

DEPARTMENT OF RURAL
DEVELOPMENT

COMMUNITY DRIVEN
DEVELOPMENT PROJECT

FINANCIAL MANAGEMENT MANUAL

Finance Office, Project Secretariat
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ACRONYMS & ABBREVIATIONS

AA Accounts Assistant
BPV Bank Payment Voucher
BRV Bank Receipt Voucher
CDD Community Driven Development Project
DRD Department of Rural Development
FMM Financial Management Manual
FMU Financial Management Unit
GL General Ledger
IFR Interim Financial Report
LAA Liquidation of Amount Advanced
MMK Myanmar Kyat
MTO Money Transfer Order
NCDDP National Community Driven Development Project
PAC Project Accountant
PCB Petty Cash Book
PCPV Petty Cash Payment Voucher
PD Project Director
PO Purchase Order
PR Purchase Receipt
WB World Bank

CHAPTER 1 INTRODUCTION AND STRUCTURE OF THE FINANCIAL MANAGEMENT MANUAL

1.1 The Community Driven Development Project (CDD Project)

The Union Government of Myanmar has embarked upon a triple transition: from an authoritarian military system to democratic governance; from a centrally directed economy to market-oriented reforms; and peace in border areas. Fundamental to the triple transition is a “paradigm shift” to a “people-centered” approach which is reflected in the Union government’s strategy to develop the rural areas.

The National Community Driven Development Project is formulated to support the Government’s strategy to develop the rural areas through this “people-centered development approach”. The Project will finance (i) community identified rural infrastructure investments; (ii) strengthening the capacity of communities in partnership with local authorities to effectively identify, plan and implement their development priorities; and (iii) facilitating the participation of the poor and vulnerable , both men and women, throughout the project cycle at community level.

The Project Development Objective is to enable poor rural communities to benefit from improved access to and use of basic infrastructure and services through a people-centered approach and to enhance government’s capacity to respond promptly and effectively to an eligible crisis or an emergency.

The Project Cost is US\$ 80 million and includes five components to be implemented over a 6 year period. A brief description of each component is given below:

- i. **Component 1: Community Block Grants.** (US \$ 52.2 million). Block Grants to communities averaging around US\$ 27,000 will be provided to 640 village tracts in 15 townships to finance priority community level infrastructure. Block Grants will be allocated following a participatory planning process covering all villages in a selected village tract. Planning and prioritization of sub-projects will be undertaken by villagers and representative village tract forums.
- ii. **Component 2: Facilitation and Capacity Development.** (US \$ 14.2 million). This will finance technical assistance and institutional support at both union and township level including hiring of community facilitators for the purpose of supporting community driven activities under Component 1.
- iii. **Component 3: Knowledge & Learning.** (US \$ 1.8 million). This will support government staff and civil society representatives through learning from community based approaches implemented in Myanmar. It will also finance learning exchanges within the country and Asean and other countries, multi-stakeholder reviews to learn from implementation experience and improve design of the project, and annual “development market place” to showcase most promising innovations in “people centered development” in Myanmar. In addition a CDD gender network will be established to improve gender quality and women’s empowerment.
- iv. **Component 4: Implementation Support.** (US \$ 11.8 million). The component will support project management at Union and township levels, including monitoring and evaluation, communications, as well as administration and logistical support for project implementation. In addition, it will include third party technical and financial audit.

- v. **Component 5: Emergency Contingency Response.** (US \$ 0) to allow for rapid reallocation of grant proceeds from other components to respond to disaster, emergency and/or catastrophic events as needed.

1.2 Implementation Arrangements

The Foreign Aid Management Working Committee of the government will serve as the Project Steering Committee and provide general oversight of the Project.. It will advise Department of Rural Development, Ministry of Livestock, Fisheries and Rural Development on implementation matters, facilitate the resolution of policy level or any complex operational issues, and support and coordinate the involvement of relevant ministries. Steering Committee will meet quarterly to review implementation progress.

The Project is implemented by the Department of Rural Development (DRD) under the Ministry of Livestock, Fisheries and Rural Development. A Project Secretariat was established at DRD by the Ministry of Border Affairs Ordinance No 57/2013 dated 13 March 2013, and since August 2013 functioning under the Ministry of Livestock, Fisheries and Rural Development. A Project Director is appointed and shall have overall responsibility for the Project. The Project Secretariat is assigned several DRD staff and shall recruit consultants as necessary for implementation of the Project. At the Township level, the Project is administered by DRD staff at this level. At the community level, community based organizations are formed at village tract level. These will consist of elected representatives of participating villages. Village tract forums will be responsible for development of sub-project plans, receiving project funds and implementing the sub-projects. Technical and administrative support to village tract forums will be provided by community facilitators appointed under the Project and by DRD township level staff.

At the township level, inter-ministerial coordination will be provided by township aid-management sub-committees which are an extension of the Foreign Aid Management Working Committee. These sub-committees will be responsible for coordinating village tract level planning and implementation of development activities and service delivery. Township DRD will act as secretariat to township sub-committees.

Roles and responsibilities for financial management of each level of project implementation are described in the following chapters of the manual. Strictly adhering to the specified procedures are necessary for minimizing governance and anti-corruption risks for the Project. In addition to policies and procedures specified, independent technical and financial audits, and social audits are carried out by the communities. Public disclosure requirements, and a grievance handling mechanism will strengthen the institutional arrangements in maintaining transparency and accountability for the Project funds.

1.3 Purpose of the Financial Management Manual

The purpose of the Financial Management Manual (FMM) for the Community Driven Development (CDD) Project is to provide guidelines on financial policies and procedures to managers and financial staff of project implementing agencies. The manual provides guidance on all areas of financial management from financial policies and standards, budgeting, financial accounting systems and procedures, financial reporting and audit. The managers and financial staff of CDD project implementing agencies are required to fully familiarize with the manual and have all concerned staff trained in its application. The Project Senior Financial Officer (SFO) is the principal custodian of the manual and takes primary responsibility to

ensure that all financial staff are trained and understand the policies and procedures described in the FMM.

The structure and responsibilities for financial management of CDD Project is designed to ensure transparency and accountability for financial resources allocated to the Project at all levels of project implementation. Primary responsibility for financial management lies with the DRD Finance Department (FMU). FMU shall be responsible for implementing the accounting policies and procedures described in this manual and training staff at Union and township level. FMU shall maintain a separate project accounting system for recording and reporting project expenditures.

At township level, project related accounting will be carried out by the DRD township financial staff. DRD finance staff shall facilitate public disclosure of financial information at township and village tract level.

Village tract forums shall form finance sub-committees to manage the block grant receipts and payments received by respective forums. A separate community financial management manual describes the policies and procedures for management of block grants at village tract level.

1.4 Use of the Manual

The manual is prepared for use by all levels of project implementation staff and consultants and any financing partners who may wish to participate in the Project. The manual will serve the following:

- a. Familiarizing stakeholders with CDD FM arrangements;
- b. Assisting accounting personnel of the CDD Project to be familiar with the planning, budgeting, accounting, internal control, auditing, and anti-corruption arrangements under the Project;
- c. Assisting in the induction and training of staff;
- d. Acting as a reference guide to resolve conflicts or misunderstandings which may arise from time to time during implementation of the Project;
- e. Ensuring that there is continuity of approached despite staff changes in FM; and
- f. Ensuring that there is consistency in FM approaches at all levels of implementation.

1.5 Objectives of the Manual

The objective of the manual is to outline the financial management framework and supporting conforming systems to key financial obligations underlying project implementation. The key financial obligations are: (a) an acceptable FM system is consistently maintained throughout implementation; (b) timely quarterly Interim Financial Reports (IFRs) are submitted; and (c) annual audited financial statements are submitted within the stipulated or agreed time frame.

1.6 Criteria for assessing compliance with the FMM

Proper financial management of the Project will have been achieved when at any point in time, through assessments or otherwise, implementing entities at all levels demonstrate responsibility and evidence showing that (a) financial resources allocated to block grants and other components of the Project are timely available for implementing project activities; (b) resources are applied strictly for intended purposes which due attention to economy and efficiency benefitting the intended communities; and (c) accurate and timely information and reports are available for management planning, decision making, and reporting purposes.

1.7 Revisions to FMM

The FMM is an integral part of the project operational manual and should be read in conjunction with the Grant Agreement, the IDA Emergency Project Paper, the Bank's Disbursement Letter, and any other guidelines and procedures issued by the Department of Rural Development or the Bank.

FMM is a living document which may need amendments from time to time to reflect implementation experiences and developments in best practice in project accounting. All users are encouraged to send recommendations for improvement of the Manual to the Project Senior Financial Officer. All amendments shall be proposed by the SFO and approved by the Project Director, with the concurrence of the Bank.

1.8 Structure of FMM

In addition to this introductory chapter, the Financial Management Manual consist of the following additional chapters.

Chapter 2- Planning and Budgeting for project implementation

Chapter 3- Accounting Policies and standards used for project accounting

Chapter 4- Bank Accounts and payment procedures.

Chapter 5- Disbursement arrangements including procedures for withdrawal of funds from the Grant.

Chapter 6- Financial Reporting

Chapter 7- Fixed Asset Control

Chapter 8- Auditing

Chapter 9- Travel and Transport

Chapter 10- Training, Workshops and Study Tours

Annex 1 – Organization and staffing

Annex 2 – Internal Control Processes

Annex 3- Chart of Accounts

Each chapter contains description of responsibilities, procedures to be followed and accounting forms and other supplementary records to be used in implementing the specified accounting procedures.

CHAPTER 2. PLANNING & BUDGETING

2.1 Introduction

Planning & budgeting is an essential management tool for financial control of project activities. Planning consist of preparation of operational strategic plan for project implementation to devising a tactical plan to implement the agreed strategies to achieve project objectives. Budgeting is a process of estimating the financial requirements and outcomes for the agreed plan and used for short-term management (usually annual) of the project implementation. Budgets are also essential for ensuring that adequate cash flows are available to carry out the project. The budget process facilitate management attention to set quantitative targets in physical and financial terms to monitor progress of project implementation and take corrective actions when unforeseen events affect project progress. Both planning and budgeting continues right throughout the life of the project.

For the CDD Project, overall planning parameters are set in the Emergency Project Paper which sets project objectives, key results targets and financial plans. A detailed annual budget is prepared to assist management in achieving the project objectives and shall consist of the following:

- Projections of block grant disbursements.
- Projections of contract awards/commitments for (i) Goods and services; and (ii) consultancy services.
- Projections of incremental operating costs.
- Projections of project expenditures analyzed by components and sub-components and activities in financial terms.
- Quantification of activities/outputs where feasible aligned to the financial projections.
- Projections of disbursement by World Bank disbursement category (as specified in the Grant Agreement).

The annual budgets shall be analyzed by quarter for effective monitoring of project implementation. The quarterly budgets will assist in measuring actual progress against plans quarterly, analyzing variations and taking corrective action.

2.2 Key Responsibilities

The Senior Finance Officer and staff shall be responsible for coordination of the preparation of the annual budget. However, the process should involve all operational managers under the direction of the Project Director (PD). At the Union level, managers assigned to individual components of the project shall make the initial projections of operational plans and financial requirements. At township level, the DRD official responsible for the township shall estimate the financial requirements for the township implementation. The SFO shall consolidate the overall project budget and present it to the approval of the Project Director. The budget is submitted to the World Bank for its approval.

The annual budget is approved by the Director General of the Ministry and submitted to the Budget Department of the Ministry of Finance and Revenue. The Budget Department and Ministry of National Planning and Development will review and approve the budget before submission to the Financial Commission of the parliament for final approval.

2.3 Budget Calendar

The Union Government of Myanmar fiscal year runs for 12 months from April of each year until March of the following year. The annual budget for the CDD project shall be prepared for each government fiscal year starting from Fiscal year 2013/14.

The following budget calendar is anticipated:

1. Issue of budget guidelines and instructions by SFO
2. Submission of budget request by departmental managers
3. Budget consolidation and approval of PD
4. Budget approval by the World Bank
5. Submission for approval of Director General
6. Submission to Budget Department of Ministry of Finance and Revenue
7. Approval by Parliament

2.4 Budget Preparation

The budget is prepared based on annual work programs and implementation schedules approved by the management. For the CDD project, estimates of number of townships, village tracts and villages expected to benefit from the project is agreed. Based on these, the work requirements for institutional support, and estimates of capacity development at union and township levels and village tract forums are made. In addition, activities to support Knowledge & Learning component shall also be prepared. The next step is to prepare a detailed procurement plan to support the above operational plans. Finally, financial estimates to carry out the above activities are prepared and integrated into a consolidated budget.

The budget shall be analyzed into monthly and quarterly periods. Monthly budgets are required to estimate cash requirements and ensure that sufficient cash is available. The quarterly budgets will assist in measuring actual progress against plans quarterly, analyzing variations and taking corrective action.

In order to understand the key dates at which project budgets need to be integrated with ministry budgets, it is necessary to be aware of the Government of Myanmar's budget calendar. As stated in the Financial Procedure of Ministries, Departments, State Enterprises, Development Committees and Organisations (Order No. 42/1986), published by Ministry of Planning and Finance, the budget calendar has the following phases:

1. Call for preparation of the budget plans by the Ministry of Finance –September
2. Preparation of the budget by the line ministry– September and October
3. Budget submitted to the Budget Department of the Ministry of Finance – Before 31stOctober
4. The Budget Department of the Ministry of Finance will verify the capital budget requirements of the plans of the Department of Planning under the Ministry of National Planning and Development – November
5. Budgets submitted to Finance Commission of Parliament – December to January
6. Budgets approved by Parliament – January to February
7. Budget revisions (supplementary budget) prepared – August
8. Budget revisions (supplementary budget) submitted to Parliament - November

2.5 Revision of Approved Budget

Even when the budgets are carefully prepared, there may be needs to revise the budget to adapt to changing circumstances. These revisions may require reallocations of budget categories within the approved budget envelop or seeking supplementary budget allocations due to exigencies of project implementation. In either case, CDD Secretariat will follow the government budget regulations for seeking approval of budget revisions. The proposed revisions shall also be submitted for World Bank approval.

2.6 Budget Execution

SFO is the designated budget administrator for the execution of the approved budget. Budget execution has several phases. The budget managers (operational managers) and budget administrator have specific roles in execution of budgets. Following the approval of the budget by parliament, CDD project has spending authority to implement the project using allocated resources. Following tasks and responsibilities are discharged by respective managers.

1. **Budget Commitment.** At this stage expenditure commitments are made by operational managers by signing a block grant agreement, purchase order, or a consultant contract. Commitment actions are usually initiated by the operational managers and executed by the procurement officer and approved by Project Director. These commitments shall be initiated following accounting procedures described under relevant sections in this manual. Commitments are not recorded in the accounting system but shall be entered in appropriate registers.
2. **Verification.** When block grant disbursement requests are received Block Grant Manager and Township manager verifies that all formalities are completed. For other goods or services, these shall be verified by the originator of the commitment and acceptance certificates issued. Work outputs are verified as complete or supply delivered in full.
3. **Payment Order.** Following receipt of verification of goods and services provided and accompanying supplier invoice, SFO processes payments in accordance with procedures described in this manual. For Block Grant, a disbursement request is issued by the Block Grant Manager.
4. **Cash Payment.** Checks or money transfer orders are issued in full payment of the authorized payment order by SFO.
5. **Accounting.** Transactions are recorded in the general ledger.

As cash basis is used for project accounting, there is a lag between commitment, receipt of supplier bills and actual payments. Budget reports only reflect actual payments and if there is a build-up of unpaid bills, it could distort budget management. SFO has the responsibility to constantly review the commitments and payments to ensure that all payments are made speedily and budget reports reflect actual expenditure.

2.7 Budget Control and Accountability

Transparency of project management is achieved through timely availability of understandable and accurate financial information by way budgets and actual progress reports to all stakeholders. In case of the CDD Project, this is achieved through preparation and wide dissemination of financial plans and progress reports. These reports are discussed in Chapter 6 below, and will meet the following objectives:

- Provide managers information on how well they are performing against plans and allow individual control of areas of their responsibility;
- Allow Project Director to monitor performance of the overall project and hold managers accountable for their actions;
- Ministry and World Bank to measure implementation progress against agreed plans.
- Provide stakeholders and beneficiaries with information to measure delivery of intended benefits to the rural poor.

Chapter 3. Accounting Policies, Standards and System

3.1 Basis of Accounting

The basis of accounting, accounting policies and standards used by the project must be stated in the annual financial statements.

The manual assumes that the project will use cash basis of accounting for all receipts and expenditures for budgeting, accounting and reporting. It assumes where subsidiary records of assets are kept, these are shown at cost and no depreciation is applied.

Project financial statements are expressed in Myanmar Kyat (MMK). The financial statements shall show sources of funds and expenditures and related financial information in relation to IDA fund withdrawals and disbursements from project designated accounts under IDA Grant No. H 814-MM.

Under the cash basis of accounting all sources of funds are recognized when actually received in project bank accounts. Expenditures are recognized when payment is made rather than when it is incurred.

Project assets (office equipment, furniture, vehicles, software etc.) procured are recognized as expenditure when cash is paid to the contractors or suppliers after respective acceptance and approval by project management. A register is maintained for all project assets.

3.2 Accounting System and Records

The Financial Management Unit (FMU) established at the Department of Rural Development shall be responsible for establishing and maintaining a financial management system for financial control of the Project. A computer based Project Accounting System shall be established in order to facilitate ease of record keeping and the production of monthly reports which will be used by the Government and the World Bank. The financial management system shall comprise of the following:

A General Ledger based on a Peachtree Accounting Software and a Chart of Accounts designed for the Project.

A number of supplementary records will need to be maintained in support of the computerized accounting systems as follows:

- Cash Book (for project bank account)
- Petty Cash Book
- Advance Register
- Grant Register
- Contract Register
- Assets and Inventory Register
- Withdrawal Application Register

The above records shall be an integral part of the accounting system but shall be maintained in spread sheet format to support the accounting records.

Administrative arrangements will be put in place to ensure that the following files are maintained in a manner that ensures ease of retrieving of documentation and access for review.

- Bank receipts files
- Bank payment files
- Bank reconciliation file
- Petty cash payment files
- Petty cash receipts files
- Petty cash reconciliation files
- Withdrawal Applications and related Statement of Expenditures/Summary Sheets
- Journal Voucher File
- Block Grant Agreement File

CHAPTER 4. BANK ACCOUNT& PAYMENT PROCEDURES

The Project requires establishment of two bank accounts designated Bank Account DA-A and Bank Account DA-B. Bank Account DA-A is used exclusively for disbursement of block grants. Bank Account DA-B shall be used for disbursement of Components 2, 3 and 4 of the Project. Two separate bank accounts shall be established denominated in Kyat with the Myanmar Central Bank.

4.1 Personnel Responsibilities

Senior Finance Officer (SFO) – Overall responsibility for management of bank accounts including approval of all payments and oversight of bank reconciliation.

Project Accountant 1 (PAC 1) – Maintain cash book and responsibility for posting of bank ledger, bank reconciliation and preparation of replenishment requests to World Bank.

Project Accountant 2 (PAC 2) – Responsible for cash receipts and preparation of payment vouchers and payment orders.

Finance Assistant- Responsible for maintaining petty cash and Petty Cash Book and related vouchers and documents

Authorized Signatory – Review all documents and approve of payment voucher and signing of checks and Money Transfer Orders (MTO).

4.2 Key Controls

- At least two authorized signatures should be nominated to sign checks/MTO.
- All checks should be printed and sequentially numbered.
- All Bank Payment Vouchers (BPV) shall be sequentially numbered.
- All Bank Receipt Vouchers (BRV) shall be sequentially numbered.
- All cash or checks received should be promptly banked.
- Bank reconciliation shall be carried out at least once a month.
- All payment of block grants shall be by check or MTO to the bank account of recipient Community Organization
- Only check and/or bank transfer is used to make payment to the contractors/suppliers/consultants. Thus contractors/suppliers are required to: (i) open bank accounts in the name of their companies, and/or (ii) accept checks.
- Cash and/or cash check withdrawal for payment to contractors/suppliers/ consultants are not allowed.

4.3 Bank Receipts

- When cash is credited to the Bank Account, a notification/credit advice should be received from the bank.
- A *Bank Receipt Voucher* should be completed by the PAC 1. The Bank Receipt Voucher, together with the credit advice /notification from the bank, should be forwarded to SFO for review and approval before they are recorded in the computerized accounting system.
- All Bank Receipt Vouchers should be sequentially numbered.
- Bank Receipt Vouchers, together with supporting documents, should be filed by the PAC 1 in a *Bank Receipts File* by yearly numerical order.

4.4 Bank Payments

- All payments should be made by check or MTO unless there is proper justification for payment in cash.
- *Bank Payment Voucher* should be prepared by Project Accountant and approved by authorized signatory.
- Supporting document to BPV shall include purchase order, suppliers invoice, goods receipts note and any other relevant documents. For consultant and other services, copies of service contracts, consultant's invoice, supporting invoices, and certification of work performed by the supervising officer.
- All Bank Payments Vouchers shall be sequentially numbered.
- Bank Payment Voucher, together with supporting documents will be reviewed by the SFO who will authorize issue of check/MTO.
- Authorized BPV will be submitted to PAC 1 for drawing up the check or MTO and shall be forwarded to an authorized signatory for payment approval.
- The above documents and signed checks will be returned to PAC 1 who will check the signatures and send the signed check to payee or submit MTO to the Bank. Supporting documents should be stamped "PAID" immediately after approval to ensure there is no duplication of payment.
- PAC 1 enters the BPV into the computerized accounting system daily.
- Bank Payment Vouchers and supporting documents, should be filed in *Bank Payment File* by monthly number order.

4.5 Bank Reconciliation

- Monthly Bank Reconciliation Statement is prepared by PAC and checked by SFO and submitted for approval of Project Director (PD). Bank Reconciliation is an important instrument for internal control of the financial management and it is prepared to compare the outstanding balance of the Cash Book and the Bank Statement.
- All reconciled items should be properly identified, explained and approved by an authorized person. The Bank Reconciliation Statement should be checked by the Accountant and then verified and signed by the Senior Financial Officer before sending to PD for approval.
- Bank Reconciliation Statement and respective bank statement and Cash Book, is filed in the *Month-End Report* by Accountant.

4.6 Payment by check or bank transfer- process chart

Step	Activity/Process	Responsibility	Documents	Remarks
1	Request for payment	Contractor/Supplier/ Consultant Block Grant Manager	Invoice Request for Block Grant Payment	Begin process Prepare BPV
2	Ensure necessary documents attached, Block Grant approval, contract/purchase order relevant to the payment	PAC2/SFO PO or Block Grant Manager	Supporting Documents	Prior to making payment, SFO has to check to ensure that appropriate procedures have been applied.
3	Forward for certification, endorsement and necessary approval	PAC2 PM/PD	BPV and Supporting Documents	PAC 2 should send necessary supporting documents to PD Authorize
4	Process payment following necessary approval	PAC 1	BPV Check/ MTO	Ensure necessary supporting documents are attached
5	Make payment to sub-grant beneficiary, contractor/supplier	PAC 1	BPV Check/ MTO	An official receipt from grant recipient, contractor/supplier must be obtained for all check payments.
6	Enter all payments into Cash Book and an appropriate ledger	PAC1 PF	Cash Book General Ledger	All transactions must be entered accurately

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

BANK RECEIPT VOUCHER

Voucher No.

Date

Received From

Amount

Amount in Words

Description

Account Code Debit

Account Code Credit

Prepared By

Approved By

Posted By

PAC 1

SFO

PAC2 or FA

**COMMUNITY DRIVEN DEVELOPMENT PROJECT
DEPARTMENT OF RURAL DEVELOPMENT**

Voucher No.

Date.....

Bank Payment Voucher

Payee Name _____

Amount Paid _____

Bank Account _____

Description	Expenditure Type	Account Code	Amount
-------------	------------------	--------------	--------

Total

Prepared By

PAC 2

Checked By

PAC 1

Approved By

SFO

Posted By

FA

4.7 Block Grant Payment Procedures

4.7.1 Overview

The largest component of the Project is provision of block grants to rural communities for investment in community level infrastructure and services. Block grants will be allocated through a participatory planning process to community organizations at village tract level in 15 selected townships. The process of organizing communities, development planning by the selected communities, block grant application and approval process is described in the Project Operational Manual. The following sections describe the financial management procedures for disbursement of block grants.

4.7.2 Disbursement of block grants

The disbursement of block grants shall be carried out by the National Office directly to the bank account of the beneficiary village tract forum. Following are the activities that need to be completed before submitting a Request for Block Grant Form.

- A village tract forum is formed in accordance with the Operational Manual and a Finance Subcommittee is appointed.
- All members of the village tract forum have received training and members of the Finance Subcommittee have received additional training.
- A village tract development plan is prepared and approved by township aid management subcommittee.
- The village tract forum has opened a bank account.
- The DRDTownship CDD Project Manager issues a confirmation form to village tract forum confirming that all the above activities are completed.

Following confirmation of the eligibility of the village tract forum, a Block Grant Agreement is signed between the village tract forum and the CDD Project.

A Request for Block Grant Disbursement is prepared by the village tract forum and forwarded to the Block Grant Manager in the National Office through the Township Office. On receipt of the Request for Block Grant, the following activities are carried out;

- The Block Grant Manager reviews all documentation and certify the application for payment. The Application is submitted to PAC 1 for processing.
- PAC 1 reviews all documentation and prepares a BPV and submit for approval of SFO.
- Following SFO approval a Money Transfer Order is prepared and submitted to the Bank Account-A for transfer of funds directly to the account of the village tract forum.
- Payment is recorded in the general ledger by posting the BPV
- Payment advice is sent to Block Grant Manager who will enter the Block Grant Register.

4.7.3 Unspent / Unused block grants

Each VTPSC should plan for the full use of the annual block grant allocation in its village tract development plan. At the end of each project cycle, the finance unit at the Union Level will prepare a register of unspent / unused block grants from the Cycle Completion Financial Report (Form 11)to determinethe amount of funds that can be carried forward to next year's grant allocation available for VTPSC.

At the end of each annual cycle, the VTPSC may use unspent/unused block grant amounts in one or more ways:

- For equipment or furniture needed to operate sub-projects
- Financing another sub-project
- Carrying the amount forward from the first to the second cycle and from the second to the third cycle.
- Adding up to 5 percent of the final annual block grant allocation to the operations and maintenance fund for the sub-projects.

In the final year of the operation in a village tract, the VTPSC needs to select the highest priority sub-project in the village tract development plan that can be funded with the block grants.

Before the closing date of the project, VTPSC must take all the steps to utilize the remaining funds / resources on eligible expenses related to the sub-projects by following all the approved procedures.

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

Block Grant Disbursement Request

Township Name..... Village Tract NameVillage Name.....

Township Reference # Village Tract Reference #: Village Reference #:

Sub-project Name.....Sub-Project Reference Number:

Date Training Completed

DateVillage Tract Development Plan Received

Bank Account Detail

Name of Account

Account No

Name of Bank

Address of Bank

.....

Names of Authorized Signatories

.....

.....

Confirmation that No Complaints Received: Y/N

Date Grant Agreement Signed.....

(Attach: Copy of Sub-Project Grant Agreement)

Head of FSC

Head of VTPSC

Signature& date

Signature & date

-----**(for DRD use)**-----

Certified by DRD township

**Certified by DRD Union
Block Grant Manager**

**Certified payment made by
DRD FM officer**

Signature& date

Signature& date

Signature& date

Date disbursed:

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

Block Grant Register

Reference	Township	Village Tract	Amount Approved	Amount Disbursed	Date Disbursed	BPV Reference
Date	No.					

4.8 Payment for Goods and Services

Purchase of goods and services shall be carried out in accordance with the Procurement Procedures described in the Financing Agreement and the Project Procurement Manual. The procurement staff in the Project Management Team are responsible for carrying out the procurement activities. All documentation relating to procurement such as Invitation to Bid, bid submissions, bid evaluation reports and award of bids are maintained by the Procurement Unit. When contracts are signed following bid award, a copy of the contract is submitted to Finance Unit for their records.

In case of procurement that requires World Bank prior approval, letter of no objection from the World Bank shall be sought before the award of contract and copy of the letter be included in the contract documents.

4.8.1 Procurement of Goods and Services

- Procurement procedures are commenced by a designated Procurement Officer. The procurement process is summarized on the *Procurement Evaluation Report*.
- Following selection of a supplier for goods, a Contract is signed between the Project and the supplier or a *Purchase Order (PO)* is prepared by the person in charge of procurement. A copy of contract or PO is submitted to SFO.
- International and National consultants are recruited in accordance with agreed procurement guidelines specified in the grant agreement.
- On award of contracts to consultants, a copy of the contract and TOR should be submitted by the Procurement Officer to the Senior Financial Officer.
- On receipt of the contract PAC 2 shall enter details of the Contract Register. An individual sheet must be maintained for each contract in the Contracts Register.
- Where contracts require World Bank no objection, Contract Register is recorded when a letter of no objection is received from the World Bank.
- Contract Register shall be updated regularly for payments and any variations approved and signed with the contractor.

4.8.2 Payment for Goods

- On receipt of the goods purchased, a *Purchase Receipt (PR)* should be prepared by the receiver of the goods.
- On receipt of invoice from supplier a Payment Request is prepared by the Purchase Authorizing Officer attaching the PO, PR and Invoice.
- Project Accountant (PAC2) shall prepare a Bank Payment Voucher in accordance with bank payment procedures. (Described under Bank Account Procedures).
- All purchasing documents such as purchase request, purchase order, purchase receipt and purchase invoice shall be filed by PAC2 with the related Bank Payment Voucher.
- For minor purchases paid out of petty cash, a supplier invoice should be presented and filed with the Petty Cash Payment Voucher.

4.8.3 Payment to Consultants

- Request for payment is initiated by the consultant. Request should indicate separately the fee and reimbursed expenditure such as per diem, travel and other agreed expenses.

- The supervising officer of the consultant shall certify that the work is completed by the consultant as per TOR and the contract.
- All documents and a Payment Request is submitted to the Project Director for approval.
- Request for payment and PD approval shall be submitted to SFO.
- SFO shall review all request for payments against original contract and then PAC2 shall prepare Bank Payment Voucher.
- All payment shall be by check drawn in the name of consultant or direct transfer to consultant bank account.

4.8.4 Payment to Consultants (Firms)

- The Project will employ consulting firms that may have multi-year contracts. Payments to consulting firms are usually made based on monthly billing by the consulting firm.
- A copy of the contract shall be submitted SFO including a schedule of fee payments and reimbursable expenditure.
- Consulting firm is required to submit a monthly bill which shall include (i) Time sheets from all consultants working on the Project and (ii) supporting documents for reimbursable expenditure.
- PAC 2 shall carry out a check of all items in the monthly bill against the relevant schedules in the consultant contract. The check should ensure that the time billed and rates used are the same as in the original contract.
- PAC 2 shall prepare a Contract Progress Payment Certificate with all supporting documents for approval of the Senior Finance Officer and Project Director.
- Following approval of Project Director a Direct Payment Request is prepared for submission to the World Bank if the amount of payment exceed US\$ 50,000.
- If the payment to consulting firm is below US\$ 50,000 or the firm is a national firm paid locally, a Bank Payment Voucher is prepared in accordance with Bank Account Procedures.

4.8.5 Payment of Incremental Operating Costs (IOC)

IOC is budgeted for each unit, Union and township level and will consist of several items of expenditure. All IOC budgets shall be reviewed and approved by SFO. Wherever possible, goods and services for IOC shall be procured through appropriate procurement methods.

For staff Travel, per diem and accommodation reimbursement staff shall be based on actual receipted expenditures. Only a per diem is allowed for meals at the rate of MMK 10,000 per person per day when travel outside the duty station is involved. All official travel shall be undertaken after proper authorization. Any travel advance is made directly to the traveler who shall sign for the receipt of funds and settle the advance when travel is completed.

Community Driven Development Project

Department of Rural Development

Contract Register

Name of Supplier/Contractor.....

Address

.....

Date of Contract..... Contract No.

Contract Amount.

World Bank NOL Required Yes/No Date NOL Received.....

Date Started Date Completed

General Ledger Account

Reference	Description	Invoice Amount ¹	Progress Payments	Advance Payment ²	Retention ³	G/L Post
Date	No		Date	Amount ⁴	Contract Balance	

¹ Invoice amount by supplier/contractor before deduction of advance payment and/or retention

² Deduction to recover advance payment

³ Deduction for Retention as per contract

⁴Net Payment to supplier/contractor after deductions.

Community Driven Development Project

Department of Rural Development

Contract Progress Payment Certificate

Contract Number:

Description of Contract:

Name of Contractor and Address:

Description of Invoice:

Invoice amount

Description	Total - MMK 100% IDA
Invoice Number:	
Invoice Date:	
Approved Invoice Value (A)	
Less:	
i) Recovery of advance payment (XX% of A) (B)	-
Sub-total A-B (C)	-
Less:	
ii) Retention (XX% of A) (D)	
iii) Other deductions (E)	-
Amount Payable for this invoice C-D-E	
Previous Payments on Contract	
(Detail Invoice No and dates	
Total Payments - (Including this payment)	
Total Contract Amount	
Contract Balance Payable	

Statement

I verify that the invoice attached to this document, and detailed above, is justifiable and amounts noted above are due. The services described in the contract have been provided and the progress payment requested by the contractor is due at this time under the terms of the contract

Prepared By:

Checked By

Approved By

PAC 2

PAC 1

SFO

4.9 Cash Advances

Cash advance shall be authorized for the purpose of travel and training workshop only and that the cash advances are liquidated within a limited time period.

The following guidelines apply to all cash advances:

- Cash advances must be approved by properly delegated officers.
- A cash advance register must be maintained for all cash advances.
- Cash advance application must indicate completion date of activity (travel, seminar or workshop)
- All advances must be liquidated within a specified date of activity completion date.
- Cash advances must not be made to project personnel or agencies which have previously un-cleared cash advance.
- Under no circumstances multiple advances be made to the same person.

4.9.1 Cash Advance Request

- The person seeking cash advance prepares a *Cash Advance Request*, and has it approved by Project Director or authorized officer, then submit it to the Project Accountant (PAC2) for review and execute the payment.
- *Bank Payment Voucher* or *Petty Cash Payment Voucher* is prepared by PAC2 and approved by the SFO/PD.
- Cash advance may be provided by either issuing a check (to the recipient) or if the advance is below MMK 200,000 from petty cash.
- The Requester signs *Bank Payment Voucher* or *Petty Cash Payment Voucher* upon receipt of cash.
- Payment is recorded in the computerized accounting system/Cash Book/Petty Cash Book. An advance clearing account should be created in the general ledger. A subsidiary ledger account should be opened for each advance.
- The total advance to each individual is recorded in the *Advance Register* in order to control all advances.
- Cash Advance Form and Bank Payment Vouchers/Petty Cash Payment Vouchers are filed in the Bank Payment File/Petty Cash Payment File.
- A copy of the Cash Advance Form and BPV or PCPV should be filed separately in the Outstanding Cash Advance File.

4.9.2 Liquidation of Cash Advance

- Advance shall be liquidated within 10 working days of completion of travel or 10 working days of completion on workshops or seminars.
- The recipient of an advance provides a statement of expenditures detailing all payments made, supported by original invoices or expenses receipts.

- Project Accountant prepares *Reconciliation of Amount Advanced Form* and ensures that all payments are supported by original and valid documents, then, submit them for approval of the authorized officer. After this approval, the following activities should be carried out:
 - If the amount expenditure is equal to the cash advance, Liquidation of Amount Advanced Form (LAA) with supporting documents will be issued for recording the general ledger.
 - If the amount advanced is different of the total expenditures incurred, the following procedure will be applied:
 - If total expense is greater than the advance, additional Bank Payment Voucher/Petty Cash Payment Voucher should be prepared for reimbursing the Recipient, then, he/she should sign on the Voucher to confirm that cash has been received. LAA and BPV will be passed to record the general ledger. PCPV will be recorded in PCB;
 - If total expense is less than the advance, Receipt Voucher should be prepared to return remaining cash back to the project. LAA and Cash Receipt Voucher will be passed on to record GL or PCB.
 - Update the Advance Register; and
 - Enter all related transactions into the Computerized Accounting System and Cash Book/Petty Cash Book.
- When advance is cleared, the copy of the Cash Advance Form and appropriate vouchers will be pulled out to be attached with the Liquidation of Amount Advanced Form.

4.9.3 Monthly Reconciliation

- At end of each month the balance in the advance clearing account should be reconciled with Advance Register. The total amount on the Advance Register can be cross checked with the Cash Advance Forms in the Outstanding Advance File.
- List of advances outstanding for more than 10 working days after completion of activities should be reported to the Senior Financial Officer.
- At the end of every month, the SFO shall review the total of the outstanding advance in the Advance Register. SFO should immediately take necessary actions to recover advances outstanding over 10 working days from completion date of activity.

4.9.4 Cash Advance Process Chart

Step	Procedure	Documentation	Responsibility
1	Request for Advance is completed by the Applicant and submitted to the SFO.	Request for Advance (RFA)	Applicant
2	RFA is reviewed by SFO and approved by Project Director or authorized officer	RFA	SFO PD
3	Bank Payment Voucher or Petty Cash Payment Voucher is prepared by the PAC2 and appropriately approved and signed.	BPV/PCPV	PAC2
4	Issue check or cash from petty cash to recipient and have recipient sign for receipt of cash.	BPV/PCPV	PAC1
5	Details of advances are recorded in ledger and Advance Register	Cash Book Petty Cash Book General Ledger Advance Register	PAC1
6	To liquidate the advance the applicant must complete a Reconciliation of the Amount Advanced along with full documentation of expenditures incurred from advances	Liquidation of Amount Advanced (LAA)	Applicant
7	LAA is reviewed by SFO and approved by Project Director. Advance Register is updated. If actual expenditure is more than advance, payment of balance made to recipient. If amount less recipient refund the balance.	CB/PCB Advance Register General Ledger	PAC1 PFO PD/PPM

Abbreviations

LAA Liquidation of Advance Form
 BPV Bank Payment Voucher
 PCPV Petty Cash Payment Voucher
 SFO Senior Finance Officer
 PAC Project Accountant
 PD Project Director

COOMUNITY DRIVEN DEVELOPMENT PROJECT
DEPARTMENT OF RURAL DEVELOPMENT

RA No.....

Date.....

Cash Advance Request Form

Name of Requestor.....Position.....

Purpose of Advance.....

Duration of Activity & Completion Date.....

Amount of Advance.....

Amount in Advance in words.....

Details of Expenses

Description	Expenditure Type	Amount	Remarks
--------------------	-------------------------	---------------	----------------

Total

Applicant	Checked by PAC 1	Approved by SFO
-----------	---------------------	--------------------

COMMUNITY DRIVEN DEVELOPMENT PROJECT
DEPARTMENT OF RURAL DEVELOPMENT

Settling of Cash Advance Form

LAA No.....

Date.....

Name of Recipient.....

1. Amount Advanced

Date..... RA No..... BPV No..... _____

2. Actual Expenses (Attach copies of invoices)

Date	Invoice No	Description	Amount
-------------	-------------------	--------------------	---------------

3. If total in 1 is more than 2 Amount to be returned _____

4. If total in 1 is less than 2 Amount to be reimbursed to recipient _____

Recipient

Checked By

Approved By

PAC 1

SFO

Note:

Bank Receipt Voucher No. (for amount in 3)

Bank Payment Voucher No, (for amount in 4)

CASH ADVANCE REGISTER

RA No	Payment Voucher		Amount Advance	Settling of Advance						Balance
	No	Date		LAA No	Date	Amount	Amount Returned ¹	BR No	Amount Reimbursed ²	

1. Amount in LAA is less than the amount advanced.
 2. Amount in LAA is greater than amount advanced

Prepared By

Checked By

Approved By

FA

PAC 2

SFO

4.10 Petty Cash Procedures

4.10.1 Overview

Petty Cash Float is an amount of project funds held in cash by an authorized person for payment of minor expenses. Petty Cash is held both at National Accounts Office and at each of the Township accounts offices.

National Office Petty Cash Float of MKK 1,000,000 (one million Kyat) shall be held and individual payments shall not exceed K 200,000.

Township Office Petty Cash Float of K 500,000 (five hundred thousand Kyat) shall be held and individual payments shall not exceed K 100,000

The above limits can be varied on the recommendation of the Senior Finance Officer approved by Project Director.

4.10.2 Custody

Custody of Petty Cash shall be assigned to an accounting officer who shall be responsible for holding the Petty Cash Box. The safety box shall be locked and stored in a safe place where only the authorized accounting officer has access to it.

National Office: Accounts assistant shall be responsible for maintaining the Petty Cash Book and making petty cash payments.

Township Office: Accounts assistant shall be appointed from among township account staff for maintaining Petty Cash Book and making petty cash payments.

4.10.3 Key Controls

- Petty Cash Payments shall be approved by an authorized officer.

At National Office the Office Manager is authorized to approve petty cash payments.

At Township Office Township Project Manager or a designated officer is authorized to approve payments.

- There must be segregation of duties between person approving payment and the account officer who is the custodian of petty cash
- Standard forms shall be used for recording approvals and payments
- Petty Cash Book must be posted Daily
- Reconciliation of Petty Cash Book with the actual balance of the petty cash book carried out by PAC 1 (National Office) or Township Accountant (Township Office) at the end of each month.
- Irregular cash counts and reconciliation with the petty cash book carried out by an independent person from time to time and any discrepancies explained and reported.

4.10.4 Use of Petty Cash

Petty Cash is used to cover minor expenses and for emergency situations. Wherever possible payment must be made by check. However, when the expense amount does not warrant a preparation of a check petty cash is used. Following are examples of expenses:

Travel per diem

Vehicle or motorbike fuel

Office supplies, stationery

Office maintenance

Other miscellaneous small cash expenses

4.10.5 Opening of Petty Cash

National Office: A Cash Advance Request is prepared for the amount of the petty cash float. The Cash Advance Request shall be supported by a letter approving the Petty Cash Float and naming the officials responsible for approving payments and custodian of the cash box. Funds are withdrawn from the Bank Account B

Township Office: A Cash Advance Request is prepared for the amount of the petty cash float. The Cash Advance Request shall be supported by a letter approving the Petty Cash Float and naming the officials responsible for approving payments and custodian of the cash box. Funds are withdrawn from the Township Bank Account.

4.10.6 Petty Cash Payments

- On production of an original receipt or invoice, a *Petty Cash Payment Voucher (PCPV)* is prepared by assigned officer (other than petty cash custodian)
- All PCPV will be sequentially numbered
- PCPV must be approved by an authorized officer of National or Township Office before payment is made.
- The approved voucher will then be returned to Accounts Assistant (AA) in charge for petty cash payments. The voucher and the supporting documents will be stamped "PAID" to avoid duplicable payment.
- Upon settlement of claims, the recipient will sign on the voucher as confirmation for receipt of cash payment.
- Details will then be entered by AA into the manual Petty Cash Book (PCB).
- Petty Cash Book indicates transaction date, brief description of transaction, voucher reference number and amount withdrawn or deposited, and the balance.
- PCPV, together with supporting documents, should be filed by AA of National/Township Office in a Petty Cash Payment File by monthly number order.
- When travel advances are made from petty cash, the amount advanced is recorded in the PCB and entered in a separate travel advance register. When the traveler settles the travel advance by submitting actual expenditure receipts, any funds refunded are credited to PCB or any additional expenses above the advance is repaid to traveler and PCB credited. Advance register should be cleared.

4.10.7 Petty Cash Replenishment

- Replenishment of petty cash advance should be made when balance of petty cash falls to around 1/5th of the initial advance ceiling.
- Application for Replenishment of petty cash must be prepared by the Custodian of the petty cash for National/Township Offices.
- The respective officer responsible reviews the Petty Cash Book, checks the balance of advance and prepares a Bank Payment Voucher for replenishment of petty cash. BPV is checked by SFO for National Office and designated manager for Township Office.
- The Bank Payment Voucher is approved by the authorized officer and a check drawn for the replenishment amount.
- AA will cash the check at the bank, issue Cash Receipt Voucher and enter the amount in the Petty Cash Book.
- Petty cash replenishment BPV should be used to post petty cash expenses to the relevant general ledger accounts.

4.10.8 Petty Cash Reconciliation

- In every month-end, petty cash advance must be regularly reconciled with petty cash count balance. A *Cash Count Sheet* should be prepared at the end of each month.
- The custodian of petty cash funds is responsible for conducting the cash count which should be observed by the Project Accountant.
- This cash count sheet should be reconciled with the balance on the manual Petty Cash Book.
- Any discrepancy between cash balance counted and balance per Petty Cash Book must be investigated immediately and reported to the PD or Township Project Manager.
- The PFO shall designate an officer from the National Office to conduct a surprise cash count. At least one surprise cash count should be carried out each month.
- In addition to the periodic petty cash reconciliation which is prepared to support replenishment request, month-end petty cash reconciliation should also be prepared by the petty cash custodian, checked and approved by officer responsible.
- A Petty Cash Reconciliation and Cash Count Sheet are filed together with Petty Cash Book in the Month-End Reports.

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

PETTY CASH BOOK

For the Month of

Date	Description	Voucher No	Debit	Credit	Balance
-------------	--------------------	-----------------------	--------------	---------------	----------------

Prepared By

PAC 2

Checked By

PAC 1

Approved By

SFO

COMMUNITY DRIVEN DEVELOPMENT PROJECT
DEPARTMENT OF RURAL DEVELOPMENT

Petty Cash Payment Voucher

Voucher No.....

Date.....

Description	Account Code	Amount
--------------------	---------------------	---------------

Prepared By	Checked By	Approved By	Posted By
PAC 2	PAC 1	SFO	FA

I confirm receipt of cash

Signed by

Date

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

Petty Cash Receipt Voucher

Voucher No.....

Date.....

Cash Received From

Amount.....

Amount in Words.....

Prepared by

Checked By

Approved By

Posted by

PAC 2

PAC 1

SFO

FA

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

Petty Cash Replenishment Request

Petty Cash Float

Balance in Petty Cash Box as of

Replenishment Requested

Prepared by	Checked By	Approved By
PAC 2	PAC 1	SFO

Bank Payment Voucher No. Date

Cash Received By Date

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

Cash Count Sheet

No.....

Date.....

Currency Coin/Note	Denomination	Quantity	Amount
Pya Coin	1		
	10		
	25		
	50		
Kyat Coin	1		
Total Coins			
Kyat Note	1		
	5		
	10		
	25		
	50		
	100		
	200		
	500		
	1000		
	5000		
10000			

Total Notes

Total in Cash Box

Cash Counted By

Cash Count Observed By

Approved By

Petty Cashier

PAC 1

SFO

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

Petty Cash Reconciliation

Date.....

Petty Cash Book Balance

Cash Count Sheet Balance

Difference (if Any)

Reason for Difference.....

.....

.....

Prepared By

PAC 2

Checked By

PAC 1

Approved By

SFO

4.12 Township Bank Account Procedures

DRD staff at township level is responsible for project implementation within their area. To facilitate payment of incremental operating costs, a bank account shall be opened at each township. When a bank account is opened at township level, the Project Director shall appoint the following officers to manage and be responsible for the bank account.

Township Project Manager (TPM) to be responsible for overall management of bank account and authorizing all payments from the account.

Township Accountant (TAC) to be responsible for maintaining accounts and records and the Cash Book. Preparation of replenishment requests and bank reconciliation.

An account assistant (AA) to be responsible for preparation of bank payment vouchers and obtaining necessary supporting documents and approvals.

4.12.1 Bank Receipts

Funds are transferred from the National Office Account to the credit of the township Bank Account. The Bank shall issue a credit advice. TAC shall prepare a Bank Receipt Voucher for the amount received and enter the Cash Book.

For all other cash received AA shall issue a Bank Receipt Voucher and promptly bank the cash. The amount banked shall be entered in the Cash Book.

All Bank Receipt Vouchers shall be filed in the number date order.

4.12.2 Bank Payments

Township Bank Account is used to pay project related incremental operating costs incurred at the township level. These expenses should be included in the approved annual budget for the township. These may include, for example, vehicle and motorbike fuel, maintenance, staff per diem and transport, office supplies and training and workshop costs.

The following procedures shall be followed:

- All payments should be made by check unless there is proper justification for payment in cash.
- *Bank Payment Voucher* should be prepared by Assistant Accountant and approved by authorized signatory.
- Supporting document to BPV should include purchase order, suppliers invoice, goods receipts note and any other documents.
- All Bank Payments Vouchers should be sequentially numbered.
- Bank Payment Voucher, together with supporting documents will be reviewed by the Township Accountant who will issue a check.
- Authorized signatory shall sign the check.
- Check is issued to the payee who shall sign for receipt of funds.
- Supporting documents should be stamped "PAID" immediately after approval to ensure there is no duplication of payment
- Accountant enters the details of *Bank Payment Voucher* in the Cash Book daily

- Bank Payment Vouchers and supporting documents should be filed in *Bank Payment File* by monthly number order.

4.12.3 Replenishment of Township Bank Account

- Township Account shall have an agreed deposit which will be made as the initial deposit when opening the account.
- When the balance in the account is equal to half the initial deposit or at month end, whichever comes early, the Township Accountant shall prepare a Replenishment Request to be submitted to the Finance Officer in the National Office.
- The Replenishment Request shall list all expenditures by BPV and shall be approved by the Township Project Officer.
- The Replenishment Request shall be accompanied by a bank reconciliation statement showing the balance in the bank account as per Cash Book and Bank.

4.12.4 Bank Reconciliation

- The Township Accountant prepares a Bank Reconciliation at the end of each month. The reconciliation statement should include a copy of the Cash Book for the month and the Bank Statement for the month.
- The Reconciliation Statement is reviewed and approved by the Township Project Officer
- The Reconciliation Statement and the supporting documents are submitted to Senior Finance Officer.
- SFO reviews the reconciliation statement and approves posting of ledger accounts.

4.12.5 Accounting for Township Expenditure

When advances are made to Township Bank Account, these shall be treated as a Cash Advance and appropriate General Ledger Accounts are posted.

When Township submits the month end Bank statement and a bank reconciliation, a complete copy of the Township Bank Account shall be attached. Based on this copy Township Cash Book, General Ledger entries are posted clearing the cash advance account. The balance in the cash advance account at month end should be the same as the balance in the Township cash book and should be reconciled.

COMMUNITY DRIVEN DEVELOPMENT PROJECT

REGION/STATE

TOWNSHIP NAME

Bank Account No

BANK RECEIPT VOUCHER

Voucher No.

Date

Received From

Amount

Amount in Words

Description

Prepared By

Approved By

Posted By

TAC

TPM

AA

COMMUNITY DRIVEN DEVELOPMENT PROJECT

REGION/STATE

TOWNSHIP NAME

Voucher No.

Date.....

Bank Payment Voucher

Payee Name _____

Amount Paid _____

Bank Account No _____

Description	Expenditure Type	Account Code	Amount
-------------	------------------	--------------	--------

Total

Prepared By

AA

Checked By

TAC

Approved By

TPM

Posted By

AA

Funds Received By Name

Signature

Date

COMMUNITY DRIVEN DEVELOPMENT PROJECT

REGION/STATE

TOWNSHIP NAME

CASH BOOK

Date	Description	Voucher No	Account Code	Debit	Credit	Balance
	Balance B/F					

Prepared By

AA

Checked By

TAC

Approved By

TPM

COMMUNITY DRIVEN DEVELOPMENT PROJECT

TOWNSHIP NAME

BANK RECONCILIATION STATEMENT

For the Month Ending

- 1. Balance per Bank statement date
- 2. Less Unrepresented Checks

Chq No. Amount

Total

- 3. Add Deposits in Transit

- 4. Adjusted Balance (1 – 2 + 3)
- Less Bank Charges not Posted to Cash Book
- 5. Balance per Cash Book

Prepared By

Checked By

Approved By

AA

TAC

TPM

COMMUNITY DRIVEN DEVELOPMENT PROJECT

TOWNSHIP NAME

Bank Replenishment No.....

BANK REPLENISHMENT REQUEST

Date of Request.....

No	DESCRIPTION	AMOUNT
1	Amount of Initial Deposit	
2	Replenishment Claim No Not Yet Received	
3	Balance per Cash Book	
4	Replenishment Claimed in this Request	

Note. At end of each month, attach Bank Reconciliation Statement and Summary of Receipts and Payments as of Cash Book.

Prepared by

AA

Checked By

TAC

Approved By

TPM

For Union Office Use

Bank Transfer BPV No.

Date

Reviewed By

PAC 1

Approved By SFO

Posted By

FA

CHAPTER 5. DISBURSEMENT ARRANGEMENTS

The account for depositing World Bank (WB) funds shall be called the Designated Account (DA). Two Designated Accounts shall be opened in the Myanmar Central Bank and will be under the control of the Project Director. DA named A shall be used exclusively for disbursement of Block Grants. DA named B shall be used for payment of all other expenses (Components 2, 3, and 4) related to the Project.

DRD shall nominate at least two authorized signatories for each DA. Names of authorized signatories and their specimen signatures shall be submitted to WB. The nominated officials shall sign all applications for withdrawal of funds from the Grant. If the authorized signatories change during the life of the project, DRD shall promptly notify the Bank with signatures of authorized signatories currently in WB records.

5.1 Withdrawal of Funds from World Bank Grant Account

Funds from the Grant Account are transferred to the DA at the request of the Project. Following methods are used:

- Advance. An initial advance is made to a Designated Account established for the purpose. When eligible expenditures are paid out of a DA, a request for replenishment is submitted periodically.
- Reimbursement. When project expenditures are pre-financed by the Government, a request for reimbursement is submitted
- Direct Payment. This method is used when large payments are made and the World Bank is requested to pay the supplier or contractors directly from the Grant Account.
- Special Commitment. This method is used for payments to third parties by the World Bank for the cost of project expenditures. (This method is unlikely to be used for the CDD Project)

5.1.1 Initial Advance

On Grant effectiveness, Project Finance Officers shall prepare a withdrawal application (WA Form 2380) for the initial advance for an amount based on the forecast of expenses for two quarters and submit to WB. All withdrawal applications shall be sequentially numbered, starting WA 001 for the initial application. Two series of sequential WA numbers shall be used for DA-A and DA-B.

5.1.2 Reporting on the use of Financing Proceeds

Replenishment withdrawal applications shall be submitted in accordance with the instructions in the Disbursement Letter issued by WB. On a quarterly basis, eligible expenditures paid from the designated accounts need to be reported.

Replenishment Was shall be numbered sequentially (starting No.002) and supporting documents should be provided with each application for withdrawal as set out below:

- For requests for Reimbursement:
 - Customized Statement of Expenditure in the form attached (Attachment 4 of Disbursement Letter) for all expenditures under Part A of the Project.
 - Statement of Expenditure in the form attached (Attachment 5 of the Disbursement Letter) for all expenditures/contracts not subject to the Association's prior review under Parts B, C and D of the Project.
 - List of payments against contracts in the form attached (Attachment 6 of the Disbursement Letter), together with Records evidencing eligible expenditures (e.g., copies

of receipts, supplier invoices) for all contracts subject to the Association's prior review as indicated in the Financing Agreement.

- For reporting Eligible Expenditures paid from the Designated Accounts:
 - Customized Statement of Expenditure in the form attached (Attachment 4 of the Disbursement Letter) for all expenditures under Part A of the Project.
 - Statement of Expenditure in the form attached (Attachment 5 of the Disbursement Letter) for all expenditures contracts not subject to the Association's prior review under Parts B, C and D of the Project.
 - List of payments against contracts in the form attached (Attachment 6 the Disbursement Letter), together with Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for all contracts subject to the Association's prior review as indicated in the Financing Agreement.
 - DA Reconciliation Statement (Attachment 7 of the Disbursement Letter) and bank account statements.
 - Forecast for two quarters as provided in the quarterly Interim Financial Report
- For requests for Direct Payment:
 - Records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.

For Designated Account A

Withdrawal applications are submitted for replenishment of Designated Account A with the following supporting documents:

- Customized Statement of Expenditure
- Statement of Expenditures (SOE) listing all block grant disbursement to beneficiaries during the period covered by the application
- Bank Statements and Designated Account Reconciliation Statement.
- Other supporting documentation, if required.

Project is authorized to disburse block grants out of DA-A subject to approval procedures (see above Section 4.7). All documentation supporting block grant approval and disbursement are maintained in the project office. The customized SOE will summarize the details of payments during a stated period. The Withdrawal Application and the SOE shall be signed by the authorized signatory.

Replenishment WA shall be recorded in the Withdrawal Application Register.

On receipt of advice of deposit of replenishment, PAC1 shall post the appropriate accounting entries.

For Designated Account B

Withdrawal Applications are submitted for replenishment of Designated Account B with the following supporting documentation:

- Summary Sheet for payments against subject to Bank's prior review
- SOE for payments against contracts not subject to Bank's prior review
- Bank statements and Designated Account Reconciliation Statement

- Other supporting documentation, if required.

The statement of expenditures shall list all eligible expenditures incurred during a stated period. For clarity, these shall be categorized by main expenditure categories; (a) Goods; (b) Consulting Services; (c) Training & Workshops; and (d) Incremental Operating Costs.

For payments against contract subject to Bank prior review, full documentation shall be attached to the SOE.

For payments against contracts not subject to Bank prior review, supporting documentation is retained in the project office.

Withdrawal Application and SOEs shall be signed by authorized signatory.

Replenishment WA shall be recorded in the Withdrawal Register.

On receipt of advice of deposit of replenishment, PAC1 shall post the appropriate accounting entries.

Community Driven Development Project

Statement of Expenditure (SOE)

Block Grant Part A of Project

Payments made during the period from

to

Date

Disbursement Category

Application No.

Grant No

SOE No

1	2	3	4	5	6	7	8	9
Item No	Name of Township	Name of Village Tract	Grant Reference	Payment Amount transferred to Beneficiary	Eligible % for financing	Eligible for financing from IDA	Date Paid from DA-A	Amount Debited from DA-A

Supporting documents enclosed

Community Driven Development Project

Statement of Expenditure (SOE)

Payments made during the period from _____ to _____ Date _____
 For Expenditure against contracts not subject to Bank prior review Application No _____
 Disbursement Category 2 Grant No. _____
 Expense Category SOE No _____

1	2	3	4	5	6	7	8	9
Item No	Name of Supplier	Currency & total amount of Contract	Currency & total amount of invoice covered by application	Eligible % from Legal Agreement	Amount eligible for financing	Currency & amount pad from DA-B	Exchange Rate	Remarks

Supporting documents for SOE retained at

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

Withdrawal Application Register

Bank Account

Application No	Date	Amount Applied MMK	Amount Paid MMK	Amount Paid in USD	Remarks
---------------------------	-------------	-----------------------------------	----------------------------	-------------------------------	----------------

Prepare By

PAC 2

Checked By

PAC 1

Approved By

SFO

5.1.3 Reimbursement

Where eligible expenditures have been incurred by the Government, from funds other than the DA, Project Finance Office can apply to WB for reimbursement of such eligible expenditures.

Withdrawal Application shall be made using Form 2380 and supported by the following:

- Summary Sheet
- SOE for payments against contracts subject to Bank prior review
- SOE for payments against contracts not subject to Bank's prior review
- Other supporting documents, if required

WA shall indicate a bank account other than DA for depositing reimbursement.

All eligible expenditure shall be listed in the appropriate SOE and supported by full documentation.

Reimbursement Application is recorded in the Withdrawal Application Register

On receipt of advice of reimbursement, PAC1 shall post the appropriate accounting entries.

5.1.4 Direct Payment

A direct payment from WB Grant Account to a supplier can be made if the payment amount is more than the minimum withdrawal application amount specified in the Disbursement Letter.

WA should be submitted with all supporting documents (use WB Form 2380) to WB authorizing direct payment.

WA shall be recorded in the Register and appropriate accounting entries recorded on evidence of Direct Payment by WB. Such evidence of payment by WB can be obtained electronically from the Bank's Client Connection website.

CHAPTER 6 FINANCIAL REPORTING

Financial reports are prepared at regular intervals to achieve the following objectives:

- Inform project management of progress being made in project implementation compared with plans.
- Inform the government and donors of project progress and use of financial resources provided.
- Inform stakeholders (donors, government, project beneficiaries and general public) on project progress and use of resources.
- To meet statutory requirements and/or requirement imposed by legal agreements.

Responsibility preparation of financial reports lies with the Senior Financial Officer of the project

Internal Financial Management Reports

6.1.1 Monthly Financial Reports

Internal financial management reports are generated by the computerized accounting system and produced monthly. Following reports shall be prepared and checked by the SFO.

1. Trial Balance
2. Cash Disbursement Journal
3. Cash Receipt Journal
4. Bank Reconciliation

The following monthly financial reports are required from the Township level:

1. Bank book
2. Statement of Expenditure for the month
3. Bank reconciliation.

The above reports shall be prepared by the Township Finance Officer and approved by the Township project officer responsible for the project. SFO shall review and approve the reports.

6.1.2 Quarterly Financial Reports

The Grant Agreement requires that Interim unaudited Financial Reports (IFR) are prepared each quarter and submitted to the World Bank within 45 days of end of the quarter. These reports will serve both the project management and the Bank to be informed of project progress. The reports shall compare actual performance in the reporting quarter with the budget and analyze and explain any significant variations from the budget. The following reports are required:

1. Project Balance Sheet
2. Statement of Sources and Uses of Funds
3. Statement of Uses of Funds by Project Component
4. Statement of Uses of Funds by Expenditure Category
5. Uses of Funds by Project Component and Location
6. Forecast of Expenditure for six months following reporting quarter

The above financial reports shall be supplemented by the following management reports:

7. Physical Progress Report
8. Procurement Monitoring Report
9. Fixed Assets Register

The Senior Financial Officer shall be responsible for preparing the report numbers 1 to 6 above. Report No. 7 shall be prepared by Deputy Project Director. Senior Procurement Officer shall be responsible for preparation of Report No 8 and the Procurement Officer will update Report No9.

The IFRs shall be accompanied by a discussion of the project progress, explanation of significant variations from the budget and corrective actions, if any, proposed. SFO will coordinate preparation of the discussion paper with inputs from Deputy Project Director, Grants Manager, and other senior managers.

6.1.3 Annual Financial Statements

It's the management responsibility to prepare annual financial statements for independent audit. SFO shall prepare the annual financial statements based on the following principles:

- Disclosure of full accountability for all funds of the government and World Bank.
- Compliance with grant covenants and World Bank requirements for project management.
- Adequate disclosure of all material information.
- A fair presentation of all material aspects of the financial performance and status of the project.
- A clear statement of accounting policies and standards adopted in preparing the financial statements.

Format of the annual financial statements shall include a balance sheet, sources and uses of funds statement, statement on operations of designated accounts, and notes to the financial statements.

6.1.4 Financial Disclosure

Disclosure of financial information to stakeholders and beneficiaries is an essential practice of transparency and accountability.

Project shall post in its website the IFRs and annual financial statements and related audit reports on its website.

Myanmar CDD project
Project Balance Sheet
Date Report:.....

Account	Description	Actual YTD US\$	Actual YTD Kyat
ASSETS AND PROJECT EXPENDITURE			
	Cash.....		
	Bank.....		
	Advance....		
TOTAL ASSETS (a)		-	-
PROJECT EXPENDITURES:			
	Component 1: Community Block Grants		
	Component 2: Facilitation and Capacity Development		
	Component 3: Knowledge and Learning		
	Component 4: Implementation Support		
Total Project Expenditures (b)		-	-
TOTAL ASSETS AND PROJECT EXPENDITURE c			
=(a)+(b)		-	-
FUNDS			
	IDA		
TOTAL FUNDS (d)		-	-
	check (d) = c	-	

Approved by:

Project Manager

Certified by:

Senior Finance Officer

**Prepared
by Project
Accountant**

Myanmar CDD								
Statement of Sources and Uses of Funds								
Quarter ended								
	Actual			Budget		Variance		PAD
	Current Quarter	Year to date	Cumulative to date	Current Quarter	Current year	Current Quarter	Current year	Life of Project
Receipts								
IDA								
Total receipts								
Expenditure by project component								
Component 1: Community Block Grants								
Component 2: Facilitation and Capacity Development								
Component 3: Knowledge and Learning								
Component 4: Implementation Support								
Total payments								
Excess/(deficit) receipts over payments								
Opening funds balance								
Cash at Bank								
Advance payments								
Petty Cash								
Total opening funds balance								
Closing funds balance								
Represented by:								
Cash at Bank								
Advance payments								
Petty Cash								
Total								
Check (all should zero)								

Myanmar CDD
Uses of Funds by Project Component and Location
Quarter ended

-	Townships					Total
Component 1: Community Block grant						
<i>Expenditure</i>						
<i>Number of Village tract</i>						
<i>Number of Sub Projects</i>						
<i>Subtotal</i>						
Component 2: Facilitation and Capacity Development						
2.10						
2.20						
<i>Subtotal</i>						
Component 3: Knowledge and learning						
3.10						
3.20						
<i>Subtotal</i>						
Component 4: Implementation Support						
4.10						
<i>Subtotal</i>						

Myanmar CDD

Statement of Uses of Funds by Expenditure Categories

Quarter ended

	Actual			Budget		Variance		PAD
	Current Quarter	Year to date	Cumulative to date	Current Quarter	Current year	Current Quarter	Current year	Life of Project
Expenditure by expenditure categories								
(1) Community block grant under Part A of the project								
(2) Goods								
(3) Consulting Fees								
(4) Training & Workshop								
(5) Incremental Operating Cost								
Total Expenditure								

Myanmar CDD
Physical Progress Report
 Quarter ended

Component/Activity No.	Project Component/Activity/Output	Total project life		Cumulative to date (Actual) Units of Costs	
		Units of output	Total Cost	Units of output	Total Cost
1	Community Block Grants				
2	Facilitation and Capacity Development				
2.1	this will depends on planned activities something that can be measured, counted				
2.2					
2.3					
2.4					
3	this will depends on planned activities something that can be measured,				
3.1					
3.2					
3.3					
3.4					

Myanmar

CDD

Procurement Monitoring Report (Contracts subject Bank prior review)

Quarter ended

Disbursement Category		Selection Method (*)	Contract Number	Contract Description	Name of Supplier	Nationality	Contract Currency	Contract Value	Amount Invoiced to date	Amount Paid to date	Balance	Payment	
No	Description											Method	Referenc No.

Myanmar

CDD

Procurement Monitoring Report (Post Review Contracts) - GOODS

Quarter ended

Disbursement Category		Selection Method (*)	Contract Number	Contract Description	Name of Supplier	Nationality	Contract Currency	Contract Value	Amount Invoiced to date	Amount Paid to date	Balance	Payment	
No	Description											Method	Reference No.

Myanmar

CDD

Procurement Monitoring Report (Prior Review Contracts) - Consultant

Quarter ended

Disbursement Category		Selection Method (*)	Contract Number	Contract Description	Name of Supplier	Nationality	Contract Currency	Contract Value	Amount Invoiced to date	Amount Paid to date	Balance	Payment	
No	Description											Method	Reference No.

Myanmar

CDD

Procurement Monitoring Report (Post Review Contracts) - Consultant

Quarter ended

Disbursement Category		Selection Method (*)	Contract Number	Contract Description	Name of Supplier	Nationality	Contract Currency	Contract Value	Amount Invoiced to date	Amount Paid to date	Balance	Payment	
No	Description											Method	Reference No.

Myanmar CDD
6 monthly forecast of expenditure
For the period ended...

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Total
Forecast expenditure by component							
Component 1: Community Block Grants	200	300	400	500	600	700	2700
<i>Sub-total (a)</i>							
<i>Less:</i>							
<i>Closing balance DA after adjustment (b)</i>							700
<i>Direct payments/SC payments (c)</i>							50
DA-A Cash requirement frpm WB for the next two reporting periods [(a)-(b)-(c)]							1950
Component 2: Facilitation and Capacity Development	100	200	300	400	500	600	2100
Component 3: Knowledge and Learning	10	20	30	40	50	60	210
Component 4: Implementation Support	30	55	23	12	23	25	168
<i>Sub-total (d)</i>	140	275	353	452	573	685	2478
<i>Less:</i>							
<i>Closing balance DA after adjustment (e)</i>							2000
<i>Direct payments/SC payments (f)</i>							50
DA-B Cash requirement frpm WB for the next two reporting periods [(d)-(e)-(f)]							428

CHAPTER 7. FIXED ASSET CONTROL

Fixed assets - property and equipment - are defined by useful life of more than one year. They are registered in the *Fixed Assets Register* to ensure adequate control over property and equipment purchased for the use of the project. The following procedures shall be followed in recording acquisition and disposal of fixed assets and management control over use of fixed assets.

7.1 Purchase/Disposal of Fixed Assets

- All fixed asset purchases shall be approved by the Project Director. When fixed assets are delivered by a supplier A Certificate of Acceptance is issued by the receiving department certifying that goods are in accordance with specification and are in working order.
- The purchase is recorded in a Fixed Asset Register with the following details:
 - Class of asset
 - Asset Code Number
 - Description/Specification (include serial no./model & country origin)
 - User
 - Purchase date
 - Payment voucher reference
 - Purchase cost
 - Location
- Any disposal of fixed assets must be approved in accordance with Ministry regulations.
- The Fixed Asset Register should be updated immediately by the Accountant for all fixed asset additions or disposal.
- All assets must be clearly marked as the property of the Community Driven Development Project, Department of Rural Development and must bear an individually coded tag. The Administrative Officer will be responsible for tagging of fixed asset.
- The inventory stickers should be indicated as follows:
 - Asset Class
 - Location
 - Type of asset
 - Asset Code Number
 - Year of Purchase

7.2 Fixed Asset Control

- A committee is established for a physical fixed asset count and should include the following:
 - One representative from the Finance Unit,
 - One representative from the Procurement Unit, and
 - One representative from user department.

- An inventory count should be prepared at least once in a year to ensure that the Fixed Asset Register remains accurate. Date and results of the count shall be recorded in a Fixed Asset Physical Count Report with the following data:
 - Date of count
 - Asset name
 - Asset Code number
 - Location
 - Name of direct user
 - Remarks for any unused items or conditions of asset
- A reconciliation of the Fixed Asset Register and Fixed Asset Physical Count Report, this should be carried out by persons independent of persons counting physical assets.
- The Fixed Asset Register should be reconciled to the General Ledger at the end of the physical count.
- Any discrepancies between the Register and Physical Count should be promptly reported to PD.

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

FIXED ASSET REGISTER

Class of Asset.....

Date	Description	Serial No	User	Asset Code	BPV No	Cost	Location	Remarks (Status/Conditions)
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COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

CERTIFICATE OF ACCEPTANCE-FIXED ASSETS

Received From.....

Date Received.....

Purchase Order No.

No	Description	Unit	Unit Cost	Amount	Remarks
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TOTAL

Received By

Certified By

COMMUNITY DRIVEN DEVELOPMENT PROJECT

DEPARTMENT OF RURAL DEVELOPMENT

Fixed Asset Physical Count Report

Asset Class.....

Date of Count.....

Asset Name	Quantity	Asset Code	Location	User	Remarks (Status/Conditions)
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Prepared By

FA

Fixed Asset Register Reconciled By

PAC 2

Report on any discrepancy

CHAPTER8. GOVERNANCE, ANTI-CORRUPTION AND AUDITING

8.1 Governance and Anti-corruption

Governance and anti-corruption (GAC) measures are built into project design to support transparency, voice, accountability, participation and inclusion of previously excluded groups. The project contains several GAC measures including participatory village level monitoring, social audits at village tract level, and establishing a grievance redress mechanism. In addition, sanctions are imposed on village tract forum members and government officials who misuse funds or engage in corrupt practices. The Operations Manual provides details on the sanctions that would be applicable under CDD Project.

Project managers shall take the following specific measures to prevent financial misuse, fraud or corruption.

8.1.1 Block Grant Funds

Training of forum members on good governance, procurement and financial management practices.

Additional training for finance and procurement sub-committee members.

Requiring all financial transactions are made through a bank account.

Public disclosure at village level on block grant approvals, procurement, and disbursement.

Close monitoring and supervision by community facilitators and DRD township staff.

Technical and social audits.

Grievance handling system.

8.1.2 Expenditures on Components 2, 3, and 4

Procurement and Financial management procedures adopted and strictly followed.

Establish internal controls at Union and Township levels and train staff.

Anti-corruption guidelines adopted by the government.

Budgets are prepared and approved with assigned responsibilities to individual managers.

Progress monitoring and variance analysis.

Wide dissemination of financial information.

Annual independent audits.

Sanctions regime adopted.

8.2 Auditing

Annual Financial Statement of the project must be prepared at the end of each financial year and audited by an external independent auditor. The auditor should review project performance in accordance with the International Standards of Auditing (ISA) as required by World Bank. World Bank requires project implementing agencies to submit consolidated annual audited financial statements to the Bank as soon as possible but normally no later than six months after the end of each fiscal year.

The Terms of Reference for auditors, Annex 4 of this manual, will be determined by the DRD in consultation with the World Bank. The Bank has agreed that the Auditor General of the Union Government shall act as the independent auditor. Annually, sample of at least 10% of sub-projects approved and implemented during a given year will be selected for audit using a risk based approach.

The auditor will be required to express opinions on: (i) the Annual Financial Statements; (ii) whether the designated funds have been correctly accounted for and used in accordance with the project document; and (iii) the adequacy of supporting documents and control mechanism relating the use of the Statement of Expenditures as a basis for reimbursement of designated funds.

CHAPTER 9: TRAVEL AND TRANSPORTATION

9.1 Domestic Travel

This refers to the travel of DRD Staff and government official working for NCDDP within the country.

1. Travel by DRD Staff and Government Officials:

After travel permission is approved by authorized person, the individual traveler shall receive advance. The procedures for advance have been outlined in [Chapter 4.9 – Cash Advances](#). Expenses for a single payment amounting more than MMK 200,000 for air, boat or bus tickets or fee for rental of vehicles can be paid directly to the suppliers by a cheque payment. Upon return, the staff member will clear the advance by submitting an expense report together with supporting documents (i.e. mission order, travel visa, actual receipts for transport expenses and the mission report) approved by his/her supervisor to finance unit. The staff will repay the remaining balance to the finance unit or the finance unit will reimburse any excess expenses (according to the actual expenses). Finance unit will review the documents, record the expense and liquidate the Advance. Back to office record shall be submitted to the authorized Supervisor.

2. Travel by National/International Consultants

Payment will follow the terms of the individual's contract with the Program. Finance unit will review the documents and record as an Expense.

9.1.1 Request for Travel

All staff should request travel authorization from their supervisor, project manager or the director as applicable before traveling. This applies to all staff traveling outside of their duty station. A travel request and authorization form, usually used in DRD, will be used for this purpose. If the travel is to be undertaken on any invitation, such invitations letters should be attached to the travel request form.

9.1.2 Daily Subsistence Allowance (DSA)

Personnel who are authorized to travel are entitled to receive a Daily Subsistence Allowance (DSA) to cover expenses for their food, accommodation and any other incidental out of pocket expenses. This DSA will comprise of two types of expenses, namely Per Diem and Accommodation.

9.1.3 Daily Subsistence Allowance (DSA) for in country travel

Though according to the Order No 548/2013 April, 1, 2013 of Ministry of Finance, The DSA rate must be MMK 1700, for the purposes of NCDD, following rates were proposed by DRD and agreed by the World Bank.

Location	Rate (MMK)		
	Per Diem	Accommodation	Transportation
Any locations within project townships and via travelling to townships where CDD is implemented	10,000	Actual payment and eligible only for overnight stay – need invoices / receipts	Actual payment

9.1.3.1 Per Diem and Accommodation

Except for Per Diem, receipts are required for Accommodation and Transport. Upon return of the mission, the members participated on the mission required to submit reports before claiming their final balance.

Per diem will be provided according to the mission orders and/or visa acknowledgements.

The following will also be considered:

- Participants departure from the mission destination before 17:00, and return to the mission origin on the same day will receive a per diem of full day
- Considering the risk of travelling in the nights, if the mission members could not return to the mission origin within two hours after 17.00 (leaving from the mission destination), it is recommended to travel on the next morning to mission origin.

9.1.3.2 Transportation

Until a standard uniform transport cost to be determined, after conducting a survey, the transport cost will be reimbursed on the submission of actual bills/receipts. A reasonable check will be conducted when such costs are reimbursed.

It is recommended to use the project vehicles for transportation and also advised to plan ahead for trips, thereby travel missions can be combined among many intended travellers and cost can be minimized. If local air travel is the only mode of transport to access any of the project target locations, the cost of air ticket will be reimbursed. In the case of two or more airlines are operating to such locations, the project will select the lowest priced airlines to buy the air ticket.

9.2 Overseas Travel

All the overseas travel of DRD staff and governmental officials working for NCDDP must be **approved** by the DRD / Ministry of Livestock, Fisheries and Rural Development. As a first step, such overseas travel for training, workshops and study tours should be identified and included in the Annual Work Plan and Budget and approved by the World Bank. Staff should be selected on merit for attending the overseas training courses so as to ensure that the persons shall return to the country upon completion of the course and able to contribute their knowledge to the country as intended.

1. Overseas Travel by DRD Staff/Government Official Staff:

After travel permission is approved by authorized person, individual or group of travelers shall receive advance. The advance procedures have been outlined in [Chapter 4.9 – Cash Advances](#). The expenses for booked hotel, air tickets and training fees (if required) shall be paid directly by the finance unit. Upon return the staff member will clear the advance by submitting an expense report together with supporting documents approved by his/her supervisor to the finance unit. The staff will repay the remaining balance to the finance unit or the finance unit will reimburse any excess expenses (according to the actual expenses). Finance unit will review the documents and record as expense and liquidate the Advance. Back to office record shall be submitted to the Supervisor.

2. Travel by National/International Consultants:

Payment will follow the terms of the individual's contract with the Program. FM unit will review the documents and record as an Expense.

9.2.1 Procurement of Air tickets

The administration units will arrange for the booking of air tickets for international travel (or in the country where necessary) upon presentation of the completed Travel Request form. The staff member requesting travel should make the request in advance to allow for adequate time to make flight reservations.

When procuring air tickets the steps below will be adhered:

- For travel within South East Asia and East Asia (to simplify the procedures):
 - the administration unit will make telephone inquiry of the cost of air ticket from at least three travel agents.
 - prepare a memorandum comprising of the following:
 - Name of the travel agent, address and telephone number
 - date and time of the communication
 - name of the staff of the travel agent from whom the cost of the air ticket was obtained; and
 - decision from which travel agent the air ticket will be purchased
- For travel outside South East Asia and East Asia, the administration unit will seek quotations with details such as number of travelers, date of travel, destination and the class of travel. It is always required to adhere to seek the shortest and direct route by economic class. The administration unit must ensure that at least three quotations are received. Finally, a evaluation report need to be prepared with the recommendation from whom the air tickets should be purchased.

9.2.2 Daily allowance for international travel

Per diem	World Bank recent DSA rate around proposed time of travelling
Air tickets	Standard economy class
Transportation	Receipt will be required for reimbursement or payment by finance unit
Hotel	Based on actual cost but not exceed WB recent rate at the time of travelling

Note: The travel allowances/expenses out of NCDDP will only be provided if they are under the approved project's plan and they are not being financed by others sources.

The number of days for per diem and hotel accommodation will be based on the actual number of days required to carry out the official overseas duties, such as attending the conferences, trainings, workshops and study tours. In this process, factors such as total travel time to and from destination and the timeline of the activities will be factored.

While organising overseas training, workshops, study tours and conferences, NCDDP must ensure that participants travelling overseas must have reasonable time (at least eight hours and should the participants travel for continents other than Asia) to recover from their jet lag before they attend the intended training/workshop/conference.

During an international travel, if any unexpected event would affect the travel plans of the mission members, the mission members must make all the efforts to return back to Union of Myanmar. Any additional costs incurred during this effort will be reimbursed on submission of actual bills/receipts.

9.2.3 Per diems / DSA

Per-diems are provided for daily meal and pocket money for participants. Supporting documents are not required for per-diems. For, international and regional travel missions, NCDDP would use the World Bank per-diem rates as proposed by the World Bank. In this case, the finance unit will seek the rates from the World Bank before such missions are to be undertaken.

Per-diems are calculated by multiplying the total number of eligible travel days with a daily per-diem rate. The total number of days eligible for per-diem payments counts from the arrival time at the destination up to the time the participants leave the destination based on the shortest available route as per the table below.

	Time at the destination (foreign country) if	
	Morning (Before 12 pm - noon)	Afternoon (After 12 pm - noon)
Arrival	1 day	0.5 day
Departure	0.5 day	1 day

The participants must depart to home country, immediately after the completion of the event on the next available flight. Under any circumstances, if a departure and/or returning day falls on participating days, overlapping day constituted thereof will be deducted, as the participant would have checked-out on the departing day.

For certain training courses or workshops, organizers may include lunch and/or dinner in the course fees. In this case, per-diems for a number of participating days will be computed at a daily per-diem rate less 30% for each meal provided, in line with the agenda of the training courses / workshops.

Receipts for actual expenses do not need to accompany claims for DSA. However documentation, such as mission orders/visa, acknowledgements from the recipient office, boarding passes needs to be attached to substantiate the number of days and the region travelled.

DRD will take appropriate sanction measures, should any civil servants involve in fraud by overstating and/or fake the claims on mission/training/workshop and study tours.

9.2.4 Accommodation

Accommodation will be provided for staying in a foreign country for training courses, workshops and/or Study Tours. The NCDDP would use the World Bank accommodation rates as proposed by the World Bank. In this case, the finance unit will seek the rates from the World Bank before such missions are to be undertaken. The cost of accommodation will be computed by multiplying total accommodation days with daily accommodation rate, room rate only. The total accommodation days are the total number of participating days plus one preparation day, should the participant travelled a day earlier and justified. This is a principle of calculation of accommodation days regardless of how long participants stay before the course commencement or after course completion. It is usually one day less than total eligible per diem days. Accommodation expenses are only reimbursed or paid

against actual valid receipts/hotel bills up to the World Bank's ceiling rates which are updated on a regular basis. Stay with friends or relatives are not reimbursable.

NCDDP will not provide accommodation to participants in cases where organizers have included the cost of accommodation in the course fee. In such cases the accommodation should be arranged and paid by the organizer.

9.2.5 Overseas Travel Insurance

Standard travel insurance is reimbursed based on actual valid travel insurance bill up to a maximum of US\$150 per trip. The training/workshop participants are responsible for purchasing appropriate travel insurance from registered insurance companies available in Union of Myanmar. A valid and original receipt is required for reimbursement.

9.2.6 Transportation and others costs

Transportation costs refer to all reasonable costs incurred related to traveling and transportation such as air ticket, airport tax, visa fee, local transportation from hotel to training venues or to field study sites and vice versa. All transportation costs are paid based on actual expenses subject to valid and original expense documents. Only economy class air tickets are allowed regardless of hours and purposes of travels.

NCDDP will not provide any personal expenses such as accompanying spouse and children, telephone expenses, gifts for presenters, costs for transporting personal belongings to a home country and passport fees. Any expenses charged in addition to room rate costs during their stay in hotels such as drinks, refreshments, telephone calls, and other services are considered ineligible expenses.

CHAPTER 10: TRAINING, WORKSHOPS AND STUDY TOURS

Training, Workshops and Study Tours (TWST), including Seminars and Conferences) are important tools for any projects with development objectives. TWST supports the capacity development and knowledge enhancement of the people who are either directly working with the project or the people who have the potential and expected to work for the project during the life cycle of the project. In addition this component usually functions as a way of developing human resources to sustain long term institutional reforms.

These activities must be included in the AWPB and could be derived from detailed Training Plan and Budget. The training plan and budget should be prepared by DRD for each quarter in consultation and include details, such as type/topic/objective, agency responsible, approximate time line, number of participants, location, standard unit cost and total estimated cost.

10.1 Training/workshop fee

This refers fees for attending a training course or workshop which is generally paid to directly providers/suppliers (it may also be paid to providers/suppliers through organizers, if requested by the providers/suppliers) before commencement for courses/workshops or in accordance with the agreement or contract for customized ones. Invoices and/or receipts must be obtained to account for the payment.

10.2 Approval Procedures

DRD will need to obtain approval from the senior management of the Ministry and the World Bank on the training plan before execution and incur any commitment. All TWST must support the objectives of NCDDP and the identified needs of the components/sub-components. There must be budget availability in the approved Annual Budget Plan prior to implementation.

If there is a need arise unexpectedly to attend a training, workshop or a study tour not included in the approved AWPB or Training Plan, DRD must seek a separate No Objection with details from the World Bank for any overseas related activities before commencing to incur and disburse funds for that activity. Training may be requested at the initiation of the NCDDP management and based on the AWPB /Annual Training Plan. Requests should be accompanied by detailed budget, program or plan and list of eligible participants.

All Training and Workshops require communication and consultation with the Technical, Administration, Procurement and the Financial Management Units and the preparation of a plan and budget before submitting a request to the Project Manager for approval. Various procedures related to the expenses are described under the relevant headings under the various chapters of this manual.

10.3 Monitoring Procedures

It is proposed that monitoring of TWST will take place twice a year depending on the nature and MMK/Dollar value of the TWST. First, irrespective of the dollar value, when the advances are liquidated and payments are made, a report will be obtained from the organisers / participants to ascertain the achievements of the TWST. Second, for high value TWST's, the Monitoring and Evaluation unit of DRD will assess whether the objectives of the TWST have been achieved and report to the management of DRD.

10.4 Type of TWST

In NCDDP, the TWST could be categorised into two main topics, namely;

- Domestic/National
- Regional or International

10.4.1 Domestic/National

The staff of DRD at Union, State/Regional and Township Level working in/for NCDDP could arrange, invite and attend any national training, study tours, workshops, seminars and conferences, which would contribute to the project development objectives of NCDDPP either based on the approved training plan or on a subsequent separate approval for events not previously included in the training plan.

10.4.1.1 Standard Cost Norms for the domestic/national

These cost norms are established to determine the maximum ceiling for each type of expenses category. Though payments will be made on the actual invoices, the organisers of TWST are expected to follow these cost norms. For the purpose of the claim and management reports, all the workshops and trainings have to have attendance list and their daily signatures which signed as verified by the organiser/facilitator.

DRD at all levels should adhere to the following standards costs when organising training activities.

No	Items	Within MRD	Hotel in State/Region (other than Yangon&NPT)	Hotel Yangon & NPT
1	Refreshments and Coffee Break	MMK 1500 per person per time	MMK 1500 per person per time	MMK4000 per person per time
2	Lunch	MMK5000 per person	MMK4000 per person	MMK24000 per person (Total package including refreshments, lunch and venue rental)

In selecting the hotel for training or workshops, the project will prepare the Request for Quotation with the requirements and obtain quotations from at least three hotels with similar level of size and facilities. The lowest quoted most responsive hotel will be selected to conduct the training or workshop.

10.4.1.2 Standard Estimated Cost(need to be checked and agreed by DRD and the World Bank)

Workshop, Training and Study Tours (Rate in MMK)

No	Explanation / Items	Unit	Rate*	Remark*
1	Materials for facilitator/trainers	Person –Training	50,000	For Flip Charts, marker pens and etc.
2	Materials for participants	Person –Training	3,000	Hand-outs, Name Tags, note books, pens& etc.
3	Copy and binding documents (Printing book & doc.)	Person –Training	5,000	Where such item is needed, DRD has to indicate this item separately from the general material for participant (outlined in item # 2 above).
4	Small bag and T-shirt with Ministry and Project Logo	Person –Training	10,000	The objective of NCDDP is to promote awareness; this type of cost item shall be applied as a normal cost item to all the training and workshops to be conducted under the project. This item shall be applicable for exceptional visits of eminent persons or foreign delegation.
5	Workshop backdrop with project logo & the World Bank	Workshop / Training	100,000	At town ship level, this cost may be less and actual cost need to be paid
6	Cost of courier charge of sending invitations	State Capitals Region Capitals Townships Ministries in NPT	3,000 4,000 5,000 2,000	For multiple invitations within one entity, appropriate official needs to be identified to circulate invitations; thereby the cost will be incurred only once.
7	Workshop package	Person - Workshop (if it is held outside of MRD's compound in NPT).	24,000	Refer the table above
8	Car rental (4 seats)	Vehicle-Day	50,000 100,000	Within Nay Pyi Tawplus fuel expenses t From NPT to State / Regions plus fuel expenses
9	Car rental (12 seats)	Vehicle-Day	110,000	From NPT to State/Regions plus fuel expenses
10	Fuel charges (Type: SUV 4WD)	Vehicle-Kilometers	500	To States / Regions of the project cars of DRD only.
11	Car rental (24 seats to 45 seats)	Vehicle-Day	180,000	To State and Regions plus fuel expenses
12	Simultaneous interpretation firm	Person-Day	250,000	Excluding DSA if to the States / Regions. For DSA rates refer to the relevant section of this manual above.
13	Headphone rental	Set-Day	3,000	As needed
14	Interpreter booth rental	Set-Day	60,000	As needed
15	Translation fee	Per Page	10,000	Depends on the level of technical contents
16	Resource Persons	Person-Day	50,000	This is Honorarium Fee but not eligible, If they are government officials.
17	Rental of government building for meeting or training/workshop	Person-Day	No cost	Government Contribution
18	Communication Expenses	Per Meeting / Training / Workshop	5,000	This is the Maximum claim

Notes:* The above rates are intended to use for budgeting and guiding purpose only. The finance unit will pay for the expenditures based on the actual valid receipts and invoices.

10.4.2 Regional / International

Generally, the regional / international activities would be short-term in nature and for **less than three /sixmonths**. These activities can be; a) short term training courses and b) Study Tours / Conferences / Seminars.

10.4.2.1 Short Term Training Courses

There are two common types of short term overseas training courses including:

Standardized Training Courses

These are courses or workshops that are regularly or specifically prepared and managed by the institutions/universities. Participation fees, if eligible, schedules, contents and other necessary arrangements are standardized, and pre-defined by the providers and applied to all participants regardless of their origins

Customized Courses

These are courses/workshops customized to meet specific requirements of users. Subject to cost of any specific activities, World Bank's Guidelines Selection and Employment of Consultants by World Bank Borrowers shall be deemed necessary to ensure economy, effectiveness and value for money spent for such training activities. As a general guide, there must be an approved Terms of Reference or Request for Proposal and at least three proposals from accredited universities or institutions should be obtained for qualification and/or price comparison. In general, there should be an agreement or contract for customized courses.

Under specific circumstances, a single source selection method can be used for selection of training providers if there is a solid justification and approval from NCDDP Management and no objection by the World Bank.

10.4.2.2 Study Tours / Conferences / Seminars

These are events held by institutions periodically and/or hosted by other countries periodically. The DRD staff and government officials working for NCDDP can attend these events at the invitation of those institutions or by the hosting countries. On the other hand, DRD may request to participate in these events to for their knowledge enhancement, capacity building and sharing experiences.

10.5 Selection Policy

Selection of staff for overseas training/workshops must meet the following requirements:

10.5.1 General

- The selection process shall be transparent and open to all without regard to gender, disability and other factors unrelated to the need for training.
- The proposed trainees should be in positions and willing to transfer knowledge and skills related to topics concerned to other colleagues upon return. They should meet the necessary prerequisite qualifications and experience to acquire and absorb knowledge from the course. In all cases, one of prerequisites includes proficiency in a language as a means ensuring the ability to communicate/participate in the course or workshop. Hence proposed trainees should obtain an admission letter or invitation letter from the institutions/universities.

- Trainees who have attended training courses with a similar content in the last three years should not be nominated again for the course unless clear and sound justification is obtained from the nominating authority.
- If the required topics of training or workshop are considered technical and complicated and require the selection of specific training institutions or universities, compliance with World Bank's Guidelines Selection and Employment of Consultants by World Bank Borrowers shall be required. In this regard, selection of trainers should be taken into consideration during the preparation of the annual procurement plan.

10.5.2 Request for NOL from the World Bank

- If the Annual Budget Plan is approved together with a list of training/workshops (i.e. annual training plan) by the World Bank there is no requirement to send the detailed proposal to the World Bank for approval.
- The Guidelines Selection and Employment of Consultants by the World Bank borrowers should be followed for customized training courses and the selection of a training provider. The threshold for prior review by the World Bank in the financing agreement for selection of consultants' services should be followed in this case.
- All proposed single source selection of training providers for customized courses should be submitted to the World Bank for prior review and approval.

10.5.3 Participant's Cancellation of their Attendance

- The assigned participants shall immediately notify DRD management in writing before incurring any costs if they are unable to attend the training/workshop.
- Apart from urgent or exceptional circumstances, the already assigned participants shall be liable for all costs incurred up to the date they notify DRD management in writing if they choose not to attend the training/workshop.

Evidences to be submitted by attendees for reimbursement of expenses which may include:

For Domestic/National

- Mission orders/Visa Acknowledgements
- Attendance certificates/registers
- Receipts / invoices for venue rental, transport tickets/receipts, receipts of food and beverage, sound/projection equipment, hire of simultaneous translator, stationery and handouts, use of photocopying facilities.
- Reports (wherever necessary)

For Regional/International

- proof of attendance for period claimed with signed statement by the workshop, / certificate from training or study tour organizer or host;
- The evaluation report to select agent, quotations at least 3 agents and other relevant documents related to process.
- proof of travel by air – ticket stubs, travel agent's receipt, airline boarding passes
- receipted hotel bills (for proof of stay for the eligible period); and
- receipts for incidental traveling expenses

Annex 1 Organization & Staffing



Senior Project Finance Office (PFO)

Under the direction of the Project Director, PFO is responsible for the overall financial management of the Project.

Duties & Responsibilities

1. Responsible for managing and administrating the financial affairs of the project in accordance with the government financial policies, guidelines and procedures, and with all financial covenants and other obligations in the grant agreement.
2. Provide support to project management to prepare financial plans, project budgets and cash forecasts.
3. Establishes and maintains project accounts (accounting and financial management systems and records) in compliance with the procedures and guidelines outlined in the Financial Management Manual.
4. Maintains proper internal controls within the financial operations of the project, particularly for bank accounts and cash advances. Ensure that all grant disbursements are made in accordance with FMM and used for intended purposes.
5. Supervises the management and administration of all financial transactions under the project; supervises finance staff and provides training to finance and project staff on financial procedures.
6. Authorizes all entries into computerized accounting system and supervise posting.

7. Prepares month end, quarterly and annual financial statements. Prepares budget/actual performance analysis.
8. Receives instructions from, and reports directly to, the Project Director.
9. Prepares financial statements and reports for audit and facilitates the conduct of the audits of the project.

Project Accountant 1

Under the direction of the FFO, PAC 1 is responsible for assisting the PFO in all aspects of financial management with particular reference to cash management, banking, and grant disbursement management.

1. Responsible for cash planning, preparing short and long-term cash budgets and management of the Designated Account.
2. Preparation of withdrawal applications together with the relevant supporting documentation including Statement of Expenditures. Obtaining approval on the application and forwarding signed WA's to World Bank.
3. Deposit of all cash receipts in bank accounts in accordance with FMM
4. Prepare checks and money transfer orders based on BPVs authorized. Ensure that all BPVs are fully documented and authorized as per FMM before issuing payment.
5. Prepare payment vouchers for disbursement of Block Grants and maintain Block Grant Register and files.
6. Prepare monthly bank reconciliation and submit for approval of PFO
7. Supervise petty cash disbursement and ensure periodic checks on petty cash.
8. Responsible for managing all project related advances, ensure recording of advance register, liquidation of advances by recipients, and reporting of overdue advances to PFO.
9. Supervise bank account management of Townships. Review all bank reconciliation statements submitted by Township Accountants and prepare replenishment request for approval of PFO.

Project Accountant 2

Under the direction of PFO, PAC 2 is responsible for maintenance of the project accounting system consisting of computerized general ledger, subsidiary accounts, and accounting registers and documents.

1. Maintain the Project General Ledger Accounts and responsible for posting the computerized accounting system.
2. Maintain supporting registers and subsidiary ledgers for advances, contracts, allowances and other expenditure types as required for effective financial management.

3. Ensures that all expenditures are authorized in accordance with established financial procedures, with proper supporting documentation and are recorded in the cash book.
4. Prepares Bank Payment Vouchers with supporting documentation for approval by PFO/PD.
5. Assist PFO in preparation of annual budgets and work plans.
6. Assist PFO in preparation of Monthly, Quarterly Financial Management and Annual Financial Reports.
7. Ensure that the project complies at all times with the project financial management procedures as set out in the Financial Management Manual and grant agreement.
8. Ensure the security of all project financial documents with no original documents permitted to be taken away from the office.

Accounts Assistant (AA)

Under the supervision of PAC 1 and PAC 2, AA shall be responsible for maintaining petty cash, maintaining all accounting files, and providing assistance in the work of the office.

1. Custodian of office petty cash and maintain Petty Cash Book.
2. Ensure that all petty cash payments are properly authorized and entered in the PCB.
3. Carry out monthly reconciliation of petty cash and preparation of replenishment request.
4. Maintain the Fixed Assets Register and update when necessary.
5. Assist PAC 2 in maintaining payment voucher and supporting document files.
6. Assist PAC 1 in maintaining Block Grant files.

Annex 2. Internal Control

Internal control comprises all the policies and procedures adopted by management to ensure that project objectives are achieved with due regard to efficiency, economy and effectiveness in use of project resources. Internal control is aimed at:

- Securing compliance with legislative, statutory, and Government laws and regulations and World Bank policies and procedures.
- Ensuring the accounts and records are reliable and complete and accurate and timely reporting of financial transactions and events.
- Protecting assets, especially cash receipts, from being lost or stolen and safeguarding assets against wastage, fraud and inefficiency.
- Discouraging dishonesty through implementation of systems and procedures that would make concealment of irregularities possible only through collusion of two or more persons.
- Promoting disclosure and transparency.

Project Director and the Project Teams are responsible for developing, implementation and monitoring of a sound system of internal control system. The Project Senior Finance Officer shall be responsible for implementation of internal control processes as applicable to finance function. More specifically PFO shall be responsible for the following activities.

- The finance staffs are properly trained and that they understand the financial management procedures.
- Supervision of staff to ensure that they perform their duties in accordance with responsibilities assigned to them.
- Ensure that there is clear segregation of duties in authorizing, payment and recording of financial transactions and such separation is strictly observed.
- Adequate measures are taken to secure assets including cash.
- Financial reports are prepared on time and they are accurate and reflect all financial transactions recorded in the reporting period.
- Adequate control of transactions to ensure that every transaction is authorized, executed, and recorded according to prescribed procedures.
- All accounting documents are serially numbered and adequate control is maintained that each numbered document is accounted.
- Adequate controls are in place to ensure proper classification and posting of accounting transactions.
- Adequate controls are in place to safeguard the integrity of the computerized accounting system.

Effectiveness of any internal control system is dependent on the understanding and competency of an organization's policies and procedures by all staff of an organization. The finance staff shall take leadership in communicating the policies and procedures to all staff at regular intervals and seeking feedback from staff on the effectiveness of internal control processes.

ANNEX 3. CHART OF ACCOUNTS

DEPARTMENT OF RURAL DEVELOPMENT COMMUNITY DRIVEN DEVELOPMENT PROJECT IDA GRANT NO H 814- MM

CHART OF ACCOUNTS (Revised August 1, 2013)

Ref	Description of Accounts Segments	Number of Digits
A	Account Type/Main Account	3
B	Component	1
C	Sub-Component	2
D	Township	2
E	Disbursement Category	1
F	Financier	1
Total Digits		10

1 Account Type

- 100 Cash and Bank
- 200 Advances
- 300 Liabilities
- 400 Accumulated Fund
- 500 Fund received
- 600 Expenses

2 Component

- 1 Block Grant
- 2 Facilitation & Capacity Building
- 3 Knowledge & Learning
- 4 Institutional Support

3 Sub-Component

1	GR	Block Grant to Community
2	MC	Union TA Consultant
	NG	NGO Consultant (Township)
	CF	Community Facilitator
	IC	Infrastructure Consultant
	FC	Financial Management Consultant
	PC	Procurement Consultant
	CB	Capacity Building Training Workshop
	TC	Training Staff & Community Facilitators
	PT	Per diem, Accommodation & Transport
3	IS	InterUnion Study Tours
	CL	Cross-Learning Across Region/States
	DM	Development Market Place
	MW	Multi-stakeholder Workshops
	GN	Support to Gender Network
4	VC	Vehicle Purchases
	MB	Motorbike Purchases
	BT	Boat Purchases
	OE	Office Equipment
	OF	Office Furniture

WB	Website Development
CC	Communication Consultant
SV	Script writer video
TS	Translation Services
PT	Per diem Accommodation & Transport
OM	Office Maintenance
VM	Vehicle Maintenance
MM	Motorbike Maintenance
BM	Boat Maintenance
EM	Office Equipment Maintenance
AS	Accounting Software
AF	Advertising Fees
CF	Communications Fees
VF	Vehicle Fuel
MF	Motor Bike Fuel
BF	Boat Fuel
OR	Office Rent
EF	Electricity
PS	Printing & Stationery
OC	Office Consumables
BC	Bank charges
IP	Information, Publicity & Promotion
FA	Financial Audit
AT	Technical Audit
ME	Monitoring & Evaluation

4 Township

PO	Union Project Office
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KA	Kanpetlet
NA	Namshsan
KY	Kyunsu

(Other Townships to be added when activating)

5 Disbursement Category

- 1 Block Grant
- 2 All other Expenses
- 3 Emergency Expenses

6 Financier

I	IDA Grant
G	Government
O	Other Donor

Chart of Accounts

Account Code	Account Description
100	Cash and Bank Accounts
110-000-PO-0I	IDA Bank Account A
110-000-PO-0G	Government Bank Account A
120	
120-000-PO-0I	IDA Bank Account B
120-000-PO-0G	Government Bank Account B
121-000-KA-0I	Bank Account Kanpetlet Township
121-000-NA-0I	Bank Account Namshsan Township

	121-000-KY-0I	Bank Account Kyunsu Township
	(Other Townships to be added when opening Bank Accounts)	
130		
	130-000-PO-0I	Cash in Hand Union Project Office from IDA
	130-000-PO-0G	Cash in Hand Union Project Office from Government
	131-000-KA-0I	Cash in Hand Kanpetlet from IDA
	131-000-NA-0I	Cash in Hand Namshsan from IDA
	131-000-KY-0I	Cash in Hand Kyunsu from IDA
	(Other Townships to be added when opening when activating)	
200		Advances and Deposits
	Account sub-codes to be added when opening accounts)	
300		Liabilities
	Account sub-codes to be added when opening accounts	
400		Accumulated Fund
	410-000-PO-0I	Accumulated Fund IDA
	410-000-PO-0G	Accumulated Fund Government
500		
	510-000-PO-0I	Funds Received from IDA
	510-000-PO-0G	Funds Received from Government
	510-000-PO-00	Funds Received from Other Donors
600		Expenses on Components listed below
	610 GRANTS	

610-1GR-KA-1I
610-1GR-NA-1I
610-1GR-KY-1I

Block Grant IDA Kanpetlet
Block Grant IDA Namshsan
Block Grant IDA Kyunsu

(Other Townships to be added)

620 Goods

621-4VC-PO-2I
621-4VC-KA-2I

621-4VC-NA-2I
621-4VC-KY-2I

Vehicles Union Office
Vehicles Kanpetlet
Vehicles
Namshan
Vehicles Kyunsu

622-4MB-PO-2I
622-4MB-KA-2I
622-4MB-NA-2I
622-4MB-KY-2I

Motorbikes Union
Office
Motorbikes Kanpetlet
Motorbikes Namshan
Motorbikes Kyunsu

623-4BT-KY-2I
624-4OE-PO-2I
624-4OE-KA-2I
624-4OE-NA-2I
624-4OE-KY-2I
625-4OF-PO-2I
625-4OF-KA-2I
625-4OF-NA-2I
625-4OF-KY-2I

Boat Purchases Kyunsu
Office Equipment Union Office
Office Equipment Kanpetlet
Office Equipment Namshsan
Office Equipment Kyunsu
Office Furniture Union Office
Office Furniture Kanpetlet
Office Furniture Namshsan
Office Furniture Kyunsu

626-4AS-PO-2I

Accounting Software Union Office

630 Consultant Fees and TA

631-2MC-PO-2I
631-2NG-KA-2I
631-2NG-NA-2I
631-2NG-KY-2I

Managing Consultant Union Office
NGO Consultant Kanpetlet
NGO Consultant Namshsan
NGO Consultant Kyunsu

632-2CF-KA-2I
632-2CF-NA-2I
632-2CF-KY-2I
633-2FC-PO-2I

633-2PC-PO-2I
633-4CC-PO-2I
633-3GN-PO-2I
633-4WB-PO-2I
633-4SR-PO-2I
633-4SV-PO-2I
633-4TS-PO-2I

Community Facilitators Kanpetlet
Community Facilitators Namshsan
Community Facilitators Kyunsu
Financial Management Consultant
Procurement
Consultant
Communications Consultant
TA Gender Mainstream
Website Development
Script Writer Radio
Script Writer Video
Translation Services

640 Training & Workshops

641-2CB-PO-2I
641-2CB-KA-2I
641-2CB-NA-2I
641-2CB-KY-2I
642-2TC-PO-2I
642-2TC-KA-2I
642-2TC-NA-2I
642-2TC-KY-2I
643-3IS-PO-2I
644-3CL-PO-2I
645-3DM-PO-2I
646-3MW-PO-2I
647-3GN-PO-2I

Capacity Building & Training Union Office
Capacity Building & Training Kanpetlet
Capacity Building & Training Namshsan
Capacity Building & Training Kyunsu
Training Staff Union Office
Training staff & community Facilitators Kanpetlet
Training staff & community Facilitators Namshsan
Training staff & community Facilitators Kyunsu
International Study Tours
Cross-Learning Across regions/states
Development Market Place
Multi Stakeholder Workshops
Support to Gender Network

650 Incremental Operating Costs

651-4PT-PO-2I	Per diem Accommodation & Transport Union Office
651-4PT-KA-2I	Per diem Accommodation & Transport Kanpetlet
651-4PT-NA-2I	Per diem Accommodation & Transport Namshan
651-4PT-KY-2I	Per diem Accommodation & Transport Kyunsu
652-4OM-PO-2I	Office Maintenance Union Office
652-4OM-KA-2I	Office Maintenance Kanpetlet
652-4OM-NA-2I	Office Maintenance Namshan
652-4OM-KY-2I	Office Maintenance Kyunsu
653-4VM-PO-2I	Maintenance Vehicles Union Office
653-4VM-KA-2I	Maintenance Vehicles Kanpetlet
653-4VM-NA-2I	Maintenance Vehicles Namshsan
653-4VM-KY-2I	Maintenance Vehicles Kyunsu
653-4MM-PO-2I	Maintenance Motorbikes Union Office
653-4MM-KA-2I	Maintenance Motorbikes Kanpetlet
653-4MM-NA-2I	Maintenance Motorbikes Namshsan
653-4MM-KY-2I	Maintenance Motorbikes Kyunsu
653-4BM-KY-2I	Maintenance Boats Kyunsu
654-4EM-PO-2I	Office Equipment Maintenance Union Office
654-4EM-KA-2I	Office Equipment Maintenance Kanpetlet
654-4EM-NA-2I	Office Equipment Maintenance Namshsan
654-4EM-KY-2I	Office Equipment Maintenance Kyunsu
655-4AF-PO-2I	Advertising Fees
656-4CF-PO-2I	Communication Expenses Internet, Web, post etc.
657-4PR-PO-2I	Publicity, Promotions and Information
658-4VF-PO-2I	Fuel Vehicles Union Office
658-4VF-KA-2I	Fuel Vehicles Kanpetlet
658-4VF-NA-2	Fuel Vehicles Namshsan
658-4VF-KY-2I	Fuel Vehicles Kyunsu
658-4MF-PO-2I	Fuel Motorbikes Union Office
658-4MF-KA-2I	Fuel Motorbikes Kanprtlet

658-4MF-NA-I
658-4MF-KY-2I
658-4BF-KY-2I

659-4PS-PO-2I

659-4PS-KA-2I
659-4PS-NA-2I
659-4PS-KY-2I
660-4OC-PO-2I
660-4OC-KA-2I
660-4OC-NA-2I
660-4OC-KY-2I
661-4BC-PO-2I
661-4BC-KA-2I

661-4BC-NA-2I
661-4BC-KY-2I

Fuel Motorbikes Namshsan
Fuel Motorbikes Kyunsu
Fuel Boat Kyunsu
Printing & Stationery
NO
Printing & Stationery
Kanpetlet
Printing & Stationery Namshsan
Printing & Stationery Kyunsu
Office Consumables
Office Consumables Kanpetlet
Office Consumables Namshsan
Office Consumables Kyunsu
Bank Charges
Bank Charges Kanpetlet
Bank Charges
Namshsan
Bank Charges Kyunsu

**670 Audits and
M&E**

671-4AT-PO-2i
672-4FA-PO-2!
673-4ME-PO-2I

Technical Audit
Financial Audit
Monitoring& Evaluation

ANNEX 4. TERMS OF REFERENCE FOR EXTERNAL AUDIT

MYANMAR NATIONAL COMMUNITY DRIVEN DEVELOPMENT PROJECT

EXTERNAL AUDIT

TERMS OF REFERENCE

Background

The National Community Driven Development Project comprises five components, which will be implemented over a period of approximately six years. The project is financed through an International Development Association (IDA) grant of 52,600,000 Special Drawing Rights (SDR).

Component 1: Community Block grants, to finance three annual cycles of on average US\$27,000 to about 640 village tracts in 15 townships for priority community level infrastructure. Block grants will be allocated through a participatory planning process covering all villages within a village tract. Planning and prioritization of sub-projects will be undertaken by villagers and representative village tract forums.

Component 2: Facilitation and Capacity Development is to finance technical assistance and institutional support at the union and township levels. It also supports capacity development in areas such as participatory processes, project management, gender equality and inclusion, environmental management and social accountability for local committee members as well as government staff at the township, state and union levels.

Component 3: Knowledge and Learning is to support community representatives and government staff through learning from other community based approaches implemented within and outside of Myanmar. There will also be annual multi-stakeholder reviews to share experiences from the previous cycle and discuss ways to improve the project's design and implementation for the next cycle. Finally, the project will fund an annual "development marketplace" to highlight the most promising innovations in people centered development in Myanmar with a view to initiating these in the project areas.

Component 4: Implementation Support isto support project management at the central and township levels, including monitoring and evaluation, reporting and communications as well as administration and logistical support for project implementation. Furthermore, this component will include third-party financial and technical audits.

Objectives

The overall objectives of the audit are to enable the auditors to express a professional opinion on the project's financial statements and to express an opinion on whether the sample of sub-projects selected for audit follows the procurement and financial management requirements as laid out in the project's operations manual. Annually, sample of at least 10% of sub-projects approved and implemented during a given year will be selected for audit using a risk based approach.

Scope

The audit will comprise two parts: the project financial statement audit and the audit of a sample of sub-projects. The audit should cover the entire project, i.e., all sources and applications of funds by all parties and implementing agencies. The auditor should visit the various implementation units and other agencies as considered necessary to gain the level of audit assurance required. As per request of the Ministry of Livestock, Fisheries and Rural Development, the audit will be carried out in accordance with International Standards on Auditing/INTOSAI Standards and should include such tests as the Office of the Auditor-General considers necessary. Planning and conducting the audit will be in accordance with a risk based framework with a detailed audit work program. The audit coverage will consider the risk of material misstatement as a result of fraud or error. The audit program should include procedures that are designed to provide reasonable assurance that material misstatements will be detected.

Financial Statement Audit

1. An assessment of whether the project financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) on a cash basis and give a true and fair view of the financial operations of the project during the year. Any material deviations from these standards, and the impact of such departures on the project financial statements as presented should be stated;
2. An assessment of the effectiveness of the overall control environment and the systems of internal control over compliance with requirements that could have a direct and material effect on the financial statements, including internal controls over the processes for consolidated financial reporting for the project; and
3. An assessment of compliance with the project operational manual (including the Financial Management Manual), laws, regulations and provisions of the financing agreement, especially those relating to accounting and financial matters. This would inter alia include verification that:

- a. Funds have been used in accordance with the conditions of the relevant financing agreement and only for the purposes for which the financing was provided;
- b. Expenditures charged to the project are eligible expenditures and that they are supported by appropriate documentary evidence and correctly classified in accordance with the relevant financing agreement;
- c. Goods and services financed have been procured in accordance with the conditions of the financing agreement;
- d. The Designated Account has been maintained in accordance with the provisions of the financing agreement;
- e. Project expenditures as reported by the project implementation agencies are reconciled with the amounts withdrawn from the Designated Account and the amounts deposited to the Designated Account are reconciled with the amounts disbursed from the Grant;
- f. 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;
- g. The audit will include a sufficient sample of disbursements made under reimbursement procedures to determine whether funds disbursed were utilized for the purposes defined by the financing agreement.

Sub-Project Audit

For an annual sample of at least 10% of sub-projects selected using a risk based approach, an assessment will be carried out 1) as to whether the financial management requirements and procurement procedures as outlined in the Project Operations Manual have been followed; and 2) regarding the existence of assets purchased with/financed by the Project funds at the appropriate location, including their use for the purposes for which they were acquired/constructed.

Project Financial Statements

The financial statements should include:

1. A statement of sources and uses of funds reflecting both receipts and payments (by disbursement categories) on a cash basis, and showing the current reporting period, the year to date and accumulated figures from the commencement of the project;

2. A balance sheet reflecting project assets, cumulative expenditure and funding;
3. Accounting policies and explanatory notes;
4. A management assertion that funds have been expended in accordance with the intended purposes;
5. A statement of uses of funds by project component reflecting the payments by project component;
6. A Designated Account Reconciliation statement--a reconciliation of funds received with those disbursed by the World Bank; and
7. When the entity makes publicly available it's approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

Interim Audit

Given the decentralized nature of the project, low levels of capacity and the project's high risk rating, the external auditor should plan to conduct interim audit procedures at least every six months. The purpose of the interim audit would be to test the compliance of the ongoing effectiveness of the overall environment and systems of internal control in order to provide timely feedback to the project so that any issues are identified and corrective actions can be taken in a timely manner. The Office of the Auditor-General should provide the project with a written report on any findings discovered as a result of the interim audit. The World Bank should have access to and be able to review the audit work papers applicable to the audit.

Audit Report

The audit report shall contain the auditor's opinion on the effectiveness of the project's overall control environment and systems of internal control, whether the project has complied with the applicable laws, regulations and terms and conditions of the financing agreement; and the whether the project's financial statements fairly present the results of the project's operations in accordance with the accounting standards adopted by the project. The Office of the Auditor-General should submit the report to the Ministry of Livestock, Fisheries and Rural Development which should then promptly forward one copy of the audited financial statements and audit opinion to the World Bank, to be received by the World Bank no later than six months after the end of the project's fiscal year. The Office of the Auditor-General should have access to all necessary supporting documents, records and financial statements no later than three months after the end of the project's fiscal year.

Management Letter

Together with the audit opinion, the Office of the Auditor-General will submit a management letter which should address at a minimum the following:

- An assessment of the project's internal control system with equal emphasis on (1) the effectiveness of the system in providing project management with useful and timely information for the proper management of the project; (2) the general effectiveness of the internal control system in safeguarding the assets and resources of the project; and (3) the effectiveness of the system in ensuring compliance with laws, regulations and the financing agreement.
- A description of any specific internal control weaknesses noted in the financial management of the project and the audit procedures followed to address or mitigate the weaknesses. Recommendations to resolve/eliminate the internal control weaknesses noted should also be included.

The management letter should be submitted, together with the audited financial statements and audit opinion, to the Ministry of Livestock, Fisheries and Rural Development which will promptly forward a copy to the World Bank.

Communication

It is expected that the Office of the Auditor-General will report matters that come to its attention during the audit which might have a significant impact on the implementation of the project, as well as any other matters that the Office considers pertinent, including reporting of indication of fraud and corruption requiring further follow-up or investigation by the relevant agencies and units.

Exit Conference

The Office of the Auditor-General should hold a closing or exit conference with senior officials of the project prior to concluding each annual audit. Upon completion of the fieldwork, the auditor should present the results of the external audit to the relevant implementing agency (Department of Rural Development for the project financial statement audit or Village Tract Forum for a sub-project audit). The Office of the Auditor-General should document the exit conference for inclusion in the audit work papers.

Organizational Arrangements

The Office of the Auditor-General at the Union level will be responsible for consolidated audit reporting and making the necessary arrangements for field audit assignment involving its offices at the State/Region level.

General

The Office of the Auditor-General should be given access to all legal documents, correspondence, and any other information associated with the project that it deems necessary. World Bank staff should have access to and be able to review the audit work papers applicable to the audit.