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புலகாமைத்துவ கணக்காய்வுத் திணைக்களம்

DEPARTMENT OF MANAGEMENT AUDIT

මුදල් හා ක්‍රමවේදාන අමාත්‍යාංශය
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Ministry of Finance and planning
The Secretariat, Colombo 01

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Management Audit Circular No. 05

All secretaries of Ministries and Heads of Departments

Guidelines for Internal Audit to Projects Funded by Foreign or Local Funds.

The way of the Internal Auditor is to assist the Chief Accounting Officer / Accounting Officer to fulfill their responsibility on completion of development projects in time and in good manner, by using the public resources provided effectively, efficiently and economically, spelt out in the Financial Regulation 133(1) a (ii) as follows.

“To assist the Accounting Officer and the Progress /Monitoring Committee, in ascertaining the progress made on development works, projects and schemes, and in the fulfillment of the plans and programmes laid down for or undertaken by the department”

Once the funds provided under the foreign funding are not utilized fully, it will be an additional burden to the consolidated fund. Proper financial management and effective performance of project activities will help to avoid this type of lapses. Effective internal auditing can make a good contribution towards the above. This set of guidelines is aimed to identify important auditable aspects of a project, relevant documents and circular instructions in regard to projects and introduce a questionnaire formulated based on financial regulations and circular instructions relevant to the utilization of foreign funds. (The internal audit questionnaire is attached to this as 1,2and3)

2. Main activities of a project to be focused by the internal auditor.

1. Whether the project is implemented according to the agreed work plan or any problem encountered in its implementation;
2. Whether the required project staff and other facilities are provided;
3. Controls to ensure that technical specifications are complied with;
4. Supervision by consultants to ensure the compliance with their responsibilities;
5. To ensure that procurements confirm to the requirements of the government and the donor;
6. Disbursement procedure agreed with the donor has been complied with and guidelines relating to the withdrawal of funds have been adhered to;

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7. Construction of civil works, installation of equipment and supply of other goods & services are in accordance with the accepted standards and as per the contract agreement;
8. Availability of budgetary provision and sufficient liquidity;
9. Complied with agreed conditions and covenants in the financing agreement;
10. To ensure that the government assurances and obligations are fulfilled;
11. Reallocation of funds among categories and components and requirement of additional funds;
12. Change of scope and additional work;
13. Extension of the project period;
14. Commissioning procedures, categories of operation and maintenance, instructions and completion of administrative requirements such as issuance of completion certificates, warranty certificates, insurance and claims releases, handing over of assets etc. have been followed.

3. Important documents in project internal auditing.

After obtaining the proper approval, project documents should be signed by relevant parties. Understanding of project documents is highly essential for project internal auditing. Some of these document are as follows.

3.1 Loan Agreement

Following important provisions are included in a loan agreement among others. Definition of the lender and borrower, loan amount and the name of the project, obligations, covenants, assurances of the lender and the borrower, objectives of the project, loan components, categories and items, financial plan, use of loan funds & disbursement procedures, extent of donor assistance and funding arrangements. loan effectiveness and project period ,delegation of authority, execution of the project, withdrawal of loan proceeds, amortization schedule, procurement procedures, sub loans if any and closing of the loan.

3.2 Grant agreement.

Following important provisions are included among others in the grant agreement. Name of the donor and its coordinating agency, recipient and the implementing agency, grant amount, scope & objectives of the project, corporation, representation & administration procedures between the donor and the recipient, contributions & obligation of the donor and recipient, procurement procedures, disbursement procedures, reporting requirements, project procurement, evaluation, disputes resolving, project summary as an annex, formats for reporting as an annex and financing plan .

3.3 Subsidiary Financing Agreement

In the case, the implementing agency is a public enterprise or a statutory board the government should enter a subsidiary finance agreement with the particular entity. Under such circumstance the loan obtained by the government should be re-lent to the Implementing Agency and at the same time government should open a sub loan account under the name of the implementing agency. According to the agreement, the borrowing institution should pay a rate of interest as agreed to the Department of Treasury Operation, for the balance to be withdrawn from the loan

account. The loan amount also should be settled on agreed dates after the elapse of any grace period to the government under the subsidiary financing agreement. If there is any delay in paying the loan amount or interest a demurrage has to be paid under the agreement. In addition to these preliminary conditions, project implementing standards, and the commencement and closing dates etc. should be included in this agreement. Comprehensive understanding about the agreement is useful for project internal auditing.

3.4 Guidelines and Manuals issued by the International Financing Institutions and Donor Agencies.

The International Financing institutions issue their own guide lines and these guidelines indicate their policies on foreign aid, instructions, practices and procedures, disbursement procedures and required internal controls to be applied for efficient project management. Further more development policies, guidance on loan fund withdrawals , direct payments, commitment procedure, reimbursement procedure, imprest account procedure, development financing loan procedure, project loan and assistance for emergencies are also described. In addition to that, general matters like simplified systems for loan fund releasing like Statement of Expenditure Procedure (SOE), Force Account Procedure and Simultaneous Application for Sub Loan Approval and Withdrawal Procedure (SAW) and sound financial management to be experienced should also be indicated.

3.5 Project Procurement

Efficiency of the procurement procedure contributes considerable part for the performance of the project. The Procurement Guidelines - 2006 and Procurement manual of the government are the main controlling arm of the public sector procurement in Sri Lanka. All the circulars had been issued prior to that on the subject of procurement are superseded by the above guidelines. According to the government procurement guideline 1.3.2, what ever the source of finance, these guidelines must come in to effect because this has been formulated after having discussions with the financing agencies and international financing institutions. However the procurement guideline 1.3.3 states that if the financig agency or international financing institution specifically mentions to follow their procurement guidelines such should be followed where ever possible. If there is any conflict between two guidelines financing agency's guidelines shall prevail. According to the procurement guideline 3.2.3 under a foreign funded project bids can be invited locally with the consent of the financing agency, if the following conditions are fulfilled.

- Foreign bidders should be allowed to compete under equal conditions with the local bidders.
- Should not be given any special privilege to the government institutions or approved societies and
- Registration of the Institute of Construction Training And Development (ICTAD) With the above deviations government procurement guidelines are the main framework to guide the project procurement.

3.6 Project Staff Management.

Subject to the following conditions provisions of Treasury Management service Circulars No. 33 dated 05.04.2007 and 33(1) dated 20.12.2007 are applicable to project staff management.

- i. It must be a project, evaluated by the National Planning Department, approved by the Cabinet, provisions have been made by the Department of National Budget with concurrence of the Department of External Resources and staff requirements approved by the Department of Management Services.
- ii. Project period should not be less than two years.
- iii. If the project is funded by foreign aid
 - a. Foreign aid component should not be less than 50%
 - b. Financing agency or international financing institution should enter an agreement with the Government of Sri Lanka through the Department of external resources and there should be a exclusive name for the project given in the agreement.
 - c. Total cost of the project should not be less than U.S. \$ 5.0 million.
- iv. If the project funded by local funds, the total cost of the project not less than U.S.\$ 5.0 million also come under the purview of this circular.

Identification of the required staff for the project , recruitment for key posts, recruitment of officers from the public service, provincial public service and corporations of public sector for the project staff and determination of their remunerations and other benefits, recruitment out of the above and their remuneration and benefits, payment of taxes under clause 32, chapter XV of Inland Revenue Act no10 of 2006 , other benefits of the project staff , leave, disciplinary procedure, recovery of loses and incentive schemes to expedite the project activities also come under the purview of this circular. The projects other than the above come under the purview of Government Establishments Code in case of staffing.

04 Financial Regulations and important circulars in regard to the project.

1. Financial Regulation 1992
 - Financial regulations No. 34,35 and 36 - new proposals.
 - Financial regulations No. 133 and 134 - internal auditing.
 - Financial regulations No.135,136,137 and 138 - delegation of authority.
 - Financial regulations No. from 610 to 626 - foreign aid chapter.
2. State Accounts Circular No. 30/94 ,dated 20th April.1994 on foreign aid accounting.
3. State Accounts Circular No. 165/2003 dated 17th November 2003 "Withdrawals From Special Currency Accounts in the Central Bank Of Sri Lanka"

4. State Accounts Circular No. 2002/149 dated 27th June 2002 “Guidelines & Procedures and Monitoring Systems on the Use of Asian Development Bank’s Impress Fund Procedure”
5. Management Services Circulars No. 33 dated 05th April 2007 and No.33 (1) dated 20th December 2007 on “Recruitment Remuneration and Management of Project Staff”.
6. National Procurement Agency Circular No. 08, dated 25th January 2006 “Procurement Guideline” 2006 and Circular No. 09, dated 01st March 2006 “Procurement Manual 2006.

The questionnaire formulated to facilitate internal audit of projects is attached and financial regulation or circular instruction to be referred for each question also indicated.

5. It is advisable internal auditor to include all the projects implementing under the ministry / department in the annual internal audit plan and formulate internal audit programs using above guidance as much as possible to perform an on going internal audit with constructive reporting in timely manner to assist the management. Providing sufficient manpower and other required resources to the internal audit is responsibility of the management.



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Director General
Department of Management Audit
For Secretary to the Ministry of Finance & Planning.

Copy to Auditor General.

Guideline for Project Internal Auditing

1. Foreign aid Account

Serial No.	Description	Reference	Observations	Clarifications for Observations	Evaluation
1.	<i>Identification of Source of financing</i>				
i	The financial provision for projects provides under following financing codes. It should be clearly identified. <ul style="list-style-type: none"> • Foreign aid loan (FAL) 12 • Foreign aid grant (FAG) 13 • Reimbursable foreign aid loan (RFAL) 14 • Reimbursable foreign aid grant (RFAG) 15 • Counterpart funds 16 • Foreign aid related domestic funds (FARDF) 17 	Annual Estimate			
ii	Types of the foreign aid should be clearly identified. <ul style="list-style-type: none"> • Project aid (loans/line of credit, grant) • Technical assistance (loans, grants) • Commodity aid (loans, grants) • Programme aid (loans, grants) • Balance of payment support (loans, grants) 	F. R. 611			
2.	<i>Prior requirement of a project</i>				
i	Prior to include project cost in the annual draft estimate the following conditions should be fulfilled. <ul style="list-style-type: none"> • Estimation of total cost • Sign the relevant agreements • Define the time frame for the total cash flow • Follow up procedure and arrangement to maintain the products of the project in future. 	F. R. 34			
ii	Before get the preliminary approval for a project following works should not be completed. <ul style="list-style-type: none"> • Feasibility study or associated activities • Utilizing budgetary funds and implementing small projects • Implementing any sectoral plan or a programme. 	F. R. 35			
iii	For large projects, final approval should be obtained before following activities. <ul style="list-style-type: none"> • List out the project in the public investment plan • Funding to proceed the project • The final discussions with financing agency 	F. R. 36			
iv	Make sure that foreign aid been arranged with the proper approval of the Director general – ERD.	F. R. 610			

v	Any liability cannot be incurred atleast without taking prior approval of the cabinet for the project.	F. R. 621 (2)/ S.A.Cir. 30/94 (4.2.1)			
3.	<i>Allocation of budgetary provision</i>				
i	Make sure that provision has been made in the annual estimates to utilize the foreign aid for the project.	F. R. 621			
ii	Check whether provision has been made to account direct cash grants under the relevant ministry/department.	F. R. 625(3)			
iii	In case of emergencies, donations can be made by way of commodities and equipments. Check whether the provision has been made latter to account the same.	F. R. 622			
iv	Check whether provision has been made under the estimate of the line ministry for the foreign aid to be utilized by a public enterprise or a statutory board.	F. R. 623			
v	Check the availability of provision when a technical assistance program is part of the project.	F. R.621 (4)			
vi	In the case of commodity aid check whether the provision has been obtained from the Director General - ERD to utilize the same.	F. R.625 (7)			
4.	<i>Foreign aid accounting</i>				
i	Check the deligation of authority to ensure adiquacy of segregation of duties for a sound internal control system to prevent any frodulent activity or malpractice in the project.	F. R. 135 - 139			
ii	Make sure that all foreign aid transactions of the project are reported to the Treasury Operation Department through monthly summaries or transfer sheets by the head of the Department.	F. R. 625(1)d, 625 (3)b			
iii	Check whether action has been taken to inform the Director General of Treasury Operations about the arrangement of provisions, by supplementary estimate / virement procedure with out any delay.	SA Cir. 30/94 (5.6.1)			
iv	Make sure that action has been taken to report all types of foreign aid receipts to the Director General of State Accounts for the purpose of accounting under partcular revenue head in the Treasury books.	F.R. 620			
v	When foreign aid expenditure has been incurred under an advance account, make sure that the details of foreign aid financig are indicated of the advance account by a foot note.	F.R. 621 (7)			
vi	When the foreign aid user is a public corporation, check whether payment of loan instalments and interest has been done according to the amotization schedule agreed under the subloan agreement.	F.R. 623			
vii	Project accounting records should maintain on double entry system and accounts	F.R. 626			

	should be prepared on accrual basis. Check the compliance with the system.				
viii	Accounting treatments should do in final accounts for loss or gain arise out of parity variances in withdrawals / replenishments. Check whether action has been taken to do so.	S. A. Cir. 2002/149			
ix	When there is a covenant included in the agreement to furnish audited annual account by the Auditor General to the financing agency, Check whether it has been done.	F.R. 626			
4.1	<i>Consultancy services, scholarships and training facilities under the technical assistance programme.</i>				
i	When the Consultancy services, scholarships and training facilities provided under a technical assistance programme, quarterly report should be submitted to the DG- ERD with a copy to Auditor General by using the given format in the FR. Check whether action has been taken to do so.	F.R.625 (6) b			
4.2	<i>Technical assistance coming under a project.</i>				
i	Such technical assistance should also bring into account like the other components of the project. Check the action taken to do so.	F.R. 625 (6) a,e			
4.3	<i>Grant as commodity or equipment under project aid, technical assistance program or emergency situations.</i>				
i	Make sure that such foreign aid receipts are recorded in the inventory or some other register.	F.R. 622			
ii	Check whether calculated value of such grant taken in to account under an accounting code obtain from the Director General – State Account Department.	F.R. 625 (1) a, c, d / S. A. Cir. 30/94 (5.2.1) & 3			
iii	For further confirmation of recording of such receipts check whether a certificate of folio number of the inventory is attached to the transfer order dispatched to the Director General – State Account Department.	S.A. Cir. 30/94 (5.2.5)			
iv	Take action to verify the reporting of debits to the foreign aid provision quarterly to the Director General – State Account Department according to the appendix 14 of FR.	F.R. 625 (1) f / S.A. Cir. 30/94 (5.5.6)			
v	If the ownership of such assets should be kept under the name of the financing agency until the project is over, check whether a separate asset register is maintained for the same.	F.R. 625 (6) d			
vi	Make sure that action has been taken to value such assets by a board of valuation before transferring to the public assets.	F.R. 625 (6) d			
vii	Check whether action has been taken to account the value of such grants according to FR 625(1).	F.R. 625 (6) d			

4.4	Loans in the form of equipments, materials and services			
i	Make sure that action has been taken to record realizations under the loan / line of credit against the foreign aid provisions in the appropriation vote ledger after reconciling with the transfer papers from the Director General -TOD.	F.R. 625 (2) b		
ii	Check whether all equipments and materials received under FA have been entered in the inventory or such other register.	F.R. 625 (2) c		
iii	Whatever the reason, if any debit is inappropriate it should be informed to the Director General -TOD with a copy to the Director General- ERD. Check the action taken on such occasions.	F.R. 625 (2) d		
iv	Make sure that action has been taken to send quarterly certificates to Director General -TOD according to the appendix 15 of FR in regard to the acknowledgement, recording and correctness of debits foreign aid provisions.	F.R. 625 (2) e		
4.5	Cash receipts as a project grant, loan or technical assistance.			
i	Check whether action has been taken to deposit any cash receipt directly by the implementing agency with the Treasury.	F.R. 625 (3)		
ii	Make sure that action has been taken to get allocation from grant deposit account in Treasury books before incurring any expenditure or entering any commitment.	F.R. 625 (3)		
iii	Check the correctness of book entries to credit cash receipts in the cash book and debit foreign aid provision in the vote ledger.	F.R. 625(3)a		
iv	Check whether action has been taken to send quarterly reports on foreign aid expenditure to the Director General -TOD and the Director General -ERD according to the appendix 16 of the FR.	F.R. 625 (3)c		
v	Ensure that procedure mentioned in the F.R. 625 (3) has been followed on receiving loans in the form of cash remittances from foreign agencies or governments.	F.R. 625 (4)		
5.	Foreign aid utilization			
5.1	Reimbursement Procedure.			
i	Ensure that separate bank account, cash book and imprest account for reimbursable foreign aid are maintained by the relevant Ministry / department.	SA Cir. 30/94 (5.6.4)		
ii	Ensure that chronologically numbered replenishment applications are submitted to the Director general - TOD on or before 7 th of each month according to the annex. VI of this circular.	SA Cir. 30/94 (5.6.4)		
iii	Make sure that certified bank reconciliation statement of each month on	SA Cir. 30/94 (5.6.4)		

	the reimbursable foreign aid bank account is submitted to the Director General -TOD on or before the 7 th of the following month.				
iv	When the implementing agency is a public enterprise, check whether applications are submitted by using annex.VI of the SA Circular 30/94 with necessary amendments through relevant CAO and DG - PE to the DG-TOD.	SA Cir. 30/94 (5.6.17)			
v	It should be stipulated in the reimbursement application that all reimbursement should credit to the DST's account in the Central Bank. Make sure that the procedure is followed.	F.R.625 (5) d			
vi	Check whether action has been taken to claim substantially large amounts promptly apart from the claims to be submitted at end of the month.	ADB-LDH 2007 chapter 9			
vii	If SOE procedure is not allowed in the loan agreement, check whether the adequacy of financial and administrative management systems is capable to apply the SOE procedures.	ADB-LDH-2007 chapter 9			
viii	Ensure that expenditure included in the statement of expenditure are incurred according to the conditions in the agreement and in that way satisfy the credibility of the certificate given in the statement by the authorized signatory.	ADB-LDH-2007 chapter 9			
ix	Make sure that all records and documents are maintained in the prescribed manner in the guideline to enable ADB mission or independent auditors to examine at any time.	ADB-LDH-2007 chapter 9			
x	Make sure that the payments have not been split just to enable it to pass through the threshold prescribed under the SOE.	ADB-LDH-2007 chapter 9			
xi	Evaluate the soundness of internal control system introduced by the project management and check the audit opinion on the Statements Of Expenditure.	ADB-LDH-2007 chapter 9			
xii	When include " force account " documents for Re-imbursment applications check the internal control system introduced, such as the first and second certification by authorized persons, to avoid the inclusion of unauthorized expenditure to such claims.	ADB-LDH-2007 chapter 9			
xiii	When the Simultaneous application for Subloan approval and Withdrawal procedure (SAW) is allowed to withdraw sub loans given to SMEs through qualified development finance institutions (DFI), test the simplified supporting documents with selected sample to verify whether the procedure is in order.	ADB-LDH-2007 chapter 9			
xiv	Identify the reasons to refuse or delay the reimbursements and check the remedial measures taken to avoid unnecessary	F.R. 625(5) a			

	burdens to the consolidated fund.				
xv	Make sure that reimbursement applications are prepared and submitted in accordance with the formalities prescribed in the financial regulations, relevant circulars and guidelines of financing institutions.	F.R. 625(5) b			
xvi	Check whether any ineligible expenditure is charged to reimbursable foreign aid provision and included in reimbursement applications and make sure that head of the department should take action to avoid such occasions.	SA Cir. 30/94 (5.6.18)			
xvii	Make sure that action has been taken to reconcile amounts claimed with the amount reimbursed and inform any discrepancy to CA of the Central Bank, DGs of TOD, ERD, PF and settle the issue with the financing agency.	SA Cir. 30/94 (5.6.11)			
xviii	Any expenditure claimed but not reimbursed should be debited to the consolidated fund with the approval of the treasury. Check whether action has been taken to do so if there is such outstanding amount.	SA Cir. 30/94 (5.6.12)			
xix	Check whether action has been taken to maintain records on amounts claimed and reimbursed according to the appendix vii and viii of the state account circular No. 30/94.	SA Cir. 30/94 (5.6.14)			
xx	Check whether action has been taken to submit a monthly report on cumulative claimed and reimbursed in regard to each project to DGs of State Account and External Resources departments according to the appendix viii of the circular No. 30/94.	SA Cir. 30/94 (5.6.15) F.R. 625 (5)i			
5.3	<i>Special currency accounts</i>				
i	Where the special account is on revolving basis, replenishment applications should be forwarded monthly subject to any minimum stipulated amount and if it is not so action should be taken to liquidate the advance obtained. Check the action taken to do so.	F.R. 625 (8) b			
ii	Check whether action has been taken to reimburse the reimbursable foreign aid to the DST's account through the special account.	F.R. 625 (8)c SA Cir. 30/94 (5.9.3)			
iii	Evaluate the compliance with the procedure introduced to apply for withdrawals by the SA circular No.165/2003.	SA Cir. 165/2003			
iv	Project Director / Accountant should be responsible personally for immediate reconciliation of CBSL statements with books of the project and if there is any discrepancy, action should be promptly taken to intimate CBSL and the Treasury. Make sure that action has been	SA Cir 30/94(5.6.4) SA Cir. 165/2003(7)			

	taken accordingly.				
v	If there is any delay in receiving the CBSL statements, Check whether action has been taken to expedite the delivery of the statement.	SA Cir. 165/2003 (7)			
vi	Check whether action has been taken to return the detachment of debit notes to the DG -TOD after debiting the respective provision in the vote ledger.	SA Cir. 165/2003 (8)			
vii	Where the special accounts are not on a revolving basis, make sure that action has been taken to send a monthly statement indicating the amount settled and outstanding from the advance taken from the special currency account to the DG-TOD, DG- DMA and the DG-ERD.	SA Cir 30/94 (5.9.5)			
viii	First, second and third generation imprest account can be operated with the approval of the relevant authorities according to the requirements of project. Check whether imprest account registers of each level are maintained properly to identify the outstanding balance.	SA Cir 2002/149 (3.10)			
ix	Check whether the project management units/ implementing agency maintain the following books and registers properly in regard to the imprest account. <ul style="list-style-type: none"> • Cash book • Votes ledger • Journal • Withdrawal application register • Imprest fund register for FGIA, SGIA and TGIA • Imprest fund reconciliation register • General ledger account for FGIA and SGIA • Register of imprest releases to TGIA • Imprest fund register at implementing agencies / units / TGIA. 	SA Cir 2002/149 (4.1)			
x	It is the duty of the project management to re-claim any expenditure already incurred, but disallowed. Check the action taken on that occasions.	SA Cir 2002 /149 4.4			
xi	If the amount disallowed can not be re-claimed check whether action has been taken to settle the amount with the imprest account or deduct from the very next application to avoid arising losses due to parity variances and make necessary adjustments in the accounts	SA Cir 2002 /149 4.4			
xii	All level imprest accounts (FGIA, SGIA, and TGIA) must be reconciled with each other on a monthly basis. Check whether it has done so.	SA Cir 2002 /149 4.5			
xiii	Imprest control account maintains at project office must be reconciled with the statement issued by the Central Bnk. Check whether it has been done so.	SA Cir 2002 /149 4.5.1			

xiv	The loss or gain due to parity variance indicated in CBSL statements must be shown in final accounts of the project as a separate item. Check whether it has done so.	SA Cir 2002 /149 4.6			
xv	Imprest account reconciliation statement for the whole year must be prepared and attached to the final accounts. Check whether it has been done so.	SA Cir 2002 /149 4.7			
5.4	Programe or commodity aid utilization.				
i	All imports under commodity or programe aid should be channeled through the state banks and the supplier should be informed not to forward the shipping document to the importer directly. Check whether the above procedure has been followed.	F.R. 625 (7)b			
ii	Corporate bodies/ public enterprises should make payments from their own funds. The bank receiving payment will remit the amount involved to the Central Bank to the credit of the Government Counterpart Fund Account. Make sure that this procedure has been followed.	F.R. 625 (7)c SA Cir 30/94(5.8.3)			
6.	Closure of project				
i	When the project is declared to be closed the implementing agency should follow the following procedure. <ul style="list-style-type: none"> • Reconcile and close the bank accounts • Winding up accounts should be prepared in terms of the agreement and the guidelines issued by the financing agency. • Such account should be forwarded to the treasury (ERD) and the Auditor General. • Assets of the project should be transferred according to the FR. 401. • CAO/AO responsible for winding up activities of the project as agreed with the financing agency and finalizes the project accounts within the stipulated period and submits to the financing agency. <p>Make sure that action has been taken according to above.</p>	General			
ii	In case of special currency accounts, All supporting documents for payments made from FGIA, SGIA, and TGIA should be kept in safe custody in the PMO/PMU for a period of five years after auditing and all audited payment documents should be handed over to the line ministry/department after completion of the project. Check whether it has been done so.	SA Cir 2002 /149 3.11			

2. Project Staffing.

Serial No	Description	Reference	Observations	Clarifications For Observations	Evaluation
7.	<i>Prior requirements to recruit project staff</i>				
i	To apply management services circular no.33 for project staffing check whether following conditions are fulfilled. <ul style="list-style-type: none"> Appraisal by the Department of National Planning. Preliminary approval by the Department of External Resources. Approval from the board of Ministers. Approval from the Department of Management Services for staff requirement. 	M.S. Cir. 33(1.1.1)			
iii	Check the compliances with following limitations. <ul style="list-style-type: none"> Project period should be more than 2 years. Atleast 50% of the funding should be from foreign funds. Foreign consultancy budget must not exceed 20% of the foreign financing. Total cost of the project should not be less than US \$ 5.0 Million. If the project finance by domestic funds total cost of the project should not be less than US \$ 5.0 m or equivalent. 	M.S. Cir. 33 (1.1.2; 1.3; 1.1.4)			
8.	<i>Identificatiion of cadre requirement.</i>				
i	If there is any possibility to does the project work by deploying existing cadre of the Ministry or Department, no need for new recruitments.Check whether any attempts made to do so.	M.S. Cir. 33 (2.1.1)			
ii	Where a separate cadre is needed to recruit for the project it should be identified at the preliminary approval stage.Make sure it had been done.	M.S. Cir. 33 (2.1.2)			
iii	Cadre requirement of the project should be approved by a Treasury committee comprising the heads of departments, External Resources, Management Services, National Budget and Public Enterprises.Check whether it has been done.	M.S. Cir. 33 (2.1.2)			
iv	Approved cadre and Salary structure should be included in the project document.Make sure of its availability.	M.S. Cir. 33 (2.1.2)			
9.	<i>Recruitment of staff of the project.</i>				
i	The time targets for the project works to be started by the core project staff should be determined in the appraisal stage.Identify the core staff of the project and check their recruitments.	M.S. Cir. 33 (2.2.2)			
ii	Budgetory provision for the approved project cadre should be provided in the annual estimates. Check the availability of the same.	M.S. Cir. 33 (2.2.3)			
iii	Cadre recruitment for the project should be done only after calling for applications through an open advertisement and should follow the	M.S. Cir. 33 (2.2.4)			

	interview procedure. Check the procedure applied.				
iv	Where the cost of the project is more than US \$ 30 m. the project director should be selected by a committee headed by ST/DST and members with secretary of the relevant ministry or provincial council and head of the project implementing agency. Make sure that the correct procedure has been followed.	M.S. Cir. 33 (2.2.5)a			
v	Where the cost of the project is less than US \$ 30 m. the project director should be selected a committee headed by the secretary of the relevant ministry, chief secretary of the provincial council and members with head of a Treasury department and head of the project implementing agency. Make sure that the correct procedure has been followed.	M.S. Cir. 33 (2.2.5)b			
vi	The interview board to select other senior staff of the project should be comprised of the secretary to the relevant ministry/chief secretary of the provincial council, project director and head of the implementing agency. Make sure that correct procedure has been followed.	M.S. Cir. 33 (2.2.5)c			
vii	For the selection of subordinate staff interview board should be headed by the project director and other members should be from the relevant ministry / provincial council and project implementing agency. Make sure that correct procedure has been followed.	M.S. Cir. 33 (2.2.5)d			
viii	Check Whether each officer has been fulfilled the Qualification required for the relevant post in the project stipulated in management services cir. 33(1).	M.S.Cir. 33 (2.2.9;3.1) M.S. Cir. 33(1)			
ix	The appointing authority for the project director and senior staff of the project should be the head of the project implementing agency and for the subordinate staff the project director should be the appointing authority. Make sure the validity of the appointing authority of the project staff.	M.S. Cir. 33 (2.2.6)			
x	All appointments to the cadre of the project should be made on contract basis with a condition to extend annually on performance basis, maximum of three years. Check whether acted according to that.	M.S. Cir. 33 (2.2.7; 9.1)			
xi	To establish criteria for performance evaluation may be done in consultation with financing agency. Check whether it has been done.	M.S. Cir. 33 (9.1)			
xii	The authority from the cabinet should be obtained to appoint over 57 years of age persons to the project staff. Check whether procedure followed if any.	M.S. Cir. 33 (2.2.8)			
10.	<i>Appointments from the public service, provincial public service, corporations and statutory boards.</i>				
i.	When the Project staff recruited under following categories from the above services, check the complianness with the followings. <ul style="list-style-type: none"> Release on full time basis for a period of maximum five years with remuneration of, salary of substantive post plus 50% of the current post of the project .Total should 	M.S. Cir. 33 (3.1)a; 4.1.1			

	<p>not exceed the salary given in the circular.(4.2.1)</p> <ul style="list-style-type: none"> • Release on no-pay leave, not exceeding 5 years under the P/A circular No13/99 dated 11th June 1999. Salary should be decided under 4.2.1 of the circular. • Release on part time basis/covering up duties. One third of the salary for covering up post of the project shall pay as a salary. Such officer may work only in two projects at a given time. 	<p>M.S. Cir. 33 (3.1)b; 4.1.2</p> <p>M.S. Cir. 33 (3.1)c; 4.1.3</p>			
ii	All the project staff should be placed at the initial step of the given salary range. Check the correctness of the procedure followed.	M.S. Cir. 33 (4.2.2)			
iii	Annual salary increments of project staff should be given on performance basis within the given salary range of the relevant post. Identify the criterions introduced to appraise the performance and check the procedure followed.	M.S. Cir. 33 (4.2.2)			
iv	Salaries of support staff, recruited outside from the public service should start from initial salary step of similar posts in public service. Check the correctness of salaries of such staff.	M.S. Cir. 33 (4.2.3)			
11	<i>Income tax payment of project staff.</i>				
i	For income tax payment of employees attached to the project, section 132 of chapter xv of the Inland revenue Act No .10 of 2006 must be applied .Check whether action has been taken according to the above.	M.S. Cir. 33 (4.2.5)			
12.	<i>Contribution to W&OP, EPF and ETF funds.</i>				
i	The project staff recruited from outside the public service and staff recruited from public service in terms of no pay leave basis should contribution to the EPF & ETF. Check whether action has been taken accordingly.	M.S. Cir. 33 (4.3.1)			
ii	The project staff recruited from the public service in terms of full time basis and part time or covering up basis should continue to make his or her W&OP contribution. Check whether action has been taken accordingly.	M.S. Cir. 33 (4.3.2)			
iii	The employer should pay 25% of consolidated salary of the substantive post to the Department of Pension. Check whether action has been taken accordingly.	M.S. Cir. 33 (4.3.3)			
13.	<i>Other liabilities and responsibilities</i>				
i	All authorized recoveries such as loans and advances should be recovered and remitted to the relevant funds. Check whether action has been taken.	M.S.Cir.33 (4.3.4.)			
ii	For senior project officer who participate in the field visits with foreign financing agency officials are entitled to get reimburse incurred actual cost of accommodation with the prior concurrence of appointing authority. For others subsistence rates in the public service should apply. Check the procedure followed.	M.S. Cir. 33 (5.1.) a, b			
iii	Fuel allowance for the project director should be equal to that of the head of a department and for additional requirements approval should be	M.S. Cir. 33 (5.2 and 5.3)			

	saught from the head of project implementing agency. Check the procedure followed.				
iv	Project staff will not get any encashment like leave, medical, bonus or any other incentive facility enjoyed in previous working places. Make sure such occasions did not arise.	M.S. Cir. 33 (5.4)			
v	Leave entitlement for all project staff excluding the staff recruited in terms of part time/ covering up basis should be based on provisions laid down in the Shops and Office Act. Make sure the compliances with the circular.	M.S. Cir. 33 (6.1)			
vi	Project staff work in foreign financing project are allowed to have one short term training program with the recommendation of project director if the provision is available for the purpose. Check whether adhered to above procedure.	M.S. Cir. 33 (8.1)			
vii	Payments for the meetings of the members of the project steering committee should decide as per Management Services circular 33. Check the compliance with the circular instructions.	M.S. Cir. 33 (11.1& 11.2)			
viii	Any possible delays or cost overrun in the implementation of the project it should be brought to the notice of the secretary to the Ministry of Finance and Planning through the relevant secretary in writing. Unless it is beyond the control of project director, he and his staff are liable for surcharge as per the Management Service Circular. Make sure action has been taken according to the above.	M.S. Cir. 33 (12.3)			

3. Project Performance.

Serial No.	Description	Reference	Observations	Clarifications For Observations	Evaluation
14.	<i>Project monitoring & progress</i>				
i	Monitoring and progress review system of the project should be established by the project management. Identify the systems introduced.	Relevant foreign aid agreement/ Memorandum of Understanding. Issued instructions and guidelines			
ii	Immediate responsibility for the performance and progress of the project is lying with the project management/ implementing unit. Check the adequacy and efficiency of the existing evaluation system and report the weakness if any and pointout further developments needed to the project management.				
iii	Project performance indicators to facilitate the project monitoring system should be established by the project implementing agency/ line ministry. Check the actual performance with the performance indicators and report to the management if there are any set backs.				
iv	Make sure that progress reports are prepared based on the criterea specified in the project documents by various responsible levels of the project.				
v	Project out put/s should be lined with the standerd established. Identify the standered introduced and make sure the complianceness with them.				
vi	Make sure that local and foreign consultants have been engaged in consulting works according to the conditions laid down in the project agreement.				
vii	Check whether project evaluation has been done on various stages according to the project cycle.				
viii	Check whether steering committee has been met regularly to evaluate the progress of the project.				
ix	If there is any deviation actuals from original cost estimates identify the reasons and back ground of such situations.				
x	If it is observed that project activities can not be completed within the given time frame identifies the reasons and back ground of such situations.				
xi	If there is any amendment made to the original action plan identify the reasons and back ground of such situations.				
xii	Any amendment made to the original activity plan or cost astimate should be done according to the project agreement. Or directions of steering commity. Check whether it has been done.				
xiii	If it is observed that any delay in the cash flow by obstructing the smooth run of the project activities identify the reasons and back ground of such situations.				
15.	<i>Accountability of the management</i>				
i	The duties and responsibilities of each entity that involved in project management process should be fixed at the project initiating stage. Check whether it has been done and work accordingly.				

ii.	Check whether the steering committee has paid its entire attention to the problems and issues arisen in the project management process or issues should be taken into consideration by the steering committee.				
iv.	Check the efficiency and effectiveness of actions taken by project management unit/s to implement the recommendations made by the project steering committee.				
16.	<i>Project procurement</i>				
i.	Make sure that the availability of approved procurement plan for the project and check whether it has been followed properly.				
ii.	Identify the procurement system introduced for the project and check whether the relevant guidelines have been followed properly.				
17.	<i>Project sustainability</i>				
i.	Identify the mechanism introduced to ensure sustainability of the project. Make sure the adequacy and efficiency of the system.				