

Ministry of Economic Development and Poverty Reduction of Republic of Uzbekistan



Rural Infrastructure Development PROJECT

FINANCIAL MANAGEMENT MANUAL (FMM)

**Tashkent, Uzbekistan
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LIST OF ACRONYMS/ABBREVIATIONS

AIIB	Asian Infrastructure Investment Bank
AWPB	Annual Work Plan and Budget
CBC	Corporate Bank Card
CBU	Central Bank of Uzbekistan
DA	Designated Account
DFIL	Disbursement and Financial Information Letter
DPC	District Project Committee
ECAPDEV	Europe and Central Asia Region Capacity Development Trust Fund
ES	Environmental Specialist
FBM	Feedback Mechanism
FIFO	First-in, First-out
FP	Facilitating Partners
FM	Financial Management
GoU	Government of Uzbekistan
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDA	International Development Agency
IPF	Investment Project Financing
IFAC	International Federation of Accountants
IFR	Interim Financial Report
ILO	International Labor Organization
ISA	International Standards on Auditing
IPSAS	International Public Sector Accounting Standard
LTB	Letter to the Borrower
M&E	Monitoring and Evaluation
MCA	Mahalla Citizens Assembly
MDU	Mahalla Development Unit
MIS	Management and Information System
MoED	Ministry of Economic Development and Poverty Reduction
MoELR	Ministry of Employment and Labor Relations
NGO	Nongovernmental Organization
O&M	Operations and Maintenance
PIU	Project Implementation Unit
POM	Project Operational Manual
PP	Procurement Plan
PPE	Property, Plant, and Equipment
PPSD	Project Procurement Strategy for Development
RIDP	Rural Infrastructure Development Project
QE	Qishloq Engineer
QF	Qishloq Facilitator
RPIU	Regional PIU

SCS	Single Customer Services Engineering Company
SLA	Subsidiary Loan Agreement
SoE	Statement of Expenditures
TA	Technical Assistance
ToRs	Terms of Reference
VAT	Value Added Tax
UZS	Uzbek Sums (National Currency of Uzbekistan)
USD	United States Dollars
WA	Withdrawal Application
WB	World Bank

GLOSSARY (RIDP OPERATIONAL DEFINITIONS)

Approval of a transaction

the approver has reviewed the supporting documentation and is satisfied that the transaction is appropriate, accurate and complies with applicable laws, regulations, policies, and procedures.

Business travel

a trip upon the approval of the Project Director for a certain period to fulfill assignments beyond the office.

Budgetary accounting

A technique employed to control expenditures and enforce revenue restrictions.

Funds Disbursed

Part or whole of development funds of a given Qishloq or a contractor is said to be “disbursed” when the RIDP places the first disbursement order for the same to the bank account for the project. There will usually be a gap of time ranging from a few days to up to 4 weeks between the disbursement date and when the money is physically available in the contractor/company bank account. Please note that disbursement is not equal to utilization or expenditure.

Funds Utilization

A contractor that incur actual expenses on funds received for a particular purpose is considered as having utilization when the total funds received minus the sum of expenditures in all its approved expenditure areas and submission of periodical physical and financial expenditure report(s).

Project operational costs

costs incurred by PIU, on account of activities related to the management, monitoring, evaluation, coordination and implementation of the Project, including office equipment maintenance and repair, vehicles, local travel, communication, translation and interpretation, bank charges, consulting services, salaries of staff for the PIU and other costs of similar nature directly associated with the Project, all based on periodic budgets acceptable to the Association.

Segregation of duties

dividing the processing of a financial transaction between staff so that work done by one person is reviewed by another, and to ensure that no one person has complete control of the process.

Training

expenditures in connection with the Project related study tours, training courses, seminars, workshops and other training activities, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs, as approved by the Association.

Uzbekistan calendar year

January 1st to December 31st, as applied globally. The RIDP runs from June 26, 2020, to December 31, 2024.

Uzbekistan fiscal year

A one-year period that starts on January 1st and ends on December 31st.

1 INTRODUCTION

This Financial Management Manual (FMM) outlines the key procedures to be followed by the Project Implementation Unit (PIU) during the following stages of the project cycle: (i) preparation and planning, (ii) implementation, and (iii) completion of the Project. The manual describes in detail the steps to be undertaken by the relevant Project staff, and the financial management specialist (FMS) in particular, when undertaking actions related to (i) planning and budgeting, (ii) accounting, (iii) records management, (iv) internal controls, (v) flow of funds, (vi) withdrawal of financing proceeds, (vii) processing of payments, (viii) financial reporting, (ix) fixed-asset management, (x) audit arrangements, (xi) supervision by the WB, and (xii) Project completion and loan closure.

This FMM is to be considered a living document, and it is to be reviewed and updated at least once a year. There is no fixed schedule for updating this manual. Updates will be carried out on an ad hoc basis, when necessary rather than on a certain timetable. Any changes to the FMM or the Project Operational Manual (POM) should be agreed upon with the World Bank and AIIB and approved by the Ministry of Economic Development and Poverty Reduction (MoED). This FMM forms part of the POM, which is a legally binding document that, together with Project documents (Loan Agreement, Disbursement Letter, etc.), local legislation, and WB policies and procedures, regulates the accounting and financial cycle and processes of the PIU. The FMM reflects the Financial Management (FM) arrangements under the Rural Infrastructure Development Project (RIDP, “the Project”) that are to be applied by the PIU to establish effective FM and to ensure efficiency, effectiveness, and economy in the use of the financial resources of the Project. Therefore, it is fundamental that Project staff, especially the Project Director and the FMS, master these documents before the implementation of the Project begins.

The Project will be implemented by the PIU under the MoED. The MoED will provide political support and strategic guidance to Project activities, support the implementation of policy changes, approve and submit draft legislative acts and regulations, resolve interagency coordination issues, and assist in building support for reforms and overcoming resistance to them. The PIU will carry out all the required functions as a Project implementation unit, including preparing and implementing Project implementation plans, the Project Operational Manual and the Financial Management Manual, annual budgets, important Financial Management and procurement documents, etc.

To implement the Project and its components, the PIU will receive funds from the financiers (WB, AIIB), which will be channeled through the Project’s Designated Account(s) to cover Project expenditures in accordance with the Annual Work Plan and Budget (AWPB).

Project activities will be operationally supervised by staff of the PIU, and on a day-to-day basis will be managed by the PIU, the director of which, along with other staff, will be hired and funded by the Project.

The overall responsibility for the fiduciary aspects of the Project (including FM and procurement) in applying the requirements of the FMM will fall to the PIU.

The objectives and the components of the RIDP are outlined in the loan/financing agreement.

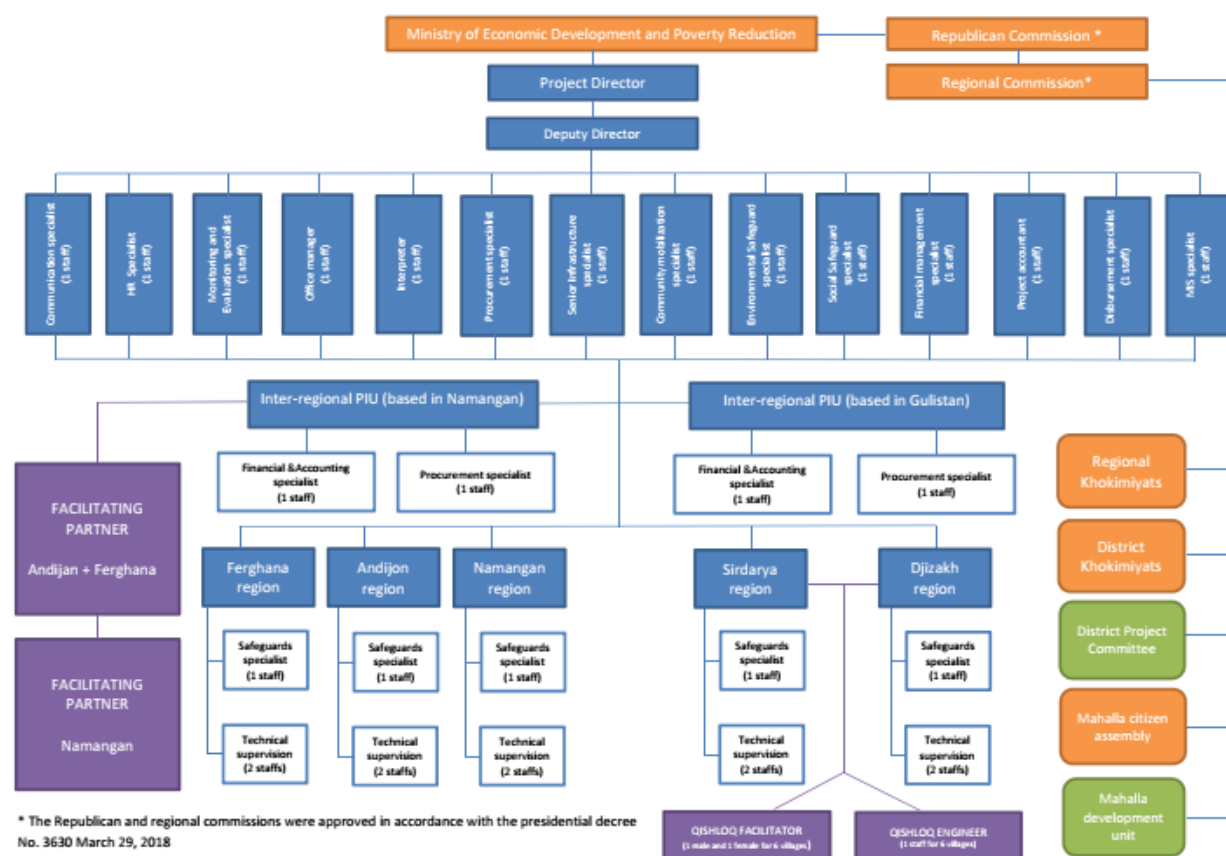
2 PROJECT INSTITUTIONAL STRUCTURE

The deputy minister for economic development will be responsible for overseeing the Project. The MoED will also be responsible for coordinating with the Republican Commission that governs rural infrastructure rehabilitation state programs at the national level, and for ensuring the participation of the Republican Commission’s representatives at the annual multi-stakeholder reviews.

MoED will have the lead responsibility for Project implementation and ensuring that Project development objectives are met. Regional and district khokimiyats of the five participating regions will be the key partners of RIDP in Project implementation.

The PIU will manage all aspects of safeguards, procurement, and supervision; perform all fiduciary tasks and necessary coordination of institutional support with regions and districts; and conduct consolidated reporting and Project management tasks as outlined in the POM. The PIU will be responsible for monitoring and evaluation (M&E); the beneficiary feedback mechanism (BFM), including the grievance

redress mechanism (GRM); and Project-related communications and outreach.



The PIU interacts with the World Bank (WB, “the Bank”) and regional khokimiyats in Project areas on Project issues within their competence. The PIU, together with regional khokimiyats, will manage and coordinate the Project activity of the single customer services engineering companies (SCSs) of regions in Project areas. The regional SCS will work closely with the respective city/town/village administrations as most appropriate, under general oversight and facilitation by the regional khokimiyats. The regional SCS in the selected regions of the Project will report to the regional and central PIUs. The SCS’s will be responsible for carrying out the procurement of goods, works, and services, including contract management, supervision, and completion. The PIU will provide the necessary support and assistance to three SCS to prepare bidding documents and evaluate bids and to execute their responsibilities and obligations

3 PROJECT-ELIGIBLE EXPENDITURES

The World Bank will provide an International Development Agency (IDA) credit in the amount of USD 100 million. The Asian Infrastructure Investment Bank (AIIB) will provide joint co-financing to the Project in the amount of USD 82 million. The government of Uzbekistan (GoU) will provide counterpart financing in the amount of USD 1.6 million. The Bank will carry out all services on behalf of the AIIB, including, inter alia, environmental and social services, procurement services, investigative services, FM, and disbursement services, in accordance with its policies and procedures.

TABLE 1: SUMMARY OF PROJECT COMPONENTS AND COSTS (MILLIONS OF USD)

Project Component	WB	AIIB	GoU	Total
Component 1: Demand-driven investments in basic infrastructure and services and local governance capacity building	\$93.7	\$82	--	\$175.7
Subcomponent 1a: Demand-driven investments in basic infrastructure and services	\$82	\$82	--	\$164

Subcomponent 1b: Communications and community outreach, citizen engagement, local governance capacity building	\$11.7	--	--	\$11.7
Component 2: Project management, monitoring and evaluation, and capacity building	\$6.3		\$1.6	\$7.9
Total	\$100	\$82	\$1.6	\$183.6

The GoU counterpart contribution will finance the administrative fees for the services provided to the Project by the SCSs in each of the participating regions.

4 FINANCIAL MANAGEMENT STAFF

The Project and the PIU will be managed by the Project director, who is responsible for overall management of Project implementation by the PIU. Project financial management, disbursements, financial reporting, accounting, etc., will be managed by the FMS with support of a disbursement specialist, a chief accountant, and regional financial and accounting specialists, under the direct supervision of the Project director. Detailed terms of reference (ToRs) for the Financial Management staff are provided in annex I.

To ensure that financing proceeds are used for the intended purpose and as efficiently as possible, it is essential that the FMS set up and maintain adequate FM arrangements for each stage of the project cycle: (i) preparation and planning, (ii) implementation, and (iii) completion and closing of the financing, as illustrated in table 2, below:

TABLE 2: FINANCIAL MANAGEMENT ARRANGEMENTS IN THE DIFFERENT STAGES OF THE PROJECT CYCLE

Preparation and Planning	Implementation	Completion and Closing of the Financing
a) Setup and proper staffing of the PIU, finance staff in particular b) Setup of accounting systems and Financial Management procedures d) Setup of an adequate, effective, and efficient internal control environment c) Setup of annual work plan and budget d) Opening of a Designated Account and Project accounts e) Training of staff (WB procedures, etc.)	a) Record keeping and accounting b) Withdrawal Applications c) Bank reconciliations d) Periodic reporting, comparison with actual expenses and forecasts e) Auditing arrangements f) Amendments and budget reconciliations g) WB supervision missions e) Maintaining an adequate, effective, and efficient internal control environment e) Ensuring due financial reporting and accounting of the Project	a) Expenditures (eligible) claimed by closing date b) Final inventory (disposal/handover) c) Closing bank accounts and refunding balances e) Final audit and financial reporting f) Budget wrap-up

To implement the Project and its components, the PIU will receive funds from the financiers (WB, AIIB, the government), which will be channeled through a Designated Account and Project accounts to cover Project expenditures, in accordance with the AWPB and the expenditure categories.

5 BUDGETING AND PLANNING

The PIU is responsible for developing an AWPB. The AWPB is expected to contain several key elements, including:

- Introduction and brief background

- Strategic focus and outputs
- Major risks and mitigation actions
- Budget and financing plan
- Procurement plan

The budget and financing plan can be described as a detailed statement of the expected resources available to the Project and the planned uses of those resources for the upcoming Project year. The AWPB and especially the budget and financing plan are important tools for managing the financial performance of the Project and to ensure sufficient cash flow. The budgeting and planning process comprises the following parts:

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

Project budgeting includes long- and medium-term expenditures planning and annual budgeting for each separate component and financial source, including the operating costs of the PIU. The annual budgets, as well as mid-term budgets, are updated in accordance with the actual implemented activities.

Data on the number of activities to be implemented in the coming year and estimates of the total funds needed to finance them should be presented by component and subcomponent and by expenditure category. The estimates should be based on up-to-date Project cost tables. In addition to the financial information described above, the budget should also take into account the physical outreach of the Project.

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

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

Every quarter, the FMS should review the costs incurred during this time period. In case of differences between the planned and actual costs presented in the annual budget, the FMS should identify the reasons for those differences and detail them in the periodic financial reports presented to the Bank. In case of internal problems identified during the costs review, the FMS should take the necessary steps to eliminate them.

5.1 Preparation

The budget is prepared in detail, which is necessary for monitoring the Project. It is classified by categories, components and subcomponents, sources of funds, and quarters and months. Budgets should be prepared on an annual basis but analyzed by quarter.

Annual budgets should be prepared and approved before the beginning of the fiscal year for which they are drawn up. The budgeting process begins at least one month before the start of the financial year. The annual budget of the Project is based on the Procurement Plan, which is approved by the Bank. The Project's budget is prepared by the FMS with inputs received from the procurement specialist, and is reviewed and signed by the Project chief accountant, after which the budget is approved by the Project

director.

The procurement specialist collects the necessary information from other respective specialists and prepares the Procurement Plan, the schedule of activities of the Project. When the final draft of the Procurement Plan is discussed with and agreed to by the Project director, it is submitted to the Bank for approval.

The FMS, based on the Project Procurement Plan, develops an annual budget. The Project Annual Budget includes the annual budget for operational costs (OC) that is to be sent to the Ministry of Finance for approval in accordance with relevant requirements. This approved budget is subject to approval by the MoED or other body in accordance with the Loan Agreement.

5.2 Responsibilities

The FMS is responsible for:

- Collecting statements of budget needs from other specialists for the RIDP operating budget and submitting the initial budget to the Project director.
- Submitting the reconciliation of actual revenues and expenditures to the budget.
- Recommending actions to the Project director to ensure compliance with the budget, or proposing modifications if warranted.
- Monitoring actual expenditures by comparing them against the approved budget.

The Project director is responsible for:

- Proposing a budget to the MoED and other state agencies (e.g., the Ministry of Finance).
- Administering the budget and ensuring that funds are received and disbursed in accordance with the budget.
- Approving the budget and monitoring compliance with the budget.

The Project chief accountant should prepare monthly comparisons between actual and budgeted amounts and submit them to the FMS. The FMS should approve this “variance report” and submit it in turn to the Project director for approval. The Project director should communicate the variance to stakeholders, such as the WB, the AIIB, the MoED, etc.

5.3 Budget Analysis

Within ten days after the end of each quarter, a written budget analysis shall be performed as follows:

- Actual revenues and expenditures will be compared to budgeted amounts, both for the current month and for the year to date.
- Significant variances (10% or greater) will be noted and their causes determined.
- Actions will be recommended to ensure budget compliance for the remainder of the year.
- The FMS will forward the quarterly budget analysis, in whole or in summary, to the Project director, along with any recommended actions.

5.4 Budget Modification

The Project budget may require modifications during the course of the year. When changes take place, the FMS should present a report indicating the significant changes in the facts or assumptions underlying the current budget.

The FMS should provide his/her comments on the budget and should adjust the budget accordingly. The adjusted budget will then be sent to the Project chief accountant. At this point, the Project chief accountant should review and sign off on the detailed budget and assumptions. After the adjusted budget is signed, it should be sent to the Project director for final approval. The Project director should review and sign the budget. All variations from the approved budget for the Project must be agreed to with the Bank and the GoU.

6 ACCOUNTING SYSTEM

The accounting system shall be based on the National Accounting Standards of Uzbekistan (GAAP) for local statutory reporting, and on the International Public Sector Accounting Standards (IPSAS cash basis) for WB and AIIB reporting. The accounting system shall:

- Maintain and keep records of transactions and accounts statements.
- Furnish the Bank with certified copies of Project financial statements and conclusions on such statements or records.
- Ensure that the Financial Management and accounting systems are adequate to generate timely and reliable financial information.
- Adhere to basic principles designed to ensure that the accounting records are complete, relevant, and reliable.
- Record and report the accounting transactions in accordance with legal acts on accounting.
- Ensure that the information is neutral, accurate, and free from any material error.
- Ensure that the users are able to compare the financial statements of the Project across time in order to identify trends in its financial position and performance.

The accounting system shall ensure the following:

- Multicurrency accounting functionality; i.e., the system should be able to report in USD and UZS.
- Reliability and fast processing of information.
- Clear and reliable methods of information input and output.
- Identification of users and protection against unauthorized access.
- Safeguards against the input of false data.
- Generation of reports in accordance with local regulations and Bank requirements.
- Sufficient flexibility in processing complex queries.

6.1 Accountability

To ensure accountability for Project funds, the PIU shall:

- Maintain records, in an orderly manner, of receipts and disbursements of all funds used for the Project.
- Maintain all receipts and records of disbursements, as well as records of the value, location, and condition of all items purchased.
- Introduce internal control mechanisms to ensure that there are appropriate procedures for acquisition and delivery of goods and services and adequate bases for confirming that such receipts and payments are accurately recorded in a timely manner, and that assets and liabilities are adequately controlled and reported.
- Report on the use of the Project funds and facilitate the efforts of independent auditors to verify those reports.
- Provide information to the Bank and other donors as required.

6.2 Accounting Policies and Estimates

Project financial statements will be prepared, using IPSAS cash basis accounting, in compliance with the respective Project Financial Agreement and Disbursement Letter.

6.3 Foreign-Currency Transactions

Foreign-currency transactions for income and expenditure account items are converted at the actual exchange rate prevailing at the time of conversion from the Designated Account to the local account. Where expenditures require the proceeds of subsequent drawdowns from the designated to the local account, these drawdowns are accounted for using the first-in, first-out (FIFO) method. All expenditures paid in the local currency from local accounts are translated back to USD at the same rate used for the transfer from the Designated Account to the local account.

Project accounting ledgers shall be maintained in UZS and USD, since:

- The Project shall submit accounting reports to the government agencies in UZS. All other currencies, including USD, are indicated as foreign currencies;
- The currency for Project reports to the WB and the AIIB is USD. All other currencies, including UZS, are indicated as foreign currencies.

Project accounts are maintained, and transactions are made, in USD and UZS. Transactions denominated in UZS are translated into USD as follows:

- Cofinancing in UZS is translated into USD at the official exchange rate of the Central Bank of Uzbekistan (CBU) on the date of the transfer.
- Payments to contractors/suppliers/consultants expressed in UZS are translated into USD at the latest UZS-to-USD exchange rate.
- Payments to contractors/suppliers/consultants expressed in currencies other than USD or UZS are translated into USD at the CBU official exchange rate on the date of the transaction.
- Monetary assets and liabilities are translated into USD at the CBU exchange rate on the date of reporting.
- Net gains and losses in transactions and translations due to changing exchange rates are reported in the Project financial statements as an “exchange difference.”

6.4 Chart of Accounts

The PIU will apply a local chart of accounts, as prescribed by National Accounting Standards #21.

6.5 Computerized Accounting System

The accounting software of the Project is an important tool for collecting, analyzing, storing, and disseminating information that is vital for decision-making. Properly implemented, it enhances the transparency and accountability of Project activities, provides timely reports, helps detect errors and shortfalls during Project implementation, and indicates necessary corrections.

The accounting system software shall have the capability of automatically generating Project financial reports and other capabilities, including:

- Multifunctional charts of Project accounts.
- Simultaneous analysis of accounts in different currencies (UZS and USD).
- Currency conversions, adjusted for the day or closing date.
- Accounting records, for the parties, individual agreements, and donors, of Project financing and cofinancing funds.
- Financial reports in approved WB formats.
- Automated backup copies.
- Separate actions for reporting and viewing.

The system must be protected from both internal and external unauthorized access. Backups should be made on a monthly basis, copied to CDs or USB drives, and kept in a fireproof safe for the Project.

The PIU utilizes the Russian accounting software program 1C “Buxgalteriya” (1С Бухгалтерия), which has fully integrated accounting and Financial Management software modules adapted for use in WB-financed projects. Each user is assigned to a workstation. This is where each user’s working tools are located, under the user’s authority. For financial users, the necessary permissions to perform designated actions and view reports are specified. Accounting entries are made based on the documents initially entered. Documents are stored in relevant folders, and, in parallel to that, reports are generated. Only the person authorized to generate the documents can remove them. The system provides substantial protection from unauthorized access. Staff users have individual passwords and levels of access appropriate to their positions. In case of a crash, the software returns to the most recent previous normal condition. The system generates monthly backups of accounting data to an external device. For reconciliation purposes, IFRs and statements of expenditures (SoEs) are produced in Excel format (annex

II, annex III). The FM specialist reconciles these IFRs and SoEs to the Project accounting records, as well as to the World Bank Client Connection system.

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

The Project chief accountant should reconcile the accounts monthly. Should adjustments to some entries be required, the chief accountant should produce a memorandum explaining the adjustment. The memorandum must be approved by the Project director after being cleared by the FMS.

6.6 Access Levels

There are three levels of access privileges for accounting system users: (i) *read-write*, for users authorized to enter and edit data; (ii) *read-only*, for users authorized to read accounting data but not to change it; and (iii) *no access*. This three-tiered system controls access to functions of the accounting module such as journal recording and posting to the general ledger. Each accounting transaction records the user's ID, preventing unauthorized access to the system or surreptitious falsification or destruction of records. At the same time, the system permits active data exchange among its various users (primarily the PIU).

7 RECORDS MANAGEMENT

Financial records must be created and preserved for every Project financial transaction. Financial records are any financial information, including handwritten information, computer data, internal forms, e-mails, or information of any other form or format created or collected by the PIU. Financial records include documents such as journal vouchers, monthly and quarterly financial reports, copies of checks and withdrawal slips, supplier invoices and receipts, bank statements, or any other documents associated with the Project's official activities. The objective of this procedure is to preserve the financial records and files for further official use by the PIU, for financial audits, and for review by the Bank during supervision missions. Project financial records are the property of the PIU and the MoED and cannot be removed or destroyed.

It is important to note that, in accordance with the Bank's general conditions, the recipient/borrower has to maintain original records for a minimum of five years after Project completion or for the period required by local law.

7.1 Filing of Financial Records

The Project chief accountant is responsible for filing the Project's financial records. Filing should be performed daily to prevent the accumulation of paper documents and to ensure that the financial records are always up to date. Each financial record should be filed under its code, in chronological order, with a sequential number assigned to each. Any kind of additions or amendments to the financial document should be filed in chronological order immediately following the principal document.

Certain staff are assigned to keep certain types of documents. The procurement specialist shall be responsible for keeping all procurement-related documents and for preserving original and translated copies of all correspondence, internal acts, and all newspaper articles and press releases relating to the Project. Letters submitted to the PIU's Tashkent office are to be registered, numbered, and marked by the office manager with the date of acceptance and the name of the addressee.

7.2 Storage of Financial Records

Project financial records should be stored in the MoED office for a minimum of five years after Project completion. The data should be stored within the accounting software, as paper copies, as scanned copies,

and as computer disc copies. The Project chief accountant should designate a suitable storage area for paper records and keep them in locked cabinets, safe from water and fire, and to which access is controlled. The Project director should classify the financial records as "confidential" or "general." All-important correspondence should be filed.

7.3 Archiving of Financial Records

To keep files from accumulating in limited office space, they should be periodically archived by the Project chief accountant. Once a year, the Project chief accountant should make sure that all completed or inactive files are archived in such a way that they can be easily retrieved if needed. Archiving of Project documentation should follow local regulations.

7.4 Backup Procedures

To prevent loss or damage of financial data, it should be kept in two copies: (i) at the computer server of the PIU, and (ii) in the locked cabinets of the PIU office. Only the Project director, the FMS, and the Project chief accountant are allowed to access the financial records without authorization. Access is not permitted to parties outside the Project other than auditors and WB staff.

8 INTERNAL CONTROLS

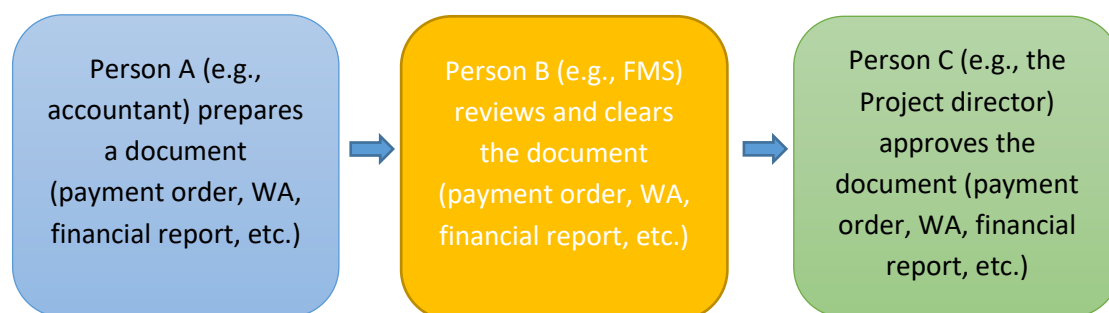
Designing, installing, and maintaining a system of internal financial controls is an integral part of the FM function. The goals of internal financial controls are efficiency, reliability of financial reports, and compliance with applicable laws and regulations, including the conditions set forth in the financing agreement. The key features of the internal control system are:

- segregation of duties
- authorization
- reconciliations and checks
- restricted access
- monitoring and review

8.1 Segregation of Duties

An important element in any control system is the separation of those duties that would, if combined, enable one individual to record and process a complete transaction. Segregation of duties means dividing the processing of a financial transaction between staff so that work done by one person is reviewed by another and no one person has complete control of the process. This reduces the risk of erroneous or inappropriate actions. In general, the approval function, the accounting or reconciling function, and the asset-custody function should be separated among employees. It is the responsibility of the FM specialist to ensure that the following duties are segregated within the Project: preparation, authorization, execution, custody, recording, and systems operations.

CHART 1: EXAMPLE OF SEGREGATION OF DUTIES



8.2 Authorization

Authorization controls require the certification that a transaction or event is acceptable for further

processing. The Project relies on several types of authorization, mainly in the procurement cycle, the payment cycle, and the banking and cash-management cycle, including reconciliation. The FM specialist should ensure that authorization controls for PIU staff balance security with efficiency. The authorizations given to Project staff should be in line with their respective job descriptions.

Approval of a transaction means that the approver has reviewed the supporting documentation and is satisfied that the transaction is appropriate and accurate and complies with applicable laws, regulations, policies, and procedures. Approvers should review supporting documentation, question unusual items, and make sure that necessary information is present to justify a transaction before signing off.

Under no circumstances should an approver authorize another to sign on his or her behalf. Neither should an approver with electronic approval authority share his or her password with another person. To maintain the proper segregation of duties, the person initiating a transaction should not be the person who approves the transaction.

The World Bank's General Conditions require that the borrower designate, in writing, which officials may sign Withdrawal Applications, and provide authenticated specimens of their signatures. Only one signatory is required for each application.

The signatories to PIU accounts (including the Designated Account) are the PIU director (responsible for the final authorization stage on the Bank's Client Connection platform) and the FM specialist/chief accountant (responsible for the initial authorization stage on Client Connection). Other PIU staff may be officially designated as signatories to the PIU accounts as necessary.

8.3 Reconciliations and Checks

Reconciliations between independent, corresponding sources of data are a key control for identifying errors and discrepancies in balances. Each month, the FM specialist should perform a bank reconciliation and a reconciliation between system and Designated Account receipts and payment statements. Any reconciling or balancing amounts should be promptly cleared. Unusual or long-outstanding reconciling amounts must be brought to the attention of the Project chief accountant. The Project chief accountant will review and sign all reconciliations as evidence of his or her review.

For the Designated Account, the FM specialist will reconcile disbursements received with the Disbursement Section of the Bank on a monthly basis. A bank reconciliation for the Designated Account must also be submitted to the Bank, together with a copy of the bank statement, when submitting a Withdrawal Application for replenishment of the Designated Account.

For USD reconciliation purposes, the FM specialist will monitor the movement of the exchange rate and its effect on the funding available under the Project categories. Such monitoring will be conducted regularly, at least quarterly, and more frequently as the end of the Project approaches. This will help to identify, in a timely manner, the need for reallocation between the Project categories or the overall need for additional Project funds in the case of significant adverse movement of the exchange rate.

8.4 Restricted Access

All data, records, and assets should be kept in a physically secure environment. This should include safekeeping of financial records such as official order forms and bank details. Financial data and other electronic records should also be protected by a regular backup procedure. All work should be regularly backed up, and duplicate records stored securely off site.

8.5 Reporting, Monitoring, and Review

PIU financial reports are part of the Financial Monitoring Report System.

The PIU shall also be responsible for submitting quarterly, unaudited Interim Financial Reports (IFRs) that will be prepared using the current accounting system adopted for the Project and in accordance with the format agreed upon with the WB. IFRs will include:

- Project sources and uses of funds
- uses of funds by Project activities
- a Designated Account (DA) statement
- a statement of the Project financial position
- the SoE withdrawal schedule

The State Tax Service of the State Committee of the Republic of Uzbekistan on Statistics, People's Bank of Uzbekistan, shall receive monthly reports on the retained and transferred amounts of income tax for residents and nonresidents, transferred amounts of individual pension contributions, and other charges prepared by the chief accountant.

Preparing periodic cash-flow forecasts is essential to ensure that the Project has sufficient funds to meet its commitments (payments to contractors, service providers, and suppliers of goods, salaries of PIU staff, PIU operating and maintenance costs such as rent, electricity, internet service, etc.) as they fall due.

Every quarter, the RPIU will prepare quarterly periodic cash-flow forecasts (annex IV-a) and send them to the PIU in Tashkent. It is the responsibility of the FM specialist to prepare cumulative cash-flow forecasts (annex IV-b), following steps:

1. Determine the opening balance for the time period.
2. Determine as accurately as possible all cash inflow already received from different sources during the time period on a monthly basis.
3. Determine as accurately as possible all payments due during the time period on a monthly basis.
4. Based on the calculations in steps 1–3, determine the estimated cash needs for the time period in question.

When preparing the cash-flow analysis, key sources of information include the up-to-date AWPB, the up-to-date Procurement Plan, the disbursement timetable of all signed contracts as these can be assumed to stay relatively constant over the implementation period.

Based on estimated cash-flow needs, the FM specialist, in consultation with the Project director, will prepare, in a timely manner, and submit for approval the Withdrawal Applications required to ensure sufficient liquidity and avoid any delays in Project implementation.

Report Type	Responsible executor	Deadlines
The payment invoice applications	SCS	Twice a month
Preparation of application for withdrawal of funds to the Bank (a direct payment and / or replenishment of a special account)	FM specialist/ Chief accountant	As needed
Reconciliation (budget with actual costs incurred by category)	FM specialist/ Chief accountant	Monthly, within 5 days after the end of the reporting month
Reconciliation (between system and special account receipts and payments statement)	FM specialist/ Chief accountant	Monthly, within 5 days after the end of the reporting month
CBC report	The CBC holder	Monthly, at the end of the month
Route sheet	Driver / Designated person	Monthly, within 2 days after the end of the reporting month
Operational Support Implementation Report	Regional PIU/MCA/MDU members	Within 15 calendar days after completion of the implementation process
Tax reports (monthly, quarterly, yearly)	Chief accountant	In accordance with local legislation
Stat reports (monthly, quarterly, yearly)	Chief accountant	In accordance with local legislation
Individual pension fund reports	Chief accountant	Monthly, until the 15 th day of the following month
Financial performance per component and per financier report (Annex XII)	FM specialist	Quarterly, within 15 days after the reporting period
IFR	FM specialist / Chief accountant /Procurement specialist	Quarterly, within 45 days after the reporting period
SoE	FM specialist	A quarterly basis or, if required, more frequently
Annual Budget	FM specialist / Chief accountant	Yearly, before the beginning of the fiscal year
The annual budget for operational costs	FM specialist / Chief accountant	Yearly, before the beginning of the fiscal year

Periodic financial reports must be prepared and submitted to the Bank. For the purposes of internal control, the same information should be prepared and monitored by the Project director on a monthly/quarterly basis. The reports should be prepared in a timely manner and should normally be available for distribution two weeks after the end of the reporting period to which they relate. The periodic reports should be reviewed, at a minimum, by the FM specialist and the Project director. Where necessary, corrective action should be taken to ensure the authorized budget and Procurement Plan is not exceeded.

9 FLOW OF FUNDS AND CASH AND BANK-ACCOUNT MANAGEMENT

The WB loan will be disbursed over five years. The loan closing date is the five-year anniversary of the date when the Project was declared effective. WB disbursement procedures and the accompanying forms are outlined in detail in the Letter to the Borrower and the Disbursement Handbook, which should be read in parallel with this manual. Please refer to section 10 of this manual, “WB Disbursement Procedures,” for more detailed information on WB disbursement procedures.

9.1 Flow of Funds, Opening of Special Accounts and Project Accounts

On the effective date of the loan, the WB and the AIIB will open two loan accounts, which will be credited with USD 100 million and USD 82 million, respectively. These funds will be transferred to the Project in accordance with the financing agreement and the WB's disbursement procedures.

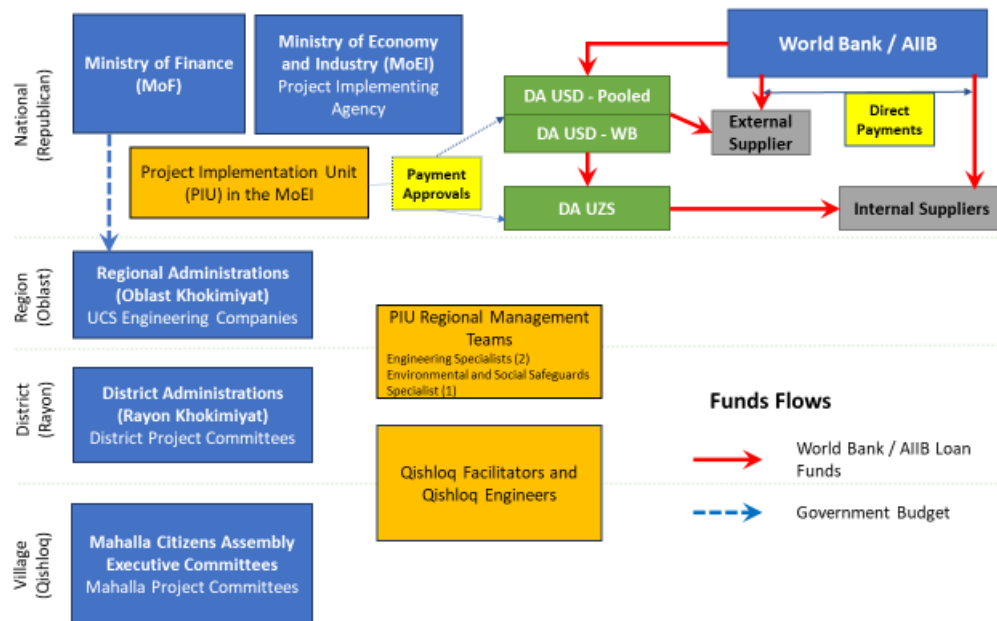
The Project will open two DAs in USD at a financial institution acceptable to the WB. The first DA will be shared by the IDA and the AIIB and will be used only for financing Subcomponent 1a expenditures. The expenditures financed through this DA will be cost-allocated in equal proportion (50/50). The second DA will be utilized for the Subcomponent 1b and Component 2 expenditures and will be used for IDA fund flows only. Detailed guidance on the Designated Accounts, DA maintenance and ceilings, cost allocations, and other details will be specified in the Disbursement and Financial Information Letter (DFIL).

The Project will also open two transit accounts in UZS for the WB and the AIIB and one tender account in UZS. The Project will also open two Transit accounts and one Tender Account in UZS. The first transit account in UZS will be used only for financing Subcomponent 1a expenditures and the second transit account in UZS will be for Subcomponent 1b and Component 2 expenditures.

The PIU may ask the contractor to open an additional bank account in the same bank as the Project bank account to avoid interbank transfer commission fee. The contractor will receive all Project funds in this account.

All payments from the DA will be made centrally by the PIU (not by the regional PIU staff or SCS); they will be used only for eligible expenditures; and they will not be pooled with other funds unrelated to the Project. Eligible Project expenditures, consisting of goods, works, consulting services, non-consulting services, training, and incremental operating costs, will be duly reported to the World Bank with full documentation using SoEs.

FIGURE 3: FLOW OF FUNDS



9.2 Petty-Cash Account

Central and regional PIUs have no petty-cash box. All payments under the Project, including salaries and travel allowances, are made through bank transactions.

9.3 Return of Retention Money

Retained guarantee amounts are refunded in accordance with the terms of the contracts. The initial 5 percent is paid on the basis of the Statement of Accomplished Works and the Certificate of Acceptance of Investment Cost. The remaining 5 percent is paid after the expiration of the Defects Liability Period, or on the basis of a bank guarantee. (The contract should also state that if the Project is close to completion, the contractor is required to provide a bank guarantee for a Defects Liability Period to obtain a guarantee amount of 5 percent). The following documents are required:

- a cover letter addressed to the Project director and signed by the contractor
- an invoice for payment signed by the contractor, the SCS, a representative of the MDU monitoring committee and the qishloq engineers (QEs), the Project construction engineer, and the regional technical supervisor
- a certificate of handover of the assets to the relevant line ministry or agency

9.4 Corporate Bank Cards

A corporate bank card (CBC) is a payment card issued by the World Bank to a legal entity that entitles the holder to use funds in the card account for the purchase of goods, works, or services in lieu of cash payment. Under paragraph 11 of the Regulations on the Procedure for the Use of Corporate Bank Cards in National Currency, legal entities may not transfer to the corporate bank card wages and equivalent payments, pensions, benefits, scholarships, or dividends to be paid to the holder. Cash withdrawals from CBCs are not allowed.

The list of staff authorized to use the CBC is established by order of the Project director. A complete financial liability contract must be executed with these authorized individuals, under which they are responsible for expenditures made on the CBC and for the secure storage of the issued card. CBCs are issued to staff who need them to perform their duties (drivers, office managers, etc.).

CBCs will be supervised by the chief accountant. The purpose of CBCs is to allow the PIU to pay for

low-value items such as small repairs, minor supplies, newspapers, taxi fares, and other sundry expenses quickly and efficiently. These transactions may not exceed the local-currency equivalent of USD 300.

Funds transferred to the CBC for refueling vehicles will be equivalent to the monthly fuel-consumption limits for each vehicle specified in the vehicle operation manual.

It should be noted regarding CBCs that accounting records are made when expenses paid with the card are reported, not when the card is issued.

Payments from a CBC can only be for purposes authorized for those funds and must be supported by receipts, which should contain the following information:

- date of purchase or payment
- name of vendor or another payee
- amount paid
- positive evidence that a payment was made, such as a cash register receipt or a handwritten receipt on which the word “paid” appears
- description of the goods purchased, to be provided by the vendor if the receipt is handwritten, or the by the purchaser if the receipt is a cash register tape
- a signature acknowledging that the goods or services were received

The CBC custodian should:

- Maintain a book, separate from the accounting software, documenting all CBC transactions.
- Prepare a monthly report showing the account balance and the details and total of all paid payment vouchers.
- Submit the report, with all supporting documents, to the disbursement specialist (annex V).

The chief accountant, at the end of each month, should review the amounts available in the CBC.

The disbursement specialist should:

- Perform a reconciliation of total invoices and funds remaining with the total funds allocated to the CBC and prepare a reconciliation form.
- Sign the reconciliation form and submit it to the chief accountant for review and approval.

If there are any shortfalls (losses) arising from negligence or theft, the chief accountant must immediately report these to the FM specialist for appropriate action. Any shortage or surplus should be investigated.

A copy of the reconciliation should be filed.

When custody of the CBC is transferred to another custodian, the existing fund should be closed, and new funds shall be transfer for the use of the new custodian.

9.5 Tender Account

A tender account shall be opened in UZS. The account shall be used to accumulate funds provided by bidders. Tender funds shall be used for the activities associated tender procedures, including announcements; copying and printing of tender documents; purchases of paper, toner, and ink cartridges; acquisition of cabinets and other accessories for storing tender documents; or for other Project purposes, as ordered by the Project director.

9.6 Bank Reconciliation

The FM specialist (or other staff independent of the Bank’s account management) must perform monthly reconciliations between the Designated Account balance(s) recorded on bank statements and the local cash-book balance, recorded on the system. The monthly reconciliation should follow these steps:

- Begin with the balance of the Designated Account shown on the bank statement for the

reconciliation date.

- Add reimbursements, replenishments, and other deposits to the Designated Account that have been made but not yet reported by the bank.
- Compare this total to the local finance system cash totals. The two should agree. Any disparity should be reported and investigated.
- The chief accountant should sign the completed bank reconciliation statement.
- The reconciliation should be reviewed and countersigned by the FM specialist.

10 WB DISBURSEMENT PROCEDURES

WB disbursement procedures are governed by the Letter to the Borrower (LTB) and the Disbursement Handbook, which will be sent to the PIU at the commencement of the Project.

The PIU will be responsible for Project disbursements, as well as preparation and submission to the WB of withdrawal applications. For this purpose, the PIU shall have access to the World Bank's Client Connection platform.

As stated in the LTB and the Disbursement Handbook, four standard disbursement procedures may be used to withdraw funds.

1. **Advance withdrawal.** This modality uses imprest accounts or revolving funds to advance or replenish funds to a bank account designated by the borrower. The WB may place a limit on the amount to be advanced or replenished. The Project-specific details of this modality are agreed upon between the borrower and the WB, and detailed in the LTB.
2. **Direct payment.** This modality is used for eligible Project expenditures, generally for large contracts, paid directly by the WB to suppliers, contractors, consultants, or third parties, as authorized by the borrower.
3. **Special commitment.** This modality is used for eligible Project expenditures related to items imported by Project implementing agencies under a letter of credit requiring the issuance of guarantees for reimbursement to negotiating banks by WB.
4. **Reimbursement.** This is applicable when eligible Project expenditures, reimbursable under the financing, have been prefinanced by the borrower. Such reimbursements are expected to be claimed no later than 90 calendar days from the date of payment by the borrower.

Any withdrawals of Project funds (direct payments to contractors from the WB or reimbursements and replenishments to the Designated Account) are done through the use of Withdrawal Applications and Statements of Expenditure.

In order to minimize transaction costs, the Bank establishes a minimum value for applications for reimbursement, direct payment, and special commitment, which are outlined in detail in a Disbursement Letter.

11 PROCESSING OF PAYMENTS

The Project will finance mainly small works (rural roads, irrigation infrastructure, etc.) consulting services (design, payments to facilitating partners, supervision, and studies), goods (office supplies, computers, and cars), as well as PIU operating costs (salaries, travel expenses, etc.). The previous section outlined how the PIU will receive funds from the WB to cover the incurred expenditures. This section will outline the steps involved in the outflow of funds from the PIU to contractors, suppliers, consultants, etc. The procurement process for these items, including the hiring process for consultants, is detailed in the Project Procurement Manual.

11.1 General Instructions for All Payments

The FM specialist and the chief accountant should ensure that the following steps are performed:

- **Preparation of payment-request voucher.** A payment-request voucher should be prepared for each payment by the disbursement specialist.
- **Validation of invoice.** The chief accountant should verify that each invoice is arithmetically correct, and the quantities and prices recorded on the invoice should be checked against contract, order, and certification of completion/delivery. If there is any discrepancy, it should be raised with the vendor prior to invoice processing. If there is a valid reason for withholding payment, the designated person should notify the account specialist before the specified payment date.

11.2 Supporting Documentation

For all payments for works, goods, and consulting and other services, the following supporting documentation is required.

1. For all cases described in (2) through (6) below:
 - The signed contract, specifying the amount that is due to be paid.
 - The bank guarantee of advance payment, as specified in the contract documents.
 - The bank guarantee of performance, as specified in the contract documents.
 - Copies of communications sent by the WB to the lead Project agency providing the “no-objection” (whether post or prior) to the contract award.
 - Evidence of payment.
2. For payments for goods, in addition to (1):
 - Supplier’s invoice, duly certified for payment by the Project director, specifying the goods and their quantities and prices.
 - As appropriate, the certificate of delivery (to include condition of goods on delivery).
3. For payments for consulting and other services, in addition to (1):
 - The supplier’s or consultant’s claim, duly certified for payment by the Project director, and showing sufficient detail.
 - As appropriate, a certificate of delivery of satisfactory services. Those services should be specified. For example, if the consultant provided training, specify the number of workshops conducted and people trained, with a list of participants. If the consultant developed a manual or a study, attach this work product or describe it in the certificate.
4. For progress and retention payments for civil works, in addition to (1):
 - The claim of the contractor, including a financial progress report, stating the work performed and the amount due.
 - A certificate, signed by the SCS or owner’s representative, if any, or by the borrower’s engineering officer or resident supervising engineer assigned to the Project, to the effect that the work performed is satisfactory and the payment claimed is due in accordance with the terms of the contract.
 - A copy of the contract payment monitoring form.
5. For payment of trips, fuel, stationery, and other expenses, in addition to (1):
 - Supplier invoices.
 - Evidence of payment.
 - Back-to-Office Report.
 - Travel authorization.
 - Expense reports by the traveler (including invoices).

11.3 Controls over Bank Guarantees

The disbursement specialist will be responsible for due diligence and monitoring of bank guarantees (or

other corresponding guarantees) received during Project implementation. The disbursement specialist will register bank guarantees in the registration book, verify their consistency with sample formats acceptable to the WB, closely monitor them as their expiration date approaches, and inform the FM specialist of any needed actions. Fourteen days before a bank guarantee expires, the supplier/contractor/consultant should be asked to provide an extension of the guarantee, or if necessary (for example, in case the advance was not fully recovered), to submit to the issuing commercial bank a request for encashment of the guarantee.

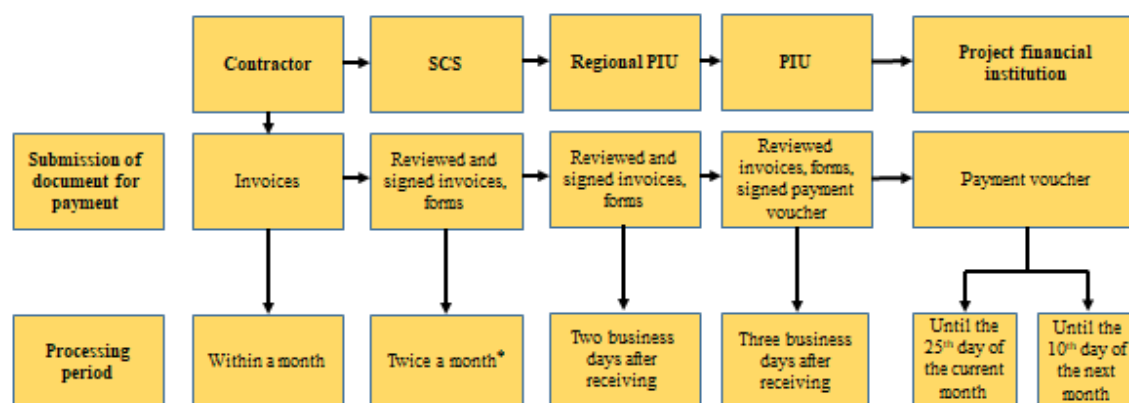
The disbursement specialist will also be responsible for timely and proportional recovery of any advance on future payments to suppliers/contractors/consultants, in accordance with the contract and the terms of the bank guarantee.

11.4 Processing of Payments for Subcomponent 1a

The first payment (prepayment) will be made in accordance with the terms of the contracts; other payments will be paid on the basis of the Statement of Accomplished Works and the Certificate of Acceptance of Investment Costs (invoices).

Only twice a month an invoice will be processed for payment. The payment due date for invoices issued during the period from 1 to 15 of the month is 25th day of the month, and for invoices issued during the period from 15 to 30 of the month - the 10th day of the next month. If due date falls on a holiday or weekend, the payment will be made on the following business day. Please refer to the below table.

Table 3: Invoice payment processing period.



SCS will submit invoices (the statement of accomplished works and the certificate of acceptance of investment costs) received from contractors to Regional PIU with relevant documents only twice a month.

1. For invoices issued during the first half of the month, up to two business days after the 15th of the current month.
2. For invoices issued during the second half of the month up to two business days after end day of the month.

An original invoice from the supplier will first be signed by the SCS engineer, then approved by the head of the SCS and the chief accountant. They shall confirm that the prices and invoice calculations are correct and that the cost is a genuine obligation of the Project.

For greater transparency, no employee of the SCS may authorize his or her own claims, and all approvals and authorizations shall be made in writing. The SCS shall send Project invoices, with all supporting documents, to the RPIU, along with a Payment Invoice Application Form (annex VI).

The RPIU reviews the invoices and the supporting documents, checks whether each invoice matches the tender and the agreement between the contractor and the SCS (regional procurement specialist), checks the technical specification, and checks whether the invoice meets the budget lines described in the agreement between the PIU, the SCS, and the contractor (regional financial and accounting specialist).

After receiving and approving the original invoice from the SCS, the specialist technical supervisor should:

- Sign off on the invoice.
- Verify and sign the related forms with the regional financial and accounting specialist.
- Immediately send by e-mail or fax to the Tashkent office a copy of the signed invoice, the signed forms (SCS reports, etc.), and the supporting documents (contract listing report prepared by regional financial and accounting specialist, etc.).
- Forward the signed original invoice, with the forms and supporting documents, to the Tashkent office within 2 days.

Before sending invoices, the regional financial and accounting specialist enters the invoice information (invoice date, number, value, etc.) into the 1C “Buxgalteriya” system.

The PIU Technical Supervisors may conduct site visits to make sure the work has been performed by the contractor as indicated by the SCS.

All documents shall be transferred to the chief accountant in Tashkent in order to process down payments or advance payments or to make a new payment as described in the agreement. (For the final payment of the Project, the FM specialist shall so indicate on the invoice, and the final payment should be made only after all Project documents needed from the SCS have been received.)

The disbursement specialist should perform the following steps:

- Review the payment request.
- Compare the payment request to the budget.
- Prepare a payment order.
- Record the payment in the accounting system.
- Print the journal voucher and sign it as preparer.
- Prepare the wire transfer authorization and deliver the payment authorization, with supporting documents, to the chief accountant for review and approval.

The chief accountant checks each supplier’s invoice for accuracy and compliance with the purchase order and the agreement.

The FM specialist should verify the documents and forward them for approval by the director.

The director reviews the original payment supporting documents and signs a payment order.

Upon receiving the signed wire transfer authorization, the disbursement specialist records the payment in the disbursement journal.

The chief accountant should review the payment and the accuracy of the accounting record and post the disbursement journal to the general ledger.

The accountant specialist files all supporting documents in the appropriate files.

The FM specialist notifies the SCS of payment.

The management and information system (MIS) specialist enters all transactions and related information (annex VII) into the Project MIS which is provided by the disbursement specialist.

The M&E specialist oversees contracting activities to ensure compliance with contract policies and procedures.

Before the PIU releases the final payment to the contractor, the Project will require a representative of the monitoring committee and the QE to sign off on the construction work. To ensure that the contractors and

the Mahalla Citizens Assembly (MCA) and Mahalla Development Units (MDU) agree on the design of all subprojects, the PIU senior infrastructure specialist and regional technical supervision specialists will be actively engaged with the MCA and MDU and qishloq residents, and a certificate of handover of the assets will be delivered to the relevant line ministry or agency.

11.5 Processing of Payments for Training

Annual budgets should be prepared and approved before the beginning of the fiscal year. When planning a training, a budget must be prepared indicating the title, date, and venue of the training, the participants and their positions, and the amounts to be spent. This budget document must be signed by the executor of the training and agreed to by the FM specialist.

The training budget must be approved by the Project director and the WB. The Project will pay the following training costs:

1. Travel expenses of participants
 - air travel, confirmed by boarding passes or, in their absence, by a written request from the Project and verification of the flight information from the airline (payable by direct transfer or cash)
 - expenses of the contractor providing transportation services, confirmed by a description of the services provided, a dated copy of the certificate, and the Service Performed Act (payable by direct transfer or cash)
 - rental of vehicles, confirmed by the rental contract, the dated insurance policy, a payment receipt, a statement of the training received, and a copy of the certificate (payable by funds to be transferred to the account of the Project's responsible specialist, or directly to the applicant, in cash, upon submission of an advance payment form)
2. Printing costs for handouts and other training materials, to be documented by:
 - invoices indicating the type, quantity, and cost of the printed materials (payable by direct transfer or cash)
 - in exceptional cases—such as the unavailability of executor's bank details or in remote regions where electronic funds transfers are not feasible—and by agreement with the management, a cash register receipt or a bill of sale, a description of the materials, and a dated copy of the patent (payable by funds to be transferred to the account of the Project's responsible specialist, or directly to the applicant, in cash, upon submission of an advance payment form) In the case of printed materials distributed to the training participants, a signed confirmation of the distribution must be provided by the responsible party, indicating the name of the participant(s) and the type and number of materials.
3. Catering of the training event, to be documented by:
 - invoices indicating the type, quantity, and cost of meals provided; the service agreement; the dated insurance policy; and a copy of the certificate (payable by direct transfer or cash)
 - in exceptional cases—such as the unavailability of executor's bank details or in remote regions where electronic funds transfers are not feasible—and by agreement with the management, a cash register receipt or a bill of sale, a description of the catering services, and a dated copy of the patent (payable by funds to be transferred to the account of the Project's responsible specialist, or directly to the applicant, in cash, upon submission of an advance payment form). The Act to write off products used for organization of nutrition for participants shall be prepared and signed by several training participants.
4. Accommodations for participants, to be documented by:
 - hotel invoices indicating the names of the participants and the cost, date, and duration of stay; the hotel contract; and the Act of the executed services, signed on both sides (payable by direct transfer or cash)
 - in exceptional cases—such as the unavailability of executor's bank details or in remote

regions where electronic funds transfers are not feasible—and by agreement with the management, a cash register receipt or a bill of sale, a description of the hotel stay, and a dated copy of the patent (payable by funds to be transferred to the account of the Project's responsible specialist, or directly to the applicant, in cash, upon submission of an advance payment form)

5. Facilities rental, to be documented by:

- invoices indicating the period and cost of the rental (payable by direct transfer or cash)
- in exceptional cases—such as the unavailability of executor's bank details or in remote regions where electronic funds transfers are not feasible—and by agreement with the management, a cash register receipt or a bill of sale, a description of the facilities rental, and a dated copy of the patent (payable by funds to be transferred to the account of the Project's responsible specialist, or directly to the applicant, in cash, upon submission of an advance payment form)

The PIU should avoid paying advances for training. When it cannot be avoided, funds can be provided to a responsible staff member in installments, with each payment contingent upon evidence that the previous tranche was used for eligible expenses—for example, scanned copies of documents showing eligible expenditures at the end of each training day or two.

The trainer and another responsible PIU staff member will verify the participant list and confirm the presence of those participants at the training, as well as the truth and accuracy of expenditures sheets for reimbursement of trainees' expenses. The participation and cash distribution lists should include trainees' contact details (such as mobile phone numbers), permitting ad hoc verification of participation and expenses incurred, if necessary.

11.6 Processing of Payments for Consulting Services

Under the Project there are two types of consultants: (a) consultants with a lump-sum contract, and (b) consultants with a time-based contract. For lump-sum consultants, payments will be made against the delivery of outputs as detailed in their contracts. For time-based consultants, payments will be made against the submission of a time sheet and a summary of activities performed. PIU staff will be paid against the submission of a monthly time sheet.

All consulting services reports will be monitored by a specialist assigned by the Project director to evaluate the deliverables submitted by the consultant. The FM specialist will ensure that no consultant receives payment without an approved report from the specialist, to be reviewed by the procurement specialist, indicating that the consultant's work product fulfills the terms and conditions of the contract.

All supporting documents and internal forms must be retained at the PIU office and must be maintained and archived in accordance with section 9 of this manual.

11.7 Processing of Payments for Office Supplies and Other Operating Costs

Before a payment is processed, a designated procurement specialist, assigned by the Project director, will check the price, quantity, and quality of the delivered goods against the purchase order, and against the contract and the bid award letter if applicable. When the designated specialist is satisfied that the quality of the goods fulfills the terms and conditions of the contract, he will sign the invoice and provide an accepted/compliant report. The FM specialist will ensure that the designated specialist provides all necessary documents, including the invoice and the accepted/compliant report, before making payment.

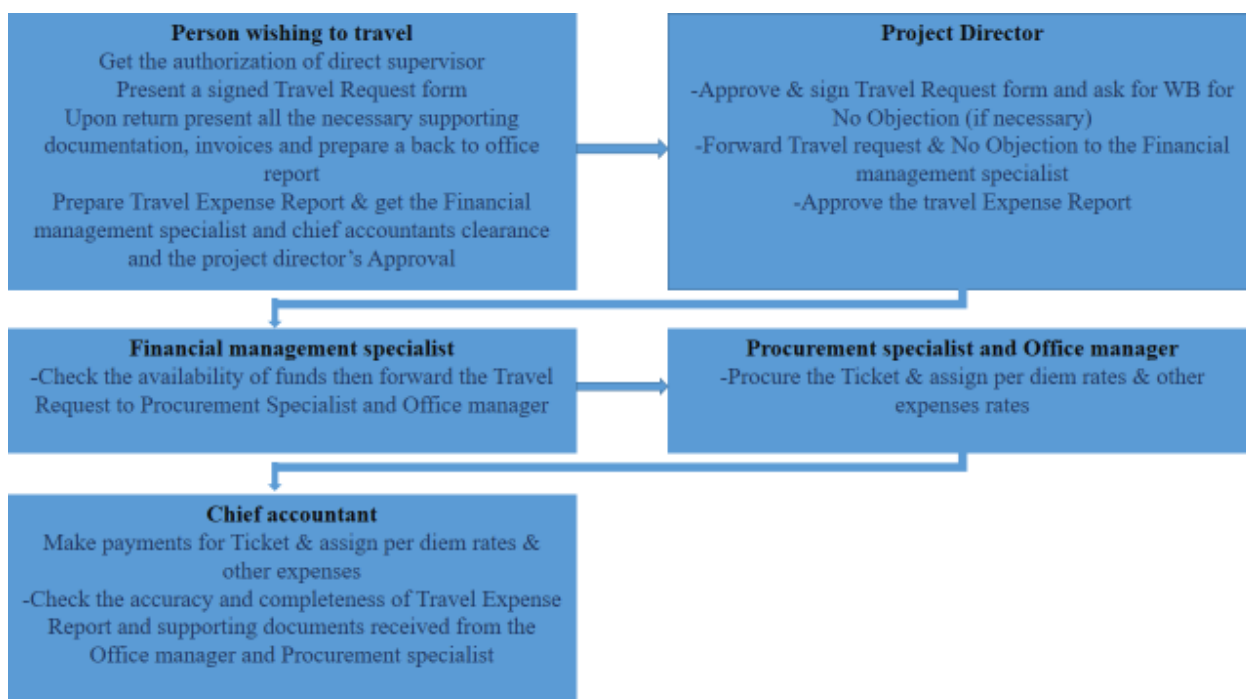
Damaged goods are to be identified and returned to the supplier or replaced. The chief accountant shall be notified of any goods that are rejected or returned to the supplier because they are damaged, of substandard quality, or not as ordered. The chief accountant must keep a central record of all goods returned to suppliers and maintain a separate record of all goods and equipment delivered by suppliers under contracts funded by WB financing.

TABLE: PAYMENT PROCEDURES FOR GOODS AND SERVICES AND STAFF RESPONSIBILITIES.

Position	Responsibility
Procurement specialist (for goods and services in the PP)	Quality control according to agreement
Designated staff (for goods and services not in the PP)	Quality control according to agreement
Office manager	Quality control according to agreement and invoices
Disbursement specialist	Review payment requests/orders for accuracy, completeness, etc. Prepare payment order. Record the payment in the accounting system. Print the journal voucher.
Chief Accountant	Manage the implementation of accounting and control procedures. Make timely payments in accordance with the terms of the contract
FM specialist	Review and approve all payments for adequate supporting documentation and conformity to budget.
Project director	Review, approve, and sign all payments.
M&E specialist	Oversee contracting activities to ensure compliance with contract policies and procedures.
MIS specialist	Enter all transactions and related information into the Project MIS

11.8 Travel Arrangements and Processing of Travel Related Expenditures

The Project has a budget allocated for workshops, study tours, and staff training courses. The following chart summarizes the transaction cycle for the approval of travel and travel expenditures.



“Business travel” means a trip of finite duration to fulfill assignments outside the office. Business travel requires the approval of the Project director. The travel schedule must be approved and signed by the human resources specialist.

The human resources specialist shall prepare an order for an employee’s business travel. A scanned copy shall be posted in the IC system, and the data shall be entered in the attendance time sheet. A Travel

Certificate shall be provided in one copy and signed and stamped by the organization upon the employee's departure.

Permissible travel expenses are calculated as the approximate cost of travel in both directions, plus accommodations and a per diem.

An advance report on the use of funds shall be provided by the accountable person within five business days after returning from a business trip. The advance report should be an account of the trip detailing sites visited, durations, dates, locations, and the objective of the trip. The report shall be accompanied by all necessary supporting documents: receipts, invoices, statements, contracts for transport services, receipts for and statement of work accomplished, a copy of the certificate, and the insurance policy with the date and scope of services. Any unused funds appropriated for the travel shall be returned to the cashier or transferred to the Project transit account.

Travel expenses within the territory of the Republic of Uzbekistan shall be paid according to the Resolution of the Ministry of Finance of the Republic of Uzbekistan, Ministry of Labor and Social Protection of the Population of the Republic of Uzbekistan No. 1268, dated August 29, 2003, "On approval of instructions on business trips within the Republic of Uzbekistan."

Travel expenses outside the territory of the Republic of Uzbekistan shall be paid according to the Order of the Ministry of Finance of the Republic of Uzbekistan No. 92, dated October 19, 2015, "Regulations on the procedure for issuing funds for travel expenses to employees of ministries, departments, enterprises, and organizations outside the Republic of Uzbekistan."

11.9 Payroll

Salaries are calculated at a rate that depends on the status of the employee and an attendance time sheet. Timesheets of personnel shall be filled monthly in hard copy and uploaded to the 1C system. The timesheet shall be signed by the human resources specialist and the FM specialist, and must be approved, in hard copy, by the Project director. The FM specialist then prepares the Payroll Sheet and submits it to the chief accountant for approval. The chief accountant verifies the accuracy of calculations and its compliance with the labor rate and the actual attendance time sheet, and ensures that all taxes and mandatory payments have been deducted in accordance with Uzbek law.

Wages, salaries, sick leave, deductions from wages, income tax, and contributions for social insurance shall be calculated in the payroll, which is to be signed by a disbursement specialist and by an authorized signatory. An electronic version of the payroll shall be sent by e-mail to a commercial bank, which shall credit the respective salaries to each employee's personal bank account. Payment shall be made in UZS, not later than 15 days following submission of invoices, at the exchange rate of the Central Bank of the Republic of Uzbekistan prevailing on the last business day of the month.

Remuneration during a period of temporary disability shall be made on the basis of sick leave issued by medical institutions.

The types of holidays, the procedure for providing, calculating the duration of holidays, and monetary compensation for unused vacation are determined in accordance with Articles 133-152 of the Labor Code.

The calculation of the average wage for vacation pay is made in accordance with Appendix N 6 to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 03.03.1997 N 133.

11.10 Operational Support to MCAs and MDUs

During the Project implementation period, the Project may fund costs for MCAs and Mahalla Development Units (MDUs) associated with organizing qishloq-wide meetings and carrying out qishloq-level outreach activities, such as those related to sanitation and hygiene awareness-raising campaigns.

The community mobilization specialist is responsible for administrative support and supervision and reporting for the Project as a whole.

The budget ceiling for operational support to MCAs and MDUs may not exceed the local-currency equivalent of USD 2,500 for each qishloq.

To receive these funds, MCAs and MDUs should submit a written application to the regional PIU that includes a description of the proposed activity and a proposed budget. This application should be signed and approved by MCA/MDU members before it is submitted to the regional PIU.

BUDGET FOR A PROPOSED ACTIVITY

Title	Physical unit	Quantity	Unit price (USD)	Total amount (USD)	Note
Total:					

After studying the documents on project proposal provided by the regional PIU ESSS the Community mobilization specialist prepares an order to finance operational support of the Qishloq participating in the project.

The MCA and the MDU are responsible for local development activity implementation. All payments to suppliers for work performed or services rendered must be made from the DAs of the PIU.

MCA/MDU members will be responsible for filing the Operational Support Implementation Report Form (annex VIII) in a timely fashion. This form must be signed by the MCA/MDU members who prepared it before it is submitted it to the regional PIU. They must complete the form within 15 calendar days after completion of the implementation process. This report must be sent to the corresponding regional PIU within the 15-day window.

Regional ESSS with Financial & Accounting specialist will be responsible for collecting the reporting form from all MCAs/MDUs under their jurisdiction and sending this information in electronic form to the PIU in Tashkent for verification, copying their respective region. Once verified, the collected report will be submitted to the PIU.

QFs and QEs will carry out the monitoring and on-site support at the district level. The on-site monitoring will not only cover pertinent aspects of the physical and financial implementation pace of the proposal, but it will also assess the degree to which the proposal is addressing the issues presented in the proposal. The on-site monitoring will also review the use of the funds against the proposal's budget. On-site visits to qishloqs and monitoring the implementation of project proposals will take place monthly and cover all qishloqs in a given district.

In the event of a breach or abuse of this funding by the MCA/MDU, the QF and QE will report the situation without delay to the PIU through the regional PIU, reviewing the facts.

The regional PIU will also from time-to-time conduct on-site monitoring of projects in randomly selected qishloqs.

12 FIXED-ASSET MANAGEMENT

Fixed-asset management is an important process that tracks fixed assets for financial accounting purposes, to keep up with required maintenance, and to deter theft. Adequate fixed-asset maintenance also increases the sustainability of the Project.

Fixed-asset management has three elements that require the attention of the FM specialist:

- purchasing equipment
- setting up and maintaining an asset register including verification
- setting up a plan for the disposal or handover of assets once the Project is completed

Accounting and reporting for property, plant, and equipment (PPE) shall be performed in accordance with UZ GAAP for local statutory reporting. The Project's fixed assets are carried at cost (including all costs necessary to bring the asset to working condition for its intended use), less accumulated depreciation and impairment. Depreciation is done on a straight-line basis over the estimated useful life of each part of an item of equipment. For WB reporting, the PIU will apply the IPSAS for treatment of PPE in Project financial records and reporting.

Revaluation of fixed assets is carried out annually in accordance with the requirements of the laws of the Republic of Uzbekistan as of January 1, 2020.

12.1 Purchase of Equipment

All procurement and payments for Project equipment will be processed in line with the guidance provided in the procurement section of the PPM. The Project chief accountant should assign a unique, sequential asset number to all furniture and equipment items purchased (excluding minor items such as stationery). Each item of equipment must be recorded in the fixed-asset register.

12.2 Asset Register

The Project chief accountant must maintain a register of all Project equipment. This will be recorded in the asset-management module of the accounting software. The asset register should record the following information for each individual piece of equipment: (i) asset description, (ii) asset number, (iii) serial number of the item, (iv) officer responsible for the asset, (v) funding of asset (WB, government, etc.), (vi) location and date of purchase of the asset, and (vii) estimated life of the asset.

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

Asset registry tags should be attached to each fixed asset, indicating the asset's assigned inventory number.

12.3 Asset Verification Review and Inventory Process

Inventories comprise spare parts, equipment, and other materials. Cost includes the cost of purchases (including taxes, transport, and handling) net of trade discounts received, costs of conversion (including fixed and variable manufacturing overheads), and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the FIFO method. For WB reporting, the PIU will apply the IPSAS for the treatment of Project inventories in financial records and reporting.

The main objectives of an inventory count are identification of the actual availability of property, comparison of this availability to accounting data, and checking for completion of obligations.

The Project chief accountant must ensure that a verification count of all equipment recorded in the fixed-asset register is performed at least once a year according to the National Accounting Standards of the Republic of Uzbekistan (NSBU) No. 19 "Organization and Carrying Out Inventory Count" (reg. No. 833 of November 2, 1999). An annual physical inventory of fixed assets is carried out at the end of each calendar year during the life of the Project by order of Project director. The order for an inventory of property includes the creation of an inventory commission, the designation of responsible persons, and a timetable for the inventory.

The inventory should include the following checks:

- Verify that all equipment is still held in the location recorded in the register.

- Check that equipment is still in a reasonable state of repair.
- Investigate discrepancies between the verification results and the fixed-asset register.

Where assets are missing or seriously damaged, they should be removed from the asset register in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of December 31, 2009, No. 343, “About approval of the Regulations on procedure for realization of fixed assets and incomplete construction of facilities of state-financed organizations and state unitary enterprises, and also distributions of money from their realization.”

The verification review must be performed by staff other than those who use the equipment, to ensure the proper segregation of duties.

12.4 Vehicle Maintenance and Fuel

Drivers are required to record all trips and fuel refills in a Route Sheet and collect all supporting documentation (invoices, etc.). The vehicle Route Sheet secures control over the use of the cars and fuel consumption. Fuel distribution is handled by the office manager.

The driver or other designated person procures a number of petrol coupons according to the actual needs of the PIU. Payment is made through the CBC of the PIU or by some other means allowed by law. For official missions, a special cash provision is given to mission leaders to allow them to purchase fuel (at reputable gas stations) during the trip.

Based on drivers’ reports, vehicle routes, and distances traveled, the disbursement specialist shall write off gasoline and lubricant consumption by each vehicle in compliance with the norms specified in the data sheet. The fuel balance in the tank at the end of the month shall be used the following month. Provision of fuel and lubricants shall be strictly limited per vehicle per month in accordance with Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of April 02, 1999, No. 154 “About streamlining the use of official cars in organizations financed from the budget.” Fuel shall be replenished over the limit, if necessary, in the event of business trips using a vehicle, and the driver shall be seconded in accordance with the order signed by the Project director.

Vehicle safety shall be the responsibility of the drivers in accordance with the agreement on material liability signed by the driver and Project director. Drivers must ensure that cars are parked in a secure area when not in use. Drivers are required to monitor the maintenance of their assigned vehicles, under the supervision of the PIU. Drivers must notify the PIU of maintenance needs so that the cars can be serviced on a timely basis. Cars must always be taken to the garage designated by the PIU for repairs and maintenance.

The Project chief accountant should, on a monthly basis, review the mileage, fuel usage, and service record as reported in the Route Sheet of each car and compare these with the official invoices and travel authorizations to make sure the numbers are accurate.

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

A vehicle history log shall be maintained by the office manager. Samples of a Route Sheet and a vehicle history log are provided in annexes X and XI.

13 AUDIT ARRANGEMENTS

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

In accordance with the WB General Conditions and the WB Guidelines for Project Audits, the PIU must have its financial statements audited by an external auditor acceptable to the WB. The audited financial statements must be sent to the WB no later than six months after the end of the fiscal year. The WB guidelines for project audits are available at <http://www.WB.org/pub/basic/index.htm>.

13.1 The Audit Cycle and Appointing the Auditor

The complete audit cycle is divided among three main roles, performed by the FM specialist and the PIU, the auditor, and the WB.

The FM specialist and the PIU will:

- prepare ToRs for the audit and submit these in a timely fashion to the WB for no-objection;
- manage the selection of the auditor (if relevant);
- appoint the auditor;
- prepare the financial statements for reporting period;
- make all necessary financial information available to the auditors;
- respond to the audit findings and recommendations (PIU only); and
- submit the audit report to the WB no later than six months after the end of the Project fiscal year.

The Auditor will:

- perform the audit work, including the three audit opinions;
- indicate any ineligible expenditures; and
- provide a management letter.

The WB will:

- provide a no-objection to the auditor's ToRs;
- monitor the submission and review of audit reports for timeliness; and
- follow up with remedial action or apply sanctions or remedies, including suspension of disbursement or cancellation of the loan balance.

13.2 ToRs for Auditors and the Engagement Letter

When appointing an auditor, the FM specialist must ensure that the following steps are taken:

- The FM specialist /PIU prepares ToRs for the auditor and sends it to the WB for review and no-objection.
- The WB communicates a no-objection to the borrower.
- The FM specialist /PIU initiates the procurement process using the agreed ToRs.
- The FM specialist /PIU informs the WB of the name of the proposed auditor and the procurement process followed for the selection.
- The WB communicates to the borrower a no-objection to the selection of proposed auditor.
- Upon performance of the necessary due diligence, the FM specialist /PIU appoints the auditor.
- The appointed auditor issues a formal engagement letter.

When preparing auditor ToRs, the FM specialist should include the following:

- a description of the employing Project authority or entity
- the term of the auditor's engagement—whether it is for a fiscal year or some other period
- the description and timing of financial statements and other materials to be provided by Project management for the audit
- terms for delivery of the audit report
- a specification that the audit be carried out in accordance with internationally accepted auditing standards
- a management letter

- a statement of Project records, documents, and personnel available to the auditor
- procedures for submission of a proposal and work plan by the auditor

The contents of the ToRs should include:

- a description of the entity engaging the auditor and whether it is acting on behalf of, or is a constituent part of, a larger entity
- legal and general descriptions of the Project and the PIU, in sufficient detail to enable the auditor to understand their nature, objectives, and activities

The following additional information should also be considered:

- organizational charts
- names and titles of managers
- names and qualifications of officers responsible for financial management, accounting, and internal audits
- the name and address of any existing external auditor, if a change is being made
- description of information technology facilities and computer systems in use
- copies of the latest financial statements, the financing agreement, minutes of financing negotiations, Project design documents, and the annual work program and budget if it is available

A sample of ToRs for financial audits is provided in annex XIII.

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

13.3 The Audit Report

The audit report must include the following elements, which should also be reflected in the auditor's ToRs:

- an opinion on the Project's financial statements
- a separate opinion on the eligibility of expenditures included in the Statement of Expenditure Procedure
- a separate opinion on whether the use of the Special Account/Designated Account is in compliance with the financing agreement
- the reliability of the reporting system that produces the IFRs has to be assessed

In addition to the audit report, the independent auditor will prepare a management letter. This will include comments and recommendations on the adequacy of the Financial Management system and the system of internal controls. The management letter should also include a follow-up section on the status of implementation of previous years' recommendations.

14 WB SUPERVISION

Two FM supervisions will be carried out per year once the Project goes into effect. The supervision visits will include review of the primary documents and visits to the construction sites. The Project will be subject to extensive supervision from the WB during the whole implementation period to ensure that PIU fiduciary requirements are completed on time and to minimize the Project's fiduciary risk.

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

The WB supervision of the Project includes the following measures:

- monitoring the timely submission of audit reports and review of those reports
- verifying compliance with audit recommendations and recommendations made by past supervision missions
- monitoring the timely submission of periodic financial reports and reviewing those reports
- monitoring disbursement rates and the quality of received Withdrawal Applications
- ad-hoc (on a needs basis, with prior notification), annual, or semiannual Financial Management supervision missions

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

When preparing for, and during, a WB supervision mission, the FM specialist will be asked to do the following:

- Update and make available for the mission the Project financial information and especially the incurred expenditures, by component, by category, and by financier, as of the last day of the preceding month.
- Update and make available reports on the status of counterpart funding; e.g., has the borrower/PIU made financing proceeds available to the Project as planned
- Provide a walkthrough of the existing accounting system, including its main modules, budgeting, accounting, financial reports, and fixed-asset register, as well as the security settings in use
- Facilitate checking of the internal controls by providing a system walkthrough to ensure that approved procedures are consistently being followed.
- Make available Withdrawal Applications, Statements of Expenditures, and all supporting documentation regarding expenditures claimed under the SoE thresholds to verify the adequacy, completeness, and validity of claims.
- Make available evidence of the qualifications and educational background of financial staff, including an organogram of the PIU, CVs, ToRs of each position, and the PIU training plan.
- Update and make available a complete fixed-asset register and facilitate a test check of the physical existence of the assets.
- Make available written procedures regarding financial operations such as the processing of transactions, the financial administration manual, the accounting manual, fixed-asset maintenance, and records management, as well as the PIU's anticorruption policy and whistle-blowing procedures.
- Prepare and make available the updated bank account reconciliation statement and bank account statements for all Designated Accounts and Project accounts.
- Arrange a meeting with the auditors and any other party requested by the mission.
- Make available all necessary documentation and contracts regarding procurement not subject to prior review.
- Provide an update on the actions taken regarding past audit recommendations, as well as action points outlined in the past Aide Memoires.
- Make available the most recent AWPBs and annual and semiannual reports.
- Participate in report writing if necessary.

15 LOAN COMPLETION AND CLOSING

The closing of the loan/grant is due six months after the Project completion date. Both the completion and the closing date of the loan have financial implications for the Project management, such as development

and submission of a recovery plan, ensuring eligibility of expenditures, and submission of the necessary documents outlined below. Please also refer to the Disbursement Handbook.

15.1 Recovery plan

To ensure that the Designated Account is completely justified in a timely manner, the FM specialist /PIU must develop and submit to the Bank a so-called recovery plan outlining the percentages per Withdrawal Application that will be recovered and paid, respectively. The recovery plan should be submitted to the bank around six months before the completion date, or when the outstanding balance (the amount still undisbursed by the WB) is less than twice the authorized allocation.

15.2 Loan Completion

As defined in the financing agreement, the completion date of the loan is its fifth anniversary; that is, five years after it entered into force. By the completion date, all Project activities must have been finalized. Payments can be made after the completion date, as long as the commitments/contracts are signed prior to the completion date. Activities that have continued after the completion date are considered ineligible expenditures and therefore cannot be financed by the WB.

After the completion date, but no later than the closing date (six months after the completion date), the PIU can still incur expenditures related to so-called winding-up expenses; e.g., final audit, Project Completion Report, salaries of Project staff involved in winding-up activities, PIU maintenance costs, or a Project completion workshop.

15.3 Loan Closure

The Bank requires the following from the PIU in order to close the loan:

- confirmation of last Withdrawal Application
- submission of final audit report
- submission of Project Completion Report

The final audit report must cover the final Project year up to the final expenditures, and it can be paid from the available loan balance by using, for example, direct payment or reimbursement of prefinanced expenditures.

16 REFERENCES

Disbursement Handbook for World Bank Clients, May 2006 (available on Client Connection website).

Disbursement Guidelines for Projects, May 2006 (available on Client Connection website).

Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants, January 2011.

Financial Accounting, Reporting, and Auditing Handbook (FARAH).

Reference Material to the Financial Management Manual for World Bank–Financed Investment Operations (March 2010): RM 3 - Financial Reporting and Auditing.

Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers, January 2011.

Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of April 5, 2012 No. 101 "About enhancement of archiving in the Republic of Uzbekistan" (as amended on 20.12.2017).

Law of the Republic of Uzbekistan of June 15, 2010 No. ZRU-252 "About archiving" (as amended on 08.01.2019).

Order of the Ministry of Finance of the Republic of Uzbekistan of October 9, 2003 No. 114 "About approval of the National accounting standard of the Republic of Uzbekistan (NSBU No. 5) "Fixed assets" (as amended on 22.10.2018).

National Accounting standard of the Republic of Uzbekistan NSBU No. 19 *"Organization and carrying out inventory count"* is approved by the Ministry of Finance of the Republic of Uzbekistan on October 19, 1999 No. EG/17-19-2075 (as amended on 05.01.2018).

Order of the Ministry of Finance of the Republic of Uzbekistan of June 15, 2006 No. 52 *"About approval of the National accounting standard of the Republic of Uzbekistan (NSBU No. 4) "Inventory stocks"* (as amended on 02.06.2017).

Resolution of the Ministry of Finance of the Republic of Uzbekistan, the Ministry of Labor and Social Protection of the Population of the Republic of Uzbekistan dated August 29, 2003 №1268 *"On approval of instructions on business trips within the Republic of Uzbekistan"*.

Order of the Ministry of Finance of the Republic of Uzbekistan dated November 19, 2015 №92 *"Regulations on the procedure for issuing funds for travel expenses to employees of ministries, departments, enterprises and organizations outside the Republic of Uzbekistan"*.

Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of December 31, 2009 No. 343 *"About approval of the Regulations on procedure for realization of fixed assets and incomplete construction of facilities of state-financed organizations and state unitary enterprises, and also distributions of money from their realization"*.

17 ANNEXES

Annex I. TORs for the Financial Management Staffs

Title of position:	Financial Management Specialist
Project title:	«Rural Infrastructure Development Project (Qishloq Infratuzilmasini Rivojlantirish Loyihasi)»
Duty Station	Tashkent

I. Background

The “Rural Infrastructure Development” Project (RIDP) will be implemented by the Ministry of Economic development and poverty reduction in 21 districts of Uzbekistan (Ferghana, Andijan, Namangan, Syrdarya and Jizzakh regions). The RIDP’s development objectives are to improve the quality of basic infrastructure and strengthen participatory local governance processes in selected villages (qishloqs). The RIDP is financed by the World Bank (WB) and Asian Infrastructure Investment Bank (AIIB).

The Financial Management Specialist will be responsible for the fulfillment of financial management requirements of the World Bank and fulfilling other responsibilities as delegated by the Government of Uzbekistan, specifically by the Project Implementation Unit established at the Ministry of Economic Development and poverty reduction, to support the successful implementation of the RIDP. This includes *inter alia*, ensuring compliance with relevant World Bank policies and procedures for implementation of project activities for the achievement of the project development objectives.

The Financial Specialist in his/her activity shall be guided by:

- Terms and conditions of the Financing Agreement concluded between the Republic of Uzbekistan and the International Development Association (IDA), as well as with the AIIB.

- The World Bank rules and procedures described in the "World Bank Disbursement Guidelines for the implementation of projects." and other WB policies and procedures.
- The Project Operational Manual (including annexes) found acceptable to the WB.
- The feasibility study and the Procurement Plan agreed by the World Bank and other relevant guidance, directives and procedures of the World Bank.
- Legislative and regulatory acts of the Republic of Uzbekistan.

II. Description of duties

The main duties of the PIU Financial Specialist include but not limited to the following:

- Ultimate responsibility for the Project financial management and reporting;
- Responsible for setting up the Project financial, accounting and reporting cycles (including installation of a functional accounting software) to ensure the readiness of the FM arrangements;
- Coordinate the work of regional PIU's Financial & Accounting specialists as well as work of Project FM staff (e.g. chief accountant, disbursement specialist, etc.) at the central PIU at MoED and at regional level;
- Supervision and direct execution, guidance and further support of the activities specified in Project Operational Manual and other project-related documents;
- Receive, review and summarize the reports of entities in charge and preparation of on-line reports and reports on actual utilization of the Project funds;
- Work with databank on payments of the World Bank;
- Preparation of quarterly unaudited interim financial reports prepared in accordance with Cash Basis to the World Bank in the form and content agreed with the World Bank and other reports in line with national or international standards;
- Prepare withdrawal applications for the Loan Disbursement via eDisbursement World Bank Module;
- Use the World Bank's Client Connection platform in project-related operations to provide transparent financial management;
- Prepare annual project financial statements as per the World Bank requirements, make annual project financial statements ready for audits. Assisting, in consultation and coordination with the accounting office (Project chief accountant, Disbursement Specialist) in replenishment of the current soum and special foreign currency accounts using credit, budget and grant funds;
- Develop and approve the Project expenditures budget, budget estimate, including the complete breakdown of expenditures according to the applicable requirements;
- Manage Project budgeting according to respective implementation and procurement plans, approved budget ceilings (cost estimates, etc.);
- Organize and ensure budgetary control (execution of the budget, utilization of funds, bottlenecks for overall budget performance, etc.), and the provision of timely payments;
- Open and manage the Project designated account(s) (including Project other sub-accounts as may be requested for project implementation, e.g. UZS account), and ensure timely and duly reconciliation of the accounting, bank, and other records (financial obligations, performance of contractual obligations, etc.) with Project counterparts;
- Ensure accounting of Project expenditures in compliance with the procedures of the World Bank and legislation of the Republic of Uzbekistan;
- Coordinate the preparation of the documents for participants, suppliers and contractors, and regularly receive advance to Designated Account to be able to conduct payments on time; Timely manage the preparation of the required documents for the Ministry of Finance to enable Government co-financing (related to operation of Single Engineering Services) being provided on time;
- Prepare and submit Statement of Expenditures at least quarterly;
- Perform monthly reconciliations between the designated account(s) balance recorded on bank statements and local cash book balance, recorded on the system;
- Provide operational and strategic support to the PIU staff on managing and running the PIU activity to ensure timely and due preparation of the project activities and deliverables;

- Review and control:
 - procurement orders, ensuring their compliance with the budget;
 - financial activities and payment terms on all contracts prior to their signing;
 - invoices for payment after receiving of acknowledging documents on the terms of a contract;
- Ensure timely and due support for the audit of project and project accounts as per requirements acceptable to the World Bank, following up with all audit recommendations and actions to resolve the issues raised in the Management Letter, ensuring timely submission of audit reports to the World Bank;
- Ensure proper and due records management and records-keeping of the Project documentation as per requirements of the World Bank and local legislation;
- Work closely with MoED staff, Ministry of Finance, Ministry of Investments and Foreign Trade, and other state agencies and local authorities involved in the Project implementation, as well as with the World Bank on all the issues of Project financial management in agreement with MoED;
- Supervise and ensure due annual and other inventory of procured goods and services.
- Participate in the FM and disbursement related training s and workshops as may be organized by the World Bank; other relevant duties as requested.

III. Qualification requirements

- Higher Education in Accountancy, Finance, Economics, or relevant equivalent.
- At least 5 years at the similar role in a public or private organization. Prior work experience at organizations implementing investment projects financed by IFIs is preferable;
- Excellent knowledge of Uzbek and/or Russian. Working English fluency is a must;
- Familiar with National Accounting Standards, knowledge of International Financing Reporting Standards is required;
- Strong skills in 1C-Accounting system - experienced user;
- Knowledge of local regulations: accounting, taxation is required. Knowledge of international development partners' projects implementation regulation will be an advantage.
- Ability to communicate effectively, verbally and in writing.

IV. Reporting and duration of assignment

The Consultant under this assignment will report to PIU Director.

The candidate will be hired for the Project implementation period. The probation period is three months.

The contract will be drawn for the period of project implementation period.

Title of position:	Chief Accountant
Project title:	«Rural Infrastructure Development Project (Qishloq Infratuzilmasini Rivojlantirish Loyihasi) »
Duty Station	Tashkent

I. Background

The “Rural Infrastructure Development” Project (RIDP) will be implemented by the Ministry of Economic development and poverty reduction in 21 districts of Uzbekistan (Fergana, Andijan, Namangan, Syrdarya and Jizzakh regions). The RIDP’s development objectives are to improve the quality of basic infrastructure and strengthen participatory local governance processes in selected villages (qishloqs). The RIDP is financed by the World Bank (WB) and Asian Infrastructure Investment Bank (AIIB).

The chief accountant will be responsible for assisting with the fulfillment of financial management requirements of the World Bank and fulfilling other responsibilities as delegated by the Government of Uzbekistan, specifically by the Project Implementation Unit established at the Ministry of Economic development and poverty reduction, to support the successful implementation of the RIDP. This includes *inter alia*, ensuring compliance with relevant World Bank policies and procedures for implementation of project activities for the achievement of the project development objectives.

The chief accountant in his/her activity shall be guided by:

- Terms and conditions of the Financing Agreement concluded between the Republic of Uzbekistan and the International Development Association (IDA), as well as with the AIIB.
- The World Bank rules and procedures described in the "World Bank Disbursement Guidelines for the implementation of projects." and other WB policies and procedures.
- The Project Operational Manual (including annexes) found acceptable to the WB.
- The feasibility study and the Procurement Plan agreed by the World Bank and other relevant guidance, directives and procedures of the World Bank.
- Legislative and regulatory acts of the Republic of Uzbekistan.

II. Description of duties

The main duties of the PIU chief accountant include but not limited with followings:

- Preparation of payment orders, draft agreements on currency sale, statements on opening credits, cash plans and other bank documents;
- Regular receipt and reconciliation of bank statements of all accounts from commercial bank and monthly summary cash-flow certificates;
- Review and sign all reconciliations;
- Receive and prepare draft reports of entities in charge and preparation of on-line reports and reports on actual utilization of the Project funds;
- In coordination with the FM Specialist work with databank on payments of the World Bank;
- In coordination with the FM Specialist prepare draft quarterly unaudited interim financial reports prepared in accordance with the requirements set by the World Bank (e.g. Cash Basis approach, etc.) and in the form and content agreed with the World Bank and other reports of the executive Agency in line with international standards;
- Keeping record on submitted certificates of executed works by contracting organizations, conduct payments on time, quarterly verification of payments, ensuring the storage of the supporting documents in well organized, structured and prescribed by the local legislation manner;
- Assist in preparation of annual project financial statements, annual project financial statements ready for audits and timely accommodation of external audit;

- In collaboration with the FM Specialist provide to auditors the supporting and other documents required in the course of audit, and assist the timely and due submission of the audited project financial statements to the World Bank;
- Supporting, in consultation and coordination with the PIU Director, FM Specialist and other specialists, the replenishment of the current som and special foreign currency account using credit, budget and grant funds as per project needs;
- Preparation of documents on the issues regarding finance, accounting and reporting, internal controls, taxes, statistics, as well as for the superior state and other bodies;
- Assist in preparation of draft annual, quarterly and monthly financing plans and their inclusion in the Project budget (addressee list, estimates, schedule of payments);
- Prepare monthly comparison between the actual and budgeted amount, and submit it to the FMS;
- Supporting timely and duly preparation of the required documents to the Ministry of Finance and other state agencies to enable the Government co-financing being provided on time, if applicable;
- Participate in the workshops, trainings, seminars, etc., organized by the World Bank (or the World Bank partners) related to the financial management, accounting, budgeting and etc.;
- Enter data into the 1C software for the project purposes;
- Filing the financial records created or received by the project;
- Archiving the financial records on a regular basis;
- Verification and signing of all invoices, invoices for the release of material assets, income and expenditure warrants for the issuance of wages and other payments, power of attorney to receive material values;
- Accounting of travel expenses of PIU, ensuring the availability of all necessary documents;
- Control over the appropriateness and economical expenditure of funds provided in the cost balances (taking into account the changes made to them in accordance with the established procedure), in accordance with the intended purpose, as well as the safety of money and material assets;
- Check each suppliers' invoice for accuracy and compliance with purchase order and agreement;
- Review the payment and the accuracy of the accounting record, and post the disbursement journal to the General Ledger;
- Maintain, and coordinate the implementation of accounting and control procedures, make timely payments in accordance with the terms of the contract;
- Determine the procedures for acceptance of goods, works and services;
- Formulate the rules for payment of invoices;
- Support the Office of Finance, Accounting and Reporting at the MoED as relates to the record-keeping and documentation on all goods, services and conducted training;
- Keep accounting of the Project;
- Other relevant duties as may be required and requested by the PIU management, the World Bank requirements and etc. that will be related to the project implementation.

III. Qualification requirements

- Higher Education in Accountancy, Finance, Economics, or relevant equivalent;
- At least 3 years at the similar role in a public or private organization. Prior work experience at organizations implementing investment projects financed by IFIs is preferable;
- Excellent knowledge of Uzbek and/or Russian. Knowledge of English is an advantage;
- Knowledge of National Accounting Standards is a must, knowledge of International Financing Reporting Standards is preferable;
- Strong skills in 1C-Accounting system experienced user;
- Knowledge of local rules in regulations in respect of implementing investment projects is highly preferable;
- Ability to communicate effectively, verbally and in writing.

IV. Reporting and duration of assignment

The Consultant under this assignment will report to PIU Director and FM specialist.

The candidate will be hired for the Project implementation period. The probation period is three months.

The contract will be drawn for the period of project implementation period.

Title of position:	Disbursement Specialist
Project title:	«Rural Infrastructure Development Project (Qishloq Infratuzilmasini Rivojlantirish Loyihasi)»
Duty Station	Tashkent

I. Background

The “Rural Infrastructure Development” Project (RIDP) will be implemented by the Ministry of Economic development and poverty reduction in 21 districts of Uzbekistan (Fergana, Andijan, Namangan, Syrdarya and Jizzakh regions). The RIDP’s development objectives are to improve the quality of basic infrastructure and strengthen participatory local governance processes in selected villages (qishloqs). The RIDP is financed by the World Bank (WB) and Asian Infrastructure Investment Bank (AIIB).

The Disbursement Specialist will be responsible for assisting with the fulfillment of financial management requirements of the World Bank and fulfilling other responsibilities as delegated by the Government of Uzbekistan, specifically by the Project Implementation Unit established at the Ministry of Economic development and poverty reduction, to support the successful implementation of the RIDP. This includes *inter alia*, ensuring compliance with relevant World Bank policies and procedures for implementation of project activities for the achievement of the project development objectives.

The Disbursement Specialist in his/her activity shall be guided by:

- Terms and conditions of the Financing Agreement concluded between the Republic of Uzbekistan and the International Development Association (IDA), as well as with the AIIB.
- The World Bank rules and procedures described in the "World Bank Disbursement Guidelines for the implementation of projects." and other WB policies and procedures.
- The Project Operational Manual (including annexes) found acceptable to the WB.
- The feasibility study and the Procurement Plan agreed by the World Bank and other relevant guidance, directives and procedures of the World Bank.
- Legislative and regulatory acts of the Republic of Uzbekistan.

II. Description of duties

The main duties of the PIU Disbursement Specialist include but not limited with followings:

- Timely and proportional recovery of advances paid from subsequent payments to suppliers/contractors/consultants in accordance with the contract and bank guarantee terms;
- Register the bank guarantees in registration book, verify its compliance to the sample formats acceptable to WB, constantly monitor approaching the bank guaranty expiration date;
- Prepare Payment Order;
- Record the payment in the accounting system;
- Print the Journal voucher and sign as preparer;
- Prepare wire transfer and deliver the payment with supporting documents to the chief accountant for review and approval;
- Record the payment in the disbursement journal;
- Prepare Payment Order, Record the payment in the accounting system, Print the Journal voucher;
- Regular receipt of bank statements of all accounts from commercial bank and monthly summary cash-flow certificates;

- Assist in the implementation of all the project activities related to the management of costs and finance;
- Explain the Guidelines for business travel expenses (approval, type of expenditure, billing, etc.) to the PIU staff and other relevant partners;
- Review and process requests for travel and activity advances and accurately reconcile advances upon completion of travel or activities;
- Ensure that all project-related transactions are conducted, processed, and recorded as per 1C “Buxgalteriya” system of Chart of Accounts;
- Perform a physical count of the available funds in the corporate plastic cards and the total funds to the total amount of invoices and prepare a reconciliation form;
- To control over keeping records of issued powers of attorney for receiving material values, as well as for their intended use;
- To ensure full accounting of incoming cash, inventory and fixed assets, as well as timely reflection in the accounting of transactions related to their movement;
- Other relevant duties as may be required and requested by the PIU management, the World Bank requirements and etc. that will be related to the project implementation.

III. Qualification requirements

- Higher Education in Accountancy, Finance, Economics, or relevant equivalent.
- At least 3 years at the similar role in a public or private organization. Prior work experience at organizations implementing investment projects financed by IFIs is preferable;
- Excellent knowledge of Uzbek and/or Russian. Knowledge of English is an advantage;
- Familiar with National Accounting Standards, knowledge of International Financing Reporting Standards is preferable;
- Strong skills in 1C-Accounting system experienced user;
- Knowledge of local rules in regulations in respect of implementing investment projects is highly preferable;
- Ability to communicate effectively, verbally and in writing.

IV. Reporting and duration of assignment

The Consultant under this assignment will report to PIU Director and FM specialist.

The candidate will be hired for the Project implementation period. The probation period is three months.

The contract will be drawn for the period of project implementation period.

Title of position:	Financial & Accounting specialist
Project title:	«Rural Infrastructure Development Project (Qishloq Infratuzilmasini Rivojlantirish Loyihasi) »
Duty Station	Fergana Valley/Jizzakh

I. Background

The “Rural Infrastructure Development” Project (RIDP) will be implemented by the Ministry of Economic development and poverty reduction in 21 districts of Uzbekistan (Fergana, Andijan, Namangan, Syrdarya and Jizzakh regions). The RIDP’s development objectives are to improve the quality of basic infrastructure and strengthen participatory local governance processes in selected villages (qishloqs). The RIDP is financed by the World Bank (WB) and Asian Infrastructure Investment Bank (AIIB).

The Financial & Accounting Specialist will be responsible for assisting with the fulfillment of financial management requirements of the World Bank and fulfilling other responsibilities as delegated by the Government of Uzbekistan, specifically by the Project Implementation Unit established at the Ministry of Economic development and poverty reduction, to support the successful implementation of the RIDP. This includes *inter alia*, ensuring compliance with relevant World Bank policies and procedures for implementation of project activities for the achievement of the project development objectives.

The Financial & Accounting Specialist in his/her activity shall be guided by:

- Terms and conditions of the Financing Agreement concluded between the Republic of Uzbekistan and the International Development Association (IDA), as well as with the AIIB.
- The World Bank rules and procedures described in the "World Bank Disbursement Guidelines for the implementation of projects." and other WB policies and procedures.
- The Project Operational Manual (including annexes) found acceptable to the WB.
- The feasibility study and the Procurement Plan agreed by the World Bank and other relevant guidance, directives and procedures of the World Bank.
- Legislative and regulatory acts of the Republic of Uzbekistan.

II. Description of duties

The main duties of the PIU Financial & Accounting specialist include but not limited with followings:

- As part of the finance team, ensure that WB financial management policies and procedures and WB regulations are strictly adhered to. This includes ensuring that all policy directives and various checklists circulated by PIU are implemented;
- Prepare and submit cash requirements for the field office on a bi-weekly basis to the central office in Tashkent and ensure that funds utilized in the field are properly accounted for;
- Manage all financial resources in the regional office as per RIDP policies and procedures and WB guidelines;
- Support RIDP in work planning and budgeting and providing training in financial management, as necessary;
- Work collaboratively with PIU central team in the preparation and submission of the PIU field wire requests on monthly basis (where necessary on ad-hoc basis), ensuring that monthly fund requests are accurate and complete. In addition, ensure weekly cash balances are prepared and submitted as per policy;
- Work as part of the finance team to ensure that all project financial and accounting tasks are accomplished accurately and in a timely manner;

- Execute timely preparation and processing of payments by ensuring that all expenses are reasonable, allowable, and properly allocated to the project. This includes liaising with procurement to ensure that all payments are adequately documented;
- Work closely with HR team in Tashkent in the management of personnel payroll and benefits accounting;
- Provide finance and administrative support to the region to ensure effective flow of information and activities in the region;
- Carry out finance instruction for field project staff and finance training for non-finance staff;
- Ensure that all project-related transactions are conducted, processed, and recorded as per 1C “Buxgalteriya” system of Chart of Accounts;
- Advise the field staff and senior management in Tashkent on any areas with potential to impact on systems of internal controls and procedures in the field;
- Ensure proper financial controls and appropriate segregation of duties are in place at the regional office;
- Work closely with the finance team in central office to address all monthly field report review comments from home office, including providing feedback for missing vouchers and outstanding information following review of payment documentation;
- Work closely with other RIDP staff members in developing and carrying out annual work plans;
- As a member of the finance team, ensure proper financial controls and appropriate segregation of duties are in place. Advise senior management on any areas with potential to impact on systems of internal controls and procedures;
- Maintain close coordination with RIDP staff on financial matters and advise them, as appropriate, on matters requiring their attention;
- Support the central office finance team with the preparation of field bi-weekly, monthly, and quarterly financial reports;
- Verify original vouchers and receipts and obtain the appropriate certifications;
- In the field, maintain a filing system of all field accounting documentation and ensure that relevant documentation is scanned and sent to the central office in Tashkent;
- Other accounting, financial and administrative tasks consistent with the overall scope of this position;
- Ensure adherence to relevant regulations and laws in case of incurred obligations and resulting expenditure;
- Other relevant duties as requested.

III. Qualification requirements

- Higher Education in Accountancy, Finance, Economics, or relevant equivalent.
- At least 3 years at the similar role in a public or private organization. Prior work experience at organizations implementing investment projects financed by IFIs is preferable;
- Excellent knowledge of Uzbek and/or Russian. Working English fluency is preferable;
- Familiar with National Accounting Standards, knowledge of International Financing Reporting Standards is preferable;
- Strong skills in 1C-Accounting system experienced user;
- Knowledge of local rules in regulations in respect of implementing investment projects is highly preferable;
- Ability to communicate effectively, verbally and in writing.

IV. Reporting and duration of assignment

The Consultant under this assignment will report to PIU Director.

The candidate will be hired for the Project implementation period. The probation period is three months.

The contract will be drawn for the period of project implementation period.

ANNEX II. Interim Un-audited Financial Reports (IFR)

Project Interim Un-audited Financial Reports (IFR)							
Report for THE Period ended _____ (Date)							
<i>Project Name: "Rural infrastructure development"</i>							
<i>Project #</i>							
<i>Implementing agency name: Ministry of Economic Development and Poverty Reduction (MoED)</i>							
<u>Table of contents</u>							
<u>Financial report</u>							
1A	Project sources and Uses of Funds						
1B	Uses of Funds by Project Components						
1C	Project balance sheet						
1D	Designated Account(DA) Statement						
1E	SOE Withdrawal Schedule						

Project Name: "Rural infrastructure development"										
Project #										
Project Sources & Uses of Funds										
For the period from to (in USD Currency)										
	Actual			Planned			Variance			PAD
	Current quarter	Year to Date` YTD	Cumulative to Date	Current quarter	Year to Date` YTD	Cumulative to Date	Current quarter	Year to Date` YTD	Cumulative to Date	Life of Project
Opening Working Capital	x	x	x	x	x	x	x	x	x	x
- Designated account_USD 1	-	-	-	x	x	x	x	x	x	x
- Designated account_USD 2										
- Transit account_USD		-	-	x	x	x	x	x	x	x
- Special account_UZS	-	-	-	x	x	x	x	x	x	x
Total	-	-	-	x	x	x	x	x	x	x
Sources of Funds -WB	x	x	x	x	x	x	x	x	x	x
Direct Payments	-	-	-	x	x	x	x	x	x	x
Replenishment of DA	-	-	-							
Reimbursement										
SC										
SubTotal	-	-	-	x	x	x	x	x	x	x
Sources of Funds -AIIB										
Direct Payments										
Replenishment of DA										
Reimbursement										
SC										
SubTotal										
Foreign Exchange Difference (* -loss, +gain)	-	-	-	x	x	x	x	x	x	x
Total	-	-	-	x	x	x	x	x	x	x
Less:				x	x	x	x	x	x	x
Uses of Funds, by Project Component	x	x	x	x	x	x	x	x	x	x
Component 1: Demand-driven investments in basic infrastructure and services and local governance capacity support	-	-	-	-	-	-	-	-	-	-
Component 2: Project management, monitoring and evaluation, and capacity building	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Closing Working Capital	x	x	x	x	x	x	x	x	x	x
- Designated account_USD 1	-	-	-	x	x	x	x	x	x	x
- Designated account_USD 2										
- Transit account_USD				x	x	x	x	x	x	x
- Special account_UZS	-	-	-	x	x	x	x	x	x	x
Total	-	-	-	x	x	x	x	x	x	x
Discrepancy	-	-	-							

Project Name: "Rural infrastructure development"

Project #

Uses of Funds by Project Activity
For the period from _____ to _____ (in USD Currency)

Project Activities	Actual			Planned			Variance			PAD
	Current quarter	Year to Date` YTD	Cumulative to Date	Current quarter	Year to Date` YTD	Cumulative to Date	Current quarter	Year to Date` YTD	Cumulative to Date	
Component 1: Demand-driven investments in basic infrastructure and services and local governance capacity support	-	-	-	-	-	-	-	-	-	-
Subcomponent 1a: Demand-driven investments in basic infrastructure and services	-	-	-	-	-	-	-	-	-	-
Subcomponent 1b: Communications and community outreach, citizen engagement, local governance capacity building	-	-	-	-	-	-	-	-	-	-
Component 2: Project management, monitoring and evaluation, and capacity building	-	-	-	-	-	-	-	-	-	-
Total Project Expenditure	-	-	-	-	-	-	-	-	-	-

NOTES:

Project Name: "Rural infrastructure development"			
Project #			
Balance Sheet			
as at _____			
in USD			
	Cash and cash equivalents:		
	Designated account 1_USD	-	
	Designated account 2_USD	-	
	Transit account_USD	-	
	Special account_UZS	-	
	Total assets		-
	Funding:		
	Direct Payments	-	
	Replenishment of DA	-	
	Advance	-	
	Others	-	
			-
	Project expenditures		-
	Foreign exchange difference (if net loss)		-
	Total liabilities		-
NOTES:			

Project Name: "Rural infrastructure development"			
Project #			
Designated Account (DA) Statement			
as at _____			
in USD			
	1 Opening Balance as at _____		-
	DA 1		
	DA 2		
	USD transit account		
	UZS account		
	Add:		
	2 Cumulative unexplained discrepancy (Special account_UZS Opening balance at _____)		-
	3 Advance/replenishment during the ____nd quarter 20__		-
	4 Less: Refund to WB from DA during the current quarter		
	5,1 Present outstanding amount advanced to DA 1		-
	5,2 Present outstanding amount advanced to DA 2		
	5,3 USD transit account		
	5,4 UZS account		
	6,1 DA 1 closing balance as at _____ carried forward to next period		-
	6,2 DA 2 closing balance as at _____ carried forward to next period		
	6,3 USD transit account		
	6,4 UZS account		
	7 Add: Amount of eligible expenditures paid during the current quarter		-
	8 Service charges (if debited into DA)		-
	9 Less: Interest earned (if credited into DA)		-
	10 Total advance accounted for		-
	11 Discrepancy(5)-(10) to be explained //l		-
NOTES: //			
	(+) closing balance on Special account_UZS as of _____		0,00
	(+) closing balance on Transit account_USD as of _____		-
	(+) exchange rate difference (current quarter):		0,00

Project Interim Un-audited Financial Reports (IFR)								
Report for THE Period ended _____ (Date)								
<i>Project Name: "Rural infrastructure development"</i>								
<i>Project #</i>								
<i>Implementing agency name: Ministry of Economic Development and Poverty Reduction (MoED)</i>								
<u><i>Table of contents</i></u>								
<u>Financial report</u>								
1A	Project Sources & Uses of Funds (GOVERNMENT OF UZBEKISTAN CONTRIBUTION)							

17.1.2

Project Name: "Rural infrastructure development"										
Project #										
Project Sources & Uses of Funds (GOVERNMENT OF UZBEKISTAN CONTRIBUTION)										
For the period from to (in USD Currency)										
	Actual			Planned			Variance			PAD
	Current quarter	Year to Date` YTD	Cumulative to Date	Current quarter	Year to Date` YTD	Cumulative to Date	Current quarter	Year to Date` YTD	Cumulative to Date	Life of Project
Opening Working Capital	x	x	x	x	x	x	x	x	x	x
-Single Customer Services Engineering Company account	-	-	-	x	x	x	x	x	x	x
Total	-	-	-	x	x	x	x	x	x	x
Sources of Funds	x	x	x	x	x	x	x	x	x	x
GoU funds	-	-	-	x	x	x	x	x	x	x
SubTotal	-	-	-	x	x	x	x	x	x	x
Foreign Exchange Difference (* -loss, +gain)	-	-	-	x	x	x	x	x	x	x
Total	-	-	-	x	x	x	x	x	x	x
Less:				x	x	x	x	x	x	x
Uses of Funds	x	x	x	x	x	x	x	x	x	x
The administrative fees for the services	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Closing Working Capital	x	x	x	x	x	x	x	x	x	x
-Single Customer Services Engineering Company account	-	-	-	x	x	x	x	x	x	x
Total	-	-	-	x	x	x	x	x	x	x
Discrepancy	-	-	-							

ANNEX III. Statement of expenditures (SOE)

Payments made during the period from _____							Loan No.:	_____		
							Application No.:	_____		
							SOE No.:	_____		
Category No.: 1.1										
	1	2	3	4	5	6	7	8	9	10
Item No.	Supplier's name	Type of Good or Service (CW/GO/CS/OP/TR/Brief description)	Currency and Total Amount of Contract	Currency and Total Amount of Invoice Covered by Application	% Financed by IBRD/IDA/TF	Amount Eligible for Financing (5 x 6)	Currency and Amount Paid from Designated Account (if Applicable)	Exchange rate (1 USD=)	Date of Payment	Remarks
1					50%					
2										
3										
					TOTALS	0,00 USD	0,00 USD			
Category No.: 1.2										
	1	2	3	4	5	6	7	8	9	10
Item No.	Supplier's name	Type of Good or Service (CW/GO/CS/OP/TR/Brief description)	Currency and Total Amount of Contract	Currency and Total Amount of Invoice Covered by Application	% Financed by IBRD/IDA/TF	Amount Eligible for Financing (5 x 6)	Currency and Amount Paid from Designated Account (if Applicable)	Exchange rate (1 USD=)	Date of Payment	Remarks
1					100%					
2										
3										
					TOTALS	0,00 USD	0,00 USD			
Category No.: 2										
	1	2	3	4	5	6	7	8	9	10
Item No.	Supplier's name	Type of Good or Service (CW/GO/CS/OP/TR/Brief description)	Currency and Total Amount of Contract	Currency and Total Amount of Invoice Covered by Application	% Financed by IBRD/IDA/TF	Amount Eligible for Financing (5 x 6)	Currency and Amount Paid from Designated Account (if Applicable)	Exchange rate (1 USD=)	Date of Payment	Remarks
1					100%					
2										
3										
					TOTALS	0,00 USD	0,00 USD			

DESIGNATED ACCOUNT RECONCILIATION STATEMENT

[illegible]

Annex IV-a: Cash flow forecasts form				
Cash flow forecasts				
"Rural infrastructure development"				
Name of the Regional PIU:				
Reported period				
				in UZS
Type of expenditure	Cost estimates for the period	Actual costs		Forecast: next 6 months
		Reporting Period (Quarterly)	Cumulative	
Component 1				
Sub-component 1				
Sub-component 2				
Component 2				
Total				
Civil Works				
Equipment, Goods and vehicles				
Technical assistance and Studies				
Training and Workshops				
Incremental Operating Costs, including				
-Rent of regional office				
-Internet costs of regional office				
-Local trips, travel allowance				
-Public services				
-Office supplies, stationery				
-Mail- couriers services				
-Other expenditures				
Total				
Regional Financial & Accounting specialist				

Annex IV-b: Cash flow forecasts form				
Cash flow forecasts				
"Rural infrastructure development"				
Reported period				
				in USD
Type of expenditure	Cost estimates for the period	Actual costs		Forecast: next 6 months
		Reporting Period (Quarterly)	Cumulative	
WB Loan Designated Account				
WB Direct payments				
AIBB loan Designated Account				
AIBB Direct payments				
Government Funds				
Beneficiary Funds				
Total Receipts	\$0,00	\$0,00	\$0,00	\$0,00
Component 1				
Sub-component 1				
Sub-component 2				
Component 2				
Total Payments	\$0,00	\$0,00	\$0,00	\$0,00
Foreign Exchange difference				
Receipts less Expenditures	\$0,00	\$0,00	\$0,00	\$0,00
Opening Cash Balance	\$0,00	\$0,00	\$0,00	\$0,00
Comprising				
WB Loan Designated Account				
WB Direct payments				
AIBB loan Designated Account				
AIBB Direct payments				
Project Account				
Counterpart Accounts (for government and beneficiary funds)				
Closing Cash Balances	\$0,00	\$0,00	\$0,00	\$0,00
Financial management specialist				

Annex V: CPC Report Form				
				Approved by the director
CPC Report				
Name of CPC custodian				
Position of CPC custodian				
Reporting period (month)				
Date	Opening Balance	Replenishments during the current month	Disbursements during the current month	Closing balance
25.12.2019	300 000,00			300 000,00
26.12.2019		160 000,00		460 000,00
31.12.2019			100 000,00	360 000,00
31.12.2019				360 000,00
Total	300 000,00	160 000,00	100 000,00	360 000,00
Purchased goods # services				
Date	Description	Quantity	Price	Total Amount
25.12.2019	Ticket	1	100 000,00	100 000,00
26.12.2019				0,00
31.12.2019				0,00
31.12.2019				0,00
Total				100 000,00
	Difference:	0,00		
Explanation Of Difference				
Report prepared by				
Processed by			Disbursement Specialist	
Reviewed by			Chief Accountant	

Annex VI: Sample payment invoice application form													
The payment invoice application form													
"Rural infrastructure development"													
Name of the SCS:													
Reported period													
No	Supplier/ Contractor name	Contract Reference No	Total Contract Value, UZS	Contract Description	Contract Start Date	Contract End Date	Invoices			Amount covered by the previous period	Unpaid amount	Amount to pay	
							No	Date	Amount			% of the Invoice Price	Amount
1											0		
2											0		
3											0		
4											0		
5											0		
6											0		
7											0		
Total amount payable													0
Prepared by:													
Single Customer Services Engineering Company													
We hereby certify that: (1) all entries specified above are true and correct; (3) they are supported by the original invoices; (4) in accordance with contractual obligations						We confirm that the above information in this report has been verified and is correct.							
Director						Regional Financial & Accounting specialist							
Chief accountant						Regional Technical Supervisor							

Annex VII: Subproject financial monitoring form

Subproject financial monitoring form

	Region												
	District												
	Qishloq												
No	Subproject name	Type of work	Supplier/ Contractor name	Contract No	Contract date	Contract Start DATE	Contract End DATE	Total Contract Value, UZS	Total Contract Amount Invoiced to date	Total Disbursed on Contract	Total Undisbursed Amount	Number of Days Delayed	Status of subproject
1	Schools	Major overhaul											Ongoing
2	Kindergartens	Reconstruction											Changed
3	Roads	Maintenance											Closed
4											Failed
5													Completed
6													

ANNEX №VIII Operational support implementation report									
"Qishloq infratuzilmasini rivojlantirish"/"Rural infrastructure development"									
ХИСОБОТ ШАКЛИ/ REPORT FORM									
1. Қишлоқ номи / Village name _____									
2. Манзили / Address: _____ (вилоят, туман, қишлоқ/region, district, village)									
3. МФЙ раҳбари / Chair of MDU/MCA _____									
4. Ажратилган маблағ миқдори/ amount of funds: _____									
5. Лойиҳанинг бошланиш санаси / Subproject start date _____ (йил, ой, кун/day, month, year)									
Харажатлар номи/Items	Ажратилган маблағ/Allocated amount				Сарфланган маблағ/Expended amount				Фарқи/ Difference (+; -)
	Ўлчов бирлиги/ Unit Measure	Сони/ Quantity	Нархи/ Price*	Умумий қиймати/ Total amount	Ўлчов бирлиги/ Unit Measure	Сони/ Quantity	Нархи/ Price*	Умумий қиймати/ Total amount	
ЖАМИ									
*барча нархлар ва ҳисоб-китоблар Ўзбек сўмида амалга оширилган/all prices are indicated in Uzbek Sums									
6. Изоҳлар ва қўшимча маълумотлар / Comments and additional information.									
(1) Юқорида санаб ўтилган харажатлар тегишли ваколатли вакиллар томонидан тўланганлигини; (2) юқорида кўрсатилган барча маълумотлар аниқ ва тўғрилигини; (3) улар расмий қвитанциялар, ҳисоб варақ-фактуралар ёки бошқа шунга ўхшаш ҳужжатлар билан тасдиқланганлиги; (4) харажатлар лойиҳанинг бюджетига мос келишини тасдиқлайман./ hereby certify that: (1) the expenses listed above were incurred by duly authorized representative/s; (2) all entries specified above are true and correct; (3) they are supported by the official receipts, invoices or other similar documents; (4) the expenses comply with budget of the subproject.									
Submitted the report / Ҳисоботни тақдим этди			Checked the report / Ҳисоботни текширди			Accepted the report / Ҳисоботни қабул қилди			
МФЙ раҳбари / Chair of MDU/MCA			Ҳудудий молия ва бухгалтерия мутахассиси / Regional Financial & Accounting specialist			Жамоа сафарбарлиги бўйича мутахассис/ Community mobilization specialist			
_____			_____			_____			
Ф.И.Ш./First Name, Last Name			Ф.И.Ш./First Name, Last Name			Ф.И.Ш./First Name, Last Name			
_____			_____			_____			
Sign / имзо			Sign / имзо			Sign / имзо			
_____			_____			_____			

Annex IX: Fixed Asset Register													
Fixed Asset Register													
ASSET REF. NO.	ASSET DESCRIPTION	COMPONENT	FINANCING SOURCE	BENEFICIARY AGENCY	LOCATION	ASSIGNED TO	TAG NUMBER	SUPPLIER NAME	PMT/INV. REFERENCE	DATE OF PURCHASE	DATE OF RECEIPT	PURCHASE VALUE	REMARK
Total													

ROUTE SHEET

[illegible]

Annex XI: Vehicle History Record

Vehicle History Record

Vehicle registration number _____ Assigned driver _____

Date	Repairs			Service & maintenance			Insurance		
	Description of repair	Garage	Cost	Description of service	Garage	Cost	Type	Period covered	Cost

Annex XII. Financial performance per component and per financier report form

Financial performance per component and per financier report

Component	WB loan						AIBB loan						Government (Budget & tax)						Beneficiaries						Total						Total Allocati on per design	Revised allocati on
	Reporting period			Cumulative			Reporting period			Cumulative			Reporting period			Cumulative			Reporting period			Cumulative			Reporting period			Cumulative				
	Plan ned	Actu al	Varia nce	Plan ned	Actu al	Varia nce	Plan ned	Actu al	Varia nce	Plan ned	Actu al	Varia nce	Plan ned	Actu al	Varia nce	Plan ned	Actu al	Varia nce	Plan ned	Actu al	Varia nce	Plan ned	Actu al	Varia nce	Plan ned	Actu al	Varia nce	Plan ned	Actu al	Varia nce		
Component 1	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	
Sub-component 1																																
Sub-component 2																																

Component 2	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	
Sub-component 1																																

Total	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	\$0,00	

ANNEX XIII. A SAMPLE OF TORS FOR FINANCIAL AUDIT

FOR THE AUDIT OF THE [NAME OF PROJECT] FOR THE YEAR (PERIOD) ENDED [MONTH DATE, YEAR]

Background [OPTIONAL]

The TOR should provide appropriate background information of the project, including:

- (a) a brief description of the project including information on project sources of funding;*
- (b) a general description of implementation arrangements, including the organizational structure of all implementing entities (if more than one);*
- (c) list the source and total amount of funds for the period subject to audit under this TOR (Bank's loan/credit, trust funds, counterpart funds, etc).*

Objective

The objective of the audit of the project financial statements (PFS) is to enable the auditor to express a professional opinion on the project's financial position as at the end of [AUDIT REFERENCE DATE] and of the income and expenditure for the accounting period ending on that date. The project's books of account provide the basis for preparation of the financial statements and are established to reflect the financial transactions in respect of the project.

Responsibility for preparation of financial statements

The responsibility for the preparation of financial statements including adequate disclosure is that of the project's management. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the project. As part of the audit process, the auditor will request from management written confirmation concerning representations made to us in connection with the audit.

Scope

The audit will be conducted in accordance with [International Standards on Auditing](#) (ISA) published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC). Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In complying with ISA, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:

- a) In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud as required by [International Standard on Auditing 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements](#).
- b) When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws and regulations may materially affect the financial statements as required by [International Standard on Auditing 250: Consideration of Laws and Regulations in an Audit of Financial Statements](#).
- c) The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity as required by [International Standard on Auditing 260: Communication of Audit Matters with those Charged with Governance](#).
- d) The auditor should communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements as required by [International Standard on Auditing 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management](#).
- e) In order to reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should design and perform

further audit procedures to respond to assessed risks at the assertion level as required by [International Standard on Auditing 330: The Auditor's Procedures in Response to Assessed Risks](#).

- f) In instances where certain aspects of an entity's operations are performed by a third party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process as required by [International Standard on Auditing 402: Audit Considerations Relating to an Entity Using a Service Organization](#).
- g) As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance as required by [International Standard on Auditing 580: Written Representations](#).

In evidencing compliance with agreed project financing arrangements the auditor is expected to carry out tests to confirm that:

- a) External funds have been used in accordance with the conditions of the relevant general conditions, relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant general conditions and financing agreements are **[CITE RELEVANT GENERAL CONDITIONS AND FINANCING AGREEMENTS]**;
- b) Counterpart funds have been provided and used in accordance with the relevant general conditions, relevant financing agreements, and only for the purposes for which they were provided;
- c) Goods and services financed have been procured in accordance with the relevant general conditions and relevant financing agreements¹, including specific provisions of the World Bank Procurement Guidelines²;
- d) Necessary supporting documents, records, and accounts have been kept in respect of all Project ventures including expenditures reported via Summary Report or Statements of Expenditures (SOEs), or Designated Accounts (DAs). The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- e) Where Designated Accounts have been used, they have been maintained in accordance with the provisions of the relevant general conditions and relevant financing agreements;
- f) Review the compliance on each of the financial covenants in the **[STATE SPECIFIC SECTION OF LOAN/FINANCING AGREEMENT and list, as necessary]**.

Extended Scope

The auditor should examine Micro-Grant projects for compliance with eligibility and selection criteria and procedures and requirements set forth in the Micro-Grants Manual and other relevant documents, with particular attention to eligibility of expenditures. The auditor is expected to:

- (a) Review the procedures used to control the funds, including matching contributions as applicable. Review the bank accounts and the controls on those bank accounts. Perform positive confirmation of balances, as necessary.
- (b) Select a representative sample of subproject expenditures (to be no less than 10% of all Micro-grant projects) and carry out the following detailed tests:
 - (i) Determine whether expenditures were justified with documentation, including reconciliations of funds advanced, disbursed, and available. The auditor must ensure that all funding received by the recipient were appropriately recorded in the recipient's accounting

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

² See [Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants - January 2011](#) and [Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers - January 2011](#).

records and that those records were periodically reconciled with information maintained in the main project records.

- (ii) Review goods and works procured to determine whether they exist or were used for their intended purposes in accordance with the terms of funding agreement, and whether control procedures exist and have been placed in operation to adequately safeguard them. As part of the procedures to determine if they were used for intended purposes, the auditors should perform end-use reviews for an appropriate sample of all items based on the control risk assessment. End-use reviews may include site visits to verify their existence or their use for their intended purposes in accordance with the objectives of the project. Questionable items must be quantified and reported.
- (iii) Review technical assistance and services procured to determine whether they were used for intended purposes in accordance with the terms of funding agreement. The cost of technical assistance and services not properly used in accordance with terms of funding agreement must be quantified and reported.
- (c) As part of the procedures to determine if funds provided were used for intended purposes, the auditor should visit project activities to perform end-use reviews¹ for an appropriate sample based on the control risk assessment.

Project Financial Statements

The Project Financial Statements should include as a minimum the information required by the IPSAS “Financial Reporting Under The Cash Basis of Accounting” issued by the International Public Sector Accounting Standards Board (the IPSASB) of the International Federation of Accountants (IFAC). These would include

- a) A Summary of Funds received, showing the World Bank, Project funds from other donors, and counterpart funds separately.
- b) A Summary of Expenditures paid in cash, shown under the main project headings and by main categories of expenditures, both for the current fiscal year and accumulated to-date;
- c) Accounting policies and explanatory notes³ (including additional accounting policies and disclosures), covering
 - a Summary of Summary Reports or SOEs used as the basis for the submission of withdrawal applications in the notes, as appropriate;
 - a Statement of Designated Account in the notes, as appropriate;
 - a Statement of Financial Position showing Accumulated Funds of the Project, bank balances, other assets of the Project, and liabilities, if any; and
- d) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

Summary Reports or Statement of Expenditures

The auditor is required to audit all Summary Reports or SOEs submitted to the World Bank in support of requests for periodic replenishment of the project designated account(s).

Expenditures should be examined for eligibility based on criteria defined in the terms of the financing agreement and detailed in the Project Appraisal Document. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, they should be separately reported.

The Project Financial Statements should include a schedule listing of individual Summary Reports or SOEs withdrawal applications by specific reference number and amount.

The auditor should pay particular attention as to whether:

³The explanatory notes should include reconciliation between the amounts shown as "received by the project from the World Bank" and that disbursed by the Bank and a summary of movements on the project's Designated Account.

- a) the Summary Reports or SOEs have been prepared in accordance with the provisions of the relevant financing agreement.
- b) expenditures have been made wholly and necessarily for the realization of project objectives.
- c) information and explanation necessary for the purpose of the audit have been obtained;
- d) supporting records and documents necessary for the purpose of the audit have been retained, and
- e) the Summary Reports or SOEs can be relied upon to support the related withdrawal applications.

Designated Accounts

During the audit of the project financial statements, the auditor is required to review the activities of the project's designated account(s). Activities to be examined will include deposits received, payments made, interest earned and reconciliation of period-end balances.

The auditor should pay particular attention as to the compliance with the Bank's procedures and the balances of the Designated Accounts at the end of the fiscal year **[OR PERIOD]** and the adequacy of internal controls for this type of disbursement mechanism.

Audit Reports

The auditors will issue an audit opinion on the Project Financial Statements.

In addition to the audit opinion, the auditor will prepare a "management letter," in which the auditor will:

- a) provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- b) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
- c) report on instances of non-compliance with the terms of the financial agreement(s);
- d) quantify and report expenditures that are considered to be ineligible and either paid out of the designated account(s) or which have been claimed from the World Bank;
- e) communicate matters that have come to their attention during the audit which might have a significant impact on the implementation of the project;
- f) bring to the borrower's attention any other matters that the auditor considers pertinent; and
- g) include management's comments in the final management letter.

If none of the above applies, and a management letter is therefore not prepared, the auditor will issue a letter stating that during the audit nothing has come to their attention that the auditor considers pertinent to be brought to the attention of the borrower. The financial statements, including the audit opinion, and management letter should be received by the Project implementing agency, no later than six months after the end of the audited fiscal year. The Project's implementing agency should then promptly forward two copies of these to the World Bank.

Public Disclosure

In accordance with "The World Bank (the Bank) Policy on Access to Information" dated July 1, 2010 for Bank-financed operations for which the invitation to negotiate is issued on or after July 1, 2010, the Bank requires that the borrower makes the audited financial statements publically available in a timely fashion and manner acceptable to the Bank. **In addition**, following the Bank's formal receipt of these financial statements from the borrower, the Bank makes them available to the public in accordance with this policy.

Management Letters, special audits (i.e. whose nature is not financial), and unaudited financial statements (e.g. Interim Financial Reports) are not considered to be a part of the definition of the audited financial statements for the purposes of disclosure.

Only in exceptional cases the Bank may agree—i.e., when the audited financial statements contain proprietary or commercially sensitive information—that the borrower or designated project entity may be exempted from disclosing the full set of audited financial statements, but is still required to disclose

an abridged version of them in a form acceptable to the Bank. Exceptions are approved by World Bank management.

General

The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the **[PROJECT IMPLEMENTING AGENCY]**. As part of the audit process, the auditor will request from management written confirmation concerning representations made to the auditor in connection with the audit.

The auditor is entitled to unlimited access to all information and explanations considered necessary to facilitate the audit including legal documents, project preparation and supervision reports, reports of reviews and investigations, correspondences, and credit account information. The auditor may also seek written confirmation of amounts disbursed and outstanding in the Bank records.

The auditor is encouraged to meet and discuss audit related matters including input to the audit plan with the World Bank project task team.

It is highly desirable that the auditor become familiar with the relevant World Bank guidelines, which explain the Bank's financial reporting and auditing requirements. These guidelines include:

- Reference Material to the Financial Management Manual for World Bank-Financed Investment Operations (March 2010): *RM 3 - Financial Reporting and Auditing*;
- [Disbursement Handbook for World Bank Clients](#), dated May 2006 (available on Client Connection web site);
- [Disbursement Guidelines for Projects](#), dated May 2006 (available on Client Connection web site).
- [Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants - January 2011](#).
- [Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers - January 2011](#).

This term of engagement will remain effective for future fiscal years unless it is terminated, amended or superseded.

The auditor should understand that working papers under World Bank project can be subject to the review by Client's and/or World Bank designated staff.