

Financial Management Assessment

September 2016

TAJ: Water Resources Management in Pyanj River
Basin

ABBREVIATIONS

ADB	- Asian Development Bank
APFS	- annual project financial statements
ASFCCC	- Agency of State Financial Control and Combating Corruption
BOs	- budget organizations
CIS	- Chubek Irrigation System
EA	- executing agency
EU	- European Union
FMA	- Financial Management Assessment
FMAQ	- Financial Management Assessment Questionnaire
FMS	- financial management specialist
GAFSP	- the Global Agriculture and Food Security Program
GOT	- Government of Tajikistan
IA	- implementing agency
IDB	- Islamic Development Bank
IPSAS	- International Public Sector Accounting Standards
KDF	- Kuwait Development fund
MOF	- Ministry of Finance
PEFA	- public expenditure and financial accountability assessment
PFM	- Public Finance Management
PIG	- Project Implementation Group
PIOs	- Project Implementation Offices
PMO	- Project Management Office
PRB	- Pyanj River Basin
SAI	- Supreme Audit Institution
SPS	- ADB's Safeguard Policy Statement (2009)
SOE	- statement of expenditures
WA	- withdrawal application
WB	- World Bank
WRM	- water resources management

A. Introduction

1. The country public financial management (PFM) system was assessed by reviewing a public expenditure and financial accountability assessment completed in November 2012. Financial Management assessments (FMA) have been performed on executing and implementing agencies (EA/IAs) which will be the recipients of ADB Loans and Grants. It is intended to determine the degree to which the system will be able to manage fiduciary risks relating to financial management and provide a reasonable assurance that project funds will be used appropriately. The assessment has been conducted with reference to the *Guidelines for the Financial Management and Analysis of Projects*,¹ *Financial Due Diligence: A Methodology Note*,² and *Financial Management Technical Guidance Note*.³ The assessments focus on accountability and transparency, and covers (i) internal controls, (ii) funds flow arrangements, (iii) accounting and financial reporting, and (iv) independent audit.

2. Financial Management Assessment Questionnaire (FMAQ) was prepared, discussed with EA/IAs, and assessed (Attachment 1). Deficiencies and weaknesses in the existing systems and procedures are highlighted, and mitigation measures are proposed to strengthen the financial management systems.

B. Country Public Financial Management System Assessment

1. Overview of Public Expenditure and Financial Accountability Assessment

3. A public expenditure and financial accountability (PEFA) assessment at country-level completed in November 2012 was reviewed. The latest report indicates that overall less than one-third indicators for PFM system of Tajikistan scores well,⁴ shown in Table 1. Relatively strong performance was found for budget credibility (PI 1 and 3), and for comprehensiveness and transparency (PI 5–8), but weak in most of other dimensions. Areas which were found to be weaker include overall internal control (PI 18–21), accounting, recording and reporting (PI 23–25), and external scrutiny and audit (PI 26 and 28).

Table 1: Summary of Performance Indicator Ratings, 2007 and 2012 PEFA Assessments

Indicators	Dimension	PEFA Score		Risk Rating
		2007	2012	2012
A. BUDGET CREDIBILITY				
PI-1	Aggregate expenditure out-turn compared to original approved budget	B	A	Low
PI-2	Composition of expenditure out-turn compared to original approved budget	C	C	Substantial
PI-3	Aggregate revenue out-turn compared to original approved budget	A	B	Moderate
PI-4	Stock and monitoring of expenditure payment arrears	C+	D+	High
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5	Classification of the budget	D	B	Moderate
PI-6	Comprehensiveness of information included in budget	A	A	Low

¹ ADB. 2005. *Guidelines for the Financial Management and Analysis of Project*. Manila.

² ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila.

³ ADB. 2015. *Financial Management Technical Guidance Note*.

⁴ B and above rating given for these indicators.

Indicators	Dimension	PEFA Score		Risk Rating
		2007	2012	2012
	documentation			
PI-7	Extent of unreported government operations	C+	B+	Moderate
PI-8	Transparency of inter-governmental fiscal relations	B	B+	Moderate
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	C	C+	Substantial
PI-10	Public access to key fiscal information	D	C	Substantial
	C. BUDGET CYCLE			
	C (i) Policy-Based Budgeting			
PI-11	Orderliness and participation in the annual budget process	B	B+	Moderate
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	D+	High
	C (ii) Predictability & Control in Budget Execution			
	Revenue Administration			
PI-13	Transparency of taxpayer obligations and liabilities	C	B	Moderate
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D+	C	Substantial
PI-15	Effectiveness in collection of tax payments	NR	D+	High
	Budget Execution & Cash/Debt Management			
PI-16	Predictability in the availability of funds for commitment of expenditures	D+	D+	High
PI-17	Recording and management of cash balances, debt and guarantees	C+	C+	Substantial
	Internal Controls			
PI-18	Effectiveness of payroll controls	D+	D+	High
PI-19	Transparency, competition and complaints mechanisms in procurement	C	C+	Substantial
PI-20	Effectiveness of internal controls for non-salary expenditure	C+	C+	Substantial
PI-21	Effectiveness of internal audit	D+	C+	Substantial
	C (iii) Accounting, Recording and Reporting			
PI-22	Timeliness and regularity of accounts reconciliation	B	B+	Moderate
PI-23	Availability of information on resources received by service delivery units	C	D	High
PI-24	Quality and timeliness of in-year budget reports	C+	C+	Substantial
PI-25	Quality and timeliness of annual financial statements	D+	C+	Substantial
	C (iv) External Scrutiny and Audit			
PI-26	Scope, nature and follow-up of external audit	D+	D	High
PI-27	Legislative scrutiny of the annual budget law	C	B+	Moderate
PI-28	Legislative scrutiny of external audit reports	D	D	High
	D. Donor Practices			
D-1	Predictability of Direct Budget Support	D+	D+	High
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D+	C	Substantial
D-3	Proportion of aid that is managed by use of national procedures	D	D	High

2. Internal Controls

4. Internal control for payroll controls is less effective. The personnel and payroll system is decentralized. In Tajikistan there is no sole centralized database on public servants and no single automated payroll system for civil servants. The payroll accounting function is decentralized as well as the personnel records which are held at the different Budget Organizations (BOs), including ministries. With policy, terms and conditions of civil servant being done at the central level and with the budget holders responsible through an authorization process, which in itself is subject to frequent audits, the system appears robust. However, there does not seem to be a compelling improvement in personnel data and payroll reconciliations, mainly due to the fact the system is not automated.

5. Procurement related internal control is strong in the dimensions of legal and regulatory framework, and public access to complete, reliable and timely procurement information, although the amount of information particularly on contract awards, stating the basis and conditions of awards is less than desirable. It is weak in using competitive procurement methods, and existence of an independent administrative procurement complaint system. About 20% of total volume of contracts was awarded by restricted tendering bidders method or single-source procurement.

6. Internal control for non-salary expenditure is strong in the dimension of comprehensiveness, relevance and understanding of other internal control rules and procedures, but less effective in expenditure commitment control, and degree of compliance with rules for processing and recording transactions. Expenditure commitment controls need to be comprehensively reviewed and updated. Rules are complied with in a significant majority of transactions, but use of simplified emergency procedures in unjustified situations is an important concern.

7. Internal audit function is operational for the most important central government entities and undertakes some systems review (about 20% of staff time), but does not meet all recognized professional standards. Approximately 25% of the professional standards are met. Reports are issued regularly for most audited entities and distributed to the audited entity, and to the Ministry of Finance (MOF). There is no Supreme Audit Institution (SAI). Managers of BOs normally take adequate action within the recommended deadlines, usually addressing internal audit recommendations. All issues concerning losses of funds are resolved or recovered by budget cuts. However, a substantial part of the recommended measures are punitive, and do not address the underlying cause of the problems. No data has yet been collected on response to recommended changes in the systems of public financial management. Overall the internal audit is less effective.

3. Accounting, Recording and Reporting

8. Accounts reconciliation is strong in all dimensions, including regularity of bank reconciliation, and regularity of reconciliation and clearance of suspense accounts and advances. The government has moved to establish the Single Treasury Account which means the reconciliations processes has improved. Bank reconciliations for all central government and Treasury managed bank accounts take place at least monthly at aggregate and detailed levels, usually within four weeks of end of period. Sub-national Bank accounts are reconciled monthly and officially sent to treasury quarterly

9. Information on resources received by service delivery units is weak, as no comprehensive data collection on resources to service delivery units in any major sector has been collected and processed within the last three years of this PEFA report.

10. Overall, the in-year budget reports are produced in a timely and regular manner on actual budget performance enabling all management levels a tool for effective monitoring throughout the year. Comparison against the revised budget is possible at the detailed level but for expenditure this is only universally available at the payment stage, not the commitment stage.

11. With a strong legal base the consolidated government statement is prepared in a timely manner meeting annual deadlines of July 15 for submission to Parliament and includes, with few exceptions, full information on revenue, expenditure and financial assets and/or liabilities, including a statement on accounting standards. The consolidated financial statements are prepared on a cash basis according to standards incorporated in the relevant legal requirements. However, the statements are not fully compliant with recognized International Accounting Standards.

4. External Audit and Legislative Scrutiny

12. A high quality external audit is an essential requirement for creating transparency in the use of public funds. In December 2006, Government Decree dissolved the State Financial Control Committee (SFCC). Its successor is the Agency of State Financial Control and Combating Corruption (ASFCCC), which reports to the President. The combination of the external audit function with the function for corruption control does not conform to international practices. ASFCCC should not be perceived as performing an audit function. It would be considered as an internal audit function. In 2007, the World Bank (WB) and Government of Tajikistan (GOT) reached an agreement that an SAI reporting to the Parliament would be developed. The Law on the Supreme Audit Institution was adopted in 2011, but no organization has yet been established. External audit is not yet in place. There are no audit reports for parliament to examine.

13. Legislative scrutiny of the annual budget law is strong in all dimensions. The legislature through the Parliamentary Committee of Majlisi Namoaydagon Majlisi Oli on Economy and Finance involves itself in the budget formulation much more from the start of the budget process and the formulation of macroeconomic parameters, budget negotiations and to the final submission of the budget to parliament. Parliament is given adequate time for deliberations on the budget. However, current practice of changing support staff (civil servants) after elections could disrupt parliamentary procedures with a loss of institutional memory. The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue. Medium Term Fiscal Frameworks and Medium term Expenditure Frameworks are currently being introduced but do not yet form part of the official budget review by parliament. The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures. Clear rules exist for in-year budget amendments by the executive, and are usually respected, but they allow extensive administrative reallocations. The Government's freedom to allocate excess revenue up to a limit of 10 per cent without parliamentary approval is of particular concern. The process is not transparent and parliament cannot easily determine whether the extra budgets are allocated on a rational and fair basis. The substantial allocations from the Reserve Fund of the President (amounting to 2% of total expenditures) are also outside normal parliamentary controls; however, disbursements are documented and communicated to parliament on a regular basis.

C. Financial Management Assessment on Executing and Implementing Agencies

14. The proposed Water Resources Management in Pyanj River Basin Project (the Project) will improve institutional and physical capacities of water resources management system in Pyanj River Basin (PRB) of southern Tajikistan. The project will increase Water resources management (WRM) capacity in the PRB, conditions of irrigated land, agricultural production, food security, and water supply and use efficiencies in the command area of 50,160 hectares (ha) of the Chubek Irrigation System (CIS). The impacts of the project are (i) the irrigated land in good condition and food security increased; and (ii) the efficiency of water-resources use increased by 2020. The outcome will be increased agricultural production in CIS area of PRB.

15. The key outputs of the project are:

- (i) Output 1: Water resources in PRB better managed;
- (ii) Output 2: Modernized and climate-proofed CIS WRM infrastructure fully operational; and
- (iii) Output 3: Farm management capacity and water use skill increased.

16. **Implementation Arrangement.** The Agency for Land Reclamation and Irrigation (ALRI) will be the executing agency (EA) to implement Outputs 2 and 3 of the project. The Ministry of Energy and Water Resources (MEWR) will be the EA responsible for implementing Output 1. The existing project management office (PMO) under ALRI, established for ADB Grant 0352 Building Climate Resilience in the Pyanj River Basin Project, will be responsible for implementing the proposed project's Outputs 2 and 3. ALRI will be represented by a Project Director of the PMO. MEWR will implement Output 1 through its Project Implementation Group (PIG). An FMAQ is in Attachment 1.

17. At the field level, three project implementation offices (PIOs) will be established at Hamadoni, Farkhor, and Vose, to implement Outputs 2 and 3. The PIOs will be led by PIO Heads, who report to PMO Project Director. The PIO at Hamadoni will monitor and supervise the work of the head regulator, main canal, sediment excluding structure, and the irrigation and drainage (I&D) network in Hamadoni District. The PIO at Farkhor will be responsible for modernization of pumping systems and I&D network in Farkhor District, while the PIO at Vose will look after the work of modernization of pumping systems and I&D systems in Vose and Kulob districts. The PMO and PIOs will be supported by a team of international and national consultants in project preparation and implementation, including capacity development of various agencies.

18. PMO will play a major role to implement the Project, and majority of funds for the Project will be routed through the PMO. Considerably more emphasis has been given to the assessment of the PMO's financial management systems, procedures, and capabilities.

19. **Experiences with Donors.** ALRI and the PMO are experienced in implementing projects financed by international donors, including (i) Public Employment for Sustainable Agriculture and Water Resources Management Project, Phase 1 (completed in 2011), funded jointly by World Bank (WB) and the Global Agriculture and Food Security Program (GAFSP), and administered by WB (a repeater of previous project also in Khatlon Region funded by the European Union (EU), and hence the PMO in operation for several years); (ii) Public Employment for Sustainable Agriculture and Water Resources Management Project, Phase 2, funded by WB and GAFSP; (iii) Fergana Valley Water Resources Management Project in Fergana Valley funded by the WB, and completed recently in November 2014; (iv) Building

Climate Resilience in the Pyanj River Basin Project funded by ADB; and (v) Dangara Valley Irrigation Project funded jointly by Kuwait Development fund (KDF) and Islamic Development Bank (IDB).

20. **Staffing.** The PMO currently has two accountants working for ADB Grant 0352-TAJ: Building Climate Resilience in the Pyanj River Basin Project. With the planned approval of this ADB Project, additional financial management and accounting staff will be needed to cope with the additional workload, to ensure a strong and capable workforce remains in place. The Government and ADB Fact-Finding Mission agreed to strengthen PMO's financial management by adding two additional positions in the PMO, including a chief accountant and a financial management specialist (FMS). The Chief Accountant be responsible for general supervision over its accounting and administrative functions. The Chief Accountant will deal with verification of the payment supporting documentation and withdrawal application (WA), and preparation of project financial statements according to cash-based IPSAS. The FMS is responsible for the planning, financial reporting, and funds flow arrangements. The accountants and FMS will be trained with ADB policies and procedures on disbursement, financial reporting and auditing. The additional staff can be appointed on a contractual basis only for the duration of the Project implementation.

21. **Planning and Budgeting.** Led by the PMO Project Director, the project's budgets are to be prepared annually by chief accountant, FMS, PIO Heads, and other management staff as appropriate. The budget will set annual physical and financial targets. The budget will be presented to the ALRI, which after approval, will be submitted to MOF for final approval. During project implementation the actual expenditures are compared with planned budgeted expenditures on a monthly and quarterly basis, and reports on an analysis of variations is prepared. Significant variations in budgeted expenditure need to be approved by the Project Director prior to actual expenditure.

22. **Cash and Bank.** The Project Director and the Chief Accountant will be the duly authorized signatories to all project bank transactions. The accounting software "1C" installed at the PMO will allow maintaining the cashbook in a computerized electronic system. Bank reconciliations are to be undertaken at the end of each month, or at any time as necessary.

23. **Safeguard Over Assets.** ALRI and the PMOs have procedures that assure sufficient controls are undertaken over project assets, and safeguards are in place to protect assets from fraud, waste, and abuse. An annual physical inventory of all stocks and materials is carried out, and the fixed assets inventory is required to be updated every two years.

24. **Internal Audit.** ALRI does not have a department or unit for conducting internal audit of either the ALRI or project operations, a deficiency in the internal control environment of the agency's financial management system. Although the PMOs of ongoing projects executed under ALRI prepare monthly, quarterly, and annual financial statements to the financial and economic department of the ministry, these are not intended for internal audit purposes.

25. **Project Financial Reporting and External Audit.** The government engaged one audit firm each year to audit several ADB financed projects for fiscal year 2011 (FY2011), FY2012, FY2013, and FY2014. Quality of project audit submissions, including audited annual project financial statements (APFS), audit report, and management letter, is one of the best among developing member countries in Central and West Asia. However, the audit firm pointed out that executing agencies and implementing agencies (EA/IAs) maintain disbursement records without preparing APFS, and the audit firm had to help prepare APFS. This raises concerns on (i) audit

firm's independence in performing the audit; and (ii) capacity of project accountants to prepare APFS. ADB Financial Audit Consultation Mission (June 2014) recommended that an accounting software be installed in all PMOs for ADB financed projects. The PMO for this project has 1C accounting software installed and used for ADB Grant 0352: Building Climate Resilience in the Pyanj River Basin Project. The PMO is experienced in implementing WB and ADB financed projects. Its staff members are familiar with donors' requirements, including financial reporting and auditing.

D. Fiduciary Risk Assessment and Risk Mitigation Measures

26. The risk assessment approach is based largely on International Standard on Auditing 400 Risk Assessment and Internal Control. The following risk assessments are based on existing circumstances, staffing and procedures, and include recommendations for risk mitigation measures (Table 2).

27. **Inherent Risk.** Inherent Risk is the susceptibility of the project financial management system to factors arising from the environment in which it operates, such as country rules and regulations and entity working environment.

28. **Control Risk.** Control Risk is the risk that the project's accounting and internal control framework are inadequate to ensure project funds are used economically and efficiently and for the purpose intended, and that the use of funds is properly reported.

Table 2: Financial Management Risk

Risk Type	Risk Description	Risk Rating ^a	Risk Mitigation Measures
Inherent Risk			
1. Internal controls	Internal control is less effective for payroll controls and non-salary expenditure. Procurement related internal control is strong in legal and regulatory framework, but lack of information and the basis on contract awards, weak in using competitive procurement methods, and an independent administrative procurement complaint system. Internal audit is less effective without meeting recognized professional standards; recommended measures do not address the underlying cause of the problems.	S	Capacity building and information system development are essential to improve internal control.
2. Accounting and financial reporting	Accounts reconciliation is strong in all dimensions. Information on resources received by service delivery units, and quality and timeliness of in-year budget reports, are weak.	S	An existing PMO will be strengthened with additional financial management staff to implement of the Project, applying international standards on accounting, reporting, and auditing

Risk Type	Risk Description	Risk Rating ^a	Risk Mitigation Measures
	Consolidated government statements are prepared in a timely manner on a cash basis, but not fully compliant with recognized international accounting standards.		Training on financial reporting and auditing should be provided. Regular review of external audit reports and management letter should be used to update financial management action plan as required.
3. External audit	The Law on the Supreme Audit Institution was adopted in 2011, but no organization has yet been established. External audit is not yet in place, and there are no audit reports for parliament to examine.	H	The project will be audited annually by independent private auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards on auditing or the national equivalent acceptable to ADB.
	Legislative scrutiny of the annual budget law is strong in all dimensions.		
Overall inherent risks		S	
Control risks			
1. Staffing	Lack of capacity for the PMO to manage ADB funds.	M	Current PMO staffs are experienced in implementing WB and ADB financed projects. The government agrees that additional accounting and financial management staff will be recruited to strengthen PMO capacity. PIG will also assign an accountant for the Project.
			Training on disbursement policies and procedures, and consultant support should be provided by ADB, to strengthen PMO / PIG staff knowledge and capacity to cope with additional work load as a result of the ADB project.
2. Funds flow	The fund flow risks concerns the delays of payments to contractors, which will delay project implementation activities.	M	The majority funds for the project will be under control of PMO to avoid delays.
			Only Consulting Service package 1 (CS1) for Output 1 will be managed by PIG using direct payment procedure only.
3. Accounting and financial reporting	Low risk for PMO, as staff are experienced in preparing project FS following cash basis IPSAS, and 1C accounting software has been used.	M	Majority funds would be through PMO.
	Moderate risk for PIG to prepare		MEWR manages CS1 for Output 1 only using direct payment

Risk Type	Risk Description	Risk Rating ^a	Risk Mitigation Measures
4. Internal Controls and internal audit	Project FS due to low capacity. Internal control environment in PMO and PIG needs strengthening.	S	procedure. Establishing a well-staffed and resourced internal control system is recommended.
5. External Audit	There would be low risk in conducting audit by private audit firm(s) on project FS prepared by PMO and PIG.	L	Majority funds will pass through PMO. Project FS prepared by PMO and PIG will be audited by independent private audit firms.
6. Rotation of auditors	The same audit firm to audit an organization for a long period of time has risks due to complacency and familiarity with Management and staff.	L	It is proposed that auditors be rotated every three to five years in line with international best practice.
Overall control risks		M	
Overall risks		S	

ADB = Asian Development Bank; CS1 = Consulting Service package 1; FS = financial statements; IPSAS = International Public Sector Accounting Standards; MEWR = Ministry of Energy and Water Resources; PMO = Project Management Office.

^a H = High, S = Substantial, M = Moderate, L = Low.

Source: Asian Development Bank.

E. Project Financial Reporting, Auditing, and Public Disclosure

29. The PMO and PIG shall (i) maintain separate accounts and records for the Project by funding source for all expenditures incurred on the project; (ii) prepare annual financial statements for the Project in accordance with cash-based International Public Sector Accounting Standard; (iii) have such project financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report which includes the auditors' opinions on the financial statements and use of the Grant proceed,⁵ and a management letter which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any; and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited project financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

30. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

31. The Government, EAs, PMO and PIG have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited

⁵ Auditor's opinions shall cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan and grant proceeds were used only for the intended purposes of the project in accordance with ADB's Loan Disbursement Handbook and the loan/grant and project agreements.

project financial statements.⁶ ADB reserves the right to require a change in the auditor, or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

32. ADB shall disclose the annual audited financial statements for the project and the opinion of the auditors on the financial statements no later than 14 calendar days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter will not be disclosed.

F. Disbursement and Fund-Flow Arrangements

33. The loan, grant, and TA grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time),⁷ and the *Technical Assistance Disbursement Handbook* (2010, as amended from time to time),⁸ and detailed arrangements agreed upon between the government and ADB.

34. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),⁹ ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. EA and IAs will ensure that the investment Project is in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to the Project financed by ADB.

35. **Direct payment.** The procedures will generally be used for civil works contracts and consulting services. All disbursements for Output 1 will be through direct payment.

36. **Imprest account.** The PMO shall establish a separate imprest account in US Dollars for each fund source (ADF Loan, ADF Grant and Trust Fund Grant) for the projects at a bank acceptable to ADB (National Bank of Tajikistan). The request for initial advance to the imprest account should be accompanied by an Estimate of Expenditure Sheet¹⁰ setting out the estimated expenditures for the first six (6) months of project implementation, and evidence that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the borrower will furnish to ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against PMO's records.¹¹

⁶ ADB approach and procedures regarding delayed submission of audited project financial statements:

- (i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements have not been received 6 months after the due date, ADB will (i) inform the executing agency of ADB's actions to withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters; and (ii) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project financial statements have not been received 12 months after the due date, ADB may suspend the loan.

⁷ Available at: <http://www.adb.org/documents/loan-disbursement-handbook>.

⁸ Available at: <http://www.adb.org/documents/technical-assistance-disbursement-handbook>.

⁹ Available at: <http://www.adb.org/documents/safeguard-policy-statement>.

¹⁰ Available in Appendix 10B of the *Loan Disbursement Handbook*.

¹¹ Follow the format provided in Appendix 10C of the *Loan Disbursement Handbook*.

37. The ceiling of total outstanding advances to the imprest account will not at any time exceed the estimated ADB financed expenditures to be paid from the imprest account for the next 6 months or \$500,000, or 10% of the loan amount,¹² whichever is lower.

38. The statement of expenditure (SOE) procedure, as described in the Loan Disbursement Handbook, will be used to reimburse eligible expenditure and to liquidate and replenish the imprest account for individual payments of up to \$100,000 equivalent. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.¹³ Individual payments in excess of the SOE ceiling should be accompanied by full supporting documents when submitting the withdrawal application to ADB.

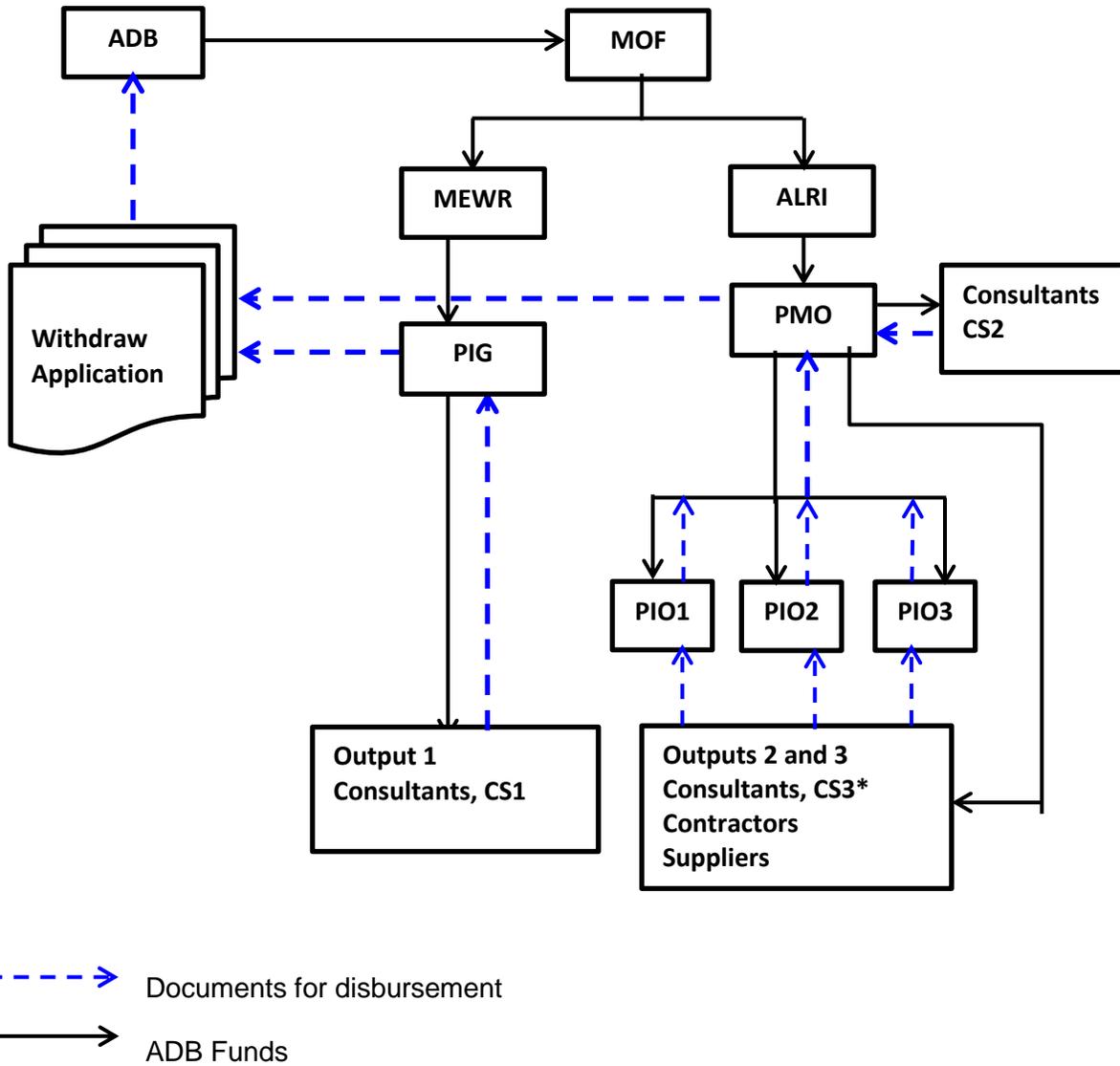
39. Before submitting the first withdrawal application, the Government must submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is set in accordance with the Loan Disbursement Handbook (i.e., \$100,000 equivalent. Individual payment below this amount should be paid by the PMO and subsequently claimed from ADB (i) through reimbursement, or (ii) from the imprest accounts, unless otherwise approved by ADB. The PMO is to consolidate claims for Outputs 2 and 3, to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the works, goods, and/or services were produced in or from ADB members, and are eligible for ADB financing.

40. The fund-flow arrangement is depicted in Figure 1.

¹² The bank charges on the imprest account will be financed from the proceeds of the loan.

¹³ Checklist for SOE procedures and formats are available at <http://www.adb.org/documents/loan-disbursement-handbook>.

Figure 1: Fund Flow Diagram



ADB = Asian Development Bank; MOF = Ministry of Finance; ALRI = Agency for Land Reclamation and Irrigation; CS1 = Consulting Service package 1; CS2 = Consulting Service package 2; CS3 = Consulting Service package 3 (* Output 3 only); MEWR = Ministry of Energy and Water Resources; PIG = Project Implementation Group; PIOs = Project Implementation Offices; PMO = Project Management Office.
 Source: Asian Development Bank.

**Financial Management Assessment Questionnaires
On ALRI and MEWR**

Topic	Response
1. Executing / Implementing Agency	ALRI is the Executing Agency (EA) for the Project Outputs 2 and 3, whereas the MEWR is the EA for the Project Output 1.
1.1 What is the entity's legal status/registration?	ALRI and MEWR are the legal entities of the Government of Tajikistan (GOT)
1.2 How much equity (shareholding) is owned by the Government?	100%
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any. ²	Not Applicable
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	ALRI is the overall IA for the following three on-going projects: (i) Dhangara Irrigation Project, Phase 2+3 (2008-13) funded by Islamic Development Bank (IDB) and Kuwait Fund, (ii) Building Climate Resilience in the Pyanj River (2014- 2019) funded by ADB, (iii) Public Employment for Sustainable Agriculture and Water Resources Management, Phase 2 (2013 -) funded by WB (IDA) and GASF.
1.5 Briefly describe the statutory reporting requirements for the entity.	Budgets and accounts statements (planning and execution), in line with government / Ministry of Finance (MOF) requirements.
1.6 Describe the regulatory or supervisory agency of the entity.	GOT
1.7 What is the governing body for the project? Is the governing body for the project independent?	The Project Management Office (PMO) already working for the Building Climate Resilience Project under ALRI has been proposed to implement the Project. The existing PMO will be strengthened by providing additional staff according to the project requirement. Three Project Implementation Units (PIOs), one each in Hamadoni, Farkhor and Vose districts have also been proposed. The PIO in Vose district will also cover the area of Kulob district. Yes the governing body for the project is independent.
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the Project?	The current organizational structure of PMO is given in the main report. The present organizational structure is not fully capable for meeting the requirements of the Project. The existing PMO will be strengthened by providing additional staff according to the project requirements.
1.9 Does the entity have a Code of Ethics in place?	Yes
1.10 Describe (if any) any historical issues reports of ethics violations involving the entity and management. How were they addressed?	Not Available
2. Funds Flow Arrangements	
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	A flow of funds arrangement is proposed and is given in the structural chart, attached.
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Ministry of Finance) to the	Yes

	Topic	Response
	entity and to the end- recipients satisfactory?	
2.3	Are the disbursement methods appropriate?	Yes
2.4	What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	ALRI and PMO have not indicated any problem, except minor delays.
2.5	In which bank will the Imprest Account (if applicable) be established?	PMO imprest account will be opened in a local bank acceptable to ADB
2.6	Is the bank in which the imprest account is established capable of – <ul style="list-style-type: none"> • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LCs)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly? 	Yes
2.7	Is the ceiling for disbursements from the imprest account and SOE appropriate?	Yes
2.8	Does the (proposed) project implementing unit (PIO) have experience in the management of disbursements from ADB?	Specialists with adequate experience of management of disbursement will be recruited to PMO and PIOs
2.9	Does the PIO have adequate administrative and accounting capacity to manage the imprest fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIO's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	The proposed PMO will be strengthened by recruiting relevant experienced staff. There is no uncertainty about the capability of staff to be recruited as they have the experience of similar jobs on projects financed by other international financing agencies. MEWR will implement Output 1 only through direct payment procedure.
2.10	Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	No
2.11	How are the counterpart funds accessed?	Through MOF
2.12	How are payments made from the counterpart funds?	Government counterpart funds are annually approved by the Government resolution and transferred through MOF
2.13	If project funds will flow to communities or NGOs, does the PIO have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	Yes
2.14	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	The beneficiaries are not required to contribute to the project cost.
	3. Staffing	
3.1	What is the current and/or proposed organizational structure of the accounting	For each operational unit (PMO/PIO) one competent accountant has been assigned for the duration of

	Topic	Response
	department? Attach an organization chart.	the project. For the proposed project additional staff will be recruited as per requirements
3.2	Will existing staff be assigned to the project, or will new staff be recruited?	Additional staff will be recruited as required
3.3	Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	The accounting staff requirements are gives in the overall organization structure of the PMO and PIOs.
3.4	Is the project finance and accounting function staffed adequately?	Explained in 3.1 above
3.5	Are the project finance and accounting staff adequately qualified and experienced?	Competent and qualified personnel are available. Financial/accounting personnel with required qualification and experience will be recruited
3.6	Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	Financial/accounting personnel recruited will be given special training in ADB procedures as appropriate
3.7	What is the duration of the contract with the project finance and accounting staff?	Duration of the contract with PMO staff is usually one year and is renewable subject to satisfactory performance.
3.8	Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	Not Available
3.9	For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	To be prepared at the detailed design stage
3.10	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Detailed Terms of Reference will be prepared at the beginning of project implementation.
3.11	What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	NA
3.12	What is training policy for the finance and accounting staff?	Staff are routinely trained through organization of annual training programs and participation in ADB seminars and workshops. Training in the use of accounting software is also provided by the supplier
	Describe the list of training programs attended by finance and accounting staff in the last 3 years.	The training of accounting software 1C has been imparted to staff by the supplier in the last one year.
	4. Accounting Policies and Procedures	
4.10	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (in particular, the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?	ALRI has no computerized accounting system, whereas the PMO under ALRI has an application of the "1C" accounts package.
		For the PMO/PIO a compatible accounting system using the same software will be established based on the regulations and instructions of ADB and MOF
4.2	Are controls in place concerning the	Yes

	Topic	Response
	preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Yes
4.4	Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes
4.5	Are the General Ledger and subsidiary ledgers reconciled monthly? Are actions taken to resolve reconciliation differences?	General ledger and subsidiary ledgers are verified periodically
4.6	Describe the EA's policy for retention of accounting records including supporting documents (e.g, ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	EA will follow the ADB's policy and guidelines for the retention of the accounting records including supporting documents
4.7	Describe any previous audit findings that have not been addressed.	Not Available
	Segregation of Duties	
4.8	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	(i) PMO Project Manager (ii) PMO Accountant (iii) PMO Administrator (iv) Accountant
4.9	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes, depending upon the type of operations these functions are divided among the Project Manager, Accountant, and Administrator
	Budgeting System	
4.10	Do budgets include physical and financial targets?	Yes
4.11	Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	Yes
4.12	Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	Yes, actual expenditures are compared to the budget on a quarterly basis.
4.13	Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	Variations of approval are required in advance
4.14	Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	Not Available
4.15	Who is responsible for preparation, approval and oversight/monitoring of budgets?	PMO Project Manager accord approval and Accountant responsible for preparation.
4.16	Describe the budget process. Are	Yes, all such procedures are in place

Topic	Response
<p>procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?</p> <p>4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?</p> <p>Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds?</p> <p>Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects?</p> <p>What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?</p>	<p>Yes</p> <p>Not Available</p> <p>Not Available</p> <p>Not Available</p>
Payments	
<p>4.18 Do invoice-processing procedures require:</p> <p>(i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments?</p> <p>(ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?</p>	Yes
<p>4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly marked for account code assignment?</p>	Yes
<p>4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?</p>	Yes checked by the Project Manager
Policies And Procedures	
<p>4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?</p>	(i) Accrual is practiced, (ii) Cash
<p>4.22 What accounting standards are followed --(International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?</p>	<p>EA follow International Accounting Standards (IAS) approved by MOF.</p> <p>Comments: the response may not be correct.</p>
<p>4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?</p>	ADB guidelines are followed
<p>4.24 Is the accounting policy and procedure</p>	EA's accounting policies and procedures manuals

Topic	Response
4.45 manual updated regularly and for the project activities? Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	does not need to be updated for the project activities. Yes
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes
4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes
4.28 Are manuals distributed to appropriate personnel?	Yes
4.29 Describe how compliance with policies and procedures are verified and monitored.	By Project Manager and monitored by the ADB Country Resident Office
Cash and Bank	
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Project Manager and Accountant
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Yes
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Yes. Cash is reconciled on monthly basis.
4.34 Are all reconciling items approved and recorded?	Yes
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes
4.36 Are there any persistent/non-moving reconciling items?	Not Available
4.37 Are there appropriate controls in safekeeping of unused checks, USB keys and passwords, official receipts and invoices?	Yes
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	Not Available
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	Not Applicable
Safeguard over Assets	
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	ADB guidelines are being followed

	Topic	Response
4.41	Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Yes, all inventories are marked and registered with a number and location
4.42	Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	Yes
4.43	Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labeled?	Refer to 4.41
4.44	Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes
4.45	Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	Not Available
4.46	Are assets sufficiently covered by insurance policies?	No
4.47	Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	Not Applicable
Other Offices and Implementing Entities		
4.48	Describe any other regional offices or executing entities participating in implementation.	MEWR is responsible for the implementing Output 1
4.49	Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	For the proposed project additional staff will be recruited as per requirements
4.50	Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Not Applicable
4.51	Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	Not Applicable
4.52	Are periodic reconciliations performed among the different offices/implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	Not Applicable
4.53	If any sub-accounts (under the Imprest Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	Not Applicable

Topic	Response
Contract Management and Accounting	
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	Not Applicable
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	Not Applicable
Other	
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Not Available
5. Internal Audit	
5.1 Is there an internal audit (IA) department in the entity?	No
5.2 What are the qualifications and experience of the IA staff?	Not Applicable
5.3 To whom does the head of the internal audit report?	Not Applicable
5.4 Will the internal audit department include the project in its annual work program?	Not Applicable
5.5 Are actions taken on the internal audit findings?	Not Applicable
5.6 What is the scope of the internal audit program? How was it developed?	Not Applicable
5.7 Is the IA department independent?	Not Applicable
5.8 Do they perform pre-audit of transactions?	Not Applicable
5.9 Who approves the internal audit program?	Not Applicable
5.10 What standards guide the internal audit program?	Not Applicable
5.11 How are audit deficiencies tracked?	Not Applicable
5.12 How long have the internal audit staff members been with the organization?	Not Applicable
5.13 Does any of the internal audit staff have an IT background?	Not Applicable
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	Not Applicable
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Not Applicable
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Not Applicable
6. External Audit – entity level	
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, ALRI accounts are audited by Auditor General. PMOs under the ALRI are audited by an independent external company
6.2 Are there any delays in audit of the entity?	No

	Topic	Response
	When are the audit reports issued?	
6.3	Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	Accounts are audited using National Auditing Standard
6.4	Were there any major accountability issues noted in the audit report for the past three years?	Not Available
6.5	Does the external auditor meet with the audit committee without the presence of management?	Not Available
6.6	Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	Not Available
6.7	Has the external auditor expressed any issues on the availability of complete records and supporting documents?	Not Available
6.8	Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Not Available
6.9	Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	Not Available
	External Audit – project level	
6.10	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Yes, ALRI appoints external company
6.11	Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	Not Available
6.12	Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	Yes
6.13	Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	No, preparation of terms of reference for the project's financial statements audit will be prepared during project implementation
6.14	Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	NA
6.15	Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	The selected external auditor will, most probability, have experience of auditing ADB-funded projected and so will have familiarity with ADB procedures. If not, they will have to familiarize themselves before starting the audit.
6.16	Are there any recommendations made by the auditors in prior audit reports or	Not Available

Topic	Response
management letters that have not yet been implemented?	
[For second or subsequent projects]	Not Applicable
6.17 Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?	
7. Reporting and Monitoring	
7.1 Are financial statements and reports prepared for the entity?	Yes based on the IAS
7.2 Are financial statements and reports prepared for the implementing unit(s)?	No, PMO prepares its own financial statements
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Quarterly. They are generally prepared on time
7.4 Does the entity reporting system need to be adapted for project reporting?	No, PMO will adapt its own reporting system according to the project requirements.
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	The general ADB system of financial management will be followed.
7.6 Are financial management reports used by management?	Yes
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Yes
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	The financial management staff prepare the financial reports while the technical staff prepare the physical progress. Project management compare the two to ensure compatibility and accuracy
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, ALRI has experience of handling projects financed by the World Bank, IDB, and Kuwait Fund
8. Information Systems	
8.1 Is the financial accounting and reporting system computerized?	Not yet
8.2 If computerized, is the software off-the-shelf, or customized?	Not Applicable
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	Not Applicable
8.4 How are the project financial data	Not Applicable

Topic	Response
8.5 integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	Not Applicable
8.6 Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Not Applicable
8.7 Can the system automatically produce the necessary project financial reports?	Not Applicable
8.8 Is the staff adequately trained to maintain the computerized system?	Not Applicable
8.9 Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Not Applicable
8.10 Are there back-up procedures in place?	Not Applicable
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, and earthquake and calamity protection for backups.	Not Applicable