

**Guidelines & Procedures and Monitoring System
On the use of Imprest Fund Procedure of the ADB**

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GUIDELINES AND PROCEDURES ON THE USE OF IMPREST FUND PROCEDURE OF THE ASIAN DEVELOPMENT BANK

Part I - Introduction

- A. The Asian Development Bank (ADB) is a development finance institution dedicated to and engaged in promoting economic and social progress of its developing member countries in the Asian and Pacific region.

In pursuance of this objective, the ADB provides financial assistance for projects in almost every sector of the economy of Sri Lanka. The bulk of the assistance provided is in the form of loans.

- B. The Guidelines and Procedures for the application of ADB's Imprest Fund Procedure deal with management and operation of Imprest Accounts but do not cover the whole range of activities pertaining to utilization of foreign aid. Officers entrusted with responsibilities involving management and implementation of foreign funded projects should, therefore, familiarize themselves with the contents of the following documents issued by the Government of Sri Lanka and the ADB.

- **Government of Sri Lanka**
 1. Financial Regulations
 2. Guidelines on Tender Procedure
 3. Establishments Code
 4. Circulars already issued and to be issued from time to time by the Department of State Accounts, on behalf of the Ministry of Finance, on Accounting of Foreign Aid

- **Asian Development Bank**
 1. Loan Disbursement Handbook
 2. Guidelines for Procurement
 3. Handbook on Policies, Practices and Procedures relating to procurement
 4. Guidelines on the engagement of Consultants
 5. Financial Reporting and Auditing of Projects Financed by the Bank.

- C. The Guidelines and Procedures that follow are an elaboration of the relevant Financial Regulations (FR) and the Treasury Circular instructions on the subject of use of Special Dollar Account or Imprest Account.

- D. Disbursement policies of the ADB are based on the following main principles

- Proceeds of an ADB Loan shall be used only for the **purposes** for which it was approved with due regard to considerations of economy and efficiency
- The Borrower shall be permitted by the ADB to draw its funds only to meet expenditure in connection with projects, as and when they are actually **incurred**

- The proceeds of any Loan, investment or other financing provided by the ADB shall be used only for the **procurement in member countries, of goods and services produced in member countries** unless specifically permitted, otherwise, by its Board of Directors

Implementing Agencies and Executing Agencies are required to ensure that the above polices are observed when incurring expenditure.

E. ADB's Disbursement Procedures:

Procedures for withdrawal of loan proceeds have been standardized to facilitate disbursements under the ADB loans. The disbursement procedures consist of four major types, as follows:

- **Direct payment Procedure:-**
ADB, at the request of the Borrower, will pay a designated beneficiary direct
- **Commitment Procedure:-**
ADB, at the request of the Borrower, will provide an irrevocable undertaking to reimburse a commercial bank of payments, made or to be made to a supplier against a Letter of Credit (L/C) financed from the loan account
- **Reimbursement Procedure:-**
ADB will pay from the loan account to the Borrower's account or, in certain cases, to the project account for eligible expenditures, which have been incurred and paid by the project out of its budget allocation or its own resources
- **Imprest Fund Procedure:-**
ADB will make an advance disbursement from the loan account for deposit to an Imprest Account to be used exclusively for the ADB's share of eligible expenditure.

Use of ADB's Disbursement Methods other than Imprest Fund Procedure:

The main objective of the Imprest Account procedure is to ease cash flow problems of the project. The project officials should be mindful of this and adopt other available methods of disbursement under ADB financing procedure when it is compatible with the objective of easing cash flow problems of the project.

Direct Payment Procedure:

This procedure should be adopted in the following instances.

- Payments in respect of large civil works and supplies, where a single payment exceeds Rs. 5 million or US \$ 50,000

- Payments for large scale imports when LC procedure is not appropriate and where a single payment exceeds Rs. 5 million or US \$ 50,000
- Payment of Consultants' fees and expenses relating to fellowships and training where appropriate

Copies of withdrawal applications submitted for direct payment should be sent to the DSA and the EA.

Commitment Procedure:

This procedure should be adopted in reimbursing amounts negotiated under Letters of Credit exceeding US \$ 100,000 in value

Reimbursement Procedure:

This procedure should be adopted only where RFA provision has been included for the project and in respect of expenditure incurred from such provision. Where expenditure is incurred under the RFA reimbursement in respect of the ADB share of eligible expenditure may be claimed direct from the ADB. Reimbursement procedure should be adopted where the ADB finances a portion of the following items of expenditure.

- Small civil works
- Operation and maintenance expenditure
- Small scale supplies
- Force account expenditure

Where reimbursable expenditure is incurred, it is very important that reimbursement should be claimed promptly on a monthly basis subject to the minimum limit imposed for a withdrawal application, by the ADB.

Executing Agencies and Projects should, invariably, utilize RFA facilities if available and where RFA facilities have not been provided, steps should be taken to obtain Treasury approval for the facilities. In making such a request to the Treasury the need for the facility should be clearly explained. Once the Treasury approval is received, projects should take action to include RFA provision in the General Estimates of GOSL for ensuing years. If possible, provision should be obtained for the current year by resorting to VIREMONT Procedure.

The Imprest Fund Procedure referred to above is dealt with in the succeeding paragraphs

Part II - Guidelines

Part III – Procedures

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IMPREST FUND PROCEDURE

Part II - Guidelines

1. There are three levels of Imprest Accounts operated under Imprest Fund Procedure of the ADB, namely, First Generation Imprest Accounts (FGIA), Second Generation Imprest Accounts (SGIA) and Third Generation Imprest Accounts (TGIA).
 - 1.1 **FGIA** – First Generation Imprest Accounts are opened at the Central Bank of Sri Lanka in the name of the Deputy Secretary to the Treasury (DST) on behalf of the Project to receive funds from the ADB and to effect payments as and when necessary
 - 1.2 **SGIA** – Second Generation Imprest Accounts are opened at state owned commercial banks in the name of the Project (PMO/PMU) to receive funds from the above FGIA and to effect payments as and when necessary
 - 1.3 **TGIA** - Third Generation Imprest Accounts are opened at state owned commercial banks in the name of the Implementing Agency/Unit/Project to receive funds from the above SGIA and to effect payments as and when necessary
2. These Guidelines on the use of above three levels of Imprest Accounts have been formulated, primarily, to guide Executing Agencies and Implementing Agencies in the following areas:
3. **Matters which are specifically relevant to FGIA, SGIA and TGIA**
 1. Objective for using Imprest Accounts
 2. Conditions/Criteria for use of Imprest Accounts
 3. Approval Procedure
 4. Establishing of the Imprest Accounts
 5. Location of Imprest Accounts
 6. Currency of Imprest Accounts
 7. Ceiling on Advances to Imprest Accounts
 8. Initial Advance
 9. Liquidation/replenishment of Imprest Accounts
 10. Recovery of Advance/Final Liquidation
 11. Retention of documents
 12. Delegation of Authority and Internal Control

3.1 Objectives of using Imprest Accounts:

3.1.1 FGIA (First Generation Imprest Accounts):

The main objective of establishing FGIA is to help the Borrower reduce cash flow difficulties in pre-financing project expenditures thereby, facilitating project implementation.

The other objectives of using Imprest Accounts are

- 1) To provide the Borrower more control over payments
- 2) To reduce the number of Withdrawal Applications and related costs.

3.1.2 SGIA (Second Generation Imprest Accounts):

The main objective is to strengthen the arrangements for achieving the objectives of FGIA. Further, SGIAs relieve the Central Bank of Sri Lanka, of the need to handle a multitude of small payments through the FGIA.

3.1.3 TGIA (Third Generation Imprest Accounts):

The main objective is to strengthen the arrangements for achieving the objectives of FGIA and SGIA. Secondary objective is to ensure prompt payments on account of small civil works and supplies locally obtained.

3.2 Conditions/Criteria for use of Imprest Accounts:

3.2.1 FGIA:

The ADB insists that following conditions must, necessarily, be satisfied before the borrower is allowed to use the Imprest Fund Procedure;

- **Need for the Procedure:**
The borrower should justify using the procedure, indicating the cash flow requirement for effective project implementation
- **Borrower's Capability:**
The borrower must have sufficient administrative and accounting capabilities to establish adequate internal control, accounting, and auditing procedures to ensure efficient management of the Account and its operation.
- **Audit Arrangements:**
The borrower must also have the capability to arrange for periodic and annual independent audits of the Account by auditors acceptable to the ADB.

3.2.2 SGIA:

The conditions for use of SGIA are same as those for FGIA subject to

- i. the need for SGIA being clearly established
- ii. EA of the project and PMO/PMU concerned having adequate accounting and internal controls for the SGIA

3.2.3 TGIA:

Generally, the conditions for use of TGIA are same as those for FGIA and SGIA. Further, the following conditions are specifically applicable to TGIA

- The project concerned covers a wide spread area and the distances from the PMOs/PMUs to the operational areas are considerable

- Its implementation requires the participation of several district/divisional level implementing agencies
- Large number of relatively small payments wholly or partly met from ADB funds arise in project implementation
- Delays in payment of project expenditure are expected in operating through FGIA and SGIA only
- The Implementing Agencies/Units possess the necessary administrative and accounting capabilities to handle such accounts

3.3 Approval Procedure of Imprest Accounts:

3.3.1 FGIA:

The ADB may, at the appraisal or review stage, agree to the establishment of an Imprest Account under the particular loan. If there is such agreement, establishment of an Imprest Account will be provided for in the Report and the Recommendation of the President (RRP) and in schedule 3 of the relevant Loan Agreement. If, during the project implementation, the borrower finds it necessary to use the procedure, the Borrower/Executing Agency should make a request to the ADB giving reasonable explanations and the approval of ADB should be obtained to establish an imprest account.

3.3.2 SGIA:

According to Section 10:16 of the ADB Loan Disbursement Handbook issued in January 2001, the ADB does not, normally, allow Second Generation Imprest Accounts (SGIA) except in special circumstances and that too only with their prior approval. Therefore, if the project (PMO/PMU) feels that the establishment of SGIA is necessary, the project should submit an application through the EA, DG/DSA and the DG/ERD to the ADB explaining the need and the problems, if any, envisaged in operating with the FGIA alone, and request their approval for operating a SGIA.

3.3.3 TGIA:

The ADB's Handbook on Loan Disbursement, does not provide for establishment of TGIAs. However, if the project feels (PMO/PMU) that the establishment of TGIA is necessary, the project should submit an application through EA, the DG/DSA and the DG/ERD to the ADB explaining the need and the problems, if any, envisaged in operating with the FGIA and SGIA alone, and request their approval for operating a TGIA.

3.4 Establishing of the Imprest Account

3.4.1 FGIA:

PMO/PMU will submit an application for establishment of the account, to the Director General, Department of External Resources (DG/ERD) through the Secretary to the line Ministry (Executing Agency) and the Director General, Department of State Accounts (DG/DSA) together with specimen signatures of persons authorized to operate the account, in sextuplicate. The authorized signatories should place their respective signatures in each of these six copies.

DG/ERD will transmit the specimen signatures to the ADB and the DG/DSA. Further, the DG/ERD will request the DG/DSA to open the account

3.4.2 SGIA:

Once the approval is received from the ADB to establish a SGIA, the PMO/PMU should request DG/DSA's approval through the EA to open an account. Attested signatures of officers authorized to operate the account should be attached to the application. The DG/DSA will send the approval letter along with the attested signature cards to the nominated bank instructing them to open an account in the name of the project and copies of such letters will be sent to the EA and the project.

3.4.3 TGIA:

On receipt of the ADB's approval to establish a TGIA, the PMO/PMU should request the DG/DSA through the EA to open an account. Attested signatures of officers authorized to operate the account should be attached to the application. The DG/DSA will send the approval letter along with the attested signature cards to the nominated bank instructing them to open an account in the name of the Implementing Agency and copies of such letters will be sent to the EA and the project.

3.5 Location of Imprest Accounts

3.5.1 FGIA:

FGIA should be established at the Central Bank of Sri Lanka in the name of the Deputy Secretary to Treasury (DST) for the project.

3.5.2 SGIA:

SGIA should be established at a state owned commercial bank (Bank of Ceylon or People's Bank) in the name of the project.

3.5.3 TGIA:

TGIA should be established at a state owned commercial bank (Bank of Ceylon or People's Bank) in the name of the project for the Implementing Agency.

3.6 Currency of Imprest Accounts

3.6.1 FGIA:

The currency of the Account is agreed upon during loan negotiations and must be indicated in the loan agreement. In order to sustain the Account value against depreciation, the Account is usually maintained in US dollars.

3.6.2 SGIA:

The SGIA should be maintained in Sri Lanka Rupees.

3.6.3 TGIA:

The TGIA should be maintained in Sri Lanka Rupees.

3.7 Ceiling on Advances to Imprest Accounts

3.7.1 FGIA:

The ADB fixes a ceiling on advances to the Imprest Account and such ceiling does not normally exceed next six month's estimated expenditure or 10% of the loan amount whichever is lower. If the project requires an increase of the ceiling, it should make a request to the ADB through the EA, DSA and the ERD with necessary justifications.

3.7.2 SGIA:

A ceiling has to be fixed by the DG/DSA on the recommendation of the EA, for SGIA. This ceiling should not exceed two months estimated ADB share of expenditure. In fixing the ceiling, limits on expenditure from SGIA, indicated in section 4.2.2.2 should be taken into consideration.

3.7.2.1 If the project requires an increase of the ceiling, it should make a request to the DG/DSA through the EA with necessary justifications.

3.7.3 TGIA:

A ceiling for TGIA has to be fixed by the EA with the DSA's concurrence and on the recommendation of the PMO/PMU. This ceiling should not exceed one month's estimated ADB share of eligible expenditure. In fixing the ceiling, limits on expenditure from TGIA indicated in section 4.2.3.1 should be taken into consideration.

3.7.3.1 If the Implementing Agency/Unit requires an increase of the ceiling, it should make a request to the EA concerned through PMO/PMU with necessary justifications.

3.8 Initial Advance to Imprest Account

3.8.1 FGIA:

Once the Imprest Account is established, the PMO/PMU may apply to the ADB for the initial advance based on value of contracts already approved and the estimated expenditure for the first six months subject to the ceiling stipulated in the ADB loan agreement.

3.8.2 SGIA:

Once the Imprest Account is established, the PMO/PMU may apply to the DG/DSA for the initial advance. This should be based on value of contracts already approved and the estimated expenditure for the next two months subject to the ceiling determined by the DSA and limits on expenditure specified in section 4.2.2.2 in the Guidelines. Based on the recommendation of the DG/DSA, the CBSL will release the initial advance to the PMO/PMU's account (SGIA) at the designated bank.

3.8.3 TGIA:

Once the Imprest Account is established, the implementing Agency/Unit may apply to the PMO/PMU for the initial advance. The initial advance should be based on value of contracts already approved and the estimated expenditure for the next one month subject to the ceiling determined by the DSA and the limits on expenditure specified in section 4.2.3.1 in the Guidelines. PMO/PMU will release the initial advance to the Implementing Agency/Unit's account (TGIA) at the designated bank.

3.9 Liquidation/Replenishment of Imprest Account

3.9.1 FGIA:

PMO/PMU should submit withdrawal applications to the ADB, with copy to the EA for liquidation/replenishment in respect of ADB share of eligible expenditure incurred and paid from the FGIA, on reaching the minimum amount per withdrawal application stipulated by the ADB (\$ 100,000). In preparing withdrawal applications, the initial advance granted to SGIA should not be treated as expenditure. The application should be signed by the authorized signatories and the required Supporting Documents/Statement of Expenditure (SOE)(*) should be attached to the application. Withdrawal application must be prepared in the currency of the Account (i.e. in US dollars).

((*) Where appropriate)

3.9.2 SGIA:

PMO/PMU should submit withdrawal applications to the CBSL through the DG/DSA, with copy to the EA for liquidation/replenishment in respect of ADB share of eligible expenditure incurred and paid from the SGIA. In preparing withdrawal applications, the initial advances granted to TGIAs should not be treated as expenditure. The application should be signed by the authorized signatories and the required Supporting Documents/Statement of Expenditure (SOE)(*) should be attached to the application. Withdrawal application must be prepared in US Dollars. The Sri Lanka Rupee equivalent should also be indicated.

((*) Where appropriate)

3.9.3 TGIA:

Implementing Agency/Unit should submit withdrawal applications supported by a statement of expenditure to the PMO/PMU for liquidation/replenishment in respect of ADB share of eligible expenditure incurred and paid from the TGIA. The application and the statement of expenditure should be signed by the authorized signatories and all original paid documents should be attached thereto.

3.10 Recovery of Advance/Final Liquidation

3.10.1 FGIA:

As per section 10:13 of the ADB Loan Disbursement Handbook, advances are to be gradually reduced within one year before the closing date of loan or when the undisbursed balance of the loan, including outstanding commitments, is equal to twice the amount of the advance, whichever comes first. If the whole of the advance is not liquidated against withdrawal applications, the balance or the unsettled amount should be settled in the currency, in which the account is maintained, without delay. If the imprest reconciliation is effected in a consistent manner, and the imprest register is maintained properly, settlement of the balance, if any, should not be a problem for projects.

3.10.2 SGIA:

Advances are to be gradually reduced within one year before the closing date of loans to enable projects to settle the advance to the ADB. If the whole of the advance is not liquidated against withdrawal applications, the balance or the unsettled amount should be settled to FGIA in the currency, in which the FGIA is maintained, without delay. Projects should make arrangements to settle, balances if any, in the SGIA within three months of the date of physical completion of the project. The DG/DSA will liquidate any balance remaining out of the advance, against the withdrawal applications at the last stage of the project. If the imprest reconciliation is effected in a consistent manner, and the imprest register is maintained properly, settlement of balances, if any, should not be a problem for projects.

3.10.3 TGIA:

Advances are to be gradually reduced within one year before the closing date of loans to enable projects to settle the advances to the ADB. If the whole of the advance is not liquidated against claims submitted by the Implementing Agency/Unit, the balance or the unsettled amount should be settled to SGIA (PMO/PMU) without delay. IAs should make arrangements to settle balances, if any, in the TGIA within three months of the date of physical completion of the project. PMO/PMU will liquidate any balance remaining out of the advance, against the replenishment applications, at the last stage of the project. If the imprest reconciliation is effected in a consistent manner, and the imprest register is maintained properly, settlement of balances, if any, should not be a problem for Implementing Agencies/Units. There should not, normally, be any balance in the TGIA. If for any reason, a balance is lying to the credit of the Account, it should be transferred to the SGIA for transfer to the FGIA in turn.

3.11 Retention of documents

All documents supporting payments from **FGIA, SGIA and TGIA**, especially, those relating to withdrawals claimed through Statement of Expenditure (SOE) procedure, should be kept in safe custody in the PMO/PMU for a period of five years after audit. These documents should be made available for review by the ADB on request. Once the project is completed, the documents should be kept in safe custody in the EA (Line Ministry/Agency) concerned.

3.12 Delegation of Authority and Internal Control

Delegation of authority to officials of PMOs/PMUs/IAs/PIUs in regard to operation of these accounts should be effected as stipulated in FRR 135 – 139, and such delegations should be approved by the EA. Further, in assigning duties pertaining to these accounts to the staff of PMOs/PMUs/IAs/PIUs, the attention should be paid to requirements of internal check. This means that the duties should be so assigned that a transaction passes through the hands of two or more persons in the course of its completion.

4. Matters which are generally applicable to FGIA, SGIA and TGIA:

1. Books and registers to be maintained on the use of Imprest Accounts
2. Withdrawal of funds and meeting of expenditure from Imprest Accounts
3. Reimbursement to DST's account in respect of RFA expenditure
4. Adjustments for Disallowances
5. Reconciliation of Imprest Accounts
6. Adjustments and Accounting for revaluation
7. Accounting treatment for Imprest Accounts in the Final Accounts

4.1 Books and registers to be maintained:

The following books and registers should be maintained in PMUs/ IAs /Units with regard to operation of Imprest Accounts.

1. Cash book
2. Votes (Appropriation) Ledger
3. Journal
4. Register of withdrawal applications in respect of Central Bank (FGIA) withdrawals
5. Imprest Fund Register for FGIA, SGIA and TGIA
6. Imprest Fund Reconciliation Register/General Ledger Account for FGIA & SGIA
7. Register of Imprest Releases to TGIA
8. Imprest Fund Register at Implementing Agencies/Units - TGIA

4.1.1 Cash Book:

4.1.1.1 Project Management Office/Unit - SGIA:

A separate cash book to record receipts and payments through SGIA should be maintained. Also, a separate bank account must be maintained with regard to operation of SGIA. For RFA and FA related DF (Domestic Fund) a separate columnar cash book may be used.

4.1.1.2 Implementing Agencies/Units - TGIA:

Where TGIAs are in operation, the Implementing Agencies/Units should maintain separate cash books or columnar cash books to record ADB share

of eligible expenditure met from Imprests received from PMOs/PMUs. Also, a separate bank account must be maintained with regard to operation of TGIA.

4.1.2 Votes (Appropriation) Ledger:

4.1.2.1 FGIA/SGIA:

A separate votes ledger should be maintained to record expenditure from FGIA and SGIA. This ledger may be used to record payments under other methods of disbursements met from Financing Source 12 (FAL). Expenditure under Financing Source 12 should not, however, be included in the monthly summary of accounts, as debits under this source will be effected by the Treasury. In this votes ledger, expenditure incurred through TGIA should also be recorded on the basis of statements of accounts and paid vouchers submitted by the Implementing Agencies/Units.

4.1.2.2 TGIA:

Implementing Agencies/Units should also maintain votes ledgers in respect of payments met from the TGIAs.

4.1.3 Journal:

A journal has to be maintained to record all adjustments in respect of all three types of Imprest Accounts.

4.1.4 Register of withdrawal applications in respect of Central Bank (FGIA) withdrawals:

A register must be maintained with regard to all applications sent to the Central Bank for withdrawal, and those should be sequentially numbered from 01 onwards . This register should be maintained as per specimen given in Appendix 01.

4.1.5 Imprest Fund Account for FGIA:

A register should be maintained to show all receipts and utilization of imprest received to the credit of FGIA. The entries in this register should be made in a chronological order. A specimen of this register is given in Appendix 02.

Where a SGIA is operated, it is suggested that a Statement of Utilization of Imprest be prepared as per specimen in Appendix 03 to facilitate computation of dollar equivalent of withdrawals from FGIA to SGIA and payments from SGIA.

4.1.6 Imprest Fund Reconciliation Register/General Ledger Account for FGIA, SGIA and TGIA:

Imprest Fund reconciliation has to be effected on a monthly basis and a register maintained for this purpose. Imprest Fund reconciliation is dealt with in detail later under the caption “Reconciliation of Imprest Account”.

- 4.1.7 Register of Imprest Releases to TGIA:**
Where TGIAs are operated, a separate register should be maintained for recording imprests released to TGIA and settlement of same.
- 4.1.8 Imprest Fund Register at Implementing Agencies/Units - TGIA:**
Implementing Agencies/Units should maintain a register to record receipts from SGIA and payments made using the imprest so received.
- 4.2 Withdrawal of funds and meeting of expenditure from Imprest Account**
- 4.2.1 First Generation Imprest Account (FGIA):**
Implementing Agencies/Projects should make every endeavor to utilize the First Generation Imprest Account (FGIA) whenever appropriate.
- 4.2.1.1** The following expenditure should be met from the FGIA
- Payments in respect of civil works where a single payment ranges from Rs. 2 million to Rs. 5 million
 - Payments for procurements/supplies where a single payment ranges from Rs. 2 million to Rs. 5 million
 - Payments to Commercial Banks under Letters of Credit not exceeding US \$ 100,000 in value
 - Payment of Consultants' fees and expenses relating to fellowships and training where appropriate
 - Other Foreign Currency payments where Direct Payment procedure is not appropriate
 - Reimbursement of expenditure met from RFA, "such as expenditure on small civil works, operation and maintenance expenditure, small scale supplies, Force account expenditure etc" where ADB's Reimbursement procedure is not appropriate. For example, when the balance in the Imprest Account permits but the submission of reimbursement claims to ADB is expected to be delayed due to minimum limit stipulation on withdrawal applications imposed by the ADB, the project should obtain reimbursements from the FGIA to relieve Government's cash flow problems
 - Transfer of funds to Second Generation Imprest Account (SGIA)
- 4.2.2 Second Generation Imprest Account (SGIA):**
As indicated above under the FGIA, Projects should make every endeavor to use the FGIA only wherever possible. Also, it should be noted that the ADB does not allow the projects to withdraw lump sums from the FGIA, except the initial advance.
- 4.2.2.1** However, there is provision, as already indicated above, to operate a Second Generation Imprest Account. For this purpose, the ADB's approval should be obtained. The withdrawal of funds from FGIA to SGIA should be effected on the basis of the ADB share of eligible payments that

have been made. It should be noted that the SGIA should be used exclusively for meeting of the ADB share of eligible expenditure.

4.2.2.2 The following expenditure should be met from the SGIA

- Payments in respect of civil works, where a single payment is less than Rs. 5 million. It is suggested that the FGIA be used as often as possible and payments under SGIA limited to Rs. 2 million.
- Payments for procurements/supplies where a single payment is less than Rs. 5 million subject to the suggestion above.
- Payments to Commercial Banks under Letters of Credit of small value.
- Payment of Consultants' fees and expenses relating to fellowships and training where appropriate
- Other Foreign Currency payments where ADB's Direct Payment procedure and the FGIA procedure are not appropriate.
- Transfer of funds to TGIAs

4.2.3 Third Generation Imprest Account (TGIA):

As indicated above under FGIA, Projects should make every endeavor to use the FGIA only wherever possible. Where FGIA alone is not sufficient, every endeavor should be made to meet the requirements through SGIA. However, as stated in paragraph 3.3.3 above, the ADB's approval should be obtained, in certain circumstances, to operate TGIAs. Release of imprests from SGIA to TGIA should be effected on the basis of the ADB share of eligible payments that have been made. It should be noted that the TGIA should be used exclusively for meeting of ADB share of eligible expenditure.

4.2.3.1 The following expenditure should be met from the TGIA

- Payments in respect of civil works, where a single payment is less than Rs. 1 million. However, with the prior approval of the PMO/PMU, payments up to Rs. 3 million may be made from TGIA
- Payments for procurements/supplies where a single payment is less than Rs. 1 million and up to Rs. 3 million, subject to the above condition .

4.3 Reimbursement to DST's account in respect of RFA expenditure

When Reimbursement procedure is used for disbursement, projects should make every endeavor to claim reimbursement from the ADB on a monthly basis in respect of expenditure incurred subject to the minimum stipulated for a withdrawal application by the ADB. In instances where the minimum amount is not reached within a month or whenever necessary, the project

should make use of the Imprest Fund (FGIA) to reimburse the eligible share of expenditure to the account of the DST.

4.4 Adjustments for Disallowances

Projects should make every endeavor to avoid disallowances. If any expenditure already incurred from the Imprest Account is disallowed, the project should make arrangements to re-claim the amount, if possible. If the disallowed amount cannot be re-claimed, action should be taken to settle the amount to the Imprest Account without delay, to avoid losses arising from exchange parity variances, and necessary adjustments should be made in the accounts. Alternatively, the disallowed amount can be deducted from the very next application submitted to the Central Bank after making necessary adjustments in the books. Projects should not keep any disallowance unattended at any time

4.5 Reconciliation of Imprest Accounts

Reconciliation of Imprest Accounts (FGIA, SGIA and TGIA) must be done on a monthly basis. Firstly, projects should prepare and submit the reconciliation statement as per section 10:12 and appendix 21, of ADB's Loan Disbursement Handbook of January 2001, along with the bank statement, when making a withdrawal application for replenishment or liquidation.

4.5.1 Secondly, imprest control account maintained at project office should be reconciled with the statement issued by the Central Bank. These reconciliations should reflect the initial advance, any subsequent advances obtained and the deduction of any amount liquidated. Also, withdrawals made and replenishments received during the period should be reconciled with the bank statement.

4.6 Adjustments and Accounting for revaluation

All transactions are recorded in the Imprest Account (FGIA) in US dollars by the CBSL, stating at the same time the rupee equivalent of amounts in a separate column. At the end of each month, the Central Bank revalues the closing US dollar balance and shows the resultant gain/loss as a separate entry in the Rupee column of the statement. Projects should make entries in their books for this revaluation and show the total revaluation gain or loss in the final accounts as a separate item.

4.7 Accounting treatment for Imprest Accounts in the Final Accounts

Imprest Account Reconciliation statement for the whole year should be prepared and attached to the final accounts.

IMPREST FUND PROCEDURE

Part III - Procedures

5. These Procedures on the use of the three levels of Imprest Accounts indicated in the preceding part have been prepared, primarily, to guide the Executing Agencies, Project Management Offices/Units and Implementing Agencies/Units in the following areas:

- Approval Procedure for Imprest Accounts
- Establishment of Imprest Accounts
- Obtaining of Initial Advances
- Withdrawal of funds and meeting of expenditure from Imprest Accounts
- Reimbursement of RFA expenditure to DST's Account
- Liquidation and Replenishment of Imprest Accounts
- Reconciliation of Imprest Accounts
- Accounting of Imprest Accounts in the Final Accounts
- Final Liquidation and settlement of advance
- Delegation of Authority and Internal Control

6. Approval Procedure for Imprest Accounts

6.1 FGIA:

ADB/ERD/
DSA/EA During the appraisal, the need for the Imprest Fund Procedure should be identified and if approved, it must be provided for in the RRP and the loan agreement.

ERD/DSA/EA
PMO During implementation, the need for Imprest Fund Procedure arises and a request is made to the ADB for approval justifying the need in terms of sections 3.1.1 and 3.2.1.

ADB Grants approval if the request is acceptable,

6.2 SGIA:

EA/PMO Makes a request to the ADB through the ERD and the DSA justifying the need as per sections 3.1.2 and 3.2.2 of the Guidelines, for approval

ERD/DSA On being satisfied with the arrangements, recommends the request to the ADB

ADB Grants approval if the request is acceptable,

6.3.1 TGIA:

EA/PMO
PIU/IA

Makes a request to the ADB through the ERD and the DSA justifying the need as per sections 3.1.3 and 3.2.3 of the Guidelines, for approval

ERD/DSA

On being satisfied with the arrangements, recommends the request to the ADB

ADB

Grants approval, if the request is acceptable

7. Establishment of Imprest Accounts

7.1 FGIA:

EA/PMO

Submits an application to the DG/ERD through the DG/DSA for establishment of the Account, together with six originals of specimen signatures of officers authorized to operate the Imprest Account, as attested by the EA.

ERD

After consulting the DG/DSA certifies and transmits specimen signatures to the ADB and requests the DG/DSA to open the Imprest Account

DSA

Requests the CBSL to open a sub-ledger account for the project, in the name of the DST, on the basis of the recommendation of the DG/ERD

CBSL

Opens the account for the project, in the name of the DST and informs the DG/DSA, the DG/ERD, EA and the Project itself indicating the sub-ledger account number.

7.2 SGIA:

EA/PMO

Once the approval is received from the ADB to establish the SGIA, should request DG/DSA's approval to open an account at a state owned commercial bank, attaching signatures of the authorized officers attested by the EA.

DSA

Will send the approval letter along with the attested signatures to the nominated bank instructing them to open an account in the name of the Project/EA, with copies thereof to the EA and the PMO/PMU.

7.3 TGIA:

- PIU/IA/PMO Once the approval is received from the ADB to establish the TGIA, should request, DG/DSA's approval through the EA to open an account at a state owned commercial bank, attaching signatures of the authorized officers as attested by the EA.
- DSA Will send the approval letter along with the attested signatures to the nominated bank instructing them to open an account in the name of the Implementing Agency/Unit, with copies thereof to the EA, PMO/PMU.

8. Withdrawal of Initial Advance

8.1 FGIA:

- PMO/EA Submits a withdrawal application to the ADB on the Form ADB-IFP along with the statement showing the ADB share of estimated expenditure for the next six months (subject to the ceiling stipulated in the ADB loan agreement), in the Form ADB-IFP-EES. This application should be prepared in US dollars and copies thereof sent to the DG/ERD, DG/DSA, and the Auditor General.
- ADB If the application is acceptable, remittance will be made to the FGIA, and included in the ADB's biweekly disbursement statement
- CBSL On receipt of the remittance, will send an intimation to the DG/DSA with copy to PMO indicating the amount in dollars and rupees, DST's sub-ledger account number and the date of receipt. This amount will be credited to the sub-ledger account.

8.2 SGIA:

- PMO Submits a withdrawal application in duplicate to the CBSL through the DG/DSA in the Form given in Appendix 04, along with the statement showing ADB share of estimated expenditure for the next two months (subjects to the ceiling stipulated as per section 3.7.2 of the Guidelines) in the Form ADB-IFP-EES, with necessary changes. This application should be prepared in Sri Lanka Rupees and copies thereof sent to the EA and the Auditor General.
- DSA If the request is acceptable, recommends and forwards the application to the CBSL for payment from FGIA. This advance will not be treated as expenditure.
- CBSL Releases the recommended amount from FGIA to SGIA and informs the DG/DSA, EA and PMO

8.3 TGIA:

PIU/IA Submits a request for an advance to PMO/PMU along with the statement showing the ADB share of estimated expenditure for the next one month (subjects to the ceiling stipulated as per section 3.7.3 of the Guidelines), in the FormADB-IFP-EES, with necessary changes.

PMO If the request is acceptable, will remit the agreed amount to TGIA from SGIA under intimation to PIU/IA

9. Withdrawal of funds and meeting of expenditure from Imprest Accounts

9.1 FGIA:

PMO A separate withdrawal application on form prescribed for this purpose, (Appendix 04) will be submitted to the Central Bank in duplicate for the ADB share of eligible expenditure, through the DG/DSA for each payment except for payments under LC. Will state, inter alia, the name of the payee, name of the payee's bank, bank account number and the purpose of payment in each application. The application should be signed by the authorized signatories.

FGIA should be used for payments referred to in section 4.2.1.1 in the Guidelines. With regard to payments to commercial banks under LC, the following procedure should be adopted.

Establishment of LC – Prepare the LC application in duplicate attaching pro-forma invoice, documents indicating payment terms and letter of award and forward the application to the DG/ERD for transmission to Central Bank. Withdrawal application in duplicate together with annexes should also be sent to Central bank through the DG/DSA, for this purpose.

Payments under LC – Reimbursements will be made by the Central Bank to the claimant bank.

DSA If the application is in order, recommends and forwards the application to the CBSL for payment from FGIA.

CBSL Makes the payments as per the instructions given in the application, under intimation to the DG/DSA and PMO/PMU and records in the monthly statement

PMO Will enter the payment in the relevant books

9.2 SGIA:

PMO Will use the SGIA to meet the ADB share of eligible expenditure and claim replenishment from FGIA when the balance in the SGIA falls below one month's estimated requirement or 50% of the advance whichever comes first. Withdrawals from FGIA should be on the basis of expenditure actually incurred. Will ensure that there are no idle cash balances in the SGIA and if there is any such balance, it shall be utilized before any replenishment is obtained from the FGIA.

9.3 TGIA:

PIU/IA Will use the TGIA to meet the ADB share of eligible expenditure and claim replenishment from SGIA when the balance in the TGIA falls below two weeks estimated requirement or 50% of the advance whichever comes first. Withdrawals from SGIA should be on the basis of expenditure actually incurred. Will ensure that there are no idle cash balances in the TGIA and if there is any such balance, it shall be utilized before any replenishment is obtained from the SGIA.

10. Reimbursement of RFA expenditure to DST's Account

PMO Will make arrangements to claim reimbursement promptly either from the ADB or from the FGIA as indicated in section 4.3 in the Guidelines.

11. Liquidation and Replenishment of Imprest Accounts

11.1 FGIA:

PMO Submits withdrawal applications to the ADB with copies to the DSA, ERD, EA and the AG, for replenishment in respect of eligible expenditure incurred and paid from the FGIA and SGIA, on reaching the minimum stipulated for withdrawal application by the ADB. The application should be signed by the authorized signatories and the undermentioned supporting documents should be attached to the application.

- Statement of Expenditure (SOE)(*). (* where appropriate)
- Summary sheet indicating expenditure incurred under each category, total expenditure and amount claimed for replenishment in Rupees and in US Dollars. In calculating the US dollar equivalent of Rupee amount spent, all withdrawals made from the FGIA during the period and balance brought forward from previous withdrawals, if any, should be listed in the summary sheet in chronological order indicating the rate of exchange applied to each withdrawal. In calculating US dollar equivalent of expenditure in Rupees, the rate of exchange applicable to the respective withdrawals should be adopted and computation should be on the basis "First In First Out" (FIFO). A specimen of the summary sheet is given in Appendix 05. Figures for this summary

sheet should be obtained from the Imprest Utilization Statement, vide Appendix 03.

- Bank Statement received from the Central Bank showing withdrawals, the rate of exchange applicable to each withdrawal and the balance remaining in the account as at end of the month.
- Imprest Account Reconciliation Statement as per section 10:12 and appendix 21 of the ADB Loan Disbursement Handbook of January 2001

Where the ADB does not allow SOE procedure or the, expenditure exceeds the SOE ceiling, all supporting documents (invoice, receipts etc) must be attached.

If monthly CBSL statements are not received but the other requirements are satisfied, application could be submitted attaching intimations received from the CBSL showing amounts withdrawn during the period and rate of exchange applied to such withdrawals. However, the CBSL statement as of the end of the preceding month should always be attached.

EA Should always closely supervise the activities of PMO/PMU and carefully scrutinize each withdrawal application submitted to the ADB.

ADB If the application is in order, will effect replenishments/liquidations under intimation to the borrower and the EA, by semi-monthly listing of loan disbursements. If the application is not in order and payment of whole or part of the requested amount is “withheld/disallowed” a separate notice will be sent (by fax or email) to the EA/PMO.

11.2 SGIA:

PMO Submits withdrawal applications in duplicate to the CBSL through the DG/DSA with copy to EA, in US Dollars and SL Rupees for replenishment of expenditure incurred from SGIA, incorporating TGIAs’ expenditure, if any, in the Form given in Appendix 04. Reconciliation statement with the details of expenditure should be attached to the withdrawal application in the form given in Appendix 07. Replenishments from FGIA should be made when the balance in the SGIA falls below one month’s estimated requirement or 50% of the advance whichever comes first.

DSA If the application is in order, request will be sent to the CBSL to make payment

CBSL Makes the payment as per the instructions given in the application under intimation to the DG/DSA and PMO/PMU and records in the monthly statement

11.3 TGIA:

- PIU/IA Submits withdrawal applications in the Form General 103 supported by Form General 34a with necessary changes, in duplicate to the PMO/PMU for the expenditure incurred from TGIA along with the original paid documents. Replenishments from SGIA should be made when the balance in the TGIA falls below two weeks estimated requirements or 50% of the advance whichever comes first. Appendix 08 should be attached to the application.
- PMO Records the expenditure incurred by the TGIAs in the imprest registers and votes ledgers, and if the payments made by TGIAs are in order, makes replenishment.

12. Reconciliation of Imprest Accounts

12.1 FGIA:

- PMO Reconciliation of Imprest Account must be done on a monthly basis. Should prepare and submit the reconciliation statement as per section 10:12 and appendix 21, of the ADB Loan Disbursement Handbook of January 2001 along with the Bank statement (CBSL) when submitting a withdrawal application for replenishment or liquidation. Copy of the withdrawal application together with a copy of imprest reconciliation statement should be sent to the DG/DSA and EA.

Imprest account maintained at project office, as per format given in Appendix 02 should be reconciled with the statement issued by the Central Bank. These reconciliations should reflect the initial advance and any subsequent advances obtained and liquidations if any. Also, withdrawals made during the period and replenishments received should be reconciled with the bank statement. This reconciliation should be prepared in the Form in Appendix 06 and a copy thereof sent to the DG/DSA through EA.

- EA Will examine the reconciliation statements and request PMO for clarifications, if any, and reports to the DSA of any shortcomings.
- DSA Will examine the reconciliation statements before recommending or granting any future payments and requests PMO for clarifications, if any.
- ADB If the reconciliation statement is acceptable, will arrange payment on the withdrawal application. If it is not acceptable, return the request for clarification (by fax or email) to PMO/EA.

12.2 SGIA:

- PMO Should reconcile the SGIA receipts and payments incorporating TGIAs with bank statements and project's cash books. When submitting applications for withdrawals, a statement showing details such as opening

balance, receipts during the period, imprests released to TGIAs, expenditure met from SGIA and TGIAs during the period and closing balance etc should be sent as per Appendix 07, to the DSA with copy to EA.

EA Will examine the reconciliation statements and request PMO for clarifications, if any, and reports to the DSA of any shortcomings.

DSA Will ensure that the reconciliation has been effected properly and the statement as per Appendix 07 submitted, before any replenishment is made.

12.3 TGIA:

PIU/IA Should reconcile the TGIA receipts and payments with bank statements and PIU's/IA's cash books. In submitting application for replenishment, a statement showing details such as opening balance, receipts during the period, imprests settled to SGIAs, expenditure met from TGIAs during the period and closing balance etc should be sent as per Appendix 08 to PMO/PMU.

PMO Will ensure that the reconciliation has been effected properly and the statement as per Appendix 08 submitted, before any replenishment is made.

13. Accounting treatment for Imprest Account in the Final Accounts:

PMO Imprest Account Reconciliation statement for the whole year should be prepared and attached to the final accounts. A specimen of the annual statement is given in Appendix 09. Year-end balance of the FGIA, SGIA and TGIA (if any) should be shown in the balance sheet under current assets. Actual amount used for project implementation (replenishments) should be shown under the ADB financing as a liability and also, it is necessary to show the revaluation gain or loss in the balance sheet.

14. Final Liquidation and settlement of Advance:

14.1 FGIA:

DSA/EA/
PMO As per section 10:13 of the ADB Loan Disbursement Handbook. advances are to be gradually reduced within one year before the closing date of loan or when the undisbursed balance of the loan, including outstanding commitments, is equal to twice the amount of advance, whichever comes first. If the whole of the advance is not liquidated against withdrawal applications, the balance or unsettled amount should be settled in the currency in which the account is maintained, without delay. If the imprest reconciliation is effected in a consistent manner, and imprest

register is maintained properly, settlement of balance, if any, should not be a problem for projects.

- EA/PMO If any amount is found to be still outstanding to the ADB, after submission of final withdrawal application for liquidation, the balance in the FGIA and the SGIA should be adequate to settle such amounts. If the balance in the Imprest Account falls short of the amount due to ADB, the matter should be reported to the DSA for instructions. It should, however, be noted that it is the responsibility of the Project Directors and Project Accountants/Finance Managers to do their utmost to see that no such shortfall occurs. Once the project is closed and after settling the advance in full to the ADB, action should be taken to close the account through DSA.
- DSA Will monitor the settlement of advances and guide the project in this respect. Also, will take action to close the account.

14.2 SGIA:

- PMO Should make arrangements to settle the balance, if any, in the SGIA after recovering the advances granted to TGIAs, within three months of the date of physical completion date of the project, to the FGIA. If the initial advance obtained from FGIA for the use of SGIA is not fully liquidated against the withdrawal applications, the balance should be settled, in US dollars, to FGIA through the DSA under intimation to EA. Once the project is closed, the bank accounts opened for the purpose should be reconciled and action taken to close them through the EA and the DSA.
- EA Should ensure that the whole of the advance is fully settled to FGIA, within the stipulated period. After the project is closed, action should be taken to close the bank accounts through the DSA.
- DSA Will liquidate any balance from the advance against the liquidation applications at the last stage of the project. If the initial advance granted from FGIA for the use of SGIA is not fully liquidated against the applications, the project should be requested and advised through EA to settle the balance before the closing date of loan. Also, will take action to close the bank accounts opened for the project, after the project closure.

14.3 TGIA:

- PIU/IA Should make arrangements to settle the balance, if any, in the TGIA once PIU's/IA's operations related to project are completed and/or within three months of the date of physical completion of the project, to PMO/PMU (SGIA). If the initial advance obtained from SGIA for the use of TGIA is not fully liquidated against the liquidation applications, the balance should be settled in SL Rupees to SGIA. Once the project activities are completed, the bank accounts should be reconciled and action taken to close them through PMO.

PMO Will liquidate any balance from the advance against the liquidation applications at the last stage of the project or when PMO feels that the advances are no longer needed. If the whole of the advance is not liquidated against claims submitted by the Implementing Agency/Unit, PIUs/IAs should be requested and advised to settle the balance within three months of the date of closing of loans. If any delay is experienced, it should be brought to the notice of EA. Once the project is closed, action should be taken to close the bank accounts through the EA and the DSA.

15. Delegation of Authority and Internal Control

PMO Prepare the delegation of authority as laid down in FRR 135-139, in consultation with the EA.

EA Will examine and approve the delegation of authority

PMO On receipt of the approval from EA, copies of the delegation of authority should be sent to EA and the Auditor General. PMO should also ensure implementation of same

16. Assignment of duties to Project Staff

PMO Prepares a list of duties of project staff taking into consideration the requirements of internal check as enumerated in section 3.12

17. Monthly Statement of Expenditure:

EA/PMO Presently, a delay of about 3 months is experienced in receiving intimations of foreign aid disbursements in the Treasury. This causes problems for the Treasury in computing amounts of foreign debts and grants received during the year, on a timely basis. Treasury requires, at least, approximate figures, pending receipt of actual figures, for this purpose. This requirement could be addressed by developing memorandum records on the basis of statements of expenditure obtained from the PMOs/PMUs. PMOs/PMUs are, therefore, required to submit a monthly statement of expenditure as per specimen form in Appendix 10 showing all types of expenditure. In calculating the Rupee equivalent of payments in other currencies, the rate of exchange prevailing on the last working day of the month may be adopted; if the actual amount paid in Rupees is not known. This statement should be submitted to the DG/DSA to reach him on or before the 15th of the ensuing month. It should be noted that this statement is required, in addition to the reports and accounting statements presently submitted by projects to Government Agencies and the ADB. Further, as hitherto done, expenditure figures recorded in project offices for accounting purposes should be obtained from or reconciled with the Treasury figures (printouts).

18. General:

PMO An Annual work programme should be prepared based on the total work plan (Implementation Programme) of the project.

DNB Budgetary provision will be granted on the basis of this work plan.

PMO If the required amount of provision is not granted, the work plan should be revised taking into consideration the provision in the pool vote as well. Based on the revised work plan for the year, a financial plan should be prepared. Annual work plan should be submitted to the EA, DG/NPD and DG/ERD and the financial plan to the DG/DSA with copy to DG/NPD through EA.

PMO/EA Based on the annual financial plan, a **monthly forecast of fund flow statement** should be prepared and submitted to the DG/DSA through EA, within the 1st week of the month for which the forecast is prepared. Details of forecasts should be reflected in the monthly statement. A specimen of this monthly forecast of fund flow statement is given in Appendix 11. If the Implementing Agencies/Units are involved, they should be required to submit their forecasts of fund flows within the last week of the preceding month, to PMOs/PMUs.

EA **Monthly progress review meetings** should be held on a regular basis to review progress of foreign funded projects, under the chairmanship of the Secretary to the Ministry or other relevant authority (EAs). Maintenance and reconciliation of Imprest Accounts should be taken up for examination at these meetings. A copy of the progress report should be sent to the DG/DSA.

ERD/DSA Maintenance and reconciliation of Imprest Accounts will look into SLRM(ADB) at the **quarterly reviews** conducted by the DG/ERD in association with ADB Resident Mission and the DG/DSA.

EA Examination of Imprest Accounts and their reconciliation should be included in the Internal Audit programmes of Executing Agencies. Any shortcomings observed should be reported to EA with copy to Project Director. Project Directors and EAs should ensure that shortcomings are rectified expeditiously.

IMPREST FUND PROCEDURE

Part IV - Monitoring System

- 19.** The Monitoring System described below is designed to address identified weaknesses in the operation of Imprest Fund Accounts relating to the Asian Development Bank (ADB).
- 20. Objectives of the Monitoring System are to:**
- A. Ensure availability of funds for smooth operation of the projects
 - B. Promote optimum utilization of Imprest Account for the ADB share of expenditure
 - C. Avoid mixing up of funds
 - D. Avoid withdrawal of lump sums to SGIA and TGIAs
 - E. Ensure that replenishments and reimbursements are obtained promptly
 - F. Ensure regular reconciliation of Imprest Accounts
 - G. Ensure liquidation and settlement of outstanding balances, if any, in the Imprest Accounts, on closure of operations
- 21. Monitoring should take place at the following organizational Levels .**
- 1. Implementing Agencies/Units (IAs/PIUs)
 - 2. Project Management Offices or Units (PMOs/PMUs)
 - 3. Executing Agency (Ministry, Department or other Agency)
 - 4. Department of State Accounts (DSA)
 - 5. External Resources Department (ERD)
 - 6. Sri Lanka Resident Mission of the ADB
- 22. All concerned officers at each organization should ensure that;**
- 22.1 IA/PIU**
- i. Monthly forecast of fund flows for the ensuing month is submitted to PMO/PMU during the last week of the preceding month.
 - ii. A separate Bank Account and a separate Cash Book are maintained for the TGIA
 - iii. Replenishments are obtained without delay. All the paid documents related to payments made from TGIA are sent to PMO/PMU along with the replenishment application. Also, a reconciliation statement as per Appendix 08 is attached to the renewal application
 - iv. Reconciliation of cash book (TGIA) with the bank account is done regularly on a monthly basis

- v. Monthly and Quarterly Physical and Financial Progress Reports are submitted to PMO/PMU on a timely basis
- vi. Duties are assigned to project staff of the Agency/Unit with due consideration for requirements of internal check
- vii. In the year immediately preceding the date of closing of loans, particular attention is paid to balances outstanding in Imprest Accounts and action taken to liquidate/settle such balance to SGIA without delay

22.2 PMO/PMU

- i. Annual work programme and the financial plan are prepared and submitted to the DG/ERD, DG/DSA and the EA incorporating revisions, where necessary
- ii. Monthly forecast of fund flows is submitted to the DG/DSA incorporating those received from IAs/Units, with copy to the EA, within the 1st week of the month for which the forecast is prepared.
- iii. A separate Bank Account is maintained for the SGIA with a separate Cash Book.
- iv. Reimbursements/Replenishments are obtained without delay
- v. Reconciliation of Imprest Accounts (FGIA,SGIA) are done regularly on a monthly basis, taking into account TGIAs, in the Form given in Appendix 21 of the ADB Loan Disbursement Handbook and submit them along with withdrawal applications to the ADB, with copies to EA and the DSA. Also, reconciliation statements as per Appendices 06 and 07 are attached to the withdrawal applications for FGIA and SGIA, respectively
- vi. Where applicable, a register of imprest releases to TGIA is maintained and action is pursued in regard to imprests not settled within two weeks from the date of release
- vii. A reconciliation statement (Appendix 08) is attached to the imprest replenishment application sent by IAs/Units before granting further imprests
- viii. All the paid documents related to payments made from TGIA are sent by the IAs/Units along with the renewal application
- ix. All paid documents related to payments made from TGIA,SGIA and FGIA are kept in safe custody for audit and review by the ADB
- x. Monthly and Quarterly Physical and Financial Progress Reports incorporating operation of Imprest Accounts are submitted on a timely basis

- xi.** Duties are assigned to project staff with due consideration for requirements of internal check
- xii.** Register of Audit Queries is submitted periodically for examination and that action is taken to reply queries and rectify shortcomings pointed out
- xiii.** Observations, if any, of the Internal Audit Unit of the EA are looked into and appropriate action taken
- xiv.** In the year immediately preceding the date of closing of loans, particular attention is paid to balances outstanding in Imprest Accounts and action taken to liquidate/settle such balances without delay
- xv.** Treatment of parity variations are properly made

Project Director/Manager should complete the Monitoring Sheet (Appendix 12) and on being satisfied in regard to matters listed above, submit same to the EA and the DG/DSA.

22.3 EA

- i. All Projects under EA have submitted their annual work programmes and financial plans incorporating revisions, if any
- ii. Projects have submitted their monthly forecasts of fund flows to the DSA with copy to EA
- iii. Monthly reviews of physical and financial progress are conducted regularly and that, inter alia, the following matters are examined with regard to monitoring of Imprest Accounts.
 - A) Matters arising from the monthly monitoring sheets prepared in PMOs/PMUs are appropriately dealt with
 - B) Reconciliation of Imprest Accounts
 - C) Progress regarding liquidation/settlement of the Imprest Account balances (In the year immediately preceding the closing date of loan)
- iv. Provision is made in the Internal Audit programmes of the EA for examination of Imprest Accounts of projects and necessary instructions are issued to PMOs/PMUs in this regard.
- v. Project Director's responses to Internal Audit observations and Auditor General's queries are given due consideration for necessary follow up action

- vi. Competent staff, specially senior accounting staff having government experience and project experience, are appointed to projects, and are provided with required training from time to time
- vii. Any weaknesses observed with regard to operation of Imprest Accounts are brought to the notice of the DG/DSA' and PMO' s .
- viii. Activities of PMO/PMU are always carefully supervised and monitored with each withdrawal application submitted to the ADB

22.4 DSA

- i.** Availability of provision and adequacy of funds under the Annual Estimates and correctness of the object details indicated in withdrawal applications
- ii.** Authorized persons have signed the application and Payee's name and Bank account details are correctly stated
- iii.** Balance in Imprest Account is adequate to meet the request and the amount in figures and words and the currency of withdrawal are correctly indicated
- iv.** Approval of the ADB is obtained by projects for opening of SGIA's and TGIA's
- v.** No lump sum withdrawals are effected from FGIA except for the initial advance, and that withdrawals to SGIA are supported by statements of payments already made as per Appendix 07
- vi.** Imprest Accounts reconciliation statements, attached to withdrawal applications sent to the ADB, are properly prepared
- vii.** Imprest Accounts are put to optimum use by requiring projects to obtain reimbursements and replenishments promptly
- viii.** Requests made by projects for imprests are examined with reference to the monthly forecast of fund flows and deviations, if any, are clarified by PMO
- ix.** Monthly monitoring sheets of PMOs/PMUs are examined and follow up action taken on any issues arising therefrom
- x.** Action is taken by projects to settle any balances outstanding from advances granted by the ADB on closing of loan accounts, without drawing Government funds for the purpose
- xi.** Follow up action is taken on audit queries issued in regard to operation of Imprest Accounts of projects

- xii. Random visits are made to PMOs/PMUs to conduct test checks on Imprest Account operations

22.5 ERD

- i. Provision is made in the loan agreement for the use of Imprest Account, if that was discussed and agreed to at the negotiations.
- ii. Requests made during the implementation for establishing FGIA, SGIA and TGIA are discussed with the DSA and action taken to request the ADB for approval
- iii. Status of Imprest Accounts reconciliation is included as an item for examination at the Quarterly Reviews jointly conducted with SLRM of the ADB with the participation of the DSA

For this purpose projects should be required to report;

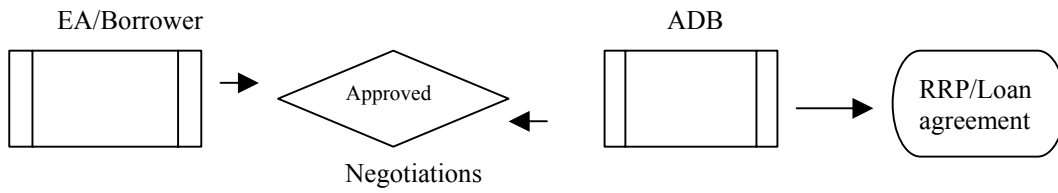
- a) The last month for which the account has been reconciled, with a copy of the reconciliation statement
- b) Progress regarding liquidation/settlement of advances during the final year of operation

22.6 SLRM (ADB)

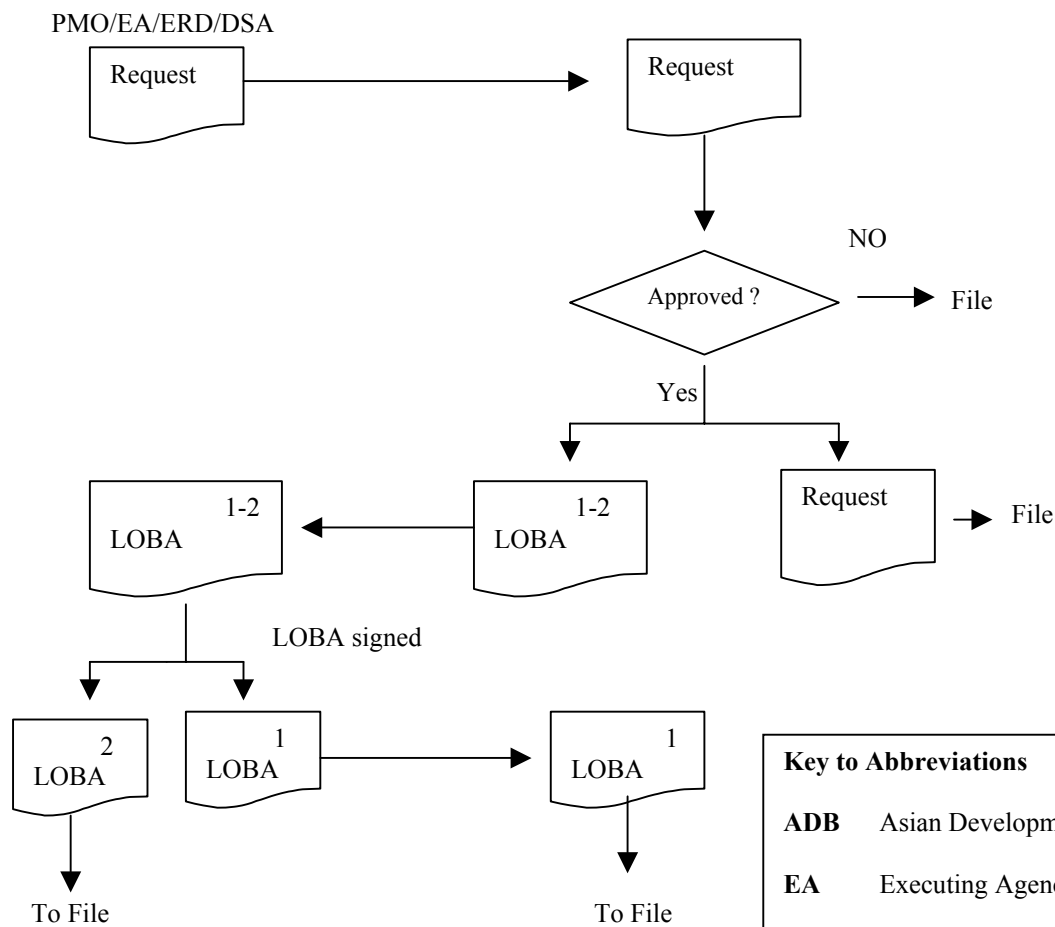
Status of Imprest Accounts reconciliation is discussed at the Quarterly Reviews as an item

Approval for use of Imprest Account (FGIA) – Chart 1

At the appraisal stage



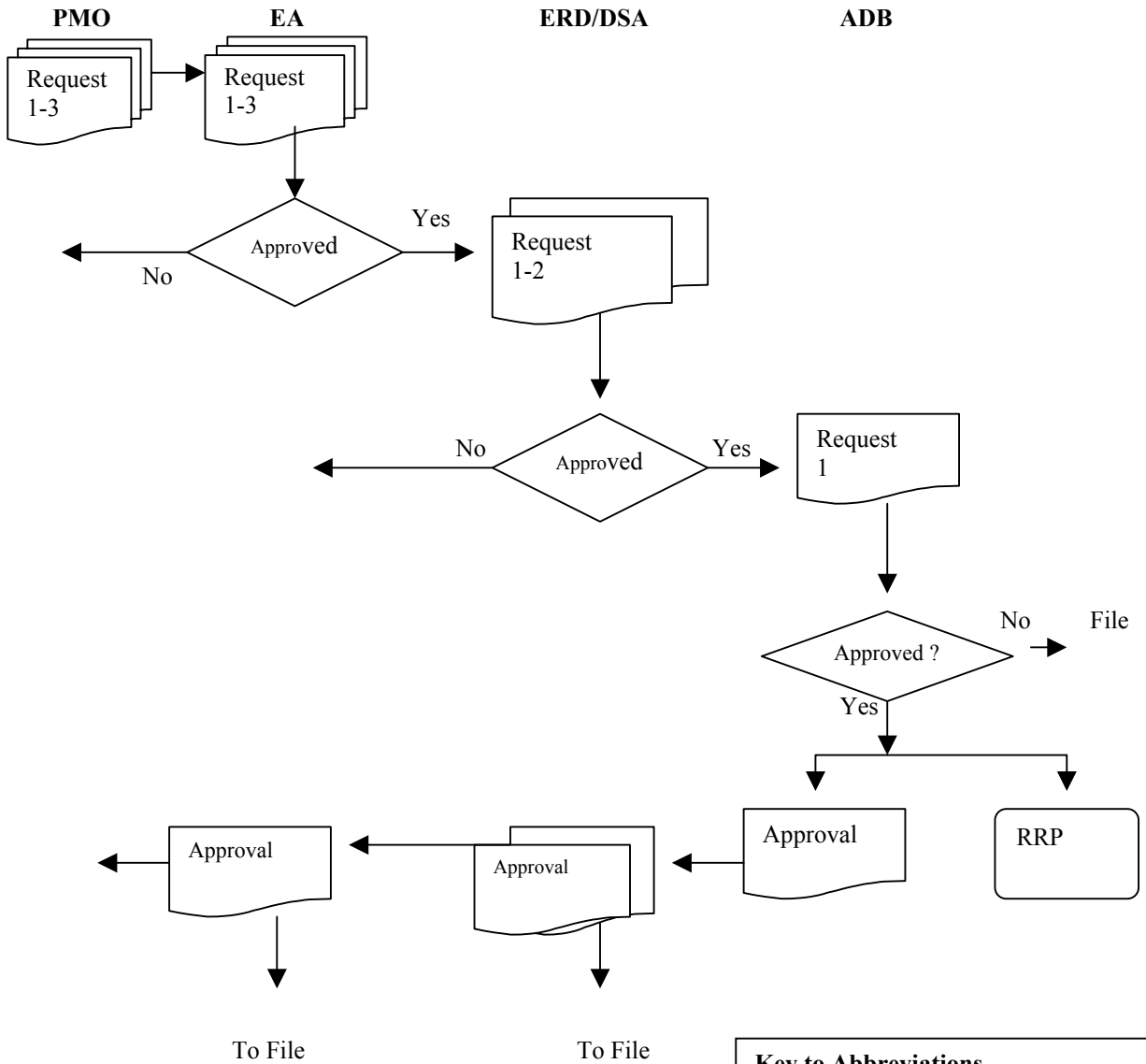
During Implementation



Key to Abbreviations

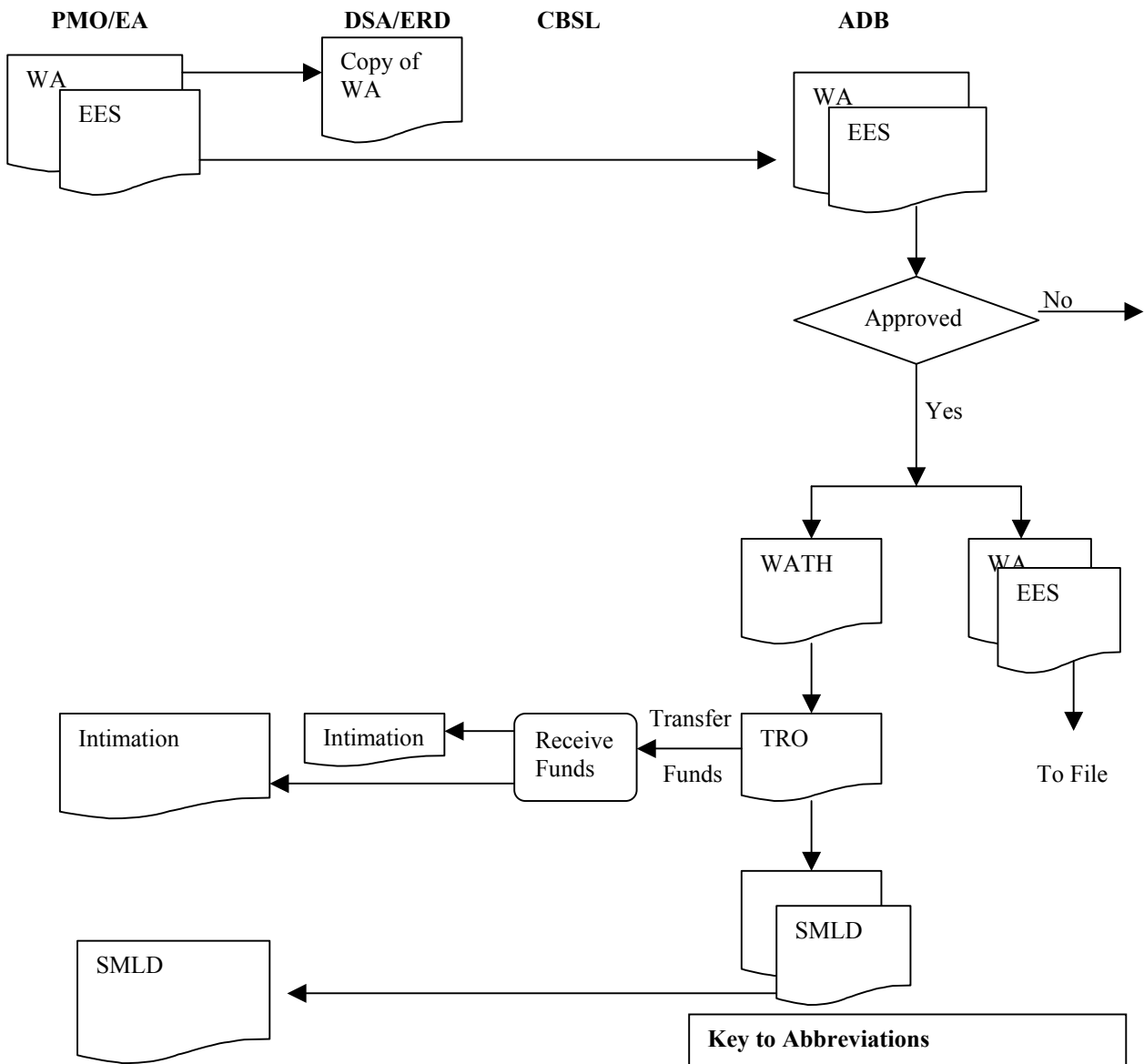
| | |
|----------------|--|
| ADB | Asian Development Bank |
| EA | Executing Agency |
| ERD | Dept of External Resources |
| DSA | Dept of State Accounts |
| PMO | Project Management Office |
| RRP | Report and Recommendation of The President |
| LOBA | Letter to obtain Borrowers Agreement |
| Request | Request for Imprest Account facility |

Approval for use of Imprest Account (SGIA & TGIA) – Chart 2



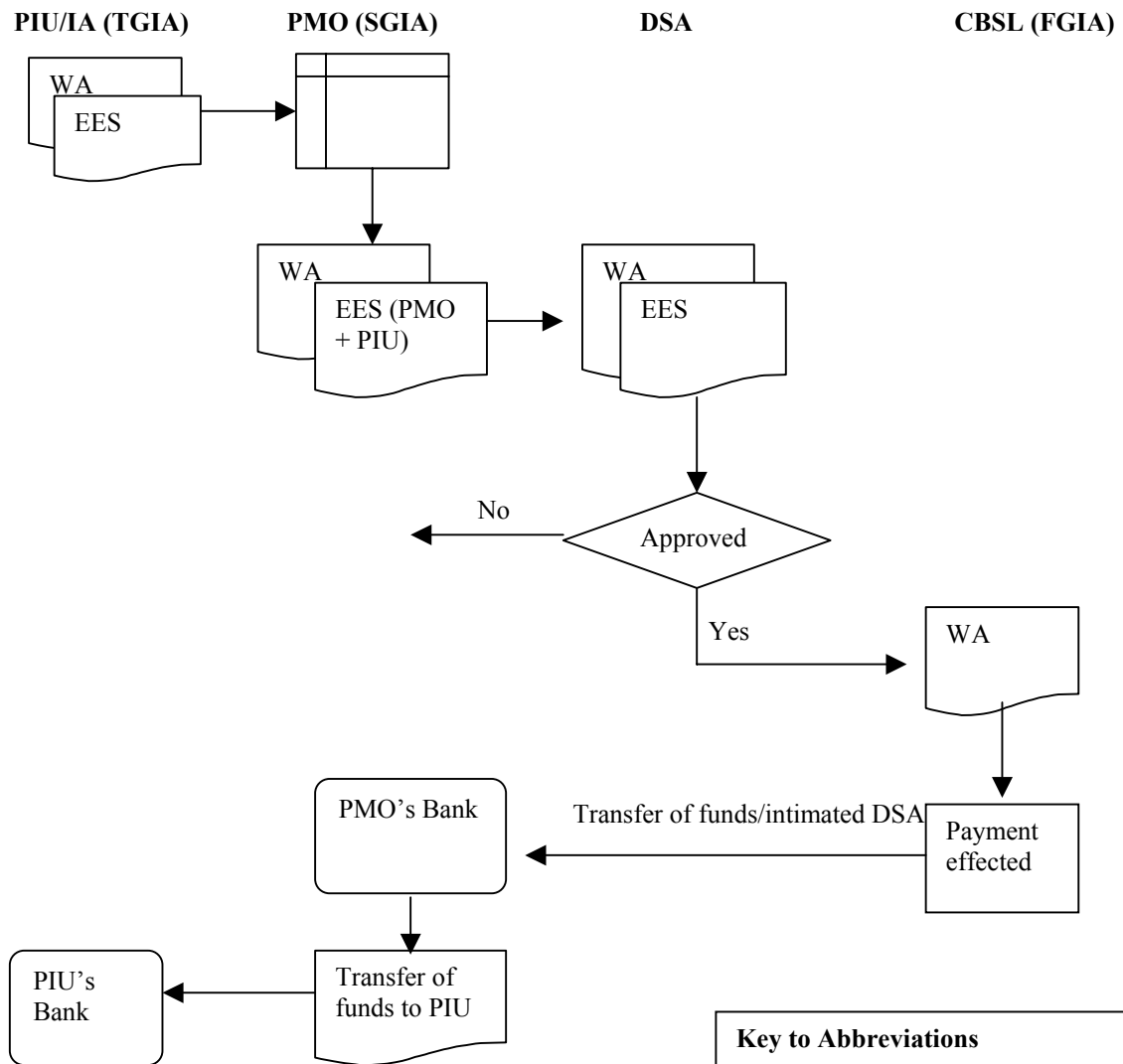
| Key to Abbreviations | |
|----------------------|--------------------------------------|
| ADB | Asian Development Bank |
| EA | Executing Agency |
| ERD | Dept of External Resources |
| DSA | Dept of State Accounts |
| PMO | Project Management Office |
| Request | Request for Imprest Account facility |
| Approval | ADB's Approval letter |

Withdrawal of Initial Advance – FGIA (Chart 3)



| Key to Abbreviations | |
|----------------------|---|
| ADB | Asian Development Bank |
| EA | Executing Agency |
| ERD | Dept of External Resources |
| DSA | Dept of State Accounts |
| PMO | Project Management Office |
| CBSL | Central Bank of Sri Lanka |
| WA | Withdrawal Application |
| WATH | Withdrawal Authorization |
| EES | Estimate of Expenditure sheet |
| TRO | Telegraphic Remittance |
| SMLD | Semi monthly Listing of Loan Disbursement |
| Concurrence | ADB's concurrence letter |

Withdrawal of Initial Advance – SGIA & TGIA (Chart 4)



| Key to Abbreviations | |
|----------------------|---|
| IA | Implementing Agency |
| ADB | Asian Development Bank |
| EA | Executing Agency |
| ERD | Dept of External Resources |
| DSA | Dept of State Accounts |
| PMO | Project Management Office |
| CBSL | Central Bank of Sri Lanka |
| WA | Withdrawal Application |
| EES | Estimate of Expenditure sheet |
| SMLD | Semi Monthly Listing of Loan Disbursement |

Liquidation/Replenishment of Imprest Accounts –Chart 5

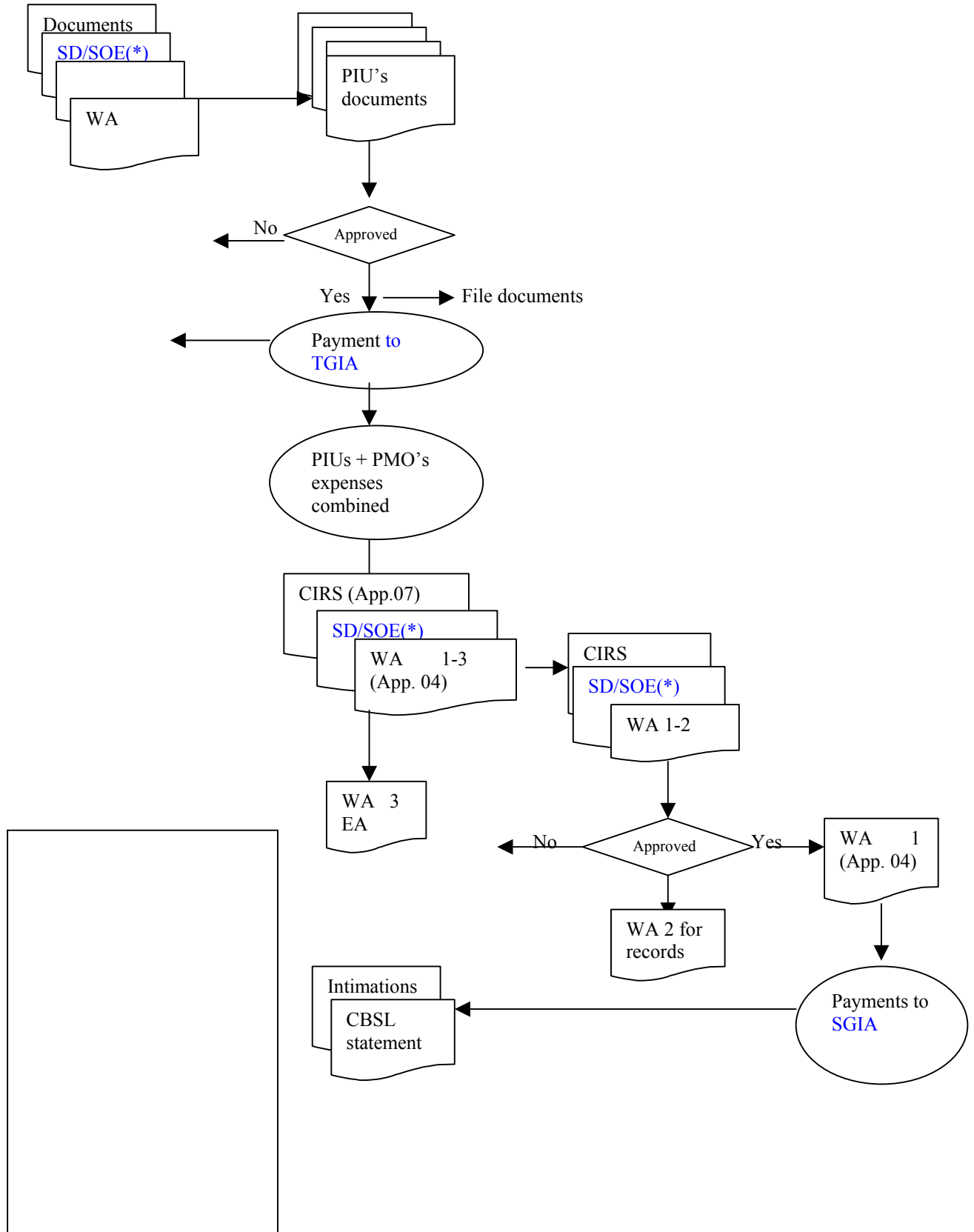
Payments from FGIA to SGIA and SGIA to TGIA

PIU/IA (TGIA)

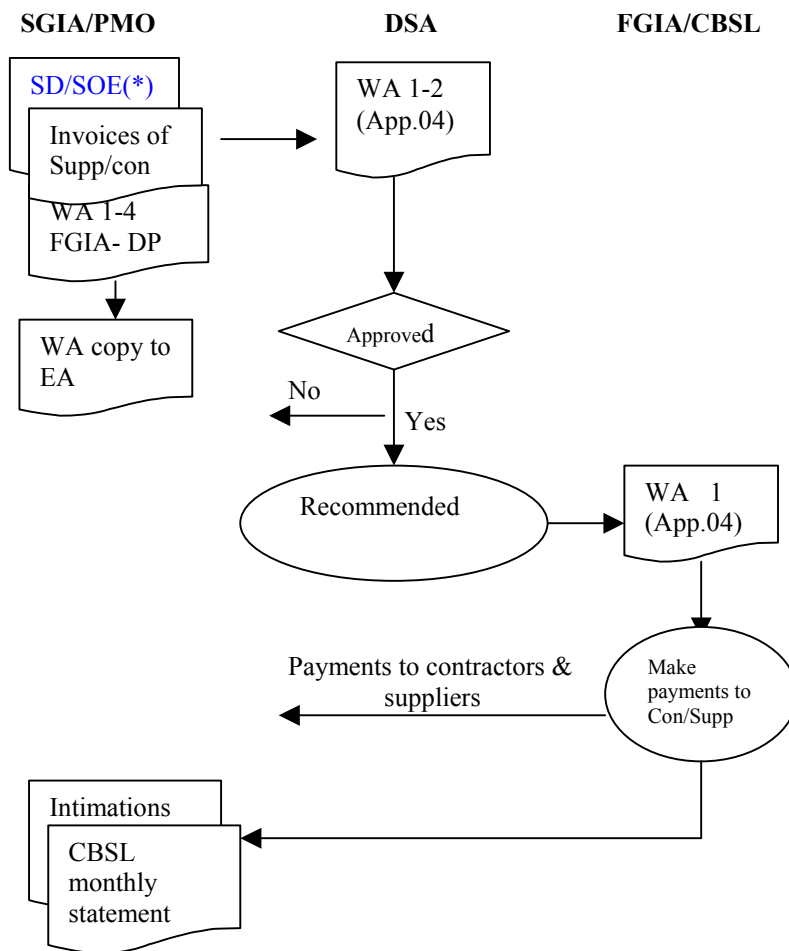
PMO (SGIA)

DSA

CBSL (FGIA)

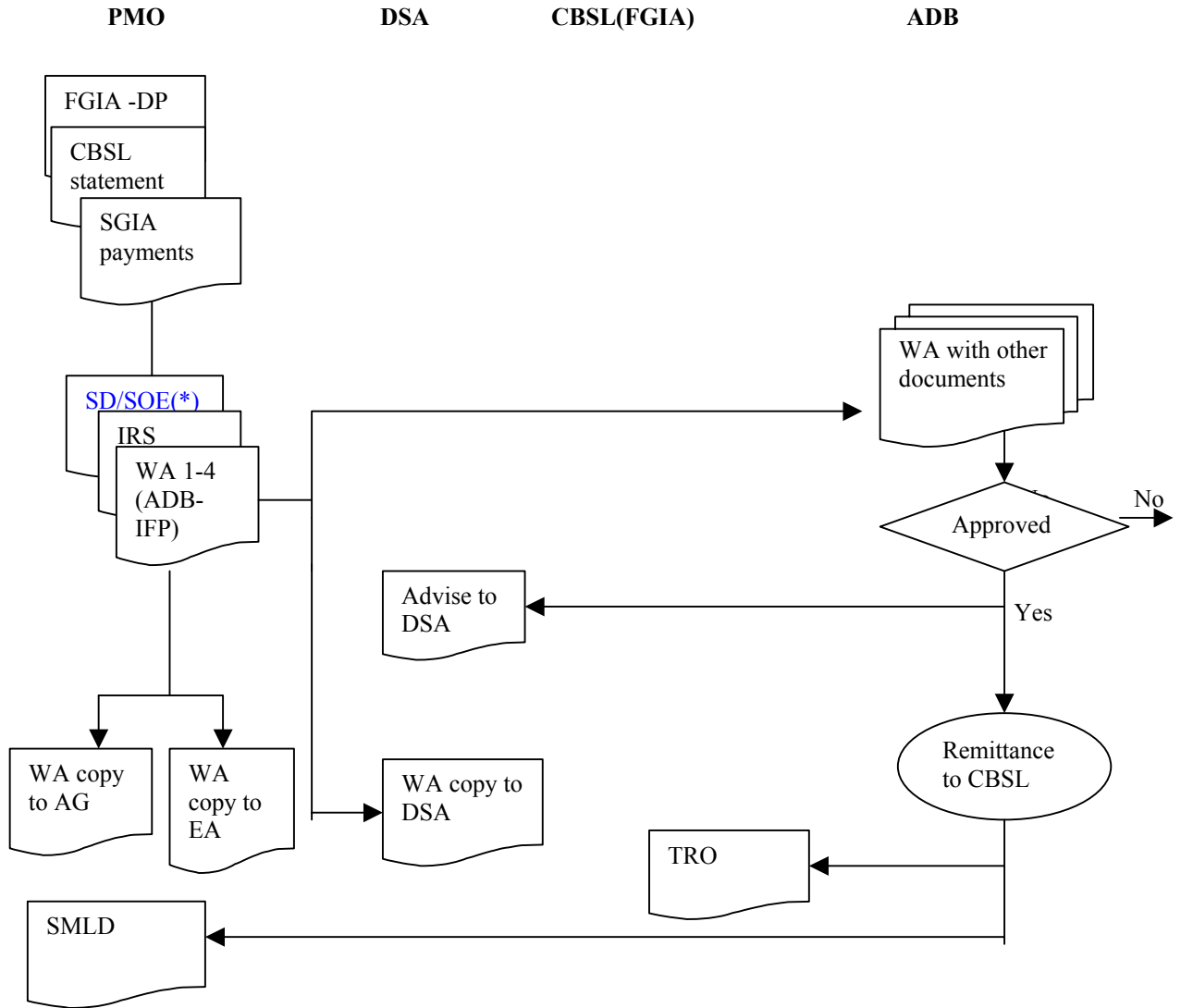


Payments from FGIA to suppliers/contractors (Direct payments) –Chart 6



| | | |
|--------------------------------|--|---|
| Key to Abbreviations | WA: Withdrawal Application | FGIA/DP: FGIA Direct Payments (*) where applicable |
| | DSA: Dept of State Accounts | |
| | PMO: Project Management Office | |
| | CBSL: Central Bank of Sri Lanka | |
| | SOE: Statement of Expenditure | |
| EA: Executing Agency | | |
| SD Supporting documents | | |

Liquidation /Replenishment of FGIA - ADB – Chart 7



| | | |
|-----------------------------|--|--|
| Key to Abbreviations | WA: Withdrawal Application | FGIA/DP: FGIA Direct Payments |
| | DSA: Dept of State Accounts | CBSL: Central Bank of Sri Lanka |
| | PMO: Project Office | (*) where applicable |
| | SOE: Statement of Expenditure | |
| | IRS: Imprest Reconciliation Statement | |
| | AG: Auditor General | EA: Executing Agency |
| | SMLD: Semi Monthly Listing of Loan Disbursement | |
| | SD – Supporting documents | |

APPENDIX 04

**APPLICATION FOR WITHDRAWAL FROM CENTRAL BANK IMPREST ACCOUNT
(FGIA)**

Supt. of Public Debt
Central Bank of Sri Lanka

Through
DG/Dept of State Accounts

.....PROJECT
WITHDRAWAL APPLICATION No:
(Ministry of)

ADB LOAN No: CBSL SUB-LEDGER ACCOUNT No:

In accordance with the loan agreement dated signed between the Asian Development Bank and the Democratic Socialist Republic of Sri Lanka, the undersigned requests the payment as indicated below from the funds in the Imprest Account sub ledger account maintained by the Central Bank of Sri Lanka. The undersigned hereby confirms that this amount will be utilized for eligible expenditure under categories of the loan agreement. Payments details are as follows.

1. Amount & Currency:
(in words & Figures)
2. Name and Address of Payee:
3. Payee's contact No:
4. Purpose of Payment:
5. Name & Address of Depository Bank:
6. Payee's Bank Account number:
7. Special Payment Instructions if any:
8. Relevant vote particulars in the printed estimate for the year are as follows:

| <u>Head</u> | <u>Programme</u> | <u>Project</u> | <u>Object Code</u> | <u>Item of Work</u> |
|-------------|------------------|----------------|--------------------|---------------------|
|-------------|------------------|----------------|--------------------|---------------------|

Please be good enough to make payments at your earliest and send me a copy of the payment advice.

Project Accountant/Project Director/ Manager

APPENDIX - 05

..... **PROJECT**
ADB LOAN NO.

STATEMENT OF EXPENDITURE FOR THE MONTH OF

WA NO.

| CATEGORY NO. | DESCRIPTION | TOTAL EXPENDITURE SL Rs. | ADB FINANCE AMOUNT | AMOUNT CHARGED TO ADB-SL. Rs |
|--------------|-----------------------------------|--------------------------|--------------------|------------------------------|
| 01 | CIVIL WORKS | 2,759,645.76 | 44% | 1,214,244.14 |
| 02 | Surveys and Studies | 1,843,689.31 | 100% | 1,843,689.31 |
| 03 | Equipment, Vehicles and Furniture | 8,651,541.34 | 100% | 8,651,541.34 |
| 04 | Consultancy Services | | | |
| 05 | | | | |
| 06 | | | | |
| | Total | 13,254,876.41 | | 11,709,474.79 |

Application No. 00011 For SRS. 11,709,474.79 (US\$ 129,378.78)

| Month | Description | SRS Amount | Rate | US\$ |
|-------------------------------------|-------------|----------------------|---------|-------------------|
| Balance if any -from previous month | | 0 | | |
| October,200' | Withdrawal | 9,854,164.98 | 90.2808 | 109,150.17 |
| - do - | Withdrawal | 1,855,309.81 | 91.7171 | 20,228.61 |
| | | 11,709,474.79 | | 129,378.78 |

The total amount should be replenished/liquidated against the imprest fund advance and reimbursed to the Central Bank of Sri Lanka as specified in the application form.

Project Director

Imprest Reconciliation Statement - FGIA

..... Project
 Ministry of

ADB Loan No:

FOR THE MONTH OF

Sub-Ledger No.:

Advance Ceiling US\$.

| | | US \$ |
|----|--|-------|
| 1 | Initial Advance Obtained from ADB: | |
| 2 | Add: Subsequent advances from ADB (if any): | |
| 3 | Total Advance obtained from ADB: | |
| | Less: | |
| 4 | Liquidated amount (if any): | |
| 5 | Present balance in the Imprest Fund: | |
| 6 | Balance available in the Account as at (as per Imprest Account (FGIA)) | |
| | Add: | |
| 7 | Unsettled balances in SGIA (including TGIAs) | |
| | | 1 |
| | | 2 |
| | | 3 |
| | | 4 |
| | | 5 |
| 8 | Replenishments received from ADB during the month | |
| | | 1 |
| | | 2 |
| 9 | Amount claimed (W/As sent) but not replenished yet by ADB | |
| | WA No. Amount \$ | |
| | 1 | |
| | 2 | |
| 10 | Amount disallowed but not adjusted yet: | |
| | WA No. Amount \$ | |
| | 1 | |
| | 2 | |
| 11 | Value of the present W/As that are ready to be sent to ADB for replenishment | |
| 12 | Total Advance outstanding to ADB: = (6+7+8+9+10+11) = (5 = 12) | |

The above reconciliation has been prepared on the basis of records maintained in the project office. Also, imprest account has been reconciled with the statement issued by the Central Bank for the month of, 20.....

Project Director/Manager

Project Accountant/Finance Manager

Date:

Imprest Reconciliation Statement - TGIA

..... Project

Name of the PIU/IA:

APPLICATION FOR WITHDRAWAL OF IMPREST - TGIA

FOR THE MONTH OF

WA No.:

Ceiling of Advance Rs.

| | | |
|---|---|-----|
| | | Rs. |
| 1 | Initial Advance Obtained | |
| 2 | Balance in the Imprest Account as at as per Cashbook (TGIA) | |
| | Add: | |
| 3 | Replenishments (received) during the month | 1 |
| | | 2 |
| 4 | Amount claimed but not yet received from SGIA | |
| 5 | Total value of this application | |
| 6 | Total Advance obtained from SGIA (2+3+4+5) = 1 | |
| | Less: | |
| 7 | Liquidated amount if any | |
| 8 | Present balance in the Imprest Account (6 - 7) | |
| 9 | Details of this application for withdrawal | |
| | Category | Rs. |
| | 1 | |
| | 2 | |
| | 3 | |
| | 4 | |
| | 5 | |
| | Amount claimed for withdrawal (= 5) | |

We certify that the amount claimed in this application has been paid from the TGIA for the ADB share of expenditure. The above reconciliation has been prepared on the basis of records that are maintained in the Imprest Register. All paid documents related to this application are sent herewith.

Implementation Unit Manager/Regional Manager

Accountant

Date:

APPENDIX 10

..... Project
 ADB Loan No:

Statement of Expenditure for the Month of

Name of the EA:

| Head | Programme | Project |
|-------|-----------|---------|
| | | |

| Source/Item | Currency of Payment | Amount Paid | Rupee Equivalent SL Rs. | Total Expenditure SL Rs. |
|--|---------------------|-------------|-------------------------|--------------------------|
| 11 Domestic Fund | | | | |
| 12 FA Loan | | | | |
| <u>Direct Payments -ADB</u> | | | | |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| <u>Commitments</u> | | | | |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| Payments made through FGIA (DP) | | | | |
| Payments made through SGIA | | | | |
| 13 FA Grant | | | | |
| <u>Direct Payments</u> | | | | |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| <u>Commitments</u> | | | | |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| Payments made through FGIA (DP) - If any | | | | |
| Payments made through SGIA - If any | | | | |
| 14 RFA Loan | | | | |
| 15 RFA Grant | | | | |
| Total Expenditure for the Month | | | | |

I/WE certify that the expenditure shown in the above statement is correct. Rupee equivalent of payments made in other currencies have been calculated on the basis of rate of exchange obtained from bank/news paper as at

Project Accountant/Finance Manager

<<Back