KATSINA STATE GOVERNMENT

PROJECT FACILITATION FUND FINANCIAL MANAGEMENT MANUAL

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Acronyms / Abbreviations

AIE	Authority to Incur Expenditure
CA	Contracting Authority
CBN	Central Bank of Nigeria
CL	Contingent Liability / Liabilities
CQS	Selection Based Upon Consultants Qualifications
DP	Development Partner
FAR	Fixed Assets Register
FMM	Financial Management Manual
GOM	Governance and Operations Manual
GRN	Goods Received Note
IFR	Interim Financial Reports
IPSAS	International Public Sector Accounting Standards
KIPA	Katsina State Investment Promotion Agency
KTSG	Katsina State Government
KTSFRC	Katsina State Fiscal Responsibility Commission
KTSMOF	Katsina State Ministry of Finance
IPSAS	International Public Sector Accounting Standards
KPIs	Key Performance Indicators
LCS	Least Cost Based Selection
LPO	Local Purchase Order
LSO	Local Service Order
M&E	Monitoring and Evaluation
NASB	Nigerian Accounting Standard Board
OAF	Officer Administering the PFF
OAG	Office of the Auditor General
PAM	PFF Audit Manual
PFF	Project Facilitation Fund
PPP	Public Private Partnership
PPP&PC	Public Private Partnership & Privatization Committee
QBS	Quality Based Selection
QCBS	Quality Cost Based Selection
SCOA	Standard Chart of Accounts
SSS	Single Source Selection
TSA	Treasury Single Account

1. General Background & Management

1.1 About the PPP Project Facilitation Fund

A Governance and Operations Manual (GOM) has been developed that set out the processes and procedures to guide the Project Facilitation Fund's (PFF) operations. The GOM provides the processes for accessing, utilizing, monitoring and accounting for PFF resources. In particular, it provides guidance to PFF's external and internal stakeholders in their engagement with PFF and in ensuring full compliance with the applicable regulatory framework as well as requirements of PFF's financiers.

The PFF Financial Management Manual (referred to as the "FMM") is anchored to PFF's GOM, and outlines the principles, procedures and processes to be followed for PFF's financial management and administration. A separate PFF Audit Manual (PAM) guides the PFF's risk and assurance framework and sets out the audit requirements.

1.2 Purpose and Objectives of the Manual

The purpose of the FMM is to provide guidelines on the procedures and standards for financial management of PFF in order to ensure the most effective and efficient use of resources. The basic objectives of the Manual are to:

- Describe financial management guidelines that affect the activities of PFF;
- Provide an outline of key internal control requirements to be established;
- Safeguard PFF's resources and assets;
- Ensure consistency in recording and classifying of financial transactions;
- Ensure consistency of financial reporting;
- Provide quick reference for PFF management, staff, Development Partners (DPs), government agencies, internal and external auditors;
- Ensure efficiency and effectiveness in operations, accuracy and timeliness in producing financial reports;
- Provide financial guidelines to PFF management at all levels;
- To assist and guide the beneficiaries of PFF.

1.3 Scope of the FMM

The FMM documents the financial management policies, procedures and guidelines for use by PFF.

1.3.1 Arrangement of the FMM

This manual is divided into nine chapters as follows: 1. General Background and Management; 2. Planning and Budgeting; 3. PFFs Flow Arrangement; 4. Expenditure and Documentation Processes; 5. PFF Accounting and Reporting; 6. Fixed Asset Policy and Procedures; 7. Internal Control; 8. Procurement and Contract Management; and 9. Statutory Audit.

1.3.2 Revisions to the FMM

Revisions to the FMM shall be issued as and when necessary to take account of:

- Changes in policy and legislation;
- Changes in accounting standards;
- Fundamental changes to operations.

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Procedure for FMM revisions:

- Specific stakeholder(s) identifies issue(s) which need reviews;
- The stakeholder(s) raises issues with Fund Manager;
- Fund Manager collates views on the issues raised and discusses it with PFF Secretariat;
- The outcome of the deliberations is shared with Officer Administering the Fund (OAF);
- OAF shares the proposed revisions with the KIPA Board through the PPP & Privatization Committee (PPP&PC) and/or its sub-committees;
- PPP&PC reviews the proposals approved by its respective sub-committees and issues its approval and/or comments;
- PFF adopts the amendments and circulates the revised manual to all stakeholders.

PFF may comment on annual review of its processes and convene stakeholder meetings to collect their views on the reviews. A sub-committee in charge of the review process shall present its report to PFF Secretariat for approval and adoption.

1.4 Financial Management Responsibilities of PFF Staff

1.4.1 Officer Administering the Fund

- Supervise and control the administration of PFF;
- Prescribe all forms and prepare all funding documentation;
- Prepare estimates of annual revenues and expenditures of PFF and submit it to PPP&PC for adoption;
- Establish proper systems of control and oversight over the operations of PFF;
- Advise and consult PPP&PC on matters relating to the financial management of PFF;
- Advise and consult with Governor or the Governor's appointed representative on matters relating to the financial management of PFF as may, from time to time, be necessary;
- Have oversight on the maintenance of complete financial records of all activities supported by PFF;
- Advise PPP&PC on trends and projections relating to the financing requirements of PFF;
- Prepare non-financial performance reports of PFF and submit it to PPP&PC for adoption;
- Cause to be kept proper books and records relating to PFF and to the activities financed by PFF;
- Prepare, sign and submit to Auditor General in respect of each financial year and within three months after end of each financial year;
- Furnish any additional information which is proper and sufficient for proper discharge of the mandate of Auditor General.

1.4.2 Fund Manager

Fund Manager will be in charge of the day to day management of PFF. Fund Manager will be responsible for ensuring all the functions are performed effectively including regulatory compliance and risk management, review of applications for funding, financial management, procurement, development of Funding Agreements and contract management. Fund Manager will also be in charge of monitoring and evaluation of PFF activities and stakeholder management, ensuring respective documentation are maintained in good order, and that Funding Agreements remain in compliance with the attendant regulatory frameworks. Fund Manager will work closely with PFF Secretariat staff - Accountant, Assistant Accountant and Procurement Team which will comprise Procurement Officer and Assistant Procurement Officer to execute the functions of PFF. Main tasks will be as follows:

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- Prepare, present and update draft agreements, terms and conditions, forms, committee structures, letters of acknowledgement and other exhibits that may be required as part of setting up the PFF Secretariat.
- Work closely with DPs to determine donor intent and to draft new Funding Agreements or amendments to existing agreements, as well as any additional documentation. Provide information to stakeholders in line with PFF's objectives.
- Ensure Funding Agreements are complete and in compliance with attendant regulatory framework. Review of Financing Agreements, recommend and negotiate changes to Financing Agreements as appropriate to ensure PFF meets the DPs' intent, and is compliant with both the regulatory framework and its internal policies and procedures.
- Approvals of budget, payments, and financial reports. Develop the relevant financial management policies and ensure compliance with the same. Respond to audit queries and action the recommendations made.
- Develop the work plan, performance goals and targets. Monitor performance on a quarterly basis and take corrective action as may be necessary.
- Ensure effective and timely reporting to stakeholders.
- Manage the provision of outsourced services by setting the requisite service standards and implementation framework.
- Manage and update the risk register.
- Facilitate and ensure the timely procurement and delivery of various inputs and technical equipment in collaboration with Procurement Officer and Contracting Authorities (CAs) in accordance with Katsina State Government (KTSG)/DP guidelines;
- Supervise financial administration, including the preparation of financial statements, budgets and forecasts.
- Ensure that adequate funding is received in a timely fashion, and is in place for all aspects of PFF's operations.
- Ensure that all assets are used solely for the purpose for which they were procured.
- Monitor compliance by CAs with this Manual.
- Undertake any other functions assigned by OAF.

1.4.3 Accountant

Accountant will be responsible for all accounting, internal control and other financial management functions within PFF Secretariat as well as supervision of Assistant Accountant and finance function staff. Main tasks will be as follows:

- Develop and update financial management policies and procedures that will ensure compliance with all applicable financial management regulations/procedures.
- Undertake financial planning and budgeting based on the agreed annual work plan. Preparation of forecasts and cash flow management.
- Process disbursements and ensure prompt release of funds, once approved, to the respective payees.
- Establish and maintain an integrated accounting system for expenditures to ensure smooth flow and constant availability of financial resources and utilizing standard accounting procedures, which will ensure full documentation and recording of sources and uses of funds.
- Periodically review the performance of control functions and where appropriate initiate corrective measures to ensure that internal controls are sufficient and function correctly.

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- Develop clear informative methods and media to present financial data, special projects, and studies of a financial nature.
- Evaluate the financial reporting system and accounting procedures, and make recommendations for changes, to procedures, operating systems, budgets, and other financial control functions to Fund Manager.
- Undertake in-house financial management and accounting training and capacity building as necessary.
- Analyze and consolidate financial and management reports in accordance with agreed reporting schedules ensuring correlation between implementation progress and financial performance.
- Present financials statements and reports from all operations to Fund Manager and OAF.
- Supervise the activities of the financial management function of PFF Secretariat.
- Manage bank accounts and provide bank reconciliation statements.
- Prepare financial statements for external audits, Interim Financial Reports (IFRs) and funds applications reports for Designated Accounts.
- Ensure strict adherence to installed internal control systems for all areas of operations and financial management.
- Monitoring of investments.
- Liaise with the internal/external auditors and follow up on audit queries and recommendations documented in management letters.
- Any other duties as may be assigned from time to time by Fund Manager.

1.4.4 Assistant Accountant

Role of Assistant Accountant will be to maintain all accounting records in line with approved accounting standards and in line with DP and KTSG regulations and initiate transactions and financial recording activities. Main tasks will be as follows:

- Assist in formulating and administering approved general accounting practices.
- Ensure that fiscal and business activities comply with all applicable rules and regulations.
- Draw up annual budgets based on work plans as well as any supplementary budgets together with Accountant.
- Ensure disbursement requests and invoices submitted for payment at PFF Secretariat are promptly attended to and processed.
- Review bank reconciliations and other controls necessary to monitor financial and non-financial assets.
- Record all financial transactions in the relevant financial management and accounting systems and undertake accounts analysis and reconciliation.
- Prepare financial statements, estimates, summaries, and other financial analyses and management reports.
- Render periodic reports (i.e. monthly/quarterly/annually) in the formats approved to Accountant and Fund Manager.
- Prepare payment vouchers, issue receipts, and maintain cash records in accordance with laid down procedures.
- Maintain an Advance Payments Register and monitor advances settlement.
- Prepare monthly bank reconciliations of all PFF bank accounts.
- Maintain relevant books and records.

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- Cheque writing and updating the Cheque Issued Register.
- Ensure that all accounting records are updated promptly.
- Support audits, handle correspondence, and maintain files.
- Any other duties as may be assigned from time to time by Accountant.

1.4.5 Procurement officer

Procurement Officer will carry out responsibilities as defined in the applicable rules and regulations as well as this Manual. Procurement Officer's detailed tasks include, but not limited to the following:

- Ensure compliance with the applicable public procurement laws, rules and regulations and this Manual;
- Prepare the annual procurement plan in conformity with the fiscal framework and fiscal policy objectives;
- Procure goods, works and services within approved budget;
- Use PFF resources in an effective, efficient, economical and transparent manner;
- Initiate and prepare contracts with suppliers;
- Implement the procurement and asset disposal process according to the applicable public procurement laws, rules and regulations;
- Submitting preference and reservations schemes implementation report;
- Manage procurement and asset disposal contracts;
- Implement directions as issued by Katsina State Ministry of Finance (KTSMOF) or PPP&PC from time to time;
- Supervise Assistant Procurement Officer; and
- Any other duties as may be assigned from time to time by Fund Manager.

1.4.6 Assistant Procurement Officer

Assistant Procurement Officer, under the direction of, and reporting to Procurement Officer will be required to provide procurement support services. More specifically this comprises the following areas of responsibility and specific tasks:

- Provide input into the procurement planning process including an estimation of the procurement needs for CAs.
- Ensure compliance with this Manual and any other laws or regulations governing procurement.
- Ensure procurement records are kept in an organized manner.
- Ensure that contracts are duly implemented in line with their specific provisions and that all changes to contracts are recorded.
- Attend all procurement meetings as may be necessary and take minutes of the meetings.
- Assist in the development of terms of reference, procurement notices and adverts.
- Support procurement audits by providing information as may be required.
- Assist the procurement process including keeping a repository of bidders, bidders' correspondence, award and regret notifications.
- Maintain the database of service providers and keeping a record of deregistered service providers who get blacklisted.
- Support procurement reporting as required.

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- Any other functions assigned by Procurement Officer.

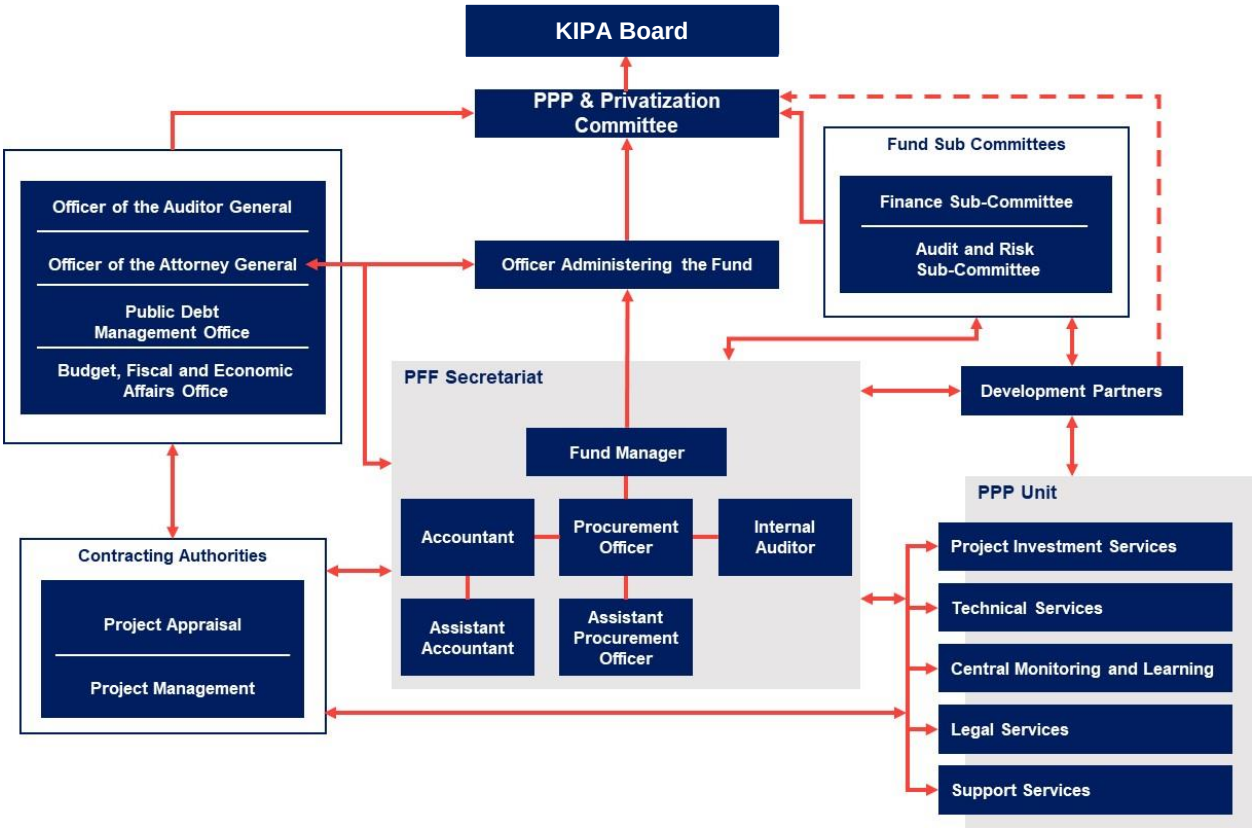
1.4.7 Internal Auditor

Internal auditor will be responsible for providing support for and/or undertaking periodic internal audits according to international standards and in compliance with the relevant rules and regulations.

1.5 PFF Structure

The structure presented in Figure 1-1 below (refer section 1.3.1 of GOM for role of stakeholders illustrated in the structure.) shall always be taken into account when considering the financial management arrangements in place, and particularly when any amendment is to be made to` the policies and procedures:

Figure 0-1: PFF Structure



Source: PFF Governance and Operations Manual

1.6 Financial Management Procedures

1.6.1 Introduction

This section outlines the operational processes necessary to manage financial aspects of PFF, based on prevailing KTSG financial regulations and practices. Objectives of putting in place a financial management structure for PFF are to:

- Describe basic financial guidelines;
- Put in place systems and policies that shall safeguard project assets;
- Simplify the process of producing financial information;
- Enhance the financial and operational performance;

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- Improve accountability to all external parties including government, donors, beneficiary communities, auditors and other stakeholders;
- Provide a reference and training guide for PFF staff and other stakeholders.

1.6.2 Financial Management Arrangements

Financial management arrangements to be utilized are:

- Planning and budgeting
- Accounting policies and procedures
- Financial reporting
- Internal control, and
- Auditing

Financial management arrangements shall be put in place to provide assurance that PFF is used for the purposes for which it has been established. Appropriate measures shall be undertaken to identify and document risks and propose mitigation measures.

1.6.3 Accounting Policies

This section of the Manual details the key accounting policies and procedures adopted. These policies are considered appropriate for the circumstances of PFF and best suited to present its financial position fairly.

Significant Accounting Policies

Fees, Taxes, and Fines

PFF recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to PFF and the fair value of the asset can be measured reliably.

Transfers from Other Government Entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to PFF and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Revenue from Exchange Transactions

Rendering of Services

PFF recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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Interest Income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Budget Information

PFF's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. Financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. Amounts in the financial statements were recast from accrual basis to cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in Appendix A of this Manual.

Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

Property, Plant, and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, PFF recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for no or nominal consideration the asset is initially measured at its fair value.

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Intangible Assets

Intangible assets acquired separately are initially recognized at cost. Cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

Research and Development Costs

PFF expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when PFF can demonstrate:

- Technical feasibility of completing the asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits or service potential;
- Availability of resources to complete the asset; and
- Ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Financial Liabilities

Financial liabilities within the scope of International Public Sector Accounting Standards (IPSAS) 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. PFF determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

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Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations.

Provisions

Provisions are recognized when PFF has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where PFF expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent Liabilities

PFF does not recognize contingent liabilities (CL), but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent Assets

PFF does not recognize contingent assets, but discloses details of any asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of PFF in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

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Borrowing Costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

Related Parties

PFF regards a related party as a person with the ability to exert control individually or jointly, or to exercise significant influence over PFF, or vice versa.

Service Concession Arrangements

PFF analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private partner contributes an asset to the arrangement, PFF recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, PFF also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Nigeria (CBN) and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Fiduciary Responsibility

PFF has fiduciary responsibility to ensure that money disbursed to the cost centers is spent for the intended purposes. This responsibility falls on PFF financial management team through verification of the correctness and fairness of financial reports both periodical and annual.

Overall fiduciary responsibility for PFF lies with PPP&PC and KTSMOF. There will be appropriate authority delegated authority to the Director – PPP Unit who also serves as OAF.

OAF shall be responsible to PPP&PC and DPs for overall accountability of PFF, including ensuring that funds are utilised for the intended purpose. These responsibilities include compliance with the requirements specified for support windows in PFF Guidelines and any conditions to ensure timely and reliable financial reports. OAF is also responsible for answering any queries that auditors or DPs may have regarding the utilization of funds.

Fund Manager shall support OAF in day-to-day management of PFF. They shall be responsible for accounting, controlling, and reporting on funds received and disbursed to eligible entities. Fund Manager shall implement appropriate and adequate financial

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management systems to monitor use of funds. In carrying out this mandate, Fund Manager shall assign the specific day-to-day transaction processing and reporting to Accountant and Assistant Accountant.

OAF shall ensure that any member of PFF Secretariat vacating office undertakes a proper hand over of fiduciary records in their custody.

PFF shall use the normal KTSG financial management systems and policies as outlined in this Manual.

1.6.4 Accounting Standards for Adoption by PFF

PFF shall adopt the following accounting standards.

Table 0-1: Accounting Standards for Adoption by PFF

Standard	Objective
IPSAS 1: Presentation of Financial Statements	It provides the bases of presentation for general purpose financial statements in order to ensure comparability on the one hand with PFF's financial statements of previous periods and, on the other, with the financial statements of other public sector entities. The standard sets out overall requirements of the presentation of financial statements prepared under the accrual basis of accounting, and provides guidance for the structure and minimum requirements of the content of such financial statements. The recognition and measurement of specific transactions and other events, and the corresponding disclosure requirements are dealt with in other International Public Sector Accounting Standards.
IPSAS 9: Revenue from Exchange Transactions	This prescribes the accounting requirements for when to recognize revenue from exchange transactions and events. PFF shall recognise (i) rendering of project services (ii) interest (iii) royalties (iv) dividends and similar distributions. Revenue should be measured at fair value of the consideration received or receivable and recognised when prescribed criteria are satisfied, which depends on the nature of the revenue.
IPSAS 17: Property, Plant and Equipment	It prescribes the accounting treatment for property, plant and equipment so that users of financial statements can discern information about a PFF investment in its property, plant and equipment and any changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them.
IPSAS 19: Provisions, Contingent Liabilities and Contingent Assets	It defines provisions, CL and contingent assets, identify the circumstances in which provisions should be recognized, how they should be measured and the disclosures that should be made about them. The standard also requires that certain information be disclosed about CL and contingent assets in the notes to the financial statements to enable users to understand their nature, timing and amount.
IPSAS 24: Presentation of Budget Information in Financial Statements	It requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities which are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Compliance with the requirements of this standard will ensure that public sector entities discharge their accountability obligations and enhance the

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Standard	Objective
	transparency of their financial statements by demonstrating compliance with the approved budget(s) for which they are held publicly accountable and, where the budget(s) and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.
IPSAS 31: Intangible Assets	The standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in any other IPSAS. It requires PFF to recognize an intangible asset if, and only if, specified criteria are met. The standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.
IPSAS 32: Service Concession Arrangements: Grantor	The standard establishes the accounting and reporting requirements for the grantor in a service concession arrangement. In these kinds of arrangements the grantor is a public sector entity. Service concession arrangements in the public sector are characterized by binding arrangements that involve private sector participation in the development, financing, operation and/or maintenance of assets used to provide public services.
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the PFF's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between PFF's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** The objective of this standard is to improve the relevance, faithful representativeness and comparability of the information PFF provides in its financial statements about social benefits. The information provided should help users of the financial statements assess: (a) Nature of such social benefits provided by PFF; (b) Key features of the operation of those social benefit schemes; and (c) Impact of such social benefits provided on PFF's financial performance, financial position and cash flows.

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1.7 Internal audit procedures

PFF will be subject to internal audit. The Internal Auditor will be independent and will report to PPP&PC via Audit and Risk Sub-Committee. They will have unrestricted access to PFF records, officials and personnel and to all the premises and properties.

Auditor General and Audit and Risk Sub-Committee will establish the modalities of conducting the internal audit and ensure that internal audits are scheduled and conducted regularly.

All the internal audit procedures will be free of any influence by any element in PFF, including matters of audit selection, scope, procedures, frequency, timing and report content. Internal Auditor will therefore not develop or install any systems or procedures, prepare records, or engage in any activity that would normally be audited. Additionally, Internal Auditor will have no operational influence, responsibility or authority over any of the activities they review.

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2. Planning and Budgeting

• Financial Year

PFF shall prepare a budget for each financial year.

Budget shall be sent to KTSMOF as per the relevant KTSMOF rules and guidelines. OAF shall have the overall responsibility for PFF's budget.

Staff shall undertake a detailed review of activities to be undertaken and cost them. They shall then prepare a detailed budget taking into account the expected outputs. Plans shall provide details of the following;

- The fiscal year under consideration;
- Activities with adequate descriptions to enable readers of the plan to easily distinguish between different activities;
- A description of output(s) that shall result from the planned activities;
- Metrics for each output; and
- Period in which each output is expected.

• Statements to Accompany the Budget

Statements to accompany the budget as per KTSMOF guidelines may include:

- Statement of financial position - Previous two years audited financial statements,
- Current year forecast,
- Annual estimates for revenues and expenditure for the subsequent year,
- Annual estimates for revenues and expenditure for three subsequent years from the current year,
- Cash flow statement and projections,
- Schedule of investments of surplus funds,
- Schedule of all approved Gurantees ,Contigent Liabilities and Financial Instruments,
- Details of bank accounts and respective balances,
- Extract of the meeting during which PPP&PC approved the budget and a list of members in attendance approving the budget, and
- Indicative pipeline of projects to be financed for the year.

• Key Principles Informing Planning and Budgeting

The key principles that inform planning and budgeting are:

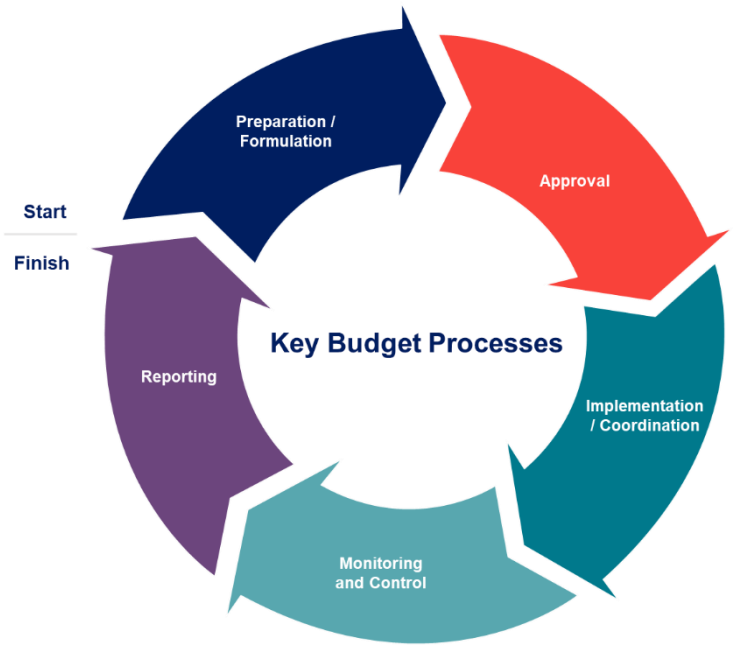
- **Singularity / wholeness** – support from PFF must be undertaken as an unfragmented whole implemented by different entities but working towards the realisation of a common goal.
- **Comprehensiveness** – it is important that no function at PFF is omitted from the overall budget.
- **Alignment** – budget shall be aligned to PFF's objectives set in the Business Plan and activities that are set to be undertaken in the work plans.

- **Consensus** – budgeting shall be a consultative process with the respective stakeholders to ensure both veracity and consensus on the numbers outlined.
- **Coding** – PFF shall assign budget codes based on the KTSG Standard Chart of Accounts (SCOA).

• Budget Cycle

Budget preparation cycle will follow the KTSG cycle. The OAF will issue a budget guideline annually with specific dates for submissions in consultation with PFF Secretariat, KTSMOF and PPP Unit. PFF will submit the annual work plan outlining key priorities/goals for the year to PPP&PC before the submission of the budget for approval to KTSMOF. The annual budgeting cycle will ensure that there is sufficient time for PPP&PC to review both the Business Plan, annual work plans and subsequently the budget. PFF will have five key budget processes as outlined below:

Figure 2-1: Key Budget Processes



• Budgeting Process

PFF will follow the following procedures when preparing the annual budget;

i. PFF Secretariat will prepare an annual budget based on the applicable rules and regulations and the annual budget guidelines issued by KTSMOF.

ii. At the start of the budget cycle, OAF will discuss with PFF Secretariat, and Finance Sub-Committee:

   a. DPs financial commitments for the period,

   b. Approved Projects for funding and their disbursement schedule as submitted by CAs,

   c. Fund's prospective pipeline of Projects as submitted by CAs,

   d. PFF Secretariat's work plan, procurement plan, and

e. KTSMOF estimates of CL for the coming year which will serve as input for the budget.

iii. Overall budget will be determined between KTSG and the respective DPs' contributions whilst the annual budgeting will be in line with KTSG's existing budget framework and timetable as part of the regular budget submission of PFF Secretariat. Approved budgets will be submitted to DPs for reference purposes.

iv. Each of the CAs that seek funding from PFF will submit to PFF annual work plans and procurement plan(s) derived from their Project components within an agreed time every year. These will be reviewed and consolidated into PFF's annual work plan by Fund Manager and PPP Unit's M&E Officer as may be required.

v. Work plan and the applicable Project Cost Table that set out PFF's specific objectives, targets, performance measures and financial plan for the forthcoming financial year, and thereafter will be forwarded to DPs for review and concurrence after approval by OAF.

vi. Approved work plan for the year will be the basis for developing an annual budget and a financial plan for PFF by the last month of the last quarter of each preceding financial year. Financial Plan will lay emphasize funding requirements as well as timing.

vii. OAF will submit PFF's detailed budget and the associated financial plan for approval by PPP&PC before they are submitted to the Governor. A copy of the annual budget will be sent to prospective DPs at least 30 days before the beginning of the applicable financial year.

viii. Once the annual budget is approved, the necessary budgetary control will be put in place to ensure effective monitoring of the activities under the various components of PFF. Accountant will maintain a Vote Book for the expenditures to monitor expenditure levels. No expenditure will be incurred outside the approved budget.

• Fund Flow

The following guiding principles will apply in managing the flow of funds for PFF:

i. All applications for funds from the Katsina State budget will comply with all relevant rules and regulations. The PFF will submit applications to the KTSMOF-Commissioner of Finance through the Director of Fund Management - and then ratified by the Katsina State Fiscal Responsibility Commission (KSFRC) to ensure it is within the limits of the Medium Term Expenditure Framework (MTEF). The applications will then be forwarded for final approval and authorization by the Governor;

ii. PFF will adopt the normal KTSMOF fund flow system for accessing funds from the KTSG, DPs and other designated sources;

iii. PFF will ensure timely release of funds to eligible designated recipients. PFF will regularly review the flow of funds to ensure efficiency and avoid delays in the disbursement of funds;

iv. OAF or his designate will approve all drawings from PFF as per the approved mandate. Any violations of this principle will result in ineligibility; and

v. PFF will utilize funds for eligible activities and expenditures as per the prescribed windows in this Manual and the respective Funding Agreement.

The PFF will draw funds from various sources. These will form the inflows into the PFF. The PFF will also make payments under various windows; these will form the outflows from the PFF. To facilitate the flow of funds into and out of the PFF, the PFF will operate bank accounts.

Fund Accountant shall prepare a six-month cash flow forecast one month before the commencement of the following quarter. When undertaking this activity, Fund Accountant shall refer to the annual budget to establish the activities that shall need to be undertaken in the next two quarters and the associated costs that are likely to occur.

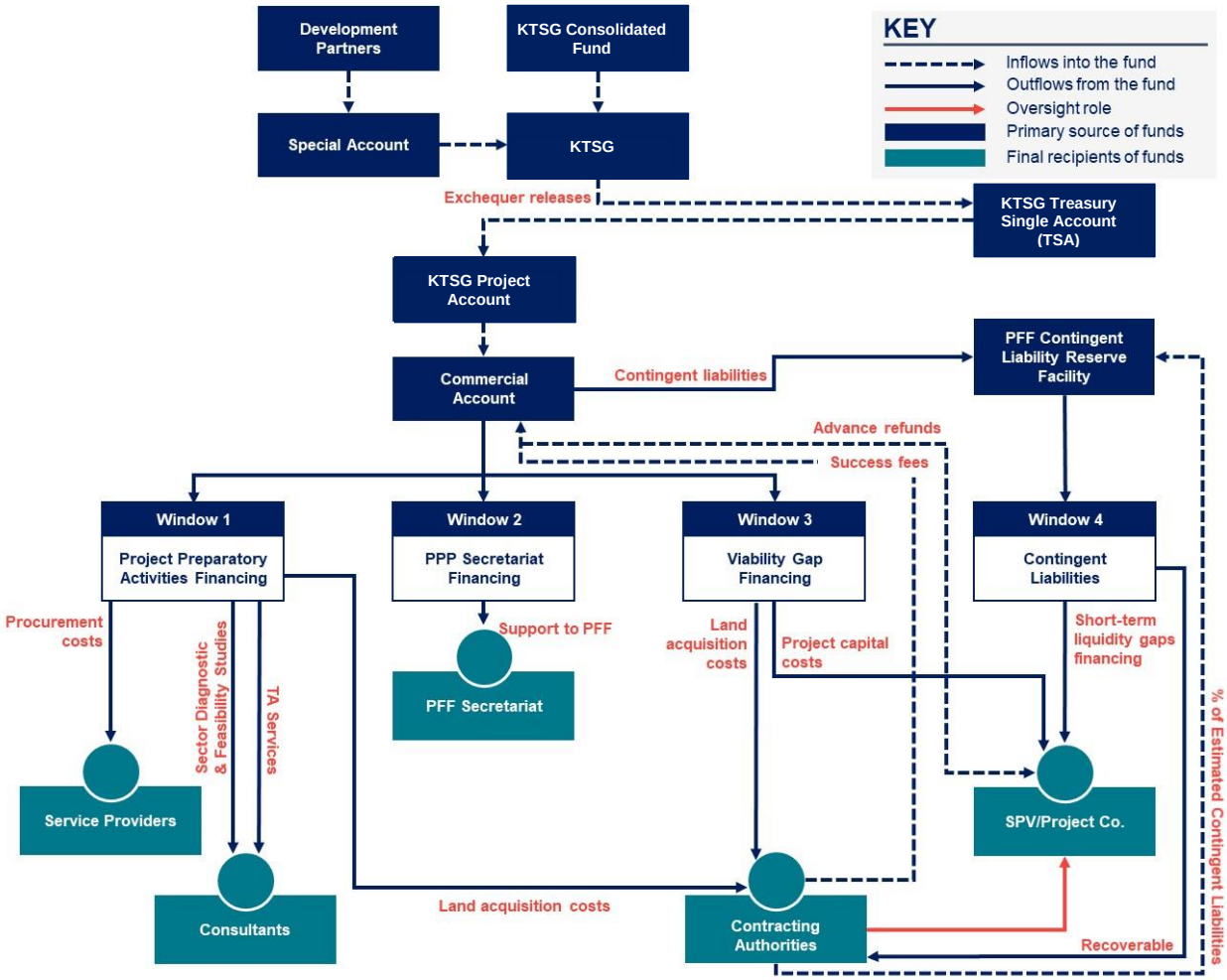
Fund Accountant shall include in the next quarter's cash flow forecast those activities not undertaken in the previous quarter.

Annual cash flow plan shall support transfers from Katsina State budget as outlined in the steps below:

- Fund Manager shall prepare and submit an annual cash flow plan (showing quarterly analysis) to OAF for review and approval. This shall be based on the approved budget for the financial year.
- Cashflow requirements shall be submitted to KTSMOF, and shall act as a requisition for funds needed for that financial year.
- KTSMOF shall issue a circular communicating the cash flow projections agreed. In the event of cash flow fluctuations, KTSMOF may issue a circular requesting PFF to review and submit revised cash flow projections in line with the guidelines set out in the circular.

Figure 2-2 below illustrates the flow of funds into and out of PFF:

Figure 2-2: Flow of Funds



• Accountability of Funds

Funds shall be accounted for at the accounting units and financial statements prepared at this particular unit. Bank accounts of the accounting units shall be considered as PFF bank accounts for the purpose of accounting. Grant funds disbursed to the beneficiaries shall be accounted for in accordance with this Manual.

• Contracted Service Delivery Model

Service fees shall be managed using the contracted delivery service model.

• Record Management

All original vouchers and support documents shall be recognized as owned by the accounting units that incurred the expenses and retained in the respective accounting units.

• Disbursement

All funds received from PFF shall be disbursed and accounted for in accordance with the disbursement schedules, budgets, work plans and signed contracts. This shall be done through the PFF bank accounts.

• Financial Reporting

All financial reports prepared shall comply with the requirements of the stakeholders such as DPs and KTSMOF. There are draft formats included as annexure to this Manual.

• Communication

Following guidelines shall be observed while passing all financial management information and any other important information to end users:

- Communication shall be done through official channels.
- Communication shall be timely, clear and precise.
- Accounting and procurement guidelines and policies shall be communicated uniformly to PFF coordinating bodies to ensure standardized financial management practices.

3. Fund Flow Arrangements

• Fund Flow Process

Opening, Operating and Closing of Bank Accounts

PFF shall comply with all the applicable rules and regulations governing opening, operating and closure of bank accounts for public entities.

As far as practically possible and in line with best practices, PFF shall operate separate Treasury Singh Account (TSA) sub-accounts for each project implementing entity. In addition, every project shall be required to have a separate TSA sub-account where disbursements from PFF shall be channeled and payments for project activities made from.

• Release of Funds

PFF shall make arrangements with CAs on the modalities of releasing funds. This arrangement shall be based on a number of criteria including the duration of the Project, size of the fund being released and the institutional capacity of CAs. Payments may therefore be made in advance or in tranches based on the project agreements entered into.

Release of subsequent funds to a CA shall be largely tied to the timely submission of financial and technical reports. Final payment shall be made after approval of the final report and a written approval and acceptance of the intervention by the beneficiary CA.

Inflows into PFF

Drawing PFFs from Development Partners

PFF will submit a request for disbursements from the respective DP based on the format prescribed in the Financing Agreement. (In the case of World Bank, the disbursement request is in the form of a withdrawal application using the online platform called Client Connection). Financing Agreement will also prescribe the reports and other documentation necessary to support the disbursement request.

The following procedure will apply when drawing funds from a DP:

a) Output-based Financing

Financing Agreement may stipulate that disbursements are contingent on the achievement of certain specific outputs (milestones, results, indicators, etc.). In such cases, the procedure for drawing funds will be as follows:

i. Fund Manager will prepare a report to DP providing evidence of the achievement of the specified milestone or result. The evidence may include a report from an independent verification agency confirming the milestone or result as per the agreement with DP.

ii. Fund Manager will prepare the draw down request in the prescribed format.

iii. OAF will review and approve the report, the draw down request and the evidence supporting achievement of the milestone or result.

iv. Fund Manager will submit the draw down request and supporting evidence to DP for review and approval.

v. Fund Manager will respond to any clarifications or queries from DP satisfactorily.

vi. DP will disburse funds to the KTSG account.

vii. Fund Manager will acknowledge in writing the receipt of the funds.

viii. Fund Manager will record the funds received and pass the appropriate accounting entries to reflect the status and balance of funds arising from Financing Agreement.

b) Activity-based Financing

Financing Agreement may stipulate that disbursements will support the completion of various activities as per an approved work plan over a periodic basis. In such cases, the procedure for drawing funds will be as follows:

i. Fund Manager will prepare a progress report that includes both a technical and financial report at the end of the reporting period specified in Financing Agreement. Report will highlight the progress in the implementation of various activities stipulated in Financing Agreement/ approved work plan, as well as the financial resources incurred;

ii. Fund Manager will prepare the draw down request in the prescribed format, taking into account PFF account balance, expenses incurred, cash forecast for the following period and the balance of funds attributable to PFF based on Funding Agreement;

iii. The OAF will review and approve the report, the draw down request and the evidence supporting activities implemented;

iv. The Fund Manager will submit the progress report; draw down request and supporting evidence to the DP for review and approval;

v. The Fund Manager will respond to any clarifications or queries from the DP satisfactorily;

vi. The DP will disburse funds to the KTSG account;

vii. The Fund Manager will acknowledge in writing the receipt of the funds;

viii. The Fund Manager will record the funds received and pass the appropriate accounting entries to reflect the status and balance of funds arising from the Financing Agreement.

c) Other Financing Mechanisms

DPs may have other financing mechanisms depending on their nature of operations. In such cases, the PFF will comply with the requirements for preparing drawdown requests as stipulated in the Funding Agreement with the DP.

• Drawing Funds from KTSMOF

The following table illustrates the process of applying for funds from the KTSMOF.

Table 3-1: Procedure for Requesting Funds from KTSMOF

#	Action	Responsible Individual/ Entity
1	Formal letter sent by OAF to KTSMOF.	OAF
2	Planning and Budget Commission verifies the request against approved budget.	Planning and Budget Commission
3	KTSMOF forwards the requisition to the Governor indicating the PFF's bank account/s that the issued amounts will be paid to.	KTSMOF
4	Governor reviews the requisition and approves the funds' release.	Governor
5	Governor returns the approved requisition to the KTSMOF for funds release processing.	Governor
6	KTSMOF receives approved requisition and authorizes the release of funds to the PFF sub-account.	KTSMOF
7	KTSMOF informs PFF of release of funds.	KTSMOF
8	OAF authorizes the further release of funds to the PFF sub-account or Contingent Liabilities Reserve Facility.	OAF
9	OAF authorizes payment from the PFF sub-account or the Contingent Liability Reserve Facility.	OAF / Designate

• Receiving Payments from Contracting Authorities

CAs may pay into the PFF levies, recoverable advance repayments and proportional payments for estimated CL liquidity financing.

The following table illustrates the process of receiving payments from the CAs.

Table 3-2: Procedure for Requesting Funds from a CA

#	Action	Responsible Individual/ Entity
1	Fund Manager monitors the payments due from CAs based on the obligations in the Funding Agreement and identifies any payments falling due.	PFF – Fund Manager
2	Fund Manager submits a demand note for payment to the CA indicating the amount due and the purpose for which it arises, referencing the appropriate Funding Agreement. The request will also include the PFF's bank account(s) for payment.	PFF – Fund Manager
3	CA receives and verifies request for payment against Funding Agreement.	CA
4	CA reviews requisition and approves funds release following the CAs internal approval protocols.	CA
5	CA releases funds to the PFF account and issues a payment advice to the PFF.	CA
6	Fund Manager verifies the receipt of the payment and reconciles it with the demand note issued to the CA. Fund Manager issues a receipt confirmation or a discrepancy advice to the CA depending on the outcome of the reconciliation.	PFF – Fund Manager
7	Accountant updates the records of the PFF and the account receivable account of the CA.	PFF - Accountant

• Drawing Funds from Private Partners

PFF shall receive payments from Private Partners in the form of success fees. The process for tracking and requesting the payment shall mirror the process outlined in Table 3-2 above.

• Types of Payments from PFF

Outflows from the PFF

PFF funds will flow out through payments to Support Windows and the respective payees for different forms of payment as outlined in Figure 2-2 above.

Payments made by the PFF will be in line with the Funding Agreement and as such, three types of payments from the PFF may arise:

a. **Lump-sum Payments:** these are one-off payments;

b. **Milestone-based Payments:** these are payments that are dependent on various deliverables and conditions or disbursement linked indicators set out in the Funding Agreement; and

c. **Retainer Fees:** These are payments made for availability of services and may not necessarily be with respect to specific deliverables. There should however be clear timeframes within which such services are offered.

Where the PFF makes payment towards satisfying CL that materialize under a Project at the request of the CA, the CA will repay the PFF in its immediate subsequent budget cycle, except for instances where the CL arises out of KTSG default.

• Restricted, Unrestricted and Designated Funds

A DP may give funds for a specific purpose or utilization in a specific manner or within a specific period and to a specific Window. The PFF will operate a separate bank account for a Restricted/Designated fund depending on the quantum of the funds and the provisions of the Financing Agreement. The PFF will also treat the Contingent Liability Reserve Facility as a Restricted Fund.

The following conditions will apply to Restricted Funds:

i. Fundraising materials and other communications will not restrict funds from DPs to specific windows.

ii. The PFF will negotiate with the DPs where there remains a balance of Restricted /Designated funds after the achievement of objective for restricting the use of the funds.

iii. The PFF will exhaust the allocations from a Restricted/Designated fund to a specific window prior to expending Unrestricted funds to the said window.

4. Expenditure and Documentation Process

Standard expenditure shall be incurred in line with normal KTSG financial management procedures and only on activities which have been captured in the PFF Work Plan and Procurement Plan. For each payment a single payment voucher shall be prepared.

• Expenditure Process

As part of accounting process, each payment voucher shall pass through a number of review steps. These shall include:

- Purchase requests shall be made in line with approved Authority to Incur Expenditure (AIE) line items.
- Purchases shall be made for approved line items.
- Purchase requests shall be approved by the respective departmental heads.
- All purchase requests shall be reviewed and approved by the OAF.
- The requisitioning staff/team shall request for purchase of items using memos that are approved by the OAF.
- The AIE holder shall be the OAF.
- The Vote book accountant shall confirm availability of funds.
- For payment of goods/ services/work, the Procurement Officer shall certify that the goods have been received and entered in the relevant stores records and services have been rendered.
- The Procurement Officer shall certify that repairs have been done and entered in relevant records.

• Payment Procedure

Finance team shall subsequently effect payment by preparing a payment voucher upon receipt and verification of all necessary documents. In so doing, the finance team shall perform the following:

- Ensure that a valid and appropriately authorized and approved Local Purchase Order (LPO)/Local Service Order (LSO)/contract with the supplier is in place.
- Match details in the LPO/LSO/contract with a Goods Received Note (GRN) issued by an authorized PFF officer. For works/services rendered, the relevant head of department shall acknowledge in writing that the works/services have been delivered to their satisfaction and to the specifications in the LPO/ LSO/contract.
- Check the supplier's invoice/fee note for accuracy.
- For projects involving construction and related works, ensure that a certificate of work done/completion issued by relevant entity or other competent authority in place.
- Where the Project is required to retain taxes (e.g. withholding tax on consultancy fees), ensure that the correct amount has been deducted.

All the above checks shall be evidenced in writing.

Eventually the national project accountant shall undertake reviews and authorize the payment voucher.

Payment vouchers shall be pre-numbered and be prepared in triplicate and distributed as follows:

- **Original** – to be retained by the finance team and filed in the payment vouchers file;
- **Duplicate** – to accompany remittances to supplier/payee; and,
- **Triplicate –** to remain as permanent record in the booklet.

Payment vouchers shall be typed and contain adequate narration of the particulars of the goods/ services/works procured and being paid for. The amounts on the voucher shall be written in words as well as in figures.

The officer-in-charge of payments shall ensure that the payment vouchers are properly supported with all the relevant documents and approved by the authorized officer before payment is processed.

All supporting documents shall be stamped "PAID" to prevent their re-submission as supporting documents for other payments. Where applicable, duly signed certificates for withheld taxes shall be forwarded to the service provider together with the payment voucher and the cheque for direct bank transfers.

All payments shall be done by direct bank transfers. Payments shall not be done by cheques.

For suppliers with whom the PFF has credit facilities, the Accountant shall prepare reconciliation between the balance shown in the supplier's monthly statement and the balance in the Project's accounts before payment is made. The reconciliation shall be part of the supporting documents presented to the cheque signatories at the time of signing the cheques for direct bank transfers.

Signed cheques for direct bank transfers shall be recorded in a register before they are submitted to the bank for cash transfer to the supplier.

Payment vouchers and their supporting documents shall be filed systematically to facilitate easy retrieval. Access to the payment voucher files shall be restricted to authorized persons only.

• Payments Processing at OAF

PFF Imprests

- The officer heading an activity does a memo and a budget requesting for the approval to the OAF.
- The activity is confirmed to be part of the approved annual workplan.
- An imprest application form is filled after recommendation by the Accountant and approval by the OAF.
- The Imprest applicant and the AIE holder (OAF) sign the application form.

Payment Voucher

- Documents supporting procurement are received at the accounts section from procurement section for processing and endorsed by the project accountant.
- A payment voucher is prepared and examined by the Accountant and signed by the OAF.

• Payment Processing at KTSMOF

Payment Vouchers and Imprests

- Receipt - The document is received, examined and numbered manually.
- Invoicing – Capturing the payment in the system and charging the relevant account.
- Validation – The validity of the payment is checked as to correctness of the payee, amount and account charged.
- Approval – The supervisor approves the payment in the system.
- Cash Office – The cash office makes the payment in the system by capturing the bank details of the payee and verifying the payee.
- Internet Banking – Done by the Accountant General. This process checks the bank balance of the account charged. It involves two approvals. The second approval is the final authority and sends the money to the payee.

• Remittance of Statutory Deductions and Other Levies

Statutory deductions (and any other levies payable by the PFF shall be paid to the relevant institutions within the stipulated timeline to avoid penalties.

• Payment of Allowances to PFF Management

Subsistence allowances payable to PFF management and/or any government officer called upon to undertake any task for the project shall be paid in accordance with the rates provided in the relevant circulars issued by the relevant KTSG entity and for the days they are on official duty.

The PFF shall not pay any mileage allowance to anybody under any circumstances. Any claim for reimbursement of subsistence allowance for an activity/trip undertaken without prior approval of the OAF shall not be accepted.

Reimbursement of hotel bills, airfare/bus fare/taxi paid directly by a member of PFF management to attend meetings of the PFF shall only be done upon the member submitting appropriate supporting documents together with the letter of invitation for the meeting. The supporting documents in the case of airfare must include the boarding pass issued by the airline, in the name of the member of PFF management for that particular trip and for hotel stay must include receipt from the hotel.

Payment of any other allowance to members of PFF management shall be guided by the relevant circulars issued by the relevant KTSG entities from time to time.

• Compliance with Tax Requirements

The PFF shall only engage in business with suppliers who are registered for VAT and have other proper corporate documents/certificates in line with the extant laws of Katsina State and Nigeria.

• Custody of Payment Vouchers/Documents at Project Level

After the data capturing, the national project accountant shall collect the paid vouchers, and file them according to their account numbers in readiness for the annual audit.

The Accounting Officer may give permission for the destruction of accounting books and documents, provided such records have been audited and are of no archival value in accordance with KTSG financial regulations and procedures.

• Management of Imprest

Administration of imprest facility shall be guided by the provision contained in the relevant financial regulation and procedures and prevailing circulars issued by KTSMOF.

An imprest is a cash advance given to an officer of the Project, who in the course of duty, is required to make payments which cannot be conveniently made through the cash office of the Project. The OAF is responsible for approving the establishment of an imprest facility.

A Project shall administer two types of imprests, namely:

- Temporary imprest, which is issued mainly in respect of official journeys and meant for travelling, accommodation and incidental expenses.
- Standing imprest, which is intended to be in operation for an extended period, and is replenished periodically to bring the cash level to the agreed amount.

An imprest shall be issued for a specific purpose, and any payments made from it shall be only for the purposes specified in the imprest warrant.

Temporary Imprests

An officer requesting for an imprest shall complete and sign a form. The completed form shall be authorized by the officers' head of department.

Payment of in-country out-of-station allowances, per diems and daily subsistence allowances shall be guided by the prevailing government circulars.

Officers travelling on duty but with no night away shall be eligible for lunch and/or dinner allowances at the rate prescribed in government circulars.

Authorised officers shall approve the imprest after confirming the following requirements have been adhered to:

- The accountant in-charge of the imprest section has certified on the imprest warrant that the applicant does not have an outstanding imprest, and the amount applied for has been recorded in the imprest register.
- The vote book controller has certified that adequate funds are available against the relevant items of expenditure to meet the proposed expenditure.
- The activity is in the work-plan.

Temporary imprests must be accounted for within 48 hours upon the officer returning to his/her duty station. The officer shall be required to complete an imprest surrender form to which he/she shall attach the supporting documents.

Any unutilized cash must be surrendered to finance team at the point of accounting for the imprest and an official receipt obtained on the surrendered amount.

Any imprest that is not surrendered within the stipulated period shall be recovered from the salary of the defaulting officer either in the month in which it shall have been surrendered, or where not feasible, within subsequent months in instalments. Interest at the respective treasury moving rates shall be charged and appropriate disciplinary action taken against the officer.

Standing Imprests

Standing imprest shall involve personal responsibility and shall be issued to an officer in his/her name, and not to the holder of an office. The imprest holder shall be responsible for ensuring that the imprest is used wholly and exclusively for the purpose for which it is intended.

The amount to be held as standing imprest shall be determined by carrying out an analysis of the average expenditure over a period, to ensure that the float is not excessive or inadequate. The float shall be reviewed from time to time in line with changing circumstances.

The holder of the standing imprest shall keep a cash book to record all receipts and payments. The balance on hand shall agree with the cash balance recorded in the cash book, and in the absence of any receipts, the actual cash balances plus the expenses paid shall equal at all times the fixed level of the imprest for which the imprest holder is personally responsible.

To replenish the imprest, the holder of the imprest shall submit an abstract and analysis of the cash book, plus originals of the supporting payment vouchers to the OAF for review and approval of the replenishment.

Unannounced spots checks at least once every two weeks shall be carried out by a senior accountant to ensure that the standing imprest is being properly administered. Such spot checks shall be documented and filed with the OAF.

5. Financial Accounting and Reporting

PFF accounting system shall adopt the Accrual Based International Public Sector Accounting Standards (IPSAS) and additional requirements as set out by the Nigerian Accounting Standards Board (NASB).

• Cash Book

PFF shall adopt Government Accounting and Financial Management Procedures including main books of Account. The Main Book of Account shall be the Cash Book.

The following shall form the structure of the Cash Book:

a. Receipts Side

b. Payments Side

The receipts side of the cash book shall include the following details

- Date
- Folio
- Details from whom funds have been received
- Receipt number
- Amount received

On the payment side shall be details including:

- Date of the transaction
- Folio
- Payee
- Payment voucher number
- Cheque number
- Amount
- Details

• Separation of Financial Responsibilities

Accounting responsibilities shall not be carried out by one person. Examples of such responsibilities include:

- Recording transactions into the books of accounts,
- Authorizing transactions,
- Receiving or expending funds,
- Recording alterations or adjustments, and
- Reconciling financial system transactions.

• Obtaining Receipts

Issuance of a receipt shall be the responsibility of the person providing goods or services to the PFF or any Project.

In cases when a formal receipt shall not be possible the authorized finance officer shall prepare an unofficial receipt and obtain the person's signature or thumb impression.

Official receipts are provided by the person or seller from their own receipt book after being paid for their services.

Unofficial receipts are acceptable when a person or seller does not have his/her own receipt book. This is usually the case with laborers and small sellers.

Unofficial receipts shall provide information on the identity of the seller receiving the money, the purpose of payment, location where the payment was made, date of payment, the amount of payment and the signature or thumb impression of the recipient. Receipts shall have a number provided by the authorized accountant. Receipts shall be kept in original and in dated order.

• Preparation of Financial Records

Accounting records shall be prepared on a daily, monthly and annual basis in order to maintain control over Project resources as presented in Table 5-1-1 below:

Table 5-1: Financial records to be maintained by projects

No.	Type	Content
1.	**Asset Register**	In order to maintain a proper and up to date record of all these assets, it is a requirement that each project keeps an asset register. A hard-bound book or spreadsheet can be used for this purpose, and shall include serial numbers (for machinery and equipment), date of purchase, purchase price, location, state of the asset and disposal dates. During the general members meetings, the treasurer shall be required to provide an update on any changes that have occurred in the asset list.
2.	**Budget Control Form**	These forms are used to record budget and actual expenditure incurred on a monthly basis. They shall enable the project to determine usage of funds and available balances or shortages through computation of variances. Budget control forms shall be updated monthly by the accountant.
3.	**Cash Book**	This book lists all of the receipts and payments made into and out of a particular bank account. This book is updated every time a payment is made or funds are deposited in the bank account. At a minimum, this book shall be updated at least once a week by the Accountant and checked at the end of each month by the national coordinator. The oversight committee, charged with the responsibility of ensuring overall Project governance, shall review, check and endorse the entries in the cash book each month.
4.	**Minutes file**	This shall have all the relevant minutes for meetings held to approve, verify or review transactions undertaken during various periods.
5.	**Payment Vouchers**	Contain details of each payment made by a Project. Each voucher indicates the name of the payee, date of payment, cheque number, a description of the services or good procured and the budget code charged.
6.	**Petty Cash Book: In general, micro projects shall not be expected to keep any cash in their respective offices or with their**	This records all cash-related transactions. In general, this reflects payments made from the office cash float. A cheque for the relevant amount is cashed and the full amount recorded in the receipts side of the petty cash book. Payments made out of this amount are then recorded on the expense side of the petty cash book. The imprest holder shall be required to account for the initial cash before another float is approved.

No.	Type	Content
	officials.	
8.	**Reconciliation Statements**	Bank reconciliation statements compare the cash book balances against the bank statements and lay out the items that constitute the differences. Cash reconciliation, on the other hand, reconciles the petty cash book balance against the actual cash in hand. Reconciliations constitute part of the internal control tools and shall be prepared on a monthly basis.
9.	**Statement of Source and uses of Funds**	The preparation of periodic statements on the state of funds received and expense incurred is an important tool in managing the resources of each Project. The statements shall be prepared on a monthly, quarterly and annual basis. A signed copy of these statements shall also be forwarded to the OAF not later than two weeks after the end of the month, quarter or year to which they relate to.

• Monthly Expenditure Returns

By the 10th day of each month, the Project shall have prepared and submitted to the finance officer, the monthly expenditure returns. This shall contain details of the AIE issued to the Project, expenditure incurred so far, the commitments and balance of funds.

Quarterly Financial Reports

The PFF shall prepare a report for each quarter of the financial year in respect of its operations. This quarterly report:

- Shall contain information on the financial and nonfinancial performance of the PFF; and
- Shall be in a form that complies with the standards prescribed and published by the NASB from time to time.

Not later than fifteen days after the end of each quarter, the Accountant shall submit the quarterly report to the OAF.

Quarterly Interim Financial Reports (IFRs)

If there is DP funding, the PFF shall prepare quarterly Interim financial reports consolidate the expenditure of each Project on a quarterly basis within prescribed deadlines. These reports shall be submitted to the project finance officer by the 10th day of the month following the end of the quarter in the format approved for use by the project headquarter. The IFR shall, at a minimum, comprise the following reports:

- Statement of sources and uses of funds;
- Uses of funds by Project activity against the budget, with explanations for significant variances;
- Bank reconciliation and bank statements;
- Computer printouts of the ledger;
- Cash-flow projection for the next six months.

Monitoring Performance of CAs

Financial management and performance of CAs in executing the tasks assigned under the contract shall be periodically monitored and evaluated by an independent auditor. The reports under this part shall be issued by the end of each quarter and not later than 15th day of the close of the quarter.

6. Fixed Assets Policy and Procedures

• Fixed Assets Policy and Procedures

Fixed assets are those assets from which the enterprise expects to derive economic benefit for a period exceeding one year. The fixed assets can be tangible or intangible. An asset shall be recognized as a fixed asset in the project books of account when it is probable that the future (i.e. beyond the current accounting period) service potential associated with the asset shall flow to the Project, and the cost or fair value of the asset to the Project can be measured reliably.

• Acquisition of Fixed Assets

Procurement of the Project's assets shall be done in strict conformance to rules and regulations governing public procurement. Project authority to purchase shall be granted in writing by the OAF. However, the PFF shall seek approval from KTSMOF before it enters into any finance lease.

• Recording of Fixed Assets

Upon acquisition, the appropriate General Ledger account shall be updated. In addition, the Project shall maintain a Fixed Assets Register (FAR) where all assets of the PFF shall be recorded. The FAR shall contain, at a minimum, the following details:

- Date of acquisition of the asset.
- An appropriate description that shall facilitate easy identification of the asset.
- The assets serial number (where applicable).
- The asset identification number.
- Location/user department/custodian of the asset.
- Cost of the asset.
- Condition of the asset.
- Date of disposal (where applicable).

All fixed assets shall be tagged with the asset identification numbers contained in the FAR. The custodian of the FAR shall ensure that it is promptly updated with all asset acquisitions and disposals. Grants to the Project in the form of fixed assets shall also be recorded in a similar manner as asset purchased by the Project; the only difference is that the cost/fair value of the asset shall be credited to equity in the General Ledger.

• Physical Verification

At least once every year, a physical verification of all the Project's assets shall be carried out. The assets shall be verified against the FAR and reconciled to the General Ledger. Any anomalies noted shall be immediately investigated and reported to the management for appropriate corrective action to be taken.

During the verification exercise, the assets shall also be assessed to determine whether they are in good working condition. This shall enable management to determine whether the asset needs to be replaced.

• Disposal

Disposal of the Project's assets shall be done in strict conformance with the relevant rules and regulations and World Bank procedures.

7. Internal Control

• Introduction

Internal controls are processes that are designed to provide reasonable assurance to the Project management regarding the achievement of objectives in the following areas:

- Compliance with applicable laws and regulations;
- Ensure the accuracy and reliability of accounting data;
- Reliability of financial reporting;
- Promote effectiveness and efficiency of overall Project;
- Safeguarding assets of the Project; and
- Adherence to established institutional and government policies and procedures.

• Key Elements of Internal Control

a) Control Environment

Control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The control environment comprises:

- Integrity and ethical values of the organization;
- Parameters enabling the Project management to carry out its governance oversight responsibilities;
- Organizational structure and assignment of Project and responsibility;
- Process for attracting, developing, and retaining staff; and
- Rigor around performance measures, incentives, and rewards to drive accountability for performance.

b) Risk Assessment

PFF faces a variety of risks from external and internal sources. Risk assessment involves a dynamic and interactive process for identifying and assessing risks to the achievement of objectives.

Risks to the achievement of these objectives from across the PFF are considered relative to established risk tolerance levels. Therefore, risk assessment forms the basis for determining how risks shall be managed.

c) Control Activities

Control activities are the actions established through policies and procedures that ensure that management's directives to mitigate risks for the achievement of objectives are carried out. Control activities are performed at all levels of the PFF, and may be preventive, detective or corrective in nature.

d) Information and Communication

Information is necessary for the PFF to carry out internal control responsibilities. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control.

Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the PFF. It enables personnel to receive a clear message from senior management and that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.

e) Monitoring Activities

Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control is present and functioning. Ongoing evaluations, built into Project's processes at different levels to provide timely information. Separate evaluations, conducted periodically, shall vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations.

• Types of Internal Control

PFF internal controls can be categorized into three broad categories:

Preventive Controls: These are the most effective types of internal controls and are designed to prevent inefficiencies, errors and irregularities from happening. Examples include adequate segregation of duties, proper authorization of transactions, restricted access to assets, etc.

Detective Controls: These are designed to detect inefficiencies, errors, and irregularities shall they occur. They shall be designed to ensure that any breach of a preventive control is detected promptly. Examples include reconciliations, physical verification of assets, performance review and monitoring, etc.

Corrective Controls: These are designed to prevent recurrence of inefficiencies, errors and irregularities once they have been discovered. Examples include procedures for reporting errors and irregularities so they can be corrected, training employees on new policies and procedures developed as part of the corrective actions, positive discipline to prevent employees from making future errors, etc.

PFF shall endeavor to enhance internal controls through

- Clearly defining and document reporting structure, the roles and responsibilities of staff, identifying lines of reporting for all aspects of their operations, including the controls.
- Segregation of duties where one single individual may not be in-charge of initiation, authorization, execution, and recording transactions without the active involvement of another person.
- Having effective management oversight bodies at all levels in the project. This would include various committees.
- Restricting access to the Project's assets to authorized persons only. This includes both direct access and indirect access via documentation.
- Ensuring that all transactions are authorized and/or approved by designated officers at different levels within the Project. Authorization and approval levels shall be clearly defined and documented.
- Officers responsible for authorizing/approving transactions shall evidence their authorization/ approval for all transactions through signature on the relevant document(s).
- Internal, external and social audits shall be encouraged.

• Responsibility for Internal Control

The OAF is responsible for developing, operating and monitoring the system of internal control of the Project. Further, all employees of the Project are responsible for the effective and efficient operation of internal controls in their areas of responsibility.

• Fiduciary Oversight Committees

a) Audit and Risk Sub-Committee

This committee shall exercise fiduciary oversight over the project in accordance with the following mandate:

- Developing and operationalizing a risk management policy framework;
- Monitoring and ensuring timely effectiveness of audit and operational review recommendations of various fiduciary oversight responsibilities including, internal and external auditors, government project monitoring agencies and periodic review and supervision missions;
- Overseeing the effectiveness of accounting and internal control standards, policies and practices;
- Ensuring compliance with legal covenants and terms of Funding Agreements;
- Overseeing the effectiveness of the internal audit function;
- Monitoring the performance of key internal audit staff against approved performance contracts; and
- Packaging and disclosing relevant findings, on a quarterly basis, in publicly accessible ways that facilitate timely and effective monitoring and accountability at the community, district and national levels.

b) Finance Sub-Committee

This exercises additional fiduciary oversight over the project in accordance with the following terms of reference:

- Carrying out a comprehensive review of quarterly Interim Financial Reports (IFRs);
- Approving periodic operational budgets and monitoring of financial performance;
- Reviewing and approving annual financial statements;
- Monitoring the performance of key financial management staff against approved performance contracts; and
- Packaging and disclosing relevant findings, on a quarterly basis, in publicly accessible ways that facilitate timely and effective monitoring and accountability at the community, district and national levels.

c) Internal Audit Function

An independent and effective internal audit arrangement in KTSMOF is responsible for oversight of the PFF's accounting and internal control functions. The Internal Auditor shall conduct annual risk-based audit of project activities for the periods ending December each year and submit the reports to the PPP&PC by April 30 each year. The outcome of Internal Auditor's risk-based annual reviews shall be a report of the internal control weaknesses identified in the project and specific recommendations on how to address them. The Table 7-17-1 below outlines a summary of the internal audit process:

Table 7-1: Internal Audit Process

Process Step	Process Description	Responsible Officer / Unit / Dept.	Standard Timelines
1	Determination of the timeline and scope of the audit.	Finance Sub-Committee Chairperson / OAF	1 day
2	Preparation for the audit.	Fund Manager	2 weeks
3	Hold an initial meeting with the auditors.	OAF/Fund Manager	On need basis
4	Provide support to the audit process.	Fund Manager	On need basis
5	Obtain responses, clarifications and explanations to audit findings and the management letter.	OAF/Fund Manager	On need basis
6	Hold a close-out meeting with the auditors.	OAF/Fund Manager	On need basis
7	Take action on the audit recommendations.	OAF	On need basis

• Institutional Risk Management Policy Framework

Risk can be said to be the potential for loss or diminished opportunity for gain, caused by events that can adversely affect the achievement of specific goals or objectives. Risk management, on the other hand, is defined as the process or mechanisms that are put in place aimed at identification, prioritization, assessment response, monitoring and correction of unfavorable events and conditions. The purpose of the Risk Management Policy is to formalize and communicate the approach to management of risk across the department.

Examples of risk that could occur include:

- External or internal influences that pose a threat to the achievement of objectives set out in the Project Implementation Plan;
- Circumstances or situations that could damage the reputation of the PFF and undermine stakeholder's confidence;
- Inability to guard against misuse, fraud, corruption, waste or poor value for money;
- Failure to comply with the financing agreement terms;
- Failure to take advantage of opportunities that may emerge to deliver better services

The purpose of the PFF Risk Management Policy is to enable the project to:

- Efficiently achieve strategic objectives;
- Improve governance and accountability;
- Act in a timely fashion to avert diversions from plan and take the necessary corrective action;
- Put in place improvements in decision making about process and programs; and
- Enhance value through flexibly leveraging opportunities and better managing uncertainties.

• Objectives of the Risk Management Policy

Key objectives of this policy are to:

- Entrench and align risk management with key project processes and functions;
- Proactively manage threats and opportunities effectively;
- Ensure compliance with all statutory and procedural requirements;

- Ensure PFF effectively discharges its obligations to all stakeholders;
- Enrich the value of decision-making;
- Safeguard governance and accountability philosophies;
- Uphold prudent fiduciary and procurement administration practices, and realize organizational objectives through the efficient and effective allocation and use of resources.

• Policy Statement

PFF is devoted to entrenching risk management values and practices into the:

- Organizational culture and practices;
- Overall decision-making processes;
- Management information systems;
- Strategic and operational planning of programs and activities; and
- Financial and procurement processes.

Robust and unified governance and accountability systems are fundamental to effective risk management, and together form the building blocks for good and practical management.

PFF management shall ensure that risk management process is in place and advice is sought in regard to major policies, projects, programs and plans at the inception phase. This shall be done by having close collaboration with all stakeholders. It is therefore of outmost importance that risk management, strategic, operational and financial planning are properly aligned.

• Applicability

It is the responsibility of each person associated with the PFF to be actively engaged in risk management. This policy shall therefore be of useful to all staff and stakeholders. This policy is applicable to all areas of PFF's projects and activities.

• Responsibility

a) Individual employee

Every individual employed by PFF shall collectively and individually be responsible for management of risks and opportunities within their scope of functioning. In order to enable individuals to carry out their obligations regarding risk management effectively, training shall be provided to enable individuals to fulfill this responsibility effectively.

b) Management

Senior management of the PFF is directly responsible for ensuring compliance with the project risk management framework and guidelines and for promulgating a risk-management culture and attitude. The ownership of, and accountability for managing risks and opportunities, rests with individual section/unit heads and ultimately through the reporting line to the OAF.

c) Internal Audit

It shall support the risk management team in the evaluation and review of risk. It shall also monitor adherence to the risk management framework, identify training needs on risk management, and recommend mitigation measures on identified risk.

d) Audit and Risk Sub-Committee

Audit and Risk Sub-committee shall monitor the effectiveness of the risk management system and ensure that there is comprehensive follow up of all identified major risks. It shall also review the quarterly risk action plan which provides a summary of the status of each area of risk.

e) Offices/Departments

Every office, department, unit, or programme shall ensure and demonstrate compliance with risk management practices. Risks, opportunities, and controls shall be evaluated, analyzed and monitored using standard methodology and tools.

f) Evaluation

Effectiveness of the risk management policy shall be evaluated annually by the Audit and Risk Sub-Committee. The evaluation shall focus on effectiveness, purpose and objectives of the guidelines. An independent review of the policy shall also be undertaken every two years by an external auditor, and a report presented to the Audit and Risk Sub-Committee for review, discussion and implementation.

• Document Revisions

The OAF, under the direction of the Audit and Risk Sub-committee, is responsible for the control, distribution, training and maintenance of this policy. Revisions shall be undertaken on an annual basis, or as need arises. PFF staff, partners and other stakeholders may propose amendments or matters to be included in revised versions. However, any changes to these guidelines only become effective with the express written authority of Governor.

8. Procurement and Contract Management

• Introduction

PFF will support CAs in the procurement of consultants and Private Partners. However, PFF will not enter into contracts on behalf of CAs. The procurement will be undertaken as per the legal and regulatory framework governing public procurement in Katsina State.

This section outlines the procedures for procurement planning, undertaking procurement, reporting and contract management for procurement undertaken by the PFF Secretariat.

• Procurement Planning

PFF will prepare the annual procurement plan, which will be drawn from PFF's annual work plan. Procurement plan will assist in ensuring an effective procurement process including timely tender of bids or proposals, award of contracts and delivery of goods and services required. Procurement plan will be prepared in accordance with the provisions of KTSG public procurement regulations and using the format provided by KTSMOF. Procurement plan will provide the following information relating to each major category of procurement:

a. Number of contracts (broken down or consolidated into packages and lots);
b. Amount for each contract; and procurement methods to be used;
c. Whether procurement requires prior or post review by PPP&PC and DPs where necessary; and
d. Procurement timelines (both planned and actual) ranging from preparation to contract signing.

Through the use of planned and actual dates, Procurement Officer will track procurement activities at various stages. Procurement Officer will update the procurement plan with the actual dates soon after procurement activities are initiated and revise it to reflect actual status.

• Procurement Guidelines and Principles

Procurement will be guided by the following principles:

i. **Value for Money** – PFF will ensure that the procurement process selects providers who offer the best possible holistic value to PFF and its stakeholders taking into account quality, cost, efficiency and economy as well as other salient factors.

ii. **Transparency** - PFF procurement process should to the greatest extent practicable, be transparent in its practices, processes, policies and relationships with all stakeholders, while ensuring protection of confidential information.

iii. **Fairness, equal treatment and non-discrimination** – potential suppliers should be treated fairly and evaluated on the same basis, using the same criteria. Decisions on their selection should be impartial and independent, in particular avoiding conflicts of interest and any kind of bribery.

iv. **Proportionality** – procedures that are undertaken to procure goods and award contracts should be increasingly rigorous the higher the value of the purchase. Differing procurement procedures have been developed with set monetary thresholds to facilitate this principle and should be used for all procurements. Procurements must not be split in an attempt to avoid these procurement procedures.

v. **Integrity** – procurement process should be conducted with a high level of integrity. Participants in the procurement process should act in the best interests of PFF and its stakeholders. They should declare any conflicts of interest and excuse themselves from the process where such conflicts exist.

vi. **Fitness for purpose** – consultants procured must be fit for purpose i.e. having the right level of skills and experience. Relevant checks for fitness for purpose should be embedded in the procurement process. The users or recipients of services being procured should give clear requirement specifications to ensure items procured are fit for purpose.

Procurement Officer will:

a. Ensure fair and equitable treatment of all suppliers who wish to bid;

b. Provide each supplier with the same information regarding a tender and keep their bids confidential;

c. Provide safeguards for the maintenance of a procurement system of quality and integrity; and

d. Require conflict of interest declarations from all participants involved in the procurement process.

• Procurement Methods and Thresholds

PFF may use appropriate procurement methods and thresholds as prescribed in the applicable rules and regulations or by DPs. Due care must be taken to ensure that DPs issue a no-objection on the procurement undertaken on behalf of CAs where specified in the Financing Agreement. The procurement methods that may be applicable include:

Table 8-1: Applicable Procurement Methods

Methods	Processes
Procurement of Consultancy Services	The primary methods of procuring consultants' services are: • Quality Based Selection (QBS) • Quality Cost Based Selection (QCBS) • Selection Under a Fixed Budget (FBS) • Least Cost Based Selection (LCS) • Selection Based Upon Consultants Qualifications (CQS) • Single Source Selection (SSS) / Direct Procurement • Selection of Individual Consultants
Framework Agreements	A framework agreement establishes terms for which a group of individual contracts for one or many services can be fulfilled by one or many suppliers. The framework agreement should however strive to provide the best possible value in line with the reigning market rates for provision of the respective services covered under the agreement.
Competitive Negotiation	Competitive negotiations may be used where: (a) there is a tie in the lowest evaluated price by two or more tenderers; (b) there is a tie in highest combined score points; (c) the lowest evaluated price is in excess of available budget; or (d) there is an urgent need that can be met by several known suppliers.

	Procedure 1. Identify the tenderers affected by tie; identify the tenderers that quoted prices above available budget; or identify the known suppliers as prescribed; 2. In the case of tenderers that quoted above the available budget, reveal its available budget to tenderers; 3. Invite tenderers whose evaluated prices are not more than twenty-five percent above the available budget; 4. Request the identified tenderers to revise their tenders by submitting their best and final offer within a period not exceeding seven days. *The revised prices must not compromise the quality specifications of the original tender;* 5. Evaluate tenders using evaluation criteria set forth in the tender documents. Evaluation to be conducted by the initial tender evaluation committee; 6. Successful best and final offer will be the best rated tender.

• Procurement Process

Overall procurement process will be as outlined below:

Table 8-2: Procurement Process

Process Step	Process Description	Responsible Officer / Unit / Dept.	Standard Timelines
1	Understanding of the requirements of CAs.	Procurement officer / Project Officer	At least once every Quarter
2	Procurement planning	Procurement officer	14 days
4	Procurement / Selection of experts	Procurement officer	21-60 days
5	Entering into framework agreements	Procurement officer	7 days
6	Drawdown of services of experts on need basis	Procurement officer	On need basis

• Outsourcing of Services

PFF may from time to time outsource various services based on the operational and strategic needs of the Fund. Basis for outsourcing of services shall be clearly outlined and relevant approval sought from PPP&PC for the outsourcing of the services.

(a) Rationale for Outsourcing of Services

The Outsourcing/Insourcing decision should be based primarily on:

i. Regulatory requirements on outsourcing of services;
ii. Any sensitivities or risks in delivery of the service(s) to be outsourced;
iii. PFF Secretariat's capability and capacity to undertake the function/task/service;
iv. Level of skill(s) required and availability of the required skill(s) in KIPA/KTSMOF;
v. Costs of undertaking the function in-house versus outsourcing; and
vi. Core competencies that may be availed to Fund through outsourcing such as technology which PFF Secretariat may not have

(b) Management of Outsourced Services

Management of outsourced services shall encompass four key activities which are outlined below:

i. Opportunity identification

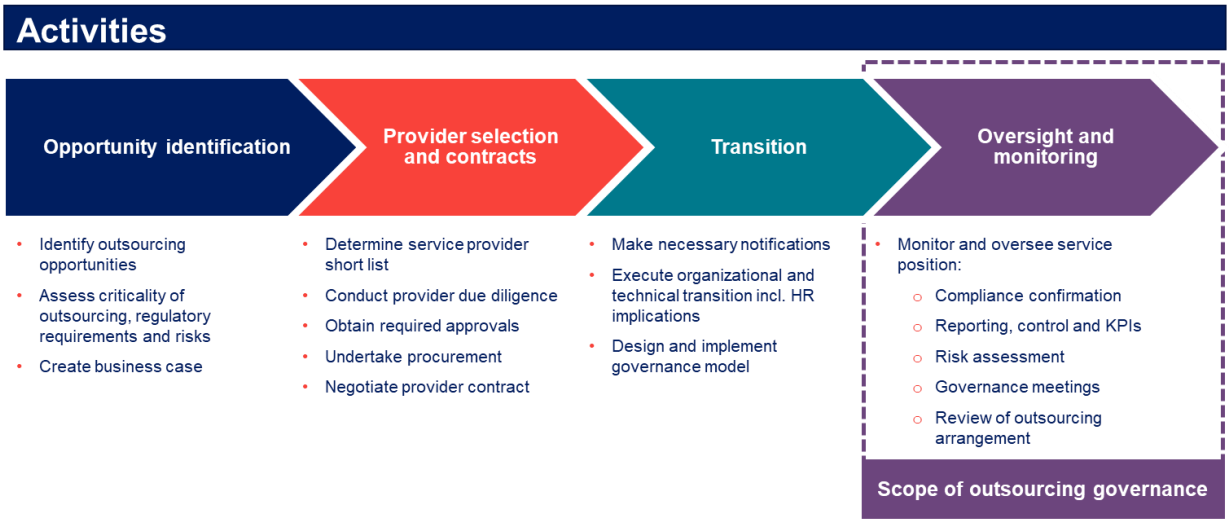
ii. Provider selection and contracting

iii. Transition management

iv. Oversight and monitoring

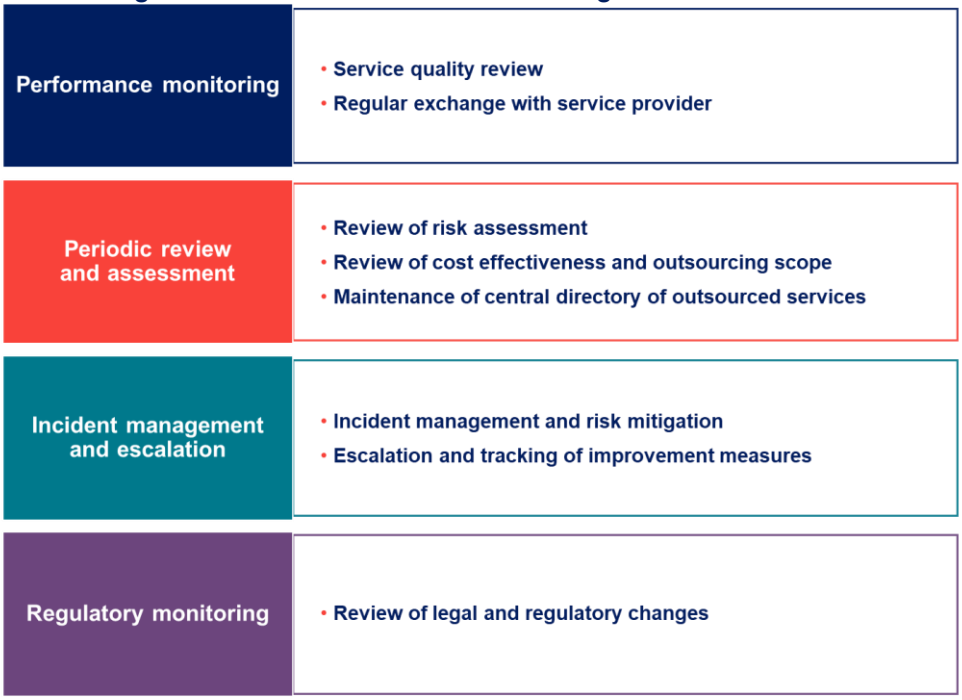
Specific actions for each activity are illustrated below:

Figure 8-1: Key Activities in Outsourced Services Management



Delivery of outsourced services shall be guided by a delivery framework that comprises performance monitoring, periodic review and assessment, incident/ risk management and escalation mechanisms, as well as regulatory monitoring. The framework is outlined below.

Figure 8-2: Outsourced Services Management Framework



PFF Secretariat shall ensure an effective working relationship with service providers through:

Table 8-3: Ensuring Effective Working Relationship with Service Providers

#	Component	Sub-components
1	Relationship and performance review	i. Historical performance evaluation (e.g., metrics, KPIs, scorecards); ii. Identification of critical success factors, lessons learning from what has worked well previously in light of potential risks; iii. Early identification of the issues that need to be resolved (two-way dialogue); and iv. Evaluation of whether the provider has fulfilled their contractual obligations as per the implementation timelines.
2	Efficient collaboration	i. Identification of opportunities to improve the relationship, within current scope (two-way dialogue and opportunities); ii. Identification of tool(s)/process enhancements that could further drive efficiencies in products/services being delivered; and iii. Ensuring there is clarity as to the “value-add” that the provider can deliver/offer in the relationship.
3	Opportunities for optimization	i. Identifying capabilities that the service provider(s) own/have that could benefit PFF in line with PFF’s strategic/ operational ambitions; and ii. Identifying areas that PFF could “partner” with the provider to create sustainable core competencies.
4	Joint planning	i. Developing the short-term, in-year, joint provider/ issues/ opportunities plan encompassing: a. Prioritization of opportunities/activities; b. Implementation timelines; and c. Resource plans (e.g., people/processes/tools) that may be needed ii. Ensuring clarity as to the goals (quality of service expectations), roles and responsibilities of all the parties involved in delivery of the services including reporting arrangements.

• Contract Management and Administration

Copies of contracts will be kept at PFF Secretariat. A record will be kept of all issues arising from contracts entered into to inform reporting as well as future contracting.

Contract amendments/ variations – all proposed changes to contracts will be communicated to the CAs with justifications and relevant approvals sought before the changes are made.

Contracts will be a basis of payment and performance / delivery of goods and services will be matched to respective contractual obligations.

• Procurement Records Management

Assistant Procurement Officer will ensure that procurement records are kept in an orderly manner and for the duration prescribed by law and furnish the same in the instance of procurement reviews and audits.

(a) Procurement audits and reviews

a) Procurement Audits

PFF Secretariat may also be subject to annual procurement audits conducted by the relevant public entity/authority. Independent procurement audits may also be conducted by DPs. The scope of the procurement audit may cover the following:

a. Confirmation that the procurement and contracting procedures and processes followed for the Project were in accordance with the applicable rules and regulations or respective DP guidelines;

b. Assessment of technical compliance, physical completion and price competitiveness of each contract in the selected representative sample;

c. Reviewing and giving feedback on contract administration and management issues as dealt with by PFF. For example, the audit would confirm that the contract variations received the necessary approvals and were fully documented;

d. Confirmation that invoices/fee notes received from suppliers were approved and any payments made were recorded in the relevant contract;

e. Assurance that Value for Money was achieved. The reviewers will comment on the reasonableness of prices; and

f. Identification of any deficiencies in the procurement process or improvements which could be made.

b) Procurement Reviews

PFF Secretariat and CAs may also be subject to post reviews of all procurement below the agreed thresholds by DPs. A number of documents will be retained by PFF Secretariat and CAs for the purpose of audit and post review. These include:

a. Request from the user who initiated the procurement activity;

b. A copy of the published advertisement(s);

c. A copy of the pre-qualification document and evaluation report (as applicable) and bidding document/request for proposals or invitation to quote and any amendments or clarifications requests;

d. Records of bid openings;

e. Copies of all bids evaluated and any clarifications requested from bidders and responses received;

f. Evaluation report including the recommendation of award;

g. Minutes of any meetings related to the procurement;

h. Copies of all 'certificates of no objection' from the World Bank or any other DP (as applicable);

i. Copies of all other communications from bidders, suppliers, contractors, or providers;

j. Any bid and securities documents (in particular, documents relating to the procurement/contract) and record of their return (originals to be stored in a safe);

k. Notice of bid acceptance to the supplier, contractor, or service provider;

l. Signed contract document including any signed contract amendments;

m. All post contract documentation relating to the fulfilment of contract obligations, in particular photocopies of performance securities or advance payment guarantees (originals kept in a safe);

n. Minutes of any meetings related to the contract management, including the contract progress or review meetings, and meetings held with the supplier, contractor or service provider;

o. All documentation evidencing deliveries of supplies or completion certificates in relation to contracts for services or works;

p. Copies of all invoices including papers verifying the accuracy of payments claimed and details of the actual payment authorized;

q. Copies of cumulative payment worksheets evidencing management of all payments made;

r. Copies of any claims made by the procuring entity in respect of any warranty, short supply, damage, and other claims against the supplier, and all claims made by the supplier, contractor or service provider, and decisions thereupon made by PFF Secretariat;

s. All correspondence between the procuring entity and supplier, contractor, or service provider; and

t. All documents authorizing certain tasks, including all submissions to and all decisions of the officer authorizing particular tasks and any decisions related to contract management.

9. Statutory Audit

• Statutory audit

Office of the Auditor General (OAG) is the principal auditor of PFF. OAG may also appoint an independent firm of accountants to carry out the statutory audit of the PFF on its behalf.

Financial statements of the PFF shall be prepared, signed by the OAF and submitted to the Auditor General within 3 months of the financial year- end.

Prior to commencement of the audit, PFF shall liaise with the person responsible for the audit at OAG to determine the information that the auditors shall require to ensure that the audit is conducted in an efficient manner and avoid any undue delays. Such information may include documents to support the recorded transactions and audit schedules.

PFF shall ensure that the auditors are provided with all the information and explanations necessary for them to perform the audit.

The PFF Audit Manual (PAM) provides further instructions on this aspect.

i. Template for the PFF Financial Reporting

1. Annual Expenditure Report by Windows

PROJECT FACILITATION FUND

Financial Monitoring Report (FMR)				
Uses of Funds by Windows/Delivery Areas				
For the Year Ended [____]				
		Budgeted Amount	**Actual Amount**	**Budget Variance Analysis**
Component	**Component Name**			
Window 1	**Project Preparation Support**			
Window 2	**Support to the PFF Secretariat**			
Window 3	**Viability Gap Funding**			
Window 4	**Contingent Liability Funding**			
Total				

2. Quarterly Expenditure Report by Windows

PROJECT FACILITATION FUND
Quarterly Report by Window
For the Financial Year [____]

		Q1			Q2			Q3			Q4		
		Budgeted Amount	Actual Amount	Variance Amount	Budgeted Amount	Actual Amount	Variance Amount	Budgeted Amount	Actual Amount	Variance Amount	Budgeted Amount	Actual Amount	Variance Amount
Component	Component Name	NGN	NGN	NGN	NGN.	NGN	NGN	NGN.	NGN	NGN	NGN.	NGN	NGN
Window 1	Project Preparation Support												
Window 2	Support to the PFF Secretariat												
Window 3	Viability Gap Funding												
Window 4	Contingent Liability Funding												
Total													

3. Fund Accountability Statement

PROJECT FACILITATION Fund
Fund Accountability Statement
For the Financial Year [____]

Description	**Amount**	**Amount**
Income		
Grants and Donations		
Receipts from Exchequer		
Levies and Tariffs		
Success Fees		
Investments Income		
Miscellaneous		
Total Income		
Funding Support:		
Project Preparation		
Support to the PFF Secretariat		
Viability Gap Funding		
Contingent Liability Funding		
Total Funding support		
Miscellaneous Expenditure – Other		
Total Miscellaneous Expenditure		
Total Expense		
Fund Surplus		

Description	Amount	Amount
Represented by:		
Cash and Bank Balances		
Debtors and recoverable advances		
Liabilities – Current, fiscal and contingent		
Investments		
Fund Balance		

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