

KINGDOM OF CAMBODIA

Financial Management Manual

For All Externally Financed
Projects/Programs in Cambodia



Updated Version
May 2012

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**FINANCIAL MANAGEMENT
MANUAL**

For All Externally Financed
Projects/Programs in Cambodia

May 2012



ព្រះរាជាណាចក្រកម្ពុជា
ជាតិ សាសនា ព្រះមហាក្សត្រ

រាជរដ្ឋាភិបាលកម្ពុជា

លេខ: ០៧៤ អនក្រ.បក

អនុក្រឹត្យ

ស្តីពី

ការដាក់ឱ្យប្រើប្រាស់នីតិវិធីរួមបញ្ចូលកម្ម សម្រាប់ការអនុវត្ត

គម្រោងហិរញ្ញប្បទានសហប្រតិបត្តិការពីដៃគូអភិវឌ្ឍន៍

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រាជរដ្ឋាភិបាលកម្ពុជា

- បានឃើញរដ្ឋធម្មនុញ្ញ នៃព្រះរាជាណាចក្រកម្ពុជា
- បានឃើញព្រះរាជក្រឹត្យលេខនស/រកម/០៩០៨/១០៥៥ ចុះថ្ងៃទី២៥ ខែកញ្ញា ឆ្នាំ២០០៨ ស្តីពីការតែងតាំងរាជរដ្ឋាភិបាល នៃព្រះរាជាណាចក្រកម្ពុជា
- បានឃើញព្រះរាជក្រមលេខ០២/នស/៩៤ ចុះថ្ងៃទី២០ ខែកក្កដា ឆ្នាំ១៩៩៤ ដែលប្រកាសឱ្យប្រើច្បាប់ស្តីពីការរៀបចំ និងការប្រព្រឹត្តទៅនៃគណៈរដ្ឋមន្ត្រី
- បានឃើញព្រះរាជក្រមលេខ នស/រកម/០១៩៦/១៨ ចុះថ្ងៃទី២៤ ខែមករា ឆ្នាំ១៩៩៦ ដែលប្រកាសឱ្យប្រើច្បាប់ស្តីពីការបង្កើតក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ
- បានឃើញព្រះរាជក្រមលេខ នស/រកម/០១១២/០០៤ ចុះថ្ងៃទី១៤ ខែមករា ឆ្នាំ២០១២ ដែលប្រកាសឱ្យប្រើច្បាប់ស្តីពីលទ្ធកម្មសាធារណៈ
- បានឃើញអនុក្រឹត្យលេខ០៤ អនក្រ.បក ចុះថ្ងៃទី២០ ខែមករា ឆ្នាំ២០០០ ស្តីពីការរៀបចំ និងការប្រព្រឹត្តទៅនៃក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ
- បានឃើញអនុក្រឹត្យលេខ ៧៨/អនក្រ/បក ចុះថ្ងៃទី១៨ ខែវិច្ឆិកា ឆ្នាំ២០០៤ និង អនុក្រឹត្យលេខ២០/អនក្រ/បក ចុះថ្ងៃទី២៩ ខែមីនា ឆ្នាំ២០០៨ ស្តីពីការបំពេញបន្ថែម និងកែសម្រួលនាយកដ្ឋានមួយចំនួននៃក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ
- បានឃើញអនុក្រឹត្យលេខ ១៣៤/អនក្រ/បក ចុះថ្ងៃទី១៥ ខែកញ្ញា ឆ្នាំ២០០៨ ស្តីពីការដំឡើងទីចាត់ការគយនិងរដ្ឋាករ នាយកដ្ឋានពន្ធដារ និងរតនាគារជាតិនៃក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ ឱ្យទៅជាអគ្គនាយកដ្ឋានគយនិងរដ្ឋាករកម្ពុជា អគ្គនាយកដ្ឋានពន្ធដារ និងអគ្គនាយកដ្ឋានរតនាគារជាតិ ស្ថិតក្រោមការគ្រប់គ្រងរបស់ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ
- យោងតាមសំណើរបស់រដ្ឋមន្ត្រីក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ

សម្រេច

មាត្រា ១.-

ដាក់ឱ្យប្រើប្រាស់នីតិវិធីរួមបច្ចុប្បន្នកម្ម សម្រាប់អនុវត្តគម្រោងហិរញ្ញប្បទានសហប្រតិបត្តិការពីដៃគូអភិវឌ្ឍន៍នានា ដូចមានខ្លឹមសារភ្ជាប់មកជាមួយអនុក្រឹត្យនេះ ជំនួសនីតិវិធីរួមសម្រាប់ការអនុវត្តគម្រោងហិរញ្ញប្បទានសហប្រតិបត្តិការពីធនាគារពិភពលោក និងធនាគារអភិវឌ្ឍន៍អាស៊ី ដែលបានដាក់ឱ្យអនុវត្តដោយអនុក្រឹត្យលេខ ១៤ អនក្រ.បក ចុះថ្ងៃទី២៦ ខែកុម្ភៈ ឆ្នាំ២០០៧ ។

មាត្រា ២.-

នីតិវិធីរួមបច្ចុប្បន្នកម្ម ដែលត្រូវបានដាក់ឱ្យប្រើប្រាស់ក្រោមអនុក្រឹត្យនេះ រួមមាន៖

- ១- នីតិវិធីរួមបច្ចុប្បន្នកម្មសម្រាប់ការគ្រប់គ្រងរដ្ឋបាលគម្រោង
- ២- នីតិវិធីរួមបច្ចុប្បន្នកម្មសម្រាប់ការគ្រប់គ្រងហិរញ្ញវត្ថុគម្រោង
- ៣- នីតិវិធីរួមបច្ចុប្បន្នកម្មសម្រាប់ការគ្រប់គ្រងកិច្ចលទ្ធកម្មគម្រោង

សម្រាប់គម្រោងហិរញ្ញប្បទានពីដៃគូអភិវឌ្ឍន៍នានានៅកម្ពុជា ។

មាត្រា ៣.-

រដ្ឋមន្ត្រីទទួលបន្ទុកទិស្តីការគណៈរដ្ឋមន្ត្រី រដ្ឋមន្ត្រីក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ រដ្ឋមន្ត្រី និងរដ្ឋលេខាធិការគ្រប់ក្រសួង ស្ថាប័នពាក់ព័ន្ធ ត្រូវអនុវត្តអនុក្រឹត្យនេះឱ្យមានប្រសិទ្ធភាពខ្ពស់ ចាប់ពីថ្ងៃចុះហត្ថលេខានេះ តទៅ ។

រាជធានីភ្នំពេញ ថ្ងៃទី ២១ ខែ កក្កដា ឆ្នាំ ២០១២



សម្តេចអគ្គមហាសេនាបតីតេជោ ហ៊ុន សែន

កន្លែងទទួល៖

- ក្រសួងព្រះបរមរាជវាំង
- អគ្គលេខាធិការដ្ឋានព្រឹទ្ធសភា
- អគ្គលេខាធិការដ្ឋានរដ្ឋសភា
- អគ្គលេខាធិការដ្ឋានរាជរដ្ឋាភិបាល
- ខុទ្ទកាល័យសម្តេចអគ្គមហាសេនាបតីតេជោ
- ខុទ្ទកាល័យឧបសម្ព័ន្ធរដ្ឋមន្ត្រី
- គ្រប់ក្រសួង ស្ថាប័ន
- ដូចមាត្រា ៣
- ឯកសារ-កាលប្បវត្តិ

ធានយកសេចក្តីជម្រាបជូន

សម្តេចអគ្គមហាសេនាបតីតេជោ ហ៊ុន សែន



នាយករដ្ឋមន្ត្រី ជឿម្បីចុះហត្ថលេខា

គាត ឈន់

រដ្ឋមន្ត្រីក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ

**KINGDOM OF CAMBODIA
NATION – RELIGION – KING**

Royal Government of Cambodia
No. 74 ANK. BK

SUB-DECREE

On

**Promulgating the Updated Standard Procedures
for Implementing All Externally Financed Projects/Programs**

The Royal Government of Cambodia

- Having seen the Constitution of the Kingdom of Cambodia
- Having seen the Royal Decree No. NS/RKM/0908/1055, dated September 25, 2008 on the Formation of the Royal Government of Cambodia
- Having seen the Royal Kram No. 02/NS/94, dated July 20, 1994 on Promulgating the Law on the Organization and functioning of the Council of Ministers
- Having seen the Royal Kram No. NS/RKM/0196/18, dated January 24, 1996 on Promulgating the Law on the Establishment of the Ministry of Economy and Finance
- Having seen the Royal Kram No. NS/RKM/0112/004, dated January 14, 2012 on Promulgating the Law on the Public Procurement
- Having seen the Sub-Decree No. 04/ANK/BK, dated January 20, 2000 on the Organization and Functioning of the Ministry of Economy and Finance
- Having seen the Sub-Decree No. 78/ANK/BK, dated November 18, 2004 and Sub-Decree No. 20/ANK/BK, dated March 29, 2008 on the Fulfillment and Restructuring of Certain Departments of the Ministry of Economy and Finance
- Having seen the Sub-Decree No. 134/ANK/BK, dated September 15, 2008 on the Promotion of the Department of Customs and Excise, the Department of Taxation, the Department of National Treasury of the Ministry of Economy and Finance to the General Department of Customs and Excise, the General Department of Taxation, the General Department of National Treasury under the Administration of the Ministry of Economy and Finance
- Pursuant to the request of the Minister of Economy and Finance

Hereby Decides

Article 1:

Promulgate the Updated Standard Procedures for Implementing All Externally Financed Projects/Programs in Cambodia as attached to this Sub-Decree to replace the Standard Procedures for implementing the Asian Development Bank and the World Bank Financed Projects/Programs in Cambodia, which was promulgated by the Sub-Decree No. 14 RNK/BK, dated 26th February, 2007.

Article 2:

The Updated Standard Procedures for Implementing All Externally Financed Projects/Programs promulgated under this Sub-Decree comprise of:

- 1- Updated Standard Operating Procedures for All Externally Financed Projects/ Programs in Cambodia
- 2- Updated Procurement Manual for All Externally Financed Projects/Programs in Cambodia
- 3- Updated Financial Management Manual for All Externally Financed Projects/ Programs in Cambodia.

Article 3:

Minister in charge of the Cabinet of the Council of Ministers, Minister of Economy and Finance, Ministers and Secretaries of State of all concerned Ministries and Institutions shall implement this Sub-Decree effectively from the date of signature herein.

Signed and sealed in Phnom Penh on the 22nd Day of May, 2012

Prime Minister
Samdach Akka Moha Sena Padei Techo HUN SEN

Have submitted to Samdech Akka Moha Sena Padei Techo HUN SEN for signature

Signed and sealed
Keat Chhon
Minister of Economy and Finance

Recipients:

- Ministry of the Royal Palace
- Secretariat General of the Senate
- Secretariat General of the National Assembly
- Secretariat General of the Royal Government
- Cabinet of Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister
- Cabinet of Deputy Prime Ministers
- All concerned Ministries and Institutions
- As Article 3
- Archives-Chronicles

ABBREVIATIONS:

ADB	= Asian Development Bank
AIR	= Asset and Inventory Register
BC	= Budget Classification
BCC-1	= Budget Circular 1
BCC-2	= Budget Circular 2
BSP	= Budget Strategic Plan
CB	= Cash Book
CB/Prov	= Cash Book/Provincial/Sub-Project
COA	= Chart of Accounts
CPPC	= Contract Progress Payment Certificate
CAR	= Council of Administrative Reform
D & D	= Decentralization and De-concentration
DIC	= Department of Investment and Cooperation
DMCs	= Developing Member Countries
DP	= Development Partner
DV	= Disbursement Voucher
EAs	= Executing Agencies
FMF	= Financial Management Manual
FMRs	= Financial Management Reports
GL	= General Ledger
IAs	= Implementing Agencies
IFAC	= International Federation of Accountants
IPSAS	= International Public Sector Accounting Standards
INTOSAI	= International Organization of Supreme Audit Institutions
ISA	= International Standards of Auditing
MEF	= Ministry of Economy and Finance
NAA	= National Audit Authority
NBC	= National Bank of Cambodia
NCDD	= National Committee for the Management of Decentralization and De-Concentration
NSDP	= National Strategic Development Plan
PAD	= Project Appraisal Document
PCB	= Petty Cash Book
PCPV	= Petty Cash Payment Voucher
PDOF	= Provincial Department of Finance
PDD	= Project Design Document
PFMRDP	= Public Financial Management for Rural Development Program
PIP	= Public Investment Program
PIU	= Project Implementation Units
PM	= Procurement Manual
PMU	= Project Management Units
PV	= Payment Voucher
SGA	= Second Generation Designated Account
SMLD	= Semi-Monthly Listing of Loan Disbursements
SOE	= Statement of Expenditure
SOPs	= Standard Operating Procedures
SR	= Security Register
RGC	= Royal Government of Cambodia
RRP	= Report and Recommendations to the President
WA	= Withdrawal Application
WB	= World Bank

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1. PURPOSE OF THE MANUAL

The purpose of the Financial Management Manual (FMM) for Public Investment Projects is to describe the financial management policies and procedures of the Royal Government of Cambodia (RGC) for the efficient and effective implementation of Projects and Programs financed by Development Partners that come under the purview of the Ministry of Economy and Finance (MEF) and the achievement of the Development objectives of these projects.

The Manual is intended to assist Executing and Implementing Agencies (EA/IAs) of Development Partners (DPs) financed projects to develop and maintain effective and efficient financial management and to serve as a basis for the preparation of a specific Financial Management Manual for each Project in cases when the development of such a Manual is deemed necessary.

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. Project Teams should use this Manual as appropriate to their situation.

EAs should ensure that all project personnel are familiar with the financial policies and procedures set out in this Manual and the specific requirements of the DPs. This Manual should be used for all DP funded projects in the Royal Government of Cambodia (RGC) unless exempted by the Ministry of Economy and Finance (MEF) to do so.

The desired impact of this Financial Management Manual will only be achieved if regular training is provided to all personnel who will be involved in the use of this Manual. The MEF with the assistance of various DPs has conducted regular training programs on the use of this Manual. MEF will ensure that such training programs will be continued to be provided to EAs.

2. PROJECT IMPLEMENTATION ARRANGEMENTS

2.1 *Project Cycle*

After a project is identified by agreement between the Royal Government of Cambodia (RGC) and the Development Partner (DP), it is processed and implemented. The steps from project identification to completion comprise the project cycle, and usually consist of: project identification, project preparation, project appraisal, loan negotiation and approval, project implementation, project completion; and post-evaluation.

2.1.1 Project Identification

A project is identified during periodic consultations between the RGC and the DPs. This is usually preceded by a study of Cambodia's economic situation and its plans and priorities during a country programming mission of the DPs.

2.1.2 Project Preparation

A fact-finding mission of the DP obtains detailed information on all aspects of the proposed project, including the feasibility of the project, to justify processing to the next stage. Often the preparatory work is undertaken through a project preparatory technical assistance funded by the concerned DP. During project preparation, the Executing Agency (EA) and the financial management arrangements for the project are identified and the financial management capability of the EA is assessed.

2.1.3 Project Appraisal

During project appraisal, the project's soundness and viability is assessed. All aspects of the project proposal and the sector/sub-sector to which it relates are analysed. A more in-depth examination of the financial arrangements including the financial management organisational structure and staffing, funds flows, budgeting, accounting systems and procedures, financial management system and procedures, reporting and auditing arrangements, is undertaken. Any identified weaknesses in the financial management arrangements are discussed and an action plan developed to address the weaknesses.

2.1.4 Loan Negotiation and Approval

After the project appraisal has been completed and the project has been found to be suitable for financing, formal loan negotiations take place. When negotiations are successfully completed, the proposed project is submitted for approval of the Board of Directors of the concerned DP. Upon approval of the proposal, a credit/grant/ loan or technical assistance agreement is signed by the representative of the DP and the representative of the RGC.

2.1.5 Project Implementation

Normally, after the signing of the agreements, a period of time is allowed for a credit/grant/ loan agreement to become effective to enable project preparation

works to be undertaken to get the project ready to commence implementation. Project preparation work includes selecting and recruiting consultants, preparing detailed designs, tender documents, inviting bids, evaluating bids, awarding the contract, and procuring equipment. As this preparation work may take some time to complete, the concerned DP may approve the Government's request to undertake advance procurement action during the appraisal stage of the project to expedite project implementation. After a project is declared effective, the implementation proceeds.

2.1.6 Project Completion

Once a project is complete, the project bank accounts are closed, the final financial statements are prepared and audited and a Project Completion Report (PCR) is prepared.

2.1.7 Post Evaluation

A post evaluation mission is undertaken by the concerned DP at an appropriate interval after project completion. The mission reviews the preparation, design, appraisal, and implementation aspects of the project, the costs and benefits, and the outcome of the project in relation to its initial objectives. The mission also identifies lessons learned from the project. The mission's findings, together with the project completion report (PCR), form the basis of the project performance audit report.

2.2 *Financial Management Arrangements*

Before a project can be declared effective, the following key financial management arrangements must be in place for the project:

- Financial responsibilities defined
- Financial organisational structure decided and key financial staff recruited and trained
- Financial accounting and financial management systems, processes and procedures developed and made operational
- Funds flow arrangements defined
- Banking arrangements decided
- Financial Management Manual developed (only when a separate FMM is deemed necessary).

3. FINANCIAL MANAGEMENT RESPONSIBILITIES

Financial management of projects is the responsibility of the borrower and within the RGC the main agencies/bodies responsible for project financial management are:

- Ministry of Economy and Finance.
- Executing Agency
- Project Management Team.

3.1 *Ministry of Economy and Finance (MEF)*

The MEF, on behalf of the Government, has overall responsibility for overseeing the financial performance of donor funded projects and promoting and supporting improved portfolio performance. Specific responsibilities of the MEF are:

- Developing and maintaining policies, the Standard Operating Procedures (SOPs) and supporting Manuals for DP financed projects.
- Identifying and designating the EA for DP financed projects and providing appropriate authorities and delegations to the EA and Project Teams.
- Ensuring appropriate bank accounts are established with the National Bank of Cambodia and other acceptable financial institutions and monitoring authorized bank account signatories.
- Proper budgeting for counterpart funds and making counterpart funds available to projects on a timely basis. Also sharing the counterpart funds arrangements and other information with DPs as necessary.
- Providing support and advice to the EAs in establishing and implementing sound accounting and financial management systems and procedures.
- Monitoring, and providing guidance on, withdrawal and replenishment applications by EAs. Projects Teams must provide MEF with completed loan withdrawal application together with the Disbursement Tracking Form and bank statements with reconciliations for the Designated Accounts, and counterpart funds accounts. The MEF will sign the Withdrawal application as an authorized signatory for reimbursement, replenishment, direct payment and special commitment.
- Participating, as a committee member, in procurement activities of projects to ensure compliance with the guidelines and provisions governing the contractual relationship between the Government and the DP and to assess and agree contract payment schedules for cash management purposes. (Refer also to Procurement Manual (PM)).
- Monitoring and evaluating the financial performance of projects and portfolio performance.
- Regularly reporting the financial performance of projects to Government, other relevant stakeholders and the general public.
- Promoting and facilitating the exchange of information between projects and EAs.
- Coordinating training and learning opportunities for EAs and Project Teams.
- Monitoring and keeping track of all financial management workshops and training activities to ensure quality and relevance.

3.2 Executing Agency

EAs have primary responsibility for ensuring projects are implemented in accordance with project plans and that resources are used efficiently, effectively and only for project purposes. EAs are accountable for all financial aspects of projects and must ensure there is compliance with all financial covenants and other obligations in the loan/credit/grant and technical assistance agreements. Specific responsibilities are:

- Establishing project management structures and staffing and ensuring financial staff are properly qualified and trained.
- Ensuring appropriate project bank accounts are established and signatories are maintained up-to-date.
- Maintaining proper financial accounting and management systems and procedures acceptable to the DP and MEF and suitable to the nature of the project.
- Ensuring that funds are used for the purposes intended
- Implementing comprehensive and effective internal controls for project financial operations.
- Managing and safeguarding project assets.
- Preparing and submitting timely withdrawal applications to MEF for direct payments, reimbursement, special commitment, disbursement tracking forms and replenishment of project funds.
- Monitoring financial performance of projects and timely decision making to address variances to plans/budgets.
- Ensuring compliance with the project financial reporting requirements.
- Monitoring audit results and ensuring appropriate response and actions are taken in relation to audit findings and recommendations. Keeping the DPs fully informed of all Audit observations and follow up actions
- Contributing to the centralised information centre and the knowledge base on projects maintained by MEF.

3.3 Project Management Team

The Project Management Team within the EA¹ is accountable for the financial management activities of projects and also of ensuring compliance with all financial covenants and other obligations in the loan/credit and grant agreements. Specific responsibilities are:

- Managing and administering the financial affairs of the project.
- Ensuring compliance with the financial covenants of the project agreements and government and DP policies and procedures.
- Establishing and maintaining project budgets to support the mobilization of resources and as a management tool to support project management.
- Managing the project bank accounts and flow of funds.
- Establishing, maintaining and operating the project accounting and financial management systems and procedures with appropriate internal control mechanism.

¹ In the case of multi sector projects these arrangements may differ.

- Administering the financial transactions of the project and maintaining proper accounts and records for the project.
- Undertaking all disbursement functions, tasks and activities of the project, in strict conformity with the guidelines and systems and procedures governing disbursements from the project account and the use of project resources.
- Prepares and approves applications for withdrawal and replenishment and submits the applications together with the Disbursement Tracking Form through the Department of Investment and Cooperation (DIC) of the MEF to the DPs for payment or replenishment.
- Generating and distributing financial reports, evaluations and information necessary for effective and responsible financial management.
- Monitoring the financial performance of the project and taking actions to address variances to plans.
- Facilitating the audit of the project's financial statements and financial operations.
- Preparing and issuing all scheduled and non-scheduled reports on the project's financial matters to the EA, MEF and DP.
- Undertaking all tasks and activities related to the procurement of civil works, goods and services required by the project, in strict conformity with the guidelines, systems and procedures, governing the use of project resources.

4. PLANNING AND BUDGETING

4.1 *Project Planning and Budgeting*

Development projects are described by a range of plans, from the overall project strategic plan down to detailed implementation plans. Budgeting is the process of estimating the financial requirements of these plans, identifying sources of funds and adopting measures to ensure that such funds are made available on time. Both planning and budgeting continue throughout the life of the project.

4.1.1 Budget timescales

Project budgets can be estimated for a range of different timescales. In general, the shorter the timescale, the more detailed the budget can be. The most commonly used budget timescales are shown below.

Whole life of the project: →	When an externally financed project is approved, it is accompanied by a budget for the whole life of the project, usually broken down into annual estimates and broad expenditure categories.
Three year estimates: →	<p>Three years is the time period chosen by the Royal Government of Cambodia for its medium term plans. Each ministry prepares a three-year Budget Strategic Plan and these are fed into the government's medium term expenditure framework.</p> <p>Since externally financed investment projects account for a high proportion of the government's capital expenditure, it is important that project three year estimates are included in these plans.</p>
Annual estimates: →	The standard time period for allocation of funds to agencies and projects is one year. The RGC approves its Annual Financial Law (i.e. the annual budget) for the period from January to December each year. DPs may use this period or alternative periods suitable for their internal requirements such as World Bank fiscal year within World Bank documentation. Some externally financed projects may need to budget annual figures using a different time period for the RGC than for the DP.
Quarterly/monthly estimates: →	Funds requirements for a project are unlikely to be evenly spread over a one-year period. It is therefore important to forecast funds requirements in advance on at least a quarterly basis, and preferably monthly. These estimates are normally called 'cash budgets'/'disbursement projections'.
Estimates for specific tasks or activities: →	Each activity carried out by a project will be made up of a number of tasks. A good budgeting system will estimate the costs of these tasks and activities in order to justify the cash budgets and annual estimates. See 'bottom up' budgeting, below.

4.1.2 Budget requirements by different project stakeholders

An externally financed project will report to two major stakeholders' types: the RGC and the DP(s). Although these stakeholders are interested in the same ultimate development results, and attempts are being made to harmonise their reporting requirements as much as possible, Project Implementation Teams must prepare and provide the specific reports required by both RGC and DPs.

Differences in project budgeting requirements between RGC and DPs may arise from differences in the reporting cost categories used, or differences between the time periods required for budgets and cash forecasts. This will be no problem to the project provided that (i) it chooses its budget classification and chart of accounts in a way that is able to satisfy all reporting requirements; and (ii) it prepares its budget in sufficient detail to allow at least quarterly analysis. The budget classification is covered briefly below and in detail in Sections 7 and 8 of this manual.

Note that it is a mistake to think that the DP is only interested in the budget for the grant or loan funds and that RGC is only interested in the counterpart funds. Both RGC and the DP are interested in the budget for the whole project, distinguishing loan/grant funds from counterpart funds.

For some projects there can be other stakeholder groups. Budget reports to these groups will depend on the rules set out in the original project authorisation documentation.

Finally it is important that budgeting is not carried out just because it is required by RGC or DPs. The Financial Officer's job is to budget *proactively*, generating information that is useful for decision making, in order to achieve the project's development objectives. Usually this means that project budget cost information is collected and held by the project Financial Officer in much greater detail than is needed by RGC or the DP. The budget must also be a 'living plan', and will change (within the allowed rules) in response to its own performance and to external events.

4.1.3 Budget classification

The budget classification is a set of numbered tags used to analyse budgeted receipts and payments / sources and uses of funds into categories. The same item of receipts and payments / sources and uses of funds can be tagged under several different 'dimensions' of the budget classification. *For example*, expenditure of 5 million Riel on bricks might be classified as follows²:

² RGC is in the process of developing an extended budget classification, described in outline in Chapter 8 of this manual. Until this is finalised, the example given in s. 4.1.3 uses *example* codes, except for the RGC Economic code, which comes from the Chart of Accounts 2007.

Dimension of classification	Description of dimension	Example code number	Example code description
RGC Economic	Nature of income or expenditure	6012	Building maintenance supplies
DP disbursement category	Nature of income or expenditure	01	Civil works, goods, consultants and operational costs
Funding	Source of funds	01	World Bank
Project component	Project component	0203	Component 2 activity 3
Geographical	Location receiving the benefit of the expenditure	01	Phnom Penh

Using a comprehensive series of dimension tags enables the same budget to be presented to different stakeholders using their required categories for income and expenditure.

It is essential that the project budget classification uses the same codes as its accounting system, and they must be designed together as the 'Budget Classification and Chart of Accounts (BC&COA)', usually called the 'Chart of Accounts' (COA) for short.

The principles for designing the COA are covered in Section 8.1 of this manual. The complete proposed COA used by RGC is shown at Appendix 2.

4.1.4 Top down and bottom up budgeting

Budgeting is a process in which desired plans are compared with available funds and other resources and the best solution is proposed.

From the point of view of a project, the budgets received from the DP (external funds) and RGC (counterpart funds) are '*top down*' budgets, which represent cash limits (also called '*ceilings*') for each category of expenditure.

The project must respond by building plans for activities which cost no more than these ceilings. This is called '*bottom up* budgeting'. If the Financial Officer does not construct a proper bottom up budget, the project is likely to keep spending money until it runs out, without any clear idea of whether it is doing the right things to achieve its objectives.

Thus during the set-up phase of a project it is essential that the Financial Officer (i) designs the project BC&COA; and (ii) prepares budgets in sufficient detail to assist project management to act effectively. A good Financial Officer will not

only prepare bottom up budgets but will also assist in the process of prioritising project outputs by showing costs under different operational assumptions.

4.1.5 Revisions to budgets

Even when budgets have been carefully prepared, there will be times when they need to be revised to adapt to changing circumstances. In most cases there will be no additional funds available, but it may be possible to *transfer funds from one budget category to another*. This is known as ‘reallocation of funds’, and will be covered by clear rules set by the funds provider.

The DP sets the rules for grant/loan funds and RGC sets the rules for counterpart funds. The funds provider specifies definitions of categories within which the project can transfer funds without applying for permission, but outside which permission must be given by the funds provider.

For the DP, the categories within which expenditure can be varied without seeking permission are specified in the loan/grant agreement. For RGC the rules are covered by MEF regulations.

When funds are successfully transferred from one budget category to another, the budget must be updated, but the original budget must not be lost. As a matter of practicality, material budget changes cannot be made too often, but there is a need to ensure that the project is running with a realistic up-to-date budget.

4.2 Integration of project budgets with ministry/sector budgets

It is important that projects are viewed as government investments with clear connections to sector and ministry strategic plans. For this reason RGC is especially concerned that project plans and budgets are integrated within the budget submissions received from ministries.

Although projects are executed by different mechanisms from other ministry operations, it is essential that project information is communicated to ministries so that consolidated reports can be made at the following levels:

- Sector Strategic Plan;
- Ministry Budget Strategic Plan (three-year forecasts);
- Ministry annual budget (incorporated in the Financial Law: Financial Law comprises of: i) Annual Financial Law, ii) Amended Annual Financial Law and iii) Post Budget Execution Law) ; and
- Ministry quarterly and annual budget execution/accounting reports.

The budget execution/accounting reports are dealt with later in the manual. This Section considers integration of plans and budgets.

4.2.1 Projects linked to National and Sector Strategies

At the strategic level, the project plan is contained within the Project Appraisal Document (PAD)³ and other documents, such as the Procurement Plan, which form part of the loan/credit/grant agreement for the project. The exact names of these documents vary with the development partner.

The strategy within the Project Appraisal Document is linked to the appropriate RGC Sector Strategic Plan and from there to the National Strategic Development Plan (NSDP) 2009-2013 and the Rectangular Strategy. It will also be linked to the Development Partner's Country and Sector Strategies.

4.2.2 Integration of project budgets with PIP and ministry/sector budgets

The Public Investment Program (PIP) is the government's main mechanism for identifying and listing specific projects and activities to achieve the broader sectoral goals and targets specified in the National Strategic Development Plan (NSDP). In turn, the RGC's Rectangular Strategy and the NSDP are the two main documents that drive the RGC's Development Agenda. The PIP is prepared on a 3-year rolling program basis and is developed and approved prior to the commencement of the RGC's budget cycle. In order for this to occur, the PIP process begins well in advance of the budget cycle, as described in the manual on Standard Operating Procedures (SOP):

- a. In October each year, the Ministry of Planning (MOP) requests line ministries and other RGC institutions to prepare their PIP plans, based on the project performance outcomes of the previous year.
- b. In the period from November to January, line ministries and other RGC institutions prioritize and select their project proposals for submission to the MOP.
- c. In February, the MOP prioritizes the project proposals submitted, in line with the policy priorities of the RGC as articulated in the NSDP. Within the same month, a Draft PIP is also prepared and submitted to an Inter Ministerial Meeting for discussion.
- d. In March, the Draft PIP is approved by the Council of Ministers.
- e. The PIP approved by the Council of Ministers is then submitted to the MEF for the inclusion in the Annual Budget, and for preparation of requirements to enable the Council for Development of Cambodia (CDC) to mobilize resources from DPs, through the annual aid appeal from the Cambodia Development Cooperation Forum (CDCF).
- f. The RGC Annual Budget preparation process begins in the first week of April and concludes with Royal Assent of the Annual Finance Law by 25 December. For a detailed description of the steps in the process, please refer to the RGC's Financial Management Manual for Externally Assisted Projects (hereinafter called the Financial Management Manual).
- g. Following the adoption of the Annual Finance Law, which includes the PIP, by the Council of Ministers, the CDC then uses the PIP as the basis on which to appeal and mobilize aid resources, including from bilateral, multilateral and NGOs sources to finance and implement identified project and program

³ A generic name for this type of document is needed. PAD is the WB terminology, while for ADB projects it is the Report and Recommendations to the President (RRP), and other development partners have different names.

activities. This activity is carried out through the CDCF, and it is the responsibility of CDC to inform MEF of the outcomes of the DP pledges following the CDCF meeting.

This Financial Management Manual is especially concerned with ensuring that information on development project plans and budgets is integrated into RGC's medium term and annual budgets. This means:

- (i) inclusion of project three-year forward estimates within the three-year Budget Strategic Plan; and
- (ii) Inclusion of project annual budgets within the Financial Law.

This integration will normally be carried out at Ministry level, which means that project budget estimates must be available at the appropriate time and in the appropriate format for inclusion in the implementing Ministry's Budget Strategic Plan (BSP) and Annual Budget. The three year estimates included in the PIP can be used as a basis for the figures included in the BSP. Some more detailed estimates/breakdowns of the figures will probably be needed and, as described in the example in section 4.3 below, the financial estimates must be classified in accordance with the GGC Chart of Accounts. At the time of writing, the PIP does not contain a detailed breakdown of project estimates using the Chart of Accounts, and this is therefore an issue for further future reforms.

4.2.3 Royal Government of Cambodia's Budget Calendar

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 Royal Government of Cambodia's budget calendar. As stated in the Law of the Public Finance System (May 2008), Article 39, the budget calendar has three phases:

1. Preparation of the Budget Strategic Plan (BSP) (March to May)
2. Preparation of the Budget Package (June to September)
3. Budget Approval (October to December).

1: Preparation of the Budget Strategic Plan

First week of March	MEF prepares medium term macroeconomic framework and public finance policy for the approval of RGC.
First week of April	MEF issues the BSP Circular to ministries, institutions, similar public entities and sub-national administrations, giving instructions for preparation of the BSP, including standard forms to be submitted.
May 15	Deadline for the submission of BSP by ministries, etc. to MEF.

2: Preparation of the Budget Package

First week of June	MEF issues the Annual Budget Circular to ministries, institutions, similar public entities and sub-national administrations, giving instructions for preparation of the Budget Package, including standard forms to be submitted.
July 15	Deadline for the submission of Budget Packages by ministries, etc. to MEF.
August	Discussion and defense of budgets between MEF and ministers, heads of institutions and similar public entities, and governors of all provinces and cities.
September	MEF finalizes revenue and expenditure budget and prepares draft Financial Law.

3: Budget Approval (approval of the Financial Law)

First week of October	MEF sends draft Financial Law to Council of Ministers for review and approval.
First week of November	Financial Law sent to National Assembly for adoption.
First week of December	Financial Law sent to Senate for adoption and final approval by the King before December 25.

By examining the above calendar it can be seen that the key time periods during which the project must provide budget information to the implementing ministry are:

- | | |
|---|--------------|
| • For the Budget Strategic Plan: | April |
| • For the Annual Budget: | June |

4.2.4 Integrating the project budget with the Ministry BSP and Annual Budget

Each ministry has a Budget Working Group which comprises representatives from (i) Department of Administration and Finance; (ii) Department of Planning; and (iii) Project Management Units/Project Implementation Units/ (PMU/PIU). The Budget Working Group coordinates preparation and submission of the BSP and the Annual Budget to MEF.

The ministry BSP and annual budget preparation will be carried out according to a clear time frame, based on the submission timetable in section 4.3 above.

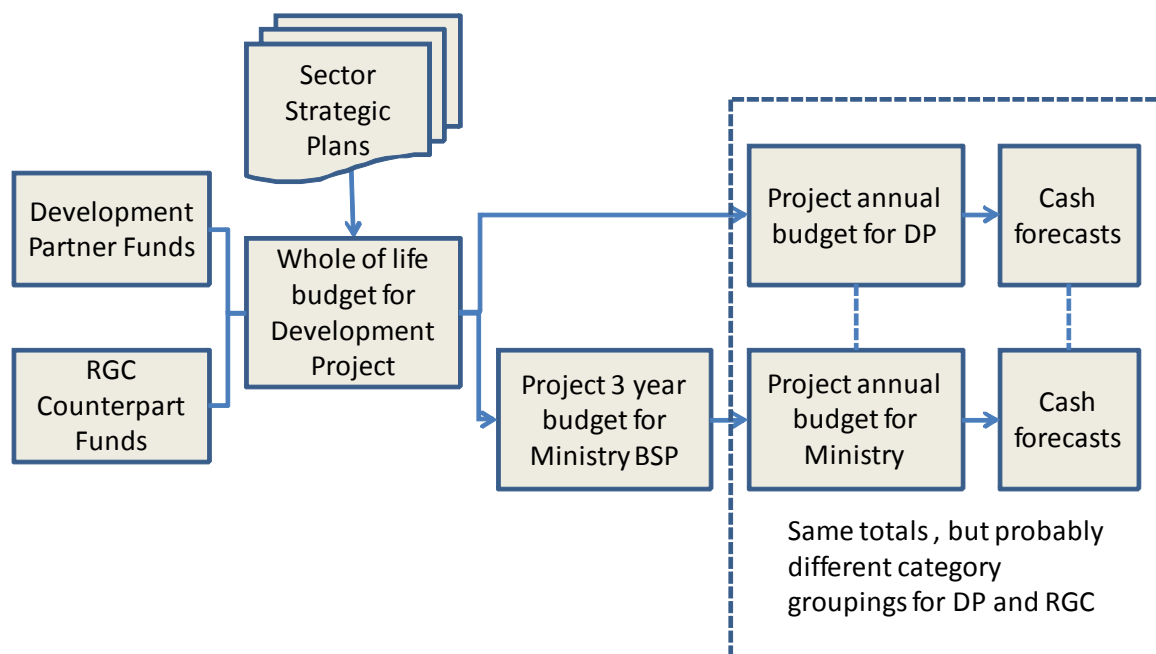
General instructions for preparing the BSP are in the BSP Guidelines issued by MEF, which include the work of the Budget Working Groups. These are supplemented by the BSP Circular [Budget Circular 1 (BCC-1)] issued in first week of April, which contains the BSP submission forms. These guidelines and circulars should be carefully studied each year, as they will be progressively developed as the budget process is steadily reformed.

The Ministry's BSP submission must contain a listing of all its investment projects, the budgets for which are included in the plan. Some projects will have budgets for the full three years, while others will finish during the first or second year of the plan. The information required for the BSP also includes targets for outputs and outcomes, as defined in the guidelines. These can be taken from the project plans and adapted as necessary to MEF's requirements. Some projects will fit under specific ministry programs whereas others will be self-standing.

In the same way, the instructions for preparing the Ministry's Annual Budget are given in Budget Circular 2 (BCC-2) issued in the first week of June, which contains the budget submission forms. For projects which are part of programs, MEF's Program Budgeting Guidelines will automatically apply. For other projects, the Program Budgeting Guidelines give a clear indication of the information which MEF requires, which again includes targets for outputs and outcomes as well as financial budgets.

To integrate the project figures with the BSP and annual budget, it will be necessary to express them in accordance with the RGC budget classification. Thus, as stated before, it is important that during the set-up stage of the project, the BC&COA is properly designed to allow for this (see Section 8).

Figure 4.1. Integration of project and ministry budgets



Note that the above diagram illustrates that, while there is only one integrated budget for the project, the budget figures can be presented in more than one way, and usually are. RGC will have its required format for the budget and the DP will have its required format. *Thus the same total figures are presented in two different ways.* This will be illustrated in Section 4.3 below.

4.2.5. The annual work plan and budget

The project's annual budget must be based on an annual project work plan. Both the work plan and the budget require the approval of the Executing Agency (EA) and the Project Steering Committee (if applicable). After approval, the EA includes the project budget in its budget submission to MEF and obtains the approval of the development partner for the budget. Also at this time, a summary of the funding requirements from the various funding sources, including the government counterpart funds, is submitted separately to the MEF's Department of Investment and Corporation (DIC).

4.2.6 Revision of budgets

Budgets should be revised whenever there are major changes or variations in the annual work plans or overall project plans, as discussed under 4.1.5 above. Approved variations or revisions of the annual work plans or budgets must be promptly advised to the MEF and the development partner(s) for approval/endorsement.

4.3 Producing an integrated project budget - example

The following example shows how a project budget, agreed with a development partner, can be re-formatted for reporting to both the DP and the RGC, using their required classification codes.

Project ABC

Project ABC is set within one ministry and consists of three components:

- Component 1: Increasing managerial and technical capacity
- Component 2: Demonstration of improved agricultural techniques
- Component 3: General management support.

The project is financed by a Development Partner (DP) and by RGC counterpart funds.

The annual budget agreed with the Development Partner, using the DP's budget codes is shown in Figure 4.2 below.

The project Financial Officer is required to reformat this budget so that it can also be used to report to RGC, using RGC's COA economic items. This will enable the project to be consolidated into the ministry's overall budget. RGC does not need to know details of costs of individual project components, but the DP does.

Figure 4.2: Project ABC – Annual budget agreed with the Development Partner, \$'000

DP code	Description	Total \$'000	Development Partner				Government			
			Total	C1	C2	C3	Total	C1	C2	C3
1	Consultancy	784.45	784.45	340.00	327.20	117.25	-	-	-	-
11	Consultant's remuneration	682.20	682.20	300.00	282.20	100.00	-	-	-	-
12	Consultants' travel costs	77.25	77.25	30.00	40.00	7.25	-	-	-	-
13	Translation costs	25.00	25.00	10.00	5.00	10.00	-	-	-	-
2	Equipment	104.75	104.75	-	30.00	74.75	-	-	-	-
21	IT systems	74.75	74.75	-	-	74.75	-	-	-	-
22	Vehicle	30.00	30.00	-	30.00	-	-	-	-	-
3	Capacity Building	267.85	242.85	167.85	75.00	-	25.00	-	25.00	-
31	Workshops, Seminars	167.85	167.85	167.85	-	-	-	-	-	-
32	On site demonstrations	50.00	50.00	-	50.00	-	-	-	-	-
33	Materials	50.00	25.00	-	25.00	-	25.00	-	25.00	-
4	Project Management Costs	66.25	41.25	-	-	41.25	25.00	25.00	-	-
41	Office Accommodation and Facilities	30.00	5.00	-	-	5.00	25.00	25.00	-	-
42	Administrative Support	36.25	36.25	-	-	36.25	-	-	-	-
5	Recurrent Costs	7.50	-	-	-	-	7.50	-	-	7.50
52	Maintenance of computer systems	7.50	-	-	-	-	7.50	-	-	7.50
	Total Base Cost	1,230.80	1,173.30	507.85	432.20	233.25	57.50	25.00	25.00	7.50
60	Contingencies	115.00	115.00	55.00	44.00	16.00	-	-	-	-
	Total Project Cost	1,345.80	1,288.30	562.85	476.20	249.25	57.50	25.00	25.00	7.50

In order to convert this budget into RGC coding format, two steps are followed:

1. A *detailed budget worksheet* is prepared, in which the budget is broken down into its smallest parts, and costed by economic items. This is the same principle as costing program budgets, which are divided into sub-programs and activities and costed using economic items.
2. The figures in the budget worksheet are summarised by economic items, in the manner required by RGC.

To follow the workings in this example you will need a copy of the RGC Chart of Accounts 2007 (or as amended from time to time), which gives the required RGC codes for economic items.

STEP 1: Detailed budget worksheet

The worksheet produced by the project Financial Officer is shown in Figure 4.3.

Figure 4.3: Project ABC – Detailed annual budget worksheet, \$'000

Account code		Description	Total \$'000	Development Partner				Government			
DP	RGC			Total	C1	C2	C3	Total	C1	C2	C3
11	6211	Consultant's remuneration - national	232.20	232.20	100.00	92.20	40.00	-			
11	6212	Consultant's remuneration - international	450.00	450.00	200.00	190.00	60.00	-	-	-	-
12	6212	Consultants' air fares/travel (international)	77.25	77.25	30.00	40.00	7.25	-	-	-	-
13	6080	Translation costs (other supplies)	25.00	25.00	10.00	5.00	10.00	-	-	-	-
21	2183	IT systems	74.75	74.75	-	-	74.75	-	-	-	-
22	2181	Vehicles	30.00	30.00	-	30.00	-	-	-	-	-
31	6223	Workshops, Seminars	100.00	100.00	100.00	-	-	-	-	-	-
31	6243	Per diems	67.85	67.85	67.85	-	-	-	-	-	-
32	6223	On site demonstrations (workshops)	20.00	20.00	-	20.00	-	-	-	-	-
32	6151	Maintenance of land	30.00	30.00	-	30.00	-	-	-	-	-
33	6033	Seeds and plants	25.00	-	-	-	-	25.00	-	25.00	-
33	6034	Fertilizer	20.00	20.00	-	20.00	-	-	-	-	-
33	6053	Small tools	5.00	5.00	-	5.00	-	-	-	-	-
41	6130	Rental of office	20.00	-	-	-	-	20.00	20.00	-	-
41	2182	Office equipment	10.00	5.00	-	-	5.00	5.00	-	-	5.00
42	6441	Salaries of contract staff	36.25	36.25	-	-	36.25	-	-	-	-
52	6157	Maintenance of computer systems	7.50	-	-	-	-	7.50	-	-	7.50
60	9000	Contingencies	115.00	115.00	55.00	44.00	16.00	-	-	-	-
Total Project Cost			1,345.80	1,288.30	562.85	476.20	249.25	57.50	20.00	25.00	12.50

This worksheet has been prepared by breaking down the contents of each of the DP's cost categories into RGC economic items. Thus:

- Consultant's remuneration has been broken down into national (6211) and international (6212); external consultant's airfares are better regarded as part of the cost of external consultants than as travel expenses of the project, and have therefore also been coded 6212.
- Training for component 1 has been broken down into workshop costs (6223) and per diems (6243).
- For component 2, 'on site demonstrations' have been divided into workshops (6223) and land maintenance (6151); materials have been included as seeds (6033), fertilizer (6034) and small tools (6053).
- 'Office accommodation and facilities' have been included as office rental (6130) and office equipment (2182).
- Translation costs have been shown as 'other supplies' (6080). Other DP cost categories have a direct equivalent code in the RGC Chart of Accounts.

This detailed budget worksheet will form the basis of the chart of accounts for the project, as shown in Chapter 8 of this manual.

STEP 2: Summary budget for RGC

In order to present the budget to the ministry/government all that is required is to group the costs by economic item and source of funds, as shown in Figure 4.4.

Figure 4.4: Project ABC – Budget presented to Royal Government of Cambodia, \$'000

Note: In practice this budget would need to be translated to Khmer Riel, but for ease of reconciliation it is left in US dollars.

COA Code	Description	Total \$'000	DP \$'000	Govt \$'000
2181	Vehicles	30.00	30.00	-
2182	Office equipment	10.00	5.00	5.00
2183	IT systems	74.75	74.75	-
6033	Seeds and plants	25.00	-	25.00
6034	Fertilizer	20.00	20.00	-
6053	Small tools	5.00	5.00	-
6080	Translation costs (other supplies)	25.00	25.00	-
6130	Rental of office	20.00	-	20.00
6151	Maintenance of land	30.00	30.00	-
6157	Maintenance of computer systems	7.50	-	7.50
6211	Consultant's remuneration - national	232.20	232.20	-
6212	Consultant's remuneration - international	527.25	527.25	-
6223	Workshops, Seminars	120.00	120.00	-
6243	Perdiems	67.85	67.85	-
6441	Salaries of contract staff	36.25	36.25	-
9000	Contingencies	115.00	115.00	-
	Total Project Cost	1,345.80	1,288.30	57.50

4.4 *Converting annual budgets into cash flow budgets / disbursement projections*

Annual budgets are only the starting point for obtaining the funds necessary for budget execution. An annual budget shows the total funds required for a whole year for each expenditure category. However, neither RGC nor the development partner will advance these funds as an annual lump sum. They will be advanced as needed by the project. It is therefore imperative that annual budgets are converted into cash flow budgets which show *when* the funds will be required.

Cash flow budgeting is a critical element of ensuring that funds are available when required by EAs. It involves estimating the amount and timing of payments for expenditures and of receipts for revenues. The estimate should be based on the estimated physical progress of activities and estimated timing of the related contract/operational expenditure claims and/or receipts.

The requirements of development partners for project cash budgeting are normally included in their manuals on project management. In general, quarterly cash budgets are required, to be updated each quarter. For counterpart funds, RGC require similar reports. Any changes to the cash flow budgets must be advised to MEF to help ensure that counterpart funds are available when required. It is imperative that the cash flow requirements for project activities are clearly communicated to the MEF, so as to ensure regular and timely cash flow is available for project implementation activities.

Since cash budgeting is a key tool for project management, it is recommended that, for internal management purposes, cash budgets are broken down into quarterly requirements, and updated quarterly or even more frequently.

4.5 *Project Funds Flow*

The flow of funds for projects from the development partner to the RGC and the EA will be specified in the Loan/Credit/Grant Agreement and the Project Design Document of the project. Funds flows within the EA are also specified in the PAD. Any variation to the endorsed flow of funds must be agreed by the EA (Project Team), MEF and the DP prior to implementation. As part of the funds flow, the bank account requirements of the project must be specified and agreed prior to the implementation of the project.

These procedures are dealt with in Chapter 17 of this manual.

5. FINANCIAL POLICIES AND STANDARDS

5.1 *Fiscal Year and Reporting Periods*

The government financial year is from January to December which is divided into 12 reporting periods (based on months). This is the accounting period which is used for all financial transactions in RGC.

Project EAs must identify the project financial year that will apply and agree this with the MEF and the DP.

Whatever financial year is used by a project, it must produce budget estimates for January to December when presenting figures for integration with the Ministry Budget Strategic Plan and the Annual Budget (see Section 4).

5.2 *Basis of Accounting and Accounting Standards*

The basis of accounting, accounting standards and any additional financial accounting policies/standards used by the project must be specified in the annual financial statements of the project.

This manual assumes that projects will use the cash basis for budgeting, accounting and reporting. It assumes that where supplementary records of assets are kept, these are shown at cost and no depreciation is applied.

For projects which use the modified cash basis or accrual basis of accounting, a supplementary set of guidelines is available.

Best practice for 'general purpose financial statements' of projects using the cash basis of accounting is at the moment represented by the IPSAS Cash Basis Standard. However, investment projects do not usually produce general purpose financial statements and their reporting requirements for annual financial statements are therefore governed by the specific needs of MEF and the DP.

Financial reports are covered in Section 19. These must be clarified during the set-up phase of the project, in order for the project budget classification and chart of accounts (BC&COA) to be set up.

5.3 *Currency of Recording and Reporting*

Project Teams must record financial transactions and maintain the main project accounts and records in US dollars. All prime financial reports must be in US Dollars. Subsidiary accounts, records and reports may be maintained in Riel.

6. INTERNAL CONTROL

6.1 Overview

Internal control comprises all the policies and procedures adopted by management of the EAs to assist in achieving orderly efficient, and effective implementation of the project, compliance with government and donor policies and rules, safeguarding of financial resources, complete and reliable processing, recording and reporting of financial transactions and events, timely issue of financial management reports for monitoring and management decision making, and the detection of fraud and error.

Internal control is aimed at:

- Ensuring that the accounts and records are reliable and complete.
- Ensuring that all funds for the project are used in an economical , efficient and effective manner to achieve project development objectives
- Securing compliance with legislative, statutory and project agreements' requirements and adherence to organizational policies, and
- Protecting assets, especially cash receipts, from being lost or stolen and safeguarding assets against wastage, fraud, improper use and inefficiency
- Discouraging dishonesty through the implementation of systems and procedures that would make concealment of irregularities possible only through collusion of two or more persons and promoting disclosure and transparency

6.2 Responsibility for Internal Control

The EA management, and in particular the Project Team appointed by the EA Management is responsible for developing, implementing and monitoring a sound system of internal controls.

6.3 Critical Elements of Internal Control

The critical elements of internal control are:

6.3.1 Management Commitment to Effective Internal Control

Management must be committed to effective internal control. Management is responsible for maintaining and reviewing the control structures on a regular basis to ensure that all key controls are operating effectively and are appropriate. Management's attitude towards enforcement of controls will strongly influence the effectiveness of internal control.

6.3.2 Effective Organisational Controls

Operational controls include effective organisational structures, well-defined responsibilities and the segregation of functions. There should be segregation of functions and separation of duties within finance functions and the accounting systems to help detect and prevent errors, fraud or misuse of funds.

Clear specification of financial authorities and delegations is a critical part of effective organisation internal controls.

6.3.3 Capable, Trained and Honest Officers

MEF and the EAs should engage qualified and experienced people. EAs must ensure that both formal and informal (on-the-job) training is provided to staff to enable them to effectively carry out their assigned duties.

6.3.4 Clearly Understood Procedures and Documentation

Internal controls should be clearly documented in procedure manuals and job descriptions and these should be available to all relevant staff. All staff involved in accounting for expenditure, revenue, assets and liabilities must understand government and project policies and procedures. Documents should be simple, easy to use and designed to ensure they will be filled out correctly to help reduce misinterpretation of information and errors.

6.3.5 Effective Management Controls

Management controls are concerned with planning, monitoring and decision making to enable the organisation to achieve its objectives and to ensure compliance with legal and contractual requirements. Management controls include preparation of plans (e.g. corporate plans, functional and work plans, annual budgets, procurement plans), monitoring systems, regular reporting of progress against plans, variation analysis and timely decision making based on regular management information.

6.3.6 Effective Operational Controls

Operational controls are concerned with the completeness and accuracy of processing of financial transactions and events and are aimed at preventing and detecting errors. Operational controls include sequence checking, use of control totals, reconciliations and independent checks. Regular reconciliations of bank accounts and control accounts must be carried out to ensure that the accounting systems are functioning properly and the accounting data is being accurately recorded and maintained.

6.3.7 Adequate Physical Controls

Physical controls are required to safeguard cash and other negotiable instruments (e.g., cheques) as well as inventories (where applicable) and assets. Controllable forms such as receipt books, cheque books, must be kept secure and records must be kept for issues and usage of assets. Physical assets must be safeguarded and properly maintained to retain their value and effectiveness.

6.4 Financial Delegations and Authorities

EAs, in conjunction with the MEF, must clearly define the financial delegations and authorities for project implementation to the Project Implementation Team. The delegations and authorities should be agreed between the EA and MEF and

documented in the project Financial Management Manual, as a supplement to the uniform Financial Management Manual if this is deemed necessary.

The following delegations and authorities are the minimum that should be addressed in establishing the financial arrangements and internal control system for projects:

- Bank Account Operations
- Authorised signatories for drawing funds from the project bank accounts and the signing requirements for payment withdrawals and Disbursement Tracking Forms
- Authorised signatories for credit/grant replenishment withdrawal applications and Disbursement Tracking Forms
- Contracts
- Authorities to approve contracts for civil works, goods and services, including approval ceilings
- Receiving of Civil Works, Goods and Services
- Authorities to teams or individuals as appropriate to certify the completion/acceptance of civil works, goods and services
- Expenditure Payments
- Authorities to approve expenditure claims/vouchers, including approval ceilings
- Authorities to approve petty cash expenditure claims
- Authorities to approve advances of funds
- Receipts
- Authorities to receive funds and to issue official receipts.

The financial delegations and authorities should operate in conjunction with administrative systems and controls. Administrative system controls consist of measures adopted by management to help promote operational efficiency and adherence to prescribed policies within the organisation, and achievement of its goals. Examples of administrative controls are the maintenance of employee personnel records and job descriptions to ensure that the employees are performing the correct duties and these are within their capabilities; maintenance of travel records to support and verify claims for fares and per diems; maintenance of vehicle usage to ensure proper use of assets and operational expense claims.

The Project Team should review the nature of the activities of the project and ensure that appropriate administrative authorities and delegations are defined to control the project activities in conjunction with the financial delegations and authorities and documented in the project arrangements.

6.5 General Financial Internal Controls

Financial controls consist of measures adopted by management to protect its assets and to ensure the accuracy and reliability of its accounting records and financial reports. Key internal controls to be implemented by executing agency are:

Competent and Reliable Personnel:

The internal control system relies on the people running it. Employees should be adequately trained and properly supervised to enable them to carry out their duties and responsibilities effectively.

Separation of Functional Responsibilities:

A person should not have complete control of a transaction from beginning to end. There should be clear understanding as to who will approve, what is to be approved and the limitations of authorisation. The approving officers should not have responsibility for posting or the ability to change accounting records. There should be a clear separation of roles of the requestor, receiver, and approver for each and every transaction.

Assignment of Responsibility for Every Function:

Employee responsibilities should be clearly defined to avoid overlapping or unassigned areas of responsibility (e.g., an organization chart should be prepared). EA staff must know their responsibilities and whom they report to.

Separation of Asset Custodianship and Accounting:

The accounting function should be separated from the custody of assets (e.g., an employee who is entrusted to receive cash should not have access to the cash journals or ledgers).

Security Measures:

Techniques, procedures and measures should be employed to protect assets and ensure reliable accounting data and reports (e.g. use of mechanical devices such as vaults and cash registers; use of control accounts and subsidiary ledgers).

Supervision:

Internal regulations should provide clear lines of supervision responsibilities to all levels of staff and all types of transactions. For example, the Director or Manager of the EA is responsible for the supervision of setting up of annual estimated expenditures, approving of the annual reports etc whilst the Financial Officer is responsible for the supervision for the proper recording of all transactions by subordinates, and the preparation of financial statements in accordance with the agreed format and standards.

Regular Independent Review:

Internal auditors should regularly review and evaluate the system of internal controls to determine whether it is functioning effectively as planned (e.g., internal auditors' findings and recommendations should be submitted to senior management for action).

Control of Transactions:

Every transaction should be authorised, approved, executed and recorded according to prescribed procedures (e.g., staff are not free to procure without the approval of the manager).

Serially Numbered Documents:

Organization documents should be serially numbered to check completeness of transactions (e.g., checks, invoices and vouchers should be serially numbered). A register should be kept of all serially numbered documents and they should be issued in sequence and its use regularly monitored to ensure that the sequence is strictly

maintained. In cases where several branches or offices are involved the issue to each branch or office should be monitored through the control register to ensure that numbered documents are used strictly in sequence. The practice of using more than one check book at any location at any one time should be strictly prohibited

Sequencing:

Accounting control system should be set up in such a manner that proper sequencing is followed with regards to payments, posting of transactions to ledgers etc. For example payments should not be authorised or made before the goods or services for which the payment relates to has been received by the project.

6.6 Transaction Processing Controls

With sound transaction processing internal controls, employees' duties are arranged and records and procedures are designed to exercise effective controls over assets, liabilities, revenues and expenditures. Employees' work is divided so that no one employee performs a complete cycle of operations. As an example, an employee handling cash would not be assigned to post collections in the accounting records. The procedures to be followed must be defined and such procedures should require proper authorisations by designated officials for all actions to be taken. The table below summarises the general transaction processing, internal control objectives and internal control outcomes.

<i>General Objective</i>	<i>Internal Control Outcome</i>
Validity: →	Recorded transactions are valid, eligible, properly documented, conform to the work plan and budget and are for purposes intended. The activity must have occurred.
Completeness: →	All valid transactions are recorded and none omitted
Authorisation: →	Transactions are authorized according to the EA and Government policy and regulations and conforms to the funding DPs procedures
Classification: →	Transactions are properly classified in the accounts as per the approved RGC Chart of Accounts and categories of the DPs
Accounting/Posting: →	Transaction accounting is completed
Proper period: →	Transactions are recorded in a timely manner in accordance with the provisions of the RGC regulations and the provisions of the FMM

6.7 Computerised Accounting Systems Controls

With the use of computerised accounting systems, internal controls must encompass the security and back up of financial accounts and records. The key computerised accounting systems internal controls that must be adhered to are:

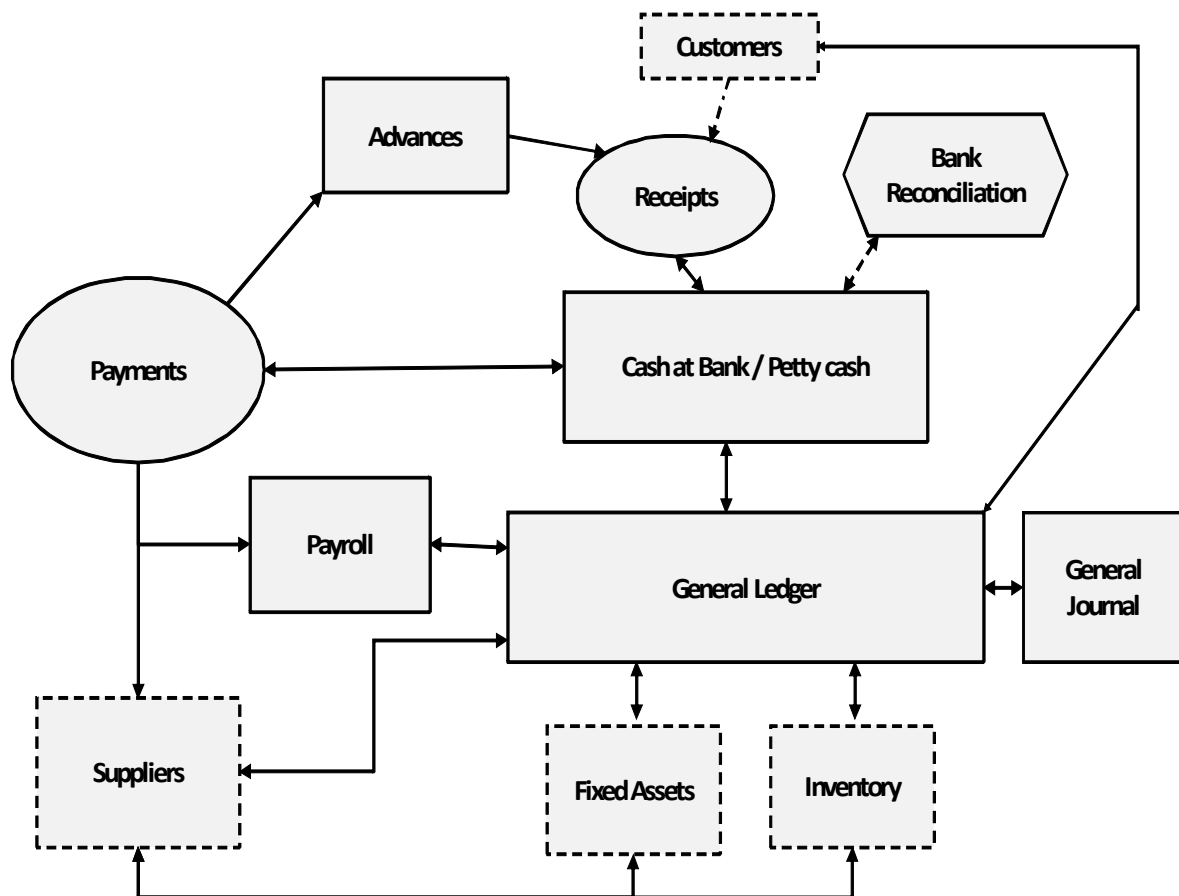
- Password Protection
 - Password protection should be implemented and maintained for all IT accounting systems.
- Back up Procedures
 - All IT systems/ Accounting Software will be regularly (daily if possible) backed up and procedures established to restore data and or software following any operational disruption.
 - Emergency procedures will be available to provide business continuity following loss of IT systems
 - All IT systems will be backed up to external media (e.g. tape, disk) on at least a daily basis
 - Daily printouts of daily transactions will be made checked and signed by the Project Financial Officer and filed for future reference.
- Virus Protection
 - All IT systems will be protected against the threat of software viruses.
 - Regular scan disk should be done at least once a week.
- Emergency Procedures
 - Electrical power systems supporting IT Equipment should have an appropriate UPS system in place together with backup batteries, which are automatically invoked following a power loss. Batteries will be able to provide power for sufficient time to allow an emergency generator to start up and run at full load.
 - Emergency procedures detailing what actions to take and including manual procedures to be followed in the event that IT systems are unavailable should be fully documented.
 - All staff should be aware of the documented emergency procedures. These will be tested, reviewed and updated at regular intervals.

7. FINANCIAL ACCOUNTING SYSTEM

7.1 Overview

The primary objective of the financial accounting system is to record in a systematic and controlled manner the financial transactions and events of the project and to report financial information for monitoring and controlling the project funds and project implementation.

The flow chart below shows the components of a cash-based financial accounting system that keep a general ledger, cash and petty cash accounts, payroll, advances and general journals on the double entry system. It also keeps memorandum records of suppliers and customers as well as inventory and fixed assets at cost. For accrual based systems see separate guidance notes.



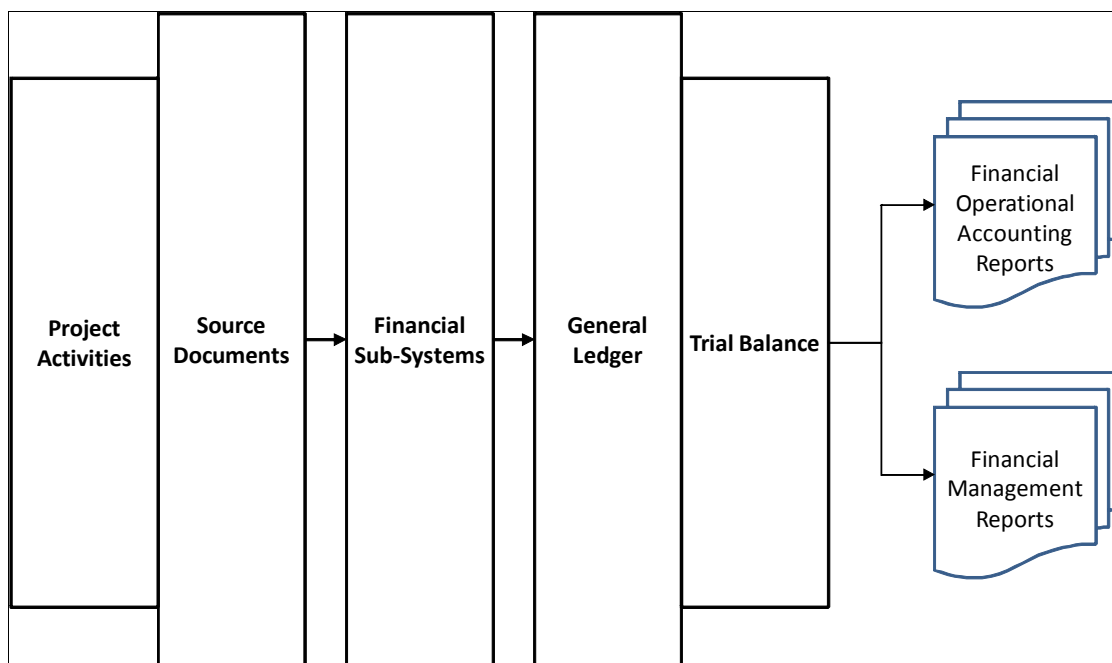
7.2 Accounting System

The accounting system that a project uses may be a manual system, a computerised system or a combination of the manual system and computerised system.

The financial accounting system encompasses:

- (i) Source documents;
- (ii) Financial sub-systems (cash and petty cash registers for receipts and payments, payroll, advances, registers and general journal);
- (iii) A general ledger to record all transactions using the chart of accounts (COA) on the double entry basis; and
- (iv) Optional memorandum records (customers, suppliers, inventory, fixed assets).

Financial accounting data flows from the source documents to the general ledger, is controlled using a double entry 'trial balance' and then is produced in financial reports, either in detail (financial operational accounting reports) or in summary (financial management reports). The flow chart below demonstrates this flow.



The flow of financial information is the same for both manual and computerised accounting systems. Transactions are initially recorded manually on source documents. The data from these source documents is then entered into the relevant sub-system accounting records (e.g. cash payments register) and then transferred to the general ledger. In the computerised accounting system, the source documents data is entered into the relevant module/menu window and the computer processes the information and performs the tasks of recording and printing journals, posting to the ledger accounts and determining account balances. Financial reports are prepared from the accounting data held in the sub-system records and the ledgers.

A statement of the minimum required specifications of a computerised accounting system that can be used on RGC externally financed projects is provided at Appendix 2.

7.3 Accounting Process

The major steps in the accounting process for a project are summarised below:

1). Posting to Ledger Accounts - post debits and credits from the journals to the appropriate ledger accounts creating a record classified by accounts. (Upon entering of the transactions in the receipt and payment window of accounting software, all transactions are posted automatically in the general ledger).

2). Prepare a Trial balance - produce a trial balance from the general ledger account balances and prove the equality of debits and credits in the ledger. (The accounting system will automatically generate a trial balance).

3). Make month end adjustments - reconcile control accounts (e.g. bank accounts, advances accounts) and prepare adjusting General Journal entries and post to the ledger accounts (adjusting entries will be posted through the general journal entry module of accounting software).

4). Prepare an adjusted trial balance - again produce a trial balance from the general ledger account balances and prove the equality of debits and credits in the ledger. (The accounting system will automatically generate a trial balance).

5). Prepare financial reports and financial statements - an income statement/statement of sources and use of funds shows result of operation for the period. Balance sheet is needed to show the financial position as of given period of time. (Financial statements and other reports will be automatically generated).

6). Journalise and post closing entries - the closing entries clear the revenue and expense accounts, making them ready for recording the transactions and events of the next accounting period.

7). Prepare an after closing trial balance - this step ensures that the ledger remains in balance after posting of the closing entries (automatically the relevant accounts will be cleared to the balance sheet accounts when the function of closing the accounting period is selected).

7.4 Primary Accounting Records

The primary accounting records that must be maintained within the financial accounting system of a project are:

Cash Receipts Journal/Book
A record in date order of cash funds received by the project in an accounting period, transactions are based on sequential numbering of official receipts and bank receipt vouchers (in the accounting software this is equivalent to Receive Moneys/Make Deposit Function).
Cash Payments (Disbursements) Journal/Book
A record of expenditure transactions with dates, amounts and payees based on the sequential numbering of the payment vouchers and cheques/bank transfer authorities (in the accounting software this is equivalent to Make Payment Function or Task/Payment Function).
General Journal
Used to record non-cash transactions, such as direct deposits or direct payments or allocation of expenses or reclassification of expenses among project components, to the General Ledger (in the accounting software, this is equivalent to General Journal Entry Window).
General Ledger
Transactions from the Cash Receipts Book, Cash Disbursements Book, General Journal Book are posted to the relevant ledger accounts. The ledger accounts are organised to identify the nature of the transaction and to enable summarising of financial data in the general ledger (with computerised accounting software, transactions are automatically recorded in the relevant ledger account when the transaction/journal is entered).
Other registers and records are maintained to assist with managing and controlling the project's financial activities and resources. Examples include asset registers, inventory registers, contract registers, withdrawal application registers, contract securities registers.

7.5 Source documents

The financial transactions are recorded in the financial accounting system from source documents. These documents should be standard and allow for proper control such as authorisation of transactions. The prime source documents of the financial accounting system are:

Bank Receipt Voucher Used to document the receipt of funds directly deposited to a bank account of the project, usually from the WB/ADB (loan/credit/grant disbursements) or the Bank (bank interest).		
Dr	Bank Account	xxx
Cr	Liability/Equity/Fund receipt Account	xxx
Payment Voucher Used to record payment transactions where mode of payment is by Cheque/LC/Withdrawal slip. The fund is drawn from project's bank accounts.		
Dr	Asset/Liability/Expense Account	xxx
Cr	Cash in Bank/CA/name of bank	xxx

Petty Cash Payment Voucher →	Used to record payment of transactions from petty cash funds of the project. There is no direct posting of petty cash vouchers to the general ledger, the transactions are recorded in the Petty Cash Book and then the expenditures are summarised and posted at regular intervals to the ledger.
General Journal →	Used to record non-cash transactions which affect the project's resources and obligations where there are no actual receipts or disbursements of funds. It is commonly used to record adjustments, reclassifications and settlement of cash advances.
Cash Advance Form →	Used to record transactions of cash advances which are treated temporarily as advances until they are liquidated /cleared.
Purchase Order →	Used to record official orders of goods to suppliers or contractors. This procedure is not widely used in most projects in RGC, as the contract method of procurement is the preferred method of procurement in RGC. However there are some projects where this method of procurement is followed for purchasing of minor items. Please refer to the Procurement Manual for details of this procedure, where used.

Supplementary documents that will support the primary source documents may include:

- Approved Payment Request – for petty cash fund
- Bank credit advice - for Bank Receipt Voucher
- Invoices, Statements of Account - for Payment voucher

Appendix 1 provides samples of a range of forms and registers that are commonly used for externally funded projects in RGC. This list is only indicative and project teams may design their own forms that best suit their accounting and reporting needs.

8. GENERAL LEDGER SET UP AND MAINTENANCE

8.1 *Chart of Accounts*

8.1.1 Definition of Chart of Accounts

The Chart of Accounts is a listing of the general ledger accounts in the accounting system of an organisation. It provides the structure for recording and controlling budget and accounting data and for summarising the data for monitoring and reporting.

The Chart of Accounts will include all the codes included in the Budget Classification of the organisation (see section 4) plus additional codes that are used only for accounting. These additional codes are of two types:

- (i) Codes for analysing accounting transactions to a greater level of detail than the budget; and
- (ii) Codes for assets and liabilities, including bank and cash accounts, advances and deposits, which are not included in the budget but are part of the double entry accounting system.

The Chart of Accounts is analysed using all the dimensions included in the budget classification. The possible dimensions available are as shown below. RGC has plans to extend its chart of accounts to cover all these dimensions but, at the moment, its 2007 chart of accounts covers only the economic classification, as illustrated in section 8.1.2 below.

<i>Dimension</i>	<i>Description of dimension</i>
Economic classification	Nature of income or expenditure, assets or liabilities
Administrative classification	Ministries, directorates, departments, provinces, institutions
Program classification	Program, sub-program, activity
Source of funds	Government funds, DPs, etc
Projects	Project, components, sub-components
Geographical	Province, district, commune
Function	Function and sub-function (sector benefitting from the transaction)

8.1.2 Chart of Accounts for the Royal Government of Cambodia

The existing COA for the Royal Government of Cambodia, issued under Prakas No. 1448 MEF, dated December 27, 2007, contains only the economic

classification. It is a set of codes for assets, liabilities, revenue and expenditure, analysed using four digits: for Class, Chapter, Account and Sub-Account⁴.

The COA is subject to continuous review by MEF, and project financial managers should ensure that they have the latest version when they design the project COA. At the top level, the Classes are: →

- 1 Capital Accounts (includes debt)
- 2 Fixed Asset Accounts
- 4 Third Party Accounts (debtors, creditors, etc)
- 5 Financial Accounts (bank and cash)
- 6 Recurrent Expenditure Accounts
- 7 Recurrent Revenue Accounts.

There is no Class 3.

Chapters are two-digit codes within each Class. Thus within Class 6 are the following Chapters of Recurrent Expenditure: →

- 60 Purchases
- 61 External services
- 62 Other external services
- 63 Tax and excises
- 64 Personnel
- 65 Subsidies and social aids
- 66 Financial Charges
- 67 Exceptional expenditures
- 68 Depreciation Charges

Accounts are three-digit codes within each Chapter. For example, in Chapter 60, Purchases, these are: →

- 601 Maintenance supplies
- 602 Administrative Supplies
- 603 Food and agricultural products
- 604 Clothing and distinctions
- 605 Small tools, materials, furniture and equipment
- 606 Water and energy
- 607 Sanitary and health products
- 608 Other supplies

Finally, Sub-Accounts are four-digit details within each Account. For example, in Account 601, Maintenance supplies, the sub-accounts are: →

- 6011 Cleaning Supplies
- 6012 Building maintenance supplies
- 6013 Road bridge maintenance supplies
- 6014 Equipment maintenance supplies
- 6015 Oil and lubricants
- 6018 Other

⁴ Some codes extended to more than 4 digits, but these have now been brought into the 4-digit system. Versions of the COA also exist for Municipal/Provincial, District/Khan, and Commune/Sangkat. There are minor differences between the codings of these charts which are currently being reconciled.

8.1.3 Designing the Chart of Accounts for a Project

The RGC chart of accounts provides an important input into the design of a project COA, because the project will need to report to RGC using these codes. However, there are other important factors to be taken into consideration when designing the project COA.

The basic principle for a project COA is that it must enable production of:

- (i) All reports required by RGC, DPs and any other major stakeholders, using the classification codes required by each stakeholder; and
- (ii) All financial analysis needed by the Project Manager to run the project efficiently and effectively.

Before designing the project COA the project Financial Officer should make draft designs for all required reports. These will include budgets, disbursement reports, monthly, quarterly and annual reports against budget, with analysis by source of funds, project component and economic items. See Section 19 for coverage of project reports.

Reports for RGC will be aimed at integrating the project with ministry operations and therefore must be presented using dimensions from the RGC chart of accounts. Reports to development partners may require substantially the same information but there will be additional requirements for reporting using the DP's classification.

It is essential that all major reports are designed in draft before the project COA is finalised, otherwise some requirements may be left out of the analysis. It is also a good idea, at the start of a project, to think about possible reports that may not have been requested but which might prove useful in the future. For example, there may be no immediate requirement to report costs by geographic location, but if it is possible that this might be required in the future, it will be essential to include the geographic dimension in the COA.

8.2 *Continuation of Example: Project ABC*

8.2.1 Structure of the Chart of Accounts for Project ABC

Refer back to the example in section 4.3: Project ABC. The project COA can be derived from the detailed budget worksheet (Figure 4.3).

The dimensions used in this worksheet are:

- DP codes
- RGC economic classification
- Project component
- Source of funds

The DP codes and RGC economic classification are two numbering systems for describing the same dimension (economic classification). Either:

- Both coding systems can be built into the COA; or
- Only the RGC codes are built into the COA and mapping rules are developed to convert the RGC classification to the DP classification.

The example below assumes that both coding systems are built into the COA.

The structure of the COA for Project ABC can be designed as in Figure 8.1 below. Each 'x' refers to a digit in the COA.

Figure 8.1: Project ABC - Chart of Accounts Structure



8.2.2 Population of the Chart of Accounts for Project ABC

The items in the detailed budget worksheet are given COA codes, and additional account codes are added for required accounting items not in the budget (bank, cash, etc).

The chart of accounts is then populated, giving the full detailed code to each type of transaction, as shown in Figure 8.2 on the next page.

Notes to Figure 8.2

In this illustration:

- In addition to the codes used in the budget, additional RGC and DP codes are required for 'project RGC funds', 'grant received from the DP', and bank accounts for the DP funds and government counterpart funds. *These code numbers have been assumed for this example.* In practice, the RGC codes will need to be agreed with Treasury to ensure that the information will be presented to RGC in the correct way.
- Funding from the DP has been given the code '1' and funding from the government has the code '0'.
- Component numbers are 1, 2 or 3, and a 0 in this segment means that the project component does not apply.
- Note that *every applicable combination* of COA segments has a separate COA code line. For example, there are three lines for 'translation costs', one for each component (1, 2 or 3) and all are funded by the development partner (fund 1). But, because in this example no translation costs will be funded by the government, there are no COA codes for this combination.

Figure 8.2: Project ABC – Chart of Accounts

COA code (RGC-DP-component- funds)	Description
0000-00-0-0	Project RGC funds
1318-00-0-1	Grant from Development Partner
2181-22-2-1	Vehicles
2182-41-3-1	Office equipment
2182-41-3-0	Office equipment
2183-21-3-1	IT systems
5100-99-0-1	Project bank account - Development Partner
5100-99-0-0	Project bank account - RGC funds
6033-33-2-0	Seeds and plants
6034-33-2-1	Fertilizer
6053-33-2-1	Small tools
6080-13-1-1	Translation costs
6080-13-2-1	Translation costs
6080-13-3-1	Translation costs
6130-41-1-0	Rental of office
6151-32-2-1	Maintenance of land
6157-52-3-0	Maintenance of computer systems
6211-11-1-1	Consultant's remuneration - national
6211-11-2-1	Consultant's remuneration - national
6211-11-3-1	Consultant's remuneration - national
6212-11-1-1	Consultant's remuneration - international
6212-11-2-1	Consultant's remuneration - international
6212-11-3-1	Consultant's remuneration - international
6212-12-1-1	Consultants' air fares/travel (international)
6212-12-2-1	Consultants' air fares/travel (international)
6212-12-3-1	Consultants' air fares/travel (international)
6223-31-1-1	Workshops, Seminars
6223-32-2-1	On site demonstrations (workshops)
6243-31-1-1	Per diems
6441-42-3-1	Salaries of contract staff
9000-60-1-1	Contingencies (Miscellaneous)
9000-60-2-1	Contingencies (Miscellaneous)
9000-60-3-1	Contingencies (Miscellaneous)

8.2.3 Use of the Chart of Accounts for Accounting

All transactions are accounted for using the double entry accounting system, either computerised or manual, and using the COA to classify them. The accounting system allows accumulation of transactions under each COA code, and can then be used to produce a variety of reports.

For example, suppose the following transactions are incurred at the start of the project (for convenience, dates and transaction references have been omitted):

		DR	CR
0000-00-0-0	Opening balance Project RGC funds		10,000.00
5100-99-0-0	Project bank account - RGC funds	10,000.00	

1318-00-0-1	Grant received from development partner		25,000.00
5100-99-0-1	Project bank account - Development Partner	25,000.00	

Payments from Project bank account - RGC funds:

6130-41-1-0	Rental of office	2,000.00	
6033-33-2-0	Seeds and plants	5,000.00	
6157-52-3-0	Maintenance of computer systems	1,000.00	
5100-99-0-0	Project bank account - RGC funds		8,000.00

Payments from Project bank account - Development Partner:

6080-13-1-1	Translation costs -component 1	1,500.00	
2182-41-3-1	Office equipment - component 3	3,000.00	
6053-33-2-1	Small tools - component 2	2,000.00	
6212-12-3-1	Consultants' air fares/travel (international) - component 3	1,500.00	
2181-22-2-1	Vehicles - component 2	15,000.00	
5100-99-0-1	Project bank account - Development Partner		23,000.00

The transactions are entered into the accounting system and, at any time, a trial balance will show a listing of the account balances:

Figure 8.3: Project ABC – Trial balance

		DR	CR
0000-00-0-0	Opening balance Project RGC funds		10,000.00
1318-00-0-1	Grant received from development partner		25,000.00
2181-22-2-1	Vehicles	15,000.00	
2182-41-3-1	Office equipment	3,000.00	
5100-99-0-0	Project bank account - RGC funds	2,000.00	
5100-99-0-1	Project bank account - Development Partner	2,000.00	
6033-33-2-0	Seeds and plants	5,000.00	
6053-33-2-1	Small tools	2,000.00	
6080-13-1-1	Translation costs	1,500.00	
6130-41-1-0	Rental of office	2,000.00	
6157-52-3-0	Maintenance of computer systems	1,000.00	
6212-12-3-1	Consultants' air fares/travel (international)	1,500.00	
		35,000.00	35,000.00

By selecting the fund number (0 or 1), the transactions financed by the Government or by the DP can be shown separately. For example, the trial balance for DP financed transactions is shown in Figure 8.3.

Figure 8.4: Project ABC – Trial balance, selected for DP funded items

		DR	CR
1318-00-0-1	Grant received from development partner		25,000.00
2181-22-2-1	Vehicles	15,000.00	
2182-41-3-1	Office equipment	3,000.00	
5100-99-0-1	Project bank account - Development Partner	2,000.00	
6053-33-2-1	Small tools	2,000.00	
6080-13-1-1	Translation costs	1,500.00	
6212-12-3-1	Consultants' air fares/travel (international)	1,500.00	
		25,000.00	25,000.00

In the same way, transactions for any of the project components can be selected.

At any point in time, the results can easily be summarised in the format of financial statements required by RGC, or by the DP. These normally take the form of presentation of actual results against budget, showing variances (under or overspends). A simple example is shown in figure 8.5.

Figure 8.5: Project ABC – Results to date against budget

COA code	Description	DP funded				RGC funded			
		Actual	Annual	Balance	%	Actual	Annual	Balance	%
		to date	budget	remaining	spent	to date	budget	remaining	spent
2181	Vehicles	15.00	30.00	15.00	50.0%				
2182	Office equipment	3.00	5.00	2.00	60.0%	-	5.00	5.00	0.0%
2183	IT systems	-	74.75	74.75	0.0%				
6033	Seeds and plants					5.00	25.00	20.00	20.0%
6034	Fertilizer	-	20.00	20.00	0.0%				
6053	Small tools	2.00	5.00	3.00	40.0%				
6080	Translation costs (other supplies)	1.50	25.00	23.50	6.0%				
6130	Rental of office					2.00	20.00	18.00	10.0%
6151	Maintenance of land	-	30.00	30.00	0.0%				
6157	Maintenance of computer systems					1.00	7.50	6.50	13.3%
6211	Consultant's remuneration - national	-	232.20	232.20	0.0%				
6212	Consultant's remuneration - international	1.50	527.25	525.75	0.3%				
6223	Workshops, Seminars	-	120.00	120.00	0.0%				
6243	Perdiems	-	67.85	67.85	0.0%				
6441	Salaries of contract staff	-	36.25	36.25	0.0%				
9000	Contingencies (Miscellaneous)	-	115.00	115.00	0.0%				
	Totals	23.00	1,288.30	1,265.30	1.8%	8.00	57.50	49.50	13.9%

8.3 Documentation and review of the project COA

The Chart of Accounts structure for the project should be documented as supplementary information to this FMM, and guidelines on the use of the account codes should be provided to all relevant staff of the project.

The Chart of Accounts should be reviewed regularly to ensure that it adequately supports the financial management and internal control requirements of the project. A review of the Chart of Accounts should be undertaken prior to the start of each financial year based on the annual work plans and annual budgets of the project.

Modifications to the Chart of Accounts must be controlled by the Project Financial Officer responsible for the project's finances being responsible for approving any required modifications, in line with the RGC approved COA.

8.4 Transition to RGC approved Chart of Accounts

All projects starting after the publication date of this FMM are expected to adopt the principles of integration of project with ministry budgets described in Sections 4 and 8, and will therefore need to design their COA in the manner described above.

Some existing projects may consider changing their COA. This can be a lengthy operation and should be considered if the perceived benefits exceed the costs and with the notification by the Minister of Economy and Finance.

8.5 General Journal Sub-System

8.5.1 System and Procedures

General Journals are used for making adjustments to the accounting records:

- Correcting errors in the accounting records.
- Recording accrued receipts and payments, assets and liabilities.

8.5.2 Key Internal Controls

General Controls:

- Adequate segregation of duties between the preparing, approving and posting officers.
- All journals and supporting documents filed and controlled.
- Adequate management review and reconciliation of journals posted to the general and costing ledgers.

Processing Controls:

- An appropriately authorised officer must approve all general journals for posting to the ledgers.
- All general journals posted to the ledgers must be sequentially numbered and are processed accurately, completely and only once.

- Journals are processed into the proper accounting period.
- Adequate explanatory information and supporting documents are provided for each general journal.

Computerised Accounting Controls:

- Access to the journal posting function and data is restricted to authorised personnel.
- Adequate system audit trails are produced and monitored.

9. BANK ACCOUNTS

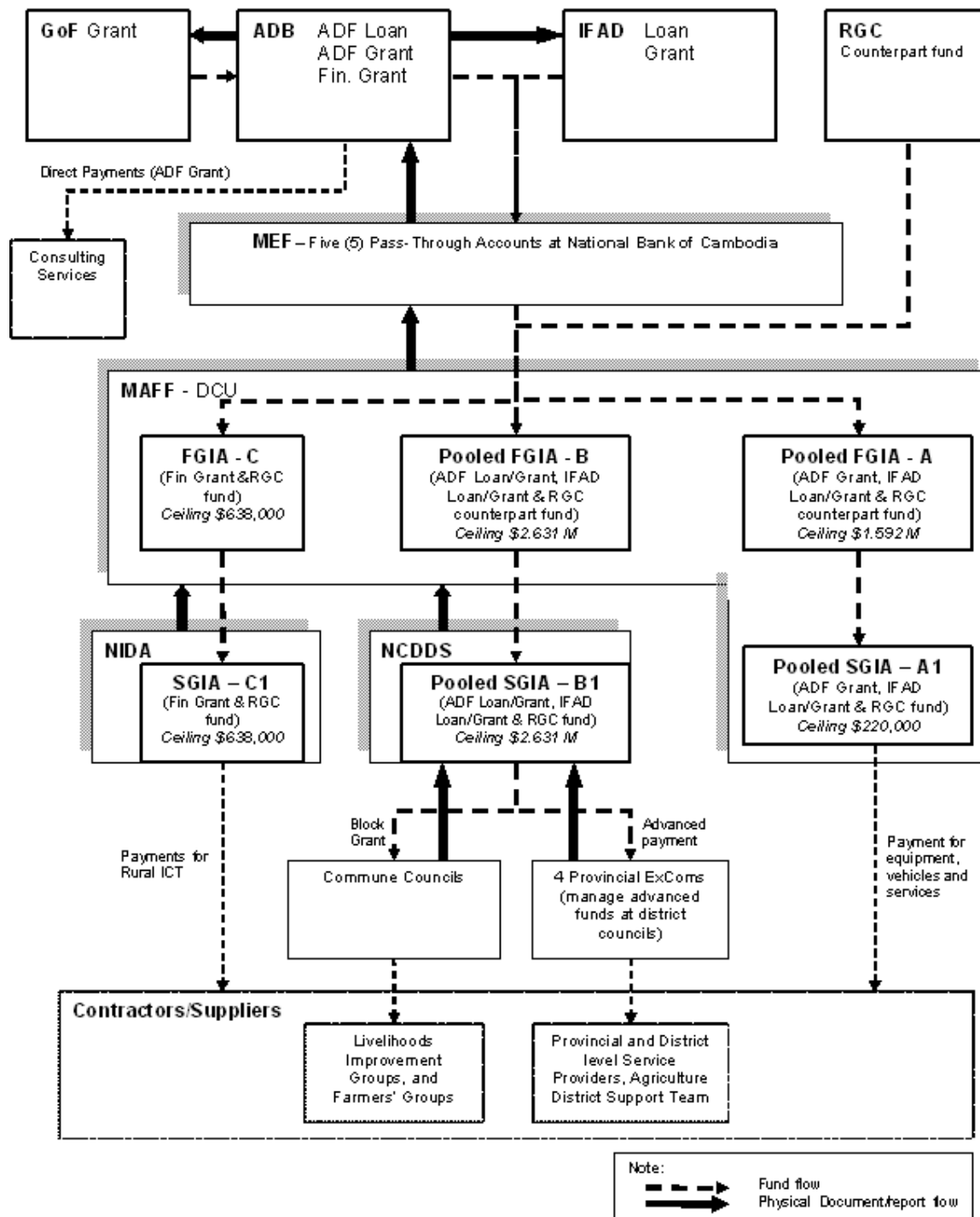
9.1 *Bank Accounts Operations*

Separate bank accounts are maintained for the DPs loan/credit/grant funds and for the RGC Counterpart Funds. These accounts are called designated accounts.⁵ For RGC counterpart funds, the bank accounts are called Project Bank Accounts or Counterpart Funds Account. Where retroactive financing arrangements have been agreed to during project formulation for a project then the MEF also opens a special Retroactive Finance Account. Some EAs also maintain two other types of accounts. They are "Pass Through account" and "Pooled Account"⁶. The pass through account is the mechanism, designed to pass through funds from the DP to the National Bank of Cambodia (NBC) to the EA. Some DPs are also using the concept of a "Pooled Account". Through this "Pooled Account" funds received from several DPs are channelled to the EA/ IAs of one particular project. More details on the use of these "special types of accounts" is explained below. Please refer to Figure 9.1 below for the arrangements of "Pass Through account, Pooled accounts and other bank account forms being used for DP finance projects referred to above.

⁵ Some DPs have different names such as ADB refers to it at "Imprest Account" The World Bank and the Government also uses other names for some special types of accounts such as "pass through account" and "Pool Account" for some projects. There are clear templates for the use of these special types of accounts, which should be referred to when necessary.

⁶ The DPs so far are not using the "pass through account". It is likely that this account mechanism will not be used in the foreseeable future

Figure 9.1
Project Fund Flow



The purpose of the separate bank accounts is to facilitate disbursements of the loan/credit/grant from the DPs and the counterpart funds from the RGC.

The bank accounts must only be established at financial institutions approved by the MEF and which are acceptable to the DPs. The selected financial institution should have the following capabilities and facilities:

- be financially sound;
- be audited regularly and receive satisfactory audit reports;
- be authorized to maintain the account in the currency agreed between the DP and the Government;
- be able to execute a large number of transactions promptly;
- be able to perform a wide range of banking services satisfactorily;
- be able to execute foreign exchange and local currency transactions;
- be able to provide reliable and timely bank statements on a monthly basis and on request;
- be part of a satisfactory correspondent banking network; and
- charge reasonable fees for its services.

Bank Accounts must be in the name of the project or the Government (borrower). Bank Accounts should be in a currency that is stable and convertible, or the Cambodian Riel.

The standard currency that is being used in recording project transactions is the US\$, United States Dollar. Any transactions expressed in Riel should be converted into US dollar at the prevailing exchange rate declared by the National Bank of Cambodia and confirmed by the MEF on the date of the transaction.

9.2 Designated Accounts

Loan/credit/grant funds from the DPs must be held in the Designated accounts and these accounts must be used exclusively for the payment of project expenditures as defined in the loan/credit and grant agreements. It is the RGC requirement that the designated accounts must be maintained at the National Bank of Cambodia (NBC), or other approved financial institution⁷, in the name of the borrower (usually the MEF of the RGC). The MEF may delegate authority to the EA to carry out transactions covering project expenditures.

The Designated Account will have an authorised allocation/ceiling and an initial withdrawal advance which are set out in the Loan/Credit/grant agreements of the Project. The total amount of funds held in the Designated Account must not exceed the authorised allocation/ceiling.

All expenditures from the Designated Account must be by bank transfer or cheque and may be in Cambodian currency (Riel) or foreign currency. Bank cheques made payable as Cash are not allowed⁸. Project payments to a supplier for amounts in excess of what is stipulated in the Loan/Credit or Grant agreement cannot be made from the Designated Accounts – Commitment or Direct Payment procedures must be used in such cases.

⁷ The Government now allows these accounts to be maintained at certain Commercial Banks especially at the Provincial level. It is also an RGC requirement that all funds coming from the DPs must be channeled through the NBC through a "pass through account".

⁸ Cheques must be issued in the name of the suppliers, contractors and consultants.

Applications to replenish the Designated Account must be submitted to the DP regularly, preferably monthly (but not less than quarterly) or when the amounts withdrawn equals 20 percent of the initial advance, whichever comes first. The policies and procedures for the replenishment of the Designated Account and for commitment and direct payment procedures are set out in the Loan/credit /grant Withdrawal Chapter.

9.3 Second Generation Designated Accounts

Second Generation Designated Accounts may be opened at approved financial institutions including approved Commercial banks (which the MEF allows in areas where there are no NBC branches) to facilitate access to funds for projects which have geographically disbursed activities or activities/project components being undertaken by various agencies.

The conditions for setting up and operating Second Generation Bank Accounts are set out in the loan/credit/grant agreements of the Project and/or the disbursement letter from the DPs. Second generation accounts are funded from the main project Designated Account. Templates of funds flow arrangements from some DPs using 2nd and 3rd generation bank accounts are also available from the MEF. The EA/IA must ensure that where second generation bank accounts are maintained, the bank accounts are reconciled monthly and the bank reconciliation must be submitted to the PMU with the request for reimbursement.

9.4 Counterpart Funds/Project Bank Accounts

The Counterpart Funds/Project Bank Account must be maintained by the EA at the NBC or other approved financial institution including commercial banks in areas where there are no NBC branches. Replenishment and withdrawal applications are made direct to the MEF by the EA, when approved funds are transferred from the National Budget of the Government to the Project's counterpart funds project account.

9.4.1 Retroactive Financing Bank Account

In instances where the MEF and the Project Team agrees with the DP that retroactive financing will be provided for certain expenditures incurred for the project between Project Appraisal and Loan Effective dates, then in such situations the MEF opens a special bank account for this purpose and deposits the required amount into that account. Once the loan becomes effective, the MEF withdraws from the loan account the actual expenditures incurred to the maximum of the amount agreed between the DP and the Government and replenishes the amount to the MEF and closes the bank account.

9.5 Authorised Signatories

Following the effectiveness of the Loan/Credit/Grant Agreement the MEF would be designated as the borrower of the loan on behalf of the government and therefore as the authorized signatory to certify the eligibility of expenditures and submit withdrawals applications to the banks on the behalf of the government. With the approval of the MEF, officers of the EA could also be made authorized signatories. The MEF and EA

shall establish a designated account with NBC or another acceptable Commercial Bank along with the required authorized signatories for these accounts.

The terms and conditions for opening and operating of project bank accounts shall be acceptable to the DP

The authenticated specimen signatures of the authorized signatories are required to be submitted to the DP before any disbursements shall take place. If there are changes to authorized signatories, the EA and the Project Team has the responsibility of informing the DP of the changes and must provide updated specimen signatures together with the relevant approvals for the change in authorized signatories

9.6 Bank Reconciliations

9.6.1 Overview

The quality of financial information for the project depends on the integrity of data held in the general ledger. This in turn relies upon accurate capturing and entry of data into the ledger. Reconciliation of bank accounts is one of the most critical internal controls used to guarantee the accuracy of data being captured and entered into the ledgers and to safeguard the cash holdings.

Bank reconciliations involve reconciling the accounting record balance of a bank account as recorded in the project ledger to the balance of the bank account as shown on the bank statements provided by the relevant financial institution.

9.6.2 Key Internal Controls

- Reconciliations must be conducted at least monthly for each bank account of the project within 10 days after the month-end. Bank statements should be received at least once a month from the relevant financial institution.
- Officers responsible for project bank accounts must ensure that the monthly reconciliation of each account within three weeks of the end of each month.
- Every reconciliation must be checked and approved by one of the authorised signatories of the bank account or the chief Financial Officer of the project.
- Reconciliations and supporting documents must be retained for management control and audit purposes.
- Project Team must forward the approved monthly reconciliations to the MEF after the end of each month together with copies of relevant bank statements and cashbooks.
- Reconciliations must reconcile the bank statement closing balance to the ledger account or ledger/cashbook closing balance for the bank account as at the end of the month. All transactions shown on the bank statement must be traced back to the relevant cash transactions in the project's accounting ledgers. Any differences between the two balances or in transaction amounts or items (e.g. unknown deposits or withdrawals) must be promptly followed up and action taken to resolve the treatment of these

differences. Unknown transactions should be promptly reported to the relevant financial institutions for explanation and/or correction.

- Bank reconciliations for the first generation and second generation designated accounts must always be submitted together with the request for reimbursement and replenishment of the designated account.

An example of an appropriate reconciliation format is set out below.

FERP - Flood Emergency Rehabilitation Project

IDA Credit No: 3472-KH

Form No: 13

Ministry of Economy and Finance

Date: 31.08.04

Bank Reconciliation Statement as at 31 August 2004

Bank name: NBC

Account No: 0102-35.1212-A067

					Amount (USD)	Amount (USD)	
1	Balance as per Bank Statement 31 August 2004					30,723.32	
2	Less: Unpresented Cheques	Date	PV No	Cheq No			
		13-08-04	60311	14066			1,152.95
		02-08-04	60299	13259			1,564.39
		02-08-04	60300	13260			2,939.73
		23-08-04	60327	13252			1,472.03
		30-08-04	60324	14079			837.27
		16-08-04	60315	14070			660.97
3		Add: Deposit not credited by Bank I Deposit in transit II Transfer in transit					8,663.34 22,059.89
				2,000.00			
				20,000.00			
4	Adjusted bank balance, 31 August 2004					22,000.00 44,059.98	
5	Balance per cash book , 31 August 2004					44,159.98	
6	Less bank charges					150.00	
7	Add bank interest					50.00	
8	Adjusted book Balance, 31 August 2004					44,059.98	

Remarks

Prepared By

Checked By

Approved By

AA

PFMO

Project Director

Checked By

SFMS

Note: The 'Balance as per bank statement' must agree to the balance shown on the bank statement received from the financial institution. No adjusting or balancing items should be included in the reconciliation to make it balance. Differences in the balances

or transaction items amounts must be investigated and the nature and treatment of them resolved prior to the completion of the reconciliation. Evidence supporting these reconciling items should be attached to the bank reconciliation and retained.

Closing of Project Accounts

The EA is required to close the project accounts and ensure that all outstanding payments to consultants, contractors, and other expenses are all settled. In the case of contractors, the EA must ensure that it is holding the retention money as provided for in the contract or has a bank guarantee to cover the retention from a reputable bank in Cambodia.

The EA will take action to close the various bank accounts that have been operational for the project implementation activities. Prior to closing the accounts a proper reconciliation of all accounts will be done and the accounting records updated.

All advances from the DP must be liquidated and unused funds must be returned. All project bank accounts are closed and the DP advised of the closure.

Once all outstanding payments to contractors, consultants, and suppliers have been approved and sent to the DP for payment. After the DP has made the final payments, the loan/credit /grant account is closed.

10. RECEIPTS AND DEBTORS

10.1 Overview

EAs and Project Teams must implement and maintain proper control over receipts of funds and moneys owed to the project by debtors. The following types of moneys may be received by projects:

- Moneys from the sale of goods or services (e.g. fees for the sale of contract tender documents, fees for the issue of land titles, etc...)
- Repayment of unused advances of project moneys
- Contract securities (e.g. bid securities, performance securities)
- Deposit of loan/credit/grant funds into the Designated Accounts or deposit of counterpart funds into the Project Bank Account
- Bank interest ⁹
- Proceeds from the sale of Bidding and Tender Documents ¹⁰

The EA and the Project Team are responsible for ensuring:

- Official receipts are issued for all moneys received (except for loan/credit/grant and counterpart fund deposits and bank interest), receipts are sequentially numbered and controlled.
- Receipts and project moneys are safeguarded until deposited into the appropriate bank account.
- Staffs are appointed with the appropriate authorisations to receive and account for project moneys.
- Proper internal controls are operating to properly account for and to regularly bank project receipts.
- Cashbooks are properly prepared in a timely manner.
- Revenue is posted in a timely manner into the ledgers.
- Revenue is correctly classified and posted to the appropriate revenue account codes in the ledgers.
- Timely production and issue of revenue budget comparison reports.
- Revenue performance against budgets is monitored by management (where applicable).

⁹ In Cambodia currently no interest is being paid on designated accounts.

¹⁰ The actual sale process of Bidding and Tender documents are covered in detail in the PM

10.2 Key Internal Controls

10.2.1 General Controls

- Adequate segregation of duties:
 - cash receipting and debtors
 - receipting and checking of receipting, bank lodgements and cash on hand
 - receipting and certifying of cashbooks and posting receipts
- Proper appointment and functioning of cashiers.
- Safeguarding and control of official receipt forms.
- Safeguarding and proper control of cash and cheques.
- Adequate management information is produced to monitor the receipting of project monies and posting of receipts into the accounting records.
- Adequate management information is produced and used to monitor performance against budgets for source of funds (where applicable).

10.2.2 Processing Controls

- Official receipts are issued for monies received by the project
- Receipts are processed promptly, in the correct accounting period and only once
- Timely and regular banking of receipts and reconciliation of cash on hand (includes cheques)
- Approval of all receipt postings by properly authorized officer
- Proper checking of receipts, bank deposit receipts and receipt ledger postings
- Regular and timely reconciliation of bank accounts

10.2.3 Computerised Accounting System Controls

- Safeguarding of the receipting system passwords.
- Forms and other documentation used in the receipting system are regularly reviewed and amendments are approved by an authorised officer.
- Access to the receipting and posting functions and data is restricted to authorized personnel.
- Adequate system audit trails are produced and monitored.

10.3 Procedures

10.3.1 Monies Received by the Project Team

- Receive payment and issue an official receipt to the payee.
- Prepare the bank deposit form detailing the moneys to be banked.
- The bank deposit form, receipts and cash on hand must be checked by the Financial Officer who must initial or sign the bank deposit form to acknowledge the check.
- Perform the banking.
- Check the bank deposit receipt after banking to confirm its correctness.
- Post each receipt to the project ledger accounts.
- File the receipts (including cancelled receipts) and Bank deposit receipts.

10.3.2 Deposits into the Bank Accounts

All monies received for the project must be deposited in the appropriate Bank account on the first available banking day after the receipt of the money, except for the proceeds from the sale of tender/bid documents.

Monies received from the sale of Tender Documents should be initially deposited into the “ Counterpart Funds ” bank account and subsequently transferred to the Government Budget Bank Account No. 000000001333 (or as officially changed and notified by MEF) with the National Bank of Cambodia. Proper control features should be put in place to ensure that all funds received for sale of Tender documents are accounted for.

Duties should be segregated, meaning that the person recording the receipt should not be the same as the person depositing the cash to the bank account. Additionally, a person independent of recorder and depositor responsibilities should reconcile the deposit to the general ledger. If there are only two people in the department, the reconciliation should be performed by the person collecting the receipts.

Please refer to Figure 10.1 to 10.3 for examples of forms used for the sale of tender documents. On these forms, the procurement officer records the sale on a sales register (10.2 Sale of Tender Documents Sheet), and the financial officer issues the official receipts (10.1 Receipt of Payment) and records the receipts of cash (10.3 Sale of Tender Documents Register). The Project Manager reviews both registers and must ensure that records are reconciled.

The Project Team must submit to MEF a record of the sale of the bid documents and the deposit of the proceeds from the sale into the above Government Budget Bank Account. MEF has to consolidate these deposits into a report.

Figure 10.1

<p>Ministry _____ Rural Irrigation and Agricultural Productivity Improvement Project Project Management Unit/Technical Management Unit</p>	<p>Kingdom of Cambodia Nation Religion King</p>
Receipt of Payment	
Date: _____	Receipt No.: _____
<p>- Full Name of Payer:</p> <p>- Name of Company:</p> <p>- Address of Company:</p> <p>- Bid No.:</p> <p>- Description of Bid:</p> <p>- Amount Receipts:</p> <p>- Amount in words:</p>	
Paid by: _____ <i>(Company representative)</i>	Received by: _____ <i>(Financial Officer)</i>

Figure 10.2

Ministry of _____
Rural Irrigation and Agricultural Productivity Improvement Project
Project Management Unit/Technical Management Unit

Kingdom of Cambodia
Nation Religion King

Sale of Tender Documents Sheet

No.: _____

Bid No.:			Description of bid:						
No.	Date	Company	Address	Tel. No.	Fax. No.	E-mail	Authorized Representative	Amount	Receipt No.

Total:

Prepared by:

Reviewed by:

Approved by:

(Procurement Officer)

(Project Manager)

(Project Director)

Figure 10.3

Ministry of _____
Rural Irrigation and Agricultural Productivity Improvement Project
Project Management Unit/Technical Management Unit

Kingdom of Cambodia
nation Religion King

Sale of Tender Documents Register

as at

No.	Bid No.	Description of Bid	No. of tender documents	Unit price (USD)	Total Receipts (USD)	Paid into National Budget Account			Balance (USD)
						Date	Voucher No.	Amount (USD)	
									-
									-
									-
									-
									-
Total					-			-	

Prepared by:

Reviewed
by:

Approved
by:

Financial Officer

Project Manager

Project Director

11. CONTRACT EXPENDITURE AND OTHER PROJECT EXPENDITURES

11.1 Overview

Contract and other project expenditures must be in accordance with the DPs and government Procurement policies and procedures which are set out in the Procurement Manual (Refer to PM Section 20 on Contract Management). A separate detailed contracts register must be maintained for each contract. All important details pertaining to the contract must be recorded in this register. These would include such details as contractor's full name and address, total value of the contract, special terms and conditions of the contract, construction schedule, performance and security bonds requirements, details of approved contract variations and other relevant details. All other contract related registers, ledgers and reports specified in this section should be subsidiary to the contract register to ensure completeness and integrity of information.

Contracts involve several special features which require specialized financial accounting and management treatments, these features are:

- Bid Securities
- Performance Securities
- Mobilisation Advances (if used)
- Retention Monies

11.2 Procedures

11.2.1 Bid Security¹¹

At the bidding stage of contracting, the EA may request bidders to deposit a bid bond (also called a bid security or bid guarantee deposit) at the time of submission of their bids to help ensure only genuine bidders participate in the contract bidding process and to obtain a commitment from the bidders to the terms of their bid. After the successful bidder has been selected, the bid bonds must be returned to each bidder.

The bid security may be paid in, certified cheques, cashier cheques or by bank guarantees to the EA and must be recorded in the Contract Security Register of the Project. The following details must be recorded in a securities register:

- Bidders Name.
- Form of security such as; bank check, security bonds, or bank guarantee.
- Name of the Issuing bank and their reference.
- Amount of security.

¹¹ Also known as Bid Bond or Bid Guarantee Deposit

- Date of Cheques or Guarantee.
- Validity date.
- Type of Security (bid/performance)
- Currency of security
- Date of receipt / date of liquidation

Bid securities must be kept in a safe and secured place to be returned to the bidders after a successful bidder has been selected.

A Contractor who withdraws his/her bid during the validity period and/or refuses to accept the award of a contract when and if awarded will forfeit their bid security. The contractor may also be excluded from bidding for other contracts supported by the Project for a period of time.

Bid securities must be returned to each bidder after the contract is signed with the successful bidder. For cash bid securities the EA must prepare a disbursement/Payment voucher (DV) and post the payment to the General Ledger against the Bid Securities ledger account.

The return/payment of bid securities must be recorded in the Contract Security Register:

- Payment Date.
- Payment Disbursement/Payment Voucher No.
- Interest on Late Payments (if applicable).
- Penalty Payments (by contractors).
- In cases where bid bonds are forfeited, the forfeited amount is kept by the project and is initially deposited in the Government Counterpart Contribution account and subsequently transferred to the Governments Consolidated Funds. Proper records must be maintained for all forfeited bid securities.
- The Miscellaneous Receipts Accounts should be explained by way of a note to the financial accounts.

11.2.2 Performance Security

A performance security (or performance bond) may be obtained from the contractor when the contract is signed to help ensure that the contractor commences and completes the work under the terms of the contract. The size of this performance security will be specified in the bidding document. The performance security will be returned upon the satisfactory completion of the contract and in accordance with the conditions specified in the contract.

The performance security is in the form of a bank guarantee in favour of the EA and must be recorded in the Contract Security Register of the Project. The following details must be recorded:

- Contractor/Suppliers Name;
- Name of the issuing bank and their reference;
- Amount of security;
- Date of the Bank Guarantee; and
- Validity date.

The bank guarantee provided as performance security must be kept secured by the Project Team.

A performance security must be returned to the contractor after the satisfactory completion of the contract and in accordance with the conditions specified in the contract.

The return of performance securities must be recorded in the Contract Security Register:

11.2.3 Mobilization Advance Payments

For consultant services and civil works¹², a mobilization advance payment may be made to the contractor or consultant to provide funds for initial materials, investment, or mobilization. Mobilization payments are advance payments of contract monies and must be recovered from future payments to the contractor or consultant. When Mobilization advances are given they should be covered by a bank guarantee that should be provided by the contractor or consultant.

No advance payments for mobilization are made for individual consultants. However, in the case of international individual consultants, an advance for per diems and accommodation for a period of one calendar month or for the duration of the assignment, whichever is lower, can be made upon their arrival and reporting to the duty station. This advance is paid at the same time as the payment of the reimbursement of their travel related expenses after arrival at duty station. No bank guarantee is required for such an advance from individual international consultants.

Mobilization advance payments must be recorded in the Contracts Register. The following details must be recorded:

- Contractor/Consultant's Name.
- Form of security for the advance.
- Name of the Issuing bank and their reference.
- Amount of Guarantee
- Date of the Guarantee.
- Validity date.

When a mobilization advance payment is made to the contractor or consultant, the amounts to be paid from the DPs Loan/Credit/Grant and Counterpart funds components are determined separately.

¹² Advance mobilization payments can be paid for Turnkey Contracts.

The mobilization advance payment must be posted to the Advances on Contracts account in the General Ledger.

The mobilization advance payment may be recovered as follows:

- The total amount advanced is deducted from the first contract payment to the Contractor or Consultant; or
- Proportional amounts of the total advance are deducted from future payments to the contractor or consultant in the amounts specified in the contract.

When a payment is made to the contractor or consultant for satisfactory completion of work or services, the advance payment is recovered and the amount recovered is recorded against the Advances on Contracts account in the General Ledger

Mobilization advance payments must be recovered in full before the final payments under the contract are made to the contractor or consultant.

All mobilization advance payments are covered by a bank guarantee from the recipient.

11.2.4 Retention Monies in Construction Contract

Contractors may be required to guarantee their work for a period of time, starting from the date of completion of the work and agree to make good, at their own expense, any defect that appears during that time due to quality of materials or workmanship.

11.2.4.1 Withholding of Retention Money

Retention money may be deducted from each interim progress payment made to a contractor. The arrangement will be specified in the contract. This is generally specified as a percentage of the interim progress payments. Retention is intended to act as a guarantee for the satisfactory completion of works carried out for a given period of time after the contract is completed (defects liability period). When this period has expired, the retention money is returned to the contractor. 50% of the retention money is normally released on the issuance of the completion certificate and the balance of retention monies at the end of the defects liability period or released against an acceptable Bank Guarantee.

Retention moneys must be proportionately assigned between the DPs Loan/credit/grant and counterpart funds components.

Retention moneys are recorded in the General Ledger, both as an asset and a liability of the Project when they are withheld from the contractor's payment. When the contract payment is posted to the General Ledger, only the actual amount paid to the contractor is recorded as expenditure. The retention moneys withheld are credited to

the liability account, 'Retention on Contracts' to recognize the liability to the contractor and to recognize that expenditure has been deferred, a sub-ledger 'Retention & Securities' is debited. This procedure applies when accrual basis of accounting is used. In cases when only a cash accounting system is used, no posting of the liability account is made to the general ledger, but the amount owed to the contractor by way of retention is recorded in the Contract Register.

11.2.4.2 Payment of Retention Monies

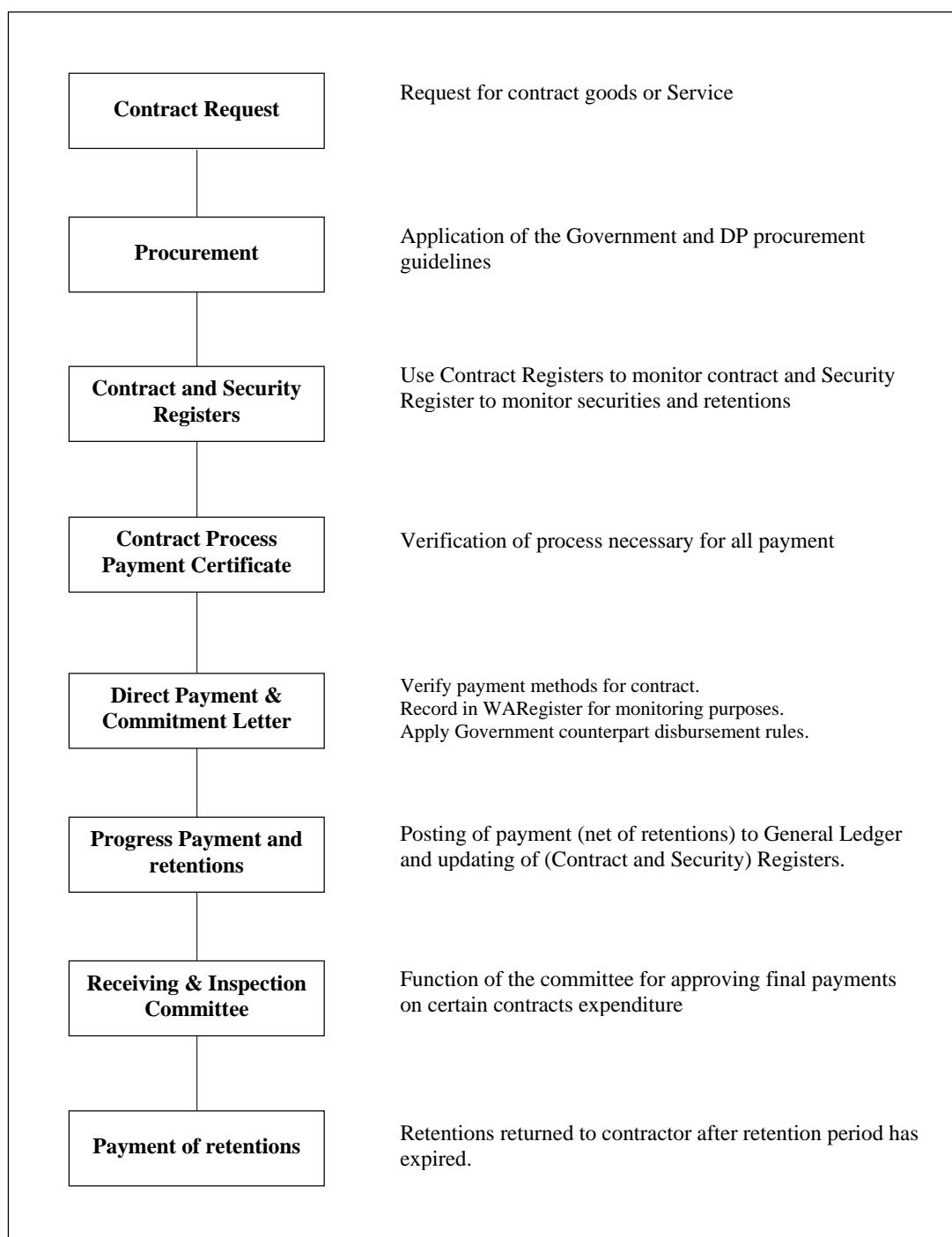
When the retention period as specified in the contract has expired and if the completed works remain in good condition, the retention monies will be returned to the contractor. In the event that there are defects in the works during the retention period, retention monies will not be returned until the defects are rectified satisfactorily.

The release of retention money will be determined by the designated "Engineer" under the contract, who will visit the contract site, inspect the works after the duration of the expiry of the retention period and certify that the works are satisfactory and that the retention monies will be released to the contractor. Based on this certification, the Project Financial Officer will initiate the process of the release of the retention monies. The DPs don't allow Project completion dates to be extended because of the delay in retention payments.

The payment of retention monies to the contractor is recorded in the project's General Ledger

Figure 2.1 below shows the various steps involved in the contract procedure:

Figure 2.1: Summarized Flowchart of Contract Expenditure Procedures



11.2.5 Payments to Contractors

11.2.5.1 Payment from Designated and Counterpart Funds Account

Contractor submits a claim for interim progress payments, based on progress of work completed and in accordance with the terms of the contract, to the Project Team. The contractor prepares a Contract Progress Report.

The project (Technical Supervisor/Engineer) verifies that the quantity of work completed, the quality of materials used and the quality of workmanship is in accordance with the contract. The Technical Supervisor/Engineer will also check that the construction is in accordance with the technical plans and compliance with any instructions given to the Contractor, and will prepare a Contract Progress Status Report. Based on this Contract Status report and the certification by the engineer, an interim payment certificate will be generated. This interim payment certificate together with all the supporting documents will be submitted to the Project Director/Manager for his/her approval. The authorised payment Certificate and the contractors claim are given to the project Financial Officer to process the payment.

The payment is posted to the General Ledger on the basis of the PV/DV and supporting documents.

The Contract Register is updated for the payment and the outstanding balance (amount committed but not yet paid).

Payment documentation with a copy of the cheque is filed with the Contract Register.

11.2.6 Payment of Other Project Expenses

Aside from contract payments, there are also payments made for other expenditures for the project which are not covered by contracts. Examples of such expenditures are utility accounts such as electricity, water, telephone (fixed lines) and expenses for training and workshops. When utility bills are received they should be checked and verified by the accounting department, that the expenses are project related and are reasonable. For control purposes such expenditures should be budgeted for in the project expenditure budget for the year. These payments must be properly authorised by the Project Manager and the Financial Officer before payments are made. Payments should be made by check. Actual expenditures for such items must be compared against budgets and any significant variations should be properly analysed and reported to Management through the monthly accounts.

Eligible expenses for training and workshops will be specified in the project specific FMM.

11.2.7 Minor Purchases

There are no formal instructions in Cambodia with regard to the use of a purchase order system, because this procedure is seldom used for project related purchases in Cambodia. However there are some projects which do make use of purchase orders for acquiring minor items from the local market. In such situations the Project Director/Project Manager should ensure that proper procedures with adequate controls are set up for the use of the purchase order system. The Project Director/Project Manager should issue clear instructions in this regard, with authorisation limits and types of items that may be acquired using this procedure. The Procurement Manual (Refer to Sub-section 10.2.6) provides further details on this procedure if it were to be used. To include these expenditures in the project accounts, the invoices and receipts received for such purchases, should be approved by the Project Director/Project Manager, before posting to the ledger accounts. Supporting documents such as a copy of the purchase order and receiving report must be attached to the invoice, when the invoice is presented for approval.

12. PAYROLL EXPENDITURE

12.1 Overview

To achieve successful implementation of activities, EAs and Project Teams may be required to engage personnel for the duration of the project, or may be required to pay allowances or supplements for additional project work undertaken by existing government employees. Some projects may also pay performance allowances to government employees engaged in project activities based on performance standards and targets. When there are on-going payroll expenditures for a project, the EA and project management must establish a proper payroll expenditure subsystem to effectively manage and control such payments. The system may be manual or computerised and should provide for regular calculation and payment of the payroll expenses to project personnel, as well as providing complete and accurate records in support of the payments and their disbursements and posting to the accounting ledgers of the project.

EAs and Project Teams are responsible for ensuring:

- The engagement of employees are properly approved in accordance with the project guidelines, terms and conditions or other relevant instructions or approvals and there is proper contract documentation supporting the engagement of project staff;
- Allowances are based on approved project guidelines, terms and conditions or other relevant instructions or approvals;
- Salaries, wages and/or allowances are paid from the appropriate funding source (in most cases, they will be paid from counterpart funds);
- Proper records of attendance, leave, overtime and performance (for performance related allowances) are maintained;
- Payroll information and authorities are submitted in a timely manner;
- Payroll authorities are checked and certified for payment by a properly delegated officer of the project;
- Controlled distribution and acquittal of cash pays, and distribution of payslips/payment advices to the project staff; and
- Timely monitoring of the cost of payroll expenditure compared to project budgets and annual budgets.

12.2 Key Internal Controls

12.2.1 General Controls

- Adequate segregation of duties:
 - Approval of payroll authorities and payment transactions.
 - Input/recording of payroll transactions to the payroll sub-system.
 - Checking of completeness and accuracy of payroll transactions processed.
- Adequate management information is produced and used to manage the payroll expenditures and entitlements of project personnel.

12.2.2 Payroll Processing Controls

- Approval of all payrolls is done by properly authorised officers.
- Payroll transactions are prepared and processed only on the basis of approved payroll authorities.
- Payroll transactions are processed completely, accurately and only once.
- Prompt and timely processing and payment of payroll entitlements on a regular cycle of payment.
- Payroll transactions are posted accurately and in the proper accounting period.
- Reconciliation of payments before disbursement of each pay cycle.
- Payroll payments are made to the correct person preferably through direct bank credit. Sometimes especially in the rural areas payments are made to the employees authorised agent. In such situations the recipient must be properly identified
- Acquittal of cash payments and prompt investigation of unclaimed pays or complaints.
- Regular and timely review of payroll expenditures by Project Management and finance staff.

12.2.3 Computerised System Controls

- Systematic/periodic data used in the payroll sub-system is regularly reviewed and any changes are approved by an authorised officer.
- Access to payroll processing functions and data is restricted to authorised personnel.

12.3 Procedures

For each person engaged with a standard pay entitlement (e.g. standard salary, wage or allowance) each pay cycle, record the person's name, personal details and pay entitlement in the project Payroll Register and Payroll sub-system.

For each person engaged with a variable pay entitlement (e.g. wages based on hours worked or allowances) must complete a timesheet or operational forms/reports for the work performed.

The Timesheet must specify the dates and hours worked that are to be paid, similarly for allowances based on performance, the relevant quantities or outputs of work performed must be specified. The timesheet/allowance forms must be approved by an authorised supervisor and forwarded in a timely manner to the finance section of the project.

Each Pay Period:

Calculate the pay of each eligible person from the details in the Payroll Register (for standard pays and allowances) or from the approved timesheets/allowance forms. With computerised accounting systems, enter the relevant pay data and run the payroll and the system will calculate the pays.

Time Sheet/Daily Time Record:

A Time Sheet must be used as a reliable basis for the payroll computation, record of dates, times, absences, leave forms are necessary information for payroll computation.

Employment Contract:

This serves as a basis for determining the eligible members of the project. These contracts are the basis for payments of services that has been rendered for the project.

Payroll Calculation:

Calculation of payroll entitlements must be prepared by a person not connected with the preparation of the payroll cheques or with the distribution of the pay entitlements. This calculation must be based on the provisions stipulated in the employment contract or other approved project instructions or guidelines.

Payroll Register:

The register should show details of the staff payroll computation. It must be prepared on monthly basis by the person as mentioned above for confidentiality purposes. The List should show the following:

- Gross pay
- Allowances
- Tax deductions
- Advances/if any
- Other deductions and
- Net pay

Pay slips:

Payslips are the acknowledgment of the pay received from the Project. Pay slips must be given to each employee showing each pay period, salary rates, taxes, other deduction and net pay.

Payment Procedures:

After the payroll register has been approved by the Project Director, payment shall follow. The use of Bank payroll facility such as direct credit to payees (employees) account is the safest and convenient payment method to be used for payroll by the project.

13. PETTY CASH

13.1 Overview

Petty Cash must be managed in accordance with Petty Cash Instructions formulated by the Project Financial Officer. These instructions should specify the maximum petty cash advance, normally this amount should not exceed \$1,000 with a maximum single payment limited to \$500 from a Petty Cash Advance unless specific approval for higher limits from Project management and MEF have been obtained.

Custodians of petty cash advances must be clearly defined together with the processes for transferring petty cash advances between responsible officers of the project during periods of absence.

Proper measures must be implemented to safeguard petty cash advances and there must be no mixing of petty cash advances and personal moneys.

Petty Cash must only be used for minor expenditure incurred for project purposes. General approved purposes for the use for petty cash include:

- Small office supplies and repairs
- Small communications expenses
- Other miscellaneous small cash expenses

13.2 Key Internal Controls

The following internal controls must be in place:

- Standard approved forms must be used for petty cash use and management;
- Petty cash advances must be regularly reconciled with the petty cash account and balanced regularly (at least monthly);
- There must be segregation of duties between approval of petty cash payments and the custodianship of petty cash advances;
- Petty cash will only be reimbursed for expenses where receipts have been obtained or other acceptable documentation is provided;
- Irregular spot cash counts of the Petty Cash float must be carried out by a finance official and evidenced;
- Separate Petty Cash Floats must not be mixed. The cash and documentation must be maintained separately; and
- Petty cash advances must be liquidated within a specified period of time. This period of time should be set by the Project Financial Officer in the instructions on the use of petty cash.
- Petty cash balances need to be kept in a secured iron safe

13.3 Procedures

Petty Cash procedures are set out in this section for:

- Setting up a Petty Cash Advance
- Using Petty Cash
- Replenishing a Petty Cash Advance
- Closing a Petty Cash Advance

13.3.1 Setting up a Petty Cash Advance

A Petty Cash Advance Request, a Payment Voucher and a Cheque are processed. The Petty Cash Advance Request must set out the following:

- Purpose of the Petty Cash Advance;
- Name and position of the Petty Cash Advance Holder;
- Amount of the Petty Cash Advance;
- Maximum single petty cash transaction limit;
- Types of minor expenditure that the petty cash advance can be used for;
- Types of expenditure that petty cash advance must not be used for; and
- Cash count, reconciliation and reimbursement frequencies.

The Petty Cash Advance Request and Payment Voucher are approved by the appropriately delegated officers.

The cheque is signed by the appropriate cheque signatories.

The cheque is cashed by the petty cash advance custodian.

The petty cash advance is posted to the General Ledger Petty Cash Account

A Petty Cash Book is set up and the advance is recorded. The Petty Cash Book is maintained by the Petty Cash Custodian. All transactions are recorded in the Petty Cash Book as they occur and a running balance of the remaining funds of the Petty Cash Advance is calculated.

13.3.2 Using Petty Cash

A Payment Voucher with supporting documents such as an original receipt or invoice, approved must be signed and dated by the applicant requesting payment.

The Payment Voucher must be completed by the Financial Officer who checks supporting documentations, enters the correct account code(s), and sequentially numbers the Payment Voucher.

The Payment Voucher is approved by a relevant delegated officer.

When approved, the payment from the Petty Cash Advance may be made by the Petty Cash Custodian who must obtain the signature of the recipient on the Payment Voucher as evidence of them receiving the cash.

The Petty Cash Advance Holder records the expenditure in the Petty Cash Book and files the Payment Voucher.

At regular intervals (daily or weekly), the petty cash float must be reconciled and the expenditure posted to the general ledger:

- The PCB balance must be reconciled to the cash funds and petty cash vouchers held.
- The petty cash expenses in the PCB must be summarised by account and a posting summary must be prepared.
- If the balance of the petty cash float is less than the amount that has been determined by the Financial Officer in the petty cash instructions, then action should be taken to replenish the petty cash float (see below).

After review and approval of the reconciliation and the posting summary by the relevant delegated officer, the expenditure from the petty cash posting summary is posted to the relevant ledger accounts.

13.3.3 Replenishing Petty Cash

Replenishment of petty cash funds should be made when the balance in petty Cash fund falls to a predetermined limit of the original petty cash advance as set out by the Project Financial Officer.

The Financial Officer prepares a Payment Voucher and cheque for the replenishment of the petty cash advance and submits them to the Project Director for approval.

The Project Director approves the Payment Voucher.
The cheque is signed by the authorised signatories.
The payment voucher is posted to the General Ledger

13.3.4 Closure of Petty Cash Advances

When a Petty Cash Advance is no longer required, then the Petty Cash Advance must be reconciled, expenditure posted and the balance of funds held repaid into the appropriate bank account.

The PCB balance must be reconciled to the cash funds and Payment Vouchers held.

The petty cash expenses in the PCB must be summarised by account and a posting summary must be prepared.

If there are any funds remaining of the Petty Cash Float, then an official receipt must be prepared and the posting journal for crediting the balance of the funds

to the Petty Cash General Ledger Account to reduce the balance of that account to 0.00. The reconciliation, posting summary and receipt and receipt posting journal must be reviewed and approved by the Project Director.

14. ADVANCES

14.1 *Overview*

Cash advances may be made for approved project expenditure where it is not practical or efficient for payments to be made for expenses by invoice or contract.

Cash advances must be controlled and managed by the project management to ensure proper acquittal of expenses are incurred within a period of 10 working days after the close of the event for which the advances were given.

14.2 *Key Internal Controls*

Cash advances must be approved by properly delegated officers.

A cash advance register must be maintained for all cash advances.

Cash advances must be liquidated with full documentation of expenses incurred from advances within a limited time period. This time limit for liquidation should be within 10 working days and must be clearly set out on the rules for operation of advances that should be made known to all project staff. Deviation from this rule should only be allowed by the Project Manager, on being provided with sound reasons as to why there should be an exception.

There must be timely review and accounting for cash advance expenditure in the project's accounting records.

Cash advances must not be made to project personnel or agencies which have previously uncleared cash advances.

14.3 *Procedures*

14.3.1 **Payment of Advances**

The following procedures apply to advances from the Designated Accounts or counterpart funds/project bank accounts:

Applicant completes a request for advance (RA) and submits it to the Financial Officer

The Financial Officer reviews the RA and submits it to the project director/manager for approval.

The Project Director / Manager reviews and approves the RA and returns it to the Financial Officer.

The Financial Officer prepares a Disbursement Voucher, has it approved by the Project Director/ Manager and arranges for the check to be processed.

The Financial Officer posts the advance to the General Ledger and records the advance in the Advances Register.

14.3.2 Liquidation of Advances

The applicant must complete the reconciliation of amount advanced (RAA) and attach expenditure receipts.

The Financial Officer reviews the RAA and the project director/manager approves.

The Financial Officer prepares the relevant forms and processes it through the accounting system to clear the advance account. If the advance provided exceeds the amount of expenditure then the excess funds are refunded by the recipient to the Financial Officer.

15. ASSETS

15.1 Overview

Fixed Assets are assets that are intended for use for a longer term period in the operation of a project. The RGC at present does not define what constitutes a fixed asset but in practice generally items purchased in a “Goods category” and which will last for a longer time period (i.e. more than 12 months) is capitalised. The Government has asked support of the DPs to assist them in developing a comprehensive Asset Capitalization policy as well as an asset insurance scheme possibly modelling it on a neighbouring country practice. When the policy for recognizing fixed assets is approved by MEF then that will apply to designating fixed assets.

15.2 Key Internal Controls

The levels of control should be adequate to ensure their physical existence and adequacy in the financial records.

The Fixed Asset Register must exist and be maintained by every project outlet in order to establish levels of control on the movement and disposal of assets. The register must be updated with all fixed assets additions and disposals.

Physical verification must be conducted periodically (at least once a year) in order to determine the actual existence of the asset and its condition.

Each capitalized asset should be assigned an identification number code (e.g. asset stickers) in order to establish ownership and accountability.

Purchase of assets shall only be made when the Request for Purchase Form has been approved by the Project Director. This Form shall be attached to the Payment Voucher when the payment will be executed.

In cases where assets are to be transferred, a transfer form will be completed and approved by the Head of the EA/IA or his/her authorized representative. This form will be attached in the Journal Voucher for entering into the General Journal Entry.

General Ledger must be periodically reconciled against the actual quantities in the asset register in order to establish accurate financial records on fixed assets.

15.3 Procedures

15.3.1 Certificate of Acceptance or Receiving Report

This is used to signify actual delivery of goods/actual receipt of assets ordered by the project to the suppliers. The quantity, and condition of the goods ordered are being checked to verify that they are in accordance with the specifications of the goods that were agreed upon, and that were stipulated in the contract or

Purchase Order (where a purchase order system is in use). The person who received the goods or items, after checking all the requirements and specifications indicated in the Purchase contract should affix his signature in the invoice as evidence of actual receipt. In line with internal control procedures referred to above there must be a clear segregation between the requestor, receiver and recorder of assets.

15.3.2 Issuance Slip

This is to formally document the actual issuance of the fixed asset to the Direct User. Each Issuance Slip should be formally signed by the Direct User to signify the receipt of the asset issued by the project. The purpose of this is to establish proper accountabilities. This activity is particularly important in the issuance of moveable assets like laptop computers, calculators and other portable tools.

15.3.3 Physical Verification of Assets

The Project Team must carry out periodic physical count of all assets. The items checked will include equipment, fixtures, furniture, tools, merchandise, computers, vehicles or goods. This process is carried out to ensure that all assets are properly accounted for and to determine any losses.

This shall be conducted on year end basis. Surprise count shall also be performed depending on the circumstances.

The person who has conducted the physical count must sign on the physical count list as evidence of counting. After the counting they must prepare Fixed Asset Physical Count Summary which should consist of the following information:

- Date of Payment Voucher
- Asset Name
- Asset Code
- Location
- Quantity
- Direct Users
- Remarks for any unusual items or condition of the asset

Any missing, damaged or obsolete assets shall be identified and must be reported to the management immediately. Only with management approval, accounting records and the asset register should be amended.

15.3.4 Asset Check Reconciliation

Reconciliation shall be performed between the actual quantities counted and the quantities shown based on last asset count plus quantities from new acquisitions. Any differences arising from the reconciliation shall be investigated and be reported to the management.

The Accounting department should be given a copy of the asset reconciliation for proper financial records.

15.3.5 Labelling of Assets

Fixed assets like computers, cabinets, tables, equipments and other tangible assets should be stamped and tagged with asset stickers indicating the following:

- Type of asset
- Name of direct users
- Location of the asset
- Asset number

The purpose of the tagging system is to establish identification of ownership, determination of location, for asset control and for proper identification of accountabilities.

Residual Assets at End of Project

All assets that have been acquired for a DP funded Projects and left over at the end of the Project are the property of the RGC. In accordance with established rules of the Government such assets are to be inventoried and handed over to the State Property Department within the MEF. It is this Department which is responsible for the disposal of assets as it deems appropriate.

16. DECENTRALISED/SUB-NATIONAL SYSTEMS

16.1 Overview

Recognizing that the benefits of development in the Kingdom of Cambodia have not been equally distributed throughout the country in the past, the RGC decided to establish new mechanisms to address this inequality. One of the key approaches taken to tackling development, inequality and poverty at the local level, was to establish a policy of “democratic development” as set out in the Strategic Framework for Decentralization and De-concentration (D&D) reforms, which was adopted by the RGC in June 2005.

A key pillar of the D&D reforms was the promulgation of a new Organic Law, which established democratically elected sub-national councils, to take responsibility for sub-national development in the Kingdom of Cambodia. The RGC specifically chose this approach to achieve broad-based and sustainable development, and to strengthen vital local economic foundations. Once these sub-national structures were established, the RGC also decided that all decentralized projects in the Kingdom of Cambodia that were jointly financed by both the RGC and DPs, were to be implemented through the newly formed National Committee for the Sub-National Democratic Development (NCDD). The NCDD was formally established by Royal Decree 0608/355, dated 18 August 2006.

Prior to the establishment of the NCDD, previous arrangements for the implementation of the projects at the sub-national level had existed, and had worked well for many years. Amongst these predecessors were successful sub-national arrangements such as the SHEILA Program, and others funded by various DPs and the RGC. These groups had also over many years developed excellent instructive manuals and procedures. All prior arrangements were subsumed within the NCDD upon its formation and the RGC decided that the NCDD should continue to use the pre-existing instructive manuals and procedures as a basis for its operations, with these being appropriately strengthened and modified as required.

In addition to these manuals and procedures, the RGC in 2006 with assistance from some major DPs also developed a *Handbook on Financial Management Activities for Externally Financed Decentralized and De-concentrated Projects in the Kingdom of Cambodia* (Handbook). This *Handbook* remains valid, and is also being used by the NCDD for the financial administration of sub-national projects.

Aside from the sub-national projects that fall within the responsibility of the NCDD as described above, there are central Government sector projects that are administered at provincial and district levels by Provincial Departments, who are in turn aligned to Central Line Ministries. The following section of the Manual outlines the financial management arrangements for this category of projects.

In the case of central Government projects that are administered at the provincial level, a central unit with sub-units is normally established to gather financial information and data, in order to enable the preparation of the necessary financial reports.

All transactions shown in the financial books of accounts are governed by approved annual operating budgets, and the FMM of the project if a separate FMM has been prepared for the project.

16.2 Financial Management Arrangements

Before project implementation can commence for any decentralized or de-concentrated project, the following key financial management arrangements must be put in place:

- The financial management responsibilities at central and provincial levels must be clearly defined.
- The financial management organisational structure must be decided upon, and key financial management staff recruited and trained.
- The financial accounting and financial management systems, processes, and procedures, must be developed and made operational.
- The funds flow arrangements for the project must be clearly articulated.
- The banking arrangements must be decided upon and made operational.

16.3 Financial Management Responsibilities

The financial management responsibilities of the various parties in the context of a DP funded project in the Kingdom of Cambodia, is described in Section 3 of this Manual. These responsibilities are also equally applicable to the RGC's programs relating to decentralised and de-concentrated projects and programs that are being implemented for the Central Government Ministry by Provincial Departments.

16.4 Annual Work Plans and Budgets for Decentralized Projects and Programs

For projects and programs that are funded by DPs, project staffs are required to prepare in conformity with the Loan/Grant and Credit Agreements, an annual work and financing plan, and annual budgets. These documents set the expenditure allocations and receipt targets for the project components for the year, and the project's budgets must be based on the annual work plan.

The annual work plan and budgets require the approval of both the EA/IA, and the Project Steering Committee (if applicable). After approval, the annual work plan and budgets are submitted first to MEF and then to DPs for approval/endorsement. The annual work plans and budgets are prepared in conformity with the Government's budget preparation cycle.

Budgets should be revised whenever there are major changes or variations in the annual work plans or overall project plans. Approved variations or revisions of the annual work plans or budgets must be promptly advised to the MEF, and the respective DP for approval/endorsement. The budget revisions should be carried out in conformity with Government Policy on review of annual budgets

16.5 Government Budgeting for Decentralized Projects

The project budget for decentralized projects, including the counterpart funds requirements, must be incorporated into the budget of the Central Line Ministry or the Provincial Department responsible for the implementation of the Project. It is only by inclusion in this process in the budget that the funding requirements can be reflected in the Government's overall Annual National Budget.

Each year the EA/IA sets out a Work Plan for the implementation of the project, and the financing requirements for achieving this Work Plan are determined by the EA/IA, and submitted to the relevant line Ministry for inclusion in that Ministry's annual budget requirements.

The funding requirements from the various funding sources, including Government counterpart funds, are also determined at this point and are submitted separately to the DIC of the MEF in conformity with Government regulations.

16.6 Cash Flow Budgeting

Cash flow budgeting is a critical element of ensuring that funds are available when required by the EA/IA and involves estimating the amount and timing of payments for expenditures, and of receipts for funds received. The estimates should be based on the expected physical progress of activities, and the anticipated timing of the related contract/operational expenditure claims and/or receipts.

Each month the cash flow estimates for counterpart funds requirements must also be reviewed and updated. Any changes to the cash flow budgets must be advised to the Provincial Department of Finance (PDOF) at the provincial level for provincially administered projects, or to the MEF for centrally administered projects. It is imperative that the cash flow requirements for project activities are clearly communicated to the PDOF or MEF by the project team, to ensure that regular and timely cash flow is available for project implementation activities.

16.7 Project Funds Flow

The flow of funds for projects from the DPs to the RGC and the EA/IA will be specified in the Project Appraisal Document (PAD), and in the Project Loan/Credit/Grant Agreements. Funds flows within the EA/IA are also specified in the PAD. Any variation to the endorsed flow of funds must be agreed by the EA/IA (Project Team), the MEF, and the DP, prior to implementation.

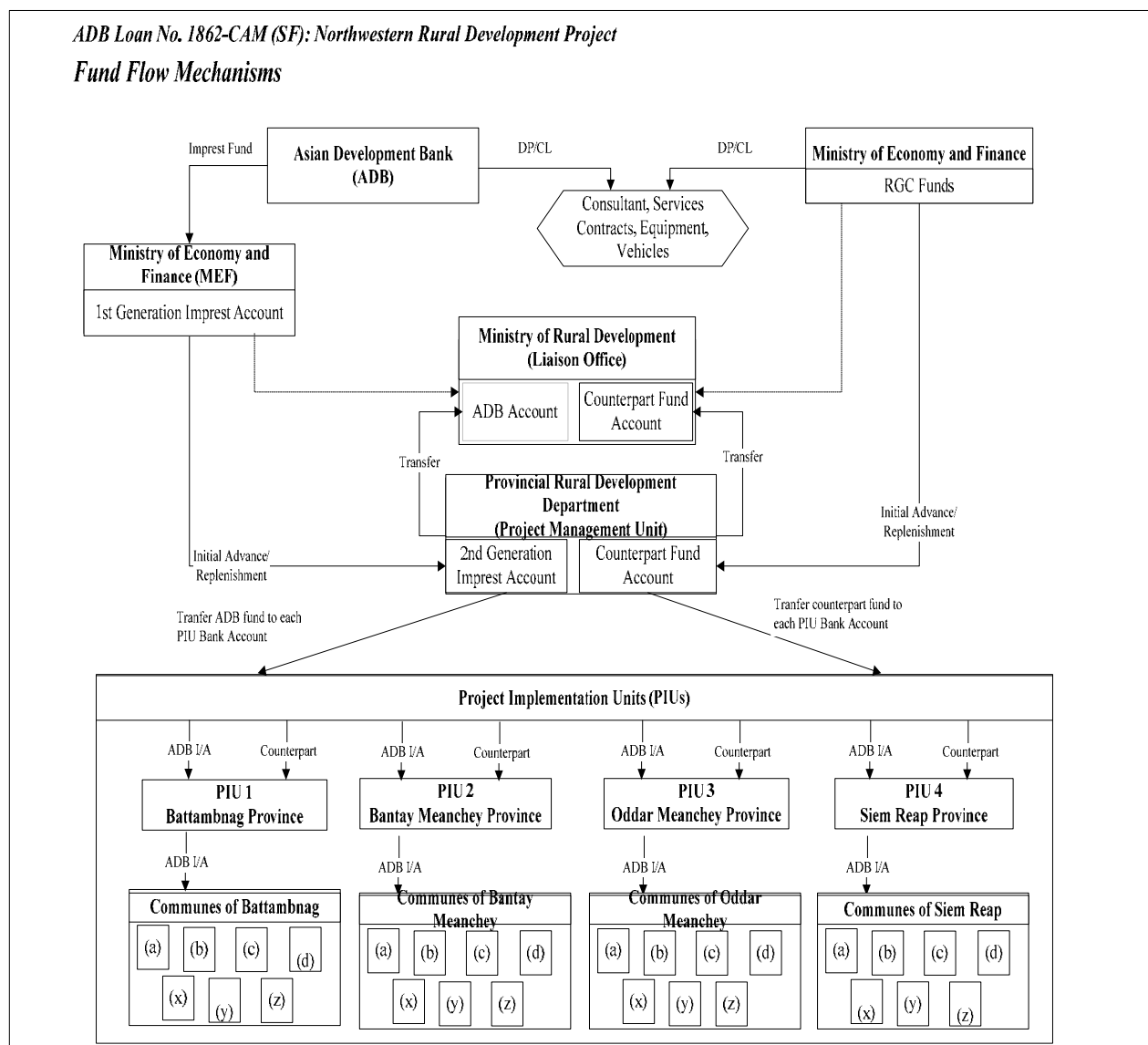
As part of the funds flow arrangements, the bank account requirements of the project must be specified, and agreed to prior to the implementation of the project. For decentralized projects normally a second generation designated account (SGA) is opened at the provincial level. This account is maintained by the Provincial Department responsible for the implementation of the project, with reimbursement to the SGA from the First Generation designated account at the central ministry level.

Refer to Figure 16 for sample funds flow arrangement for provincial and district level projects.

NRDP – Funds Flow Figure 16

ADB Loan No. 1862-CAM (SF): Northwestern Rural Development Project

Fund Flow Mechanisms



16.8 Financial Policies and Standards

16.8.1 Basis of Accounting and Accounting Standards

All decentralised and de-concentrated projects and programs in the RGC use the cash basis of accounting.

16.8.2 Currency of Recording and Reporting

All decentralized and de-concentrated projects and programs funded by the DPs should record and maintain all financial transactions in the main project accounts in US dollars. All prime financial reports must also be in US dollars, but subsidiary accounts, records, and reports, may be maintained in Riel.

16.8.3 Foreign Currency Translation

Any transaction in Riel or other currency must be converted to US dollars, at the official daily exchange rate that is declared by the Provincial Branch of the National Bank of Cambodia (NBC), on the day of the transaction.

For projects or programs with provincial, district, or commune operations, the source of the exchange rate that is to be used to convert Riel transactions into US dollars must be specified.

16.9 Procedures for Decentralized Projects

The following procedures are followed for decentralized projects.

Central Unit:

- Computer-based Accounting: Month to month submissions of financial reports of the sub-units will be recorded in the computer-based- accounting software of the central unit, in order to facilitate the financial reporting so as to establish controls on all the project activities of the various sub-units.
- Appropriate documentation: Before recording the transactions incurred by the project, comparison with the budget plan and counter check of the authenticity of the transactions reflected in the financial reports should be carried out.

Sub-Unit:

- The implementing sub units should have a set of books of account that are used for maintaining financial transactions:

Cash Book:

This is used to monitor cash position of the sub-unit; cash book should be updated daily. All transactions shown in the cash book should also be supported by approved and paid vouchers. This system is being used by the remote provinces that use cash as

the mode of paying their expenditures. Steps in preparing this can be shown in the project financial management manual if a separate manual exists.

Bank Account Register:

This is used to monitor cash in bank position of the sub-unit, this is required to be updated daily, in order to avoid delays in the implementation of the project. Steps in preparing this can be shown in the project financial management manual if a separate FMM exists. All transactions shown in this bank account register should be supported by approved and paid Vouchers.

Filing System:

For DP funded project expenditure, the original copies of the Voucher and its supporting documents marked "Paid" should be sent to the central unit within the Ministry. This is for the convenience of visiting DP missions, who may need to examine the originals of project documents.

For project expenditure out of RGC counterpart funds, the original vouchers and supporting documents, marked "verified and paid with [date]", should be filed at the sub-units, unless records are kept centrally, in which case they are forwarded to the central unit for verification by the project Financial Officer.

16.10 General Observation for Decentralized and De-Concentrated Projects

Aside from what has been described in this section of the Manual, all other provisions of this Manual which are general in nature (e.g. internal control features, bank account operations, petty cash management etc...) apply equally to the administration of all externally assisted decentralized and de-concentrated projects.

The MEF has also issued a *Handbook on Financial Management Activities for Externally Financed Decentralised and De-concentrated Projects in the Kingdom of Cambodia (September 2006)* and *NCDD Finance and Administration Manual (December 2008)* which provide further guidance on the financial management arrangements for such projects.

17. LOAN/CREDIT/GRANT WITHDRAWALS

17.1 Overview

Loan/Credit/Grant Withdrawals (Disbursements) refers to the withdrawal of funds to meet project expenditure. Disbursement of the loan/credit/grant funds may be by:

- Special Commitment
- Direct payment
- Advance to Designated Account
- Reimbursement/Replenishment

Withdrawal of loan/credit/grant funds (loan/credit/grants disbursements) must be carried out in accordance with the disbursement procedures of the respective DP. EAs and their project teams must obtain and retain an up-to-date copy of the DPs Disbursement Handbook (so far as it is relevant to the project) and Disbursement Letter and ensure that project staff are trained in these procedures.

The EA is responsible for preparing and submitting withdrawal applications and the Disbursement Tracking Form (refer below) to the DP through the MEF.

Loan/credit/grant withdrawals may be made for:

- Designated Account Initial Advance (using an imprest system)
- Designated Account Replenishment (Replenishment of imprest fund)
- Reimbursement of eligible expenses Incurred
- Direct Payment to Supplier or Contractor
- Commitment Letter
- Disbursement Tracking Forms

The RGC in consultation with the major DPs has mandated the use of a “Disbursement Tracking Form.” The purpose of this form is to enable the MEF and the DP to better monitor, evaluate and keep track of the disbursements pertaining to any particular project/program during its implementation. The form is used to compute the number of days that is taken to process project disbursement requests by the EA and at MEF.

At the commencement of each project/program the EA together with the DP Team assesses the quarterly disbursement requirements of the Project and reviews them regularly for the total duration of project implementation period. The purpose of the review is to determine any changes that have taken place in the interim and the impact of such changes on the disbursement projections and pattern of implementation progress in the future. The Government can use the information for better planning of their counterpart funds requirements and assess progress on project implementation activities. From the information gathered by both the DPs and the Government, they can initiate timely corrective measures to improve project implementation activities and will expedite the realization of the PDOs. The preparation and attachment of this form to the Loan Withdrawal Application is a compulsory requirement of all EAs. A sample “Disbursement Tracking Form” is shown as Figure 17.1.

In addition to the Disbursement Tracking Form in Figure 17.1, Project Implementation Team, DIC/MEF and DP must maintain an internal tracking form showing the time taken (number of days) for completing each of the activities in processing of the withdrawal applications.

In case of the Disbursement Tracking Form for counterpart funds shown in Figure 17.2, Project Implementation Team and DIC/MEF must maintain an internal tracking form showing the time taken (number of days) for completing each of the activities in processing of the withdrawal applications.

Figure 17.1
Disbursement Tracking Form

Project Name: _____

Loan / Credit/Grant No. : _____

Prepared date: _____

No.	Withdrawal Application (WA) No.	Amount Requested (US\$)	Amount Received US\$	Differences: Amount Requested VS Amount Received: (\$US)	Project Management submitted for Minister Approval (LM): (Date)	Project Management Received Approval from Minister (LM): (Date)	Project Management submitted to MEF for approval: (Date)	Project Management received the request for clarification from MEF: (Date)	Project Management sent back the clarification/ support documents to MEF: (Date)	Project Management received approval from MEF: (Date)	Project Management submitted to DP - Cambodia: (Date)	Project Management received the request for clarification from WB: (Date)	Project Management sent back clarification/ support document to DP: (Date)	DP released the money: (Date)	Project Management/ Contractor received the money (Date) - Recorded in the BS at NBC	Number of Days at EA	Number of Day at MEF
A	B	C	C -1	C -2	D	E	F	G	H	I	J	K	L	M	N	H-D	I-H
1																	
2																	
3																	
4																	
5																	

Total _____

Figure 17.2

Loan/Credit/Grant No:

Counterpart Fund

No.	W/A	Letter Date	Payment request amount (US\$)	Project Management submitted for Minister Approval (LM): (Date)	Project Management Received Approval from Minister (LM): (Date)	Project Management submitted to DIC/MEF for approval: (Date)	Project Management received the request for clarification from MEF:(Date)	Project Management sent bank the request for clarification/support document to DIC/MEF:(Date)	DIC/MEF Approval: (Date)	MEF issued payment order: (Date)	Project Management /Contractor received the money (Date)- recorded in the BS of NBC	<i>Number of Days at EA</i>	<i>Number of Days at DIC</i>	<i>Number of Days at MEF, not included NT</i>	<i>Number of Days at NT & NBC</i>
	A	B	C	D	E	F	G	H		I	J	F-D		I-F	J-I
1															
2															
3															
4															
5															
6															
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18															

17.2 Key Internal Controls

The MEF and the EA, where applicable, are responsible for ensuring that authorised signatories for withdrawal applications are submitted to the DP well in advance of the filing of the first withdrawal application. Subsequently it is their responsibility to ensure that these authorized signatures are maintained and up-to-dated as required. The MEF and the EA must maintain the copy of the authorised signatories and the originals are provided to the DP.

Funds may only be withdrawn from the loan/credit/grant for expenditures of the project which are authorised and are specified in the project loan/credit/grant agreements.

Authorised expenditures are defined in the project agreements. Projects should set out the authorised and unauthorised expenditures, and expenditure percentages, for the project in the Project Financial Management Manual as a supplement.

Withdrawal applications must be signed by an authorised signatory or signatories.

Withdrawal applications must be sequentially numbered starting with the number one.

Designated accounts under no circumstances should be used to finance Government counterpart funds requirements. This would be contrary to the regulations of the DPs

The Loan/ Credit / Grant accounts maintained by the DPs for the RGC are available on the DPs website. It is the responsibility of the EA to regularly monitor this account and reconcile its content with that of the EAs and MEF records. The EA should reconcile disbursement amounts on the statement of loan/credit/grant disbursements for the project account with the disbursement reports provided on the DPs website at least on a monthly basis.

17.3 Procedures

17.3.1 Designated Account Initial Advance

The Project Team completes the relevant withdrawal application form (2 copies) for the initial advance, citing the clause in the loan/credit/grant agreement that specifies the "authorized allocation" of the advance.

The maximum amount of the advance (authorized allocation) is specified in the loan/credit/grant agreement. The details of the procedures to be followed and the maximum advances that are allowable are covered in the DP's Disbursement Handbook. Advances will be provided to EAs based on these guidelines.

The Withdrawal Application Form (WA) must be signed by the authorised signatories and submitted to the DP.

The Withdrawal Application form for advances must be supported by estimated expenditures for a specific period of time. The detail required by each DP is described in its Disbursement handbook.

The Project Team records the WA in the WA Register.

The DP reviews the completed forms and disburses the advance for credit to the Project's Designated Account.

The Project Team should seek written advice of the funds receipt into the Designated Account from the relevant financial institution where the Designated Account is maintained.

When the written advice is received, the receipt of the funds should be recorded in the General Ledger and the WA Register should be updated.

Dr	Designated Account	xxx
Cr	DP s Loan/Credit/Grant Account	xxx

Example

Received from the DP as initial advance for project expenses of US\$500,000. The entry is posted to the ledger accounts are as follows:

Dr	Designated Account	500,000
Cr	DP Loan/Credit/Grant receipts	500,000

This posting will ensure that project accounts are consistent with those of the DP and Disbursement Summary.

Figures 17.3 and 17.4 below provide the detailed steps that are to be followed for the processing of DPs (DP) advances and the Designated Account structure.

Figure 17.3: Initial Advance from DP

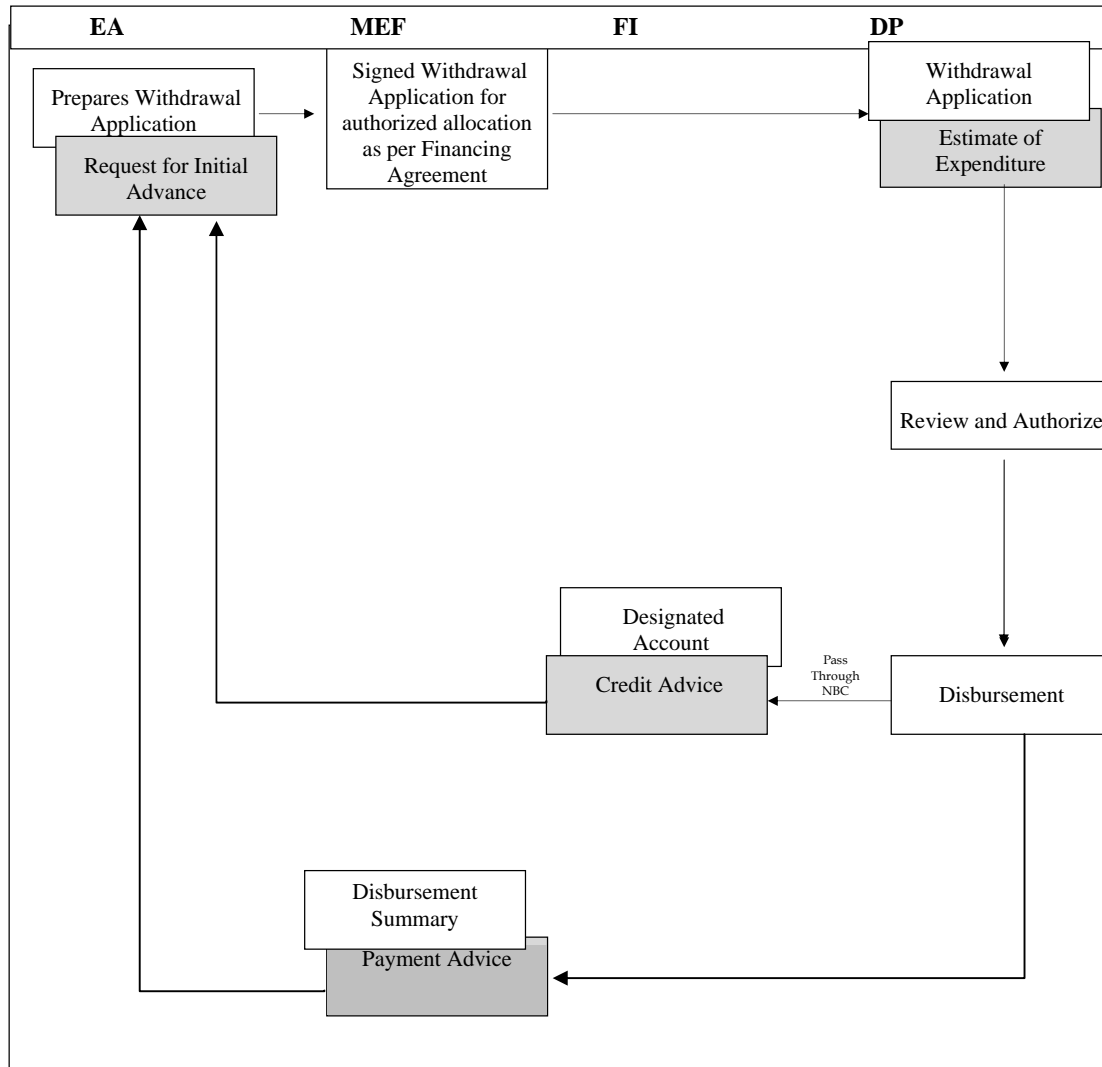
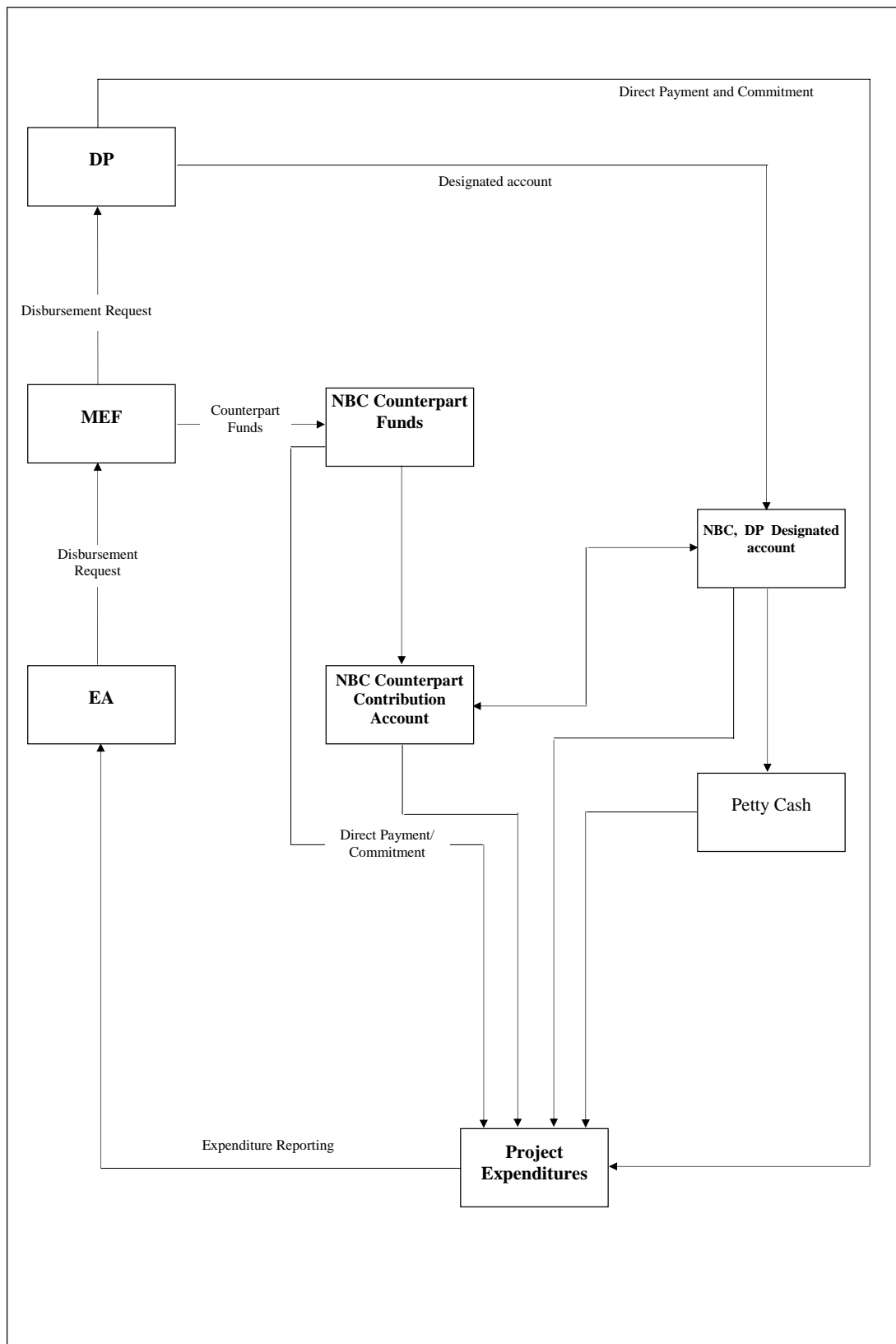


Figure 17.4: Designated/Counterpart Funds Account Structure



17.3.2 Designated Account Replenishment

Replenishment withdrawal applications should be made at intervals specified in the loan/credit/grant agreements – usually this is on a monthly basis or when the balance of the Designated Account reaches its minimum level or is down to 20% of the advance (as specified in the Disbursement Letter of the respective loan/credit/grant).

Replenishments may be made using full documentation of expenses incurred or the Statement of Expenditure (SOE) method. The SOE method is used to reimburse the project when documentation would otherwise be cumbersome or voluminous (for example, expenditures on civil works carried out by force account, operating costs, small agricultural sub-loans, or payments against small contracts). The loan/credit/grant agreements indicate the types of expenditure for which SOEs may be used and where appropriate, the contract value below which SOEs are to be used for selected activities. The ceiling amount that can be claimed under the SOE procedures are also spelt out on the Loan Credit Agreement. Under the SOE method, the Project Team keeps the supporting documents, including contracts and procurement documentation, and evidence of payment in a central location for examination by independent auditors and DP staff during supervision missions. It is the responsibility of the EA/IA Financial Officer to prepare all supporting documents for review in an orderly fashion well in advance of the supervision missions. This will help making the review more efficient.

The Project Team completes a Designated Account Withdrawal Application Form and applicable Summary Sheets and/or SOE (two copies of each).

The Project Team prepares a reconciliation of the Designated Account and a Disbursement Tracking Form for submission to the MEF.

The following documentation must be attached to the Withdrawal Application Form:

- Summary Sheets
- Statement of Expenditures
- Bank Statements
- Designated Account Bank Reconciliation Statement
- Withdrawal Application Tracking Form
- Other documentation to support the withdrawal application, if required.

The Withdrawal Application Form must be signed by the authorized signatories and submitted to the DP together with the Disbursement Tracking Form.

The Project Team records the WA in the WA Register.

The DP reviews the completed forms and disburses the replenishment for credit to the Project's Designated Account.

The Project Team should seek written advice for the funds receipt into the Designated Account from the relevant financial institution where the Designated Account is maintained.

When the written advice is received, the receipt of the funds should be recorded in the General Ledger and the WA Register should be updated.

Dr	Designated Account	xxx	
Cr	DP Loan/Credit/Grant Account		xxx

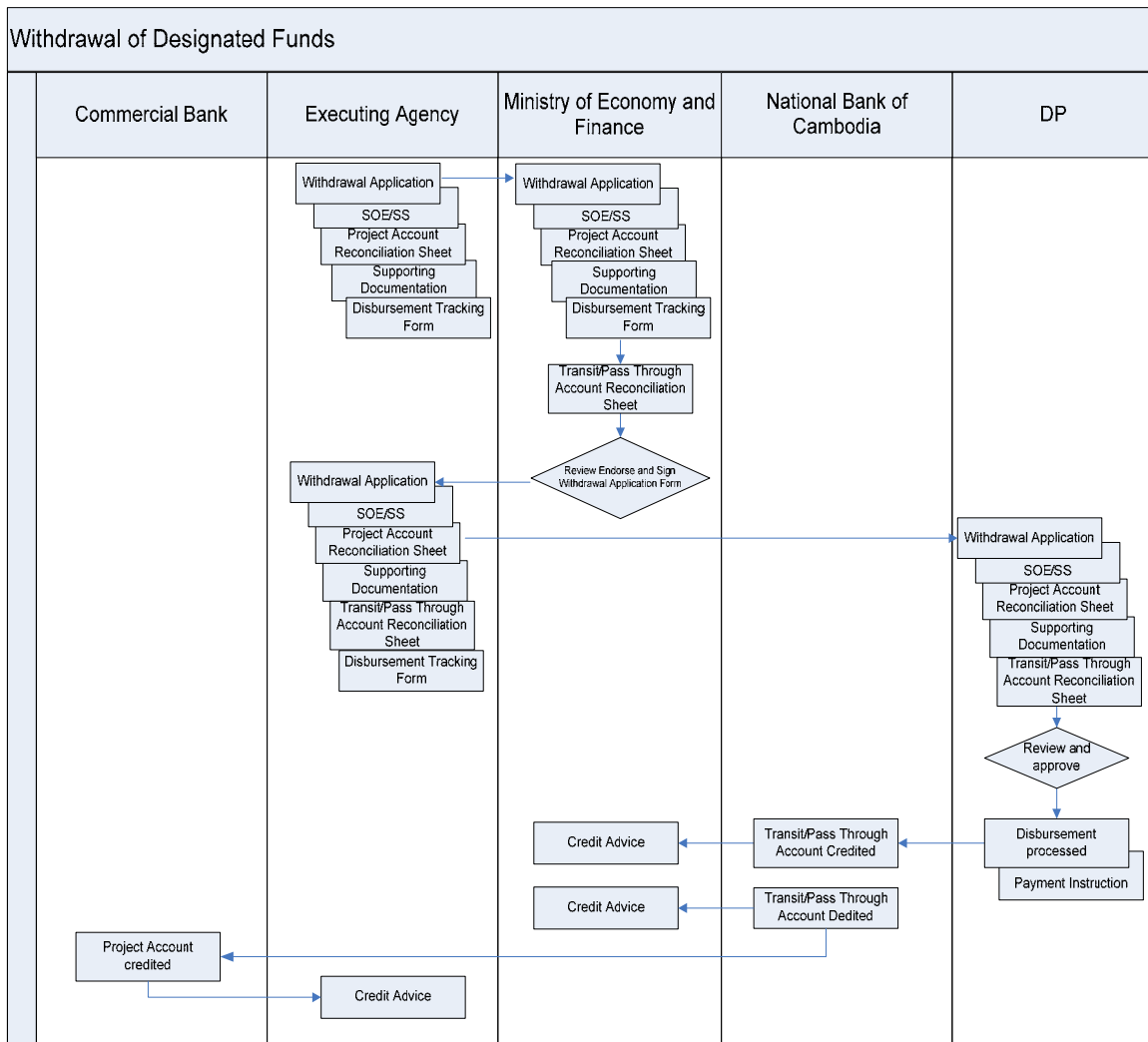
Example

US\$100,000 replenishment of the Designated account has been received from DP. The entry is posted to the ledger accounts as follows:

Dr.	Designated account	100,000	
Cr.	DP loan receipts		100,000

Figure 17.5 below provides details of the replenishment procedure of the DP funds.

Figure 17.5: Replenishment from DP



17.3.3 Reimbursement of Expenses Incurred

17.3.3.1 For Reimbursement with Documentation

The Project Team completes the corresponding Summary Sheet on form of the DP (two copies).

The Project Team attaches a photocopy of the following supporting documents to each Withdrawal Application:

- The contract ,
- A copy of the invoice/bill/claim and delivery receipt.
- Disbursement Tracking Form
- Evidence or receipt of payment showing the amount paid, the date receipt, and the payee.

17.3.3.2 For Reimbursement with SOEs

The Project Team completes and signs the appropriate SOE form (two copies).

Note - Three types of forms are available:

- SOE Form contract items, mostly related to civil works.
- SOE Form for non-contract items mostly related to operating expenses and overheads.
- SOE Form (free format) for items not provided in the other SOE forms.

If a contract is for less than US\$100,000, the Project Team need not send a copy of the contract to the DP, unless specifically required.

The requirements of each DP may be somewhat different. The EAs must follow the requirements of the respective DP as set out in the Loan Disbursement Handbooks of the respective DPs,

17.3.3.3 For Force Account Works

Force Account works is used for reimbursing the Borrower for expenditures in carrying out certain approved civil works for the project using its own work force, equipment and other resources. It is also used when the size, nature, and location of the works make competitive bidding unsuitable. Use of force account is on an exceptional basis when all other procurement options have been fully exhausted.

Two certificates are completed and attached to the withdrawal application:

- Project's physical progress (Part 1); and
- Financial progress (Part 2).

The Withdrawal Application (WA) Form must be signed by the authorized signatories and submitted to the DP.

The Project records the WA in the WA Register.

The DP reviews the completed forms and disburses the replenishment for credit to the bank account nominated by the Project.

The Project Team should seek written advice for the funds receipt into the nominated Account from the relevant financial institution.

When the written advice is received, the receipt of the funds should be recorded in the General Ledger and the WA Register should be updated.

Dr	Expenditure Account	xxx
Cr	DP Loan/Credit Account	xxx

17.3.4 Direct Payment to Supplier or Contractor

The Project Team completes:

- A Withdrawal Application Form (2 copies). Separate withdrawal applications are required for each payment in different currencies.
- The Disbursement Tracking Form
- Summary Sheets (2 copies)

The following documentation must be attached to the Withdrawal Application Forms:

- Summary Sheets
- Copy of Contract(s)
- Disbursement Tracking form
- Supplier or contractor invoice or claim
- For civil work – summary of work progress certified by project technical officer and approved by the relevant Project authorized officer
- For equipment and materials purchased - evidence of shipment, either a copy of the bill of lading or the forwarder's certificate and /or duly acknowledged delivery receipts, as appropriate.
- Performance security such as a bank guarantee in the case of advance payments if required under the terms of the contract, or where an unusually large advance payment is made.

The Withdrawal Application Form must be signed by the authorised signatories and submitted to the DP.

The Project Team records the WA in the WA Register.

The DP reviews the completed forms and disburses the payment for credit to the Supplier/Contractor's bank account.

The DP advises the EA when the payment has been executed to the supplier. When the written advice is received, the loan/credit/grant disbursement should be recorded in the General Ledger and the WA Register should be updated.

Dr Expenditure	xxx
Cr DP Loan/Credit/Grant Account	xxx

17.3.5 Commitment Letter

To finance the purchase of goods under a project, the Project Team may need to open a letter of credit (an undertaking by a bank that bills drawn on it in compliance with approved terms of payment will be honoured) in favour of the supplier. If a commercial bank is unwilling to open, advise, or confirm the letter of credit without some guarantee or security, the respective DP can provide the commercial bank with the guarantee it requires in the form of a Commitment Letter. This procedure normally covers major contracts for imported goods.

Under this procedure the DP issues to the commercial bank, normally in the supplier's country, it's Commitment Letter agreeing to reimburse that bank for payments made or to be made under the letter of credit.

The Project Team arranges with a bank in its own country a Letter of Credit (L/C) in favour of the supplier or contractor.

The Project Team completes a Commitment Letter Withdrawal Application (2 copies) for each Commitment Letter requested in a different currency.

The Project Team completes the corresponding Commitment Letter Summary Sheet (2 copies) using a separate sheet for each category or subcategory.

The following supporting documents must be attached to each Withdrawal Application:

- Copy of pro-forma invoice of supplier or contractor
- Summary Sheets
- Copy of a contract, and
- Two signed copies of the Letter of Credit (with valid expiry date) that the commercial bank proposes to issue

The Withdrawal Application Form must be signed by the authorised signatories and submitted to the DP.

The Project Team records the WA in the WA Register.

DP receives the completed withdrawal application and supporting documents.

When the application is approved, the DP issues a Commitment Letter to the designated bank and sends a copy to the Project for information.

The commercial bank's first request for payment under the Special Commitment constitutes its acceptance of the terms and conditions of the Special Commitment.

Promptly after each payment or negotiation of documents by the commercial bank under the letter of credit, the commercial bank claims payment from the DP.

The DP makes the payment to the commercial bank.

Project EA is notified by the DP through the SMLD that the payment has been executed. The EA may also be notified of the payment upon its inquiry directly with the DP.

Project records the loan/credit/grant disbursement and expenditure in the general ledger.

Dr	Expenditure	xxx	
Cr	DP Loan/Credit /Grant Account		xxx

17.3.6 Recovery of Designated Account Advances

The treatment of recovery of designated account advances may differ between DPs. The respective DPs Disbursement Handbooks however provides details of each DP. As an example the following procedures are followed for the World Bank and the ADB for the recovery of advances.

For WB projects, recovery of the outstanding advance in a Designated (Special) Account usually begins:

- when the undisbursed balance of the loan (excluding Special Commitments) is equal to twice the amount of the advance; and/or
- when the final date to submit withdrawal applications is less than six months away.

For ADB projects, the Project Team completes a Liquidation of Advance Form and submits it with the applicable Summary Sheet or SOE (2 copies) and attaches the Designated (Imprest) Account bank statement and related Bank Reconciliation. For the ADB projects , advances are gradually reduced within 1 year before loan/grant closing date or when the undisbursed balance of the loan/grant , excluding the outstanding commitments, is equal to twice the amount of advance whichever comes first.

DP deducts the amount of expenditures incurred from the outstanding balance of advances until the Designated Account reaches zero balance.

During the recovery process, DP notifies the borrower of amounts disbursed and amounts used for recovery for each Designated (DA) Account withdrawal application processed, as well as the outstanding balance yet to be recovered.

17.4 Key Points to Avoid Delays in Withdrawals

The aim is to process applications as quickly as possible to provide funds to support timely project implementation. Incomplete or inaccurate WAs cause delays.

To avoid the most common delays in the withdrawal of loan/credit/grant funds, the following should be noted:

- Forward copies of contracts to DP task manager promptly after they are signed.
- Cite the date of the DP "no objection" notice for contracts above the procurement prior review limits specified in the loan/credit/grant agreement.
- Promptly advise DP of changes to authorized signatories.
- Ensure that withdrawal applications are signed by authorised officials.
- Identify the currency of payment accurately and completely
- Specify complete and accurate payment instructions.
- Ensure consistency between information on the application and supporting documents.
- Include all necessary supporting documents.
- Include proper bank statement reconciliations to support requests for replenishment of Designated Accounts.
- Initiate timely action to reallocate funds between categories, or to extend loan/credit/grant closing dates where necessary.
- Seek advice and guidance from the MEF or the DP if unsure of requirements.

18. GOVERNMENT COUNTERPART FUNDS WITHDRAWALS

18.1 *Overview*

The MEF is responsible for ensuring that Government counterpart funds are made available to projects in accordance with the loan/credit/grant agreements and as required by the annual work plans and budgets of the Project.

Withdrawal of government counterpart funds must be carried out in accordance with the Government Policies and Procedures.

The EA is responsible for submitting withdrawal applications to the MEF.

Counterpart funds withdrawal applications should be made in accordance with the budget plan agreed between the project EA and MEF.

Counterpart funds may only be withdrawn for expenditures of the project which are specified in the project loan/credit/grant agreements. Projects Team should set out the expenditure percentages, for the project in the Project Finance Manual as a supplement to the main FMM.

Counterpart funds withdrawals may be made for:

- Designated Account Initial Advance
- Designated Account Replenishment
- Direct Payment to Supplier or Contractor
- All Land resettlement costs pertaining to DP funded projects are normally provided from the Government Counterpart funds

18.2 *Key Internal Controls*

Withdrawal applications must be signed by an authorised signatory or signatories.

Withdrawal applications must be sequentially numbered starting with the number one.

Counterpart funds advanced to projects must be held in a Government Counterpart Funds/Project Account at the National Bank of Cambodia or other approved financial institution including Private Commercial banks.

18.3 Procedures

18.3.1 Counterpart Funds Initial Advance

The Project Team completes a request for initial advance of counterpart funds together with supporting documents and submits to the MEF – Department of Investment and Cooperation (DIC).

The maximum amount of the advance of counterpart funds will be agreed between the EA/Project Team and the MEF.

The request for initial advance must be signed by the authorized signatories of the EA/Project and submitted to the MEF/DIC.

The request must be recorded in the Project Counterpart Funds WA Register.

The MEF/DIC reviews the request and submits for approval of MEF Management. Thereafter arrangements are made to transfer the funds from General Department of National Treasury Accounts to the Project's Counterpart Funds Designated Account.

On receipt of advice from the NBC or other approved financial institution that the funds have been deposited into the Counterpart Funds Designated Account, the receipt of the funds should be recorded in the General Ledger and the Government WA Register must be up-dated.

18.3.2 Counterpart Funds Replenishment

The Project Team completes the request for replenishment and attaches a statement of actual expenditure together with the Disbursement Tracking Form for counterpart funds as shown in Figure 17.2. Supporting expenditure documentation must be maintained by the Project Team for subsequent review by MEF or audit.

The request must be signed by the authorized signatories of the EA/Project and submitted to the MEF/DIC.

The request must be recorded in the Project Counterpart Funds WA Register.

The DIC reviews the request and submits for approval of MEF Management. Thereafter arrangements are made to transfer the funds from General Department of National Treasury Accounts to the Project's Counterpart Funds Designated Account.

On receipt of advice from the NBC or other approved financial institution that the funds have been deposited into the Counterpart Funds Designated Account, the receipt of the funds should be recorded in the General Ledger and the Government WA Register must be up-dated.

18.3.3 Direct Payment to Supplier or Contractor

The Project Team completes a request for direct payment together with all supporting documents. Separate withdrawal applications are required for each payment in different currencies.

The following documentation must be attached to the request:

- Copy of Contract(s).
- Supplier or contractor invoice or claim
- For civil work – summary of work progress certified by project technical officer and approved by the relevant Project authorized officer
- For equipment and materials purchased - evidence of shipment, either a copy of the bill of lading or the forwarder's certificate
- Performance security such as a bank guarantee in the case of advance payments if required under the terms of the contract, or where an unusually large advance payment is made.

The request must be signed by the authorized signatories of the EA/Project and submitted to the MEF/DIC.

The request must be recorded in the Project Counterpart Funds WA Register.

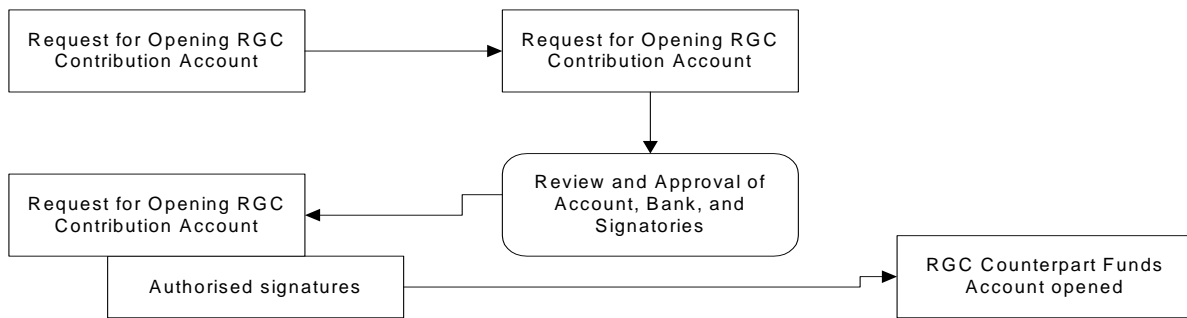
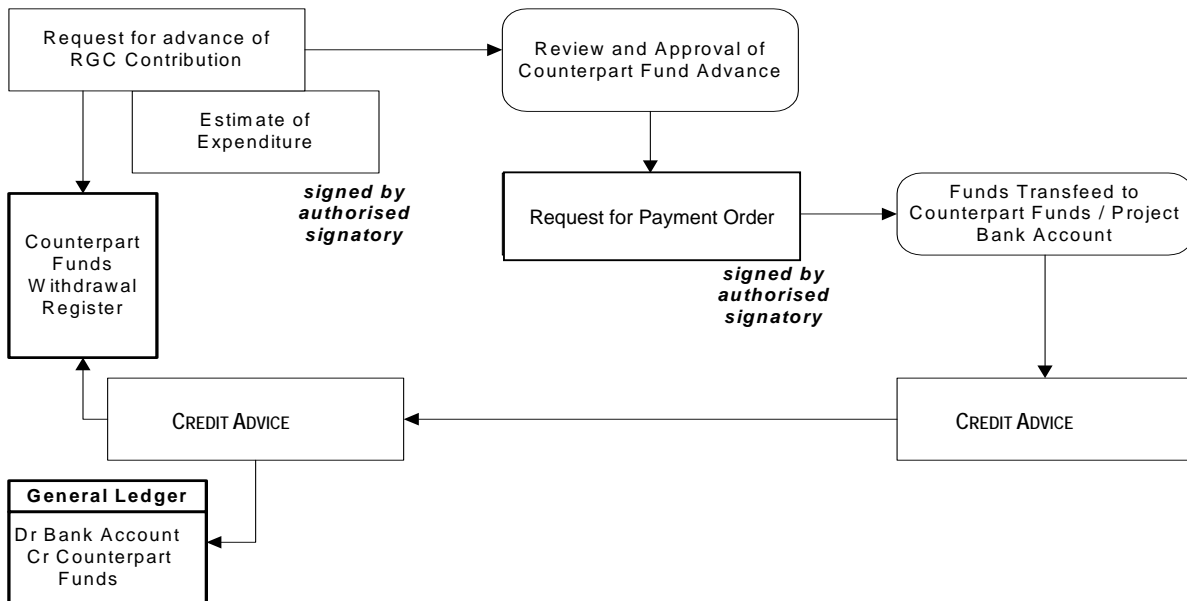
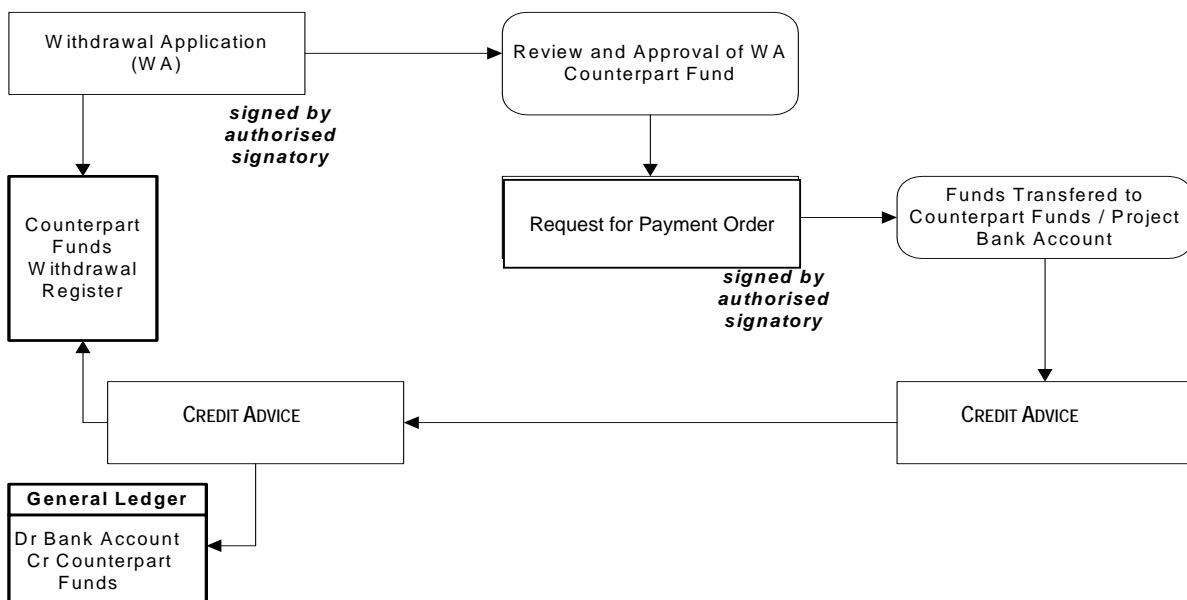
The DIC reviews the request and submits for approval of MEF Management. Thereafter arrangements are made to transfer the funds from General Department of National Treasury Accounts to account of the supplier or contractor.

On receipt of advice from the DIC that the payments have been made, the receipt of the counterpart funds should be recorded in the General Ledger and the Government WA Register must be up-dated.

EA

MEF

FI

Opening of RGC Counterpart Funds / Project Bank Account**Advance of RGC Counterpart Funds Contribution****Replenishment of RGC Counterpart Funds Contribution**

19. FINANCIAL MANAGEMENT REPORTS

19.1 Overview

Financial management reports provide important information to the project management and to external users on the progress of project implementation and the financial status of the project. Three types of financial management reports are required to be produced by the Project Team to support effective monitoring of the project's financial position and progress and to support sound management decision making. These are:

- Monthly Financial Management Reports
- Quarterly Financial Management Reports
- Annual Financial Statements

The MEF and the DPs use the project's financial management reports and annual financial statements to monitor the financial performance of the project and to identify issues which require attention and management action. The annual audited financial statements also provide assurance that the financial resources of the project are being properly used for project purposes and are being properly managed in compliance with project's agreements. Indicative samples of monthly, quarterly and annual reports are attached in Appendix 4, figure 19.1 – 19.9.

19.2 Financial Management Reports

19.2.1 Internal Financial Management Reports

The following reports, together with the project's month-end trial balance, must be prepared and submitted to the MEF/DIC:

- Designated account reconciliation (Examples are given in Figure 5.1)
- Uses of Funds by Category and Source of Funds
- Statement of Uses of Funds by Project Activities
- Sources and Uses of Funds by Category
- Summary of Monthly Report by Category

Annual Budgets are based on the project annual work and procurement plans. The regular financial management reports must be prepared showing actual financial performance compared to budget and the variations to budgets. Variations to plans are analysed and reported to enable management to monitor progress and make decisions on project implementation and related issues. Analysis of variations to budgets should include identification of the reasons for deviations, implications of the variations, and forecasts of the estimated revenue and expenditure based on the actual financial performance to date.

Reports may also be required to monitor compliance with the financial policies and procedures of the project. Examples include:

- List of outstanding advances (yet to be liquidated)
- Outstanding withdrawal applications

Figure 5.1: Designated Account Reconciliation Statement

Imprest Account Reconciliation Statement (ADB) Loan/Co-financier Number: _____			
Application Number: _____			
Account Number: _____ with National Bank of Cambodia (NBC) or Commercial Bank Bank Address: Phnom Penh, Cambodia			
1. PRESENT OUTSTANDING AMOUNT ADVANCED TO THE IMPREST ACCOUNT NOT YET RECOVERED (=) _____			
<hr/>			
2. Amount in Imprest Account as of ____/____/____ (-) _____ per bank statement (copy attached)			
Deduct Outstanding Checks: (+) _____			
<u>Check No.</u>	<u>Date</u>	<u>Amount</u>	
_____	_____	_____	
_____	_____	_____	
_____	_____	_____	
3. Add: Amounts of eligible expenditures documented/claimed (+) _____ in attached application (no. _____ from ____/____/____ to ____/____/____)			
4. Add: Amounts claimed in previous applications not yet credited at date (+) _____ of bank statement:			
<u>W/A</u>	<u>Description</u>	<u>Period Covered</u>	<u>Amount</u>
<u>No.</u>			
_____	_____	From ____/____/____ to ____/____/____	_____
_____	_____	From ____/____/____ to ____/____/____	_____
_____	_____	From ____/____/____ to ____/____/____	_____
5. Total expenditures withdrawn from Imprest Account but not yet claimed (+) _____ for replenishment.			
(a) Petty cash balance _____			
(b) Unliquidated advances _____			
(c) Temporary used for counterpart fund _____			
<hr/>			
6. TOTAL ADVANCE ACCOUNTED FOR (=) _____			

Example of a Designated Account Reconciliation Statement (World Bank)

MINISTRY OF ECONOMY AND FINANCE

DESIGNATED ACCOUNT RECONCILIATION STATEMENT

CREDIT NUMBER: xxxx-KH: _____ PROJECT

ACCOUNT NUMBER: xxxxx-xxx

WITH (BANK) NATIONAL BANK OF CAMBODIA

1. TOTAL ADVANCED BY WORLD BANK:	USD	1,000,000.00
2. LESS: TOTAL AMOUNT RECOVERED BY WORLD BANK:	USD	-
3. EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO THE DESIGNATED ACCOUNT (NUMBER 1 LESS NUMBER 2)	USD	1,000,000.00

4. BALANCE OF DESIGNATED ACCOUNT PER ATTACHED BANK STATEMENT AS OF DATE: _____	USD	575,706.88
---	-----	------------

5. PLUS: ADVANCE TO SDA	USD	-
-------------------------	-----	---

6. PLUS: TOTAL AMOUNT CLAIMED IN THIS APPL. NO.: _____	USD	261,584.17
--	-----	------------

7. PLUS: TOTAL AMOUNT WITHDRAWN FROM THE DESIGNATED ACCOUNT AND NOT YET CLAIMED RAISON _____	USD	-
--	-----	---

8. PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATION NOT YET
CREDITED AT DATE OF BANK STATEMENT

<u>APPLICATION No.</u>	<u>AMOUNT*</u>
.....
.....

SUBTOTAL OF PREVIOUS APPLICATIONS NOT YET CREDITED	USD	-
--	-----	---

9. MINUS: INTEREST EARNED	USD	-
---------------------------	-----	---

10. TOTAL ADVANCE ACCOUNTED FOR (No. 4 THROUGH No. 9):	USD	837,291.05
--	-----	------------

11. EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10	USD	162,708.95
---	-----	------------

DATE:

SIGNATURE: _____

TITLE: _____

* ALL ITEMS SHOULD BE INDICATED ON THE BANK STATEMENTS

POOL IMPREST ACCOUNT RECONCILIATION STATEMENT (PIARS)										
Application Number _____			With (Bank) _____							
Account Number _____			Bank Address _____							
	Loan/Grant No. Fund Source		Total	L/G/XXXX (#####)	L/G/XXXX (#####)	L/G/XXXX (#####)	L/G/XXXX (#####)	L/G/XXXX (#####)	L/G/XXXX (#####)	L/G/XXXX (#####)
1	PRESENT OUTSTANDING AMOUNT ADVANCED TO THE IMPREST ACCOUNT NOT YET RECOVERED	US\$	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX
2	BALANCE of Imprest account as of _____ per bank statement (copy attached)	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
3	ADD: Amount of eligible expenditures claimed in attached application (WA no. _____)	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
4	ADD: Amount claimed in previous applications not yet credited at date of bank statement									
	Withdrawal Application No. _____									
	XXXXX	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	XXXXX	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	XXXXX	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	Total Amount claimed but not yet credited	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
5	TOTAL expenditures withdrawn from Imprest account but not yet claimed for replenishment									
	a. Second Generation Imprest Accounts (SGIA) ¹									
	a.1 Total SGIA balance accounted for PIU#1 _____	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	a.2 Total SGIA balance accounted for PIU#2 _____	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	a.3 Total SGIA balance accounted for PIU#3 _____	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	a.4 Total SGIA balance accounted for PIU#4 _____	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	a.5 Total SGIA balance accounted for PIU#5 _____	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	Total SGIA balances accounted for	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	b. Transfer in transit	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	c. Petty cash balance	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	d. Unliquidated expenses (itemize expenses)	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
	e. Others (Please specify)	US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
		US\$	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX	XXX,XXX.XX
6	TOTAL ADVANCE ACCOUNTED FOR	US\$	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX	X,XXX,XXX.XX
Explanation of any discrepancy between totals appearing in lines 1 and 6 above (e.g., earned interest credited to the account, bank charges, etc.):										
Authorized Representative _____										
¹ List all existing SGIA's with corresponding amount advanced. Attach latest Second Generation Imprest Account Reconciliation Statements (SGIARS) and bank statements.										

19.2.2 External Financial Management Reports

EAs are required to submit financial management reports each quarter of the financial year within 45 days after the end of the quarter.

The Financial Management Reports that are required to be submitted will be agreed by the DPs with the EAs during project appraisal and negotiation. The requirements will be set out in the project agreements.

DPs may have slightly different requirements based on their internal use of the Reports submitted by the RGC.

For example for the WB, the FMRs usually consist of the following statements:

- Sources and Uses of Funds by loan/ grant category, by project component, by sources of funds- for the reporting quarter, year to date and cumulate to date, compared with budget.
- Project Balance Sheet – this will provide information of status of the fund and assets acquisition.
- Physical Progress Reports- these will provide information on project implementation progress in physical and financial terms using monitoring indicators, including identifying deviations from plan and explanation of the reasons for such variations.
- Procurement Monitoring Reports-these will provide reports on the status of procurement and contract commitments and expenditure including source of supply data for contracts subject to the banks prior review, as well as the post review of contracts above US\$100,000 equivalent.

For the ADB, the FMRs usually consist of the following statements:

- Statement of Receipts and Disbursements- details of resources received and all expenditures incurred for a particular period or per month and the fund balances.
- Summary of Accumulated Expenditure Report by Category- this will provide information about the analysis of the fund received spent and fund balance.
- Balance Sheet/with Designated Account and SGA Reconciliation.
- Loan Disbursement Summary by Category and its balances.
- Example of Quarterly Financial Management Report
- An example of a generic quarterly financial management report is shown below:

ABC Project: Quarterly Financial Management Report
Statement of Sources and Uses of Funds by Components and Sub-Components

	Actual Current Quarter	Actual Year to Date	Actual Cumulative. to Date	Plan Current Quarter	Plan Year to Date	Plan Cum to Date	Variance Current Quarter	Variance Year to Date	Variance Cum to Date	% Current Quarter	% Year to Date	% Cum to Date
Opening Balance Cash and Bank	74,226.64											
SOURCES OF FUNDS												
Funds received from IDA	271,375.01											
Total Sources of Funds	271,375.01											
USES OF FUNDS												
Component 01: Early Childhood Education Expansion												
1.1 ECE Facilities Expansion	7,405.74											
1.2 Home & Comm. Based ECE Expansion	6,022.60											
1.3 ECE Development Policy & CB	2,735.68											
Total Component 01	16,164.02											
Component 02: Improve Primary Education Access & Quality												
2.1 Expand Primary Education	219,195.06											
2.2 Stimulating Demand for Education	1,943.49											
2.3 Support Child FR School	10,497.16											
2.4 School Improvement Grants	1,589.00											
2.5 Instructor MR Provision	802.40											
Total Component 02	234,027.11											
Component 03: Institution Development & Capacity Building												
3.1 District Offices of EF Expansion	5,773.96											
3.2 FM, PPM Capacity Building	9,785.98											
Total Component 03	15,559.94											
TOTAL USES OF FUNDS: Components 01,02 &03	265,751.06											
Closing Balance Cash and Bank	79,850.59											

ABC Project: Quarterly Statement of Sources and Uses of Funds by Components and Sub-Components

	Actual Current Quarter	Actual Year to Date	Actual Cumulative. to Date	Plan Current Quarter	Plan Year to Date	Plan Cum to Date	Variance Current Quarter	Variance Year to Date	Variance Cum to Date	% Current Quarter	% Year to Date	% Cum to Date
Opening Balance Cash and Bank	74,226.64											
SOURCES OF FUNDS												
Funds received from IDA	271,375.01											
Total Sources of Funds	271,375.01											
USES OF FUNDS												
Component 01: Early Childhood Education Expansion												
1.1 ECE Facilities Expansion	7,405.74											
1.2 Home & Comm. Based ECE Expansion	6,022.60											
1.3 ECE Development Policy & CB	2,735.68											
Total Component 01	16,164.02											
Component 02: Improve Primary Education Access & Quality												
2.1 Expand Primary Education	219,195.06											
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3.1 District Offices of EF Expansion	5,773.96											
3.2 FM, PPM Capacity Building	9,785.98											
Total Component 03	15,559.94											
TOTAL USES OF FUNDS:												
Components 01,02 &03	265,751.06											
Closing Balance Cash and Bank	79,850.59											

19.3 Annual Financial Statements

19.3.1 Responsibility for the Financial Statements

The EA and project management are responsible for preparing and issuing the annual financial statements for the project.

19.3.2 Principles of Financial Reporting

The following fundamental principles must apply to all interim and annual financial statements on projects issued by the Government (as the borrower):

- Disclosure of full accountability for all funds of the Government, DPs and other donors.
- Compliance with loan covenants and DPs requirements for project management.
- Adequate disclosure of all material information.
- A fair presentation in all material aspects of the financial performance and status of the project, and where applicable of the EA.
- A clear statement on the accounting policies and standards adopted in preparing the financial statements. The format of the financial statements of the project must be agreed between the DP and the EA.

19.3.3 Projects Executed by Revenue Earning EAs

A revenue earning EA may exhibit some of the following characteristics:

- Generating revenue through its operations
- A high degree of autonomy
- Financial viability
- Own accounting policies and practices

Examples of revenue earning Executing Agencies are Government departments or agencies, which are empowered to operate facilities with revenue-earning characteristics such as a water corporation, an electricity supplier.

For projects executed by revenue earning EAs, reporting of the project's financial performance may be incorporated into the annual financial statements of the EA with separate disclosures of the project's financial information in the notes to the EA financial statements.

The financial statements requirements for the EA and the project will be specified in the loan/credit/grant agreement

20. AUDIT

20.1 *Internal Audit*

Internal audit is a key element of the organisational system of internal controls. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes¹³¹⁴.

The Audit Law, promulgated by Royal Decree No. CS/RKM/1300/10 dated 10 March 2000, requires all line ministries responsible for implementing externally assisted projects to establish an independent internal audit unit. This unit must be adequately staffed with qualified and experienced staff.

As part of the financial arrangements for projects, EAs should ensure that the organization's Internal Audit Unit carries out regular reviews of the internal control processes, systems and procedures of the project and the audit findings are reported to the Head of the EA, the project management, the MEF. The internal audit findings and reports must be made available to the National Audit Authority (NAA) and external auditors of the project.

The Internal Auditors should work closely with the project management team, to support and ensure that project's operations are carried out in accordance with the relevant agreements, and are transparent, fair, cost efficient and effective. The Project Management should agree the objectives, scope and frequency of audits with the Internal Auditors. The Internal auditor must report to the highest level of the EA Management. In the project context the Internal Auditor should report to the Head of the EA and to the Project Director.

20.2 *External Audit*

Annual financial statements for the projects must be prepared and submitted for audit by an auditor whose qualifications, experience and Terms of Reference are acceptable to the DP. The audit requirements are specified in the project loan/credit and grant agreements.

Audits should be conducted in accordance with the International Standards of Auditing (ISA) issued by the International Federation of Accountants (IFAC) or International Organisation of Supreme Audit Institutions (INTOSAI).

¹³ Some DPs use different names such as ADB calls it "Imprest Account"

¹⁴ As defined by The Institute of Internal Auditors (IIA). Established in 1941, the IIA is an international professional association with world headquarters in Altamonte Springs, Florida, United States. The IIA has approximately 85,000 members in internal auditing, risk management, governance, internal control, IT audit, education, and security. With global representation, The Institute is the recognized authority, principal educator, and acknowledged leader in certification, research, and technological guidance for the profession worldwide).

The timeframe for the submission of the audited financial statements to the DP is specified in the loan/credit/grant agreement. Usually, the submission period is within four to nine months (although six months is preferred) from the end of the financial year of the EA. At the beginning or at the end of the project the period of the financial statements and audit requirement may be varied with the agreement of the DP. For example if minimum expenditures have been incurred at the start of project implementation for part of the year (covering only a few months), agreement could be reached with the DP that, such expenditures for part of the year could be included in the next full year's audit. This is permissible under DP guidelines.

Unless specified in the loan/credit/grant agreement, submission of audited financial statement is required throughout the life of the Project and in some cases throughout the life of the loan. This is usually the case for revenue-earning projects.

The external auditors must be selected in accordance with proper procurement procedures as outlined in the Procurement Manual and Standard Operating Procedures Manual (refer to PM Sub-section 4.5 and SOP Section IV C xvii).

In general, the auditors are required to:

- Express an opinion on whether the financial statements present fairly the operations of the project or the EA for the period covered by the audit; and report on compliance with project agreements, and adequacy of the internal control procedures.
- The scope of Audit for a project audit must include the audit of all activities irrespective of who funded the activity

Generally, designated accounts and the associated records of each EA are audited as part of the annual audit. DPs specifically require separate audit opinions on the operations of the designated accounts at every level. These requirements are set out in the project /credit/grant agreements.

Where there is more than one EA under one project, separate audits of the EAs may be conducted. In such cases, the main coordinating EA of the project must collect all related audited financial statements and prepare a consolidated set of financial statements for the project and arrange for the audit of the consolidated financial statements. The main coordinating EA is responsible for coordinating the audit requirements for all aspects of the project, and the main and subsidiary audit arrangements.

It should be noted that auditors should not be involved in preparation of the project's accounts, records and/or financial statements, as this compromises the independence of the auditors and the reliability of the audit opinion.

The scope of the audit must be set out in the terms of reference for the appointment of the auditors of the project. The requirements of the EA, the MEF or the DP must be determined by all parties prior to the selection process and included in the terms of reference and, ultimately, in the contract (terms of engagement) with the selected auditors. The sample

TOR for the external audit for DP funded projects can be found in the respective DP's Financial Management Guidelines.

At the conclusion of the audit the auditors present their findings and results in the audit report and Management Letter (ML) / Internal Control Report (ICR) to the EA and MEF.

The audit report must contain a clear written expression of opinion on the reliability of the financial statements. This audit opinion together with the financial statements and management letter must be submitted by the auditors to the EA, MEF, NAA and to the DP within the required time frame.

In addition to the audit report on the financial statements, the DPs also require the auditors to prepare a ML /ICR to report identified weaknesses and deficiencies and the implications of such weaknesses in the internal control systems of the EA and the project that have been found during the audit, and to make recommendations for improvements. The ML/ICR will include the responses by the EA to the recommendations provided. A copy of the ML/ICR must be provided to the DPs, with the submission of the audit report on the annual financial statements.

20.2.1 Follow up Activities

The EA management should ensure that a follow up mechanism is put in place, through which the issues and recommendations of the auditors as outlined in the Management letter are regularly reviewed and follow up action taken in a timely manner. This will ensure that all the identified weaknesses are appropriately addressed without delay. The EA Management shall ensure that the identified issues and recommendations are given appropriate attention by project staff and project management alike. It may also consider using its internal audit department to ensure that the issues and recommendations as articulated in the ML/ICR are satisfactorily addressed. Furthermore the DPs should be informed in a timely manner on all follow up activities of the ML/ICR.

21. RECORDS MANAGEMENT

21.1 Overview

It is the responsibility of the EA and the project management team to ensure that there is proper record management and security of information for projects. The record management policies, systems and procedures should be defined in the project's implementation manuals. In particular, the records management for financial and procurements records must be clearly documented in the respective Procurement and Finance Manuals of the project.

The EA and project management are responsible for ensuring that all personnel in the project are aware of, and comply with the record management policies and procedures.

21.2 Project File

A Project File is required to be maintained by the project management responsible for the project in a safe and secure location. This is a permanent file and the Project Manager is responsible for sustaining its continued currency, relevance and security.

A project file must contain:

- All information gathered during fact-finding, appraisal and supervision of a project. This material is required to provide staff and management with continuous access to regularly updated information related to a project, its background, and on the executing agency and various institutions of government whose decisions are likely to have an impact on its performance during implementation and subsequent operation of the project.
- All key data including maps of the project area(s), organization structures of government, including the various agencies involved in the project; details of original and amended economic and financial policy decisions which would affect the project and the executing agency; the assumptions and basic calculations used for financial analysis, for financial performance indicators and for design of financial covenants.
- Copies of all computing software applications used in compiling data, including basic programming data and macros for software such as MS Excel which may be used to develop project-specific programs and analyses. The backs up files are to be stored in a location separate from the storage of the original files.

For purposes of disbursement records and supporting documents, copies of contracts, suppliers' invoices, statements of accounts, official receipts must be stored in fire-proof cabinets in a safe location. The major DPs require that these must be retained for at least two years from the completion of the last audit of the project by external auditors. However the RGC regulations by law require that certain types of documents must be kept

for a minimum of ten years. These must be observed for documents that go beyond the requirements of the DPs.

Project records at Project Completion

At the completion of a development project all project records and documents in the “Project file “ must be formally handed over to the line Ministry that was responsible for the execution of the project. This could be accomplished by the PMU making (i) a document inventory of all project documents and records to be handed over and (ii) Officially handing over all documents to the appropriate senior Ministry official of the respective line Ministry. This handover process should be duly recorded with details of the officials in whose care the documents were entrusted.

21.3 Security and Safe Keeping of financial records

In accordance with the Cambodian general practice and law, financial records are required to be kept at least 10 years. All relevant documents such as contracts, financial reports, bank documents, business registration and licenses must be kept in a safe place or fireproof cabinets. The Head of the EA is responsible for ensuring that all records pertaining to the Project upon its completion must be kept in a safe and secure place.

Contracts and Agreements: Must be readily available in agency’s place of operation. Originals must be filed in fireproof cabinets.

Payment Vouchers and Supporting documents: Must be filed in a separate binder numerically by month and year. Payment Vouchers must be filed separately from Receipt Vouchers.

Vendor Invoices/Purchase Orders and other documents: These documents should be attached to the payment vouchers and filed accordingly.

Official Receipts and Bank Receipt Journals: Must be filed in separate files in receipt number order by month and year.

Advance Requests: Must be filed in the advances folder with separate sections for outstanding advances and acquitted (liquidated) advances.

Bank Account Authorised Signatories: Original signature documents must be held in fireproof safe, with control over access and copying.

Bank Statements and Reconciliations: Must be filed in date order with separate files for each bank account. Documents must be held securely in fireproof location.

Financial Management Reports: Must be filed in date order.

Annual Financial Statements and Audit Reports: Original signed statements and audit reports must be held securely in fireproof safe.

22. GLOSSARY OF TERMS

The following lists the definitions of accounting terms. It is not intended to be a complete reference guide.

<i>Accounting</i>	The process of observing, measuring, recording, classifying, and summarizing the individual activities of an entity, expressed in monetary terms, and interpreting the resulting information.
<i>Accounting policies</i>	The specific accounting basis selected by an accounting entity as being, in the opinion of those responsible for the entity, appropriate to its circumstances and best suited to present fairly its results and financial position. Accounting policies should be applied consistently and that those accounting policies followed when dealing with items, which are judged material or critical in determining profit and loss and stating the financial position should be disclosed by way of notes to the accounts.
<i>Accounts Receivable.</i>	An amount owed by a debtor for delivered goods or service. It is also called 'receivable'.
<i>Accrual</i>	Recognition of the financial effects of transactions and events as they occur rather than when money is received or paid out.
<i>Accruals basis</i>	A principle, which may be used for the preparation of the financial statements, that receipts and costs should be accounted for in the accounts for the period in which they are earned or incurred, so far as this is prudent.
<i>Advance</i>	A payment, for services being, or to be, supplied, paid before the due date for payment and, possibly, before the amount payable has been finally ascertained.
<i>Asset</i>	An item of property of an accounting entity that is expected to confer an economic benefit to the entity. In accounting, an item of property can only be an asset if it can be given a value in monetary terms and such an asset is sometimes called an "accounting asset".
<i>Audit</i>	The independent examination of, and expression of an opinion on, the financial statements of an entity. In this definition, "entity" means any form of entity whether profit-oriented or not.
<i>Auditor</i>	The individual, partnership firm, or organization carrying out an audit acting under delegated authority.

<i>Audit report</i>	Any written report by an auditor on a matter on which an opinion has been sought within the terms of the auditor's appointment.
<i>Balance sheet</i>	A financial statement for an accounting entity which shows its financial position on a particular day (called the "balance sheet date") by stating the values of its assets and liabilities on that day. A balance sheet is a classified summary of the balances on the ledger accounts of the accounting entity after nominal accounts have been closed off.
<i>Bank reconciliation</i>	A statement showing why a balance recorded in a cashbook is not the same as the balance recorded on a bank statement. The difference may be made up of outstanding checks, erroneous entries, etc.
<i>Bid bond/Bid Security</i>	An arrangement under which a guarantor promises that if a particular tender for a contract is awarded to a contractor but the contractor fails to take it up then the guarantor will pay the amount agreed to.
<i>Budget</i>	A plan expressed in financial terms; a summary of planned financial expenditures and receipts over a period, prepared before the period begins, or related to an activity, prepared before the activity begins.
<i>Cash basis</i>	A principle, which may use as the basis for the preparation of the financial statements that receipts and expenditures should be accounted for during the period in which the money was actually received or paid.
<i>Cashbook</i>	A section of a ledger recording cash and check expenses
<i>Chart of accounts</i>	A list of the ledger accounts of an accounting entity giving the titles and code of the accounts.
<i>Co-financing</i>	Co-financing refers to any arrangement under which funds from the DP are associated with funds provided by other sources outside the borrowing country in the financing of a particular project or program. The term generally applies when the DP provides its own resources for project financing while also arranging for the participation of other financing institutions. Co-financing offers the DP a way of ensuring that its operations serve as a catalyst for increased capital flows to its developing member countries (DMCs). Co-financing is intended to mobilise additional resources from official and private sources and to supplement and complement the DP's resources in its lending operations. The DP co-financing operations can be categorized into five major modes: parallel financing, joint financing, umbrella or standby financing, channel financing and participation financing. Refer to respective DP website for more details.

<i>Commitment Letter</i>	This is a payment procedure used by the DPs , whereby at the borrowers (EAs) request, the DP agrees to reimburse a commercial bank for payments made or to be made to a supplier against a letter of credit (LC) opened by the commercial bank
<i>Contract</i>	A promise or set of promises, which the law will enforce. In practice, almost all contracts involve two parties, the promise of each being the consideration for the promise of the other. A simple contract is "formed" or the other party accepts "made" when an "offer" made by one party, which that party has not revoked. The two parties must have agreed to the same thing and must have the legal capacity to make contracts if the contract is to be enforceable. In some circumstances, a contract must be written down or there must be some written evidence for it to be considered to be enforceable.
<i>Contribution</i>	Money or other assets for use in the project assigned and transferred to the project by the RGC under the obligations of the Loan/credit/grant agreement.
<i>Cost</i>	The value of an asset or part of an asset given up, parted with, used or consumed, or a liability, or part of a liability incurred, in exchange for some item, good or service.
<i>Deferred expenditure</i>	Expenditure in a period, which is not treated as an operating cost of that period but is treated as an asset with the intention that it will be an operating cost of future period.
<i>Direct Payment</i>	This is a payment procedure followed by the DPs whereby the DPs , at the request of the borrower (EA), pays a designated beneficiary directly for payment of works carried out, goods supplied or services provided.
<i>Disbursements</i>	Advances and replenishments and other payments made by the DP from the loan account and made for their intended purpose as set out under the terms of the loan/credit/grant agreement.
<i>Double-entry bookkeeping</i>	A method of making accounting records in which there are several accounts, known collectively as the "ledger", arranged so that every transaction is recorded both as a credit in one account and a debit in another account.
<i>Expenditure</i>	A giving up of money or other assets, or an incurrence of a liability, in exchange for a benefit received or to be received. An amount of money or other assets given up, used or consumed, or a liability incurred in the course of the ordinary activities of the project.

<i>Expense</i>	Expenses are outflows or other using up of assets or incurring of liabilities (or a combination of both) from carrying out activities that constitute the project's ongoing major or central operations.
<i>Financial statement</i>	A statement, in monetary terms, of the results of an accounting entity's transactions over a period, giving totals for classes of transaction rather than details of individual transactions and presented in a commonly used form. The forms of financial statement to be prepared are the statement of expenditures account, and statement of source and use of funds. Each of these statements may be accompanied by notes giving supplementary information and should be prepared both under the historical cost convention. It is usual to prepare financial statements regularly once a year for the project, reporting the financial position on the same date each year, and such statements are called "annual accounts".
<i>Fiscal year</i>	An accounting period of one year, which, in practice, may be 12 consecutive calendar months.
<i>Force Account</i>	This is a procedure under which a borrower (EA) is reimbursed from the DP for civil works carried out by the borrower using its own work force, equipment and other resources.
<i>Funds</i>	Financial resources, finances.
<i>General ledger</i>	The section of the ledger containing the accounts that are not in the cash book e.g. expenditure accounts, loan accounts and accounts for the project assets and liabilities.
<i>Historical cost convention</i>	The rule that the cost of acquiring or producing an asset and other expenses incurred are the amounts to be shown as the value of that asset and those expenses in the accounts.
<i>Designated Account</i>	A system for supplying and controlling cash/funds, in which the project responsible for the cash/funds is given an initial advance sufficient for a time period. For each disbursement a voucher is written out and replenishment of designated account occurs at regular intervals or when funds are depleted to a certain level.
<i>Internal control system</i>	The whole system of controls, financial and otherwise, established by the management in order to carry on the business of the project in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.

<i>Journal</i>	A record of transactions, giving, for each transaction, a note of which ledger accounts are to be debited and credited.
<i>Letter of credit (L/C)</i>	An arrangement between DP and the project (called the "applicant for the credit") under which debts of the applicant incurred with a named third party (called the "beneficiary of the credit") are assured of payment. Letter of credit is of two main types. In one type the issuing bank undertakes that when the beneficiary presents stipulated documents (typically, documents evidencing shipment of specified goods to the applicant for the credit), DP will make payment to, or to the order of, the beneficiary or will pay, provided that the terms and conditions of the letter of credit are complied with. In the second type, the issuing bank authorizes another bank (called the "advising bank") to make payments, or deal with bills of exchange, against stipulated documents, and makes arrangements to reimburse the advising bank. Also called "documentary credit" because it involves the presentation of documents, "credit", "and bankers' commercial credit".
<i>Liability</i>	A claim against an accounting entity which, it is expected, will be settled by the entity parting with assets or, in some other way, losing an economic benefit.
<i>Loan capital</i>	Money loaned to the project by the DP or other financier for continuing use in financing the project activities and on which interest is payable at a rate which is laid out in the Loan/credit/grant agreement.
<i>Outstanding check</i>	A check that has been drawn on its bank account but has not yet been presented for payment.
<i>Petty Cash book</i>	A book recording minor expenses and receipts of cash.
<i>Performance bond/Performance Security</i>	An arrangement under which a guarantor promises to pay compensation to a buyer if a sales contract is not properly performed.
<i>Procurement</i>	The process of obtaining goods or services necessary under the project. Procurement guidelines are set out by the DPs and RGC.
<i>Project implementation</i>	The period in which the defined project activities and objectives are pursued and completed. Usually, these activities cannot begin until the loan/credit/grant agreement becomes effective. However, certain preliminary steps in the procurement of goods and selection of consultants can begin at an earlier stage to speed up project implementation. Implementation time generally ranges from two to five years and depends on the type and nature of the project. The progress of project implementation is assessed by the DPs review missions, which visit the project about once a year throughout the implementation period.

<i>Register</i>	A file of data/information on a common subject matter. Not part of the double-entry system.
<i>Retention money</i>	A part of the charge for work done by a contractor that is not paid until sometime after the work is completed so that deductions can be made if the work turns out to be faulty or as an incentive to the contractor to provide maintenance services.
<i>Statement of sources and uses of funds</i>	A financial statement for an entity showing how the operations of the entity have been financed and how financial resources have been used during the period. The statement provides a link between the statement at the beginning of the period and at the end of the period.
<i>Terms</i>	Conditions or duties, which have to be carried out as part of contractor arrangements, which have to be agreed before contract is valid.
<i>Terms of payment</i>	Conditions for paying something.
<i>Trial balance</i>	A list of all the balances on the ledger accounts before representing them in the periodic reports. The totals of credit and debit balances should be the same
<i>Voucher</i>	A document that corroborates or explains an entry in accounting records, especially a document that explains why a payment is made

23. APPENDIX 1 - ACCOUNTING DOCUMENTATION *

Cash Book

Disbursement Voucher

Receiving Voucher

Journal Voucher

Petty Cash Book

Cash Count Sheet

Petty Cash Payment Voucher

Cash Advance Form

Liquidation of Amount Advanced

Advance Register

Contract Register

Contract Progress Payment Certificate

DP/RGC Withdrawal Application Register

Security Register

Asset and Inventory Register

Sub-project/Provincial Office Cash Book

* These are just a range of sample forms. Each agency may develop forms suitable for their own needs, except for forms that are prepared for the MEF for consolidation purposes which need to be uniform.

Cash Book (CB)

When to use:

All entries from PVs and JVs relating to the replenishment of designated accounts funds will be posted to the Cash book. Posting will only be made after the DV/PV and JVs have been approved by the Project Manager.

How to complete:

1. Enter details of bank name and account number.
2. Complete columns 1 and 2 with details of date and reference numbers of the relevant DV/PV.
3. In column 3 enter a brief description of the transaction. The top of each Cash book page will record the balance brought forward from the previous page, while the bottom of the page will record the balance carried to the next page.
4. Enter check issued for each payment.
5. Enter corresponding GL account code relating to the entry.
6. Enter debit or credit amount (column 6 or 7) appropriately and calculate the cumulative balance for column 8.

Distribution:

Financial Officer (to file)

Ministry of _____
Loan No. _____
Project _____

Page _____

Cash Book

Bank's Name: _____
Account No. xx xx xxx xx

Date	DV/PV No.	Description	Check No.	GL Code	Debit	Credit	Balance
1	2	3	4	5	6	7	8
		Balance brought forward		(page no.)			
		Balance carried forward		(page no.)			

Disbursement Voucher

When to use:

When making payments from any Designated account (DP, RGC or other).

Source document:

1. Purchase Contract / Receipt
2. Invoice
3. Contract Progress Report

How to complete:

1. Fill out the form with relevant details as shown in the form such as date, check number, voucher number, posting details, payees name and address, brief description of the payment, amount of payment ,(in numbers and in words) reference request both number and date of request .
2. Attach all supporting documents relevant to the payment such as suppliers invoice and receipt for payment.
3. The bank payment voucher is generally prepared by the cashier, checked by the project Financial Officer, and authorised by the Project Manager.

Distribution:

Financial Officer (to file)

Ministry of Agriculture, Forestry and Fisheries
Tonle Sap Environmental Management Project

Kingdom of Cambodia
Nation Religion King

Check No.:

DISBURSEMENT VOUCHER

Date:/...../.....

Voucher No.: BPV/05/.....

Debit:

Credit:

- Paid to:

- Address:

- For (brief description of payment):
.....

- Amount: US\$/Riel

- Total amount (in words)

- Reference Request: No. _____ Date: _____

- Attached supporting documents (invoice/receipt):

	<u>No.</u>	<u>Date</u>	<u>Amount</u>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
	_____	_____	_____
		Total:	_____

Prepared by

Checked by:

Approved by:

(Full name and signature)

(Full name and signature)

(Full name and signature)
Director/Manager

Received by:

(Full name and signature)

Receiving Voucher

When to use:

If cash is received, for example where cash is reimbursed on clearance of an advance or cash receipt from the contractors for security purpose, a Receiving Voucher should be prepared by the Project Financial Officer and approved by the Project Manager.

This voucher is used by the Project Financial Officer to record the amounts received into the cash book.

How to complete:

All Receiving Vouchers must be sequentially numbered for control purposes.

1. When the Receiving Voucher is prepared, the date of preparation and the date of the cash receipt must be clearly recorded.
2. Write down clearly the full name and address of payer.
3. Line "For" indicates the reason for the cash receipt, such as excess advance received, bid bond or performance bond received from any contract etc.
4. Line "Amount" indicates in number and words the amount of cash receipts.

Distribution:

- Financial Officer (to file)
- Payer (to keep).

Ministry _____
Loan/Credit/Grant No: _____
Name of Project: _____
Date: _____

Receipt No.: _____

RECEIVING VOUCHER

Received from: _____

Address of Payee: _____

For: _____

Amount (Currency): _____

Amount in Words: _____

Account Code Debit.....

Account Code Credit.....

Posted by:	Approved by:	Received by:
_____	_____	_____
(Full Name/Signature)	(Full Name/Signature)	(Full Name/Signature)

Journal Voucher (JV)

When to use:

1. When Withdrawal Application (WA) for special commitment/commitment letter and direct payment is made, the JV is used to post expenditure and WA amount of loan/credit/grant or counterpart fund to be disbursed.
2. Upon notification of receipt of funds from DP or NBC. Use the JV to post receipt to DP Account or Government Contribution where special commitment/commitment letter or direct payment is applied.
3. The JV ID number will be assigned when the journal voucher is processed in the accounting systems.

How to complete:

1. Enter the names of account to be debited/(credited) in the name of account column. More than one account can be debited or credited on a JV if required. This column will appear on the accounting reports and is used to identify transactions.
2. Enter the appropriate amount in the debit/(credit) columns.
3. Enter the total amount in the space at the bottom of the debit and credit column
4. A clear and complete explanation of the entries must always be provided at the bottom of the voucher.

Distribution:

- Accountant (to file)

Ministry _____
Loan/Credit/Grant No: _____
Name of Project: _____
Date: _____

JV No.: _____

JOURNAL VOUCHER

Name of account	Debit	Credit
Total		

Purpose of Journal Voucher: _____

Posted by: _____ Approved by: _____ Received by: _____

(Full Name/Signature) (Full Name/Signature) (Full Name/Signature)

Petty Cash Book (PCB)

When to use:

All entries from PCPV and DVs relating to the replenishment of petty cash funds are posted in the PCB. Posting will only be made after the PCPV and DVs have been approved by the Project Manager.

How to complete:

1. Complete columns 1 and 2 with details of date and reference numbers of the relevant PCPV or DV.
2. In column 3 enter a brief description of the transaction. The top of each PCB page will record the balance brought forward from the previous page while the bottom of the PCB page will record the balance carried to the next page.
3. In columns 5 and 6 enter the petty cash expense (or replenishment) and the corresponding petty cash balance.
4. Enter the expense amount in the appropriate column (6-12).
5. At month end, expense totals for each expense account for the month are transferred to the relevant ledger.

Distribution:

Financial Officer (to file).

Ministry _____
Loan/Credit/Grant No. _____
Name of Project _____

PCB/03 _____

PETTY CASH BOOK

xx-xx-150-xx

Date	Ref No.	Description	Petty Cash Balance	Petty Cash		Debit Ledger						Petty Cash Advances
				Debit	Credit	Account No.	Account No.	Account No.	Account No.	Account No.	Account No.	
		Balance brought forward										
		Balance carry forward										
		Total - transfer to ledger account at month end										
					DP							
					RGC							

Cash Count Sheet

When to use:

Cash count sheet is intended to record the actual cash in the safe. The EA will determine the difference between actual and what is recorded in the book. The balance per Petty Cash Book should be reconciled on a monthly basis to the Cash Count Sheet. If necessary, it may be counted at other times as well. The Cash Count Sheet is an important part of the internal control system. It helps locate errors in the record keeping system. The cash count sheet is signed by the cashier or the accounting assistant who counts the cash, and also by the project Financial Officer.

The month-end cash count should be approved by the project director or Project Manager.

How to complete:

The cash count is carried out periodically at the end of the month, quarter or year. If necessary, it may be counted at other times as well.

In the cash count sheet, the document number and the counting date must be recorded.

Prior to the cash count, the cashier must record all vouchers into the cashbook and calculate the balance of each, as at the time of the count. When performing the cash count, each type of item in the safe must be counted separately. The reasons why the cash count is over/under must be stated.

Distribution:

The cash count report is prepared by the cash count committee.

- Financial Officer (to file)
- Cashier (to file)

KINGDOM OF CAMBODIA
NATION RELIGION KING

Ministry _____

Loan No: _____

Project: _____

No.: _____

Date: _____

CASH COUNT SHEET

	<u>Note</u>	<u>Quantity (Slip)</u>	<u>Amount</u>
I. Actual Count	<u>US\$</u>	_____	_____
	1	_____	_____
	2	_____	_____
	5	_____	_____
	10	_____	_____
	20	_____	_____
	50	_____	_____
	100	_____	_____
	Total US\$		_____
	<u>Khmer Riel</u>		
	50		
	100		_____
	200		_____
	500		_____
	1000		_____
	5000		_____
	10000		_____
	20000		_____
	50000		_____
	100000		_____
	Total Khmer Riel		_____
	Exchange Rate:		_____
	US\$ Equivalent		_____
	Total Cash		_____

II. Balance in Petty Cash Book _____

III. Difference: _____

Reason: _____

Over _____

Short _____

Counted by: _____

Checked
Officer

by: _____

Financial

Approved by:
Director/Manager

Project

Full Name, Signature

Full Name, Signature

Full Name, Signature

Petty Cash Payment Voucher

When to use:

When making any payments (including reimbursing expenses) from any petty cash account (DP, RGC or other).

Source document:

Petty Cash Request

How to complete:

- 1 . Fill out the form with relevant details as shown in the form such as date, voucher number, posting details, payees name and address, brief description of the payment, amount of payment ,(in numbers and in words) reference request both number and date of request .
2. Attach all supporting documents relevant to the payment such as suppliers invoice and receipt for payment.
3. The petty cash payment voucher is generally prepared by the cashier, checked by the project Financial Officer, and authorised by the Project Manager.

Distribution:

Financial Officer (to file)

Ministry of Agriculture, Forestry and Fisheries
ADB Loan No. 1939-CAM (SF)
Tonle Sap Environmental Management Project

Kingdom of Cambodia
Nation Religion King

PETTY CASH PAYMENT VOUCHER

Date:/...../.....

Voucher No.: PCPV/05/.....

Debit:

Credit:

- Paid to:

- Address:

- For (brief description of payment):
.....

- Amount: US\$/Riel

- Total amount (in words)

- Reference Request: No. _____ Date: _____

- Attached supporting documents (invoice/receipt):

	<u>No.</u>	<u>Date</u>	<u>Amount</u>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
	_____	_____	_____
		Total:	_____

Prepared by

Checked by:

Approved by:

(Full name and signature)

(Full name and signature)

(Full name and signature)
Director/Manager

Received by:

(Full name and signature)

Cash Advance Form

When to use:

Applicant to complete when an advance is required for subproject expenses

How to complete:

1. Applicant to enter details including purpose for request, loan category and amount (Rows 1 to 7).
2. Request is reviewed by the Financial Officer. Financial Officer also to indicate whether funds are to be taken from petty cash or the designated account.
3. All requests over US\$500 must be withdrawn from the designated account and approved by the Project Director. Below this amount petty cash may be used and the Project Manager may approve.

Distribution:

- Financial Officer
- Applicant

**KINGDOM OF CAMBODIA
NATION RELIGION KING**

Ministry of _____

Loan No. _____

Project _____

CASH ADVANCE FORM

Date: _____

Request No. RA/03 _____

1.	Requestor	
2.	Address	
3.	Purpose	
4.	Loan Category	
5.	Category No.	
6.	Amount advanced	
7.	Total Amount in Words	
8.	Source of Funds	Petty Cash/Imprest:
		DP, RGC

Approved by:

Financial Officer

Applicant

Project Manager/Director

Liquidation of Amount Advanced

When to use:

1. Used for all amounts advanced (whether from the Designated account or petty cash), when they are returned
2. Completed by Financial Officer when applicant submits a request for liquidation of the Advance.

How to complete:

1. Based on Applicant's request for liquidation, the Financial Officer completes the form, including items 1 and 2, based on the previous DV/PCPV relating to the initial Advance(s) and the invoices completed in order to post the submitted expenditure.
2. The Financial Officer will review this expenditure prior to posting.
3. The Applicant will return any balance of cash advance. Alternatively, if expenses exceed the advance, then reimbursement is necessary (given that all expenditures are eligible) and a Petty Cash Request needs to be submitted to claim reimbursement.
4. The Project Manager will review and approve the document when they have been completed by the Financial Officer.

Distribution:

- Financial Officer
- Applicant

**KINGDOM OF CAMBODIA
NATION RELIGION KING**

Ministry of _____
Loan No. _____
Project _____

LAA/00 _____

LIQUIDATION OF AMOUNT ADVANCED

Source: **Imprest/Petty Cash**

Date: _____

US\$/Riel

1. Amount previously advanced

Date

DV/PCPV No.

2. Expenses incurred (attach copies of invoice)

Date

Invoice No.

Description

Total _____

3. Balance remaining

Advance outstanding (1-2):

Expenses incurred over amount advanced (2-1)
(to be reimbursed)

Project Manager
(Full Name/Signature)

Financial Officer
(Full Name/Signature)

Applicant
(Full Name/Signature)

Advance Register

When to use:

The Advance Register which is a summary of all advances made is intended to assist the Financial Officer and Project Manager to monitor the advance amounts (whether from the Designated account or petty cash) for sub-project expenses. It is completed for all advances and updated when the advances are liquidated.

How to complete:

1. When the advances are paid, the Financial Officer enters the following relevant information into the advance register.
 - Request of advance number and date
 - Payment Voucher number and date
 - The amount of advance.
2. Financial Officer will update the advance register after the advances are liquidated against the actual expenditures incurred.
3. As the payments are made, details are entered into the Advance Register, based on the liquidation of Amount Advance Sheet.
4. Financial Officer should enter the following:
 - Reference of liquidation of Advance number and date.
 - Description of expenditures for the sub-project.
 - Amount of expenses against invoices and receipts.
 - Amount returned or reimbursed.
 - The remaining balance of advance.

Distribution:

Financial Officer (to file)

KINGDOM OF CAMBODIA
NATION RELIGION KING

Ministry of _____
Loan No. _____
Project _____

No. _____

ADVANCE REGISTER

Ref. RA		PV		Amount Advanced	RAA		Description	Amount Expensed	Amount Returned	Amount Reimbursed	Balance
No.	Date	No.	Date		No.	Date					
Total											

Approved by:

Project Manager/Director

Full Name, Signature, Date

Prepared by:

Financial Officer

Full Name, Signature, Date

Contract Register (CR)

When to use:

The Contract Register is intended to assist the Financial Officer and Project Manager to monitor the progress of contracts. It is completed for all contracts when progress payments are made and updated as the contract progresses.

How to complete:

1. When the contract is initially made, the following information is input into the contract register:
 - Contract reference number and account code (separate CR is used for each contract).
 - Procurement Evaluation Sheet reference and date.
 - Category of expenditure (and code) relating to contract and type of supply (civil works, goods or services).
 - Name and address of contractor and contract date.
 - Contract value and US\$ equivalent.
 - Date of commencement and completion of contract.
2. Financial Officer retains copy of Contract Register.
3. As progress payments are made, details are entered into the Contract Register.

Distribution:

Financial Officer (to file)

**KINGDOM OF CAMBODIA
NATION RELIGION KING**

Ministry _____
Loan No. _____
Project _____

CONTRACT REGISTER

Contractor/Supplier: _____
 Address: _____
 Date of Contract: _____ PCSS No. _____ Contract Amount¹: _____ (equivalent US\$ _____)
 Contract Reference No. CR/ __/ ____ Category No. _____ Date started: _____
 General Ledger Account No. xxx/xx/xx/xx/xx/xx Completion date: _____

Reference		Description	Invoice ² Amount	Progress Payments			Advances ³ on payment	Retenti on on Contrac t	Posted on GL Y/N
Date	No.			Date	Amount ⁴	Contract Balance			

¹ Excluding contingencies.
² Payment request per contractor before deduction for advances and retention.
³ Deductions for retentions and advances on progress payment.
⁴ Net payment to contractor.

Contract Progress Payment Certificate (CPPC)

When to use:

1. The CPPC is intended to record and verify the progress of, services, civil works and supply of goods
2. Upon receipt of the contractor's invoice for scheduled progress payment, the reasonableness of this invoice must be verified.

How to complete:

1. The Consultant (or Project staff responsible for the contract) must complete the CPR with details in paragraphs 1 to 5.
2. Following verification that the invoiced amount is due (work completed, payment due within the terms of the contract), the statement in paragraph 6 must be signed by the consultant, and the Project Manager/Director to testify that the payment is justified.
3. Invoice is attached and CPR distributed accordingly.

Distribution:

- Procurement office
- Consultant
- Project Manager
- Financial Officer

**KINGDOM OF CAMBODIA
NATION RELIGION KING**

Ministry _____
Loan No. _____
Project _____

CPPC/00 _____

CONTRACT PROGRESS PAYMENT CERTIFICATE

1. Contract Reference No. : _____

2. Description of Contract: _____

3. Contractor Name and Address: _____

4. Description on invoice: _____

5. Invoice amount

<i>Description</i>	Total (US\$)	DP Portion (US\$)	Local Portion (US\$)
Invoice amount			
Less payment of mobilization advance (__%)			
Subtotal			
Less: retention (__%)			
Less: other deductions (__%)			
Invoice total			
Previous invoices on contract			
Total payments			
Total contract amount¹			
Contract balance			

5. Statement

I verify that the invoice attached to this document, and detailed above, is justifiable and the amounts noted above are due. The civil works/goods/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.

Consultant

Date __/__/__

Project Director

Date __/__/__

¹ Excluding contingencies.

DP/RGC Withdrawal (Replenishment) Application Register

When to use:

When an application is made to DP for withdrawals in any form, update such withdrawals as received or paid.

How to Complete:

1. Financial Officer enters detail of application for withdrawal immediately prior to WA being sent to MEF. Details are entered as provided for in the Register.
2. When withdrawal is received or paid, the register should be updated with the relevant details.

Distribution:

Financial Officer (to file)

DP/RGC WITHDRAWAL APPLICATION REGISTER

W/A		Description	Corresponding Category					Total amount	Advice		Amount Disbursed (US\$)			Different	Reasons/ Notes Remarks
Date	No.		Initial Advance	Cat No.....	Cat No.....	Cat No.....	Cat No.....		Ref. Date	Ref. No.	Imprest/ Designated Fund	Direct Payment	Special Commitment		
Total:			-	-	-	-	-	-			-	-	-	-	
Allocation															
Outstanding Balance															

Security Register (SR)

When to use:

All contract security amounts should be recorded in the SR, which is maintained for all kinds of security items.

How to complete:

1. Financial Officer should enter details of following information into the security register:
 - Category of expenditure (and code) relating to security (separate SR is used for each contractor or supplier).
 - Name and address of Contractor
 - Description of security.
 - Type of security.
 - Receiving date, currency, and amount of security.
 - Balance amount after liquidation.
2. The Financial Officer should then prepare a GJ to pass the application to the relevant account.
3. When the deadline is over the security is liquidated.

Distribution:

Financial Officer (to file)

**KINGDOM OF CAMBODIA
NATION RELIGION KING**

Ministry _____
Loan No. _____
Project _____

SR/00 _____

SECURITY REGISTER

Category/C ode (civil works or supply of goods and services)	Name and Address of Contractor	Security		Receiving			Liquidated		Balance	Posted to GL Y/N
		Description	Type	Date	Currency	Amount	Date	Amount		

Asset and Inventory Register (AIR)

When to use:

When any item, over the value of US\$100, is purchased and the useful life is over one year, details should be entered into the Asset Register from the invoice and DV. Such items would typically include vehicles, equipment, and telecommunications. It is advisable that the Asset Register is updated at the time of GL and received by the Financial Officer and Project Manager on a monthly basis. The Asset Register should be updated on a continual basis with regard to location and condition of the assets.

How to complete:

1. Financial Officer to enter details of the item from the invoice and PV. Such detail would generally include a description of the asset (including any uniquely Identifying serial/model numbers), country of origin; purchase date, PV reference number, quantity, unit price, amount, location and condition.
2. Asset Identification number should be assigned to each asset and the asset labelled with such a number.
3. Any specific issue concerning the asset should be recorded as well as any service reminder instructions may also be included in this register

Distribution:

Financial Officer

KINGDOM OF CAMBODIA
NATION RELIGION KING

Ministry _____
Loan No. _____
Project _____

AIR/00_____

ASSET AND INVENTORY REGISTER

Class of Asset	Asset Identity No.	Description/Specification (include serial/model no, country of origin)	Purchase Date (and PV reference)	Quantity	Unit Price	Amount	Location and condition	Remarks

Provincial/Sub-Project Cash Book (CB (Prov))

When to use:

Expense at sub-project or province will be requested using PCPV/PV. Replenishments are recorded on the basis of the Advance Request. Posting will only be made after the PCPV/PV has been approved by the Sub-Project or Province Manager.

How to complete:

1. Complete columns 1&2 with the details and reference number of the relevant PCPV/DV.
2. In column 3 enter a brief description of the transaction. The top of each CB (Prov) page will record the balance brought forward from the previous page, whilst the bottom of the CB (Prov) page will recode the balance carried to the net page.
3. In column 5&6 enter the cash expense (or replenishment) and the corresponding cash balance (Column 4).
4. Enter the expense (debit) amount in the appropriate column (6-13).
5. Replenishment should be made at each month end and at other times as necessary. The CB (Prov) should be submitted to the central EA office for replenishment and the appropriate balance carried forward to a new CB (Prov) page.

Distribution:

- Sub-project or provincial Financial Officer (to file)
- EA Financial Officer (to file)

**KINGDOM OF CAMBODIA
NATION RELIGION KING**

Ministry _____
Loan No. _____
Project _____

CB(Prov)/00_____

PROVINCIAL/SUB-PROJECT CASH BOOK

Province or Sub-project _____

Date	Ref No.	Description	Cash Balance	Cash debit	Cash credit	Debit ledger						
						Account No.	Account No.	Account No.	Account No.	Account No.	Account No.	Account No.
1	2	3	4	5	6	7	8	9	10	11	12	13
		Balance brought forward										
		Balance carry forward										
					DP							
					RGC							

24. APPENDIX 2: 2007 RGC CHART OF ACCOUNTS

The original Chart of Accounts for RGC, issued under Prakas No. 1448 MEF, dated December 27, 2007, is a set of economic items for assets, liabilities, revenue and expenditure, analysed using a 4-digit code for Class, Chapter, Account and Sub-Account²⁰. It should be noted that a new COA (refer to section on 2011 Consolidation of the RGC Chart of Accounts) is under preparation which may require amendments to 2007 RGC COA. The EAs must ensure that this appendix is updated when the new COA is available.

At the top level, the Classes are:

- 1 Capital Accounts (includes debt)
- 2 Fixed Asset Accounts
- 4 Third Party Accounts (debtors, creditors, etc)
- 5 Financial Accounts (bank and cash)
- 6 Recurrent Expenditure Accounts
- 7 Recurrent Revenue Accounts.

There is no Class 3.

Chapters are two-digit codes within each Class. Thus within Class 6 are the following Chapters of Recurrent Expenditure:

- 60 Purchases
- 61 External services
- 62 Other external services
- 63 Tax and excises
- 64 Personnel
- 65 Subsidies and social aids
- 66 Financial Charges
- 67 Exceptional expenditures
- 68 Depreciation Charges

Accounts are three-digit codes within each Chapter. For example, in Chapter 60, Purchases, these are:

- 601 Maintenance supplies
- 602 Food and agricultural products
- 603 Food and agricultural products
- 604 Clothing and distinctions
- 605 Small tools, materials, furniture and equipment
- 606 Water and energy
- 607 Sanitary and health products
- 608 Other supplies

²⁰ Some codes extended to more than 4 digits, but these have now been brought into the 4-digit system. Versions of the COA also exist for Municipal/Provincial, District/Khan, and Commune/Sangkat. There are minor differences between the codings of these charts which are currently being reconciled.

Finally, Sub-Accounts are four-digit details within each Account. For example, in Account 601, Maintenance supplies, the sub-accounts are:

- 6011 Cleaning Supplies
- 6012 Building maintenance supplies
- 6013 Road bridge maintenance supplies
- 6014 Equipment maintenance supplies
- 6015 Oil and lubricants
- 6018 Other

2. 2011 Consolidation of the RGC Chart of Accounts

In 2011, the RGC Chart of Accounts has been extended to allow for all dimensions of the budget classification. The framework is summarised below, with numbers of digits for each element of the code.

Administrative Classification		Program Classification		Source Finance		Economic Classification		Function		Geographic	
Ministry	2	Program	1	Source	1	Class	1	Function	3	Province	2
General Directorate	1	Sub-Program	2	Fund/DP	2	Chapter	1	Sub-Function	1	District	2
Department/ Provincial Offices	2	Activity	2	Projects	2	Account	1			Commune	2
Public Institutions	3			Components	1	Sub Account	1				
				Sub-components	1						
Total	8		5		7		4		4		6

The 4-digit economic classification of the 2007 COA has been supplemented with 4 digits for function, 8 digits for administrative classification, 7 digits for source of finance including projects, and 6 digits for geographic classification. The total size of the chart of accounts is 34 digits.

Administrative classification

Two-digit administrative codes for ministries have been in use for some time. The 2011 COA extends these codes for lower administrative levels. For example:

Ministry	12	Ministry of Health
General Directorate	1	Public Health Services
Departments	01	Department of Hospital Services
Public Institutions	001	ABC Hospital

The full code for ABC hospital would be: 12101001 (8 digits).

Program classification

Ministries which are piloting program budgeting have been using codes for programs, sub-programs and activities.

For example:

Program	1	General Education and Non Formal Education Development
Sub-Program	04	Equitable Access to Education Services and Scholarships for Poor and Disadvantaged Students
Activity	01	Scholarships for Poor and Disadvantaged Students

The full code for Scholarships for Poor and Disadvantaged Students would be 10401 (5 digits).

Source of Finance

The RGC COA includes projects under the source of funds, instead of as an independent dimension. This might cause problems when projects have more than one source of funds. Example:

Source	1	External Loan
Development Partner	01	ADB
Project	23	Supporting Policy and Institutional Reforms and Capacity Development in the Water Sector
Component	X	
Sub-component	X	
Total 7 digits.		

Function

The functional codes used are the COFOG²¹ standards. For example:

Function	709	Education
Sub-function	7091	Pre-primary and primary education
	7092	Secondary education
	7093	Postsecondary non-tertiary education
	7094	Tertiary education
	7095	Education not definable by level

²¹ Classification of Functions of Government

7096 Subsidiary services to education
 7097 R&D Education
 7098 Education not elsewhere covered.

Geographic classification

The full classification is based on the system used in the Cambodia census. For example:

Capital/Province **12** **Phnom Penh**
 Khan/Municipality/District01 Chamkar Mon
 Sangkat/Commune 01 Tonle Bassac
 Total 6 digits.

3. Control Framework for the 2011 COA

The control framework for the COA is shown in the diagram below.

	Administrative Classification	Program Classification	Source of Finance	Economic Classification	Function	Geographic
Budget Approval	Department	Sub-Program	Project	Chapter		
Budget Book	Department	Sub-Program	Project	Account		
Virement	Department	Sub-Program	Project	Account		
Accounting	Public Institution	Activity	Sub-Component	Sub-Account	Sub-Function	Commune

The table shows the levels at which the budget is approved and the levels at which it is entered in the budget book. The cut-off level for virement approval is the same as the level which is entered in the budget book. Accounting takes place at the lowest level of each dimension.

25. APPENDIX 3 – EXAMPLE OF PROJECT CHART OF ACCOUNTS

The example below shows a possible chart of accounts for an externally funded development project. Each X represents one digit in the Chart of Accounts.

RGC Account Code				DP code		Project Com- ponent	Source of Funds	Other Project specific code		
X	X	X	X	X	X	X	X	X	X	X

Ref	Description of Accounts Segments	No. of Digits
A	Royal Government of Cambodia Account Code	4
B	Development Partner Expenditure Category Code	2
C	Project Component	1
D	Source of Funds	1
E	Other Project Specific Codes	3
Total Digits		11

- Royal Government of Cambodia Account Code is fixed according to the RGC Chart of Accounts (4 numerical digits)
- Development Partner Expenditure Category Code will conform with the expenditure categories required by the Development Partner (2 numerical digits).
- Project Component is a one-digit numerical or alphabetical code that identifies the project component (sub-project) on which expenditure is incurred. Using numbers and letters allows up to 36 project components.
- Source of Funds is again a one-digit numerical or alphabetical code that identifies which source of funds (RGC or specific development partner) is funding a specific item of expenditure.
- Other Project Specific Codes can be used in any way that facilitates analysis of project expenditure, for example project activities or management responsibility, or codes for Millennium Development Goals.

26. APPENDIX 4. SAMPLES OF FINANCIAL REPORTS

Figure 19.1: Quarterly Report

Ministry of XXXX
XXXX Project

PROJECT BALANCE SHEET
AS AT _____

Description	YEAR N	YEAR N-1
Assets		
Current Assets		
Petty Cash		
Designated Account		
Counterpart Fund Account		
Advance Payment		
Cash Advances	-	-
Total Current Assets:	-	-
Project Expenditures	-	-
Civil Works		
Goods		
Consulting Services		
Training & Workshop		
Incremental Operating Costs		
Total Project Expenditures	-	-
Total Assets	-	-
Financing	-	-
Financing		
Funds received from DP		
Funds received from RGC		
Other Receipts	-	-
Total Financing	-	-

Prepared by:

Finance Officer

Reviewed by:

Project Manager

Approved by:

Project Director

Figure 19.2: Quarterly Report

Ministry of Economy and Finance Rural Irrigation and Agriculture Productivity Improvement Project STATEMENT OF SOURCES AND USES OF FUNDS BY DISBURSEMENT CATEGORY FOR THE PERIOD ENDED _____										
Description	Actual			Planned			Variance			Project Life
	Current Quarter	Year to Date	Project to Date	Current Quarter	Year to Date	Project to Date	Current Quarter	Year to Date	Project to Date	
Opening Balance										
Petty Cash										
Designated Account										
Counterpart Fund Account										
Advance Payment										
Cash Advances										
Total Opening Balance										
Funds Received										
Designated Account Advance										
Designated Account Replenishment										
Direct Payment from DP										
Government Counterpart Funds										
Other Receipts										
Total Funds Received										
Expenditures by Category										
Civil Works										
Goods										
Consulting Services										
Training and Workshops										
Incremental Operating Cost										
Contingencies										
Total Expenditures	-	-	-	-	-	-	-	-	-	-
Closing Balance	-	-	-							
Represented by:										
Petty Cash										
Designated Account										
Counterpart Fund Account										
Advance Payment										
Cash Advances										
Total Closing Balance	-	-	-							

Prepared by:	Reviewed by:	Approved by:
_____	_____	_____
Finance Officer	Project Manager	Project Director

Figure 19.3: Quarterly Report

Ministry of Economy and Finance
Rural Irrigation and Agricultural Productivity Improvement Project

USES OF FUNDS BY PROJECT COMPONENTS
FOR THE PERIOD ENDED _____

in US\$

		<i>Actual</i>			<i>Planned</i>			<i>Variance</i>			Allocation Project Life
Expenditures by Component		Current Quarter	Year to Date	Project to Date	Current Quarter	Year to Date	Project to Date	Current Quarter	Year to Date	Project to Date	
A	Rehabilitation of Rural Irrigation										
	Infrastructure Facilities and										
	Formation of Farmation of FWUC										
B	Support for Farmer Productivity and										
	Skills Improvement (SFPSI) and										
	Support for CARDI										
C	Pilot Seed Purification and										
	Production										
	Contingencies										
Total Expenditures		-	-	-	-	-	-	-	-	-	-

Prepared by:

Finance Officer

Reviewed
by:

Project Manager

Approved
by:

Project Director

Figure 19.4: Monthly Report

Ministry of Economy and Finance
Rural Irrigation and Agricultural Improvement Productivity Project (RIAPIP)

STATEMENT OF SOURCES AND USES OF FUNDS

For the Month Ended _____

(in US\$)

	Current Year		Cumulative Previous Year	Cumulative Year to Date
	This month	Year to Date		
Opening balance				
Sources of Funds:				
Direct payment				-
Commitment Letter				-
Designated Account Advance				-
Government Counterpart Fund				-
Other Receipts (selling tender doc...etc)				
	-	-	-	-
Total Sources:	-	-	-	-
Uses of Funds:				
(by category)				
Civil Works				-
Goods				-
Consulting Services				-
Training & Workshop				-
Incremental Operating Costs				-
Total Uses:	-	-	-	-
Cash on hand/funds available:				
Designated Account				-
RGC Account				
Petty Cash				-
Cash Advances				-
Advance Payments				-
Total Funds Available:	-	-	-	-

Prepared by:

Reviewed by:

Approved by:

 (Finance Officer)

 (Project Manager)

 (Project Director)

Figure 19.5: Monthly Report

Monthly Exp

Ministry of Economy and Finance Rural Irrigation and Agricultural Productivity Improvement Project SUMMARY MONTHLY PROJECT EXPENDITURES BY CATEGORY For the Month Ended _____																	
Component A/B/C	Allocation	Cumulative Previous Year	Current Year												Cumulative Year to Date	Undisbursed	
			JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC			TOTAL
1. Civil Works																-	-
1.1 Rehabilitation/ Construction of Irrigation																-	-
1.2 Construction of FWUC Building																-	-
1.3 Rehab. of Agri. Research and Develop. Center																-	-
Total Civil Works:			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Goods																-	-
2.1 Vehicles																-	-
2.2 Motorbike																-	-
2.3 Office Equipment/Furniture																-	-
2.4 Farm Input for Farmer Field Training and Demo.																-	-
2.5 Seed and Fertilizer for Pure Seed Production																-	-
2.6 Farm Input for Pure Seed Production																-	-
2.7 Farm Equip & Impl. for Farmer Field Training & Demo																-	-
2.8 Farm Equip for Agri. Research & Develop. Center																-	-
2.9 Material Support for Animal Production																-	-
2.10 Publication and Market Information																-	-
Total Goods:			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Consulting Services																-	-
3.1 Feasibility Study, Detailed Design & Const. Superv.																-	-
3.2 Formation of FWUC																-	-
3.3 Individual Consultant																-	-
3.4 AEA Study																-	-
3.5 PDA Project Impl. & Agri. Ext. Service																-	-
3.6 Technical & Contractual Staff for Agri. Ext. Service																-	-
3.7 CARDI: Agri. Ext., Tech. Transf. & OJT Services																-	-
3.8 PDA: Agri. Ext. & Technology Transfer Service																-	-
3.9 Service of R. & D. Center for Seed Purification & Prod.																-	-
3.10 Research & Develop. Center Proj. Impl. Service																-	-
Total Consulting Services:			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Training & Workshop																-	-
4.1 Staff Training																-	-
4.2 FWUC Training																-	-
4.3 Workshop and Meeting																-	-
Total Training & Workshop:			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Incremental Operating Cost																-	-
5.1 Office Expenditure																-	-
5.2 Operation and Maintenance																-	-
5.3 Site Visit																-	-
5.4 POC																-	-
5.5 Supporting Staff																-	-
5.6 Grant for Irrigation Scheme O&M/Pilot																-	-
5.7 Other Operating Cost																-	-
5.8 Audit																-	-
Total Incremental Operating Cost:			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Contingencies																-	-
Grand Total:			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Prepared by:

Finance Officer

Reviewed by:

Project Manager

Approved by:

Project Director

Figure 19.6: Annual Report

**Ministry of Economy and Finance
Rural Irrigation and Agricultural Productivity Improvement Project (RIAPIP)**

**STATEMENT OF SOURCES AND USES OF FUNDS
For the Year Ended _____
(in US\$)**

Description	Current Year Ended	Cumulative Previous Year	Cumulative Year to Date
Sources of Funds:			
Opening balance			
Direct payment			-
Commitment Letter			-
Designated Account			-
Sub-Designated Account			-
	-	-	-
Total Sources:	-	-	-
Uses of Funds: (by category)			
Civil Works			-
Training & Workshop			-
Vehicles and Equipment			-
Project Management Services			-
Incremental Costs			-
	-	-	-
Total Uses:	-	-	-
Cash on hand/funds available:			
Cash in bank			-
Petty Cash			-
Advance Payment			-
Cash Advances			-
	-	-	-
Total Funds Available:	-	-	-

Prepared by:

Finance
Officer

Reviewed by:

Project
Manager

Approved by:

Project Director

Figure 19.7

Ministry of Economy and Finance
Rural Irrigation and Agricultural Productivity Improvement Project (RIAPIP)

STATEMENT OF PROJECT EXPENDITURE ACCOUNTS
For the Year Ended _____

Description	Current Year-Ended	Cumulative Previous Year	Cumulative Year to Date	Budget		Variation (Budget vs Actual)		Performance (%)	
				Current Year	Project Life	Current Year	Project Life	Current Year	Project Life
1. Civil Works									
1.1 Rehabilitation/ Construction of Irrigation									
1.2 Construction of FWUC Building									
1.3 Rehab. of Agri. Research and Develop. Center									
Total Civil Works:									
2. Goods									
2.1 Vehicles									
2.2 Motorbike									
2.3 Office Equipment/Furniture									
2.4 Farm Input for Farmer Field Training and Demo.									
2.5 Seed and Fertilizer for Pure Seed Production									
2.6 Farm Input for Pure Seed Production									
2.7 Farm Equip & Impl. for Farmer Field Training & Demo									
2.8 Farm Equip for Agri. Research & Develop Center									
2.9 Material Support for Animal Production									
2.10 Publication and Market Information									
Total Goods:									
3. Consulting Services									
3.1 Feasibility Study, Detailed Design & Const. Superv.									
3.2 Formation of FWUC									
3.3 Individual Consultant									
3.4 AEA Study									
3.5 PDA Project Impl. & Agri. Ext. Service									
3.6 Technical & Contractual Staff for Agri. Ext Service									
3.7 CARDI Agri Ext, Tech Transf & OJT Services									
3.8 PDA: Agri Ext. & Technology Transfer Service									
3.9 Service of R. & D Center for Seed Purification & Prod.									
3.10 Research & Develop Center Proj Impl Service									
Total Consulting Services:									
4. Training & Workshop									
4.1 Staff Training									
4.2 FWUC Training									
4.3 Workshop and Meeting									
Total Training & Workshop:									
5. Incremental Operating Cost									
5.1 Office Expenditure									
5.2 Operation and Maintenance									
5.3 Site Visit									
5.4 POC									
5.5 Supporting Staff									
5.6 Grant for Irrigation Scheme O&M Pilot									
5.7 Other Operating Cost									
5.8 Audit									
Total Incremental Operating Cost:									
6 Contingencies									
Total project expenditures									

Prepared by:

Reviewed by:

Approved by:

Finance Officer

Project Manager

Project Director

