - FPFMD/PFMU will ensure that all qualifying requests for funds are backed up by relevant documents and are in line with the annual work plan.
 - The format of a Vote Control Book is depicted in Appendix 4.
29. At the end of every quarter, before the 15th of the month following the quarter, the FPFMD/PFMU shall prepare Interim Financial Report for each PIU which will include a Budget Report. The Budget Report shall comprise of the expenditure for the quarter as well as the accumulated figures, the latter figures being further compared with the corresponding budget figures, and deviations between budgeted amounts and actual expenditure stated, both in amount (absolute) and percentage.
30. Significant variances shall be investigated and explained. This report shall be sent to the Head of the FPMU/SPIU concerned, the Bank, the Debt Management Office and the Federal Ministry of Finance (Multilateral Department). The process of informing the FPMU/SPIU management about the level of actual expenditure as compared to budget limits will be part of the project monitoring system.

SECTION 4: DISBURSEMENT PROCEDURES AND WITHDRAWAL OF FUNDS

A. Disbursement Procedures

31. Specific disbursement procedures have been developed with the following key considerations

- A link between physical progress and project expenditures;
- An efficient and effective flow of funds;
- The need for a sufficient balance in the Designated Account; and
- The requirements of Interim Financial Reports

32. Disbursement management capacity will be uniform between each FPFMD/PFMU. The project will adopt a uniform “transaction-based” or “report-based” disbursements (see the table below). A FPFMD/PFMU may opt for report-based disbursements if it has been assessed with:

- Adequate financial management capacity and procedures in place and their ability to maintain this capacity;
- Capacity to submit timely, quality IFRs; and
- Capacity to submit timely and quality independent project audits.

33. FPFMD/PFMU that do not have sufficient financial management capacity at the time of the financial management assessment are advised to use the transaction-based disbursement procedures. The key difference between transaction based and report-based disbursements are:

- The timing of submission of supporting documentation; and
- The nature of that documentation

Table 1 below details the timing of submission of supporting documentation by disbursement method.

Disbursement method	Transaction-based Disbursement	
Timing of supporting document submission	Before each disbursement, with the Withdrawal Application	After each disbursement, with the subsequent Designated Account replenishment request
Reimbursement	√	NA
Direct payment	√	NA
Designated Account replenishment	NA	√

B. Transaction and Report-based disbursement procedures

33. Transaction-based disbursement requires the submission of supporting documentation each time the FPFMD/PFMU requests the disbursement of proceeds from the Bank (with the exception of the initial deposit to the Designated Account). For reimbursements, or direct payments, supporting documentation is submitted with the withdrawal application before disbursement is made. For Designated Account arrangements, supporting documentation for each disbursement is submitted with the next replenishment request. This enables the Bank to confirm past eligible expenditures before the next advance is made.

34. Tables 2 outlines the supporting documentation needed for report-based disbursement.

Table 2 Documentation Requirements for Transaction Based Disbursements

Table 2 Documentation Requirements for Transaction Based Disbursements		
Reimbursement	i.	For contracts above the prior review threshold ☐ Summary Sheet & full supporting documentation - invoice from supplier - evidence of payment to supplier - proof of shipment of goods or delivery of services
	ii.	For contracts below the prior review threshold ☐ Statement of Expenditure (supporting documentation to be retained by the PFMU for inspection as requested)
Direct Payment	i.	For goods: invoice from the supplier and proof of shipment of goods
	ii.	For services: payment certificate and proof of
Designated Account		
Replenishment		delivery of services
	i.	Designated Account Reconciliation statement
	ii.	Designated Account bank statement
	iii.	Reimbursement document- according to threshold agreement.
In all the above cases, copies of the Contract are to be forwarded to the Bank upon signature.		

C. Withdrawal of Funds

35. The process of withdrawing funds from IDA Credit is highlighted below:

- a. all withdrawals must comply with the Credit conditions;
- b. specimen signature of persons authorized to sign withdrawal applications shall be submitted to the World Bank, through the Federal Ministry of Finance (Multilateral);
- c. original copies of applications and an extra copy duly signed by the authorized signatories together with full payment instructions shall be dispatched to the World Bank;
- d. appropriate documentation for the works/service or goods must be available;
- e. there must be sufficient fund in the category against which the application is being made.

36. Under the transaction-based disbursement method, for the IDA Credit, there shall be, at least, monthly application for replenishment of the Designated Account to ensure adequate inflow of fund. However, the frequency of application for AFD funds will be at least every six months. All withdrawal applications shall be Project specific and sequentially numbered for control purposes with the original and duplicate copies being forwarded to IDA for processing along with all supporting documents (where applicable). Details of all Withdrawal Applications shall be entered into the IDA Withdrawal Application Register for the specific Project and copies appropriately and accordingly filed by the Project Accountant (PA) on a Project by Project basis.

37. Withdrawals from IDA funds shall be made through Withdrawal Application Forms (Form 1903) and proceeds of Withdrawal Applications shall be paid directly by IDA into the Designated Account. The Withdrawal Application shall be duly completed by the PA and approved by the authorized signatories before submission to the Bank for processing. A Withdrawal Application Register (appendix 5) shall be maintained by the PA or her/his assistant to record and monitor all Withdrawal Applications sent to IDA in respect of the Project. The initial Withdrawal Application of request for advance to the Designated Account in respect of a Project requires no supporting document. However, all subsequent applications for replenishment shall have attached to them, the related bank reconciliation statements together with all supporting documentation. Upon receipt of a credit advice from the receiving local bank signifying that the proceeds of a Withdrawal Application have been credited, the PA shall cause the necessary accounting entries to be affected, debiting the affected Designated Account and crediting the related IDA and AFD Drawdown Account.
38. When Naira payments are due, the PA shall obtain applicable exchange rate from the Central Bank or the designated Commercial Bank and use same to calculate the amount to be transferred from the related Project's Designated Account to the Naira Drawdown Account in respect of the qualifying transactions. Necessary authority will thereafter be obtained through a transfer letter duly signed by the authorized signatories to transfer an equivalent amount of US Dollar or Euro from the Designated Account to the Naira Drawdown Account to cover eligible expenditures.

D. Allocation of Funds Proceeds

39. Project funds are disbursed in a predetermined manner. The FA/GA should be consulted for the applicable percentages for settlement of eligible expenditures under the related disbursement categories.

Flow of Funds

40. The FPFMD/PFMU in consultation with the Office of the Accountant General of the State will identify a major bank where a US Dollar, Euro or any other currency Designated Account will be opened for each fund provider. At the Federal level, the Designated Accounts will be opened with the Central Bank of Nigeria. For each state implementing the project Bank account shall be opened in a commercial Bank acceptable to IDA and AFD. IDA and AFD will deposit funds (representing the initial deposit and subsequent replenishments) into this Designated Account. The authorized signatories to the Designated Account shall be as specified under the Banking Arrangements. A system of monthly and six-monthly replenishments (for IDA Credit and AFD funds respectively) will be instituted such that the FPFMD/PFMU will have adequate resources to enable project activities to be carried out. Naira Drawdown Accounts will also be opened with the same local bank for the purpose of effecting local disbursements. Equivalent US Dollar or EURO amounts will be converted and transferred into these accounts to meet identified eligible expenditure.
41. All bank accounts will be reconciled with bank statements on a monthly basis. These reconciliations will be reviewed by the PA and approved by the Head of FPFMD/PFMU.

Funds Disbursement

42. The PA shall prepare a table of amount due for payment and a letter of instruction in triplicate to the Central Bank/designated commercial bank where the Project's Designated Account is held to transfer the US Dollar or Euro equivalent of the Naira amount to the applicable Naira Drawdown Account. The letter of instruction (disposal instruction) shall be approved and signed by the authorized signatories to the Designated Account.
43. The PA shall dispatch two copies of the letter of instruction to the bank and forward the third copy to the Head of FPFMD/PFMU for his record. On receiving the letter of instruction, the bank shall acknowledge receipt by stamping, signing and returning the duplicate copy to the Project for retention at the FPFMD/PFMU. Separate correspondence (banking) file shall be maintained for each Project whose finances are being managed by the FPFMD/PFMU. The relevant transactions shall be captured through Standard Journal Vouchers (SJVs) – (appendix 6) into the general ledger system. Before any disbursement is made from the Naira Drawdown

Account, the approval of the Head of the affected PIU shall be obtained and adequate directives for disbursement shall be given by the Head of FPFMD/PFMU.

44. Disbursements shall have reference to the allocation of amounts of Credit to each Category and the percentage of expenditures for items to be financed in each Category with respect to specific project. (see the FA/GA for guidance).
45. For ease of transactions, it is recommended that separate Designated Account should be opened for each project and a Naira Drawdown Account should be maintained for each project with the local Branch of the Commercial Bank or Central Bank of Nigeria holding the Designated Account(s).

Statement of Expenditure

46. A Statement of Expenditure (SOE) together with an Application for Withdrawal (Form 1903) shall be prepared to facilitate the reimbursement or replenishment of eligible payments already made by the FPFMD/PFMU. (see Appendix 7 for sample SOE Summary Sheet).
47. In the case of an SOE, the supporting documents, including contracts and procurement documentation, and evidence of payment shall be arranged according to Project and kept in a central location within the FPFMD/PFMU for examination by the Bank staff or independent auditors during supervision missions and audits. For more details, please refer to the World Bank Disbursement Handbook and Annex 3 of the Project Appraisal Document.

SECTION 5: BANKING ARRANGEMENTS

48. Bank accounts for the collection of monies belonging to the Project or the payment of expenses from such monies must be in the name of the Project.
49. Requests to open a bank account with any connection to the Project shall be made to the bank after consultation with the Accountant General.
50. With respect to banking arrangements and funds flow, IDA and AFD will disburse funds through Designated Accounts opened with Central Bank of Nigeria for the Federal Project Management Unit and commercial banks acceptable to fund providers in Nigeria for individual approved Project. Additionally, the FPFMD/PFMU will maintain: Special Account (IDA)
 - a. Special account (interest)
 - b. Draw down (N) account
 - c. Counterpart account.
 - d. Counterpart interest account

The Designated Account, and the US Dollar or Euro Interest Account, and the Project Account shall be operated by bank transfers through debit instructions to the Bank while the IDA and AFD Drawdown Accounts, counterpart account and the Naira Interest Account shall be operated as Cheque Accounts. Amount due for payment shall be transferred from the Designated Account and the Project Account in accordance with the agreed proportion into the Drawdown Account and a single cheque will be issued to the beneficiary from this account. Usually, if all cheques are presented and cleared as issued, the balance on this account should be nil. This is taking into consideration the CBN's directive to Commercial Banks that all government accounts should be commission/charges free. . The FPMU will monitor the pari passu disbursement arrangements between the World Bank and the AFD. The allocated percentages against specific components are provided in the PAD. The amount to be spent from the IDA and AFD designated accounts will follow these percentages.

Please refer to the appropriate section of the Project Appraisal Document for more information on Banking Arrangements.

51. The Bank will periodically replenish the Designated Accounts upon receipt and approval of withdrawal applications, together with satisfactory documentary evidence that payments from the Designated Accounts are eligible for financing under Financing Agreement. Withdrawal Application Forms, on a project by project basis, will be prepared and sent to the Bank for the settlement of invoices for goods and services received. At least one application for the replenishment of the SA must be submitted to the World Bank at least each month. In case of foreign procurement, request will be made to the Bank for special commitment when the commercial bank is not willing to open a letter of credit without security.
52. Expenditure/transaction from each bank account shall be by cheques drawn on the Project Accounts. All cheques and Withdrawal Application Forms shall be signed and countersigned by at least two (2) authorized signatories.

A. Signatories

53. Bank signatory's arrangement is as follows: The authorized signatories will consist of panels (A and B). One signatory each from panel A and panel B shall jointly sign project financial documents for the Federal Project Management unit and State Project Implementing Unit, respectively

54. The Director FPFMD as main, and Deputy Director/Sector Head FPFMD as alternate I, and Project Accountant as II.

State Project implementing Unit (SPIU)

- Panel A consist of:

Project Coordinator, main, and an Officer not below the rank of a director from the parent ministry as an alternate

- Panel B consist of:

The Head Project Financial Management Unit, main, and a Project Accountant, Alternate

The names of the bank signatories shall be advertised to the Federal Ministry of Finance (International Economic Relation Department) for communication to the World Bank and AFD.

55. All Cash Books shall be reconciled monthly with the bank statements within five working days of the month end. Differences arising there from shall be investigated and resolved promptly. Un-presented cheques will be written back in the Project's books of accounts one month after the negotiable period of six months has elapsed. (see Appendix 16 for sample Bank Reconciliation Statement).
56. All payment vouchers and cheques shall be written in the name of the beneficiary that appears on the supporting documents. When a beneficiary other than person shown in the supporting documents requires to be paid an open cheque, a letter of indemnity must be obtained. Also, a Letter of Indemnity must be obtained when payment is supported by duplicate copy of invoiced bill where the original has been misplaced. All Cheques will be pre-crossed and unused booklets kept in a safe custody by the Head of PIU.
57. Foreign currency payments shall be converted to Naira at the rate ruling on the value date i.e. at the time of the transaction. Foreign currency balances held at the end of the year will be translated at the rate ruling on the balance sheet date. Differences resulting from the translation shall be posted to Difference in Exchange Rate account.

B. Bank Reconciliation and Final Accounts

58. Bank Reconciliation Statements shall be prepared monthly for all bank accounts kept by the Project. It is therefore important that all accounting books are posted to date, balanced, and ruled off immediately after month end. Bank Statements shall be obtained from the Project banks and reconciliation statements prepared by comparing the entries in the Bank Books and the bank Statements.
59. The Head of the FPFMD/PFMU shall ensure that all reconciliation differences are properly and promptly investigated with a view to regularizing them. The FPFMD/PFMU shall also, on a monthly basis, obtain from the Bank, a Credit/Loan Statement, detailing the balances of the credit/loan per category.
60. A Credit/Loan Register shall be maintained by the IDA and Budget Section of the FPFMD/PFMU. A reconciliation statement will be prepared by comparing the Credit/Loan Statement with the IDA Drawdown Register balances (on a category by category basis) and differences arising there from investigated and promptly resolved. All reconciliation statements shall be reviewed and approved by the respective heads of sections and the Project Internal Auditor.
61. After having closed and balanced all the subsidiary books, the General Ledger will be posted, and a monthly Trial Balance extracted from the General Ledger. Where the debit and the credit sides do not agree, PA shall investigate the cause of the error.
62. When the Trial Balance is agreed, the Final Accounts is prepared for each Project with all the supporting schedules. Consolidated financial statements will also be prepared by the State FPFMD/PFMU in order to have

a total picture of the particular State's Bank's assisted Projects. The final accounts and the relevant schedules shall form part of the Project Monitoring Report.

As a rule, source documents forming the basis of reconciliation, e.g. bank statements, shall be the original copies.

SECTION 6: ACCOUNTING FOR RECEIPTS AND PAYMENTS

A. Cash Accounting

63. The Head of the FPFMD/PFMU shall have overall responsibility for ensuring that the procedures established for payments and receipts of cash are properly followed. The Assistant Project Accountant (APA) is responsible for issuing receipts, preparing payment vouchers, and maintaining the cash records in accordance with the laid down procedures. The main features of the cash receipts and payments systems are as follows:
- a. At commencement of operation and for each local bank account, a cash book shall be kept by the PA to record all receipts and payments on a daily basis. (Appendix 8)
 - b. Receipts shall be banked intact on a daily basis and not later than the morning of the working day following the date of receipt;
 - c. Funds received shall be banked with the appointed bankers in the appropriate account opened for the purpose;
 - d. All cheques/payments shall be signed only by the authorized signatories;
 - e. The bank statements entries are compared every week with the cash book entries while differences discovered are promptly taken up with the bank concerned;
 - f. The cash books shall be reconciled with the bank statements monthly and the bank reconciliation statements shall be reviewed and approved by the Head of FPFMD/PFMU and verified by the PIA;
 - g. Details of receipts and payment vouchers shall be entered into the general ledger / computerized accounting system weekly by the Project Accountant or her/his assistant;

B. Project Expenditure

64. All expenditure/LPO commitments shall receive the clearance of appropriate SPIU officer (e.g. a section head or technical officer) before they are authorized by the Head of SPIU/FPMU and no expenditure of Project funds shall be incurred or committed unless:
- funds are available and expenditure within approved Project budget
 - the proposed expenditure is an eligible expenditure under Financing Agreement
 - the expenditure to be incurred is in line with approved Project policies and procedures, and
 - the Bank's No Objection (NO) has been obtained for expenditure above the prior review threshold or where applicable, in the case, of consultancy related expenditure.
65. Staff giving clearance to expenditure must ensure that account description properly portray the nature of the expenditure and the component against which the expenditure is to be charged. Under no circumstances should Project expenditure be incurred for private purposes. Approval to incur expenditure shall rest with the Head of the SPIU/FPMU who can delegate levels of financial authority and responsibility to various positions.

The FPFMD/PFMU will process three types of payments:

- Invoice related payments
- Travel related payments, and
- Personal Reimbursements

Invoice Related Payments

66. When an invoice is received with the supporting documents at the FPMU/SPIU, the Technical Officer/Head of Section (TO/HoS) concerned shall review the documentation for completeness and appropriateness. The affected TO/HoS within the FPMU/SPIU shall make recommendation to the Head of FPMU/SPIU for payment. The Head of FPMU/SPIU shall ensure that the recommended payment is in order and then authorize the invoice for payment within three days of its receipt. The approved Invoice with related documents shall be sent to the

FPFMD/PFMU for processing and issuance of appropriate instruction for cheque writing/payment carry out an internal check and ensure that the documentation is authentic and complete before approving the Invoice/Bill for settlement. Otherwise, the documentation will be returned to the PIU within three working days with the reason(s) for rejection. Upon approval, a Payment Voucher (PV) (Appendix 9) will be raised by the assistant PA. The PV and the supporting documents, including the Bank No-Objection, will be sent to the PA who will ensure that the correct account codes as well as the appropriate Project fund have been indicated on the PV. Where the PA is satisfied with the internal checks, the PV will be approved for cheque writing/payment and the appropriate instruction for writing a cheque will be issued to the Cashier/Finance Officer at the SPIU/FPMU. Otherwise it will be returned to the assistant PA with the appropriate query, who shall endeavor to correct the error noticed or forward the invoice and the (queried) documents back to where it originated, depending on the nature of the observation(s).

67. Approved PV together with the supporting documents will be redirected to the FO for cheque writing/payments. Confirmation letters will be written to the banks for all cheque payments drawn on Project accounts before payment can be effected. The cashier will send the cheque and the confirmation letters, together with PV and supporting documents to the PA for further verification before cheque signing.
68. The PA will send the cheque book with the related documents and the confirmation letters to the designated signatories. Signed cheques will be forwarded daily to the cashier for recording in the Cheque Issued Register (Appendix 10) before collection. The turnaround time for settlement of invoices shall not exceed 6 working days. Before releasing the cheque to the payee, the cashier will ensure that the beneficiary signs the PV and Cheque Issued Register. Recommendation for payment will be made by the Head of the PIU to the FPFMD/PFMU, and an official receipt will be obtained for all payments.
69. For ease of reference and retrieval PVs will be serially numbered and filed sequentially, according to Project. The numbering of the vouchers will commence on the first day of the fiscal year and end on the last day of the year. The method to be adopted in the numbering of different classes of vouchers is illustrated below:
 - FPFMD or FPMU/CP/01/19 first payment voucher from counterpart 2019
 - FPFMD or FPMU/WB/01/19 first payment voucher from IDA 2019
70. Note that the first four letters indicate the project location, the second two letters represent the source, the next two digits indicate serial No. and the last two digits represent the year.
71. All payments are made direct to the beneficiary's account in compliance with e-payment at the FPMU. While payments at the SPIU are made by cheques apart from petty cash claims.

C. Advances against Expenses

72. Advances are defined as "payments" made by the Project against delivery of services or goods in the normal course of business. An advance can be "acquitted" by the reconciliation against receipt/invoices where appropriate or by reimbursement of unused funds advanced to the Project. The following advance procedures apply to:
 - Project staff traveling overseas where no standard daily accommodation allowances apply,
 - Advance payments of other project expenditure.
73. Authorizing officers with delegation to approve travels should ensure that travel is not normally approved more than four weeks in advance of or less than two weeks before the expected travel date. If approved travel does not occur or is altered, the responsibility for recovering moneys expended rests with the Authorizing Officer in the respective Office/Unit.
74. To obtain an advance against expenses, Project Staff is required to complete a "Payment Claim Form" (Appendix 11), which must be signed by the Authorized Officer (TO/HoS). In completing the payment claim

form the Project staff will check that all relevant information is provided on the form and/or travel requisition and that what is requested is in accordance with the current Government's Policies and Procedures, seeking clarification from the FPFMD/PFMU where appropriate.

75. Travel Advances/Daily Advances incurred on Project Implementation must consistently comply with either Federal/State Government Policies and Procedures or World Bank Policies and Procedures throughout the implementation period of the project. Expenses incurred towards such advances in compliance with World Bank Policies and Procedures will only be considered eligible if the expenses are retired as prescribed within a timeframe of 14 days of having been incurred.
76. Within 14 days of return from travel, or from date of completion of the function/activity for which the advance was granted, whichever is earlier, the Project staff shall complete a reconciliation statement against invoices/receipts, through an Expense Report Form (Appendix 12). This should list details of expenditure incurred and should be forwarded to the Assistant Project Accountant. Original receipts/Invoices must be submitted. If additional monies are owed to the Project staff, a completed "Payment Claim Form" should also be forwarded to the APA. Where relevant, the claim form should show the original Payment Voucher Number. If the original advance was greater than the total expenditure, the Project staff should ensure that:
 - the remaining monies are refunded via the FO, and receipt obtained;
 - the receipt number is entered on the reconciliation and forwarded to the APA with original Receipts/invoices and supporting documentation showing the total amount of refund.
77. If, after 30 days from settlement date, the reconciliation and associated supporting documentation are not forwarded to the APA, the PA will arrange deduction from the staff member's next pay having first notified the affected Project staff advising this action. The Project staff will have authorized such deduction from salary when completing the "Payment Claim Form".
78. On receipt of the reconciliation, the APA will file the reconciliation and all receipts and supporting documentation with the payment voucher if the advance is fully accounted for or process any additional payment due to the staff member after checking that this is justified, that the "Payment Claim Form" is completed and is accompanied by original receipts and supporting documentation showing total expenditure.
79. All cash advances granted to Project staff must be retired by the staff concerned, before new cash advances are granted. An Advances Register will be maintained by the APA as a control measure to keep track of disbursements.

D. Advance Payment for Goods and Services

80. The SPIU will forward a copy of the Contract for services or the Project Purchasing Order to FPFMD/PFMU indicating that an advance payment is required. On receiving an official notification from the SPIU indicating that an advance payment is required, APA will ensure that they have received a Bill from the Consultant or a Pro-Forma invoice from the supplier and then process the payment. At this stage the payment is charged to the Prepayments Suspense Account in the General Ledger. On satisfactory receipt of the goods or services, the SPIU/Receiving Unit would promptly notify the FPFMD/PFMU to enable APA to reconcile the advance payment. The APA shall regularly monitor the Prepayments Suspense Account and follow up with the appropriate Section of the PIU if goods have not been received or services rendered.
81. A guarantee from a reputable bank will be required before an advance payment is given to any contractor or consultant. The advance payment must be recovered from the subsequent payments due to the contractor or consultant. Further payments will be made on satisfactory performance of contract and where the contract agreement provides for the deduction of retention fees, this must be complied with.
82. Details of Prepayments and Advances shall be provided in the Prepayments and Advances Ledger (Appendix 13) to be maintained by the APA and shall be advised to those concerned on a monthly basis.

E. Personal Reimbursements

83. All such claims must be via a “Payment Claim Form” and should be accompanied by original receipts and supporting documentation.

F. Petty Cash

84. The FPFMD/PFMU shall maintain an Imprest Account at the SPIU to facilitate the purchase of minor items. The Head of SPIU shall be responsible for the security, balancing and reimbursement of this Imprest Account. The Project will have a maximum petty cash float of N100,000 (One Hundred Thousand Naira). The float shall be replenished when the cash till balance falls below N20,000 (Twenty Thousand Naira). The Imprest holder shall be the cashier. See Appendix 14 for sample of a Petty Cash Book).

Procedures for payments from the petty cash float

85. Petty cash claims by project staff shall not exceed the threshold of ten thousand Naira (=N= 10,000) only with the provision that no individual supporting receipt, invoice etc, can exceed N5,000 in value. Claims exceeding this level should be reimbursed via a Payment Claim Form. Items purchased via the petty cash system which are considered unacceptable expenditure under the Credit/ Financing Agreement will be charged back to the Project staff who incurred the expenditure.
86. Each request for petty cash payments will be forwarded to the Head of the SPIU for approval. The approval should be passed to the cashier for necessary action. The FO will ensure that the petty cash so disbursed are adequately/appropriately documented. Petty Cash Vouchers will be filed serially on a monthly basis and PCVs (Appendix 15) for each year will be filed separately.
87. The PA must ensure that the petty cash float is validated weekly, the float is kept in a secure, locked place and a written report detailing any discrepancies is sent to the Heads of the FPFMD/PFMU and the SPIU within 24 hours of knowledge of the discrepancy. The Head of the FPFMD/PFMU must investigate the discrepancy and forward a written report to the responsible officer at the Implementing Ministry or Head of the Implementing Agency within 24 hours with a copy to the Head of the FPMU/SPIU. The report must outline the amount of the shortage and the steps being taken and the reason for the shortage. Petty cash shortages will be borne by the FO by way of immediate cash payment into the till. The petty cash float will be subject to regular and surprise independent checks by the PIA and a reconciliation of the petty cash float shall include all monies on hand at the time. All attached supporting documents must be stamped “paid”, signed and dated by the cashier after payment. Official receipts collected from third parties in respect of payment should be attached to the payment voucher.

Refund of Petty Cash Expenditure

88. Project Staff seeking reimbursement of expenditure within the approved limit must present an approved Petty Cash Voucher, showing the amount claimed with supporting documentation to the cashier (cashier). Before reimbursing a claim, the cashier should ensure that:
- The reimbursement does not exceed the approved limit
 - The claim has been properly dated and coded and has been authorized by the Head of the FPMU/SPIU.
 - A supplier Invoice / Receipt is attached
 - All expenditure details have been entered to enable proper verification
 - The claimant signs the receipt section of the Petty Cash Voucher and hands over the PCV Together with the attached supplier Invoice / Receipt, and Paid PCVs are duly stamped “PAID” and recorded into the Petty Cash Book (PCB)

Reimbursement of Petty Cash Float

89. When cash on hand has been reduced below N20,000, the FO must commence the reimbursement process. The cashier shall:

- obtain an adding machine total of all Petty Cash Vouchers included in the reimbursement
- enter all approved and paid PCVs on hand onto a Petty Cash Journal Form (appendix 14)
- enter this total as well as the total of cash on hand in the summary portion of the journal
- attach the PCVs to the Petty Cash Journal Form
- submit the Petty Cash Journal form, attached Petty Cash Vouchers and the remaining balance of petty cash on hand to the Head of PIU for approval and authorization of cheque writing.

90. The Head of SPIU shall:

- check to ensure that the Petty Cash Vouchers are in order and have been signed by an approved authorizing officer, do not exceed the petty cash limit and are coded to the correct account codes
- check the PCVs against the adding machine listing
- check that the reimbursement amount and the cash on hand balances to the petty cash float
- sign Petty Cash Journal Form to indicate that all necessary checks have been completed
- approves the Petty Cash Journal Form (PCJF) for the required petty cash amount to be.

G. Reimbursed

forward the PCJF to the PA for reimbursement. The amount to be replenished shall be the exact amount of expenditure made and covered by Petty Cash Vouchers as at the time of replenishment.

Reimbursement Cheques

91. The PA shall:

- ensure that the PCJF is authorized process
- payment and arrange for the monies to be collected and the petty cash float to be reimbursed immediately. The procedures for writing the reimbursement cheque shall be similar to the procedure for cheques writing described in paragraphs 82 to 87. However, the reimbursement cheques for Petty Cash Float shall be made payable to the FO and shall be opened to permit Payment by cash.

SECTION 7: ACCOUNTING RECORDS

92. The following books of account and records shall be kept ensuring that all monies received are properly brought to account, all payments are correctly made and properly authorized and recorded and that adequate control is maintained over project assets.

- a) Cash Books for bank transactions detailing receipts and payments. Separate bank accounts as well as separate cash book will be maintained for each source of funds/project so that there is no commingling of funds and accounts. The cash book shall form part of the double entry records (see appendix 8).
- b) Fixed Assets Register that provides details of suppliers, description of goods, original cost, location and disposal of assets. The Fixed Assets Register highlights for each individual asset, the following information:
 - i. supplier's name and address;
 - ii. Description and location of the asset within the Project;
 - iii. asset reference (identification) number;
 - iv. Purchase price (cost) and/or valuation;
 - v. date of purchase and disposal;
 - vi. Useful life and residual value;
 - vii. Serial or registration number
 - viii. Additions to the asset; condition of asset, etc.

The Fixed Assets Register shall be updated regularly by the APA/SO using the information from the Cash Book. Periodically, the Fixed Assets Register will be reconciled with the general ledger records, and a physical verification of fixed assets will be carried out. Any discrepancies shall be investigated and satisfactorily resolved with the approval of the relevant Head of FPMU/SPIU. Each Project shall have its own separate Fixed Assets Register. This shall support the double entry records (see Appendix 17)

- c) Cheques Issued Register listing all cheques drawn and evidence of their collection by payees (see appendix 10)
- d) Prepayments / Advances Ledger: will be used to record all types of prepayments and advances taken by staff and suppliers/consultants together with subsequent repayments or retirement. This shall form part of the double entry records also (see appendix 13).
- e) Standard Journal Book containing posting journals. Where transactions cannot be recorded direct from the source documents to update the general ledger/subsidiary ledger as in cases such as payroll and where adjustments or reversals of earlier wrong entries or omission are requested to be made, Journal Vouchers shall be prepared by the PA and used as the source of posting to the ledger. (Appendix 6)

Journal Vouchers shall be prepared in duplicate and be submitted to the Head of FPFMD/PFMU for review and approval. The Head of FPFMD/PFMU shall review the journal voucher for arithmetical accuracy and proper coding. If the journal voucher is for correction of previous error or misclassification, s/he shall take necessary action to ensure that future re-occurrence is avoided.

After approval of the journal voucher, it shall be referred back to the PA who shall cause the Journal Voucher to be entered into the Journal Voucher Register before posting. (see appendix 18)

- f) General Ledger containing separate folio for major expenditure items under each of the categories in the Development Financing Agreements. A Trial Balance will be extracted monthly from this (see appendix 19)
- g) Vote Book which provides information on financial commitments on contracts, payments made to date, contract value, and uncommitted balances shall be maintained for each expenditure category for effective monitoring

- h) IDA and AFD Credit Drawdown Register containing information on Withdrawals Applications to the World Bank in respect of the Credit. This Register shall be reconciled monthly with statements received from the World Bank (see appendix 5).
 - i) Register of SOEs containing analysis of the SOEs on a monthly basis. This shall be a memorandum record for review and control of the SOEs (see appendix 20)
 - j) Stores Records showing the in and out movement of store items. The Store Records will serve as a memorandum record to monitor movements of the store items only (see appendices 21 to 24).
93. Each transaction shall be initiated on a source document like invoices, bills, receipts, staff claims, demand notice, bank pay-in-slip, debit advice, and so on. All the above will be kept posted up to date and presented for auditing or any other inspection from time to time. A monthly or quarterly trial balance will be drawn to ensure the arithmetical accuracy of postings and balances of the books kept. A bank reconciliation statement will be prepared for the individual bank accounts so that bank/cash book balances are reconciled with statement of accounts received from banks.

A. Monthly, Quarterly, and Annual Statements

94. At the end of every month and quarter, the following statements and schedules will be prepared for each Project:
- Cash Flow Statements or Summary of Sources and Uses of Funds
 - Uses of funds by Project activity
 - Statement of Expenditures (SOEs) Schedule
 - Cash Flow Projections for the following quarter
 - Designated Account Statement /Reconciliation
 - Statement of Actual and Budgeted Expenditures
 - Income and Expenditure Statement
 - Balance Sheet

Formats for these financial statements are contained in the World Bank Project Financial Management Guidelines, a copy of which is obtainable from the World Bank Country Office, Abuja.

95. At the end of the fiscal year, similar statement as shown for quarterly reports will be prepared. In addition, the following schedules and statements will be prepared for annual accounts:
- Schedules of debtors – Local and foreign,
 - Schedule of advances,
 - Schedule of cash and bank balances, \Schedule of local and foreign creditors,
 - Schedule of funds received from IDA,
 - Schedule of fixed assets; and
 - Statement of expenditure and financing.

B. Safe Custody of Accounting Records/ Filing Systems

96. Records and documents are generated within or received from outside the Project regularly and in the process of financial transactions and control. The records are kept and used for the following purposes:
- a. the process of preparing the financial statements and reports
 - b. internal audit process;
 - c. references in the confirmation of third-party statements and payments;
 - d. reconciliation of ledger accounts;
 - e. external audits;
 - f. World Bank missions;

- g. preparation of plans and budgets;
- h. others.

97. The main objective of a filing system is to ensure that accounting documents are filed in logical sequence, so as to facilitate retrieval, support financial reports and help to establish a clear audit trail and provide feedback regarding the accuracy of the financial reports. All accounting records shall be kept in secured rooms or fireproof locked cabinets when not in use. No accounting records shall be removed from the room or safe storage facility where they are normally kept, except for audit or legal purposes. In such cases an official receipt shall be obtained. Accounting records may however be retained by authorized accounts staff, but a register shall be maintained to monitor the movement of such records. Separate files will be maintained in the FPFMD/PFMU in respect of payment vouchers showing the following details;

- Voucher number, (specifying range i.e. from – to -)
- Period – (month)
- Financial year,
- Name of project and Bank Account e.g. (PEP/STB or NTP/AFR).

98. Separate files will also be maintained for the withdrawal applications. Supporting documents for SOEs will be properly numbered and filed, together with copies of the withdrawal applications. All records of paid vouchers, with supporting documents shall be appropriately retained and the files clearly labeled and arranged in an organized manner to ensure easy reference and retrieval of the contents. Registers, Daybooks etc. shall be kept at appropriate places until the period to which each relates has ended or when such books or registers have been exhausted and are then transferred to spaces provided.

99. All documents in electronic form shall be backed up and a copy kept by the Head of FPFMD/PFMU on site while another copy is kept by the Head of FPMU/SPIU off-site. Fireproof safes shall be the means of storing important financial documents.

C. General Ledger and Quarterly/Monthly Accounting

Document Flow

Source documents: Cheque payment vouchers; petty cash vouchers; invoice verification slips; official receipts; stores issue/receipt vouchers etc. are accurately coded and posted into the General Ledger and/or the appropriate Subsidiary Ledger. At the end of each Quarter/Month (within the 5 working days of the following month) the necessary Project Interim Financial Report shall be prepared for review. The Head of FPFMD/PFMU shall review the draft copy for any possible error(s) before forwarding the final copy to the relevant stakeholders.

Reconciliation of Accounts

100. There shall be monthly reconciliation between control accounts in the general ledger and the subsidiary ledgers where detailed accounts are maintained and the memorandum registers. Any unusual account balances will also be investigated and resolved promptly on a monthly basis. Monthly Bank reconciliation will also be undertaken for each bank account being maintained by the FPFMD/PFMU.

101. Where a disparity exists, the errors should be traced by a systematic checking of postings into the ledger or the subsidiary ledger accounts. Where reconciliation has been successfully carried out for a particular month, subsequent reconciliation shall become limited to the current postings when tracing errors.

D. Chart of Accounts

102. To make sense of financial data, it is essential to be able to classify it. A chart of accounts is a means of classifying accounting data in a way that will promote its use, lead to better management, and achieve more meaningful accountability. In effect, the chart of accounts drives what can be achieved from the financial

management system. It is a listing by number/codes of the accounts in the general ledger system. The codes identify the types of account in terms of the categories in the accounting system, that is, Project components and categories.

103. Once established, the chart of accounts should not be amended lightly. The final decision to alter the chart should be left to the Head of FPFMD/PFMU who shall assess the need of the proposed change. Once the amendment has been approved the amended version of the chart should be printed and distributed to the FPFMD/PFMU staff and the Manual of Accounts should be amended to highlight major changes.
104. The FPMU/SPIU shall institute and accordingly apply an acceptable classification of accounts. This chart of accounts will maintain the key classification features of the government system as well as the categories in the relevant Financing Agreement. A copy of the chart of accounts is in Appendix 25.

The following are the major considerations in the design:

- a. general simplicity;
 - b. ease of reporting major disbursements by Project Components;
 - c. ease of reporting Project Components by disbursement category e.g. goods, services etc;
 - d. ease of capturing Sources and Uses of Funds.
105. A Chart of Accounts is the basic information structure for all the Project's financial systems. It represents an organizing framework used to budget, record, and report on all financial transactions and accounts balances. It is a five-digit code that identifies details about each Project's financial transactions. For simplicity, we will use a Chart of Accounts that has four segments or values that add up to five digits. The first segment which has the highest financial reporting level for the Project has one digit and tells us about which Project in question. The second segment denotes the nature or group of the transaction, whether it is a liability or an asset / development expenditure or an expense or income. The third segment which is also one digit tells us about the classification of the transaction and the fourth segment indicates what the money is being used for and tracks discrete components of an activity. For instance, Code 1 2 2 2 0 indicates Project No 1 as the highest financial reporting level, the second segment as the group item, in this case Assets (2), the third segment represents Cash and Bank which tells us about the total cash and Bank balances for a particular project; the last segment further classifies this balance into either cash at hand or cash at banks. This is summarized below:

1. Project No 1

2. Assets

2. Cash & Bank Balances

2.0 Banks

2.1 Bank A

2.2 Bank B

2.3 Bank C with the code for Bank C being 1 2 2 2 3

Also, Code 1 2 3 1 0 will stand for an item in respect of Project No 1 which belongs to the

Assets/Development Expenditure group classified as Civil Works component but relates to Buildings. In like manner, Code 1 2 3 2 0 will represent similar item of civil works component but relating to Roads.

(i) 1. Project No 1

2. Assets / Development Expenditure

3. Civil Works

1. 0 Buildings

1.1 Building A

1.1 Building B with the code for Building A being 1 2 3 1 1

(ii) 1. Project No 1

2. Assets/ Development Expenditure

3. Civil Works

2.0 Roads

2.1 Road A

2.2 Road B with the code for Road B being 1 2 3 2 2

As the number of Projects whose finance functions are being managed by the State FPFMD/PFMU increases, the first segment of the Chart of Accounts which represents the highest financial reporting level for the particular project will also increase with figure 1 for the first Project, 2 for the second Project, 3 for the third Project, 4 for the fourth Project, etc.

Additional details on the Chart of Accounts are provided hereunder:

1 2 3 3 0 – Project No 1's asset group item relating to Civil works component in the force accounts class

1 2 4 0 0 – Summary of Project No 1's Goods category

1 2 4 1 0 – Project No 1, an asset in the Goods category but relating to Motor Vehicles

1 2 4 2 0 – Project No 1, an asset in the Goods category but relating to Equipment

1 3 6 0 0 - Summary of Project No 1 Development Expenditure in the Training category

1 3 6 1 0 – Project No 1, Development expenditure, Training category but overseas training

1 3 6 2 0 – Project No 1, Development expenditure, Training category, but local workshops

1 4 0 0 0 – Summary of Project No 1's expenses

1 4 1 0 0 – Project No 1, Expenses – Motor vehicles running

1 4 2 0 0 – Project No 1, Expenses – Bank Charges

1 5 0 0 0 – Summary of Project No 1's income

1 5 1 0 0 – Project No 1, Income, Interest revenue

1 5 2 0 0 – Project No1, Income; Sales of tender documents (tender fees)

1 2 2 0 0 – Summary of Cash and Bank balances – Project No 1

1 2 2 1 0 – Cash in hand (Petty Cash)

1 2 2 2 0 – Summary of bank balances

1 2 2 2 1 - Designated Account/ Special account

1 2 2 2 2 - Project Account/ Counterpart account

1 2 2 2 3 - Designated Account- Interest

1 2 2 2 4 - counterpart int. account

1 2 2 2 5 - Draw Down (N) Account

SECTION 8: STANDARD ACCOUNTING INSTRUCTIONS

A. Stores and Stock Control

Receipt of Goods

106. There shall be a Stores Section under the overall supervision of the Procurement Officer. The duties of the Store shall be as follows:
- a. Receiving goods into the Stores using SRV and issuing of goods using SIV.
 - b. Recording goods received into a Goods Received Register (GRR)
 - c. Recording each item received into the stores in the Bin cards and continuously updating it with issues and receipts.
 - d. Ensuring that goods/stocks are held in suitable place(s) and under responsible officers who shall see that they are kept under suitable storage conditions.
 - e. Appropriate records are maintained for stock issues

Receiving Procedures

107. In conjunction with the experts on the procured goods, the Stores Officer shall examine the quality and quantity in the presence of the supplier or his representative. A representative of the Internal Audit Unit will also be present.
108. The Stores Officer (SO) shall receive Goods into the Stores after inspecting Waybill/Delivery Note and compare with the copy of Local Purchase Order/contract document and satisfied that the delivery accords with purchase order or procurement specification. He/She shall sign the Waybill/Delivery Note as evidence of Delivery receipt of goods and issue an SRV to the supplier. The SRV shall be signed by Stores officer, the representative of the user unit and that of the Internal Audit. The SRV shall be in quadruplicate and be distributed as follows;
- a. Original copy to the supplier
 - b. Duplicate copy to the PA at the FPFMD/PFMU to be attached to the PVs
 - c. Triplicate to procurement unit
 - d. Booklet copy to be retained in stores
109. The booklet copy of the SRV is used to post into Goods Received Register (GRR). The Stores Officer shall arrange the goods into their respective section of the stores, stacks them and posts quantity/volume received into the Stock Bin Cards (SBC) from the booklet copy of SRV.

Issuing Procedures

110. These shall be as follows:
- a. Requisitioning unit shall prepare a Store Requisition Note (SRN) for stores items and be approved by the designated officer.
 - b. The store-officer shall receive a properly authorized Requisition Note from the user department.
 - c. The SO shall issue out the goods based on the requisition and prepares a Stores Issue Voucher (SIV).

The SIV shall be in triplicate as follows:

- Original copy to the Requisitioning unit
- Duplicate copy to the General Accounting Section of the FPMU/SPIU
- Triplicate copy retained to post the Stock Bin Cards.

- i. The SO shall make entries into the Stores Issue Register from the book copy of the SIV.
- ii. SO shall also update the Stock Bin-Card balance with the copy of the SIV before filing it away.
- iii. He shall send the duplicate copy of the SIV to the PFMU/SPIU for updating the Stores Ledger.

B. Stock Bin Card

111. Stock Bin Cards will be kept and maintained by the Stores Clerk(s). Each card will show details of all receipts including date, name supplier and quantity and where applicable the consuming department. The balance of each stock item will be calculated and entered in the Stock Bin Card after every stock movement. The Stock Bin Card will also show the following:

- a. code of stock item;
- b. minimum stock level;
- c. reorder level;
- d. maximum stock level;

112. Stock Reports

113. Monthly, the Stores Officer shall prepare stock reports which quarterly shall form part of the IFR.

C. Fixed Assets Register

114. Fixed Assets are tangible assets that have been procured or constructed and held for use over a period exceeding one accounting year and the value of which is not below what the accounting policy stipulates. Other non-qualifying expenditure of a capital nature shall be treated as small tools, (Special Project Assets) and a memorandum record of such assets shall be kept by the Administration Unit of the FPMU/SPIU and the Head of FPMU/FPMD. Attributable costs to be capitalized along with the initial cost of fixed assets shall be in accordance with the applicable accounting standards.

Maintenance of Fixed Asset Register (FAR)

- a. A FAR shall be maintained for recording all fixed assets procured or constructed from each project fund or donated by any other body.
- b. The register shall contain detailed information concerning each asset as contained in the sample FAR.
- c. The assets shall be code-numbered for proper identification as to categories and location.
- d. The assets register shall be designed to accommodate the additions and disposals of asset entries and update.
- e. A summary of fixed assets shall be extracted from the FAR and form part of the project management report and financial statements.
- f. All movable fixed assets such as vehicles will carry the imprint of the project name

Procedures for Maintenance of Fixed Asset Register.

- a) The Assistant Project Accountant (APA) shall scrutinize the PV files and extract details relating to the purchase or acquisition of assets.
- b) The invoiced value of the fixed asset item shall be compared with the contract documents to ensure they are in accordance there with.
- c) Cost associated with fixed assets shall be collated using a worksheet
- d) Where joint costs are incurred, the APA shall apportion them to the specific assets acquired. Such costs are: transit insurance, clearing agent cost etc.

- e) The APA shall obtain the distribution or location list of the assets from the store records.
- f) He shall review the total cost of the assets and pass to the Assistant for processing and ensure that appropriate entries are made in the Fixed Asset Register. The worksheet shall be maintained in a separate file (Fixed Asset File).

D. Stock Taking

- a) Annually the Head of the FPMU/SPIU through the Head of the FPFMD/PFMU shall issue guidelines for stocktaking including date and procedures.
- b) The Project shall conduct a physical stock verification exercise at least twice in a year and supervised by the Internal Audit Unit to ascertain the existence, custody, and general status of the store's items.
- c) The result of the stock verification exercise shall be reconciled with the balances in the stores and the stores ledger in the FPFMD/PFMU, and differences if any will be investigated.
- d) Necessary correcting entries shall thereafter be passed in the records in the stores and in the FPFMD/PFMU records.
- e) Fixed Assets Verification exercise shall also be conducted to ascertain the existence, custody, location, ownership and conditions of the Projects Fixed Assets.

SECTION 9: INTERIM FINANCIAL REPORTS

115. The Interim Financial Reports (IFR) is to assist in managing and monitoring the Project activities. It should provide information that will be useful to the stakeholders (i.e. the borrowers and the Bank). IFR should comprise:

- Financial Reports
- Physical Progress Reports
- Procurement Reports.

116. Financial Reports must include a statement showing: -

- Sources and uses of funds for the project both cumulatively and for the period covered by the said report.
- Uses of funds by project activity for the period under review.
- Designated Account reconciliation statements
- Summary of SOEs for the period
- An unaudited consolidated financial statement, incorporating the accounts of all State Projects
- Projected sources & uses of funds for the project for the six-month period following the period covered by the said report

117. Physical Progress Reports should include:

- Narrative information and output indicators Linking financial information and with physical progress
- Highlight of issues that require attention.

118. Procurement Reports:

Separate tables should be used to provide information on the following;

- Procurement of Goods
- Procurement of Civil Works
- Selection of Consultants
- Procurement of Training.

The reports should compare actual procurement performance against the work plan agreed with the Bank for the period under consideration among other things. Formats of selected financial statements and procurement reports are specified in appendix. (see the World Bank Project Financial Management Guidelines for details).

A. Management Information System

These reports are designed to assist in managing the project and also to facilitate project monitoring. They comprise Project Financial Reports, Project Progress and Procurement Management Reports. The Project Monitoring Report comprises the following:

Report

<i>No.</i>	<i><u>Description</u></i>	<i><u>Relevance</u></i>	<i><u>Relevant Officer</u></i>
1A	Project Sources and Uses of funds.	Summarizes the sources and uses of Project finance	Project Accountant
1B	Uses of funds by Project Activity	States project expenditure by activities consistent with PAD.	Project Accountant
1C	Project Balance Sheet	Gives the periodic position of assets, liabilities and funding of	Project Accountant
1D	Project Cash Withdrawals (Disbursement)	Summarizes by disbursement categories, the current period's expenditure showing the amount of eligible expenditures.	Asst Project Accountant
1E	Designated Account Statement	Shows the movement in the Special Account.	Asst. Project Accountant
1F	Project Cash Forecast	Summarized forecast total project expenditures and IDA eligible, expenditures by disbursement	Project Accountant
1G	Statement of Expenditure for Project Components	States project expenditure by components comparing actual, with budget and reviewing the variances.	Project Accountant
1H	Statement of Expenditure for Disbursement Categories	Provide project expenditure by disbursement categories comparing actual, budget and extracting the variances.	Project Accountant.
1I	Cash flow Statement for the Month/Quarter	Provide cashflows and disbursement for the period on quarterly basis, year to date comparing with last year	Project Accountant

Project Progress Report

Report

<i>No.</i>	<i><u>Description</u></i>	<i><u>Relevance</u></i>	<i><u>Relevant</u></i>
2A	Project Completion and Inspection Report	Gives construction cost data	Monitoring/Tech. Officer

Procurement Management Report

2B	Work in Progress Report	Shows cost of Projects not completed.	Monitoring/Tech Officer
2C	Completed Project Report	States valuation to completion comparing with budget and over or under	Monitoring/Tech Officer
2D	Project Status Report	Gives percentage of physical completion and comparing actual cost with budget.	Monitoring/Tech Officer
3A	Procurement Process Monitoring (Goods and Works)	Provides details of the status of procurement for the major works.	Procurement Officer
Monitoring		(Consultant's Services).	

B. Method of Preparation

The management information reports will largely be generated from the computerized accounting system. However, some information would be extracted from sundry sources for completing the PMR by the relevant officials.

Monthly reports will be prepared and distributed latest by the 7th working day of the succeeding month while quarterly reports will not exceed 12 working days in the month following the end of the quarter.

Additional information can be obtained from the Interim Financial Reports: Guidelines to Borrowers available at the World Bank, Nigeria Country Office.

SECTION 10: INTERNAL CONTROL AND INTERNAL CONTROL SYSTEMS

119. An Internal Control Process will be implemented by the FPFMD/PFMU and PIU to provide reasonable assurance that the objectives of the Project are met in:

- Effectiveness and efficiency of operation
- Reliability of financial and operational reporting
- Compliance with applicable laws and regulations; and
- Transparency of operations to stakeholders and beneficiaries.

120. The internal control structure of the PIU will have the following elements:

- The information system;
- Control procedures;
- The control environment; and
- Risk assessment and monitoring based on the COSO Framework.

A. The Information System

121. Transactions will remain the major focus of the information system as they comprise exchanges of assets and services between the PIU and outside parties and the transfer or use of assets within the PIU. A major focus of controls in the information system will therefore ensure that transactions are initiated and processed in a way that prevents misstatements and promotes transparency. The Project's information system will therefore:

- a) Identify and record all, but only the valid cash transactions of the PIU that occurred in the current period;
- b) Ensure that recorded assets and liabilities are the result of transactions that produced rights to or obligations for those items;
- c) Measure the value of transactions in a way that allows their proper monetary value to be recorded; and
- d) Capture sufficient detail of all transactions to allow their proper presentation in the financial report.
- e) Provide appropriate, timely and accurate information to the PIU and the line ministry for efficient project implementations
- f) Ensure effective communications with donors, supervisory agencies, suppliers, project beneficiaries, etc.

122. The Project's information system or that of its FPFMD/PFMU shall provide:

- a) A complete audit trail for each transaction.
- b) A chain of evidence that connects account balances and other summary results with original transaction data through:
 - proper coding
 - appropriate cross references, and
 - adequate documentation.

B. Control Procedures

123. Control procedures will be established to ensure, as far as possible, that the Project's overall objectives are achieved. Control procedures shall include general (where the system is computerized) and/or applications controls including proper authorization, appropriate documentation and independent checks; segregation of duties, physical controls and performance reviews.

- Authorization procedures shall ensure that all transactions are authorized by people acting within their authority.
- Documents and records shall have reference to the source documents which provide evidence that transactions occurred, and the applicable price, description and terms.
- Documents and records will be pre-numbered to maintain control and accountability and be designed to ensure that they capture all relevant information and authorizations.
- The pre-numbering of documents and records will facilitate the recording of all transactions and prevent duplication of transactions.
- On completion of processing, all Project documents and records shall be filed in an orderly manner.
- Duties within the FPFMD/PFMU would be segregated so that work of one individual automatically provides a cross check on the work of another such that the added benefit of an independent check results.
- Signatories to the Project Bank Accounts must compare the amounts on cheques prepared by the cashier in the PIU with amounts on supporting documents before signing the cheques.
- Supporting documents and Payment Vouchers must be initialed by the Signatories as evidence of performance of independent checks.

124. The Internal Control Checklist provided in Appendix 3 may be used by the FPFMD/PFMU/PIU management as a guide for assessing the adequacy of the Project Internal Control System.

C. Risk assessment and monitoring based on the COSO Framework.

125. COSO refers to the Committee of Sponsoring Organizations of the Treadway Commission. It is a voluntary private sector organization dedicated to improving the quality of financial reporting through Enterprise Risk Management Framework i.e. business ethics, effective internal controls and corporate governance. Enterprise Risk Management in the context of the Project will be a process, effected by Project management and other personnel, applied in strategy setting an across the Project Implementation, designed to identify potential events that may affect the Project, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of the Project development objectives.

SECTION 11: AUTHORISATION AND APPROVAL LIMITS

126. After securing blanket approval from the Hon. Min of Agric. & Rural Dev. Or commissioner in the States, the FPMU/SPIUs should submit annual work plan/program of activities to IDA two months before the end of the fiscal year, for 'No Objection' before the beginning of every subsequent year for implementation. For example, the annual work plan/program of activities for 2020 calendar year, which have been approved by the Hon. Minister of Agriculture, should be forwarded to the IDA latest by October 31, 2019. IDA will review the work plan and provide feedback/final 'No Objection' before December 31, 2019 to allow for the work program to be implemented from January 1, 2020.
127. Authorization and approval limits shall, as much as practicable, remain in line with the Financial Regulations. In order to achieve effective control, expenditures on behalf of the Project shall be authorized only by the delegated officer in order to minimize risk of misapplication.
128. The Head of the FPFMD/PFMU has the overall responsibility for ensuring that the various authority limits are adhered to. S/he shall review these limits periodically and recommend appropriate changes to the Implementing Ministry/Agency.
129. Officers who are authorizing or approving any document shall ensure that the documents presented, and the relevant attachments are in order and conform to the established procedures of the FPFMD/PFMU. Officers are not permitted to authorize or approve expenditure relating to them. Where expenditure affects an officer, he/she shall obtain the approval of a superior officer, or that of the Head of SPIU or as regards the Head of FPFMD/PFMU/SPIU, that of his/her immediate superior officer.

A. Delegated Authority

130. In certain cases where an authorized officer has delegated his powers to a subordinate officer, he nevertheless remains responsible for the efficient performance of the delegated authority, except the delegation is formalized through a review of the authority limits.

B. Specimen Signature

131. Specimen signatures and names of officers authorized to sign Vouchers and other security documents will be made available by the Head of the FPFMD/PFMU to appropriate staff responsible for processing payment vouchers. All payment vouchers, which shall precede payment of cheques and cash, shall be authorized by the designated officers.

An officer may not make payment against a voucher unless:

- it is properly signed, authorized and approved for payment by the appointed signatories
- it bears the appropriate classification and accounts code;
- all computations have been properly checked and confirmed as such.

C. Authorization and Approval Schedule

132. The authorization and approval limits for various documentation and processes are set out below.

Documentation**Authorization and Approval**

1. Purchase orders:
 - (a) Purchases in excess of N 250,000 shall be made using the Local Purchase Order which shall be prepared by the Procurement Officer and approved by the Head of the PIU;
 - (b) Purchases under N 250,000 can be made by cash Requisitions to be prepared by the Procurement Officer and approved by the Head of PIU. The only exception to this shall be in relation to Workshops.
 2. Payment voucher
 - (c) Payments shall be recommended to the Head of FPFMD/PFMU for approval after having been reviewed by the relevant TOs/HoS, and authorized by the Head of FPMU/SPIU,
 3. Cheques and other Financials

As per the Bank signatory mandate
 4. Petty cash
 - (a) The petty cash will be operated on an imprest basis at a level of N100,000. All petty cash vouchers shall be recommended for payment by the relevant departmental head and authorized by the Head of Unit. Approval of the petty cash voucher shall be by the Head of FPMU/SPIU.
 - (b) Expenses up to a limit of N10,000 will be paid through the petty cash whilst those in excess of N10,000 will be paid using cheques through the main payment system.
133. No project expenditure shall be authorized by the Head of FPMU/SPIU until the appropriate TO/HoS has given necessary clearance to confirm that the expenditure is within the approved budget and fund is available in the related category.

SECTION 12: PROCUREMENT COMMITMENTS

134. Procedures for procurement pursuant to the utilization of IDA credit are spelt out in the relevant guidelines of the World Bank. In the case of inconsistency with the contents of this manual, such procedures as outlined in the relevant World Bank procurement regulations shall take precedence over the contents of this manual.

A. Procurement Planning

135. A comprehensive annual procurement plan shall be prepared by the Procurement Officer for each of the Projects and approved by the approved by respective PIUs as part of the project's management planning process. Heads of the various Project Units shall make appropriate submissions as inputs to the procurement plan. When the procurement plan is approved by the Budget Committee, it shall form the blueprint from which all procurement activities for the year is derived.

General Guidance on Procurement of Goods and Works

136. In accordance with the World Bank guidelines and Government regulations as regards procurement of goods and works, the following shall be observed in all Procurements (purchases, contracts, consultancy etc):
- a) Procurement decisions will be taken by the various (SPIU) in accordance with IDA guidelines. Such decisions shall be recommended to the Implementing Ministry/Agency for ratification;
 - b) Implementing Ministry/Agency will ratify SPIUs recommendations, or otherwise provide explanations for declining such recommendation within 5 working days of the receipt of such recommendations,
 - c) Annually, a General Procurement Notice (GPN) shall be prepared indicating the major procurements to be undertaken. This shall be followed by advertisements in at least one national newspaper;
 - d) To the extent possible and practicable, goods and equipment to be purchased by the SPIU would be grouped into bid packages to take advantage of bulk purchases;
 - e) The mode of procurement shall be in strict compliance with the procurement threshold specified in the FA in relation to International Competitive Bidding (ICB), Limited International Bidding (LIB) and National Competitive Bidding (NCB).
 - f) Procurement of readily available off-the-shelf goods that cannot be grouped or for which standard specification commodities for individual contracts is less than US \$30,000, would be procured under National Shopping (NS) or International Shopping Procedures as detailed in paragraphs 3.5 and 3.6 of the "Guidelines: Procurement under IBRD Loans and IDA Credits". For detailed information, the Project Appraisal Document (PAD) and the Financing Agreement (FA) for IDA Credit Financing Agreement should be consulted.
137. When in doubt on any Procurement matter the Procurement Officer shall seek clarification from the Procurement Specialist at the World Bank Country Office, Abuja, Nigeria.

B. Contract (Procurement) Register

138. The Procurement Unit shall maintain a Contract (Procurement) Register for each Project to show all contracts entered into with all Suppliers/Contractors. At the end of each quarter, a Procurement Report shall be prepared from this register showing out-standing commitments at the end of that quarter. The Contract Register will contain the description of the contract, the Bank approval (No Objection) reference number and date, where applicable, the name of Supplier/Consultant, Contract document reference/LPO number, total contract value, details of revisions and variations, if any; the amount paid to date, and other remarks, like the status. A liability shall be taken in the Vote Book for every contract awarded as a means of control.
139. When a contract is completed, the Procurement Officer shall advise the Head of FPFMD/PFMU through a Contract Completion Form (CCF) – (Appendix 26). The CCF shall be the basis for transferring costs out of Work in Progress Account.

C. Purchases Procedures – Local

140. Procedures for local purchases will commence with the Purchase Requisition (PR) – Appendix 24, which will be originated by the user in duplicate and approved by the head of the Unit. The Unit head approving the purchase requisition is responsible for ensuring that the value thereof is within the approved budget for the Unit and falls within the individual's existing authorization level. Original copy of the approved Purchase Requisition is passed to the Procurement Officer while the duplicate copy is retained by the originating Unit.
141. Based on approved Purchase Requisition, the Procurement Officer, after consultation with the Head of SPIU, shall issue the Local Purchase Order (LPO). LPO shall be prepared and signed by the Procurement Officer/ Head of PIU for goods meant for the stores, and the Stores Officer shall ensure that such goods brought to the stores are in good condition and meet with the requirements of the local purchase order.
142. The approved LPO shall be distributed as follows:
- | | | | |
|-----|---------------|---|--|
| (a) | Original copy | - | Supplier |
| (b) | Second copy | - | FPFMD/PFMU (for use in supporting payment) |
| (c) | Third copy | - | Stores Officer |
| (d) | Fourth copy | - | Procurement Officer (book copy) |

D. Overseas Purchases

143. Request for overseas purchases will follow the requisitioning procedure as outlined earlier in the preceding section. Proforma Invoices will be sought from foreign suppliers out of which lot the particular supplier that meets the Project's requirements including pricing will be selected.
144. Payment for overseas purchases may be made by the IDA through direct payment or from funds earmarked for special commitment. In all cases, Withdrawal Application in the standard format shall be prepared. Under these circumstances, the details of the supplier and the items to be purchased are contained in the Application. Simultaneously, application is made for the opening of Letter of Credit and the completion of Form M. Applications for Foreign Exchange (Form M) must be completed in six copies. The application shall also have the following documents attached:
- four copies (photo copies acceptable) of the supplier's proforma invoice clearly showing the price (split into F.O.B. and freight), with all ancillary charges such as commissions and interest also shown separately;
 - photocopy of marine insurance cover certificate.
145. Applications for registration of Form "M" can be submitted only in respect of goods that will be received in Nigeria within 6 months of registering the Form "M". This period includes the transit requirement period of the ship from the port of loading to the port of arrival in Nigeria. This however is based on current government regulation; which do change from time to time.
146. A Register of Imports shall be maintained for goods coming from overseas by the FPFMD/PFMU. The register shall be updated using information on imports and on item-by-item basis. Costs will be accumulated for each item to facilitate the determination of unit costs. Upon arrival of imported goods, a Standard Journal Voucher is prepared in duplicate to book the items into the stores. The Head of FPFMD/PFMU shall check the Standard Journal Voucher for accuracy and appropriateness before approval. The original copy will be used for updating the (computerized) general ledger while the duplicate is filed.

For details, appropriate references should be made to the Project Appraisal Document, the Financing Agreement (FA), GA, the Project Procurement Strategy for Development and the World Bank Procurement Guidelines.

SECTION 13: AUDIT ARRANGEMENTS

A. Internal Auditing Function

147. Project activities would be periodically reviewed by the Internal Audit Team which will be in place as part of FPFMD/PFMU. The internal auditing function shall ensure the orderly and efficient conduct of operations including, among others, the adherence to Project Management policies, rules and regulations, safeguarding of Project assets, prevention and detection of errors and irregularities and promoting the accuracy and reliability of the accounting records.
148. The internal auditor should work within a well-defined framework of programs and reporting requirements. Importantly, the internal auditing function should be closely linked to and complement the project's monitoring and evaluation system. The internal audit program for each year should be developed by the internal auditor and discussed with the Heads of the FPFMD/PFMU and PIU and finalized thereafter.
149. The Internal Audit Team will carry out both the traditional internal or compliance audit and the non-financial or operational internal audit, but without adopting the prepayment audit system.

B. Compliance Audit

150. Internal auditing is a control function that evaluates the adequacy and effectiveness of other controls as a basis for improving managerial performance. Its objective is to assist organizations meet their objectives and to promote effective control at reasonable cost. The scope of the internal audit should be to evaluate the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. Internal auditors should:
- a) Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report information;
 - b) Review established systems to ensure compliance with policies, plans, procedures, laws, and regulations which impact on operations and reports; and
 - c) Review the means of safeguarding assets and, as appropriate, verify their existence.
151. To overcome the issue of independence and any undue interference which may jeopardize the objectivity of their work, Project Internal Auditors shall report to the Head of PIU with copies of his/her quarterly reports advised to the Implementing Ministry and the Bank. The following measures shall be put in place:
- a) A statement of purpose, authority and responsibility for the internal auditing unit;
 - b) Detailed work-plans to carry out the responsibilities of the internal auditing function with appropriate emphasis on identified risks;
 - c) Written policies and procedures to guide audit staff;
 - d) A program for the coordination of internal and external audit efforts; and
 - e) A quality assurance program to evaluate the operations of the internal auditing function.

C. Operational auditing or project monitoring and evaluation systems

152. As development programs become more decentralized with increased delegation of authority, operational auditing or monitoring and evaluation becomes a more valuable and critical tool for improving the delivery services being provided by the PIU.
153. Operational auditing or project monitoring and evaluation is a systematic process of evaluating an organization's effectiveness, efficiency and economy of operations under management control, and reporting the results of the evaluation along with recommendations for improvement. In essence the procedure: (a) appraises the economy and efficiency with which resources are employed; and (b) reviews an organization's

operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

D. External Audits and External Auditors

154. World Bank policy requires the PIU to have the project's financial statements audited each year and that they be in accordance with standards acceptable to the Bank. Examples of these standards are the International Standards on Auditing (ISA) published by the International Federation of Accountants, and Auditing Standards issued by the International Federation of Accountants. The use of independent audit firms should be promoted, and every effort should be made to appoint auditors who fulfill the criteria required by the International Standards on Auditing. However, for the purpose of the project, the External Audit will be conducted by the office of the Auditor General at the Federal and State levels.
155. Audit scope will vary from one project to the other because of different implementation arrangements and other differing requirements. It is not, therefore, possible to provide precise model TOR. However, Appendix 30 provides sample TOR which is approved by the Bank. Further guidance can be obtained from the Project Appraisal Document (PAD).
156. While the TOR provides the opportunity for drawing special attention to areas of concern that may not be covered or emphasized under a normal audit, such as compliance with loan covenants, and the special review of procurement documents, International Standards on Auditing and the standards of most countries' professional auditing organizations suggest that the auditor determines the scope of the audit of financial statements in accordance with requirements of legislation, regulations, and generally accepted auditing standards.
157. Accordingly, the TOR must not restrict the auditor's obligations with respect to such requirements. In other words, the auditor will not be allowed to claim in the event of poor performance that the Terms of Reference prevented him or her from performing to statutory, regulatory or professional requirements. The scope of the audit should always include the requirement to give an opinion on the specified financial statements.
158. The Terms of Reference, Short List and Selection of the firm shall be subject to IDA prior review.

E. The Auditor's Formal Contract

159. The auditor's formal contract shall set out the responsibilities of the auditor. The contract shall include:
- Confirmation of acceptance of the appointment including reference to the TOR;
 - The FPFMD/PFMU/SPIU's responsibilities, particularly the preparation of financial information;
 - Access to premises and documents the auditor may require;
 - The form of audit report (see appendix 31 for sample);
 - Arrangements regarding the involvement of internal auditors or any other external auditors;
 - The expected date the audit report will be issued; and
 - The basis on which fees are determined, and billing arrangements.

F. Time of appointment of auditors

160. There shall be only one External Auditor (in this case, the Auditor General at Federal or State level) appointed for the FPFMD/PFMU who the responsibility for shall have auditing all the Projects whose financial management functions are performed by the FPFMD/PFMU. The AuG shall be appointed well before project launch so they can advise the PIU on financial management systems and other implementation arrangements which involve financial transactions. During this period the AuG could also advise the PIU on the adequacy or otherwise of the internal control procedures planned for the administration of the project. This will necessitate the auditor becoming completely familiar with the unique approach of the Project.

G. Scope of Audit

161. In addition to complying with Bank requirements, annual audits need to comply with government regulations and requirements and any other terms agreed between the Bank and AFD and the PIU. Annual audit reports need to include:
- a) An assessment of the adequacy of the accounting and internal control systems to monitor expenditures and other financial transactions and ensure safe custody of project-financed assets;
 - b) A determination as to whether the FPFMD/PFMU/PIU and other project implementation entities, communities or individuals have maintained adequate documentation on all relevant transactions;
 - c) Verification that expenditures documented to the Bank are eligible for financing, and identification of any ineligible expenditures;
 - d) A separate opinion as to whether the financial statements of the Designated Account(s) give a true and fair view of the financial position of the Designated Account(s);
 - e) Detailed audit of the project expenditures, specifically, the identified Eligible Expenditure Program; and
 - f) A management letter from the auditor which evaluates overall management performance within the FPFMD/PFMU/PIU.

H. Timing of submission of audit reports

162. During project preparation, the Bank and the Implementing Ministry/PIU will agree on the timing for the submission of financial statements and audit reports. Where this is required, all audited financial statements shall normally be submitted within six months following the fiscal year end of the Project.

I. Additions, Deletions and Amendments

163. Any main section or sub-section of the Financial Procedures Manual may be amended if the need arises, subject to the recommendation of the Head of FPFMD/PFMU in consultation with the Project Internal Auditor, the Federal Ministry of Finance (Multilateral), and the World Bank. The Head of the PIU shall approve such changes before they can be effected.

MEMORANDUM OF UNDERSTANDING

BETWEEN

**[THE STATE MINISTRY OF ---specify sector---] Supervising (---
name of Project)**

THROUGH ITS

[PIU]

AND THE

**[OFFICE OF THE ACCOUNTANT GENERAL OF THE
FEDERAL/STATE ACCOUNTANT GENERAL]**

THROUGH ITS

[FPFMD/PFMU]

MEMORANDUM OF UNDERSTANDING

Between: Project Implementing Unit (Rural Access and Agricultural Marketing Project) and Federal Project Financial Management Department (FPFMD) /Project Financial Management Unit (PFMU) Office of the Accountant General of the Federation/Office of the State Accountant General [specify State] through its Project Financial Management Unit (The FPFMD/PFMU).

(a) Background

The International Development Association (IDA) and AFD have been providing assistance to the Government of Nigeria through various means including Credits. One of the conditions for the effectiveness of each Credit is that the Government must establish adequate financial management (FM) arrangements, including the systems for planning, budgeting, internal control, accounting, reporting and auditing that are properly documented in a Financial Procedures Manual (FPM), and competent financial management personnel. Each IDA Credit is normally implemented by several implementing entities, including a Federal Implementing and/or Coordinating Unit and State Project Implementing Units.

As part of its efforts to improve the FM arrangements for projects, the World Bank supported Nigeria States to each establish a small Project Financial Management Unit [FPFMD/PFMU] in the Office of the Accountant General of the State [OAGS]. The Financial Management functions for all Bank-assisted projects to be implemented by a State, including the Designated Accounts, would be in the Unit. The State FPFMD/PFMU replaces the Project Accounting Unit/Section (PAS) that is normally created in each implementing entity. There will be robust computerized financial management system in the FPFMD/PFMU, which the State will use to process the financial transactions for all Bank-assisted projects.

(b) Purpose of the MOU

This Memorandum of Understanding [MOU] is to serve as a guide for all the parties. It also provides all the parties with a basic understanding of the objectives, processes and structures required to implement a new mechanism for the disbursement of IDA and AFD assisted project funds through the FPFMD/PFMU as well as establishing adequate financial management arrangements.

(c) Specific Objectives

The specific objectives are as follows:

1. To locate all financial management functions for all Bank/IDA assisted projects being implemented by a State, including the related Designated Accounts, to the State Project Financial Management Unit within the Office of the Accountant General of the State.
2. To improve the quality of financial management for Bank/IDA assisted projects;
3. To ensure the provision of required funds in a timely manner;
4. To ensure transparency and accountability at every stage of the disbursement of funds;
5. To reduce or eliminate the time being currently spent on improving the Financial Procedures Manuals proposed for Bank/IDA assisted projects;
6. To minimize delay in Credit becoming effective and enhance project implementation; and
7. To ensure each project in the State has a direct access to a Dollar and Euro Designated Account.

(d) Terms and Conditions

For the successful implementation of this MOU:

The FPFMD/PFMU agrees to the following conditions.

1. To remain within the Office of the Accountant General of the State and with the primary responsibility for managing the financial affairs of all Bank/IDA assisted Projects;

2. To be headed by an experienced professionally and relevantly qualified Accountant not below G/L 14 (with a minimum of 10 years post professional qualifications experience);
3. Not to initiate a transaction that will result in the occurrence of expenditures with respect to a project activity unless it is so specified in the Financing Agreement;
4. That disbursements will be made only for Contracts and other transactions initiated by the PIU based in the Implementing Ministry/Agency;
5. That the turnaround time for processing a payment transaction, from the time of receipt of recommended invoices/bills for payment by the FPFMD/PFMU and the time of electronic transfer to beneficiary account/cheque collection shall not be more than six (6) working days;
6. That the FPFMD/PFMU undertakes to prepare within the time stipulated in the FPM, all the necessary monthly, quarterly and annual Financial Management Reports as detailed in the various Bank's Project Financial Management Guidelines for distribution to major stakeholders, including the PIU; and
7. That the signatories to the project accounts shall be shared between the FPFMD/PFMU in the OAGS and the PIU/Implementing Ministry/Agency as clearly specified in the Financial Procedures Manual (FPM).

Whereas the PIU agrees to the following conditions:

- That the signatories to the project accounts shall be shared between the FPFMD/PFMU /OAGS and the PIU/Implementing Ministry/Agency, as clearly specified in the FPM;
- To accept the Auditor General at the Federal and State levels appointed by the FPFMD/PFMU to audit the accounts of the Project;
- That payment authorizations and approvals shall be binding upon the PIU;
- That queried payment documentation shall be discharged/rectified within forty-eight (48) hours of receipt from the FPFMD/PFMU;
- That the PIU, with support from the State Government and other PIUs, will be responsible for providing the FPFMD/PFMU with furniture and equipment for its operation and will be responsible for financing the training of FPFMD/PFMU staff designated for the project;
- That the PIU, with support from the World Bank/IDA, will be responsible for the computerization of the FPFMD/PFMU's accounting systems and building of its capacity in computing and Bank procedures;
- That the general running expenses of the FPFMD/PFMU will be borne jointly by the PIUs of WB funded projects at Federal and State levels. To this effect, the FPFMD/PFMU shall provide details of its estimated annual running expenses for each year and each PIU shall be responsible for funding a specific identified item of the FPFMD/PFMU running expenses through the provision of cash to the FPFMD/PFMU on a monthly basis;
- That the general running expenses of the FPFMD/PFMU that is mapped to a particular PIU and which will be funded by the said PIU shall be clearly documented and communicated by the Head of affected PIU to the FPFMD/PFMU.
- That the general running expenses of the FPFMD/PFMU mapped to a particular PIU shall not exceed the level approved by the Head of that PIU for the whole year.
- That the Head of the FPFMD/PFMU and the designated Project Accountant are part of the Project management team and will be invited to all its meetings;
- That the designated FPFMD/PFMU staff will be invited to project staff meetings;
- That the FPFMD/PFMU staff will be granted full access to all project information; and
- Interim Financial Reports relating to the Project shall be circulated to all stakeholders, including but not limited to the Bank/IDA, the Federal Ministry of Finance (Multilateral), and the Debt Management Office.

(e) General Policies and Guidelines on the New Financial Management Arrangement

- The FPFMD/PFMU shall deploy a cashier to the PIU in order to meet the petty cash needs of the PIU and to handle the receipt and payment functions specified in the FPM;
- All parties, will on execution of the MOU, comply with the policies and procedures contained in the Financial Procedures Manual for the FPFMD/PFMU and any addendum to the FPM for the project;
- All project expenditure must be approved by the Head of PIU or Project Manager/Coordinator, which will ensure that the expenditure is within the agreed workplan and budget;
- All parties must be kept informed of all data and other information regarding the management of the Project Accounts; and

A regular (quarterly) review of this Financial Management Arrangement and the operation of the Financial Procedures Manual shall be carried out during the first year of the Project, with involvement of all parties, including the Bank, the Federal Ministry of Finance (Multilateral) and the Debt Management Office. The review will suggest recommendations on changes to the procedures as needed to facilitate financial transactions and ensure transparency and accountability.

SEALED:

We the undersigned as listed with our names, hereby agree with all terms and conditions of this MOU.

Dated this day of 20----.

SIGNED

Head of PIU

Head of FPFMD/PFMU

Witnessed By:

Representative of the State Implementing Ministry/Agency

Representative of Office of the Accountant General for the State

**Financial Procedures Manual
for State FPFMD/PFMU**

APPENDICES

APPENDICES

Appendix 1: Job Description of Key Project Financial Management Officers and their Terms of Reference

Director Federal Project Financial Management Department (DFPFMD) and Head of Project Financial Management Unit (HPFMU)

Description:

The DFPFMD/HPFMU, who will be supported by a relevantly qualified accountant and an internal auditor, will be on the management team of the project.

Tasks and Responsibilities:

The DFPFMD/HPFMU will:

- Ensure compliance with the Bank's financial management requirements and Government's regulations.
- Coordinate periodic reports (i.e. monthly/quarterly/annually) in the formats approved by the Bank.
- Provide leadership in preparation of annual budgets and work plans, together with the PMU.
- Follow up on the prompt release of approved funds to beneficiaries.
- Ensure relevant books and records are maintained for each Project.
- Review and approved monthly Bank Reconciliation Statements for all Banks.
- Together with the PMU management, maintain, develop and update the Financial Procedures Manual on a regular basis.
- Liaise with the internal/external auditors and follow up any audit queries/ management letters.
- Be a signatory to the Bank accounts of each project.
- Supervise all financial management functions and staff of the PFMU and ensure that the service standards of the PFMU continue to be satisfactory.
- Ensure timely submission of relevant monthly, quarterly reports on project implementation to all stakeholders.

Requirements: The Director FPFMD/HFPMU should be a graduate of accounting with minimum of GL14 and 7 years working experience. An IFAC member recognized Professionally qualified Accountant (ACA, CNA, ACCA etc) is desirable.

Project Accountant

Description:

The designated project accountant will technically be responsible to Director Federal Project Financial Management Division (DFPFMD) at the Federal and Head Project Financial Management Units at the States, and administratively responsible to the NPC/SPC.

Task and Responsibilities

- Prepares the budget (in consultation with key members of NPCU and SPCU) for the fiscal year based on approved workplan.
- Ensure that all accounting records are maintained in line with approved accounting standards and in line with the Bank's requirements and Government's regulations.
- Render periodic reports, (i.e. monthly/ bi-annually/annually) in the formats, contents and frequency acceptable to the Bank.
- Draw up annual budgets and work plans together with the PIU.

- Ensure relevant books and records are maintained for each Project.
- Ensure that all accounting records are updated promptly.
- Ensure that monthly Bank Reconciliation statements are prepared for all Bank Accounts.
- Together with the PIU ensure strict adherence to installed internal control systems for all areas of project operation.
- Liaise with the internal/external auditors and follow up any audit queries/ management letters.
- Be a signatory to the Bank accounts of each project.
- Engage in other duties/special assignments as directed by the Head of PFMU.

Requirements: The Project Accountant should be a graduate of accounting with minimum of GL12 and 5years working experience. An IFAC member recognized Professionally qualified Accountant (ACA, CNA, ACCA etc) is desirable.

Assistant Project Accountant

Description:

The designated Assistant Project Accountant will be responsible to Project Accountant and will seconded to Federal Project Financial Management Division (DFPFMD) at the Federal and Project Financial Management Units at the States.

Task and Responsibilities

- Issue receipts prepare Payment Vouchers and maintain the cash records in accordance with laid down procedures.
- Maintain an Advance Payments Register and monitor advances settlements.
- Ensure the IDA Withdrawal Applications Register, Fixed Assets Register, Register of Imports, and other subsidiary ledgers are appropriately kept and up to date.
- Keep appropriate records of prepayments and advances.
- Assist the Stores Officer in ensuring appropriate documentation and adequate stock controls.
- Carry out other duties or special assignments as may be delegated by the Project Accountant.

Requirements: The Assistant Project Accountant should be a graduate of accounting with minimum of GL10 and 3 years working experience.

Requirement: A graduate of accounting (BSc. /HND), with five years working experience.

Finance Officer

Description:

The designated Finance Officer will liaise between the FPFMD/PFMU and NPCU/SPCU at the Federal and States respectively, will be responsible to Project Accountants and seconded to FPFMD/FPMU

Tasks and Responsibilities

- Ensure Petty Cash disbursements are appropriately and adequately documented.
- Cheque writing.
- Update the Cheque Issued Register.
- Liaise between the PMU and the PFMU.
- Ensure invoices submitted for payment at the PIU are promptly attended to and forward to the PFMU for processing.
- Other activities as may be directed by the PA of the Head of PFMU.

Requirements: The Finance Officer should be a graduate of accounting with minimum of GL8 and 3years

working experience.

Project Internal Auditor

Description:

The Internal Auditor shall ensure orderly and efficient conduct of operations and have unrestricted access to project documents, files and minutes. The internal Auditor will be administrative responsible to the NPC/PC and technically responsible to the DFPFMD/HPFMU.

Tasks and Responsibilities

- Responsible for the audit of the project and submit reports to the appropriate stakeholders within the time frame.
- Ensure that there is an adequate internal control system in the project.
- Should have unrestricted access to any Project documents, files, or minutes.
- Contribute to the preparation of the annual audit work plan with emphasis on the identified project risk areas.
- Ensure that expenditures are in line with approved budget line.
- Lead and perform the internal audit function of all activities of the Project and review and evaluate the adequacy of the internal control structure as well as records and reports with a view to appropriately recommending improvements to the systems.
- Develop and monitor audit programmes and procedures to cover all financial operations of the PMU and the PFMU.
- Point out irregularities to the Project Management without delay.
- Provide on the job training for Internal Audit staff.
- Regularly (and on an ad-hoc basis) audit the accounts, records, assets and stores of the project.
- Carry out other functions as may be directed by the coordinator, HPFMU or the Bank

Requirements: The Project Internal Auditor should be a graduate of accounting with minimum of GL12 and 5years working experience. An IFAC member recognized Professionally qualified Accountant (ACA, CNA, ACCA etc) is desirable.

Appendix 2: Indicative Terms of Reference for the Project Management Committee

Terms of Reference: Project Steering Committee - Financial Matters

General

Every quarter, the Committee should review the Project's Interim Financial Report (IFR) which, in due course, is expected to include:

- Financial Statements.
- Project's Physical Progress i.e. Output Monitoring Report (OMR). The format and details of the OMR will need to be developed. Arguably the most important aspect of the OMR will be the accompanying narrative interpreting the progress of the Project with the agreed performance indicators and how costs to date relate to that planned at appraisal, and its likely effect on the Project at its completion.
- Procurement Management (including Goods, Works and Services).

Specific

- Ensuring that accounting records, including bank accounts, are kept up-to-date;
- Ensuring that suitable systems of internal control are established and maintained, including procurement - goods, works and consulting services, fixed assets, civil works;
- Ensuring that the Financial Management Manual is complied with and regularly updated;
- Reviewing and approving Budgets/Cash Flow Projections;
- Ensuring Project compliance with the Government's Accounting reporting requirements;
- Determining the format and content of Monthly, Quarterly and Annual Financial Statements; selecting accounting policies and accounting standards; determining the need, if any, to include any supplementary notes to the Project's Financial Statements in order to enhance the presentation of a "true and fair view";
- Reviewing and approving Quarterly and Annual Project Financial Statements as well as examining material variances; seeking remedial action, as appropriate, within an agreed timeframe;
- Ensuring compliance with operating procedures of Government and the World Bank e.g. Procurement, Disbursements, Designated Accounts, SOEs, Special Commitments etc;
- Assessing reports received from internal/external auditors and following up any audit queries/management letters;
- Being briefed by the Procurement Officer on procurement issues - including the status of contracts of consultants; the financial management aspects of Civil Works, e.g. comparing actual results with agreed performance indicators, physical existence etc., as well as evaluating any difficulties being experienced;
- Monitoring progress on Staff Development/Capacity Building;
- Monitoring the Project's financial performance against previously agreed Financial Performance Indicators.

Appendix 3: Project Internal Control Checklist

A project internal control checklist which may be used by the PIU management as a guide for assessing the adequacy of the internal control system. The checklist is intended to serve as a guide. The first part is on the Control Environment and the second is on the Accounting System.

The Control Environment

The control environment should be assessed considering each of the following areas:

- a) Effectiveness of organizational structure. Is structure adequate, enabling the Project to monitor and control activities?
- b) PIU Management/Key Staff. Are these competent and is there sufficient coverage in key functions? Is there an independent board which is involved in monitoring the decisions and activities of management thus reducing the likelihood of unauthorized acts?
- c) Budgets. Are strategic plans/budgets realistic and based on reasonable assumptions?
- d) Project Management Reports/Annual Reports. Does Management have sufficient reliable and relevant information produced on a timely basis to effectively monitor its activities?
- e) Adequate policies and procedures. Does the Project have an adequate policies and procedures manual used to control activities and to ensure staff accountability? What measures has the Project taken to control the possibility of fraud?
- f) Risk of misstated accounts. Does the PIU have a review/approval process prior to submitting IFRs?
- g) To what extent are the IFRs used as a management reporting tool?
- h)
- i) Effectiveness of external auditors. Does the project have an effective and independent auditor familiar with Bank requirements and with a good track record in working with the Bank?

The Accounting Systems

This check-list addresses the accounting system of the project. The questions are designed to identify (i) the accounting controls which exist; and (ii) the risk of loss through undetected error or fraud. They can be used to identify issues for inclusion in action plans for improvement of project management systems.

General

- a) Does the entity have adequate written statements and explanations of its accounting policies and procedures such as?
 - A chart of accounts
 - A specification of accounting records, accounting procedures and the required supporting documentation.
 - Assignment of responsibilities and delegation of authority, including specified powers of authorization.
 - Documentation and approval requirements for recording transactions and making journal entries?
- b) Are accounting policy and procedure manuals updated as necessary?
- c) Are manuals distributed to appropriate personnel?
- d) Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy, or procedure to be used by the entity?
- e) Are controls in place concerning the preparation and approval of journal entries, ensuring that journal entries are correctly made and adequately explained?
- f) Do all journal entries adequately identify the accounts in which accounting entries are to be made?

Bank and Cash balances

- a) Does the project maintain an adequate, up to date cashbook, recording receipts and payments?
- b) Are all receipts deposited on a timely basis?
- c) Do controls exist for the collection, timely deposit, and recording of receipts at each collection location?
- d) Do procedures exist for disbursement approval and for the signing of payment orders/checks?
- e) Are those who authorize payments appropriately controlled?
- f) Are checks paid/posted/delivered promptly?
- g) Are bank accounts properly authorized and opened with authorized banks and in accordance with Bank requirements?
- h) Do procedures exist for effective checks such as:
 - Comparison of payment orders/checks with disbursement records?
 - Examination of actual signatures and endorsements with those authorized?
 - Numerical sequence of payment orders/checks?
 - Reconciliation of general ledger and other accounts?
 - Comparison between bank statements and accounting records regarding amounts and dates of sums received?
 - Checking the calculations of the columns and rows of cashbooks, and reconciling the balances on the cashbook and bank statements at regular intervals?
 - Are all unusual reconciling items reviewed and approved by a responsible official?
 - Are checks outstanding for a considerable time, periodically reviewed?

Procurement and Payables

For the Bank's detailed procurement requirements see World Bank Procurement Regulations for IPF Borrowers, dated July 2016, revised November 2017.

- a) Are purchases of goods and services initiated by properly authorized requisitions bearing the approval of designated officials?
- b) Are requisitions pre-numbered and are those numbers controlled?
- c) Are adequate procedures in place to ensure that procurement follows Bank requirements and the Financing Agreement?
- d) Are orders specific in terms of quality, quantity and description?
- e) Are there procedures to ensure that goods are recorded as they are delivered to the project or to its beneficiaries?
- f) Do invoice processing procedures provide for:
 - Copies of purchase orders and receiving reports to be obtained directly from issuing departments?
 - Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received?
 - Comparison of invoice quantities with those indicated on the receiving reports?
 - Checking the accuracy of calculations?
- g) Are amounts payable according to the accounting records compared regularly with the sums appearing in statements from suppliers?

Employee Compensation Salaries and Wages (where applicable)

- a) Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?
- b) Are payroll rosters reviewed and approved by management, before disbursements are made?
- c) Are gross pay and deductions from pay reviewed independently for reasonableness?

- d) Are payroll advances to officials and employees prohibited or subject to appropriate review?
- e) Are there adequate procedures to ensure that payroll deductions are correct and that the sums deducted are paid by the entity to the appropriate authority?

Vote Book

Service ----- **S. W. /A.I.E. /I. I. E. No.** ----- =N= -

[illegible]

Appendix 5: Withdrawal Applications Register (Drawdown Register)

Withdrawal Applications Register

S/N	Date	Ref. No.	Amount	Component /Category Extension	Remarks
	Total Cast& Cross cast				

Appendix 6: Standard Journal Voucher

JOURNAL VOUCHER

Date -----

Journal

Voucher NO.

S/N	DETAILS (ACCOUNTS DESCRIPTION)	DR	CR

Statement of Expenditure (SOE)

Date ----- Application No. ----- Summary Sheet No. ----- Category or Sub-

Project No. ----- IDA Credit No. UNI

Period Covered ----- **to** -----

[illegible]**Total**

Supporting documents for this SOE are retained at ----- (insert location)

Appendix 8: Cash Book

Cash Book

[illegible]

Appendix 9: Check Payment Voucher

Cheque Payment Voucher

Date -----

CPV Ref. No.

Payee -----

Address -----

=N=

Amount in Words

Journal

Details of Transaction

Account Description	Sub- Ledger Ref.	Nominal Ledger Code		DR	CR
Bank					
Total =N=					
Cheque No. -----					
	Name	Signature	Date		
Prepared by				Posted	Initial
Checked by					
Approved by					

Appendix 10: Cheque Issued Register

Cheque Issue Register

S/N	Name of Bank	Payee	Invoice No.	LPO/ wo	Cheque No.	Date	Amount	Signature

Appendix 11: Payment Claim Form (PCF)

Component Cost Code	Activity/Component Description	Amount (N)
<i>TOTAL REQUEST</i>		N

PAYMENT CLAIM FORM

I hereby authorize the deduction of this Advance from my salaries if the entire amount is not satisfactorily retired within the stipulated period.

Project Staff Name and Signature _____

Date: _____

Authorized by: _____ Signature & Date _____

Approved by: _____ Signature & Date

Appendix 12: Expenses Report Form (ERP)

EXPENSES REPORT FORM

	DATE:	PV.NO:
GENERAL NATURE OF EXPENSES	NAME OF CLAIMANT:	
DETAILS OF EXPENSES	CODE	N : K
TOTAL EXPENSES		
LESS: ADVANCE TAKEN		
1. PV__DATE: _____AMOUNT in N		
2. PV__DATE: _____AMOUNT in N BALANCE DUE TO CLAIMANT / (REFUND TO PROJECT)		
UNUSED ADVANCE REFUNDED. RECEIPT NUMBER REF:		
	SIGNATURE OF CLAIMANT	SIGNATORY
	EXPENSES/CLAIMS	
N:	AUTHORISED BY:	
AMOUNT RECEIVED BY: SIGNATURE: _ _____ DATE: _____		

Prepayments and Advances Ledger

Prepayments/Advance Type -----

[illegible]

Appendix 14: Petty Cash Journal Form

Date _____

Journal Form Ref NO.

S/N	Payee	N	K

Appendix 15: Petty Cash Voucher (PCV)

Petty Cash Voucher

PCV No.	
I. O. U. No.	

Date-----

=N=

Amount in Words

Account Description	Sub Ledger Code	Nominal Ledger Code	DR.	CR.
Purpose:				
<i>Petty Cash</i>				
Total				
Name and Signature of Claimant: Date:				
		Signature	Date	
Approved by				
Received by				
<i>Paid by</i>				

Appendix 16: Bank Reconciliation Statement

Bank Reconciliation Statement

Details of Bank _____

A s At _____ 200 ____

BALANCE AS PER BANK STATEMENT	XX	=N=
-------------------------------	----	-----

ADD:

☐ UNCREDITED RECEIPTS (SCHEDULE ATTACHED)	XX
---	----

xxx

LESS:

☐ UNPRESENTED CHEQUES PAYMENTS (SCHEDULE ATTACHED)	XX
--	----

☐ BALANCE AGREED WITH CASH BOOK XXX	
---	--

=====

NOTE:

Items that appear in the bank statement but not in the cash book will be entered in the cash book on being identified and posted in the general ledger or journal adjustment vouchers.

Appendix 17: Fixed Assets Register (FAR)

[illegible]

Appendix 18: Journal Voucher Register

Journal Voucher Register

[illegible]

Nominal/General Ledger

[illegible]

Appendix 20: SOE Register

SOE Register

[illegible]

Appendix 21: Purchase Requisition Form

Date: _____

Serial Number: _____

S/No	Description of Items	Quantity			Amount	
		QTY	Unit Cost		N	k
			N	k		
TOTAL						
Purpose:		Method of purchase				
		Recommended supplier				
		1.				
		2.				
Requisitioning Dept.						
	Requisitioned by	Authorized by	Approved by		LPO Prepared by	
Name						
Designation						
Signature						
Date						

Appendix 22: Stores Requisition Note

Stores Requisition Note

Code: _____

No: _____

Date: _____

DEPARTMENT: -----LOCATION: -----			
S/N	Description of Goods	Qty Requested	Remarks
TOTAL NO OF ITEMS REQUESTED			
REQUESTED BY: __SIGNATURE: _____DATE: _____			

Appendix 23: Stores Issue Voucher

Stores Issue Voucher

Date	Requisition No:	Requisition Dept:			
Item	Goods Description	Qty	Unit	Total	Remarks

Goods Issued By:

Name: -----

■■■■

Signature: -----

Date: -----

Goods Received By:

Name:-----

Signature: -----

Date: -----

Appendix 24: Stock Report

Stock Report

For the Month _____

S/N	Bin	Particulars	Qty Received	Qty Issued	Balance

Prepared By: -----

Signature: -----

N.B

The stock report shall be used by the Internal Auditor to test the veracity of the report at random.

Appendix 25: Chart of Accounts

Chart of Accounts

LAIBILITIES	1	1	0	0	0
IDA Credit Loan Account	1	1	1	0	0
Government Counterpart Account	1	1	2	0	0
ASSETS – BANKS		2	2	2	0
X Bank (IDA Credit) Designated Account (US\$) Domiciliary Account	1	2	2	2	1
Y Bank (IDA Credit) Current Account (Naira)	1	2	2	2	2
A Bank (FGON) Current Project Account (Naira)	1	2	2	2	3
Z Bank (IDA Credit /Current Account (Naira)	1	2	2	2	4
ASSETS – CASH	1	2	2	1	0
Petty Cash Imprest	1	2	2	1	1
INVESTMENT	1	2	2	0	0
Civil Works - Buildings	1	2	3	1	0
Goods	1	2	4	1	0
Consultant Services	1	3	5	0	0
Training	1	3	6	0	0
Operating Costs	1	3	7	0	0
PPF Refinancing	1	2	2	2	8
Price Contingencies	1	1	3	0	0

OPERATING COSTS (RECURRENT COSTS)	1	4	0	0	0
a. Maintenance of vehicles, Equipment	1	4	1	0	0
b. Fuel	1	4	1	1	0
c. Motor License & Insurance	1	4	1	2	0
d. Office Supplies	1	4	1	3	0
e. Utilities (Water, Electricity, Telephone)	1	4	1	4	0
f. Travel per diem & Allowances (DSA)	1	4	1	5	0
g. Travel (Bus/Car Hire/Air-fare) & Hotel (Accommodation/Meal)	1	4	1	6	0
h. Office Rent & Rates	1	4	1	7	0
i. Salaries and Allowances (of Project support staff)	1	4	1	8	0
j. Insurance	1	4	1	9	0

Appendix 26: Contract Completion Form (CCF)

From: The Procurement Officer

To: Head of FPFMD/PFMU

This is to advise that the below mentioned contract has been completed:

Contract No _____

Contract Description

Name of Contractor

Initial Contract Sum N _____

Final Contract Sum N _____

Amount Paid to date N _____

Balance, if any N _____

Date of Completion _____

Signature and Date: _____

Appendix 27: External Auditors Terms of Reference

SAMPLE

TERMS OF REFERENCE FOR AUDIT OF WORLD BANK FINANCED PROJECTS

1. BACKGROUND

- *Provide the following information on the project:*
- *Development objectives;*
- *Size and implementation arrangements;*
- *Recipient(s) of the Bank financing;*
- *Co-financiers; the entity engaging the auditor, if acting on behalf of the recipient; implementing agency; and*
- *The accounting period to be covered by the audit.>*

2. OBJECTIVE OF THE PROJECT AUDIT

The objective of the audit of the Project Financial Statements (PFSs) is to enable the auditor to express a professional opinion(s) on the financial position of the project at the end of each fiscal year, and on funds received and expenditures incurred for the relevant accounting period.

The project books of accounts provide the basis for preparation of the PFSs by the project implementing agency and are established to reflect the financial transactions in respect of the project. The implementing agency maintains adequate internal controls and supporting documentation for transactions.

3. PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The responsibility for the preparation of financial statements including adequate disclosure is that of the implementing agency. The agency is also responsible for the selection and application of accounting policies. The agency would prepare the PFSs in accordance with *<state here the applicable accounting standards>*.

The auditor is responsible for forming and expressing opinions on the financial statements. The auditor would carry out the audit of the project in accordance with the International Standards on Auditing (ISA), as promulgated by the International Federation of Accountants (IFAC). As part of the audit process, the auditor may request from the implementing agency written confirmation concerning representations made in connection with the audit.

4. SCOPE OF THE AUDIT

As stated above, the audit of the project will be carried out in accordance with International Standards on Auditing (ISA) promulgated by the International Federation of Accountants (IFAC), and will include such tests and auditing procedures as the auditor will consider necessary under the circumstances. Special attention should be paid by the auditor as to whether the:

- a. World Bank financing (and all external financing where the World Bank is not the only financier) has been used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided – please see *<state here clearly the relevant financing agreements>*;
- b. Counterpart funds have been provided and used in accordance with the relevant financing

agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;

- c. Goods, works and services financed have been procured in accordance with the relevant financing agreements including specific provisions of the World Bank Procurement Policies and Procedures¹;
- d. All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE) or Interim Unaudited Financial Statements (IFS) methods of reporting. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- e. Designated Accounts (if used) have been maintained in accordance with the provisions of the relevant financing agreements and funds disbursed out of the Accounts were used only for the purpose intended in the financing agreement;
- f. National laws and regulations have been complied with, and that the financial and accounting procedures approved for the project (e.g. operational manual, financial procedures manual, etc.) were followed and used;
- g. Financial performance of the project is satisfactory.
- h. Assets procured from project funds exist and there is verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement.
- i. Ineligible expenditures included in withdrawal applications are identified and reimbursed to the Designated Accounts. These should be separately noted in the audit report.

In complying with International Standards on Auditing, the auditor is expected to pay particular attention to the following matters:

- a) ***Fraud and Corruption:*** Consider the risks of material misstatements in the financial statements due to fraud as required by ISA 240: The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements. The auditor is required to identify and assess these risks (of material misstatement of the financial statements) due to fraud, obtain sufficient appropriate audit evidence about the assessed risks; and respond appropriately to identified or suspected fraud;
- b) ***Laws and Regulations:*** In designing and performing audit procedures, evaluating and reporting the results, consider that noncompliance by the implementing agency with laws and regulations may materially affect the financial statements as required by ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements;
- c) ***Governance:*** Communicate audit matters of governance interest arising from the audit of financial statements with those charged with governance of an entity as required by International Standards on Auditing 260: Communication of Audit Matters with those Charged with Governance.
- d) ***Risks:*** In order to reduce audit risk to an acceptable low level, determine the overall responses to assessed risks at the financial statement level, and design and perform further audit procedures to respond to assessed risks at the assertion level as required by Internal Standard on Auditing 330: the Auditor's Procedures in Response to Assessed Risks.

¹ Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of International Standard on Auditing 620: Using the Work of an Expert. Consideration to use of the work of experts should be brought to the early attention of the borrower and the World Bank for mutual agreement and appropriate guidance

5. PROJECT FINANCIAL STATEMENTS (PFSs)

The auditor should verify that the project PFSs have been prepared in accordance with the agreed accounting standards (see paragraph 3 above) and give a true and fair view of the financial position of the project at the relevant date and of resources and expenditures for the financial year ended on that date

The Project Financial Statements (PFSs) should include:

- (a) A statement of funds received, showing funds from the World Bank, project funds from other donors and counterpart funds separately, and of expenditures incurred;
- (b) A summary of the activity in the Designated Account;
- (c) A Balance Sheet (if deemed necessary);
- (d) A Summary of the principal accounting policies that have been adopted, and other explanatory notes;
- (e) A list of material assets acquired or procured to date with project funds

As an Annex to the PFSs, the auditor should prepare a reconciliation of the amounts as “received by the Project from the World Bank”, with those shown as being disbursed by the Bank.

6. ELIGIBLE EXPENDITURE PROGRAMS (EEPs)

In conducting the yearly audit of the project financial statements, the auditors will carry out detailed audit of the health sector expenditures, including the EEPs. The reports should be part of the audit report that would be submitted to Bank.

7. STATEMENT OF EXPENDITURES (SOEs)/UNAUDITED INTERIM FINANCIAL REPORTS (IFRs)

In addition to the audit of the PFSs, the auditor is required to verify all SOEs or IFRs used as a basis for the submission of loan withdrawal applications to the World Bank. The auditor will apply such tests and auditing procedures as considered necessary under the circumstances. Annexed to the PFSs should be a schedule listing individual SOE or IFR withdrawal applications by specific reference number and amount.

The total withdrawals under the SOE or IFR procedures should be part of the overall reconciliation of Bank disbursements described in paragraph 5 above.

8. DESIGNATED ACCOUNT

In conjunction with the audit of the Project PFSs, the auditor is also required to review the activities of the Designated Account associated with the project. The Designated Account usually comprises:

- Advance deposits received from World Bank;
- Replenishments substantiated by withdrawal applications;
- Interest that may have been earned on the accounts, and which belong to the recipient; and
- Withdrawals related to project expenditures

The auditor should pay particular attention as to the compliance with the Bank's procedures and the balances of the Designated Accounts at the end of the fiscal year (or period). The auditor should examine the eligibility of financial transactions during the period under examination and fund balances at the end of such a period, the operation and use of the DAs in accordance with the relevant general conditions, relevant financing agreements and disbursement letter, and the adequacy of internal controls for this type of disbursement mechanism.

For this Project, the Designated Accounts are referred to in the general conditions, the Financing Agreement (subsection 5.3) and Disbursement Letter (para. I).

The auditor should also examine eligibility and correctness of:

Financial transactions during the period under review;

- Account balances at the end of such a period;
- The operation and use of the Designated Account in accordance with the financing agreement; and
- The adequacy of internal controls for the type of disbursement mechanism.

9. AUDIT REPORT

The auditor will issue an opinion on the project financial statements (PFSs). The annual audit report of the project accounts should include a separate paragraph highlighting key internal control weaknesses and non-compliance with the financing agreement terms.

OPTIONAL OPINIONS (To be included as appropriate, i.e. based on project FM risk, complexities, governance issues, etc as identified during the Financial Management Assessment)

<i>Special Opinion</i>	<i>Possible Rationale</i>
<i>Provision and usage of Counterpart Funds (CF).</i>	<i>Past poor compliance with financing agreement terms relating respect to the provision and usage of CF or abuse of CF in the country or sector or Inadequate provision or inappropriate usage of Counterpart funds) could affect the successful implementation of the project.</i>
<i>Entities that received funds met eligibility criteria</i>	<i>A component or components of the project involves transferring/releasing of funds to only entities that meet certain eligibility criteria or Where Aide Memoire, FM supervision, technical audit reports or previous experience in sector points to non-compliance with Financing agreement terms relating to eligibility criteria or If entities receiving funds do not meet eligibility criteria, project implementation will be impacted adversely.</i>
<i>Used of Funds by Communities and Decentralized Entities</i>	<i>Where funds are transferred to communities and decentralized entities under the project, and the assessed risk for this activity is high or substantial.</i>
<i>Use of Funds by NGOs</i>	<i>Where significant amounts of fund are transferred to NGOs and the assessed risk for this activity is high or substantial.</i>
<i>Use of Funds by line Ministries</i>	<i>Where significant amounts of fund are transferred to several line ministries and the assessed risk for this activity is high or substantial.</i>

10. MANAGEMENT LETTER

In addition to the audit report, the auditor will prepare a management letter, in which the auditor 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 or areas of weakness in systems and controls, and make recommendations for their improvement;
- (c) Report on the degree of compliance of each of the financial covenants in the financing agreement and give comments, if any, on internal and external matters affecting such compliance;
- (d) Communicate matters that have come to his/her attention during the audit which might have a significant impact on the implementation of the project;
- (e) Give comments on the extent to which outstanding issues/qualifications issues have been addressed;
- (f) Give comments on previous audits' recommendations that have not been satisfactorily implemented; and
- (g) Bring to the recipient's attention any other matters that the auditor considers pertinent, including ineligible expenditures.

Ideally, the management letter should also include responses from the implementing agency to the issues highlighted by the auditor.

11. AVAILABLE INFORMATION

The auditor should have access to all legal documents, correspondences, and any other information associated with the project and deemed necessary by the auditor. The auditor will also obtain confirmation of amounts disbursed and outstanding at the Bank. Available information should include copies of the relevant: project appraisal document; financing agreement; financial management assessment reports; supervision mission reports and implementation status reports.

12. GENERAL

The financial statements, including the audit report, management letter and management response should be received by the Bank no later than xxxx months after the end of the accounting year to which the audit relates.

The auditor should submit the report to the recipient's designated agent rather than to any staff member of the project entity. The agent should then promptly forward two copies of the audit report and accompanying statements to the Bank together with the management letter and management response.

It is highly desirable that the auditor becomes familiar with the Bank's Guidelines on Annual Financial Reporting for World Bank-Financed Activities, June 30, 2003, which summarizes the Bank's financial reporting and auditing requirements. The auditor should be familiar with World Bank Procurement Guidelines, which can be obtained from the project implementing agency. The auditor should also be familiar with the Bank's Disbursement Handbook for World Bank Clients, Disbursement Guidelines for Projects: May 2006. These documents are available on the Bank's website and could be obtained from the Task Team Leader.

Appendix 28: Sample Audit Report

Addressee

REPORT OF THE AUDITORS ON THE FINANCIAL STATEMENTS OF THE WORLD-BANK ASSISTED ----- FOR THE PERIOD ENDED ----- (CREDIT NO.-----)

We have audited the accompanying project financial statements of the ----- project, as of December 31, 200X (indicate any other additional years necessary) for the year(s) then ended as set out on pages --- to --- and prepared on the basis of the accounting policies on page -----. The project is financed by the IDA, credit number -----.

Respective responsibilities of the Project Management and Auditors:

The ----- (PIU, Project Management Office etc) coordinates the activities of the project and are as such responsible for the preparation of the financial statements. It is our responsibility as auditors to express an independent opinion, based on our audit, on the Project financial statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (or relevant national standards or practices) and World Bank guidelines. These standards and World Bank guidelines require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the estimates and judgments made by the project officers in the preparation of the financial statements, and whether the accounting policies are appropriate to the project circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements, whether caused by fraud, other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of the financial statements.

Opinion

In our opinion, the **project financial statements** give a true and fair view of the financial position (where a balance sheet is required) and of the cash flow statements of ----- project for the period ended December 31, 200X, in accordance with (indicate international accounting standards or relevant national standard).

The **Statement of Expenditure (SOE)** are in agreement with the books of account and adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and which expenditures are eligible for financing under the Financing Agreement.

The **Statement of Designated Account (SA) of the project** on page ----- have been prepared on the basis of cash deposits and withdrawals for purpose of complying with the Financing Agreement and give a true and fair view of the beginning and ending balances and the account activity for the period ended ---

The counterpart funds have been provided in accordance with the financing agreement; and have been properly used for project purpose; payments from this account are properly backed up by relevant supporting documents; and are properly recorded in the books of account.

Name & Address of Audit Firm

Completion Date of Audit

Appendix 29: Selected Interim Financial Reports (IFRs)
RURAL ACCESS AND AGRICULTURAL MARKETING PROJECT

SOURCES AND USES OF FUND FOR THE QUARTER ENDED							
		CURRENT SEMESTER		YEAR TO-DATE		CUMMULATIVE TO-	
		NGR	USD or Euro	NGR	USD or Euro	NGR	USD or Euro
CASH RECEIPTS							
ADVANCES							
REPLENISHMENT							
DIRECT PAYMENT							
OTHER SOURCES							
TOTAL SOURCES	A						
LESS: EXPENDITURE							
Cat1: Goods, non-consulting services, consulting services, Operational Costs and Training under Part 1 (I)(b), (II) and (III)(b) and Part 2 (i), (iii), (iv) and (v) of the Project.							
Cat2: Eligible Expenditures Program under Part 1 (I)(a), (III)(a), (IV) and (V), Part 2 (i), (ii) and (iii) of the Project							
TOTAL EXPENDITURE	B						
RECEIPTS LESS EXPENDITURE	C=A-B						
ADD: EXCH. DIFF	D						
NET CHANGE IN CASH	E=C+D						
OPENING CASH BALANCE:							
DESIGNATED ACCOUNT-A							
DESIGNATED ACCOUNT-B							
DRAWDOWN ACCT-A							
DRAWDOWN ACCT-B							
TOTAL OPENING CASH BALANCES	F						

NET CASH AVAILABLE	G=E+F						
CLOSING CASH BALANCES:							
DESIGNATED ACCOUNT-A							
DESIGNATED ACCOUNT-B							
DRAWDOWN ACCT-A							
DRAWDOWN ACCT-B							
TOTAL CLOSING CASH BALANCES	H						
<i>Please put as footnote the exchange rates used.</i>							
<i>a. Opening Exchange Rate</i>							
<i>b. Closing Exchange Rate</i>							

APPENDIX 30: Statement of Expenditure

RURAL ACCESS AND AGRICULTURAL MARKETING PROJECT

USES OF FUND BY COMPONENTS FOR THE QUARTER ENDED.....

		CURRENT PERIOD		YEAR TO DATE			CUMMULATIVE TO DATE		
PROJECT COMPONENTS	PLANNED	ACTUAL	VARIANCE	PLANNED	ACTUAL	VARIANCE	PLANNED	ACTUAL	VARIANCE
COMPONENT 1									
<i>BASIC PACKAGE OF NUTRITION SERVICES</i>									
COMPONENT 2:									
<i>STEWARDSHIP AND PROJECT MANAGEMENT</i>									
TOTAL EXPENDITURE									

APPENDIX 31: Designated Account Statement

RURAL ACCESS AND AGRICULTURAL MARKETING PROJECT

DESIGNATED ACCOUNT ACTIVITY STATEMENT FOR THE PERIOD ENDED.....				
PART 1				
1 Cumulative Advances to the end of Current Period	x			
2. Cumulative Expenditure to the end of last reporting period	x			
3. Outstanding Advances to be accounted for (line 1 minus line 2)		x		
PART II				
4. Opening Special Account at the beginning of reporting period	x			
5. Add/Subtract: Cumulative Adjustments (if any)	x			
6. Advances from World Bank during the reporting period	x			
7. Add lines 5 and 6	x			
8. Outstanding Advances to be accounted for (add lines 4 and 7)		x		
9. Closing Special Account Balance at end of reporting period	x			
10. Add/Subtract: Cumulative Adjustments (if any)	x			
11. Expenditure for current reporting period	x			
12. Add lines 10 and 11	x			
13. Add lines 9 and 12		x		
14. Difference if any (line 8 minus line 13)		nil		