



Center for Implementation of Investment Projects

FINANCIAL MANUAL

2025

Dushanbe, Republic of Tajikistan

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BACKGROUND

This Project Financial Management Manual describes the Financial Management Procedure to be followed by the Project Implementation Unit/ (CIIP) of the Committee of Environment Protection of the Republic of Tajikistan (CEP). This Manual has been elaborated for the use by the CIIP's financial staff in the course of implementing non- investment projects (those projects where the donor does not require referring to their financial manual).

Financial staff of the CIIP must become acquainted with this Manual, including the sections on internal control and financial accounting procedures, and observe the framework established thereby in the course of the Project's routine activities.

This document will be updated as operational experience is gained during implementation. Updates will only be authorized in consultation with CIIP Director and Chief Accountant.

The CIIP is responsible for project implementation and CIIP is required to establish an Accounting and Financial Management System (FMS) in accordance with the applicable laws and regulations of the Republic of Tajikistan, and acceptable to the donor. Preparation and Implementation of the Financial Procedures Manual for reference and as a guide to FMS operations are part of the project's overall Operational Manual.

A. Finance and Accounting Department

The CIIP has a Finance and Accounting Department (FAD) to handle the day-to-day accounting and financial management operations. The principal objective of PFAD will be to support management in the disbursement of the Project's resources with the purpose of ensuring economy, efficiency and effectiveness in the delivery of outputs required to achieve desired outcomes. FAD will be responsible to maintain accounts and records in accordance with GoT and International Accounting Standards. Separate financial accounts will be kept for the Project.

FAD Staff

The CIIP Finance and Administration Department (FAD) comprises two permanent employees:

1. **Chief Accountant** – Authorized to sign all financial documents on behalf of CIIP.
2. **Disbursement Specialist** – Responsible for managing disbursement processes and ensuring compliance with internal and donor-specific requirements.

In addition to the permanent staff, project-specific financial personnel are contracted for each project, including:

1. **Project Finance Management Specialist** – Oversees financial planning, budgeting, and reporting for individual projects.
2. **Project Disbursement Specialist** – Handles disbursement activities in accordance with project requirements and timelines.

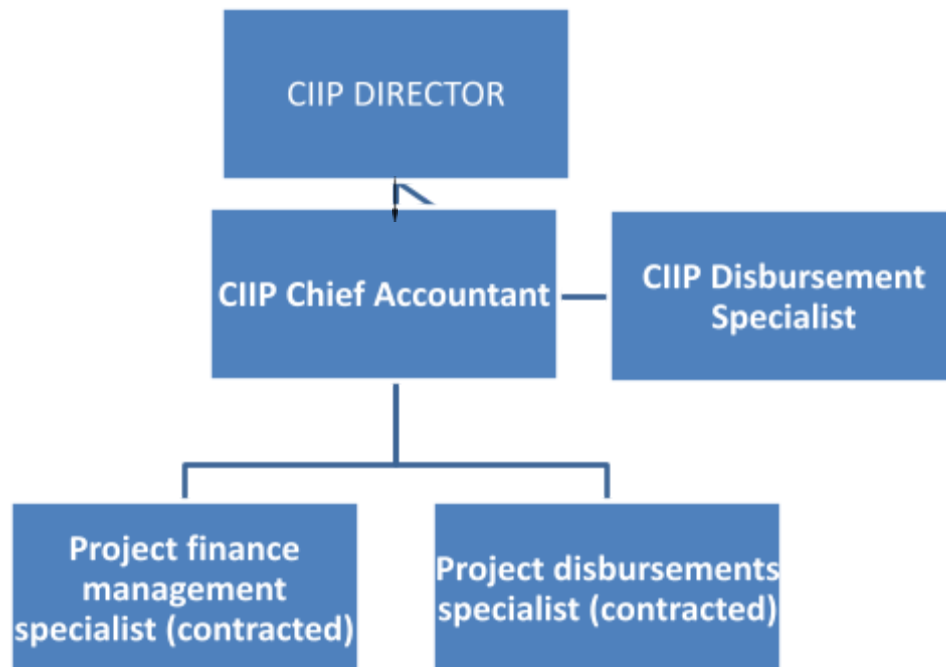
Financial Capacity Development:

To ensure ongoing improvement in financial management capabilities, CIIP implements a structured approach to financial capacity development:

- Annual assessment of financial management capacity and systems;
- Development of targeted training plans for financial staff;
- Regular participation in financial management workshops and peer learning;
- Documentation of capacity improvements in annual reports.

These activities shall strengthen CIIP's financial management capabilities and support potential future accreditation with international climate finance mechanisms.

All the staff would be required to have experience and qualification required to fulfil the requirements of their job description and to executing their responsibilities. The PFAD staff positions will be per the schematic below:



B. Operations with the Grant/Credit Accounts and Designated Accounts

Disbursements of the Grant/Credit proceeds are to be made at the Project request only. The Donor will provide the CIIP with the Disbursement Letter outlining disbursement procedures to be followed by the Project .

Payments under the Project may be made:

- From the Project Designated Accounts to a Local Commercial Bank;
- Through direct payments from the Grant/Credit Account at HQ level.

For procedures on:

- Selection of the Designated Accounts Bank;
- Establishment of the Designated Accounts;
- Initial Allocation to the Designated Accounts.

C. Withdrawal Application and Statement of Expenses Procedures

FAD staff is required to follow the following procedures on Replenishment Applications.

The Withdrawal Applications (WA) should be submitted to Donor on a monthly basis.

The WA should be filed with a Statement of Expenditures and supporting documents in accordance with the Disbursement Letter instructions.

The Donor will disburse all expenditures against full documentation and the expenditures under Statement of Expenses (SOE) procedures for all categories of expenses will be under the contract limits as defined in the disbursement letter and the Conditions of Development Financing agreement.

Acceptable Forms of SOEs are attached to the disbursement letter.

If contracts exceed the contract limits defined in the Disbursement Letter for SOE procedures, all the WAs must be provided with full supporting documentation. All Withdrawal Applications should be prepared in USD and numbered sequentially. The CIIP Chief Accountant and Project financial management specialist are responsible for correctness and timeliness of the WA submission and Special Accounts replenishments.

The CIIP Accountant must verify every Withdrawal Application. The WAs will include the following supporting documents attached:

- 2 copies of invoice payable/Act of Work Completed (AWC) stating the amounts to be financed from the Grant/Credit proceeds;
- Expenditure breakdown by Project Categories of expenditures;
- Copy of bill of lading or forwarder's certificate (for goods procurement contracts);
- Payment document for order to pay out of special Project Account;
- Performance guarantee and bank guarantee in the case of advance payments and as per contract conditions;
- Any discrepancies between the Withdrawal Application and supporting documents must be explained in a separate accompanying letter;
- After the Replenishment Application is prepared and sent, the CIIP FAD should receive information concerning the WA Statement from the Donor's Internet website and attach it to the WA file until the original payment order and original monthly statement are received;
- After the Bank verifies the Withdrawal Application and accompanying reports, funds will be transferred to replenish the Special Account.

D. Authorization of Withdrawals from the Special Accounts and for Direct Payments out of Grant/Credit Funds from Headquarters

The following representatives have the authority to sign documents to withdraw funds from the SA:

First signature: CIIP Director

Second signature: The CIIP Chief Accountant.

The payment documents (bank payment order, check, etc.) should bear the signatures of both officials.

LETTER OF CREDIT

To finance purchases of goods or services under the project, the Project may need to open a Letter of Credit. The terms and conditions of payment under the Letter of Credit should be stipulated in the contract. Special Commitment on Letters of Credit could be issued by the donor as per the conditions of the Development Financing agreement and the Disbursement Letter.

The standard authorization procedure is followed, as described in the Authorization of withdrawals from the SA. The Letter of Credit with supporting documentation attached is submitted to the SA Bank in two copies; one copy is stamped "Accepted".

The Accountant files the stamped copy of the Letter of Credit to the file "Bank Payment Orders".

The Accountant makes the accounting entry opening the Letter of Credit account.

The SA Bank opens an account with the commercial bank of the supplier (contractor) and makes payment according to the General Rules for Documentary Letters of Credit.

When the payment is confirmed by the supplier (contractor) and the payment evidence document are received, the Accountant makes the accounting entry.

DIRECT PAYMENTS

Usually, the CIIP Chief Accountant is used to make payments to any service provider or goods purchased by the PIU. But as per the conditions of the Disbursement Letter, the Project is authorized to make Direct Payments. Such payments to a contractor/consultant can be effected directly from the Project Account. The

procedure for direct payment is similar to a reimbursement or Withdrawal Application.

Direct payment from the Grant/Credit Account can be made for a “minimum application size as defined in Disbursement Letter and as per the Development Financing agreement.

Documents for Confirmation of Donor Payments and Reconciliation:

The following two documents, which are distributed by Donor will enable FAD to keep its records up-to-date in respect of the Project account:

- Payment Advice i.e. when the Bank executes a payment, PFAD – CIIP will be notified promptly of all details of the payments;
- Monthly Disbursement Summary.

Once statement evidencing the direct payment is obtained via the Internet, the accounting entry is posted. The original Payment Order must be filed in the WA file when received.

E. The Local Currency Project Accounts (PA)

The Projects shall open separate PA for Project Grant and Project Credit) denominated in the national Tajik currency (Somoni). The PAs in Somoni shall be replenished via conversion of the Grant/Credit proceeds from the Designated Accounts (US dollars). These bank accounts will be designated for payments to the local contractors that operate under the supervision of the PIU.

Payments can be made from the PA in Somoni in a Local Commercial Bank acceptable to the Bank to the contractors’ bank accounts based on the Payment Certificates/orders (which are prepared on the basis of the Acts of Works Performed, invoices and other documents verified by the authorized official of the Implementing Group of the project component under which the particular expenditure is covered, FAD and finally approved by the CIIP director.)

Foreign Exchange Losses and Gains

All transactions in foreign currency should be reflected in USD and Tajik Somoni, at the National Bank of RT exchange rate set for accounting and customs payments purposes as of the transaction date. The balance of the Special Accounts is affected by foreign exchange rate fluctuations. Variances resulting from changes in foreign exchange rates are reflected as either a Loss (in the expense section of the Working Chart of Accounts) or a Gain (in the income section of the Working Chart of Accounts), resulting from foreign exchange rate differences.

Upon receiving the PA Tajik Somoni bank account statements at the end of each month, the CIIP Chief Accountant makes an adjusting entry to revalue the PA TJS balance in USD as of the closing exchange rate of the US dollar to Tajik Somoni set by the NBT, if accounted in USD.

F. Basis of Accounting

Books of accounts will be principally maintained on cash basis of accounting but an analytical record of Accounts payable, Accounts Receivables under all categories and components of the project will be done in 1C Accounting software.

- The double entry system of bookkeeping will be used.
- The books of accounts will be maintained in Somoni and US Dollar.
- Cash basis has several advantages including simplicity as well as being quick and easy both to prepare and understand the books of accounts and Financial Statements. It also facilitates the work of accountants and auditors in confirming that money was expended as planned and within the intended limits.
- Though the books of accounts will be prepared on cash basis but at the yearend/quarter end all outstanding commitments will be reflected by way of a schedule/note in order to show accurately the actual funds spent to date and the confirmed commitments over and above the actual funds spent.
- The Financial Statements will be prepared in conformity with Guidelines for the Project Financial

Statements, the relevant donors' Financial Reporting Policy, and updated from time to time. CIIP shall submit financial reports on a **quarterly and annual** basis to the donor and monthly and quarterly basis to national oversight bodies in accordance with established deadlines. and updated on time to time.

The financial statements will be prepared on the historical cost basis of accounting. Source funding will be recognized when funds under the Grant/Credit Agreement have been received or paid out directly on behalf of the project Expenditures are accounted for on the basis of actual disbursement of funds from the project accounts. Budgets figure will represent the best estimation of the Project based on the total project cost tables and further with corrections as agreed with the donor for each year or at such intervals over the life of project.

ACCOUNTING STANDARDS

International Accounting Standards will be followed for all the accounting purposes. International Accounting Standards are issued by International Accounting Standards Committee (IASC) and are in conformity with the provisions of the applicable international laws, customs, usages, and economic environment. These standards are accepted by the GoT (provided they do not conflict with national standards) as well as by the donor' accounting Principles and Policies:

- To adhere to management policies, guidelines of Donor, laws and regulations;
- To create a strong internal control mechanism so that assets can be safeguarded, fraud and errors can be prevented and detected;
- Promoting reliable, orderly, economic, efficient and effective accounting system consistent with project objectives;
- Accuracy and completeness of the accounting records;
- Timely preparation of financial information.

Legal Basis

Accounting policies and procedures for the CIIP is developed in accordance with the Donor requirements for non-revenue projects, the IAS and the legislation of the Republic of Tajikistan. The Law on Accounting of the Republic of Tajikistan as well as any other applicable laws and regulations of the Republic of Tajikistan support the legal basis of this document.

G.Accounting Method

In accordance with the Donor requirements to financed projects, as well as Article 6, part II of the Law on Accounting of the Republic of Tajikistan, the Cash Basis of accounting will be applied by the CIIP since all business activities are closely connected to the operation of Project cash-flows.

The following principles should be followed when applying the cash method of accounting:

Transactions are recognized upon the making of payment or receiving funds. The FAD makes an accounting record on disbursement operations only upon receipt of the payment by a payee and submission of supporting documentation (standard cash orders, bank payment orders, bank account statements, etc.).

Liabilities are not recognized until paid and, therefore, payable accounts are normally not to be used.

Fiscal Year, of the CIIP lasts from January 1 till December 31 of the calendar year.

Accounting Data Entry and Record-Keeping

The FAD of the CIIP shall maintain a computerized General Ledger system based on 1C accounting software (including Cashbook) with registration of primary documents. Subsidiary Ledgers are also required in the formats generated by the 1C accounting system.

Accounting documents and records are to be processed in the following sequence:

Primary documents including contracts, agreements, invoices, payment certificates, purchase and sale orders, etc., are to be prepared in accordance with the Civil Code of Republic of Tajikistan. All primary accounting documents should be filed and kept till the ending of the Project.

Based on primary documents all transactions are registered on the date of transaction in 1C system accounting journal corresponding to the type of the transaction. All accounting transactions are automatically recorded in the General Ledger according to the Chart of Accounts classification.

Few templates of primary documents shall be generated in the following accounting registers:

- Replenishment Applications Register and direct payments;
- Bank Payment Orders;
- Fixed Assets Register;
- Inventory Register.

All processed accounting data shall be entered and stored in the 1C system. Monthly interim statements print outs should be filed in corresponding accounting books. All accounting data (both electronic versions and hard copies of primary documents, accounting books and journals, financial reports), as well as the accounting software manuals and accounting policy and procedure documents, are to be filed and stored until the end of the project and as per the period defined in Development Financing agreement for retention of the record.

Inventory Accounting Methodology

The CIIP shall apply FIFO method for the writing off to the Project expenses. The CIIP inventories are all goods purchased by the Project for administrative and operational purposes, as well as for assistance to the Programs carried out under the Project.

The FAD is fully responsible for the PIU's inventory accounting and quarterly stocktaking of inventory balances (both in quantitative and monetary terms).

At the end of each quarter inventory balances will be checked according to the following formula:

Opening Balance + Inventory Purchases during the current period – Inventory Write-offs during the current period = Ending balance.

Cost of inventory should include purchasing price, transportation cost and carrying cost. FIFO method implies that the supplies acquired earlier are to be written-off to expenses first.

The CIIP inventories are to be accounted at their historical cost until they are written-off.

Fixed Assets Accounting

For the Project's accounting purposes fixed assets are categorized as follows:

- Computers;
- Office furniture;
- Office equipment;
- Vehicles and Transportation;
- Other fixed assets.

The PFAD keeps the record of all fixed assets that are at the Project's disposal. For details on Fixed Assets Register entries see the Books and Records section.

Multi-Currency Accounting

The Projects will be record dual-currency financial transactions, primarily, with two currencies - Tajik Somoni and US dollars.

The 1C computerized accounting system has multi-currency features for operating in a multi-currency environment. The National Bank of Tajikistan conversion rate as of the date of transaction should be used

in recording all accounting transactions.

All payments to the local contractors, suppliers and consultants, including those from the Project are to be made in the national Tajik currency only. All international payments from any financing source are to be made in US dollars.

Financial and accounting reports to be submitted to the Donor shall be denominated in USD.

Financial and accounting reports to be submitted to the governmental institutions shall be denominated in USD or Tajik Somoni, or both currencies as per requirements.

[Dual-Language Accounting and Reporting](#)

Accounting records and computerized accounting files shall be maintained in Tajik/English. All SOE supporting to the Donor are to be prepared in English; supporting documents (contracts, invoices, payment documents, etc.) will be prepared either in Tajik but major contracts will be prepared in English. For small value contracts sample English translations will be done.

The reporting system will be in English and Tajik.

The periodic financial reports to the governmental institutions – Ministry of Finance of the Republic of Tajikistan, Ministry of Economy and Trade of the Republic of Tajikistan shall be presented in Tajik language.

[Accounting System: Chart of accounts](#)

Chart of Accounts is the primary tool for ensuring the availability of the information required, for achieving consistency in account classification.

Basis of Chart of Accounts:

The Chart of Accounts would be used to:

- (a) capture financial data under appropriate headings; and
- (b) classify financial data for the various financial reports.

The structure of the Chart of Accounts should cater for data to be captured by (i) project components; (ii) expenditure categories; (iii) the donor's disbursement categories for the project. The structure of the Chart of Accounts will conform closely to the project cost tables to enable comparison of actual project costs during implementation to those estimated during project preparation.

[Formats of Books and Records: Refer IC Manual](#)

The accounting system will be a mix of both computerized as well as manual systems for optimal adherence to the above-named accounting policies.

[List of computerized books of accounts, to be maintained](#)

[General Ledger](#)

The general ledger is the main book of account and it is the record of all the assets, liabilities, receipts and payments of the project by specific accounts. The ledger gives following information:

- Account Name;
- Account / sub-account code;
- Date;
- Narration;
- Cheque No.;
- Invoice No.;
- Debit;
- Credit;
- Opening Balance;
- Closing Balance.

[Journal Book](#)

The journal book is the record of all the double entries, which are reflected, in the general ledger.

Trial Balance:

The FAD will ensure preparation of standardized financial reports including quarterly interim financial reports and annual financial statements, using templates aligned with the donors' Financial Reporting Policy. These reports will include: Statement of Receipts and Payments, Statement of Expenditures by

Component and Category, Budget vs. Actual Report and Fund Reconciliation. Reports must be submitted within 30 days after quarter-end and 60 days after fiscal year-end.”

Salaries Payroll:

A salary register in the form of computer payroll sheet is maintained for the Project recruited personnel. The register details the following information about an CIIP employee:

- Name;
- Basic / gross salary in USD;
- Other remuneration's/subsidies;
- Exchange Rate;
- Any other deductions;
- Net amount payable;
- Provision for employee's signature, etc.

Fixed Asset Register:

A fixed asset register is a register of all the fixed assets that the project owns. The register shall contain the following details/information:

- Description of asset;
- Sub-Project account code;
- Serial number / Registration number;
- Location;
- Date of purchase;
- Cost of asset;
- Voucher number;
- Invoice number;
- Supplier;
- Insurance Validity dates.

List of manual books of accounts to be maintained

Statements for Expenditure -Withdrawal Register

A register will be maintained for keeping the record of each SOE submitted to the donor for payment. This register will show following details:

- Withdrawal Number in sequential order (to be given by PFAD/PIU);
- Date;
- Amount withdrawn as per disbursement category (as defined by Grant/Credit Agreement);
- Total amount drawn category wise;
- Total amount drawn on each withdrawal;
- Signature of CEP Accountant PFAD – CIIP as evidence of verification of each entry in the register.

H. Input Documents for Booking the Transactions

The input documents to be used for booking the transaction into the accounting system will be called – VOUCHERS. The voucher will be supported by the copy of supporting document which will be the formal support of the transaction which has been booked through the voucher. The vouchers have been divided into following five categories according to their nature:

Remittance Voucher (RV): This voucher will be raised only when payment is made directly by Donor at HQ level for the expenses and will be supported by the transfer advice / monthly statement sends by Donor and copy of transaction documents i.e. invoice, goods receipt note, purchase order, contract and payment request letter to Donor.

Inter Bank Transfer Voucher (IBTV): This voucher will be raised when a transfer is affected from one bank account to another by FAD-CIIP and will be supported by the copy of transfer request issued to the transferor bank by the authorized signatories of PIU.

Bank Payment Voucher (BPV): This voucher will be particularly raised when severance payment is made by FAD – CIIP supported by the copy of invoice, receipt signed by the payee. This voucher will also be raised for booking those payments which are made from the banks i.e. bank charges, withdrawal of cash, etc.

Cash Payment Voucher (CPV): This voucher will be raised when any cash payment is made for any authorized project expense and it will be supported by the copy of approved invoice, receipt or any other evidence document.

Journal Voucher (JV): This voucher will be raised when the concerned transaction does not involve any remittance, interbank transfer of funds or any bank or cash payment and it will be supported by the approved working papers.

Journal of Remittance of PIU This voucher will be used for direct payments or transfers made by PIU.

[Refer 1C Manual for the format of different kinds of vouchers.](#)

Internal Controls

- All the vouchers must have the copy of supporting documents with them.
- Vouchers shall be prepared by Local FM Specialist and will check by CIIP Chief Accountant.
- All the vouchers must have the approval of CIIP Chief Accountant.
- The vouchers shall be punched into the computer by CIIP Chief Accountant and shall be stamped as “ENTERED”.
- Each type of voucher should be filed in the separate file in serial numbers.
- The entries in the journal book must be cross checked with the vouchers on weekly basis by Local FM specialist order to detect any error, omission or duplication in data punching and should be initialled.
- The CIIP Chief Accountant must ratify any amendment in the voucher.

General Ledger

The monthly print run of the general ledger shall be taken out as hard copy and be filed in a separate computer binder after doing the ledger scrutiny by the CEP Accountant (access of General Ledger will be confined to CIIP Chief Accountant. The General Ledger shall be in the custody of CIIP Chief Accountant. However, if required, print out of any specific account can be taken out at any time with the permission of CIIP Chief Accountant for some specific reconciliation or checking.

Refer to schedule 2 for the layout of the General Ledger Accounts

Internal Controls

The custody/access of the General Ledger should be with CIIP Chief Accountant.

At the year end the full year's print-run should be taken out (after all the year end entries) and be preserved till the life of the project.

Journal Book

Journal Book will get automatically update on punching the vouchers and would be accounting summary of all the transactions being reflected on the vouchers and General Ledger.

Internal Controls

The hard copy of the Journal Book will be printed every week in order to check completeness with the vouchers.

The weekly copy of the Journal Book should be ticked and signed by FM specialist and submit it to CEP Accountant for his approval.

After CEP Accountant's approval the weekly copy of the Journal Book should be filed in the computer binder for any future reference.

Trial Balance

At the end of the month the Copy of the Trial Balance will be printed and would be filed in the Trial Balance File after being signed by the CIIP chief accountant. From the Trial Balance only the Financial Monitoring Reports for the project will be drafted.

Internal Controls

CIIP chief accountant will do the Trial balance scrutiny at the end of every month in order to detect any error or omission.

Copies of all the Monthly Trial Balances should be preserved till the end of the Project period.

Consultancy fees

Consultancy fees will be maintained for the staff exclusively recruited for the project and are being paid fees as per the Donor approval.

Internal Controls

Calculation will be prepared by FM specialist and fees will be disbursed by CIIP project disbursement specialist. In order to reduce cash payments, it is recommended to transfer to Employee's plastic cards.

After the fees are ready it will be checked by the FM specialist and will be approved by CIIP chief accountant.

Fixed Asset Register

The fixed asset register is maintained to have a better control over the fixed assets, acquired by FM specialist as per the project allocation and is a memorandum record.

Refer IC Manual for the layout of the Fixed Asset Register

Internal Controls

The fixed assets register will be reconciled with the ledger account (i.e. Equipment A/Cs) on monthly basis.

All the additions and deletions in the register will be initialled by the CEP Accountant.

Physical verification of the assets will be done annually taking fixed asset register as the basis.

Statements for Expenditure - Withdrawal Register

The SOE – withdrawal register will be a memorandum record which will be maintained in order to have track and record of payments made by Donor against SOE.

Refer schedule – for the format of SOE-Withdrawal Register.

Internal Control

The CIIP chief accountant, maintaining the register, must ensure that all the SOE withdrawals are in serial order and are supported by request documents.

CIIP chief accountant should check the register once in a week to ascertain the completeness of the entries and must initial the verified entries.

Register of VAT and other taxes involved in transactions of Project

Refer to order issued by the Government of the Republic of Tajikistan # 211 dated May 2, 2013 (approval exemption from VAT, paid out of Grant, Loan), the Project will not finance duties and taxes (VAT) and other taxes involved in the payments effected under the Project. Thus, all payments requested from the Donor will reflect deduction of VAT and other taxes based upon Standard Disbursement Percentages (SDP) included in the Development Financing Agreement.

The following criteria will be followed in the accounting of such taxes:

Taxes not deductible, such as customs duties, will be accounted as normal expenses of the Project, financed by own funds of the GoT.

Amounts relating to direct payments made by CIIP under the project will be accounted in the Project net of the respective VAT, that is, VAT value to be paid in these cases, will not be reflected in the accounts of the Project.

The amount of VAT paid with PIU's own funds, transferred to the own funds account of the Project will be debited to the account of financing from PIU, to be later deducted under the ambit of the settling of VAT of the GoT.

I. Financial Procedures And Internal Controls

Banking Operations Procedures

Authorization of Withdrawals from the DAs and for Direct Payments out of the Project

Funds: Bank Reconciliation

In order to have control over the banking transactions FAD will reconcile all the bank accounts at the prescribed duration with the prescribed external bank statements and will also obtain the balance confirmation certificate from the commercial banks for the balances in the books of banks as on the last day of the quarter.

BANK ACCOUNT		TO BE RECONCILED WITH	DURATION
1.	Dedicated account in US dollars / Somoni	Bank Statement	Monthly
2.	Account for payments to staff in Somoni	Receipts from staff	Monthly
3.	Account for running of Project (CIIP funds) in Somoni	Vouchers	Monthly

Format of Bank Reconciliation

Bank Reconciliation of Dedicated Account:

As on _____ Amount in Somoni

Balance as per Ledger:

Add: Amounts Credited by bank but not reflected in ledger (give break-up)

Add: Cheques issued but not yet presented (give break-up)

Less: Amount Debited by bank but not reflected in ledger (give break-up)

Less: Amount deposited but not reflected in bank statement (give break-up)

Balance as per Bank Statement

Prepared by

Approved by

Cash Payments Procedures

Cash Payments are for the payment of contingencies, disbursements to contractors in accordance with contracts, and administrative expenditures of the IG, including salary. Whenever possible, all cash accounts are to be maintained in the SA bank account.

All cash transactions should be recorded in the Cash Book of the IC computerized accounting system. Any changes to the Cash vouchers book, such as when transactions need to be overridden or voided, should be done through Journal vouchers only with audit trail sufficiently documented and approved by the CEP Accountant. The cash operation records to be submitted to the World Bank shall be translated into English.

Cash Balance is kept in the Project safe with access only by the Cashier. If the Cashier is not available for a considerable period time, responsibility will be temporarily delegated to the CEP Accountant. An Act of Petty Cash Fund Acceptance is to be prepared to document the transfer.

Cash withdrawals should be registered on the same day as the transaction in the Cashbook on the basis of cash debit order. Both cash debit and credit orders must be pre-numbered and filed in sequential order in a separate folder "Cash Orders".

Reserve Amount for cash in TJS (Tajik Somoni) kept in the Project's safe for reimbursement of future expenses should not exceed the limits set by the National Bank of Tajikistan Instruction on Petty Cash Funds.

Restricted Use of Cash Funds

Use of petty cash in both currencies to pay implementing agencies is not allowed, except for the cases specified in the contracts.

Petty Cash Account may be used only to pay:

- Local market purchases of supplies and materials for the Project utilization (office supplies, miscellaneous supplies, minor repairs and replacement parts for machinery and equipment not under procurement contracts). Such payments may be made provided that the items cannot be paid through regular payment procedures.

Special authorization of the CIIP chief accountant is required for well-supported use of the Petty cash account, if for the purposes other than above.

Petty Cash Advances

The CIIP will use a cash advance system. With the exception of salaries, cash advances can be given for the authorized use of petty cash.

A payee signs a Cash credit order, which has been issued by the Operating Expense Accountant, and approved and signed the CIIP Director and CIIP Chief accountant. The following must be recorded on the petty cash credit order form: date, name of payee, purpose of disbursement, amount paid, and signatures. The CIIP Chief accountant also signs the Cash Credit Order and pays out the advance amount. The transaction is immediately posted to the Cashbook and 1C computerized accounting system.

The payee cannot get a second advance until he (she) submits the Advance/Expense Report documenting the use of the previous advance (with supporting documents, receipts and checks, including currency exchange checks).

If the Project FM specialist determines all expenditures are eligible for reimbursement, he (she) signs the Advance Report form, and clears the amount of cash due from or to the payee. The Report is further submitted to the CIIP Director and Chief Accountant for consideration and signature. After the approval, the Cashier may reimburse the payee or return the unused cash balance to the Petty Cash Fund (on the basis of Cash Debit Order).

The CIIP Chief Accountant files the Advance/Expense Report form with all supporting documentation in the file "Petty Cash Advances". The transaction is posted to the 1C computerized accounting system.

Internal Controls on Petty Cash Advances

CIIP Chief Accountant will conduct the review of outstanding advance amounts on monthly basis based on the monthly report generated by "1C" listing all outstanding advances.

Accountant will prepare documentation on status of outstanding amounts explaining reference of advance, expected date of clearance and other relevant information.

Review of all advances outstanding for more than 60 days should be immediately followed up and further extension will be approved by the Director.

Checks for Petty Cash Withdrawal

The CIIP Chief Accountant shall keep blank checks in a safe place. Signing blank checks payable to bearer indicating no amount due is strictly prohibited.

The CIIP Director and CIIP Chief Accountant shall sign the checks prepared by the project FM specialist. The Cashier replenishes withdrawals from the petty cash fund from the SA bank accounts.

Check stubs in the checkbook should be consecutively numbered. Cancelled checks should not be removed from the checkbook. The Cancelled check page should be marked in ink as "Void" and retained in the checkbook.

Petty cash withdrawn by the Project FM specialist should be promptly delivered to the PIU.

Safety of the cash during its transportation to the IG office is a responsibility of the Administrative Department.

Misuse of Petty Cash

If a misuse is detected or theft occurs, notify the Police Department for a complete investigation and a report. Attach a copy of the Police report to the Petty Cash Orders file. If the theft or loss is determined to be due to negligence on the part of the Cashier, the PIU's security personnel or state security service staff, CIIP Director may choose to require him (her) to personally replenish the funds.

Reconciliation of Cash Balance

The total cash on hand and sums paid out on account plus the amount of disbursements represented by the documents shall be equal to the total amount of the petty cash withdrawn from the Special Accounts.

Once a month the CIIP Chief Accountant shall perform a verification of the petty cash balances in TJS and USD with both cashbooks.

Procedures on Accounts Receivable

Advances issued will appear as accounts receivable in the following manner:

Payment advances made to contractors, where envisaged in the contract.

Cash Advance/by Bank transfer issued to contractors, suppliers, consultants or CIIP employees.

Procedures on Accounts Payable

Contractors/Suppliers invoices payable and certificates for payments are not reflected in the CIIP accounting records as liabilities (in accordance with the cash accounting method). However, to assure proper accounting of liabilities and internal control, separate analytical computerized records in 1C for each contractor, supplier and consultant and primary document files should be kept for each contractor, supplier or consultant.

The CIIP Chief Accountant should maintain records of suppliers (contractors) containing the following information in IC system:

- Full requisites of the signing contractor;
- Requisites of the contractor's bank,
- the account number and address of the account,
- registration number of the taxpayer, issued by the tax authorities.

The CIIP Chief Accountant is responsible for ensuring that uniform accounts payable procedures exist supported by proper internal controls.

J. Inventory Procedures

The CIIP is responsible for purchasing and storing inventories for the Project implementation. Project inventories consist of small quantities of office supplies and other inventories.

The CIIP will use FIFO method for inventory write-off to appropriate category of expenses.

Petty cash advance system will be used for inventory purchases.

The inventories purchased for Rehabilitation Projects implementation are the CIIP property, until having them transferred to the Community Project implementing agency.

The Project FM specialist registers cash transactions in the manual Cashbook, and the CIIP Chief Accountant registers the appropriate records in the 1C system and Inventory books.

The FAD, on the basis of the CIIP Director's order, shall take planned inventory stock taking once a year. Also, some casual inventory taking is possible during the year.

K. Procedures on Fixed Assets

General Policies on Fixed Assets

The present section provides a systematic and accountable method of monitoring and controlling the acquisition, construction, re-modeling and renovation of all fixed assets under the CIIP Project consistent with IAS.

The Finance and Accounting Department is responsible for true and fair, complete and regular accounting of all the IG property, first of all its fixed assets (office equipment, transportation means, furniture, etc.).

Procedures of equipment and other fixed assets purchases are described in the CIIP Procurement Manual under Procurement of Goods.

The CIIP Monitoring Committee defined under the Institutional Arrangement of the Project has authority to make a decision upon liquidation and transfer of the Project's fixed assets. The list of the fixed assets liable to transfer and liquidation is submitted to the CIIP Committee for approval.

Under the cash method of accounting, the financial statements of the FMRs do not show fixed assets. The cost of fixed assets purchased and used for the Project is expensed at the reports submitted to the donor as project expenses of "Goods" category.

Major types of project assets include:

- Computer equipment;
- Furniture and carpets;
- Office equipment;
- Vehicles;
- Any other items, which in the opinion of the CEP Accountant should be included in the register of fixed assets.

Fixed assets acquired under the Project are included on the balance sheet of the CIIP by the Acts of Transfer and Acceptance. From that point forward, these assets should be reported and accounted for by the IG. Disposal rights for majority of such assets will also be delegated by IG to other organizations, in accordance with Acts of Transfer and Acceptance.

Fixed Asset Register

All assets purchased or constructed (renovated, refurbished) during the Project must be included in the Fixed Asset Register maintained by the Senior Accountant in 1C computerized accounting system and will be subject to the annual physical inventory. Even if the assets are not being used by the CIIP for its activity and unreported, be those acquired or constructed through Project financing, they must be accounted for to evidence the Project spending.

Project assets (at the CIIP disposal) are to be accounted for separately. The records should be reviewed and updated in a timely manner for any additions or deletions.

The Fixed Assets Register should specify details such as type of an asset, asset cost, capitalized repairs and renovations, date of acquisition, organization the asset was transferred to for temporary disposal, asset transfer arrangements (# and date of a document evidencing the asset transfer) and other useful information as determined by the CIIP Chief Accountant.

Capitalization Policy for Recording in Fixed Assets and Financial Statements

If the asset meets the following criteria it will be accounted for as a fixed asset:

Separate – a fixed asset is tangible in nature and complete.

Long useful life – a fixed asset has an expected useful life of one or more years.

Significant value - a fixed asset, which, individually, has a significant value or cost of 800 Somoni or more at the date of acquisition.

Installation costs and freight charges are considered a part of the cost of equipment. Separate invoices for installation and delivery costs should reference the item of equipment by purchase order number or other identifying information.

Additions, Renovation and Repairs to Real Property

All additions, renovations, or improvements that increase the economic benefits to be derived from an asset shall be capitalized. The capitalized expenditures must clearly and significantly enhance the value of assets. Routine repair, and maintenance; including replacements and renovation costs that are incurred to maintain the asset in its operating condition and that do not increase the asset's economic benefits over those originally intended are expensed.

Depreciation Policy

The fixed assets should be reported in the Project financial statements and the Fixed Asset Register at their historical cost. Depreciation of the Project's assets is not reportable to the donor as Cash basis of accounting is in force and since it has no economic benefit because there is no Project income against which the depreciation could be charged.

Although depreciation accrual is not required from the IG by the Association, the FAD shall follow the existing accounting requirements of tax and accounting legislation of the Republic of Tajikistan in accounting for and reporting on the fixed assets.

Annual Physical Inventory

A complete physical inventory of all assets acquired and constructed under the Project will be conducted annually by the PIU. The CIIP Director should issue an order to initiate the annual assets stock taking and co-ordinate with the Oblast Affiliates for interim quarterly stock take, if necessary.

A complete physical inventory of all fixed assets must be taken at the end of the fiscal year to ensure that property control records accurately reflect the actual inventory on hand, equipment operated by the implementing entities and fixed assets at the Affiliates and the Central Office and Affiliates of the CIIP disposal. The key to ensuring an accurate physical inventory is the quality of the planning effort prior to conducting the physical counts.

It is permissible to perform physical inventories prior to the end of the fiscal year to redistribute the workload. However, an adequate control system must exist for updating the inventory balance from the interim inventory date to year-end. The accuracy of the interim transactions may be tested during an audit.

In addition to the verification of the property control records, a physical inventory will identify if unrecorded or improperly recorded transactions have occurred, identify any excess, defective or obsolete assets on hand and identify losses not previously revealed. Conducting a physical inventory will enable the IG to inspect the physical condition of each item and prevent misappropriation of the fixed assets.

Causes for differences between quantities determined by physical inspection and those shown on accounting records of the CIIP are to be investigated and, to the extent possible, improvements in procedures are to be made to prevent future errors or losses.

Stock Sheets

While stocktaking, the stock sheets must be completed. Stock sheets must include the following:

- Descriptions /Names/ of fixed assets;
- Value of the fixed assets;
- Number/ quantity of assets;
- Inventory number;
- Category of fixed assets;
- Location of fixed assets;
- Any other information related to the fixed assets stocktaking.

Individual Physical Inventory

If an employee leaves the PIU, a physical inventory of the assets at his (her) disposal will be conducted by the FAD. The new appointee will sign acceptance of the assets from the outgoing incumbent upon completion of the physical inventory and all remedial action as required.

Responsibility for the Security of Assets

The CIIP Director and the Affiliate Managers jointly with administrative department are responsible for the safe custody of assets acquired and kept by the PIU. Specific responsibility for the safety, use, care and maintenance is delegated to an employee in whose disposal an asset is presently. Valuable assets shall be handed to the CIIP employees by an Act of acceptance.

Lease of Fixed Assets

The Project documents do not provide for possibilities for lease of fixed assets.

Misplaced or Lost Equipment or Asset

Where an asset of significant value is believed lost the CIIP employee responsible for the use, care and maintenance of the item will report the situation to the CIIP Director who will investigate the matter.

The CIIP Director will organize an immediate investigation and search. Should the investigation prove negative, the fullest possible details must be reported to the CIIP Committee. The Committee makes a decision whether the lost asset should be written-off, or its cost reimbursed by the responsible employee.

The details of this report should include the following information:

- Description including model, serial number, cost;
- Date of purchase;
- Date of loss;
- Circumstances of loss;
- Other related information.

Fixed Asset Transfer and Disposal

Policy objectives:

To provide a systematic and accountable method of monitoring and controlling the transfer and disposal of fixed assets during and at the end of the Project.

To protect the CIIP from any conflict of interest, either potential or real, which may arise between the CIIP and organizations accepting such assets.

Method of Disposal of Assets

During the life of the Project there will normally be no disposals and retirements of assets, except for small inexpensive items with shorter useful life. Reasons for retirement should be clearly documented on proper retirement forms and verified by the CIIP Committee. The retirement (of a completely malfunctioning asset only) should be properly authorized prior to disposing of the asset and removing the asset from the property and equipment inventory listing.

At the end of the Project, the IG Committee shall establish a Transfer (Liquidation) Commission. In addition to other duties, the Transfer Commission is responsible for the transfer of all project assets, including those operated by implementing entities, and liabilities, if any. The Commission must decide which fixed assets should be

- a) Transferred to a successor organization or
- b) Retired and otherwise disposed through the following options:
 - Outright sale to the IG staff or members of the public;
 - Auction by a contracted auctioneer;
 - Scrap - to a licensed dealer;
 - Trade in - to supplier against replacement items;
 - Donation to registered charities or community organizations.

Sale Proceeds from Disposal of Assets

Income derived from the disposal of an asset must be receipted immediately to the nominated accounts of the successor organization. The Asset Retirement form must include the receipt number when monies are received from the disposal of the assets.

All assets must be adequately decommissioned prior to sale or other disposal. Such decommissioning may involve deleting files and programs from computer hard drives with particular attention to potentially sensitive files and other information of the IG, and/or ensuring that assets are completely safe and uncontaminated, with all potentially hazardous materials or substances removed or made safe before exposure to the public.

L. Payroll Procedures

The CIIP Director should approve the hiring and dismissal of the staff working for the CIIP project, within his/her competence and based on the CIIP Staff Tables. Signing a formal contract with every consultant is obligatory. A written order of the CIIP Director is required.

The monthly fee rates should be set in USD.

A policy on sick leave, vacations, holidays; CIIP Chief Accountant should develop overtime.

The CIIP Chief Accountant is responsible for proper payroll accounting for employees' working days, sick days, special leaves and vacations taken in accordance with the Working Hours Table approved by the CIIP Director. The Administrative Department that keeps track of sick days, special leaves and vacations taken, prepares the Table.

A Summary Payroll Sheet is prepared by the Project FM specialist in 1C system reflecting available data on sick days, special leaves, vacations taken (to be documented by respective internal orders, acts, etc.). Salaries should be calculated and paid out in accordance with the employment contracts of every consultant. If necessary, the daily rate is determined as a monthly pay rate divided by the quantity of working days in

the month. The Payroll sheet should be checked and signed by the CIIP Director, CIIP Chief Accountant and the Project FM Specialist.

Payments are made by the summary payroll sheet.

The Project FM Specialist in gross amounts pays the salaries once a month in Somoni as per the current exchange rate set by the NB RT.

CIIP Chief Accountant is responsible for settling individual income tax liabilities. The possible options are: individual income tax amounts calculated in the Summary Payroll Sheet are paid by the employee to the CIIP Petty Cash Fund. The Cashier shall turn in the amount of individual income tax liabilities to the bank, to be further transferred to the State budget.

Employees are not allowed to receive a salary for another employee. Employees should count the money at the presence of the Cashier.

Salary advances are paid on the 16th day of every month, in the amount up to 40% of the salary if needed.

CIIP Chief Accountant files time sheets and payroll sheets in the appropriate file, and files the summary payroll sheet in the book "Salary".

M. Operating Expenses

In accounting for expenses special attention must be given to:

- Recognition of expense eligibility under the Grant Agreement;
- Accurate allocation of expenses to different components of the Project;
- Verification of actual expenses incurred with budget figures.

The CIIP operating expenses or expenses on project management is described in the present section.

Categories of CIIP Operating Expenses

Operating expenses of the CIIP are the expenses incurred by duly authorized CIIP employees or representatives of the Project in the process of conducting the Project and recognized as eligible under the Development Financing Agreement (DFA). All expenditures will be fully covered from the Project Grant/Credit proceeds as applicable. Operating expenses will be grouped for reporting purposes based on the Project Cost Tables and the definition of Operating Expenses in DFA.

The incurred operating expenses should be accounted for by the following items:

- Operating expenses of CIIP;
- Transportation costs;
- Equipment if any;
- Local technical assistance if covered under operating expenses;
- Personnel training;
- Office supplies;
- Salaries/Social Charges of the CIIP personnel if covered under operating expenses;
- Local trips;
- Renting of space, utilities expenses for the Central office and Affiliates,
- Communication and postage;
- Tender advertisement and announcement;
- Local trips;
- Office maintenance expenses;
- Fuel/lubricants for vehicles;
- Vehicle maintenance;
- Bank charges;
- Other operating expenses necessary to implement the Project and recognized as eligible under the Development Financing Agreement.

General Policy

To be recognized as the CIIP operating expense:

- Expenditure must be a necessary expense of the organization.
- Expenditures must have clear business purpose and be directly related to the goals of the IG Project.
- Expenditures must be reasonable and appropriate under the circumstances.
- All expenses must be fully documented.

The following are examples of the type of expenditures that should not be paid/reimbursed under no conditions:

- Excessive or extravagant costs;
- Political contributions;
- Gifts to employees, officials;
- Meals during working hours, with the exception of meal allowance during business trips;
- any unexplained or undocumented expenses.

Office Supplies and Materials

Purchases of all supplies necessary for conduct of project management are made according to the budget.

Office supplies purchases are financed on the actual expenses basis through the petty cash advance system and payments from Bank Accounts.

The office supplies stocks should be kept in a safe place.

Office Space, Utilities and Communication

The CIIP and its Affiliates rent office premises and has office rent office maintenance, utility, communication, and office equipment maintenance expenses.

Travel Expense

The CIIP Director and CIIP Chief Accountant are to exercise prudent judgment in approving travel-related costs and establish an effective system for management and control over travel-related costs.

At the end of each month the Administrative Department has to submit a business trips schedule for the next month to the PFAD.

Travel Expense Reimbursement

Travel expense procedures must be in accordance with legislation of the Republic of Tajikistan.

Travel related expenses are reimbursed on the basis of actual expenses only, but not exceeding the established limits for per-diem expenses. The total for all expenses should be converted into USD at the exchange rate at the time the expense was incurred. The conversion rates should be included in the Travel Expense Report.

Hotel cost is allowed within the limits established by the Government of the Republic of Tajikistan in Somoni if original invoices and supporting documents are submitted.

Hotel receipts must clearly be marked paid and traveller's name, date and cost of accommodation must appear on the hotel bill. Tips for hotel housekeeping service and porters are not reimbursable. Taxes on hotel bills are allowed.

Per Diem during the business travel will be covered only within the limits established by the legislation of the Republic of Tajikistan. Date of departure and return must appear on the Travel Expense Report. Travel expenses for foreign consultants are covered according to the contracts, but within the limits set by the budget.

Business use of private cars is reimbursable at the allowable rate per kilometer and depends on a type of a car. This is in lieu of reimbursement for gas and operating expenses.

Parking and services fees should be reimbursed if the supporting documents are submitted and fees reported.

Rental Car Use - authorization of the CIIP Director is required to receive reimbursement. Taxi charges are not reimbursable. Bus and metro fares are allowed for long distances, when point of departure and destination are given.

Visa costs are reimbursable.

Communication expenses incurred as a result of the Project activities and substantiated by receipts, are allowable. Communication expenses include telephone, wire, e-mail and fax. Communication expenses to contact the traveller's family or for other non-business purposes are not eligible for reimbursement unless

being reasonably justified.

Actual fee charged to exchange currency necessary to pay official travel expenses is reimbursable. It is necessary to submit original supporting documents.

Travel Advance Report of established format should be filled in and submitted to the PFAD.

The traveller, the CIIP Chief Accountant and the CIIP Director should sign it.

Further Reference for Travel Expenses can be made to “Petty Cash Procedures” as appropriate.

Procedures for Acquisition of Goods and Services and Payment Procedure

Invoice Approval

Following procedure will be followed for Invoice approval:

The concerned department / section / committee head responsible for the purchase of goods or services on receiving the Invoice, will certify the correctness of receipt and approve the payment of the invoice and forward it to PFAD – CIIP along with purchase Order/Contract copy and Goods received Note (in case of purchase of goods).

The PFAD - CIIP on receiving the documents will ensure that expense incurred is in accordance with the Project’s authorized expenditure components, Invoice has been raised according to the payment clause of contract/purchase order and goods/services have been rendered as per the relevant clause of contract/purchase order.

After the above facts have been verified by the staff of FAD – PIU, the CIIP Chief Accountant will once again cross check them and approve the Invoice for the payment.

After the approval of Local FM Consultant -FAD CIIP the invoice will be sent to CIIP Chief Accountant - CIIP for the final approval.

Procedure for Payment of Invoice After Approval

If the Invoice amount is within the prescribed limit can be paid by the Donor on the basis of SOE then CIIP Chief Accountant will raise the SOE requesting Donor to make payment from the Project accounts to the supplier / consultant under an advice to FAD.

If the Invoice amount is above the specified limit then CIIP Chief Accountant will send the approved Invoice along with the supporting documents to the Donor under a request to make the payment to the supplier / consultant from the IDA Grant/Credit account under some advice to FAD.

N. Anti-Corruption and Anti-Fraud Policy

This policy applies directly to all individuals working within or on behalf of Project as employees, agents or volunteers. The policy is provided to our other partners, grant recipients and beneficiaries, who will be required to take reasonable steps to ensure that in carrying out activities supported by Project, they and their employees, directors and beneficiaries comply with all applicable anti-fraud laws.

For the purposes of clarity, throughout this policy, the following definitions apply:

Third party - Any individual or organization you come into contact with during the course of your role.

Fraud - A deliberate intent to acquire money or goods dishonestly through the falsification of records or documents. The deliberate changing of financial statements or other records by either a member of the public or someone who works for or as a volunteer for the Project. The criminal act is the attempt to deceive. Attempted fraud is therefore treated as seriously as accomplished fraud.

Theft - Dishonestly acquiring, suing or disposing of physical or intellectual property belonging to the Project and that of its donors or partners, or to individual member(s) of the organization.

Misuse of equipment - Deliberately misusing materials or equipment belonging to the Project Abuse of position - Exploiting a position of trust within the Project.

Bribery - Offering, promising, soliciting or acceptance of an inducement or reward or by giving someone a financial or other advantage to encourage them to perform their functions or activities improperly, including where it is known or believed that the acceptance of the advantage in itself constitutes improper performance. Bribery is also taken to mean asking for or agreeing to accept a bribe.

Corruption - Offering, giving, soliciting or acceptance of an inducement or reward that may influence the

actions taken by the Project employees, agency staff, contractors and external consultants.

Facilitation payments - Small bribes paid to speed up a service are sometimes called facilitation payments. Some charities work in areas where such payments are the norm in the local culture, often where charitable need is extreme. Notwithstanding the small amounts usually involved, they are still bribery payments. Therefore, they are an unacceptable use of the Project funds.

Fraud is costly, both in terms of reputational risk and financial losses, as well as time-consuming to identify and investigate, disruptive and unpleasant. The prevention of fraud is therefore a key objective of the Project. Measures should be put in place to prevent opportunity and provide effective leadership, auditing and employee screening procedures, which prevent opportunities for fraud.

Fraud can be minimized by carefully designed and consistently operated procedures which deter opportunities for fraud. Staff are made aware of policies by email.

Internal financial controls help to ensure that at all times the financial management of the Project is conducted in accordance with the highest standards. Regular management reviews of systems and reports by senior managers and directors should assist in detecting and preventing fraud; and should also result in continuous improvements. The risk of fraud should be a factor for consideration in all programme and operational plans.

The credibility and success of this policy is dependent largely on how effectively they are communicated throughout the organization. To this end, the details of the Policy will be provided to all staff and trustees.

We must keep financial records for the Project implementation period and have appropriate internal controls in place which will evidence the business reason for making payments to third parties.

All accounts, invoices, memoranda and other documents and records relating to dealings with third parties, such as clients, suppliers and business contacts, should be prepared and maintained with strict accuracy and completeness.

As part of the Project implementation and annual risk assessment process a Local Government bodies such as “Agency for State Financial Control and Combating Corruption of the Republic of Tajikistan”, (<https://www anticorruption.tj>), Account Chamber of the Republic of Tajikistan (<https://old.sai.tj/index.php/en>) will monitor the effectiveness and review the implementation of the Project activities, considering its suitability, adequacy and effectiveness. Regular audits of our control systems and procedures to provide assurance that they are effective in countering fraud will be conducted.

Procurement Controls and Procedures

All procurement activities under CIIP must comply with the controls and procedures detailed in the separate CIIP Procurement Manual. Financial staff are required to verify that appropriate procurement documentation is complete and in accordance with the Procurement Manual before processing related payments or financial transactions.

The Procurement Manual contains comprehensive guidance on procurement methods, thresholds, vendor selection, conflict of interest provisions, and documentation requirements that complement the financial controls outlined in this document.

For questions regarding procurement procedures or requirements, please consult the current version of the CIIP Procurement Manual.

O. Financial Discrepancy Reporting and Whistleblower Protection

To uphold financial transparency and accountability, CIIP shall establish mechanisms for identifying, reporting, and resolving financial discrepancies, along with protections for whistleblowers who report misconduct in good faith.

Financial Discrepancy Reporting Mechanism

CIIP shall maintain a structured process for detecting and resolving financial discrepancies, errors, and suspected irregularities.

Detection Sources:

- Internal audit reviews;

- Bank reconciliations;
- Budget vs. actual analysis;
- Staff reports or external audits.

Reporting Procedure:

- All CIIP staff, including financial and administrative personnel, must report any identified or suspected discrepancy immediately to the **CIIP Chief Accountant** and **CIIP Director**.
- A **Financial Discrepancy Report (FDR)** must be filed within **3 working days** of detection, using a standard template available in the CIIP internal procedures handbook.

Resolution Timeline:

- Preliminary review must begin within **5 working days** of report receipt.
- A resolution or corrective action plan must be finalized within **15 working days**, unless additional investigation is warranted.
- If the discrepancy involves donor funds or fraud, it must be reported to the Donor within **10 working days** of confirmation.

Whistleblower Protection Policy

CIIP encourages early and honest reporting of any financial misconduct, including fraud, embezzlement, misuse of funds, or unethical accounting practices.

Policy Scope:

- Applies to CIIP staff, consultants, vendors, contractors, and affiliated organizations.

Protection Measures:

- Whistleblowers may report anonymously via the **CIIP Confidential Reporting Channel**, managed independently from daily financial operations.
- No retaliatory action shall be taken against any person who reports in good faith.
- Reports may be submitted via:
 - o Secure email or hotline (details maintained by the CEP Administrative Department)
 - o Anonymous drop-box at the CIIP office

Investigation Process:

- The CIIP Director will appoint a review committee (excluding any potentially implicated staff).
- Investigations must begin within **5 working days** of receiving the report.
- A written determination, including recommended disciplinary or legal actions, must be completed within **20 working days**.

Confidentiality:

- All whistleblower reports and identities will be kept strictly confidential, shared only with those directly involved in the resolution or legal process.

Record-Keeping and Donor Notification

- All discrepancy investigations and whistleblower reports shall be logged in the **Financial Incident Register**.
- CIIP will notify the Donor of any material issues, confirmed fraud, or systemic risks.
- Logs and reports will be retained for **5 years** and made available for donor audits.

P. Fund Allocation Framework

To ensure that project resources are distributed equitably and efficiently across all project components and activities, a clear and transparent fund allocation framework shall be applied. This framework aligns with the Development Financing Agreement (DFA), donor expectations, and national budgeting principles.

Principles of Allocation

- **Alignment with Objectives:** All allocations must support the specific objectives and outcomes stated in the project design.
- **Needs-Based:** Funding will be prioritized based on the needs assessment conducted during project planning and implementation.
- **Equity:** Equal opportunity shall be provided to all implementing partners and geographic areas

unless strategic justifications require otherwise.

- **Performance-Based Adjustments:** Allocations may be revised based on performance metrics and absorption capacity.

All fund allocations must include appropriate budgeting for environmental and social safeguard requirements as defined in the CIIP Environmental and Social Safeguards Framework. Financial management decisions must verify that adequate resources are allocated for implementing safeguard measures identified during project assessment.

Allocation Process

1. **Budget Planning:** Annually, each project component will submit a detailed budget proposal.
2. **Review Committee:** The CIIP Director, CIIP Chief Accountant, and Local FM Consultant will review all submissions against project targets.
3. **Prioritization Matrix:**
 - o Urgency of activities (critical vs. non-critical)
 - o Impact on project outcomes
 - o Historical fund utilization
 - o Compliance with procurement and financial management standards
4. **Approval:** Final allocation decisions are approved by the CIIP Director and documented in the annual project work plan and budget.

Reallocation

- Mid-year reallocation can occur based on fund absorption, emerging needs, or donor directives.
- Reallocation requests must be justified and approved through a formal memo with supporting documentation.

Q. Financial Risk Management Strategy

This section outlines the approach to identifying, assessing, and mitigating financial risks that may impact the successful implementation of the project, including funding shortfalls and macroeconomic shocks.

Key Financial Risks

- Donor Disbursement Delays: Late transfer of grant/credit funds.
- Exchange Rate Volatility: Affecting local currency purchasing power.
- Unexpected Expenditures: Due to inflation, procurement delays, or legal issues.
- Revenue Shortfalls (if any co-financing or cost recovery is involved).

Mitigation Measures

- Multi-Scenario Budgeting: Develop high, medium, and low resource scenarios during planning.
- Prioritized Expenditure List: Identify core vs. non-core activities for rapid adjustment.
- Quarterly Risk Reviews: Include financial risk as a standing agenda item in CIIP review meetings.

Contingency Planning

- Trigger Mechanisms: Any 20% deviation from forecasted disbursement will trigger an emergency financial review.
- Escalation Protocol:
 1. Notify the CIIP Director and Donor TTL.
 2. Propose budget adjustments.
 3. Reprogram funds as needed following donor consultation.
- Financial Crisis Response: A dedicated crisis team (CIIP Director, CIIP Chief Accountant, Project FM Specialist) shall be activated to reassess cash flow, halt non-essential spending, and explore donor bridge-financing or reallocations.

R. Cost Efficiency and Budget Control

To ensure responsible use of project resources, CIIP applies cost-efficiency and budget control measures across all project components.

1. Cost-Efficiency Reviews
 - The FAD will conduct semi-annual reviews to assess whether expenditures are achieving expected results at reasonable cost.
 - These reviews will compare actual costs against planned outputs to identify areas of overspending, savings or inefficiencies.
 - Results will be discussed during quarterly financial meetings and used to inform adjustments to procurement plans or activity designs.
2. Budget Revision Protocol
 - Any need for budget revision must be formally justified by the responsible unit and reviewed by the FAD.
 - Revisions may be triggered by:
 - o Cost overruns;
 - o Underutilized funds;
 - o Changes in project activities;
 - o Donor recommendations.
 - The revision request must include:
 - o Reason for the change;
 - o Updated budget line(s);
 - o Impact on project implementation.
 - All revisions must be approved by the Director and CIIP Chief Accountant and documented in the project's financial records. If required under the Financing Agreement, donor notification or approval will also be sought.
3. Monitoring and Controls
 - The FAD will maintain a monthly budget vs. actual report and flag any variance exceeding 10% for review.
 - Controls will be built into the IC accounting system to prevent overspending of budget lines without prior approval.

S. Ethical and Responsible Financial Management

All financial activities under the CIIP must be conducted with the highest standards of ethics, integrity and professionalism. To support this, the following policies apply:

1. Ethical Standards
 - All FAD staff must uphold values of honesty, impartiality and accountability in managing project funds.
 - Financial decisions should be free from personal bias, favoritism or improper influence.
 - Staff are required to adhere to the officially adopted CIIP *Code of Ethics and Conduct* in all aspects of financial management and decision-making.
2. Conflict of Interest Declarations
 - All financial staff, including consultants, must sign an annual conflict of interest declaration disclosing any personal, financial or professional interests that could influence their responsibilities.
 - Staff must immediately report any potential conflict of interest that arises during project implementation.
3. Ethics Training
 - All finance and procurement staff will undergo annual ethics and financial integrity training.
 - Training will cover topics such as fraud prevention, handling of confidential information and compliance with donor and national rules.
4. Enforcement and Accountability
 - Breaches of ethical standards may result in disciplinary action, including dismissal and reporting to oversight bodies.

- All ethical records (training logs, declarations, etc.) will be maintained by the CEP Administrative Department and reviewed during audits.

T. Alignment with Donor Fiduciary Standards

CIIP is committed to upholding the highest standards of financial management, integrity and accountability in the implementation of donor-funded projects. To ensure full alignment with international fiduciary expectations, the following principles guide all financial operations:

1. Financial Integrity – CIIP maintains complete, timely and accurate financial records, supported by a strong internal control framework designed to prevent misuse, fraud or mismanagement of funds.
2. Institutional Capacity – CIIP operates an integrated financial management system capable of effectively handling budgeting, disbursement, procurement and reporting activities in accordance with donor and national standards.
3. Transparency and Accountability – All financial activities are conducted transparently, with regular disclosure to stakeholders, independent audits and mechanisms for tracking and addressing discrepancies.

These fiduciary principles are embedded in the Manual’s core procedures, including:

- Periodic financial reporting
- Internal and external audits
- Risk-based internal control measures
- Mechanisms for reporting discrepancies and protecting whistle-blowers

To support ongoing compliance:

- This Manual will be periodically reviewed and updated to reflect evolving donor requirements
- FAD staff will be trained on fiduciary responsibilities and internal control expectations
- Gaps identified through audits or monitoring will be addressed through documented corrective actions

CIIP’s financial governance framework is designed to ensure that all project resources are used effectively, efficiently and in accordance with the legal and financial obligations set forth in donor agreements.

U. Timely Disbursement of Funds

To ensure timely implementation of project activities, the CIIP commits to a structured, accountable, and prompt fund disbursement process.

Disbursement Timeline Standards

The following maximum processing times are established:

Stage	Maximum Processing Time
Submission of request to CIIP	Within 2 working days of receipt
Verification and approval by CIIP Chief Accountant	Within 3 working days
Submission to Donor (if applicable)	Within 2 working days after approval
Donor response/action (as per Disbursement Letter)	As per donor standard (e.g., 5-7 working days)
Local transfer to contractors/vendors	Within 2 working days of fund receipt

Note: Exceptions must be documented and justified by PFAD and approved by the CEP Accountant.

Disbursement Tracking System

The FAD will maintain a Disbursement Monitoring Log, integrated into the 1C accounting system, capturing:

- Date of fund request submission
- Approval and transfer dates
- Any delays, reasons, and responsible party

- Current status (e.g., “Pending CIIP Approval”, “Awaiting Donor”, “Completed”)

This log will be reviewed during monthly financial meetings.

Escalation and Accountability

If disbursement is delayed beyond defined thresholds, the following steps will be taken:

- Initial Delay (1–3 working days): Internal review by CIIP Chief Accountant.
- Prolonged Delay (4+ working days): Escalation to CIIP Director with formal explanation required from responsible staff.
- Systemic Delays (multiple delays in a quarter):
 - o Written warning to responsible staff.
 - o Process audit of disbursement chain.
 - o Mandatory corrective training or procedural change.
 - o Reporting to the Donor, if fund delivery is impacted.

Continuous Improvement

Disbursement data will be analyzed quarterly to identify patterns and bottlenecks. Process improvements and automation options will be recommended by the Project FM Specialist in consultation with the CEP Accountant.

V. Financial Reporting Framework

To promote transparency, comparability, and compliance with donor standards, all project activities implemented under the CIIP must adhere to uniform financial reporting protocols.

Periodic Financial Reporting Requirements

The CIIP shall prepare and submit financial reports according to the following schedule:

Report Type	Frequency	Submission Deadline	Recipient
Interim Financial Report (IFR)	Quarterly	Within 30 days after quarter-end	Donor, CIIP
Annual Financial Statements (AFS)	Annually	Within 60 days after fiscal year-end	Donor, CIIP, Ministry of Finance
Internal Budget vs. Actual Report	Monthly	Internal circulation within 10 working days after month-end	CIIP Director, CEP Accountant

All reports shall follow the structure and principles outlined in the relevant donor's Financial Reporting Policy and applicable provisions in the project's financing agreement.

Reporting Format and Content

The following financial reports shall be standardized across all projects:

- Statement of Receipts and Payments;
- Statement of Expenditures by Component and Category;
- Budget vs. Actual Analysis;
- Fund Reconciliation Statement (Designated and Local Accounts);
- Notes to the Financial Statements;
- Explanation of Significant Variances (if any);
- Accompanying Narrative Summary (project progress/financial overview);
- Co-Financing Reporting and Tracking: For projects with co-financing commitments, separate tracking of co-financing contributions (both cash and in-kind) must be maintained. Reports must include:
 - o Original co-financing commitments versus actual materialization;
 - o Source and type of co-financing received;
 - o Allocation of co-financing to project activities;
- Co-financing documentation (letters, agreements, evidence of contributions) must be maintained in project files and made available for verification during financial reviews and audits.

Each report must include:

- Reporting currency (USD and/or TJS);
- Period covered;
- Project name and code;
- Contact details of preparer.

Templates for these reports will be developed and maintained by the PFAD in line with donor guidance.

Monitoring and Evaluation Financial Tracking

Project financial reports must include information on expenditures related to monitoring and evaluation activities. The CIIP monitoring and evaluation system requires:

- Allocation of 5-10% of project budgets for M&E activities;
- Financial tracking of progress toward project indicators and results;
- Regular reporting on cost-effectiveness of project interventions.

These financial aspects of M&E are to be integrated with the broader project monitoring and reporting system outlined in the CIIP Monitoring and Evaluation Framework.

Reporting Standards and Review

- All reports will be prepared on a cash basis, consistent with the accounting method outlined in Section E.
- Financial statements must be reviewed by the CIIP Chief Accountant, approved by the CIIP Director, and submitted to the Donor and relevant national oversight bodies.
- Reports are to be generated from the 1C Accounting System and cross-verified with bank statements and supporting documentation.

Record Retention

All submitted reports and working papers must be archived (both electronically and in hard copy) for a minimum of five (5) years following project closure or as otherwise required by the Development Financing Agreement.

Financial Knowledge Management

CIIP shall document and share financial management lessons learned throughout the project lifecycle. Financial staff shall:

- Contribute to the project closeout process by documenting financial management lessons;
- Identify and record cost-effective practices for future projects;
- Maintain digital archives of financial templates, tools and case studies.

These financial knowledge assets will be integrated into the CIIP Knowledge Management System and made available for future project planning and implementation.

W. Audit Procedures

To uphold financial transparency, integrity, and compliance with donor requirements, CIIP shall implement a structured and comprehensive audit framework.

Annual Independent Financial Audits

- The CIIP shall commission an **annual audit** of the project's financial statements by an **independent third-party auditor**, duly licensed and authorized in accordance with the legislation of the Republic of Tajikistan.
- The audit will assess compliance with:
 - The donor's Financial Reporting and Audit Requirements
 - International Standards on Auditing (ISA)
 - Applicable national laws and regulations
- The audit must be completed within **three months of the end of each fiscal year**, and the **final audit report** shall be submitted to:
 - The Donor;
 - CEP;

- o State Committee on Investments and State Property Management of the Republic of Tajikistan.

Scope of the Annual Audit

The audit shall include, at minimum:

- Verification of financial statements;
- Review of supporting documentation (SOEs, vouchers, contracts);
- Evaluation of internal controls and compliance with financial procedures;
- Assessment of asset management and inventory control;
- Identification of ineligible or questionable expenditures;
- Confirmation of fund balances and reconciliation accuracy.

Risk-Based Internal Audit Approach

In addition to the annual external audit, the CIIP will implement a **risk-based internal audit framework** to proactively detect and prevent financial mismanagement or fraud.

Internal audit procedures are developed in accordance with the Law of the Republic of Tajikistan "On Internal Audit" (2011, as amended) and relevant regulations of the Ministry of Finance, ensuring alignment with national internal control standards and best practices. The internal audit plan shall be updated **annually**, identifying high-risk areas such as:

- o Large disbursements or contracts;
- o Petty cash management;
- o Payroll and consulting fees;
- o Fixed asset acquisitions and disposal.
- Risk levels will be determined based on:
 - o Historical audit findings;
 - o Volume and complexity of transactions;
 - o Degree of decentralization or third-party implementation.

Audit Planning and Coordination

- The **Project FM Specialist** will be responsible for audit preparation, including assembling documentation, reconciling accounts, and responding to auditor queries.
- The **CIIP Chief Accountant** will coordinate directly with the external auditors and provide unrestricted access to records, staff, and facilities.

Audit Follow-up and Remedial Action

- All audit findings shall be reviewed by the CIIP Director and discussed with the FAD team.
- A **Corrective Action Plan (CAP)** must be developed for each material finding, indicating:
 - o Responsible staff;
 - o Timeline for remediation;
 - o Evidence of corrective action.
- The CAP and audit responses will be submitted to the Donor for verification.

Retention and Disclosure

- All audit reports, working papers, and corrective actions must be archived for a minimum of **five (5) years**.
- The CIIP shall disclose audit summaries to key stakeholders upon request, except for confidential or personnel-related matters.

To promote transparency, CIIP will proactively publish summary audit findings and annual financial statement highlights on its official website or through stakeholder briefings, unless restricted by confidentiality or legal limitations.