ANNEX 11: Financial Management Manual

Statistical Innovation and Capacity Building in the Pacific Islands Project

OPERATIONS MANUAL

Financial Management Manual

September 2020

Pacific Community (SPC)

Abbreviations and Acronyms

DA	Designated Account
FMPM	Financial Management Procedures Manual
GOFAR	Government Financial Accounting and Reporting System
IFR	Interim Financial Reports
OM	Operations Manual
PCG	Project Coordination Group
PFS	Project Financial Statements
PMU	Project Management Unit
PSC	Project Steering Committee
SOE	Statement of Expenditure
WB	World Bank

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1. Purpose

The Financial Management Manual (FMM) is part of the overall Operations Manual of the Project. This FMM sets out policies and procedures for the Statistical Innovation and Capacity Building in the Pacific Islands Project (PACSTAT; GRANT NUMBER D544 [P168122]). Its primary purpose is to provide guidance to the PACSTAT team and the Pacific Community. It establishes and illustrates the minimum standards and procedures necessary to achieve consistency in the financial administration of the project.

2. Disbursements procedures and guidelines

Proceeds of the IDA Grant will be disbursed in accordance with World Bank disbursement guidelines and should be used only to finance Project activities. Information on disbursement has been included in the Disbursement and Financial Information Letter (DFIL) and the Disbursement Guidelines for Investment Project Financing already provided to SPC, the implementing agency. These documents describes the disbursement methods, the documentation requirements and management of the Pooled Designated Account.

All Withdrawal Applications (including supporting documentation), Interim Financial Report (IFR) and disbursements must be electronically sent via the World Bank's secure website "Client Connection" at https://clientconnection.worldbank.org.

2.1 Designated Account

The Designated Account (DA), a pooled account, is maintained by SPC. Other than any direct payments and any pre-financing by SPC, all project costs to be financed through PACSTAT will be paid from the DA. The DA is maintained at the Banque de Nouvelle Calédonie (BNC) in EUR under SPC Authority (Subhash Gupta, Director Finance) and will be operated by SPC.

Deposits into, and payments from the DA, will be made in accordance with provisions in the DFIL. Disbursements from the DA will only be used for the purposes specified under the Financing Agreement, and in accordance with approved budget.

SPC will submit withdrawal applications for replenishment of the DA. Withdrawal applications will be prepared by the SDD Finance and Administration Officer and endorsed by SPCs Finance Section (Central Finance either by Senior Accountant or FM), and shall be executed in accordance with the Authorised Signatory Letter (ASL).

Each withdrawal application must be signed by the authorized representative as included in the ASL.

All transactions on the Designated Account (DA) are debited in EUR currency. Reimbursements will be claimed in EUR and consultants will be asked to quote in EUR. As far as possible all contracts will be issued in EUR to minimise exchange rate fluctuations.

The SDD Finance and Administration Officer and SPC Finance Section will keep copies of documents supporting the transactions made by SPC, after granting authorization for payment and after the Project Manager has reviewed and approved the documents. For payments from the DA, Purchase Requisition and Payment vouchers (with relevant supporting documents) are prepared by the Finance and Administration Officer and signed by SDD Director and request is sent to SPC Finance Section for endorsement and preparation of authorization on the cheque or Telegraphic Transfer for payments.

2.2 Disbursement Methods

The DFIL outlines the Disbursement Methods that can be used in this project. These will include:

- Advance – the World Bank will advance funds into the Pooled Designated Account of the SPC to finance eligible expenditures as they are incurred and for which supporting documents are provided later.

- Direct Payments – whereby through a withdrawal application submitted by SPC to the World Bank, the supplier is paid directly by the World Bank and hence there is no need to pay from the DA. This will require a copy of the invoice to be submitted as part of the aWithdrawal Application.

- Reimbursements – If SPC pays for eligible project costs rather than using the DA then it can claim a reimbursement of these costs through a withdrawal application.

- Special Commitment – is an irrevocable commitment by the Bank, made at the request of the SPC, when the Bank undertakes to reimburse a negotiating bank for payments it makes to a supplier against a letter of credit.[1]

The minimum value of applications for Reimbursements, Direct Payments and Special Commitments is EUR100,000 equivalent.

2.3 Documentation for Withdrawal Applications

The documentation required for each disbursement method may differ, as the following:

- Direct Payment: Copy of the original records (supplier's or consultant's invoice).

- Advance method (or Replenishment of the Designated Account) and Reimbursement: Summary reports providing information on payments for eligible expenditure through Statement of Expenditure (SOE); an SOE template is attached to the DFIL for reference.

Special Commitment: Copy of the Letter of Credit (LC)Details of documentation required can also be found in sections 3.3 and 3.4 of the "Disbursement Guidelines for Investment Project Financing", dated February 2017. Documentation of the expenditures will be maintained and will be made available for review by Bank supervision missions and by project entity auditors.

2.4 Disbursement Categories

Table 1 below outlines the different disbursement categories for eligible expenditure for this project. Expenditure cannot exceed the amounts within a category without approval from the Project Manager. It is important to monitor the category expenditure and this can be done through Client Connection.

Table 1: Disbursement Categories

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)

[1] The SPC financing system, as of project effectiveness, does not reflect special commitments and is therefore not used by the Project. For the foreseeable future, this disbursement method will not be used by SPC.

(1) Goods, non-consulting services, Training and Workshops, Operating Costs and consulting services for Parts 1.1, 1.2, 2.1, 2.3 and 3.1 of the Project	2,250,000	100%
(2) Recurrent Technical Staff Costs and Corporate Support Costs for Part 2.2 of the Project	330,000	100%
(3) Goods, non-consulting services, Training and Workshops, Operating Costs, Recurrent Technical Staff Costs, Sub-Grants and consulting services for Part 3.2 of the Project	720,000	100%
TOTAL AMOUNT	3,300,000	

The following information provides more details about some of the terms used in the table and the agreed method of calculating costs incurred.

Operating Costs are defined in the Financing Agreement as "the reasonable and necessary costs of expenditures directly related to the Project, incurred by the Recipient (which expenditures would not have been incurred absent the Project), based on the Annual Work Plans and Budgets approved ex-ante by the Association, including consumable materials and supplies; communications services (postage, telephone and internet); information and communications technology charges, including leasing of laptop computers, software, internet connectivity and all related supporting services; media and printing services; advertising expenses; translation and interpretation services; office space rental and utilities; maintenance of office equipment; operation and maintenance of vehicles; audit fees; fuel costs; bank charges required for the Project; staff and consultants' travel, lodging and per diems, but excluding: (a) salaries, bonuses, sitting fees and honoraria or equivalent payments of any of the Recipient's staff working on the Project; (b) the Recurrent Technical Staff Costs; and (c) the Corporate Support Costs.".

Information and Communications Technology support costs are part of Operating Costs and are subject to Full Cost Recovery in SPC at a rate of 5,800 Euro per person per year. WB has agreed that this cost can be applied to the three long-term International Consultants to be based in SPC during the PACSTAT as part of the project.

The model for Information and Communications Technology support costs is calculated on the total cost of running a competitive SPC ICT Section divided by the number of users. The rate is a flat EUR 5800 per annum regardless of the use. Information and Communications Technology support costs will be included in the accounting mechanism for non-technical staff (i.e., the monthly letter from the Director of Finance referred to under 'Corporate Support Costs' below).

As stated in the Financing Agreement, "**Training and Workshops**" as defined, means the reasonable costs of expenditures incurred by the Recipient, based on the Annual Work Plans and Budgets approved ex-ante by the Association and terms of reference acceptable to the Association, in facilitating, conducting and/or undertaking domestic and overseas training and workshop activities under the Project, including costs of training or workshop materials; equipment and venue rental; per diem, accommodation, and transportation for those attending the training or workshop; and honoraria for trainers.

Generally, costs incurred under Training and Workshops are non-procurable items – mainly flights and per diem in accordance with SPC Travel Policy – that would not be subject to World Bank procurement rules, so they do not form part of the project procurement plan. However, for training financed under OC, SPC will submit an annual training plan to the World Bank indicating the purpose, clear link to the development objectives of PACSTAT, budget and beneficiaries at the start of each calendar year.

Corporate Support Costs means the reasonable and necessary indirect management costs incurred by the Recipient's human resources, procurement, travel, finance, director-general/deputy director-general functions working on the Project, determined in accordance with the details specified in the Project Operations Manual and based on the Annual Work Plans and Budgets approved ex-ante by the Association, but excluding bonuses, sitting fees, honoraria or equivalent payment for such functions.

The accounting of non-technical staff working on the project can be financed from project funds. WB have agreed that at the end of each month the Director of Finance will provide a letter to the Finance and Administration Officer of the project setting out the total cost of corporate support activities and listing the activities covered, but it will not be necessary to provide separate costs by activity.

Recurrent Technical Staff Costs means the reasonable and necessary costs of expenditures incurred by the Recipient for the salaries of the Recipient's technical staff working on the Project, determined in accordance with the details specified in the Project Operations Manual and based on the Annual Work Plans and Budgets approved ex-ante by the Association, but excluding bonuses, sitting fees and honoraria or equivalent payments of such technical staff.

SPC Technical staff will keep timesheets recording the amount of time worked on the project. The proposed calculation of Recurrent Technical Staff Costs will be a product of the time they contribute to project activities and the costs associated with the time of each particular staff member. At the end of each month, the Finance and Administration Officer will use the time sheets provided by SPC Technical staff to calculate the cost based on the real staff monthly salary for each person less education allowance and leave.

Among others, the list of Technical Staff who may contribute to the project includes:

i. Director, SDD (Mr Epeli Waqavonovono)
ii. Manager, Data Analysis and Dissemination (Mr David Abbott)
iii. Economic Statistics & Microdata Specialist (Mr Michael Sharp)
iv. Finance and Administration Officer (Ms Sandra Gianini)
v. Procurement Officer (Estelle Grazzi)
vi. GIS, Innovation and Dissemination Lead (Phil Bright)
vii. Statistical Advisor - Household Survey (Vacant)
viii. Web Developer – Dissemination (Stanislas Ozier)
ix. GIS Officer (Luis de la Rua)
x. Statistics Adviser - Data Systems (Denis Grofils)
xi. Demographer/social statistician (Alison Culpin)
xii. Population Census & Survey Data Processing Specialist Programmer (Toga Raikoti)
xiii. Survey Data Processing Programmer (Winston Faingaanuku)
xiv. Information and Publication Officer (Gaelle Le Gall)
xv. Microdata Curator and Dissemination Adviser (Scott Pontifex)
xvi. Microdata Officer (Olivier Menaouer)
xvii. Programming, Design and Learning Adviser (Edward Boydell)
xviii. Legal and risk officer (Nid Satjipanon)
xix. Process Improvement and Internal Controls Adviser (Betty Manieva)
xx. Senior Accountant (Yolaine Take)
xxi. Programme Reporting Officer (Shirley Temahu)

xxii. Others as identified as being necessary and as documented in the annual work plan

Quantification of Staff Cost to Support the PACSTAT

The proposed calculation of costs for SPC Technical staff resources will be a product of the time they contribute to project activities and the costs associated with the time of each particular staff member. At the end of each month, the Finance and Administration Officer will use the time sheets provided by SPC Technical staff to calculate the cost based on the real staff monthly salary for each person less education allowance and leave.

As per the financing agreement, the budgeted total Recurrent Staff Costs and Corporate Support Costs must not exceed SDR 330,000.

The cost for each individual staff member will include exact remuneration figures, based on time inputs, and the cost associated to each specific staff member. The gross salary is the total remuneration package offered to staff i.e. base salary + COLDA, insurance, employer superannuation contribution plus other allowances, including various leave provisions.

Remuneration Cost	**Definition**	**Documentation**	**Verification**
Salaries	Regular payment, typically paid on a monthly basis for staff, as stipulated in the SPC Staff Regulations and Manual of Staff Policies. Salaries are based on signed contract and the annual performance and market increment described below. SDR Reference Rate is updated annually and the SDR Payment Rate is updated monthly.	Payslip	Transaction posted into the Project Ledger, in the Resource No. (corresponding to the staff No.)
Performance and Market Increments	As part of the annual performance development cycle, staff may receive as salary increase based on their performance. A market adjustment may also be applied from time to time, usually once a year. Performance cash payments are sometimes made to staff who fall above the maximum of the salary band.	Payslip	Transaction posted into the Project Ledger, in the Resource No. (corresponding to the staff No.)

Remuneration Cost	**Definition**	**Documentation**	**Verification**
Annual Leave Provision	SPC entitlement per staff is 25 days per annum accrued through the payroll system and charged to the project.	Payslip	Transaction posted into the Project Ledger, in the Resource No. (corresponding to the staff No.)
Housing Benefit	- Housing allowance – applicable only for Noumea: SPC pays 75% of Housing Cost for PAI where they choose to live in SPC Owned or SPC Rented accommodation. - Rent allowance: PAI who live in their own home or choose to rent their own accommodation, will be provided with at least the minimum monthly housing allowance.	Payslip	Transaction posted into the Project Ledger, in the Resource No. (corresponding to the staff No.)
Medical Benefit	This is staff entitlement as per SPC Manual of Staff Rules. It is a benefit that covers staff medical, life and disability insurance costs under the SPC medical plan. It is charged to the Project.	Yearly Assessment for Provision Rate.	Transaction posted into the Project Ledger, in the Resource No. (corresponding to the staff No.)
Provident Fund / Employer	Staffs are entitled to an employer superannuation payment currently equal to 8% of base salary for members contributing to SPC Provident Fund or the Fiji National Provident Funds or another superannuation scheme.	Payslip	Transaction posted into the Project Ledger, in the Resource No. (corresponding to the staff No.)
Repatriation Provision	The rate is updated regularly and this % of the Salary is charged to the Project	The payroll journals	Transaction posted into the Project Ledger, in the Resource No. (corresponding to the staff No.)

Remuneration costs exclude:	
Sick Leave	Is defined as leave with full pay granted to a staff member who is on sick leave. SPC entitlement for sick leave is of 30 days per annum, up to a maximum of 90 days.
Carer's Leave	A staff member will be eligible for Carer's Leave for up to a maximum of five days per year to look after a sick dependent.
Education allowance	Allocation to partially cover education expenses for eligible dependent children up to a maximum of 3 children.

The staff costs will be included in the annual work plan and budget, which will be submitted to the Bank for No Objection, in accordance with the processes and procedures of this POM once it is approved.

2.5 Client Connection

Client Connection is a secure website managed by the World Bank that offers Bank funded projects and project implementing agencies access to information about their project's disbursement and overview. SPC Users and Authorized signatories, as per the ASL, will need to register on Client Connection to create, approve and submit withdrawal applications. SPC currently has access to Client Connection for monitoring disbursement of active Bank funded projects.

2.6 Grant Flow of Funds

The flow of funds diagram, Figure 1 below, shows summary of the procedures SPC will undertake for the suppliers payment from the DA and the replenishment of the DA by the World Bank.

Figure 1: Flow of Funds

2.7 Authorisation of transactions and activities

All financial documents will be prepared by the Finance and Administration Officer of the project, reviewed by the Project Manager, and approved by the Director, SDD.

3. Standards for financial management systems

3.1 Project Accounting System

The general accounting principles for the Project are as follows:

a. All transactions related to the Project will be debited / credited to the project budget line opened for PACSTAT project into the SPC accounting system – Navision.

b. The Exchange rate applied to all transactions, outside the EURO transactions, is the SPC daily rate on the day of the debit into Navision and not on the day of payment from the bank.

c. Payments for the project will be made through SPC bank account and SPC Forex accounts.

d. Travel Management System (TMS) – Per diem: per diems are calculated as per the travel entitlement on the SPC travel policy. They are paid in French Pacific Franc and rates are converted from FOREX rate into XPF on the day of the travel approval by TMS which is different from the dates travelling and date of payment to the traveller.

e. Where travel is necessary, travel modes and routes that reduce the environmental impact of the travel are to be selected. Where air travel is necessary, a 2 per cent internal levy is charged on all airfares. The Director General will use the levy exclusively to support SPC's transition towards lower emission operations and will report on this annually to the governing body. Travel will be organised in accordance to SPC's Travel Policy.

f. Project transactions and activities will be distinguished from the other activities undertaken by the SPC. Financial statements summarizing the commitments, receipts, and expenditures, including comparisons to budget, made under the Project should be produced every semester using a reporting format agreed to between SPC PACSTAT and the World Bank. This report will be required to be submitted to the Bank within 45 days of the end of each semester and are called Interim Financial Reports (IFRs).

g. Effective control over and accountability for all funds, property, and other assets.

h. Compliance with SPC policies and procedures where applicable.

i. Accounting records must be supported by source documentation.

3.2 Chart of Accounts

The SPC chart of accounts will be used for the entry of information into the SPC Financial Accounting and Reporting System that is Navision 2017.

3.3 Accounting records

Standard accounting records will be maintained by the Finance and Administration Officer and SPC to properly account for funds and assets. These will include a general ledger or cash book and an assets register. The Navision ledger will be maintained up to-date and will include the following information for payments, serial number of cheques, date and amount, brief description of the transaction, unique project identification dimension (Job No.), dimension according to budget line as per cost table (Job Task No.) and unique identification number (entry number).

SPC has moved to use International Public Sector Accounting Standards (IPSAS) effective 1st January 2016. The financial reports for the project are prepared on the modified accrual basis of accounting and in compliance with the Financing agreement.

3.4 Accounting Assumptions

a. Cost Principle: Assets are recorded at their acquisition costs which includes the cost of any associated expenses needed to make the asset ready for its intended use.

b. Currency: Accounting records will be maintained in EUR currency, the SPC reporting currency. Transactions denominated in foreign currency will be recorded using the declared exchange rate as of the date of the debit into Navision. At reporting period and year end, monetary assets and liabilities will be re-evaluated using the declared exchange rate as of the date of the financial report/year end.

3.5 Accounting files

Files will be maintained in an orderly manner to facilitate easy and prompt retrieval. The following list identifies the basic files that will be maintained in the SPC or PACSTAT PSC to ensure proper accountability of a transaction:

a. Copies of Financing Agreement, disbursement letter and amendments, including related correspondence.

b. Budgets and their modifications.

c. Procurement plans and their modifications.

d. Copies of Vouchers and/or payment documents filed by sequential number and period covered.

e. Withdrawal Applications and all additional required documentation.

f. Purchase orders (electronic).

g. Contract files.

h. Financial reports and Reconciliations.

i. Financial policies and procedures files or manuals.

j. Other files as the activity may require facilitating reference.

All supporting documents for SOEs including copies of invoices must be maintained by the project for at least one year from the date the bank receives the audit report for the project for the fiscal year in which the last withdrawal from the grant account was made.

3.6 Bank reconciliation

The DA is a pooled SPC bank account. Bank reconciliation of the DA will be prepared at the end of each month and be available for review by the SPC Reporting Accountant. Bank Reconciliation for withdrawal applications are done quarterly or more often if required. Since DA account is a pooled account, other SPC projects payments are reflected in same bank account and differences apart from project transactions are noted as SPC funds to reconcile the account.

3.7 Project Reporting System

The Project Steering Committee is responsible for the preparation of the financial reports. The financial reports will be prepared on the modified cash basis of accounting. Consequently, revenues are recognized when they are actually received and expenditures are recognized when incurred.

Financial reports will be prepared and submitted to the WB on a semester and annual basis.

3.8 Interim Unaudited Financial Reports (IFR)

Unaudited interim financial reports of the Project will be prepared on a semester (6 monthly) basis. The financial reports will include:

- analysis of actual expenditure for current period (6 monthly),
- year to date expenditure,
- project to date,
- outstanding commitments,
- analysis against project budget.

The format will be developed and agreed by SPC and World Bank prior to due date for the submission of the first IFRs. The SPC will send the IFR to the World Bank within 45 days of the end of each fiscal semester.

3.9 Audit of the Project Financial Statements

The PACSTAT financial statements provide adequate disclosure of the resources and expenditures. The recipient arranges for the audit to be conducted by a firm acceptable to the World Bank. The annual audited financial statements are required to be submitted to the Bank no later than 9 months after the end of each financial year by the recipient and shall be made publicly available by the Recipient in a manner acceptable to the Bank as per the IDA General Conditions of Credits and Grants (dated 31 July 2010). Audit costs are to be charged to the Project.

As an additional requirement, the audit report will contain an opinion that the expenditures classified as Recurrent Technical Staff Costs and Corporate Support Costs are in compliance with the Financing Agreement.

3.10 SPC Internal control system

SPC maintains an internal control system to ensure adequate safeguards for the prevention of loss, damage, or theft of assets. The internal control system guarantees the separation of the functions through several levels of independent controls. The SPC accounting processes ensure authorization and payment processes are clearly segregated. All payments will be prepared by the PSC, then submitted to the SPC Finance for review and authorization of all documentation before making payment. The internal control conforms to the SPC system and has been deemed acceptable to the World Bank.

SPC's internal control function is overseen by the Audit & Risk Committee.