



FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

**ONE WASH NATIONAL PROGRAM
CONSOLIDATED WASH ACCOUNTS**



FINANCIAL MANAGEMENT MANUAL

July 21, 2015

**FINANCIAL MANAGEMENT (FM) MANUAL FOR OWNP-
CONSOLIDATED WaSH ACCOUNTS**

ACRONYMS

AWP	Annual Work Plan
BPV	Bank Payment Voucher
BoFED	Bureau of Finance & Economic Development
CRV	Cash received Voucher
CMP	Community Managed Project
CPV	Cash Payment Voucher
COWASH	Community-Led Accelerated Water, Sanitation and Hygiene Project
CSOs	Civil Society Organizations
CWA	Consolidated WASH Account
EA	Environmental Assessment
EBA	Environmental Baseline Assessment
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EPA	Ethiopian Environmental Protection Agency
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
FGE	Federal Government of Ethiopia
FM	Financial Management
GTP	Growth and Transformation Plan
HEW	Health Extension Worker
H&S	Hygiene & Sanitation
IFR	Interim Financial Report
IDA	International Development Association
IBEX	Integrated Budget and Expenditure
IFAC	International Financial Accountant Committee
JV	Journal Voucher
M&E	Monitoring & Evaluation
MoE	Ministry of Education
MoFED	Ministry of Finance & Economic Development
MoH	Ministry of Health
MoU	Memorandum of Understanding
MoWIE	Ministry of Water, Irrigation and Energy
NGO	Non-Governmental Organization
NWCO	National WaSH Coordination Office
NWSC	National WaSH Steering Committee

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OD	Operational Directive
ODF	Open Defecation Free
OP	Operational Policy
OWNP	One WASH National Program
OWRP	One WaSH Regional Program
PAD	Program Appraisal Document
PFS	Project/Program Financial Statement
PMU	Program Management Unit
POM	Program Operational Manual
PPA	Public Procurement Agency
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
R-WaSH	Rural Water, Sanitation & Hygiene
RWCO	Regional WASH Coordination Office
RWMC	Regional WASH Management Committee
RWSC	Regional WaSH Steering Committee
WWTT	Regional WaSH Technical Team
T/CWB	Town/City Water Board
T/CWSC	Town/City WASH Steering Committee
T/CWTT	Town/City WASH Technical Team
ToFED	Town of Finance and Economic Development
UAP	Universal Access Plan
U-WaSH	Urban Water, Sanitation & Hygiene
WaSH	Water, Sanitation & Hygiene
WASHCO	WASH Committee (community level)
WDC	Woreda Development Committee
WCBU	WASH Capacity Building Unit
WIF	WASH Implementation Framework
WMP	Woreda Managed Project
WoFED	Woreda Finance and Economic Development Office
WPMU	One-WaSH Program Management Unit
WSA	Woreda Support Agent
WSC/WSG	Woreda WaSH Consultants
WSSU	Water Supply & Sewerage Utility
WWT	Woreda WASH Team
ZoFED	Zone of Finance and Economic Development

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PART I INTRODUCTION

1. Background

- 1.1.** The One WaSH National Program (OWNP) is the Government of Ethiopia's (GoE) main instrument for achieving the goals set out for WaSH in the Growth and Transformation Plan (GTP). The program was designed to be implemented in two Phases. Phase I is covering the period from July 2013 to June 2015 and Phase II from July 2015 to June 2020. Phase I of one WaSH, as is specified in the One WaSH national program, is designed to increase harmonization and alignment among and between development partners and the GoE. During this phase WaSH organizations and procedures are supposedly to be fully established and become operational at all levels. Plus during this Phase I, partners, including Civil Society Organizations (CSOs) are expected to increasingly align their targets, plans and activities with the program and strengthen coordination in planning, implementation, monitoring and reporting of all WASH activities amongst stakeholders at different levels. Any new WaSH programs or new phases of existing WaSH programs are also expected to align with the Program's principles, approaches and plans.
- 1.2.** OWN-Phase II will be either continuity or redesign. Continuity will consist completing the work that began in Phase I; that is a continuation of the institutional arrangements and implementation modalities of Phase I with some adjustments agreed during the comprehensive Midterm Review planned to take place at the end of 2015.
- 1.3.** If redesign, Phase II would have different policy priorities, targets, institutional roles and responsibilities and/or implementation modalities. Consideration can also be given to broadening the Program's scope to include such related activities as watershed and water resources management, productive uses of water, environmental protection, climate resilience, etc. Any such redesigns would also have to be identified and agreed during the Midterm Review at the end of 2015.
- 1.4.** The development objective of the program is to "increase access to improved water supply and sanitation services for residents in participating woredas, towns, and communities in Ethiopia".
- 1.5.** Based on the Program objectives and targets, this manual is designed to allow the establishment of a uniform system across the implementing agencies, to provide Financial Management Guidelines and procedures that will specify how financial transactions of the Program are recorded and reported by implementing agencies at Federal, Regional, and Towns/Woreda levels, from the initial identification of transactions to the final financial reporting. It discusses the detailed procedures in receiving fund (from all donors of WaSH), keeping the fund, spending it, recording the expenditures, reporting to the appropriate body and in safeguarding the assets acquired.
- 1.6.** The Manual has the following general objectives:

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- ✓ Outlining the various processes and procedures to be followed by all staff involved in the FM of the Program.
- ✓ Providing instructions to ensure that resources to be used are incorporated in the budget and adequate internal controls are in place to safeguard the use of funds during implementation.
- ✓ Aligning the program FM to financiers' guidelines.
- ✓ Outlining responsibilities among the key players of the various operational aspects of the FM system.
- ✓ Serving as a reference document for all parties involved in the implementation of the Program.

1.7. The FGE Accounting System's policies and procedures are the basis of this guideline. Codes are similar unless new account titles are required as a result of the unique system of the WaSH. Requirements of donors and financiers were reflected and materials of other government Programmes had been also considered wherever they are found valuable and appropriate for WaSH. This will assist smooth and consistent application of different Programmes, consolidation process, and wise utilization of already built up learning curves of the Government's accounting staff.

1.8. The manual considers the capacity of the accounting staff and offices of the implementing institutions at all level. It also provides guidelines for proper documentation and system of internal control that would assure sufficient audit for future reference of any interested organ. It incorporates valuable ideas and comments gathered from preceding Programmes' governmental implementation agencies, financiers of the Programmes and remarks of finance officers. It also provides directives for proper documentation and system of internal control that would assure sufficient audit trail for future reference, to any interested organ.

1.9. The content of the manual has been divided into five logical parts and include Institutional Arrangement, Financial Management, Procurement, Administration and Annexes and Introduction sections.

1.10. As MoFED/COCPU is responsible for FM, it is also the owner of this document and COPCU should approve any modification, alteration, or change to this document in consultation and consent of the World Bank.

PART II INSTITUTIONAL ARRANGEMENTS

2. Institutional arrangements for financial management

The Programme Operational Manual and the memorandum of understanding of the programme intensively discuss the institutional arrangement. In order to avoid duplication only those issues applicable to financial management are briefly in corporate Institutional arrangements for the flow of Programme funds from the federal level down to the Woreda level.

2.1. At federal level

2.1.1. National WaSH Steering Committee:

- ✓ Reviews and endorses the National one WASH Plan and Consolidated Annual WASH Plans
- ✓ Oversees the proper functioning of the M&E of the OWP
- ✓ Ensures the establishment and functioning of WASH structures at all levels
- ✓ Delegates management responsibilities to the Water Sector Working Group for the issues that can be handled with this capacity
- ✓ Fosters relationships with and elicit support from external and civil society development partners;
- ✓ presides over Annual Multi-Stakeholder Forum (Sector Review) and follow up on the implementation of undertakings;

2.1.2. Ministry of Finance and Economic Development (MoFED)

The role of Ministry of Finance and Economic Development (CPCU) is to ensure that Regional PMUs, Woreda Sector Offices and Town Water Boards have the directions, information, systems, skills and resources necessary to carry out their WASH mandate and achieve expected program results; and its responsibilities are shown as follows:

- ✓ Opens separate foreign currency accounts for each Development Partners and request and receives funds from each donor.
- ✓ Opens a pooled local currency (Birr) account (also referred to as the “Consolidated WaSH Account or CWAs”) and transfers Development Partners’ funds into the account,
- ✓ Transfers funds, on the basis of approved plans, budgets and reports, to local currency accounts opened by the WASH ministries (MoWE, MoH, and MoE) and the BoFED and also ensures timely transfers of resources to implementing entities.
- ✓ Ensures that adequate internal controls are in place and adhered to.
- ✓ Ensure that there is adequate capacity both at MoFED and implementing agencies to enable the timely submission of internal audit standard reports.
- ✓ Undertake timely external financial and procurement audits of the CWA on annual basis, paid by DPs, as well share reports, management letters, and plan of action on the audit recommendations within six months of the end of the fiscal year.
- ✓ Ensure timely submission of Reports on use of WASH funds including the outstanding balance; that is how much of the DPs money is left in the CWA and in the accounts of the

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- implementing agencies at the end of the reporting period to government, Development Partners and other stakeholders, and also establishes subsidiary ledgers for the CWA.
- ✓ Communicate with WASH sector ministries on WaSH funds and provide periodical update on WASH fund disbursement and settlement;
- ✓ Ensure timely disbursement and settlement of funds for Program activities.
- ✓ Ensure financial report from regions and Sector Ministries is disaggregated by major components and sub-components as outlined in the PAD.
- ✓ Contribute to preparation of consolidated National WASH plans and budgets;
- ✓ Ensure that Program activities, strategies and results are monitored, evaluated and reported within the WASH framework and systems.
- ✓ Recruit coordination with OFAG external auditor and ensure the program financial statements are audited by an external auditor.
- ✓ Direct and follow up with all implementing entities' that internal auditors conduct internal audits;
- ✓ Play an overall and overarching role of ensuring that actual performance is in line with budgets and any material deviations are explained.
- ✓ Fund management including querying and follow up of Regions and implementing entities that are not using resources for a long period of time to utilize the resource and account for.
- ✓ Collect reports from regions and federal level implementing entities and consolidate and prepare a program wide financial statements/reports on a regular basis and as required by stake holders; Collect and consolidate the financial reports from Regions and federal level implementing entities submit a quarterly Interim Financial Report to World Bank as per agreed deadlines;
- ✓ Play supervisory and support roles of ensuring that government rules and regulations are adhered in regards to accounting, internal control, treasury management, etc. including regular monitoring and evaluation and supervisory trips to entities as necessary to ensure that all is in order.
- ✓ Coordinate and lead FM capacity building trainings regularly to regional BOFEDs.
- ✓ Assist regions to identify their financial management gaps and provides them with the technical assistance or the capacity development they require;

2.1.3. WaSH Sector Ministries:

The WaSH sector ministries include Ministry of Water, Irrigation and Energy, Ministry of Health and Ministry of Education. The role of sector ministries is to ensure that Regional sector PMUs, Woreda and town Sector Offices have the directions, information, systems, skills and resources necessary to carry out their WASH mandate and achieve expected program results and their detailed responsibilities are shown below:

- ✓ Ensures that adequate internal controls are in place and adhered to including budget discipline.
- ✓ Reports on use of WASH funds to MoFED.
- ✓ Ensures timely replenishment of the Consolidated WASH Account.
- ✓ Review quarterly, semi-annual and annual reports and budget follow up of their respective Ministries and regional line Bureaus.
- ✓ Advise and assist respective Bureaus in the establishment of appropriate WASH structures at the Regional and Woreda level.
- ✓ Ensure establishment and staffing of regional Program management units in all sector bureaus.

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- ✓ Assists the Regional sector bureaus identify their program gaps and management deficits and provides them with the technical assistance or the capacity development they require.
- ✓ Builds linkages with and among the Regional sectors - sharing information, progress reports and best practices.
- ✓ Demonstrates and fosters the integration and harmonization of the OOWNP.
- ✓ Build linkages with and among regional sectors - share information, progress reports and best practices.

2.1.4. Water Resource Development Fund:

Coordinate and monitor the Federal Government's on-lending program for urban Water Supply and Sanitation sub-projects. Its responsibilities are:

- ✓ Responsible for appraisal of on lending Urban WaSH projects proposed by the regions
- ✓ Conduct final appraisal of project proposals and monitor implementation.
- ✓ Checks to confirm compliance of participating cities with the requirement of the appraisal criteria prior to design and construction financing is approved.
- ✓ Release funds to Cities Water Boards based on appraised projects and agreed financing schedule and upon submission of acceptable SOE and supporting documents based on payment advice from Regional OWRP.
- ✓ Prepare consolidated project financial statements and submits the same to MoWIE for consolidation with its own report and then for onward submission to MoFED.
- ✓ Submit its Entity-wide audited financial statements no later than six months after the close of each fiscal year to the MoWIE. In relation to the project/CWA financial statements, the Fund will coordinate with MoWIE and MoFED to have the activities audited as part of annual program audit.

2.2. At regional level

2.2.1. Bureau of Finance and Economic Development (BoFED):

The role of BoFED is to ensure that Woreda Sector Offices and Town Water Boards have the directions, information, systems, skills and resources necessary to carry out their WASH mandate and achieve expected program results. The BoFEDs' role and responsibilities are detailed as follows:

- ✓ Opens a Birr account and transfers funds, on the basis of approved plans, budgets and reports, to accounts of WoFEDs and ToFEDS.
- ✓ Ensures that adequate internal controls are in place and adhered to.
- ✓ Reports on use of WASH funds to MoFED and other stakeholders on time.
- ✓ Ensures timely replenishment of the resources and fund disbursement to implementing agencies (WoFEDs and ToFEDs) and RWCO through RWB.
- ✓ Oversee implementation of the regional WASH GTP;
- ✓ Communicate with WASH sector Bureaus on WaSH funds and provide periodical update on WASH fund disbursement and settlement.
- ✓ Ensure that funds transferred to Woreda and Town/Cities are based on plans and budgets approved by the RWSC and try to consider fair access to wash services in all woredas.
- ✓ Ensure timely disbursement and settlement of funds for Program activities.
- ✓ Ensure financial report from woredas and towns/cities is disaggregated by major components and sub components as outlined in the PAD.
- ✓ Contribute to preparation of consolidated Regional WASH plans and budgets.

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- ✓ Ensure that Program activities, strategies and results are monitored, evaluated and reported within the WASH framework and systems.
- ✓ Facilitate the annual program financial audit process in coordination with MoFED and provide necessary information & documents and address queries to the auditors;
- ✓ Direct and follow up all implementing entities' within it respective region that internal auditors conduct internal audits;
- ✓ Play an overall and overarching role of ensuring that actual performance is in line with budgets and any material deviations are explained.
- ✓ Fund management including querying and follow up of all implementing entities within the regions, towns and woredas that are not using resources for a long period of time to utilize the resource and account for.
- ✓ Collect reports from regional, woreda and town level implementing entities and consolidate and prepare a program wide financial statements/reports on a regular basis and as required by stake holders. This includes submission of consolidated regional quarterly financial reports to MoFED on time for the IFR preparation;
- ✓ Play supervisory and support roles of ensuring that the government rules and regulations are adhered at region level in regards to accounting, internal control, treasury management, etc including regular monitoring and evaluation and supervisory trips to entities as necessary to ensure that all is in order.
- ✓ Coordinate and lead FM capacity building trainings regularly to WOFEDs and TOFEDs
- ✓ Assist woredas and towns/cities to identify their financial management gaps and provides them with the technical assistance or the capacity development they require.

2.2.2. WaSH Sector regional bureaus:

This includes Bureau of Water Bureau of Health, and Bureau of Education each of the three Bureaus will establish an OWRP Management Unit (PMU) and ensures that the Town/city or Woreda WASH teams have the directions, information, systems, skills and resources necessary to carry out their WASH mandate and achieve expected program results; and their responsibilities are:

- ✓ Implement OOWNP at regional level.
- ✓ Ensures that adequate internal controls are in place and adhered to including budget discipline.
- ✓ Reports on use of WASH funds to BoFED.
- ✓ Ensures timely replenishment of the sector WASH Account
- ✓ Monitors implementation of WASH program of woredas and towns.
- ✓ Provides support to town and woreda WASH implementers.
- ✓ Budget follows up and report review of WASH program of woredas and towns.
- ✓ Ensures that program strategies, activities and results are monitored, evaluated and reported within the WASH framework and systems.
- ✓ Ensures that WASH inputs and activities for communities, schools and other institutions are effectively implemented and integrated into the OWRP at town/city and woreda levels.
- ✓ Assists Woredas or Towns/cities identify their program gaps and management deficits and provides them with the technical assistance and/or capacity development they require
- ✓ Procures goods and services on behalf of towns and woredas when complexity or critical mass so require;
- ✓ Builds linkages with and among Woredas and Town/City – sharing information, progress reports and best practices demonstrates and fosters the integration and harmonization of the OOWNP

2.2.3. Regional WaSH Steering Committee:

The overall role of the Steering Committee is providing program guidance and governance on behalf of the Regional State Council, and its composition shall include Water Bureau head (chairman); Bureau of Finance & Economic Development (Secretary); Bureau Heads of Health and Education, Chair of RWTT, a representative from Water Bureaus On invitation basis. Responsibilities of the committee are:

- ✓ Delegates program management responsibilities to the Regional WASH Technical Team
- ✓ Provides guidance and governance for the OWP on behalf of the Regional State Council;
- ✓ Reviews and endorses the regional WASH Plan and consolidated Annual WASH Plans
- ✓ Recommends WASH plans, budgets and resource allocations to the Regional State Council for approval;
- ✓ Oversees the proper functioning of the M&E of the OWP at regional level
- ✓ Fosters relationships with, and elicit support from, external and civil society development partners;
- ✓ Accountable to the Regional State Council and partner agencies for the achievement of expected WASH results
- ✓ Ensures the establishment and functioning of WASH structures in the region

2.3. At woreda level

2.3.1. Woreda Finance and Economic Development Office

The overall role of the office is to manage the Woreda WaSH budget in accordance to the approved Woreda WaSH plan and its responsibilities are:

- ✓ Opens a Birr account at Woreda level
- ✓ Ensures that adequate internal controls are in place and adhered to.
- ✓ Reports on use of WASH funds to BoFED and other stakeholders.
- ✓ Ensures timely replenishment of the Consolidated WASH Account
- ✓ Communicate with the Woreda Administrator and WASH team on WaSH funds and provide periodical update on WASH fund disbursement and settlement.
- ✓ Ensure timely disbursement and settlement of funds for Program activities.
- ✓ Prepare financial report disaggregated by major components and sub components as outlined in the PAD;
- ✓ Contribute to preparation of consolidated Woreda WASH plans and budgets.
- ✓ Ensure that Program activities, strategies and results are monitored, evaluated and reported within the WASH framework and systems.
- ✓ Facilitate the annual Program financial audit process in coordination with BoFED and ensure the woreda program annual financial statements are prepared and submitted to BoFED on time for the audit. Provide necessary information & documents and address queries to the auditors
- ✓ Direct and follow up all implementing entities' within it respective woreda that internal auditors conduct internal audits;
- ✓ Play an overall and overarching role of ensuring that actual performance is in line with budgets and any material deviations are explained.
- ✓ Fund management including querying and follow up of all implementing entities within the woredas that are not using the resources for a long period of time to utilize the resource.

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- ✓ Prepare program wide financial statements/reports on a regular basis and as required and ensure that they are submitted on time.
- ✓ Play supervisory and support roles of ensuring that the government rules and regulations are adhered at woreda level in regards to accounting, internal control, treasury management, etc.

2.3.2. Woreda WASH Steering Committee:

This committee is expected to play advocacy and guidance role for the implementation of the OWP should meet at least on a quarter basis. Its major responsibilities shall be as follows;

- ✓ Negotiates WASH targets and resource allocations with the RWTT
- ✓ Provides WWT with planning and budgeting parameters
- ✓ Endorses WWT requests for funds
- ✓ Assigns personnel to the Woreda WASH Team and selects Team Head.
- ✓ Assigns the Woreda WASH Coordinator and the Woreda WASH accountant
- ✓ Ensures timely, efficient and effective logistical, administrative and financial support to the WWT.

2.3.3. Woreda WASH Team:

The Woreda administration, where the WWT is not established and consists of minimally, the Heads of the Water, Health and Education Offices (or their substitutes) and a representative from WoFED – one of whom will be appointed Team Leader. Wherever possible the Woreda will contract: a full time Coordinator and full time accountant/clerk.

The role of the WWT is coordinates the input of Sector Offices to WASH implementation; and supports the day-to-day management of the Woreda OWP and is accountable for the achievement of expected results. Its responsibilities are:

- ✓ Prepares consolidated Woreda WASH plans (UAP and annual) and request timely the regional water/health bureau for financing.
- ✓ Reviews and recommends woreda WASH plans (UAP and Annual Consolidated WASH Plan) for inclusion in the Woreda Development Plan.
- ✓ Reviews and provides comment on the consolidated financial, physical and M&E reports.
- ✓ Review and monitor OWP implementation at woreda level.
- ✓ Budget follow up and report review of WASH program at Woreda level
- ✓ Manages annual WASH Inventory and M&E system and maintains woreda database/information system and ensures its annual update
- ✓ Reviews and prioritizes WASH plans proposed and submit to WoFED for review and recommendation for approval.
- ✓ Contracts and supervises training and technical services if and as required – e.g. Community Facilitators, Woreda Support Groups, etc,
- ✓ Supporting WASHCOs to become legal entities.
- ✓ Ensures sustainability of WASH services in collaboration with appropriate sector offices.
- ✓ Try to ensure fair access to WaSH services between Kebeles and communities.
- ✓ Ensure all funds allocated for WaSH is utilized for the intended purpose only.

2.3.4. Woreda WaSH sector offices (Education, Health and Water):

- ✓ Prepare work plan budgets for sanitation and hygiene education program.
- ✓ Prepare quarterly, bi-annual and annual progress reports and submit to the Woreda WaSH Team.

2.3.5. Town/City Finance and Economic Development Office:

The role of the office is to Plan and manage the overall OWP activities in the town/city and its responsibilities are:

- ✓ The offices will have similar financial management responsibilities as the Woreda Finance and Economic office does.
- ✓ Receives funds from BoFED and WRDF
- ✓ Set town/city goal in terms of WASH intervention.
- ✓ Determine and decide on the kind of WASH intervention proposed by the Town /city WaSH Team.
- ✓ Apply for grants and loans for development of WASH when necessary.
- ✓ Reviews and recommends town/city WASH plans (UAP and Annual Consolidated WASH Plan) for inclusion in the Town Development Plan
- ✓ Reviews and provides comment on the consolidated financial, physical and M&E reports.
- ✓ Budget follows up and report review of WASH program at town level.
- ✓ Reports to WRDF for the funds received (on lending) from the fund office following the reporting period.

2.3.6. Development Partners

Each of the CWA contributing Development Partners establishes individual arrangement compatible with the spirit and provisions of the POM and this FM Manual and refrains as far as possible, from setting conditions in the bilateral arrangements that contradict or diverge from the spirit of this FM Manual. In case of any inconsistency or contradiction between the provisions and conditions of this FM and any of the bilateral arrangements, the provisions of the bilateral arrangements will prevail. However, the donor will not be part of the CWA.

- ✓ The Development Partners base their actual support on the progress attained in the implementation of the OWP-CWA. Progress will be measured through the commonly agreed key performance indicators (KPIs) and quarterly financial reporting as described in this manual;
- ✓ The Development Partners ensure timely release of their commitments to the CWA in accordance with the bilateral arrangements and this manual;
- ✓ Every six months, CWA contributors jointly review CWA financed OWP performance and the physical and financial plan for the next fiscal year , including the draft procurement plan, and again commit their contributions for the following the fiscal year as per the plans prepared by the WASH sector Ministries and endorsed by the Chair of the National Steering Committee(NSC);
- ✓ CWA contributors cooperate and communicate with each other fully and in a timely manner on all matters relevant to the implementation of the CWA financed OWP;

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- ✓ CWA contributors share all information on aid flows, technical reports and any other documentations/initiatives related to the implementation of CWA financed OOWNP and relevant to the support; and
- ✓ Development Partners do not bear any responsibility and/or liability to any third party with regard to the implementation of the CWA financed OOWNP.
- ✓ DPs led by the World Bank will oversee the FM aspects of the program including reviewing and clearing Financial Report Review, Audit Report, implementation support and conducting supervisions (to ensure compliance with agreement covenants and FM arrangements have continued as agreed & are sound).

PART III FINANCIAL MANAGEMENT ARRANGEMENTS

3. Financial management and disbursement procedure

3.1. Introduction

- 3.1.1.** This section of the Financial Management Manual is designed to provide financial guidelines and procedure specifying how planning and budgeting are processed, Financial transactions of the Program are recorded and reported by implementing agencies at federal, regional, and woreda levels, including town administrations. It discusses the procedures for receiving funds from Development Partners (DPs), the required books to be kept, keeping the funds, spending them, recording the expenditures, reporting to the appropriate entities, and safeguarding the assets acquired.
- 3.1.2.** This FM section sets forth the Program financial policies and procedures for the guidance of all personnel including those charged with financial responsibilities with the aim of ensuring that Program resources are properly managed and safeguarded. The FM system is instituted to ensure that the funds are used for purposes intended in an economic and efficient manner. It should enable the production of timely, understandable, relevant, and reliable financial information that allows DPs, the government, and other stakeholders to plan budget and implement the Program, monitor compliance with agreed procedures, and appraise progress toward its objectives. To meet these requirements, the system will have the following features:
- ✓ *Budgeting.* A system to identify the short-term activities necessary to achieve the Program objectives and express these activities in financial terms.
 - ✓ *Accounting.* A system to record, analyses and summarize financial transactions.
 - ✓ *Funds flow arrangements.* Appropriate arrangements to receive funds from all sources and disburse the funds to the agencies involved in Program implementation.
 - ✓ *Internal control.* Arrangements, including internal audit, to provide reasonable assurance that (a) operations are being conducted effectively and efficiently and in accordance with relevant financing agreements; (b) financial and operational reporting are reliable; (c) applicable laws and regulations are being complied with; and (d) assets and records are safeguarded.
 - ✓ *Reporting.* A system that would produce sufficient detailed information to manage the Program, and provide each donor with regular consolidated interim financial reports and annual consolidated financial statements.
 - ✓ *External audit.* Arrangements for conducting annual external audit of the consolidated financial statements for the sector on terms of reference acceptable to all the stakeholders.
 - ✓ *Financial management staffing.* Relevantly qualified financial management staff, including accounting and internal audit staff, with clearly defined roles and responsibilities to conduct financial management activities.

3.2. Planning framework

One WaSH Plan means that all major contributors (government, Development Partners, NGOs and communities) agree to be a part of a single comprehensive national WaSH program. The One Plan is built out of Strategic Plans and Annual Plans that are developed at each level and are linked to one another.

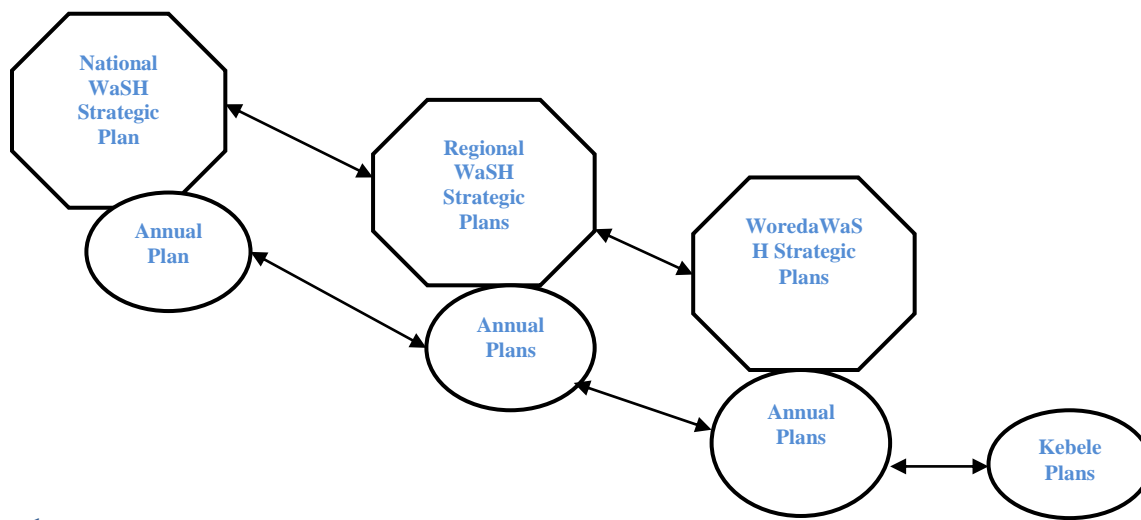


Figure 1

Strategic Plans: Strategic Plans have time frame in line with the period of the national development plan of the country and include goals, targets, strategies, resources and key activities.

Annual Plans: Annual Plans have a one-year time frame that translate the priorities of the Strategic Plan into a set of practical activities, detailed schedules, budgets and specific outputs or results directly relating to GTP targets. The Annual Plan is operational.

Both Strategic and Annual Plans are linked to resource mapping (of all anticipated financial and human resources) and to other plans (strategic-to-annual & from one level-to-next level); Approved - by the relevant federal/local government authority; and Comprehensive – covering all WaSH activities of all implementers Consistent - with the Strategic Planning & Management approach

One WaSH Plan means that all major WaSH activities of all implementing agencies, at each level, are included in one composite plan. The Consolidated WaSH Account Plan which is built by the woreda, regional and federal WaSH structures is central to the Composite WaSH Plans. As NGOs are part of the composite plan, they are responsible to share information on the resource that they are allocating for various activities in the sector. However they are not expected to contribute to the CWA.

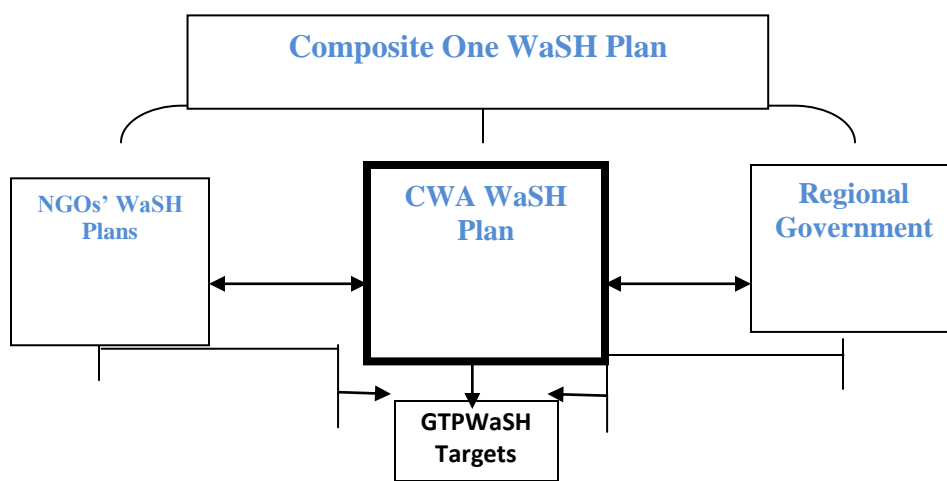


Figure 2

3.2.1. Strategic Plans

Strategic plans should be prepared at the national, regional, zonal and woredas levels. All plans must be linked and mutually consistent with one another. Ideally, kebeles should produce Strategic Plans, especially with regard to schools and health facilities. However, limited capacity at kebeles level makes this unrealistic in most cases.

Producing Strategic Plans is a three step process, consisting of, baseline establishment, target identification and resource mapping:

- ✓ Targets - The targets that prevail in the WaSH Program are those of the Growth and Transformation Program. These are calculated over the remaining 5-year period in the Universal Access Plans and the program life span of the Water and Health Ministries. Targets are adjusted annually based on data from the WaSH Inventory and the results of Resource Mapping i.e. the availability of funds
- ✓ Baseline - A second critical step in planning is to establish a reliable baseline to determine, as precisely as possible, what the current level of achievement is. Where we are now in relation to the targets that need to be achieved? What is the starting point in our Plan?
- ✓ Resource mapping - A third essential planning step is mapping the financial resources that can be reasonably expected to be available to support the WaSH program. This mapping involves all funds from all sources that are committed, or likely to be committed, to WaSH activities and investments. A major portion of these funds come from Development Partners contributions to the CWA and from government programs¹and grants². However, civil society organizations are also major partners in, and contributors to, the WaSH program.

¹ Government programs such as the Food Security (Productive Safety Net) Program invest large amounts in WaSH activities. These investments must be taken into account in WaSH planning and reflected in WaSH budgets.

² Regions and woredas may choose to commit a portion of their block grant to the National WaSH Program.

It is also essential that, in the resource mapping exercise, to factor the possible resource that could be generated internally through community contribution and other means of mobilization are taken into account in program planning.

3.2.2. Annual Plans

Once WaSH Strategic Plans are finalized, the next step is to prepare Annual WaSH Plans and budgets at each level. Annual WaSH Plans show how the broader objectives, priorities and targets of the Strategic Plans are translated into practical activities and detailed budgets. Annual WaSH Plans are operational. Developing annual plans requires consultation at every level with major stakeholders including relevant government institutions, Development Partners, NGOs and, at the woreda and Kebele levels, with the community. WaSH annual planning is done in two stages:

- ✓ Core Planning (August through November) establishes annual targets/outputs and CWA plus budget ceilings
- ✓ Annual Work Planning (December through February) adds the specifics - activities, assignments, schedules and proposed expenditures from all sources.

WaSH implementing agencies draft Core Plans (physical and financial) using a common format provided by the NWCO. When approved, the Core Plans serve as the basis for building detailed Annual WaSH Work Plans – again, using a common format. Approved WaSH AWP are subsequently built into the Development Plans at each administrative level.

3.3. Budget process and budgetary control

3.3.1. Budget Preparation

The Program Budgeting takes place following the GoE budgeting regulations, procedures and budget calendar as per designed by MoFED. Sector ministries and Regional Sector Bureaus will be responsible for preparation and requesting WaSH Budget based on forms and procedures designed by MoFED. Sector Ministries and Regional sector bureaus will be responsible for preparation and requesting WASH budget. It is based on a comprehensive resource mapping of all resources available to WASH at the given level, i.e. federal, regional, zonal or woreda/town. The basis for annual WASH budgets is based on approved annual plans, prepared at each level according to a common planning format provided by the NWCO.

Budgeting is structured around a two ways process:

- ✓ a downstream process from the federal level down to the regions and then to the woredas, and towns
- ✓ An upstream process starting at the Woredas and towns and moving upwards to the woredas then to the regions and the federal level.

Each Regional sectoral bureau will collect all the budget requests from each Woreda and towns and consolidate them based on the approved work plan and submit to the Federal PMUs.

Each Implementing Agencies is required to prepare a work plan, along with a related budget for each budget year, and send it to NWCO for review, approval and consolidation. NWCO

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will prepare a consolidated budget Ceiling and notify the sector WaSH Ministries to include in their annual budget and submit this to MoFED for approval. Fund transfers by MoFED will be based on approved work plan and budget.

Accordingly, the following steps shall be followed for the annual budget process, at all levels of government.

3.3.2. Budgeting at Federal Level

The budgeting process begins with the announcement of MoFED in coordination with NWCO (which is based at MoWIE) of the ceiling for WASH budget to MOH, MoE, MoWIE and BoFED.

- ✓ Based on the ceiling and the approved annual WASH plan the federal ministries of Water, Irrigation and Energy, Ministry of Education and Ministry of Health will identify the budget requirement for federal management and federally implemented WASH activities and submit this through the NWCO to the NWSC. In addition, the NWSC through NWCO will coordinate the budget preparation process of the three sector ministries. The NWCO (own) budget will be allocated through the MoWIE.
- ✓ The NWSC through the MoWIE will inform regions the WASH targets for the fiscal year. MoFED and MoWIE will provide the Regions with indicative CWA budget ceilings. The NWCO will guide regions and sector ministries on strategic issues and will receive the final work plans and budget from all. The NWCO will consolidate the final budgets (that includes federal and regional level CWA budgets) and will have them approved by the NWSC.
- ✓ The NWCO through the MoWIE notifies the development partners, including the World Bank, of the annual plan and budget, and seek their No Objections (thus agreement should be reached with donors);
- ✓ The three sector ministries submit their annual consolidated WASH budget, approved by the Steering committee, to MoFED. At federal level, the NWSC will approve national WaSH plan and budget taking into consideration the regional WaSH plan, federal sector ministries plans, commitments from development partners' (the DP contribution for the national WaSH intervention for the fiscal year), ceilings etc.

3.3.3. Budgeting at Regional Level

- ✓ The NWSC through the NWCO will inform regions the WASH targets for the fiscal year. MoFED and MoWIE will provide the Regions with indicative CWA budget ceilings.
- ✓ In allocation of Regional WASH funds to the woredas, the RWSC shall try to follow the policy of 30% for hygiene and sanitation and 70% for water, but the actual annual budget at woreda level will be defined based on the needs and demands of the citizen in the annual planning stage.
- ✓ RWCO will prepare regional consolidated annual WASH plan based on the regional targets, woreda and town WASH plans and regional sector bureaus plans. This will be the basis for the budgeting process. They will consolidate the regional plan based on aggregated woreda and town plans including regional WASH activities. The RWCO will have the budgets approved by the RWSC.
- ✓ The regional sector bureaus then will prepare their annual budget/resource request and submit to BoFED.
- ✓ The RWCO budget will be allocated through the Regional Water Resource Bureau.

3.3.4. Budgeting at Woreda Level

- ✓ WWT will prepare annual WASH plan based on a clear and transparent need based planning criteria that prioritize areas of great interest which will eventually be approved by the Woreda Council.
- ✓ The basis for annual WASH plans is the woreda WASH targets from the region and the available financial resources.
- ✓ The woreda sector offices will prepare their WASH annual budget based on the budget ceilings provided by WoFED.
- ✓ The sector office budgets will be submitted to WoFED. The WWT will coordinate the budget preparation process.
- ✓ WoFED, with its recommendation submits WASH budget for approval by Woreda Council.

3.3.5. Budgeting at Town Level

- ✓ In towns there are two major WaSH structures: Water Utilities and WaSH Technical Team.
- ✓ Their activities are coordinated by the City council/the board. The budgeting process follows the same pattern.
- ✓ The town water board (responsible for the water utility) will prepare annual capital budget for water supply improvement and will be submitted to town finance and economic development office.
- ✓ The health and education office will also submit their annual budget to town finance and economic development office.
- ✓ The town finance and economic development office will prepare the aggregate WASH budget and submit to City council for approval.
- ✓ The city council will again submit the aggregate budget to the regional BoFED for final approval by the regional council.

3.3.6. Budget Procedures for OWP

The following are the procedures for developing the Annual Work Plan and Budget for the program:

- ✓ The Annual Work Plan and Budget preparation and submission date will follow the government budget calendar and the timelines; indicated under budget calendar section below.
- ✓ The program budget preparation will follow the government budget preparation schedule. The budget approval process for WaSH budget will also follow existing government regulation while the Development Partners component is budgeted at federal level the government contribution will be budgeted at respective institutional levels of government.
- ✓ The CWA budget for ONE-WaSH (including the regional budget) shall be proclaimed at the federal level under the name of the three WASH sector Ministries, disaggregated by regions and components under each entities. The budget code given for ONE-WaSH shall remain unchanged throughout the Program life. The annual CWA budget for ONE-WaSH will be included in the Federal Government's annual budget for each fiscal year.
- ✓ The annual budget should be broken down into quarters to enable the preparation of Interim Financial Reports.
- ✓ Dissemination of the approved annual budget will be made by MoFED to Federal Ministries and Regions before the start of the fiscal year for which the budget relates to. At the

- Regions the approved annual budget will be made by BoFED to regional sectoral Bureaus and WoFEDs, ZoFEDs, and ToFED before the start of the year as well.
- ✓ The Budget Proclamations would list the CWA budget ONE-WaSH as a special purpose grant as distinguished from the general block grant – so that these funds can only be used for the purpose of the program.
 - ✓ The program funds (the CWA budget of One WaSH funds) would be passed on from MOFED to Regions and from Regions to Woredas as a non-offsetting grant (to ensure that these are treated as additional resources).
 - ✓ In order to achieve targets set out in the Program Appraisal Document, it will be necessary for ONE-WASHCWAs to identify and cost the inputs required to achieve deliverables. Some of the inputs will recur every year, and should be categorized according to the Program document. The Category includes the following:
 - Goods;
 - Works
 - Consultancy Services;
 - Non-consulting service
 - Training & workshop and;
 - Operating Costs including M&E and capacity building;

3.3.7. Program component

The OWP has mainly 3 components: 1) Rural WaSH, 2) Urban WaSH, and 3) Program Management and Capacity Building.

- ✓ **Rural WASH: Agrarian and Pastoralist:** This component finances rehabilitation of existing and construction of new conventional community water points and water supply schemes, technical support of self-supply, supporting sanitation activities including improvement of household and institutional hygiene and sanitation.
- ✓ **Urban WASH:** The component aims to improve access to water supply and sanitation services in urban areas. This component finances rehabilitation & reconstruction of urban water production, treatment and distribution systems. It also finances preparation of urban sanitation strategies and implementation of priority sanitation investments in beneficiary and activities to strengthen the capacity of participating water boards/committees and operators to effectively manage their water supply and sanitation facilities.
- ✓ **Program Management and Capacity Building:** This component includes support to improve skills and capacity of the program's organizations and implementing parties at all levels to plan, manage and monitor program activities through training, post-construction management support, equipment and tools provision, and monitoring and reporting support. The Program will support minimum staffing and resource requirements necessary to effectively implement the Program at all levels.

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Table 1: Estimated cost of Program Components

No.	Component name	Total Est. cost (million USD)	Financing from million USD)				
			AfDB	DFID	GOE	UNICEF	WB
A	Rural WASH	243.15	59.5	69.8	23.8		82
B	Urban	121.69	-	32.9	11.8	-	85
D	Program Management and Capacity Building	35.72	13.0	9.2	3.5	-	10
	Total	400.56	72.5	111.9	39.1	10	177

Note: - financing from government is estimated contribution from the urban and rural beneficiaries; which in kind.

The subject of this manual– the CWA finances three components: 1) Rural WaSH, 2) Urban WaSH, and 3) Program Management and Capacity Building. Description of these components including detail of activities to be financed under each component is explained in the project appraisal document. During implementation, users need to refer to this document when they required information about project components and activities to be financed under each component.

The annual Program expenditure is to be further allocated according to the Program components. Budgeting is structured in line with the major components and sub-component depicted as follows.

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Table 2: One-WASH Budget Structure

No.	Institution	Sub-Agency	Component	Sub-Component	Code	Budget
1	Ministry of Water, Irrigation and Energy					
		Federal (MoWIE, MoH, MoE)				
			Rural			
				Water Supply Service		
				Water Sanitation and hygiene promotion		
			Urban			
				Water Supply Service		
				Water Sanitation and hygiene promotion		
			Program management and capacity building			
				Program Management Capacity BUILDING		
		Regional				
		Tigray				
			Rural			
				Water Supply Service		
				Water Sanitation and hygiene promotion		
			Urban			
				Water Supply Service		
				Water Sanitation and hygiene promotion		
			Program management and capacity building			
				Program Management Capacity Building		
		Afar				
			Rural			
				Water Supply Service		
				Water Sanitation and hygiene promotion		
			Urban			
				Water Supply Service		
				Water Sanitation and hygiene promotion		
			Program management and capacity building			
				Program Management Capacity Building		
		Amhara				
			Rural			
				Water Supply Service		
				Water Sanitation and hygiene promotion		

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No.	Institution	Sub-Agency	Component	Sub-Component	Code	Budget
1	Ministry of Water, Irrigation and Energy					
			Urban	Water Supply Service		
				Water Sanitation and hygiene promotion		
			Program management and capacity building	Program Management Capacity Building		
Oromia						
			Rural	Water Supply Service		
				Water Sanitation and hygiene promotion		
			Urban	Water Supply Service		
				Water Sanitation and hygiene promotion		
			Program management and capacity building	Program Management Capacity Building		
Somali						
			Rural	Water Supply Service		
				Water Sanitation and hygiene promotion		
			Urban	Water Supply Service		
				Water Sanitation and hygiene promotion		
			Program management and capacity building	Program Management Capacity Building		
SNNPR						
			Rural	Water Supply Service		
				Water Sanitation and hygiene promotion		
			Urban	Water Supply Service		
				Water Sanitation and hygiene promotion		

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No.	Institution	Sub-Agency	Component	Sub-Component	Code	Budget
1	Ministry of Water, Irrigation and Energy		Program management and capacity building	Program Management Capacity Building		
		Harari	Rural	Water Supply Service		
			Urban	Water Sanitation and hygiene promotion		
			Program management and capacity building	Water Supply Service		
				Water Sanitation and hygiene promotion		
		Diredawa	Program management and capacity building	Program Management Capacity Building		
			Rural	Water Supply Service		
			Urban	Water Sanitation and hygiene promotion		
			Program management and capacity building	Water Supply Service		
				Water Sanitation and hygiene promotion		
			Program management and capacity building	Program Management Capacity Building		
				Program Management Capacity Building		
	Ministry of Finance and Economic Development		Program management and capacity building	xxxxxx		

3.3.8. Budget Calendar

- 3.3.8.1.** The OOWNP planning cycle including this CWA program follows the Ethiopian Government Financial Year which begins in July and ends in June. Planning occurs before the new Financial Year in order to release funds in early July. Specific dates for key stages of the planning and budgeting process are given in annex of this manual.
- 3.3.8.2.** These dates must be followed accurately and have no flexibility. It is the responsibility of managers at each level to ensure this is the case. Failure to meet the deadline risks delaying funds arrival.

3.3.9. Budget Revision

- 3.3.9.1.** Revision to an agreed and approved plan and budget should not be easily allowed. Neither will inter- component budget transfer be permitted in the program (unless the project is formally restructured by the GoE with the agreement of the World Bank). However; there could be good causes to consider changes and budget transfers among activities in a given component. It is therefore essential that there should be procedures to govern such changes.
- 3.3.9.2.** When such a change is considered absolutely essential, the revision of work plan and budget together with procurement and training changes that may be required need to be recommended by the Woreda cabinet to the regional technical and steering committees for submission to the federal level technical and steering committees through NWCO for approval.
- 3.3.9.3.** Such revisions at sub-national levels will generally be allowed only once in a fiscal year. The region has the right to reject the proposition from a Woreda without consultation with the appropriate federal level authority. Budget transfer application for approval is accepted only if the proposal is submitted within the first two quarters of a fiscal year.
- 3.3.9.4.** The plan & Budget including a consistent Procurement Plan should be cleared by the Bank before commencement of any disbursement.

3.3.10. Budget control

- 3.3.10.4.** The purpose of budget control is to ensure: Expenditures are incurred only if there is an available budget and also Actual expenditures does not exceed budgeted expenditure
- 3.3.10.5.** The budget should pass through different ladder for approval. Moreover, there might be additions and reductions to the already approved budget, on due courses of operations. The control process should ensure records are updated for all variables affecting the balance of the budgets. Budget control is achieved through a combination of commitment accounting and expenditure approvals. All engaged in the budget execution process are responsible for ensuring that all spending are in accordance with the budget.
- 3.3.10.6.** Provision is made in the WaSH structure for each of the governmental Implementing Agencies to have their own accounting staff to administer WaSH funds on a permanent and/or contractual basis at MoFED and BoFED level. MoFED, BoFED and WoFED are responsible for financial reporting using IBEX system; the WASH structures will be primarily responsible for monitoring WASH implementation and provision of guidance to implementers.
- 3.3.10.7.** MoFED, BoFEDs and WoFEDs are responsible for recording, maintaining and controlling WaSH budgets at the federal, regional and woreda levels respectively. MoFED ensures that sufficiently trained personnel are in place to handle the financial management requirements at each level.
- 3.3.10.8.** Implementing entities receiving resources are also responsible for budget discipline and control to insure that activities are primarily budgeted and expended as well as reported.

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- 3.3.10.9.** Budget control is exercised to ensure that WaSH funds are being spent as planned with respect to categories, cost, timeliness and value for money. Primary responsibility for budget control in WaSH is with the WaSH accountants. However, managers at each implementing entity receiving resources at each level (WWTs, RWTTs and the NWTT including the Woreda Sector Offices, Regional WaSH Sector Bureaus and the Federal WaSH Sector Offices and etc) will review on a monthly basis the financial reports prepared by the accountants and take whatever action may be required to ensure effective budget control. The main tools will be budget codes, ledger cards, and budget tracking.
- 3.3.10.10.** Budgetary control consists of (a) establishment of budgets for each functional responsibility, identifying income to be achieved and expenditure to be incurred in order to meet the agreed objectives of ONE- WaSH, (b) continuous comparison of actual with budgeted results, and (c) action resulting from this comparison, either to ensure adherence to the defined objectives or to agree on some modification of the original plan.
- 3.3.10.11.** The budget control helps to ensure that: expenditure is committed or incurred only if there is an available budget, and actual expenditure does not exceed budgeted expenditure. The main tools for budget control will be budget codes, ledger cards, and budget tracking
- 3.3.10.12.** As explained above, the Program budget should pass through different ladders for approval. Moreover, there may be additions or reductions to the already approved budget during the course of the operations. The control process should ensure that records are updated for all variables affecting the balance of the budgets.
- 3.3.10.13.** The annual budget should be broken up into quarterly budget to facilitate preparation of quarterly Interim Financial Report (IFR). The finance unit in each of the implementing agencies receiving funds for program implementation will be responsible for preparing monthly budgetary control statements comparing actual with budgeted results and ensuring that explanations are obtained from the responsible officer on the variances. Heads of the respective agencies are responsible for examining the control statements and providing appropriate remedial action.
- 3.3.10.14.** To sum up budget control will be at: (a) transaction level where accountants check for availability of budget before payment is approved- this is at the payment process and it is here that chart of accounts mapped to budgets help to identify activities (b) at system level – when recorded in the accounting system (IBEX or manual) or off the system there should be continuous checking of budget and actual (budget codes, budget cards and commitment controls are part of this) and finally (c) through Reports to internal and external stakeholders (IFRs, management reports, reports to users) all should be able to report on budget utilization including variances and analysis of variance and explanations there of which should be leading to actions to take mid-way correction to the budget or performance or both.

3.3.11. Budget Codes

- 3.3.11.1.** In the government accounting system, the coding system starts from budgeting. In the process of budget preparation, all the recipients of the fund from MoFED are identified with specific budget code. That code is basic to understand how much budget is allocated to a public body for the budget year.
- 3.3.11.2.** Transfer to the public body shall be made under the code identified in the budget proclamation and the recipient of the budget is responsible to account for the budget it has received. The institution code for budget and the expenditure shall be the same for a recipient. Using that code, it is possible to produce a report for the transfer, expenditures and the fund balance of a recipient.
- 3.3.11.3.** The budget code presented on Table 6 shall remain the same throughout the life of the program, as change of codes from year to year shall hinder preparation of reports consistently in addition to problems in consolidation, analysis and comparisons.

3.3.12. Budget/ Expenditure Subsidiary Ledger Cards

- 3.3.12.1.** Budget ledger card should be maintained for each item of expenditure with approved. The Budget /Expenditure Subsidiary Ledger Card serve two purposes:
 - ✓ Maintains the adjusted budget and commitments against the budget, and
 - ✓ Maintains a record of total expenditure by item of expenditure for each Budgetary Institutions by source
- 3.3.12.2.** Described below is the purpose and process for completing the budget function of the Budget/Expenditure Subsidiary Ledger Card. The purpose for the budget function of the Budget/Expenditure Subsidiary Ledger Card is to maintain a continuous and updated record for each budgeted item of expenditure by Budgetary Institutions and source of finance with respect to:
 - ✓ The approved budget is the detailed breakdown of the appropriate budget by sub-agency or project and source of finance.
 - ✓ The approved budget for each expenditure item shall be posted to the budget ledger cards that will be maintained by the accountants. Approval of the accountants shall be obtained before the accounts section makes any payment.
- 3.3.12.3.** Additions/Reductions to the Approved Budget - During the year, the approved budget may be revised in two ways:
 - ✓ Budget supplement. A budget supplement is an additional appropriated budget.
 - ✓ Budget transfers, when the addition is made to the budget of one Public Agency and the reduction is made to the budget of another Public Agency, and changes, when transfers of budgeted expenditure are made from one item of expenditure to another within the same Budgetary Institution.
- 3.3.12.4.** Adjusted Budget-The adjusted budget means the appropriated budget adjusted for additions to and/or reductions from the appropriated budget. The adjusted budget is the benchmark for budget control, as an item of expenditure must not exceed its adjusted budget.
- 3.3.12.5.** Commitments: A commitment is a way of marking off part of the budget that has not yet been spent but that is obligated for a specified expenditure.

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- ✓ A Budgetary Institution may enter into contracts or issue purchase orders. These obligations to spend money are commitments, that is, before the good or service is ordered and before the payment is actually made, the amount of the purchase order is subtracted from the BI's approved budget.
- ✓ A commitment is a tool that prevents overspending by identifying amount committed to pay for items that have been requested but not yet ordered and to determine the budget that is available for expenditure.
- ✓ The commitment Balance is updated by adjustment to show budget that is not committed.
- ✓ Let us illustrate how implementing agencies can use the budget card. Assume that the budget ledger card is maintained by Oromia region.

Example 1:

- ✓ Transaction-1 the approved budget for contracted professional service is Birr-800,000.
- ✓ Transaction-2 A Birr 350,000 contract is signed with a local consultant.
- ✓ Transaction-3 No payment is made. Birr-400,000 is received from MoFED.
- ✓ Transaction-4 Birr-100,000 is paid to a second consultant as advance payment.

In thousands Birr

Table 3: Budget/Expenditure Recording

	<i>Approved budget</i>	<i>Addition to budget</i>	<i>Reduction to budget</i>	<i>Revised budget</i>	<i>Payment received</i>	<i>Unpaid balance</i>	<i>Commitment</i>	<i>balance</i>
<i>Transaction one:</i>	800			800		800		800
<i>Transaction Two:</i>							350	450
<i>Transaction Three</i>					400	400		
<i>Transaction Four:</i>							100	350

- 3.3.12.6.** The accountants of the program shall extract the approved revised budget for each item of expenditure from the budget ledger card. Expenditure to date is also extracted from the same ledger and put in the budget tracking report. Comparison is made between the two and a third column showing the budget balance. The budget balance shall be normal, under spent or over spent.
- 3.3.12.7.** The accountant shall give comments on the budget balance in bullet points to give warnings to the budget users. The accountant shall agree the report by signing on the face of it. The report shall then be circulated to the procurement officer, the section that follows up the program and the head of the implementing agency on the basis of which they can take appropriate corrective action.
- 3.3.12.8.** In regions, BoFEDSs are responsible for the financial management function. The preparation of budget tracking report is therefore the responsibility of BoFEDs. The circulation of the report will be to the above-identified three officers of the implementing agencies.

Example 2:

- ✓ A Woreda has an approved budget for Birr 100,000 for Office supplies. The Procurement Section approves a purchase order for Birr 75,000 for purchase of the supplies. The purchase order of Birr 75,000 represents a commitment although it has not yet been paid for. The remaining budget available now on stationery is Birr 25,000.
- ✓ Also consider another purchase order for Birr 45,000 for purchase of supplies is also approved. The new purchase order of Birr 45,000 represents another commitment. However, as the remaining budget available for expenditure on stationery is Birr 25,000 the expenditure is not approved for execution.
- ✓ Each time a commitment is made, it is checked to ensure that there is a budget available to meet the proposed expenditure. The remaining balance of the available budget is checked in the budget expenditure subsidiary ledger card. The evidence of a commitment may be a combination of the following:
 - Performa invoice or Purchase Order
 - A contract or a letter or minutes of a meeting
 - Journal Voucher or Payment Voucher

3.3.12.9. Occasionally, a commitment may be cancelled/revised. In such cases, the change should be recorded in the budget expenditure subsidiary ledger card to amend the commitment and the uncommitted balance.

3.3.12.10. Every payment should be approved by the accountants before any kind of payment is effected by the account section. The accountants should only approve expenditure if payment request does not exceed the appropriate budget.

3.4. Fund flow and disbursement arrangement

3.4.1. Fund Flow Arrangements:

3.4.1.1. WaSH resources will flow to federal and regional beneficiaries through the existing government fund flow arrangement. Under this arrangement, each administrative level, the specialized Finance bodies, control the release of funds and report upwards on their utilization.

3.4.1.2. The Ministry of Water Irrigation and Energy, and implementing agencies have a special role in formulating and supervising the Program budget, the disbursement and accounting functions remain with MoFED, BoFEDs and the WOFEDs. Funds will move from the CWA Accounts and will be forwarded to the beneficiaries/implementing agencies, based on the budget approved by the WaSH Steering Committee at their respective levels and agreed disbursement plan.

3.4.1.3. As part of OWN-CONSOLIDATED preparation, the Government and participating Donors would agree on the CWA program to be undertaken, separately identifying activities to be financed by the Government and DPs as per annual work plans and budgets. Each quarterly Interim unaudited financial report will show the relative financing of the expenditures by CWA contributing partners. By approving the reports, the WB and DPs are approving the proportion of expenditures to be financed as well

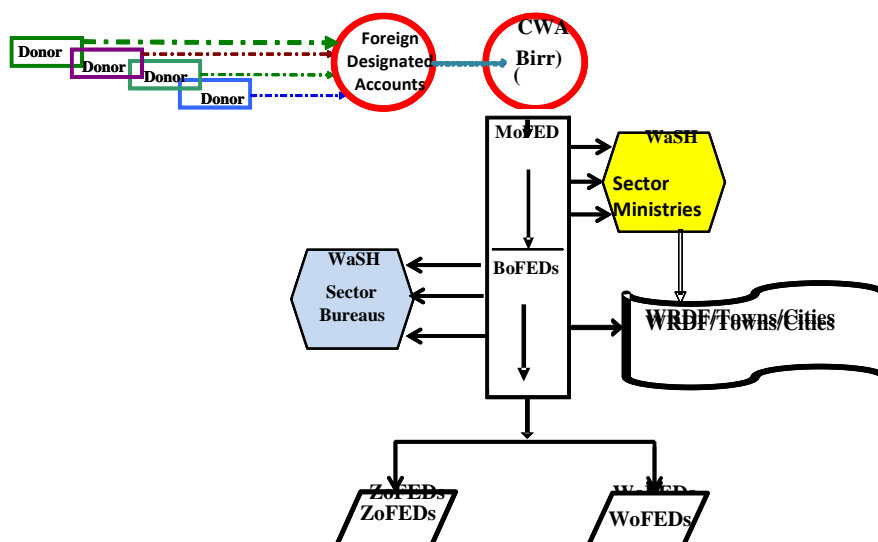
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as the proportions future advance (i.e. the allocations to donors of both the expenditure and future fund request). The fund flow arrangements would typically work as follows:

- ✓ Separate foreign currency Designated Account managed by MoFED at the National Bank of Ethiopia on terms and conditions acceptable to IDA will be opened to receive resources from IDA. Similarly for each DP, separate designated account managed by MoFED at the National Bank of Ethiopia will be opened to receive resources from each DP.
- ✓ Other Disbursement mechanisms will also be applicable (i.e. direct payment, Reimbursement and Special Commitment).
- ✓ Resources will also be transferred from the designated accounts to **pooled** CWA Birr Account to be managed by MoFED. It is important to maintain subsidiary ledger for fund transferred to the CWA to identify the DP whose fund deposited or disbursed into the CWA.
- ✓ MoFED transfer funds to regions (BoFED) and to Federal Sector ministries (MoWE, MoE, MoH), according to agreed budgets, procurement plans, and work plans for CWA as well as the rate of utilization.
- ✓ BoFED transfer resources to Woredas/WoFED, Zones, Towns and BoWE, BoE, BoH,
- ✓ The fund flow to each implementing entity will be according to Annual work plan and budget.
- ✓ Disbursement to designated account is on the basis of quarterly IFRs, disbursement proportion agreed among CWA partners and bilateral agreement with CWA contributing partners. .
- ✓ Indicative Financing shares of partners for the annual work plan and budget will be communicated during/prior to the preparation of the plans. However, definitive financing proportions will be determined based on IFRs on the basis of various parameters. Approval of IFRs means that the proportion of financing as indicated in the IFR has also been approved.
- ✓ For fiduciary and safeguard procedures: (i) WB procurement guidelines shall apply (e.g. for procurement of all contracts procured through ICB3 and consultancy contracts to be financed from pooled funds in which the WB is a contributor, the WB would conduct the prior reviews on behalf of Partners that are contributing to the CWA). (ii) With regard to financial management, the Bank reviews and clear all audits, IFRs, and ToR for audit firms and (iii) with regard to safeguards, the WB's safeguard policies shall apply and Bank to lead the monitoring of the compliance to the agreed instruments.

³ Most of the contracts are expected to fall under NCB which follows government procurement procedures.

Diagram 3: Fund flow Arrangements for Consolidated WaSH Account



3.5. Disbursement arrangement

3.5.1. Consolidated WaSH Account

- 3.5.1.1. The Development Partners’ initial deposits in to the program, specifically, to their respective the program Foreign Currency Designated Accounts with National Bank of Ethiopia constituted their advances to the Program. The amount of initial advance from each CWA partners will be based on the proportion of their contribution to the overall CWA budget
- 3.5.1.2. Subsequent disbursement from CWA contributors will be deposited to the designated account based on the quarterly IFRs reviewed and approved by the WB on behalf of CWA pooling partners and/or the bilateral agreements DPs may contribute to the review of IFRs
- 3.5.1.3. While WB reviewing the IFRs , it will also evaluate the expenditure forecast for the next quarters to determine the amount of subsequent disbursement from each CWA partners
- 3.5.1.4. Upon receipt of replenishment from the Development Partners MoFED transfers funds to the Implementing Agencies from Pooled Birr account as per their cash flow plans, work plans, utilization rates, etc converting contributions into Birr from the Designated Accounts and transferring it to the pooled Birr Account (Consolidated WaSH Account) managed by MoFED. As stated above, MoFED disburses funds to each implementing entity according to their respective annual work plan and budget as well as other factors like size of

resources at hand, utilization rates, etc. Actual transfers will be made based on performance and in this case least and poorly performing regions will face loss of their share and best performers will have chance of getting more funds unutilized by poor performers.

3.5.1.5.

3.5.1.6. As Disbursement to the designated account will be on the basis of report (IFR), the reports will include gross forecasts for 6 months and deducting ending balances will effectively avail a net resource sufficient to cover one quarter need.

3.5.1.7. On the basis of Q-1 IFR, MoFED after 60 days of end of the quarter will forecast a gross requirement for 6 months (Q2 and Q3) and will deduct ending balances at Q1 to arrive at a net requirement. If the ending balance position exceeds the funds required for the fund request period, no transfer of fund need to be made from the Development Partners. The replenishment request for the period has to take into consideration the outstanding balance at the end of the reporting period. The WB (including interested DPs) will review the realism and soundness of the expenditure forecast against the procurement and physical plan, procurement processes and actual need for cash requirement of the program.

3.6. Implementing agencies' accounts

3.6.1. MoFED's (and BoFEDs') disbursement of funds to the WaSH governmental implementing agencies follows the same pattern.

3.6.2. Each implementing agency of the program is required to open a separate local Currency Account for the program. Initially, each implementing agency received a 1st quarter and 2nd quarter advance based on its approved Annual Work Plan and Budget. At the end of 1st quarter the agency prepared a report on expenditures together with, and a request for, replenishment to cover the amount budgeted for the 3rd quarter less the amount of unexpended funds from the 1st quarter. This "roll over" system means that implementing agencies always have in hand their budget for the upcoming two quarter.

3.6.3. Request/reports are vetted and approved at a higher level in each instance and consolidated into the Quarterly Report and Request for Replenishment presented by MoFED to the Development Partners.

3.6.4. Funds allocated for WMP are transferred to the Woreda WaSH Fund and replenished quarterly as outlined above. Detailed Guidelines for Woreda Managed projects, at community level, will be produced by MoWIE and fund transfer commences only after issuance of the guideline and clearance by WB/development partners participating in the CWA.

3.6.5. Woredas selected to receive CWA funds will be agreed jointly by Government and CWA contributing partners during the Annual Planning Workshop.

3.6.6. CWA partners should agree the number of woredas and criteria for selecting woredas/towns to be covered. Selecting the specific woredas/towns is left for the regions and local governments as long it satisfies the criteria and the number.

3.7. Accounting and recording procedures

3.7.1. Basis of Accounting

The accounting system at the Federal, Regional and Woreda level employs a modified cash basis of accounting. The modified cash basis of accounting means that cash basis of accounting applies except for recognition of the following accounts:

- 3.7.1.1.** Revenue and expenditure are recognized when aid in kind is received.
- 3.7.1.2.** Expenditure is recognized:
 - When payroll is processed.
 - When goods are received or services are rendered if payments for the goods or services were rendered in advance
- 3.7.1.3.** Transactions resulting from salary withholdings, and profit tax withholding from suppliers are recognized in the absence of actual cash transaction.
- 3.7.1.4.** All other revenues and expenditures are recognized as per cash basis of accounting i.e. revenues and expenditures are recognized, when cash is received and paid respectively.

3.7.2. Basis of recording

- 3.7.2.1.** the Financial Manual is designed to use manual recording system as an interim arrangement and assumes computerization will be applied.
- 3.7.2.2.** A standalone IBEX system will be developed; all the necessary procedures issued and training to the program personnel will be conducted

3.7.3. Transaction sources

- 6.7.3.1.** The accounting and financial management cycle of the FGE and therefore the OWNP passes the following process:
 - Budgeting expenditure
 - preparation and coding of source documents or vouchers then
 - journalizing entries to the transaction register,
 - posting to control and subsidiary ledgers and finally
 - Preparation of financial statements and other reports.
- 6.7.3.2.** Therefore, the bookkeeping cycle for WaSH starts when money is received in the special accounts and ends when report of expenditures is presented to the MoFED and MoFED is closing the accounts.

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6.7.3.3. Each elements of the above process will be discussed in the respective sections of the subsequent chapters. Summarized and tabulated below are the specific source documents and books of the account together with the required financial reports, as per the FGE manual.

Table 4: Source document, transactions and registration

Transactions and Source Documents	Book of Original Entry	Books of Final Entry	Financial Reports
Cash Receipt Voucher(CRV) Bank payment voucher (BPV) Petty Cash Payment voucher (CPV) Journal voucher Debit notes Credit notes Purchase Documents Payroll	Transaction Register	General Ledger Subsidiary Ledger	
		Budget Expenditure Ledger Cards	Expense

3.7.4. Transactions, Source Documents and books

Source documents are prepared to capture transactions as and when it occurs. Each element of the financial operation noted above and source documents together with the required internal control procedures are dealt with in different chapters.

3.7.5. Transaction Register / Book of Original Entry

3.7.5.1. The Transaction Register is maintained to ensure that all transactions are recorded in the accounting system and serves as a basis to post entries into the Ledgers. Journal entries are coded on each source documents. Each of the transactions and its reference are first recorded in the Transaction Register from the respective source documents.

3.7.5.2. All transactions of WaSH concluded by the implementing agency shall be recorded in the register from the source documents. There are three major types of transactions to be recorded in the Transaction Register.

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Table 5: Transaction Register / Book of Original Entry

Source documents	Types of transaction	Specifics
CRV	Cash receipts	Involves Collection of cash Receipt of check through Bank transfers
Cash or Bank Payment voucher	Cash payment	Involves Cash payment Payment in check Transfer by Bank
Journal Voucher	None cash transactions, transfers & Aid in kind	Transactions not involving Cash receipts and payment vouchers

- 3.7.5.3.** Each implementing agency shall maintain the standard transactions register. The register should be prepared in duplicate.
- 3.7.5.4.** At Federal level, MoFED shall also maintain transaction registers in addition to the standard register to deal with the special/designated bank accounts. One transaction register per special account shall be maintained. These transaction registers will be different from the local currency register in that they have additional column to fill in the foreign currency information.

3.7.6. General Ledger

- 3.7.6.1.** General ledger is a group of accounts that is used as a second step in the process of recording and summarizing transactions.
- 3.7.6.2.** The primary book of record is the transaction register and the general ledger is the second register. It is between the register and the financial reports and as such prepares information that goes into the reports. The ledger card shall be used without any modification in the form.
- 3.7.6.3.** The WaSH General Ledger is organized in sequence of the account codes as follows, alike the Government account:

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Table 6: General Ledger

Account Category	Code Number
Revenue	1000
Assistance	2000
Loan accounts	3000
Asset accounts	4100
Liability accounts	5000 to 5499
Net Asset/Equity account	5601
Expenditure accounts	6000 series

3.7.6.4. The balances of the General ledger would be the basis for financial reporting as proved by periodic trail balance.

3.7.7. Subsidiary Ledger

Control account balances may need detail in some cases. Subsidiary ledgers shall be maintained to provide that additional detail information. Accounts that needs subsidiary ledger are the expenditure, receivable, inter implementing agencies accounts and payable.

3.7.8. Chart of Accounts

3.7.8.1. The FGE accounting system provides a Chart of Accounts, which is a system of coding government uses, to identify and classify financial entities and events. Without changing existing account codes of FGE chart of accounts, the chart below includes, some new account titles and code numbers to satisfy the requirement of OWP operation. The purpose of this chart of account is to enable users at all levels to capture and classify the funds received from donors for the programs and to reflect unique features of the Programme.

3.7.8.2. The Chart of Account that is recommended in this manual is sufficient to capture transactions in a way that enables the preparation of variety of financial statements for different users, most importantly the contributors of the funds. Under the Modified Cash Basis of accounting, the following accounts shall be used. MOFED shall officially issue the final codes.

3.7.8.3. As explained in the introduction section of this manual, it should be noted that the chart of account is strictly prepared as per the Government accounts and considering the practice of the Federal, regional and Woreda accountant. It should be noted that separate ledger (group of account) should be maintained by every implementing entity for each component/sub component of expenditures in line with the budget and government chart of account code until a standalone IBEX system which incorporate component & sub-component of expenditures will be developed.

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3.7.8.4. For the purpose of consolidation, the Regions, sector ministries and Woredas have to report following their budget structure (See Annex TEN).

Table 7: OWP Chart of Account

Account Title	A/C No
ASSETS	
<i>Cash on hand</i>	4101
<i>Cash at Bank – US\$ Special A/C -IDA</i>	4202
<i>Cash at Bank – US\$ Special A/C –ADB</i>	4202
<i>Cash at Bank – US\$ Special A/C –UNICEF</i>	4202
<i>Cash at Bank – US\$ Special A/C –DFID</i>	4202
<i>Cash at Bank Pooled Birr Account</i>	4110
<i>Cash at Bank - Implementing agencies</i>	4110
<i>Debtors and Prepayments</i>	
<i>Cash shortage & overage</i>	4203
<i>Advance to Staff: - Travel</i>	4211
<i>Advance to Staff: -Purchases</i>	4211
<i>Advance to Regions/ Implementation Agencies</i>	4208
<i>Other advance within government</i>	4210
<i>Advance to consultants</i>	4252
<i>Advance to suppliers</i>	4253
<i>Other Receivables</i>	4274
LIABILITIES	
<i>Accounts Payable</i>	5001
<i>Sundry payables</i>	5002
<i>Accrued Payables</i>	5001
<i>Due to Staff</i>	5021
<i>Due to Regions</i>	5026
<i>Salary Payable</i>	5004
Transfers and Payables	
<i>Due to MoFED</i>	5027
<i>Other payable with in the government</i>	5028
<i>Transfers, MoFED to MWR</i>	4006
<i>Transfers, MoFED to MoH</i>	4006
<i>Transfers, MoFED to MoE</i>	4006
<i>Transfers, MoFED to BoFED</i>	4006

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Account Title	A/C No
<i>Transfers, BoFED to WOFED</i>	4011
<i>Transfers, BoFED to BWR</i>	4011
<i>Transfers, BoFED to BoH</i>	4011
<i>Transfers, BoFED to BoE</i>	4011
NET ASSETS EQUITY	5601
REVENUE EXTERNAL ASSISTANCE	2009-2999
<i>UNICEF</i>	2020
<i>Revenue External Loan</i>	3000-3999
<i>IDA</i>	3014
<i>ADB</i>	3015
Expenditures	6000-6999
PERSONNEL SERVICES	6100
Emoluments	6110
<i>Wages to contract staff</i>	6113
<i>Wages to casual staff</i>	6114
<i>Wages to external contract staff</i>	6115
<i>Miscellaneous payments to staff</i>	6116
Allowances/benefits	6120
<i>Allowances to contract staff</i>	6123
<i>Allowances to external contract staff</i>	6124
GOODS AND SERVICES	6200
Goods and supplies	6210-20
<i>Uniforms, clothing, bedding</i>	6211
<i>Office supplies</i>	6212
<i>Printing</i>	6213
<i>Educational supplies</i>	6215
<i>Fuel and lubricants</i>	6217
<i>Other material and supplies</i>	6218

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Account Title	A/C No
<i>Miscellaneous equipment</i>	6219
<i>Research and development supplies</i>	6223
Traveling and official entertainment	6230
<i>Per diem</i>	6231
<i>Transport fees</i>	6232
Maintenance and repair	6240
<i>Maintenance and repair of vehicles and other transports</i>	6241
<i>Maintenance and repair of plant, machinery and equipment</i>	6243
<i>Maintenance and repair of building, furnishing and fixtures</i>	6244
<i>Maintenance and repair of infrastructure</i>	6245
Contracted services	6250
<i>Contracted professional services</i>	6251
<i>Rent</i>	6252
<i>Advertising</i>	6253
<i>Insurance</i>	6254
<i>Freight</i>	6255
<i>Fees and charges</i>	6256
<i>Electricity charges</i>	6257
<i>Telecommunication charges</i>	6258
<i>Water and other utilities</i>	6259
Training services	6270
<i>Local training</i>	6271
<i>External training</i>	6272
FIXED ASSETS AND CONSTRUCTION	6300
Fixed assets	6310
<i>Purchase of vehicles and other vehicles transport</i>	6311
<i>Purchase of plant, machinery and equipment</i>	6313
<i>Purchase of buildings, furnishings and fixtures</i>	6314

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Account Title	A/C No
Construction	6320
<i>Pre-construction activities</i>	6321
<i>Construction of building-non-residential</i>	6323
<i>Construction of infrastructure</i>	6324
OTHER PAYMENTS	6400
<i>Miscellaneous payments</i>	6419

Note

The above account numbers are for control accounts, the subsidiary ledgers are managed following the government's procedures

3.7.9. Community contribution

3.7.9.1. Introduction

Community groups make an important contribution to the development of the country. Involving people in OWN-CONSOLIDATED is central to the Program's overall vision. In doing so, many of these groups work in some form of partnership with the Program. Community could contribute to the program in cash and/or in Non-monetary means. Non-monetary contributions could include in-kind and voluntary support for a project other than cash. Generally, non-monetary contributions include either voluntary labour or donated (sometimes at cost) goods and materials. Contribution of voluntary labor may include: demolition of existing facilities; site preparation; digging trenches for plumbing/wiring, general site clean-up; fit-out of new facilities; landscaping; painting;

In-kind contributions to program are considered as important as cash contributions because in-kind contributions when factored as part of a project budget gives the real total cost of a project and in-kind contributions are frequently the only contributions community can make to a project. Therefore, accurately valuing these contributions are very important in determining the real total contribution to a project.

3.7.9.2. Calculating in-kind Contributions:

Valuation of in-kind contributions should be based on average commercial prices (norms) applicable in a country or a region. For the results to be accurate the grantee will have to find ways of estimating and documenting in-kind contributions as part of project preparation and project implementation.

Table 8: Estimating In-kind Contributions:

contribution	Program/sub-program	Activity	calculation of in-kind contribution
Labour	Rural WaSH	a)	<i>Voluntary input may be calculated on a daily or monthly basis, ❖ Voluntary work input calculated based on the official rate (norms) of such work done & recorded on attendance sheet or measurement certificates. ❖ An average appropriate person-day rate used in the country or district at the relevant level of input. ❖ Official minimal level of salary per month (divide by 22, and multiplied by number of days worked)</i>
		b)	
	Urban WaSH	a)	
		b)	
	Program Management And Capacity Building	a)	
		b)	
Equipment			<i>Calculate straight-line depreciation of full cost of equipment over 5 years and factor down according to usage on the project, e.g., A \$5,000 piece of equipment over 5 years = \$1,000 per year or \$500 for six months or part thereof.</i>
			<i>Use market price of materials/ components as supplied</i>
materials			

3.7.9.3. Accounting and reporting in kind contribution:

WaSH Sector ministries and the regional states received contribution in-kind shall record in monetary terms and quarterly report to their respective higher level entities following the reporting cycle of this manual. While the estimation of in-kind contribution is not captured during the annual plan exercise, as per the requirement of the annual budget Law, the ministry of finance shall consolidate and report as supplementary budget.

4. Cash receipt and payment procedures

4.1. Internal Control over Cash Receipt

- 4.1.1. All cash receipt should be evidenced by Cash Receipt Voucher (CRV) as per format Annexed, in strict numerical sequence. The account code for receipt of funds shall be written on the face of the cash receipts;
- 4.1.2. Cashier should have no role in the preparations of, or access to, the accounting records other than those related directly to cash. The cashiers' records should be subject to regular independent verification;
- 4.1.3. Cheques received should be deposited on separate deposit slips made available from the banks, each deposit slip being referenced to the receipt to which it relates;
- 4.1.4. The cashiers should use secured cash safes to keep money;
- 4.1.5. The unused CRV pads must be kept in safe custody by a responsible official who is not involved in the handling of cash;
- 4.1.6. Such documents must be issued to the cashier in strict numerical sequence and the number of pads in the hands of the cashiers restricted to their immediate requirements;
- 4.1.7. New pads should only be issued against return of the completed ones, which should be carefully scrutinized by the issuing official for apparent correctness, i.e. there have been no alteration or erasures;
- 4.1.8. Registers of unused receipts should be maintained by the custodian who should be subject to periodic surprise verification by accountant or auditor;
- 4.1.9. The cashier's record should be in such a way that all receipts are recorded in numerical sequence so that any omission can easily be spotted;
- 4.1.10. The deposit of each day collections should be recorded separately so that the resultant nil balance proves that all cash received has been deposited;
- 4.1.11. The cashier's records should be independently checked every day and particular attention made to the integrity of the numerical sequences of the prime documents which should be carefully scrutinized for-evidence of alternation or erasure;

4.2. Distribution & Completion of Cash Receipt Voucher

The receipt Voucher is prepared in three copies and distributed as follows:-

- Original to the payer as acknowledgment of the cash receipt.
- Second copy to the accounts.
- Third copy is retained in the pad

4.3. Recording Cash Receipts

- 4.3.1. All entries in to the General Ledger are recorded from the coded Cash Receipt Vouchers. Source documents (e.g. Cash Receipt Vouchers), are prepared at the time of a transaction occurs to capture the transaction. Supporting documents are CRV, credit advice, deposit slips and other relevant documents as necessary.

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4.3.2. The entry passed to record the transfer of fund from IDA and other development partners to MoFED is as follows:

Table 9: Recording collection from CWA Contributing Partners

Account Description	Account Code	Debit	Credit
<i>Designated Bank Account No.</i>	4102	XXXX	
<i>Source of Fund</i>	2014		XXXX

4.3.3. This is recorded in Journal Voucher that accompanies credit advises from the bank. Supporting documents are withdrawal application, bank credit advice and copy of electronics transfer from donors.

4.3.4. The entry passed to record the transfer of fund from each of the USD designated bank account to Birr Account is:

Table 10: Recording Transfer from Designated Account to Birr Account

Account Description	Account Code	Debit	Credit
<i>Cash at Bank –CWA Birr Account</i>		XXXX	
<i>Cash at Bank -Designated Bank Account</i>			XXXX

4.4. Calculating and Recording Foreign Currency Exchange Gains or Losses

4.4.1. At the end of the reporting period, the Cash at Bank in Foreign Currency ledger contains an ending balance for cash in Birr of the Foreign Currency. However, the ending balance of the foreign currency account in Birr may not be equal to the Birr equivalent of ending foreign currency balance, using end of the reporting period exchange rates. The difference is attributable to changes in the exchange rate during the reporting period and represents an exchange gain or loss.

4.4.2. At the end of the reporting period, the foreign exchange gain or loss is calculated as follows:

- 1) Identify the ending balance of foreign currency on the “Cash at Bank in Foreign Currency” ledger card.
- 2) Undertake a bank reconciliation and make any necessary adjustments
- 3) Obtain the exchange rate as of the end of the day for the period
- 4) Multiply the reconciled ending balance in foreign currency as shown on the cash in bank in foreign currency ledger by the exchange rate.
- 5) Identify the ending balance in Birr on the cash in bank in foreign currency ledger.

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- 6) If the amount from steps 4 and 5 are equal, there is no foreign currency gain or loss for the period. If the amount from step 4 is larger than the amount step 5, the difference is a foreign currency gain. If the amount from step 5 is larger than the amount step 4, the difference is a foreign currency loss.

4.4.3. Recording Foreign Currency Exchange Gains or Losses

The “Cash at Bank” in foreign currency account is used to record the exchange gain or losses. No corresponding entry is made in the “Cash at Bank in local currency” account. All amounts are recorded in Birr only as follows:

Entry to Record Gain on Foreign Currency

Account Description	Account Code	Debit	Credit
<i>Cash at Bank – USD Account</i>	4102	XXXX	
<i>Gain/Loss on Foreign Currency</i>	1486		XXXX

Entry to Record Loss on Foreign Currency

Account Description	Account Code	Debit	Credit
<i>Gain/Loss on Foreign Currency</i>	1486	XXXX	
<i>Cash at Bank – USD Account</i>	4102		XXXX

No entry is passed onto the Cash at Bank – Birr Account

4.5. DISBURSEMENTS:

Payments may be effected in cash or through banks (in cheque or through bank transfer). Payment in cash may be effected from a petty cash fund, if it is below the banks’ cheque payment thresh hold i.e., Birr 2000, or from cash drawn for various payments.

4.5.1. Bank Payments

The source documents to record cash paid by an accountant with cheques or bank transfer is the Bank /Cheque/ Payment Voucher. It is used to acknowledge and evidence the payment of Check or Bank Transfer and serve as source document to record the transaction in PEACHTREE accounts recording system.

The Bank Payment Voucher is prepared in two copies and distributed as follows:

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- Original copy to the accountant to be attached with the evidence of the transaction that occurred
- Second copy is retained in the pad as a file copy.

The accountant prepares the PV form as follows:-

Field	Description
Date	<i>Write the date payment</i>
Name of the Organization	<i>Write name of the organization</i>
Pay to	<i>Write the name suppliers or individual who received money</i>
Address	<i>Complete full the address of the receiver</i>
Mode of payment	<i>Mark in the buy provided to show the mode payment by cash, Cheque, bank transfer write also the Cheque no. Date and Ref.No. If it is by bank transfer</i>
Purpose	<i>Write the shorter the purpose if payment in figure and words</i>
Account Code	<i>Write the correct accounting code</i>
Debit	<i>Write the amount in figure in debit column</i>
Credit	<i>Write the amount in figure in credit column</i>
Total	<i>Write the total amount in figure</i>
Budget approved by	<i>Write name & signature of person who approved the budget</i>
Prepared by	<i>Write the name and sign</i>
Checked by	<i>Name and signature of the accountant</i>
Authorized by	<i>Name & signature of person who authorized the payment</i>
Received by	<i>Name & Signature who received the voucher</i>

4.5.2. Policies and Procedures for Bank/Cheque Payments:

The following procedures should be strictly adhered in respect of cheque payments:-

- ✓ Separate designated bank accounts but one local currency account will be opened (which is the CWA). Separate bank account should also be opened by every implementing entity of the Project. Bank accounts are operated by the dual signatories from the respective assigned signatories. To minimize the risk of indispensability, more than two signatories may be delegated as additional signatories in the absence of primary signatories.
- ✓ Bank transfers shall be made in written instructions to bank against approved Payment Request.
- ✓ The Accountant prepares Bank Payment Voucher for payments made in cheque or Bank Transfer upon receipt of approved payment request. A requesting unit should fill out a Bank Payment Request Form and get the approval of the designated official – the PIU Coordinator.
- ✓ All cheque payments shall be made via a Bank Payment Voucher and shall be duly authorized by the responsible officer.

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- ✓ All Bank payments should require dual signatories. The approval procedure and the authorization limits to approve Bank Payments shall be as per the delegation granted for approval by the steering committee.

4.5.3. Internal Control Procedures for Bank Payments

The following internal control shall apply:

- ✓ Cheque books collected from bank by designated signatories or authorized personnel. The cheque leaves should be counted for completeness at the time of receipt. Any missing leaves are to be reported immediately to the bank for replacement.
- ✓ Only one cheque book at a time is supposed to be issued to the accountant responsible for cheque preparation;
- ✓ Cheque Payment Voucher is prepared based on the authorized payment requests. Availability of budget and completeness and validity of supporting documentation should be carried out before preparation and submission of the payment voucher and the cheques to the officials for signature;
- ✓ Blank cheques should not be signed by any of the signatories;
- ✓ Cheque stubs are to be completed with the date, name of payee, amount and initials of the authorized officials;
- ✓ When there is an error in the preparation of a cheque, the cheque is cancelled by writing “CANCELLED” diagonally across the face of the cheque. The cancelled cheque is then retained in the cheque book stapled to the cheque stub;
- ✓ Each cheque payment should be evidenced by cheque Payment Voucher. Payments to organizations, suppliers and contractors shall be supported with the required documents such as receipts, invoices, contracts, work completion certificates and goods or materials receipt reports;
- ✓ In order to ensure that only the designated beneficiary can receive payment and fraudulent endorsement is not possible, cheques should preferably be made payable to a person company or enterprise and crossed A/C Payee only.
- ✓ Bank accounts should be reconciled on a monthly basis against a bank book or cash at bank ledger.
- ✓ Supporting documents for bank payment should be stamped with a “Paid Stamp”. Paid stamp should be prepared in the name of PROJECT COORDINATION UNIT Project and it should contain Reference and Date. See figure below:

<p><u>One WaSH</u> <u>PAID</u></p>
Ref# _____
Date _____

4.6. Petty Cash

4.6.1. Procedures for Maintaining Petty Cash Fund

- ✓ Petty cash funds will be authorized and established, under the custody of a cashier, for those payments which are not expedient to be made by cheques. All small payments i.e., less than Birr 2000 shall be paid out of the petty cash.
- ✓ The Petty cash fund float size will initially be Birr 5,000.00; depending on the circumstances of implementing the project this amount could be revised to a higher one.
- ✓ Petty cash fund shall be replenished whenever the amount of the cash in safe reach a safety cash level (20%).
- ✓ Petty cash payments should be evidenced by Cash Payment Vouchers. Cash Payment Vouchers should be prepared against approved Request for Payment form.
- ✓ The cashier should maintain a Petty Cash Book.
- ✓ Surprise and periodic cash count should be made on petty cash fund by the head of finance unit or designated officers and counts should be evidenced by a cash count certificate.
- ✓ Proper cut-off procedures should be undertaken to ensure that all the source documents are accounted in the period they are applicable. As far as possible, no cash balance should be kept in the hands of cashiers at the end of the fiscal year. The counting team should sign at the back of the last voucher used for cash collection and for cash payments (CRV and CPV).
- ✓ Cashiers should deposit yearend cash on hand before the physical count commences and may withdraw (with approved payment procedures) in the following day (first day of the new fiscal year) if required.

4.6.2. Maintaining Petty Cash Book

- ✓ The purpose of the petty cash book is to control and monitor the movement of the petty cash fund.
- ✓ The source document to record the receipt of petty cash fund is a Bank Payment Voucher in which petty cash fund is established or replenished.
- ✓ The source document to record payment from petty cash fund is the Cash Payment Voucher.
- ✓ The payment vouchers are given to the accountant to reimburse the cashier with petty cash.
- ✓ The cashier should fill the following under petty cash register:-

Description	
Date:	Date the transaction occur
Descriptions:	Short description about the nature of transaction
Cheque No:	Write the cheque number.
CPV:	Write the cash payment voucher number.
Receipt:	Write the receipt voucher number.

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Balance: Running balance
 BBF: Write the amount brought forward from previous page as
 beginning balance
 BCO: Write the amount carried over to the next page

4.6.3. Internal Control over Petty Cash

- ✓ Conduct surprise cash count of petty cash; and evidence the count by a cash count certificate
- ✓ Ensure that a petty cash book is maintained, which shows the daily expenditures and the balance on hand
- ✓ Use a pre-numbered petty cash voucher
- ✓ Petty cashiers should not have role in signing cheques or approving payment vouchers or recording and/or posting functions
- ✓ Check that daily cash on hand reports are delivered by the petty cash custodian to the senior finance officer
- ✓ Supporting documents for petty cash payment should be stamped with a “Paid Stamp”.
- ✓ Paid stamp should be prepared in the name of PROJECT COORDINATION UNIT. The stamp should contain reference number and date,

4.6.4. Replenishment of Petty Cash Fund

- To replenish to the extent of petty cash spent, the cashier surrenders all cash payments vouchers together with the attached supporting documents to the accountant after completing petty cash summary sheet.

4.6.5. Recording Petty Cash Fund

The PROJECT COORDINATION OFFICE/ UNIT authorizes the establishment of petty cash fund, and the entry based on the authorization letter and Bank payment voucher will be:

Account Description	Account Code	Debit	Credit
<i>Petty Cash Fund</i>	4101	XXXX	
<i>Cash at Bank</i>	4103		XXXX

The petty cash fund account will be debited and cash at bank will be credited for the amount of cash being replenished to the cashier. The replenishment is applied only to those payments evidenced with cash payment vouchers. The entry will be the same as above but for the amount replenishment documents are submitted and BPV is prepared.

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4.7. Recording of Cash Overage/Shortage

a) Cash Overage:-

- The one who is in charge of counting (accountant/internal auditor) should ensure that the cashier prepares a cash receipt voucher for the extra money found during the surprise count to evidence the overage.
- The accountant shall prepare the following entry on the CRV

Account Description	Account Code	Debit	Credit
<i>Cash on Hand</i>	4101	XXXX	
<i>Cash Short/Overage</i>	4202		XXXX

b) Cash Shortage:-

Account Description	Account Code	Debit	Credit
<i>Cash Short/Overage</i>		XXXX	
<i>Cash on Hand</i>			XXXX

- Based on the decision of management, the above balance could be deducted from the payroll of the cashier. Alternatively, management might require the cashier to settle the lost money in cash, in which case coding will be done on CRV.

4.8. Bank Reconciliation

4.8.1. From practice, it is understood that the balance per record of organization's book may not agree with the balance per bank statement. The most common causes for differences include:-

- ✓ Deposits in transit, not shown in the bank statements
- ✓ Outstanding cheques not presented to the bank
- ✓ Deposits/payment not recorded on books
- ✓ Errors in recording either by the bank or by the implementing agency
- ✓ Interests/bank charges not accounted by book

4.8.2. Bank reconciliation should be prepared on a monthly basis in a week time from the end of the month concerned. Bank reconciliation should be made on a monthly basis even if there is no payment or deposit or transfer received during the month. The reconciliation will help us to correct book errors, and to identify bank errors and other fraudulent activities as early as possible before it is too late.

4.8.3. Documents required to prepare the bank reconciliation are:

- ✓ Monthly bank statements received from the bank
- ✓ General ledger, and
- ✓ Bank reconciliation report of the previous month,
- ✓ Steps required in preparing bank reconciliation include:

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- 4.8.4.** Timely obtain monthly bank statements and make sure that items from the prior reconciliation are cleared on the statement by the bank when a bank statement is received.
- 4.8.5.** Compare the cheque payments, transfers and deposits listed on the bank statements against entries in the ledger. Put a mark on both the ledger and statements for the transactions which are available in the exact amount at the bank statement and ledger. Note errors, outstanding cheques and deposit in transit from the ledger, if any.
- 4.8.6.** List other items on the bank statement but not recorded in the ledger.
- 4.8.7.** List transactions (deposits and payments) shown in the bank statements but not in the ledger. If there is a cheque payment, shown in the statement but not in your ledger, the reasons may be:
- i. You did not post the transaction into the ledger,
Action: find the document and post it and update your ledger balance
 - ii. There is error in posting the transaction
Action: Make correcting entry
 - iii. The cheque payment shown in the bank statement was not issued by program coordination unit (that is bank error)
Action: Notify the bank to make a correction
 - iv. Your cheque may be stolen and cheque payment is issued without the Knowledge of the accounts
Action: Notify the bank with “STOP PAYMENT ORDER” and follow-up seriously
- 4.8.8.** If there are debit and credits related to bank transfers and bank charges, make sure that you have all the advices (tickets). If these advices are not available, ask the bank to give the copy of these advices to pass the necessary journal entry.
- 4.8.9.** Banks do not often send advices for cost of cheque books. Make the appropriate entry by referring the bank statement.
- 4.8.10.** Review and investigate outstanding cheques of the previous month if they are not still cleared in subsequent months. Make sure that these are not voided cheques but recorded into the ledger.
- 4.8.11.** The following reconciliation items do not require journal entries. They usually include:-
- ✓ Deposits in transit: deposits received by the bank not recorded on the bank statement.
 - ✓ Bank errors: typical bank errors include transposition errors of cheque amounts or items recorded in error against the depositor’s account.
 - ✓ Outstanding cheques recorded in the accounting records that have not yet been paid by the date of the bank statement.
- 4.8.12.** Items on the books of the Program Coordination Unit Project side of the bank reconciliation that require rectification and adjustment normally include:
- ✓ A transposition error or error in addition on its deposit slips to the bank and error is recorded in the ledger. Errors require adjustment to the account balance.

- ✓ Service charges: Banks may not issue advices for cost of cheque book. Journalize the transaction by refereeing the statement.
- ✓ Insufficient funds cheques: Cheques deposited by the project that are returned to the bank for insufficient funds. These are illegal in Ethiopia and strictly addressed as and when occurred.

4.8.13. Keys issues

- ✓ Any error by bank should be followed up for timely correction.
- ✓ It is important to make sure that payments regarded as outstanding cheque and deposits regarded as deposit in transit during reconciliation are really outstanding or deposit in transit. Duplicate posting or journalizing could cause a false outstanding cheque.
- ✓ To the extent possible, there should be no reconciling items as “Payments not recorded on book”. The accountant should request immediately from bank for credit or debit advices. He should also make sure that the advices are related to the public body.
- ✓ Review un-presented cheques for over six months to determine whether or not these should be reversed to creditors. Bring the case for the management decision.

4.9. PAYROLL

Salaries are representing substantial amount expense paid in cash by the Program. Salaries for skilled and semi-skilled manpower-includes contract staffs of the project, and technical experts, whose monthly payment (payroll) is for tax deductions.

4.9.1. Internal Controls

- ✓ Records relating to staff shall be based on proper documents issued by an authorized official. Input records like engagement letters, increments etc. should be properly completed and authorized.
- ✓ All changes made to earnings for individual staff members should be authorized and controlled.
- ✓ Only eligible employees should be paid and the amount drawn for payment shall be reconciled by comparing it to the previous month’s payroll.
- ✓ Whenever it is feasible, especially when there are more than one accountant, the function of payroll preparation should be rotated among these accountants.
- ✓ Payroll deductions are authorized, correctly accounted for and paid to the appropriate third parties.
- ✓ Transactions related to salaries are accurately entered in the accounting record.

4.9.2. Personal Record

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- ✓ A Personnel record should be kept for each employee, containing particulars of such matters as engagement, retirement or dismissal, rates of pay, agreed deductions, specimen signature, photograph or other identification. Such documents should be kept separate from the accounts department,
- ✓ The staff involved in the preparation of the payroll being notified of engagements, transfers, discharges and changes in rates of pay on properly authorized forms.
- ✓ Entries in the personnel files should be authorized by someone not connected with the payroll preparation.

4.9.3. Review of Payrolls

- ✓ Payroll sheets should be periodically reviewed and reconciled against official personnel records including employee's names, rates of pay, and deductions by an internal auditor and/or accountant who was not engaged in the preparation and effecting of payroll payments.
- ✓ Payroll totals shall be reconciled from month to month and any changes verified with authorized changes to the official records.

4.9.4. Payroll Payment

- ✓ Payroll should be paid against approved payroll sheet.
- ✓ Only the net amount of cash required for payment of salaries shall be drawn from the bank.
- ✓ Unclaimed salaries should be recorded immediately after the conclusion of payment and only issued subsequent to satisfactory proof of entitlements. Salaries unclaimed after a certain period shall be deposited to the bank.

4.9.5. Payroll Deductions

- ✓ Statutory deductions should be carefully computed and should be included in the payroll to arrive at the calculations of net pay. They are automatic and mandatory (e.g. income tax etc.)
- ✓ Payroll deductions; other than statutory deductions, should only be made in accordance with the employee's written approval maintained in his personnel record,
- ✓ All deductions should be credited to separate accounts to assist in ensuring control over and accuracy of payments to third parties,

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4.9.6. Accounting Records of Payroll

The Entry to record a monthly payroll transaction is:

<i>Account Description</i>	<i>Account Code</i>	<i>Debit</i>	<i>Credit</i>
<i>Salary Expense</i>	<i>6113</i>	<i>XXXX</i>	
<i>Income tax</i>	<i>5007</i>		<i>XXXX</i>
<i>Other Deductions</i>			<i>XXXX</i>
<i>Cash at Bank</i>	<i>4103</i>		<i>XXXX</i>

4.9.7. Recording of the Unclaimed Salary

Cash Receipt Voucher will be prepared for the total of the unclaimed salary and the following entry will be passed on the CRV:

<i>Account Description</i>	<i>Account Code</i>	<i>Debit</i>	<i>Credit</i>
<i>Cash on Hand</i>	<i>4101</i>	<i>XXXX</i>	
<i>Salary Payable</i>	<i>5004</i>		<i>XXXX</i>

4.9.8. Settlement of Unclaimed Salary

Based on approved payment requests of employees, a cheque will be prepared for the total of the claimed net pay of employee and payment would be effected accordingly. The accountant shall make the following entry.

<i>Account Description</i>	<i>Account Code</i>	<i>Debit</i>	<i>Credit</i>
<i>Salary Payable</i>	<i>5004</i>	<i>XXXX</i>	
<i>Cash at Bank</i>	<i>4103</i>		<i>XXXX</i>

4.10. Special payments

4.10.1. Travel and Per diem

- Travels should basically be pre-planned.
- Per Diem rates and other reimbursable expenses are computed in accordance with the prevailing Government rates or approved rate for the project.

4.10.2. When Travel Advance is taken:

When a travel advance is required, the traveler should fill the Travel Request and Approval Form, prepared in one copy and get the approval of his unit/department head. The traveler then passes the approved form to accounts for budget checking and processing payment. Earlier Travel advance must be cleared (settled) before another travel advance is given.

4.10.3. When Travel Advance Settled

- ✓ Traveler should settle the per diem advance in three days from the date of return.
- ✓ Traveler should complete and submits a Travel Report and Settlement Form within three days of returning from the travel. The settlement form has to be prepared by the traveler (finance may assist) in one copy, attaching allowable receipts for reimbursable expenses. The form has to be verified by head of the unit or department where the traveler belongs, checked by accountant and should be approved by the respective authority.
- ✓ The Financial Management Specialist has to check the validity of the supporting documents. Where any errors are found, the Travel Report and Settlement Form are returned to the traveler with a memo listing the errors.
- ✓ If there is additional payment to be given to the traveler, the appropriate payment voucher will be prepared. If the traveler is supposed to refund for the excess advance, he/she will be informed to return the cash against a cash receipt.

4.10.4. Purchase Advance

- ✓ Purchase advance may be provided to a purchaser in cash or in cheque in a situation where vendors are not known in advance.

- ✓ The appropriate procurement documentations, including purchase requisition, purchase order, approved request for payment and others as applicable, need to be fulfilled before preparation of the payment voucher.
- ✓ Purchase advances should be settled in 30 days' time from the date of receipt.
- ✓ No purchase advance will be provided unless the purchaser settles the earlier advances.
- ✓ All purchase advances should be settled immediately up on receiving the goods/service by providing the required invoice, GRN, purchase order, and evaluation minutes and Performa invoices.
- ✓ All purchase advances should be settled before closing date of Sene 30 (July 7) of each budget year.

4.10.5. Workshops, Seminars and Training

Payments to workshop and seminar participants will be done according to the following procedure;

- ✓ Attendance of all participants for each day has to be duly taken.
- ✓ The number of stay on travel has to be confirmed by the mode of transport they have used and distance of the place they are coming from to the venue.
- ✓ Confirmation letter of salary scale and that each participant has not taken any allowance from its work station has to be submitted.
- ✓ Official and original receipt for transport payment in its clean form has to be submitted as a witness for the expense incurred for transportation.
- ✓ All the above information may have to be attested by the focal person who organizes the event.
- ✓ Payment sheet would be prepared based on the above information and approved by the respective officials who are delegated to authorize payments.

4.10.6. JOURNAL VOUCHER

- ✓ Journal Vouchers shall be used to capture transactions that do not result in payment or receipt of cash and serve as a source document to record in the ledger. Journal Vouchers should be supported by the necessary supporting documentation to be valid. Journal Vouchers must be approved before posting it to the ledger.
- ✓ Not all transactions involve payment of cash or receipt of cash. Transactions that do not involve the movement of cash are:-
 - Some receivable and payable transactions
 - Payment made by the World Bank through Direct Payment or Special Commitment on behalf of the project. These are supported by debit/credit memos and statements.

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- Correction of incorrect entries already recorded in the ledger. For example, a payment might have been debited to a wrong expenditure account and need correction
- Adjusting & Closing entries
- ✓ The Journal Voucher shall be prepared in two copies. The first copy is the accounts copy and the second copy is retained in the pad.
- ✓ The accountant should fill the following information on Journal Voucher.

Date:	Write the date journal voucher is prepared
Name of the Organization:	Write name of the organization
Purpose:	Write short purpose of the transactions
Budget Category:	Write the budget code of the public body
Account Code:	Write the correct account code
Debit:	Write the amount in figure in debit column
Credit:	Write the amount in figure in credit column
Prepared by:	Write the name and sign
Approved by:	Name and signature of the person who approved the voucher

5. Fixed assets, stock management and retaining of documents

5.1. FIXED ASSETS,

- 5.1.1.** Similar to accounting of stock, the FGE accounting manual requires Fixed Assets ledger to be maintained under assets category. However it is observed that the tradition of expensing these items, as and when purchase, is continued for varieties of reasons. Those reasons might still have a weight to handle this account.
- 5.1.2.** As per the definition from the Government Owned Fixed Asset Management Manual, “Fixed Assets – means tangible asset costing Birr 200 or more that is in operational use and has a useful economic life of more than one year. Fixed assets include the following among others. Furniture and fixtures, computers, heavy equipment, vehicles, ships and aircrafts, buildings, roads, sewers, bridges, irrigation systems, dam etc.
- 5.1.3.** Procedures:
- There shall be a register for the types of fixed assets the Programme would acquire from time to time. This register should be strictly maintained, in the absence of maintenance of fixed assets account. The register should be maintained at all implementation agencies.
 - Periodic physical inventory of fixed assets should be conducted and the result should be compared with the register. Any identified difference should be communicated to management for decision and action.

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- The register should have details such as; date of acquisition, the specifics of the asset, type, reference of goods receiving note, location, serial No. and identification no, cost and to the extent possible the account source document, to facilitate reconciliation to be made with the expense account.
- The accountant should extract his records and periodically reconcile with the master fixed assets register of the specific implementing agency. The internal auditor should perform the same at a surprise visit.

Table 11: Fixed Asset Register Format Other than Motor Vehicles

No.	Description of Asset or Properties	Name Of Supplier	PV No. Or GRR No.	Date Of Purchase	Issue Voucher No	Serial No.	Asset ID No.	Total Value Birr	Name of User	Remark

Table 12: Asset Register Format for Motor Vehicles

No.	Type of Vehicle	Name Of Supplier	PV No. Or GRR No.	Date Of Purchase	Issue Voucher No	Plate No.	Engine & Chassis No.	Total Value Birr	Name of User	Remark

5.2. STOCK MANAGEMENT

- 5.2.1. The FGE accounting manual requires stock accounts to be maintained as assets. However, according to the adopted accounting system of the Government stock balances are not recognized in the accounts as an asset.
- 5.2.2. Therefore, control procedures around memorandum records should be adequate and strictly followed.
- 5.2.3. Procedures:

✓

- ✓ In and out of stock items must be evidenced by goods receiving note and goods issue note and a requisition for issue;
- ✓ Maintain stock cards for receipts, issue and balances of stock items. The stock cards should be maintained for both quantity and value to the extent possible. The record keeping should be done by someone other than the store man.
- ✓ Prepare stock taking instructions and programs periodically. Conduct physical count and compare with the card balance. Bring any variance to the management attention, decision and action. Consider accounting for adjustable events, if there are any
- ✓ Record cut of documents of stock issue and receipt vouchers as of the year end
- ✓ The counting team should sign on the count sheet
- ✓ Update stock records by the count.
- ✓ Internal auditors should review adequacy of adherence to the control procedures
- ✓ Damaged items should be identified and adjustments should be done on the stock cards based on management decision.
- ✓ Prepare summary report for monthly stock movements.

5.3. RETAINING OF DOCUMENTS

- 5.3.1.** According to Financial Documents Preservation Guideline No 5/1999 of MoFED, financial documents shall be preserved for ten years from the date they were created or up to two years after the audit by the Auditor General is completed, whichever comes last.
- 5.3.2.** Documents refer to all the ledger cards, registers and supporting documents. The OOWNP documents shall be kept separately and shall be filed in a way that makes referring to the documents very easy. The filing system should enable the auditors of OOWNP and anyone who is authorized to check the documents of OOWNP to easily and systematically trace the documents and information they are looking for.
- 5.3.3.** Permanent financial files like financial management manual, FM rules & regulations, PAD, POM, Agreements, vouchers, personnel files etc should be kept both in soft and hard copy that enables users to access easily.
- 5.3.4.** Current and recent reports like IFRs, regional reports, correspondences on IFRs, checklist, budget amendments, variation, explanations, variance analysis should updated and filed properly to maintain smooth flow information for new comers.

6. Handing over procedures

Traditionally, handover procedure is limited to transfer of property and equipment by an outgoing or a transferred staff to an incoming staff or to warehouses. In WaSH, various studies show that staff turnover seriously affected the project implementation. Hence, it is essential to ensure that the outgoing staff transferred his/her wisdom, knowledge, status of activities and issues to the incoming staff.

6.1.1. Preparation of the handover report

- 6.1.1.1. Handover reports should be prepared by a staff members who are about to leave their positions, either temporarily (illness, maternity leave etc) or permanently, to assist their successor carry out their duties.
- 6.1.1.2. Handover report should be integrated in staff clearance process. The supervisor should indicate that they received a handover report from the leaving staff member during the checkout process.
- 6.1.1.3. The purpose of a handover note is to provide the new staff with key knowledge and information regarding the position so that the transition period is as short and smooth as possible and ensure continuity of operations.
- 6.1.1.4. In case of a temporary absence, particularly if the absence is longer than four weeks, it is strongly suggested that the staff member shall agree with his supervisor on whether a handover note should be written and if so, how detailed it needs to be.
- 6.1.1.5. A staff member who was temporarily covering the functions due to a colleague's absence shall also write a handover note to ensure a smooth transition back.
- 6.1.1.6. Handover report shall be finalized during the week before the staff member leaves his/her position. If this is not possible, the staff member should send the handover note to his/her successor before departing and supplement the note with phone conversations or by email. If the successor has not yet been appointed, the staff member should leave a handover note with his/her supervisor.

6.1.2. Distribution of the Handover report

One copy of the handover report shall be submitted to the immediate supervisor and one copy should be filed to archive.

6.1.3. Additional documentation to be included in the handover report

The staff required to prepare handover report should also attached working and training manuals which he received in the past because of his position in the project. These include training manuals, procedure manuals and guidelines, software, PAD, FM Manual, POM, working templates and formats.

6.1.4. Checklists for the content of the handover report

- ✓ Name and job title of the outgoing staff (report writer)
- ✓ Date of Handover report;
- ✓ Duration of Assignment (include start and end date);
- ✓ Brief description of duties

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- ✓ Supervisor and reporting procedures
- ✓ Regular/re-occurring meetings, reports or procedures
- ✓ Key documents/reference material to read
- ✓ Where to find files (hardcopy and electronic).
- ✓ Calendar of major activities and/or events.
- ✓ Contacts (internal and external) suppliers, customers, donors, regional and federal offices etc.

Name	Organization	Phone	E-mail	comments

- ✓ Contact information of the leaving employee (phone, email, fax etc).

7. Yearend procedures

7.1. Cut-off Procedures

The following procedures are carried out prior to closure of accounts:-

Tabel 13: Closing Procedures

Step	Activity	
One: Generate the Sene Monthly Reports	<i>Reconcile cash balance</i>	<ol style="list-style-type: none"> 1. Count cash in safe 2. Transfer all cash payment vouchers from the cashier to the accountant
	<i>Reconcile bank balance</i>	<ol style="list-style-type: none"> 1. Obtain the bank statement as at 30 Sene 2. Update the bank balance by passing entries for interest, bank charges, credit and debit advises in the General Ledger 3. Reconcile the bank balance per statement to the balances per general ledger
	<i>Reconcile transfers</i>	<ol style="list-style-type: none"> 1. Obtain transfer details from source/destination reporting units 2. compare details with general ledger 3. Make necessary adjustments using journal vouchers. 4. Communicate balances to source/destination

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	reporting units.
	5. Ensure transfer account balances agree to balances per source/destination reporting units.
<i>Accrue for grace period payables (Payments from prior year's budgets):</i>	<ol style="list-style-type: none"> 1. Identity amounts paid for in the month of Hamle (during the grace period) for goods/series received/rendered in the month of Sene 2. Use Journal vouchers to accrue for these.
<i>Reconcile receivables and payables general ledger balances to subsidiary ledger</i>	<ol style="list-style-type: none"> 1. For each general ledger account that has subsidiary ledgers, obtain the total of all the subsidiary ledger accounts. 2. Ensure that the total of the subsidiary ledger balances is equal to the general ledger balance and there are no differences. 3. If there is a difference, review the subsidiary ledger accounts and the general ledger account for omission and errors. 4. If the error/omission is in the general ledger, make a correction entry 5. If the error/omission is in the subsidiary ledger, make adjustments directly in the subsidiary ledger.
<i>Reconcile intra-governmental receivable and payables balances:</i>	<ol style="list-style-type: none"> 1. The amount receivable/payable in the books of the reporting unit should be equal to the amount shown as payable/receivable in the books of the related reporting unit. 2. obtain the balance per the other reporting unit 3. Compare the balance with General Ledger 4. Make necessary adjustments using journal voucher 5. Communicate balance to the reporting unit and ensure it makes necessary adjustments so that balances agree.
<i>Verify existence of irregular balances by generating an exceptional any reporting detailing</i>	Debit balances in revenue accounts Credit balances in expenditure accounts Credit cash in hand and cash at bank balances Credit receivables balances debit payables balances
<i>Rectify balances at each step by passing correction entries</i>	
<i>Prepare the Sene Monthly report</i>	
<i>Verify the Sene monthly report by reviewing each report for reasonableness and there is no cause for any investigation/follow up actions.</i>	

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	<p><i>Verify that the budgetary institution exists by agreeing the BI code to the budget notification.</i></p> <p><i>Ensure the amount of the approved budget is accurate by agreeing the amount to the budget notification.</i></p> <p><i>Verify that all budget transfers have been recorded by comparing records with the approved project budget.</i></p> <p><i>Verify and resolve any unbalanced budget transfers.</i></p> <p><i>Record any omitted budget transfers.</i></p> <p><i>Verify that all budget supplements have been recorded by comparing records with the approved project budget.</i></p> <p><i>Record any omitted budget supplements</i></p> <p><i>Prepare the budgets vs expenditure report</i></p> <p><i>Review the report for reasonableness.</i></p> <p><i>Review the report for over expenditures and investigate and resolve over expenditure.</i></p> <p><i>Explain in detail reasons for over and under spends including action taken and to be taken</i></p> <p><i>Make adjustments to expenditure if there has been an error in posting to wrong expenditure account resulting in an over expenditure</i></p>
<p>Three Closing Entry</p>	<p><i>After the June monthly report for the fiscal year is accepted by MOFED, prepare a JV using the June trail balance:</i></p> <p>Debit: Revenue/Assistance/loan Credit: Expenditure Debit: Transfers-using the credit amount in the trial balance (if any) Credit: Transfers-using the debit amount in the trail balance (if any) Debit/Credit: Net Asset/Equity account as debit or credit to make the entry balance.</p>

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Record the above JV into the TR and only post the amount for Net Asset/Equity to the General Ledger. The other entries for revenue/assistance/loan, expenditure and transfers should not be posted to the General Ledger for manual users.

<i>Prepare the post-closing Trail Balance with the following accounts;</i>	Debit	Credit	
	Cash in safe	XXX	
	Cash at Bank	XXX	
	Receivables	XXX	
	Payables		XXX
	Net Assets/equity Debit or credit balance, as the case may be		

Carry forward balances in all permanent accounts to the next fiscal year by using new general ledger cards. The beginning balance (equal to last year's ending balance) is recorded on the new ledger card.

A new transaction register is opened every new fiscal year.

Procedures at regional and federal levels are similar.

four	Beginning of Year	<i>General Ledger</i>	<ol style="list-style-type: none"> 1. Based on the post-closing trail balance, a set of general and subsidiary ledger cards and sets of budget/expenditure subsidiary ledger cards should be prepared at the beginning of each fiscal year 2. As noted in procedures for closing entry above, the balances in permanent accounts carry forward to the next fiscal year by preparing new General Ledger cards. Therefore, the beginning Balances, which is

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	<p>equal to the last year's ending balance, should be recorded on the new ledger card, via opening journals voucher.</p> <p>3. As expense and transfer accounts are closed there no issue of carry forward balances new ledger cards for temporary accounts should be prepared for the new fiscal year</p>
<i>Subsidiary Ledger Cards</i>	<p>1. New subsidiary ledger cards will be opening for permanent accounts that have a carry forward balance.</p> <p>2. The carry forward balances shall be posted to the new subsidiary ledger cards as a beginning balance of the next fiscal year, which is equal to last year ending balance.</p>
<i>Budget/Expenditure Subsidiary Ledger Cards</i>	<p>1. Budget/expenditure subsidiary ledger cards are valid only for the budget year to which they relate.</p> <p>2. When budget notification is received, budget/expenditure subsidiary ledger cards should be prepared for each item of expenditure for each budgetary institution.</p> <p>3. The prior year's budget expenditure subsidiary ledger cards should be filed</p>

7.2. RETAINING OF DOCUMENTS

- 7.2.1. According to Financial Documents Preservation Guideline No 5/1999 of MoFED, financial documents shall be preserved for ten years from the date they were created or up to two years after the audit by the Auditor General is completed, whichever comes last..
- 7.2.2. Documents refer to all the ledger cards, registers and supporting documents. The OOWNP documents shall be kept separately and shall be filed in a way that makes referring to the documents very easy. The filing system should enable the auditors of OOWNP and anyone who is authorized to check the documents of OOWNP to easily and systematically trace the documents and information they are looking for.
- 7.2.3. Permanent financial files like financial management manual, FM rules & regulations, PAD, POM, Agreements, vouchers, personnel files etc should be kept both in soft and hard copy that enables users to access easily.
- 7.2.4. Current and recent reports like IFRs, regional reports, correspondences on IFRs, checklist, budget amendments, variation, explanations, variance analysis should updated and filed properly to maintain smooth flow information for new comers.

8. Financial reporting

8.1. Introduction

- 8.1.1.** Financial Reporting include the internal financial reports to the management of the program and external financial reports to Development partners. The internal financial reports are both regular and ad hoc or upon request. The regular financial reports to management include monthly reports on the use of resources and status of budget utilization to the management of the implementing entity from the accountant of the project in the implementing entity. The main external report to Development Partners by the program is the quarterly Interim Financial Report (IFR) and annual financial reports.
- 8.1.2.** Interim financial reports and annual financial reports will be prepared in accordance with the reporting formats for WASH agreed with the World Bank. The IFR is intended to provide information on whether or not funds disbursed to the Program are being used for the intended purpose, Program implementation is on track, and budgeted costs will not exceed limit.
- 8.1.3.** Although every implementing entity that receive fund is accountable for reporting on implementation, MoFED shall take the overall responsibility for the preparation of IFRs. Apart from its use for monitoring and follow-up Program implementation, the IFR shall be used for making disbursements for the Program. Hence, completeness and accuracy of the IFR is of paramount importance in serving the intended purpose. The timely submission of quality financial reports is necessary to ensure that cash resources flow to the Program as required by the Annual Plan. Financial reports trigger the replenishment of the funds. Because of this, it is vital that WOFEDs, BOFEDs, and MOFED including the other implementing entities work diligently to submit quality reports on time. If IFRs are not received on or before the due date and are of insufficient quality, disbursements from the Development Partners may be delayed to all regions, until reports of adequate quality are received.
- 8.1.4.** Interim Financial reports will be prepared and submitted quarterly. To achieve this Financial reports will be prepared by all implementing entities receiving funds at federal or regions or woredas. WoFED, BoFED and MoFED will follow up with these entities to report. WoFED and other regional level implementing entities including sector Bureau reports to BoFED and BoFED and federal implementing entities including sector Ministries reports to MoFED. MoFED compiles and reports to Development Partners. The financial reporting at each level shall facilitate the distinction of budget utilization to the sources of the fund. For this purpose financial plans will be prepared at each level indicating the source of finances. The financing plan then will be the basis for financial reporting and budget control.
- 8.1.5.** Management information is required in order to control financial resources. DPs require monitoring based on internationally accepted accounting principles. Likewise, monitoring physical performance in relation to financial disbursement is important in order to establish the value for money. At the operational level, reporting is essential to facilitate routine activities of the Program.

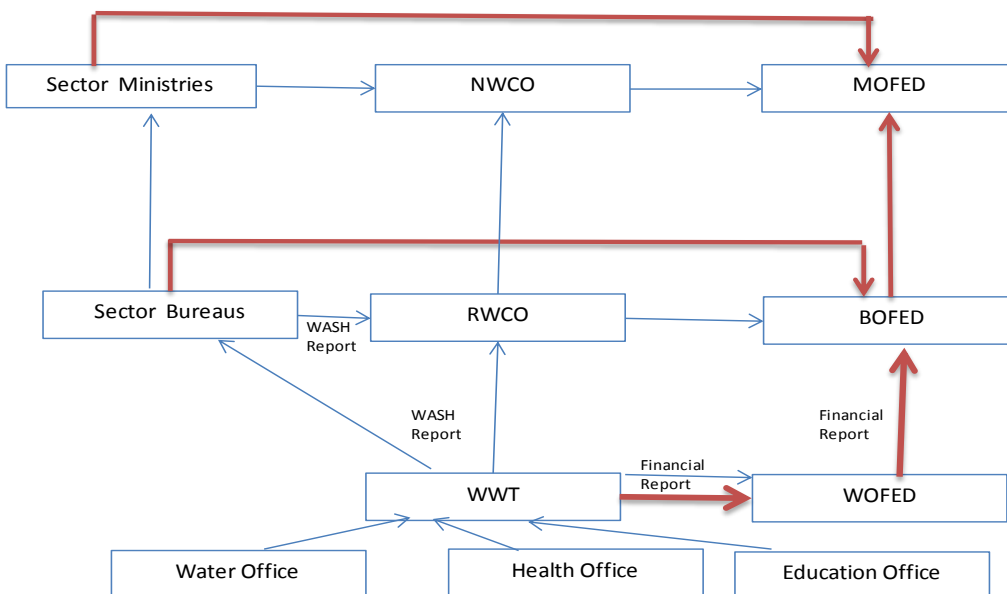
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- 8.1.6.** The Program shall prepare and submit to DPs within 60 days after the end of each quarter Interim unaudited Financial Reports (IFRs) the format of which is annexed in this FM Manual. The following are the minimum statements that need to be included:
- Statement of Sources and Uses of Funds (for the quarter and cumulatively for the year-to-date and the Program);
 - Statement of Uses of Funds by program Activity (Component) as well as by categories, including comparisons with budget and explanations for significant variances
 - Statement of Designated Account Activity Statements;
 - Program Cash Forecast;
 - Notes / explanation on financial performance including budget utilization and variance analysis and
 - Various schedules supporting the IFR including aging analysis, Special account reconciliation statement, regional or implementing entity's sources and use of fund, bank statement and bank reconciliation statement, statement of fund flow and cash movement for federal and regional implementing agencies, contracts subject to prior and post reviews including payments against contracts subject to prior review, etc.
- 8.1.7.** Consistent to the Government reporting requirement, each of the implementing agencies shall prepare and submit the standard reports to either the BoFEDs or MoFED on a monthly basis. These reports are mandatory reports required by the government, to be prepared and submitted by each of the implementing agencies following the government reporting formats. However, the monthly report prepared at end of a quarter should include additional schedules that enable MoFED to prepare IFR. Content of the monthly and additional schedules required for quarterly reporting including frequency and deadline for submission have been specified under table 14 below. These reports shall be consolidated and transformed into the Program's IFR formats at MoFED, and they shall be used to prepare quarterly reports required to be submitted to the CWA contributing DPs.
- 8.1.8.** Sector ministries, regional sector bureaus, Woredas, BoFEDs, MoFED and other implementing entities of the project are expected to report as per the requirement specified under table 14, Financial Reporting Procedure
- 8.1.9.** The Program's annual financial statements would be prepared in respect of each accounting year (which is the Ethiopian fiscal year) for the purpose of providing information, including the source and use of funds during the year and financial position at the end of the year then ended. MoFED shall be responsible for preparing the final accounts by consolidating the various financial reports received from BoFEDs, MoWIE, MoH and MoE. Thus, amounts shown in the final accounts shall equal the aggregate of amounts shown in the quarterly financial reports submitted to donors subject to adjustments. In case of variances between the IFRs and the audited report, there should be a justification and adjustment should be passed on accounts/reports as necessary.

8.2. Reporting procedures

- 8.2.1.** An upward reporting stream, in which reports flow from lower level to higher level, shall be implemented for the WaSH as described below and as per the requirement specified under table 14, Financial Reporting Procedure:
- 8.2.2.** WOFED will prepare, using the IFRs' formats as well as the standard monthly government financial reports (i.e. trial balance, expenditure reports, revenue reports, etc.) and send them to the respective BoFEDs.
- 8.2.3.** WASH Sector Bureaus will send monthly financial reports to BoFEDs, using the IFR standard reporting formats.
- 8.2.4.** BoFEDs will summarize the reports received from WofEDs and WASH Sector Bureaus, on a quarterly basis, send these summarized reports to MoFED.
- 8.2.5.** Federal implementing Agencies (Sector ministries) shall prepare monthly financial reports and send to MoFED.
- 8.2.6.** MoFED will consolidate the above reports received from BoFEDs and WaSH Sector Ministries, and prepare and send to donors a consolidated IFR for the Program within 60 days after the end of the quarter. The format of the Interim financial reports (IFRs) are annexed in this manual.
- 8.2.7.** The development partners led by the WB will be responsible for reviewing and clearing the quarterly IFRs.
- 8.2.8.** Following the reporting arrangement described above and under table 14, additional work is required only at the BoFEDs, to summarize the monthly reports of lower level, and MoFED to transform the reports into the Program's IFR formats.

Diagram 4: Financial Reporting Cycle



8.3. Periodicity of Reporting

8.3.1. Monthly reporting

As explained above, monthly reporting shall comprise reporting using the standard government reporting formats. The timeline for sending the monthly reports is as follows:

- ✓ WofEDs shall send the reports to BoFEDs within 15 days of the last day of the month; and
- ✓ Implementing sector Bureaus shall send the reports to BoFEDs within 15 days of the last day of the month
- ✓ Implementing sector ministries shall send the reports to MOFEDs within 15 days of the last day of the month.

8.3.2. Quarterly IFRs

The IFRs shall constitute the quarterly financial reports for the Program. MOFED will submit consolidated IFR to DPs within 60days after the end of the quarter. The timeline for reporting is described below:

- ✓ 30 days after the end of each quarter, BoFED consolidates financial reports to MoFED.
- ✓ 60 days after the end of each quarter, MoFED prepares consolidated ONE-WASH IFR.

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This consolidated IFR will be based on financial reports from implementing Sector ministries and BoFEDs, own expenditures, and federal government contributions and receipts from DPs.

8.3.3. Annual reports

These are mainly prepared for audit purposes. The reporting formats for the annual reports are very similar to the formats used for the quarterly IFRs. The annual report will be the consolidated report of the four quarters subject to adjustments. The final (annual) accounts shall be prepared and submitted to external auditors no later than 3 months after the end of the fiscal year.

Table 14: Financial reports procedures

REPORT TYPE OR CONTENT OF REPORT	RESPONSIBLE ENTITY	FREQUENCY OF SUBMISSION	DEADLINE FOR SUBMISSION	ACTION
<p>Monthly Report: Trial balance, receivable report, payable report, transfer report, cash count certificates, expenditure report, bank statement & the related bank reconciliation,</p> <p>Quarterly Report (<i>the monthly report at the end of a quarter will include the following schedules in addition to those included in the monthly reports</i>): List of receivables & the related age analysis, list of payables & the related age analysis, budget & actual expenditure comparison by component & sub-component of expenditures and the related explanation</p>	<ul style="list-style-type: none"> ▪ WoFEDs, ▪ Regional Sector Bureaus ▪ Federal Sector Ministries 	Monthly and Quarterly	2 weeks after the end of a month (Fifteen calendar days)	<ul style="list-style-type: none"> ▪ WOFEDs submit to BoFEDs; ▪ Regional Sector Bureaus submit to BoFEDs; ▪ FederalSector Ministries submit to MoFED.

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<p>Quarterly Report: Fund utilization report, Statement of Sources and Uses of Funds, Consolidated & its own trial balance, BoFEDs own receivable & payable report, BoFEDs own cash count certificates, BoFEDs own expenditure report, bank statement & the related bank reconciliation, Consolidated list of receivables & the related age analysis, Consolidated list of payables & the related age analysis, budget & actual expenditure comparison by component & sub-component of expenditures and the related explanation</p>	<p>BoFEDs</p>	<p>Quarterly</p>	<p>One month after the end of the relevant quarter (30 calendar days)</p>	<ul style="list-style-type: none"> ▪ BoFEDs submit to MoFED
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<p>Quarterly IFR:</p> <p>Notes & explanation about project & financial performance, Statement of Sources and Uses of Funds, Statement of Uses of Funds, Statement of Designated Account, Designated account Activity Statements, Cash Forecast, budget utilization and variance analysis, and various schedules supporting the IFR including aging analysis, Special account reconciliation statement, regional or implementing entity's sources and use of fund, bank statement and bank reconciliation statement, statement of fund flow and cash movement for federal and regional implementing agencies, contracts subject to prior and post reviews including payments against contracts subject to prior review</p>	MoFED	Quarterly	Two months after the end of the relevant quarter (60 calendar days)	MoFED submit to WB or development partners
Annual Financial Statements	MoFED	Annually	3 months after the end of the fiscal year	MoFED submit draft financial statements to auditors
Audit Report	MoFED	Annually	Within 6 months after the end of the fiscal year	After collecting from auditors MoFED submits audit report & audited financial statements to DPs and discloses for public.

8.4. Contents of IFR Report

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This section briefly discusses about the main schedules/statements forming part of the IFRs.

8.4.1. Statement of Sources & Uses of Funds

Summary information on opening cash balances; sources of funds, uses of funds and closing cash balance will be contained in this form. This report is prepared both at regional (BOFED) and federal level (MOFED).

In this statement BOFED shall include all opening balances of woredas and region, cash transfer from MOFED and donor direct transfer if any, expenditures of reporting period with major components level(Urban, Rural and program management and capacity building) , and ending balance with detail breakdown(cash on hand and at bank, advances, payables).

Report prepared at MOFED level include all opening balances of donors account & regions, sources or collection from donors and government, expenditures total of the reporting period with components details

All donors account balance kept in foreign currency are converted to Birr using the prevailing exchange rate. The statements shall prepare every quarter and once in a year.

8.4.2. Balance Sheet

Balance sheet is prepared at all levels of government. MOFED shall prepare balance sheet after preparing sources & uses of funds. It shows the overall financial position of the programme.

Major consolidated items included in this statement are current assets, current liabilities and accounted fund. The statements shall prepare every quarter and once in a year.

8.4.3. Statement of Special (Designated) Accounts /FUND FLOW/

This is a statement showing summary of the movements of each of the financiers' special foreign bank accounts. Separate statement shall prepare for each financier.

The statement include receipts, transfer to pool birr account, service charge apportioned expenditures of the period, closing balance, and foreign exchange gain or loss. Calculation of exchange rate gain or loss shall follow governments accounting procedures. The statements shall prepare every quarter and once in a year.

8.4.4. Fund Flow Statement of Pooled Bank Account

Just like statement of special account, fund flow statement of pooled account shows a summary of cash movement for pooled account. It include transfer from special foreign account, fund transfer to regions & other sector offices, bank service charge and other expenses. The statements shall prepare every quarter and once in a year.

8.4.5. Statement of Use of Fund

Statement of uses of fund /fund utilization/ shows actual expenditures, which are appropriately classified by main project activities (categories, components and sub-components) and include an actual versus budget comparisons for the current quarter, year to date and cumulative project life and percentage of utilization.

The statement is prepared at all levels including federal, regional and woredas level. The regions are consolidating each Woredas and sector bureau actual utilization report and compare with their allocated budget.

8.4.6. Consolidated Expenditures Summary

Summary of expenditures consolidated at federal level. Each region expenditures should be presented with major components details (Rural, Urban, and program management), Both annually and quarterly it is prepared and compared with respective period budget to show actual versus budget comparisons for the current quarter, year to date and cumulative project life. The statement shows fund utilization percentage as per each region and major components.

8.4.7. Expenditures Forecasts & Cash Requirements

This includes a statement of cash forecast or requirement covering for six months period. It is prepared both in the local currency and in the currency of the designated bank account by taking project budget for the coming two quarters after the end of the relevant quarter. The total is then reduced by ending balance and direct payments if any. It should also indicate the source of finance. This report should be worked with maximum due diligent to get accurate forecast figure which reflect the correct future expenditure and source of funds.

8.4.8. Aging Analysis of payables and receivables

This discusses aging of unsettled payables and receivables, its volume compared to the total expenditure of the quarter or percentage of cumulative expenditure. All fund receiving entities should prepare and submit to higher level entity.

8.4.9. Bank reconciliation and Bank Statements

From practice it is understood that the balance per record of organization's book may not agree with the balance per bank statement. The most common causes for differences include:-Deposits in transit, not shown in the bank statements, Outstanding Cheques not presented to the bank, Deposits/payment not recorded on books, Errors in recording either by the bank or by the implementing agency

Bank reconciliation should be prepared every month in not more than a week time from the end of the month. Bank reconciliation should be made on a monthly basis even if there is no payment or deposit or transfer received in the month.

Bank reconciliations to be prepared by the following entities to reconcile all bank accounts maintained for the program:- by MoFED, by BoFED, by WoFED, by Sector ministries, Sector bureaus and by others that receive program funds.

9. Auditing procedures

9.1. Internal Auditing

- 9.1.10.** Internal auditing is a profession and activity involved in helping organizations achieve their stated objectives. It does this by utilizing a systematic methodology for analyzing business processes, procedures and activities with the goal of highlighting organizational problems and recommending solutions.
- 9.1.11.** The scope of internal auditing within an organization is broad and may involve topics such as the effectiveness of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations
- 9.1.12.** As per regular government procedures, the internal auditor of each agency (i.e. MoFED, BoFEDs, WoFEDs, sector Ministries, sector Bureaus, and other implementing agencies) shall perform an internal audit on the program fund. Thus, all the internal audit units of the mentioned agencies shall routinely include the Program in their work plan and conduct regular audit on the Program funds. The report of the implementing agencies' internal auditors shall be addressed and submitted to the head of the Agency. However, major findings during an audit shall be communicated to MoFED immediately for corrective action.
- 9.1.13.** The audit includes a periodic review (post audit) of effectiveness and compliance with financial and accounting policies and procedures and internal control mechanisms; the overall reliability of accounting system, data and financial reports.
- 9.1.14.** It is imperative that the internal auditors carry out the financial audit for the Program. Internal auditors shall keep a copy of the proceeding internal audit report and make them available for external auditors and the DPs' supervision missions.
- 9.1.15.** Past lessons indicate that the internal audit function in all regions and woredas visited was found to be especially weak. These weaknesses are systemic and well-recognized by MoFED, and many reform activities are planned and underway by the EMCP/MoFED to improve the internal audit system. In the meantime, through this program certain mitigation measures are agreed:
- ✓ Hire/assign internal auditors at MoFED and BoFED to conduct internal audits;
 - ✓ The recruited Internal Auditors will supervise the project's internal control system every six months and furnish the status report to the WB within 60 days of the end of the semester.

- ✓ Conduct capacity building trainings on internal audits along with the FM Manual trainings;
- ✓ The WB/DPs will continue to track the performance of internal auditors as to whether the project was subject to internal audit reviews.

9.2. External Audit

- 9.2.1.** According to the Ethiopian Constitution, the Office of Federal Auditor General (OFAG) is responsible for carrying out the audit of all the financial transactions of the federal government and subsidies to the regions. Each of the regions has a regional Auditor General responsible for auditing financial transactions in the region. Although the responsibility for the preparation of financial statements of the program and for getting them audited rests with MOFED, every program implementing entity has responsibility to cooperate with external auditors. MoFED will have the project financial statements audited by OFAG or an auditor assigned by OFAG. When OFAG decide to assign independent audit firm to handle the financial audit, the auditor to be selected should be acceptable to the World Bank. There should be rotation of auditors and an independent audit firm should be allowed to audit the project financial statements for a maximum of three years. The project is subject to external audit throughout the life of the project.
- 9.2.2.** The auditor is responsible for forming and expressing opinion on the financial statements. The audited financial statement will include all sources of funds for the program, including the Government. The auditor will prepare a work plan to ensure adequate coverage of the various institutions that receive project funds and cover all the major risk areas. The audit of the project will be carried out in accordance with the terms of reference for external audit and International Standards on Auditing (ISA) promulgated by the International Federation of Accountants (IFAC), and with relevant World Bank guidelines, and will include such tests and auditing procedures, as the auditor will consider necessary under the circumstances. In complying with International Standards on Auditing, the auditor is expected to pay particular attention to fraud and corruption, laws and regulations, governance and risks. The content of the program financial statements are all included in the audit TOR agreed with the Bank. The audit report should include follow up on the audit recommendations noted by audit reports at the different implementing entities. In addition to the audit of the Project Financial Statements, the auditor is required to verify IFRs used as a basis for the submission of loan withdrawal applications to the World Bank. The auditor will apply such tests and auditing procedures as considered necessary under the circumstances.
- 9.2.3.** The auditor will prepare audit report (that includes the audited financial statements, the opinion on the financial statements and states of affairs of the program and a complete Management Letter) in a form and content satisfactory to the WB/development partners and will submit the report to MoFED. MoFED will then submit the complete audit report to the DPs within 6 months after the end of each Fiscal year. The World Bank, as indicated in the POM, is responsible to review, give comments, if any, and clear the audit reports.

- 9.2.4.** Audit reports shall be addressed to MoFED. MoFED will be responsible for preparing action within two months of submission of audit report and submits the same to all implementing entities for follow up. The action plans will also be sent to development partners. All the relevant public bodies at all levels should respond immediately to recommendations and findings to which they are responsible to enable MoFED submit action taken and would be taken in time to the development partners.
- 9.2.5.** MoFED should also follow up on actions taken as planned in the Action plans thereby following up with Regions and implementing entities to take actions. Progress update of status of actions taken will be reported to DPs as well.
- 9.2.6.** Once finalized and issued by MoFED and submitted to DPs, the external audit report is subject to public disclosure. The World Bank in line with its policy requires recipients to disclose audited financial statements in a manner acceptable to the Bank. Following the Bank's formal receipt of audited financial statements from recipients, the Banks makes them available to the public in accordance with the World Bank Policy on Access to information.

PART IV PROCUREMENT

10. Procurement

10.1. General

- 10.1.1.** This section of the POM provides procurement implementation guidelines that will be applicable for CWA financed One WASH Program. The implementation of One WASH Program under CWA will involve numerous procurement activities in order to achieve the development objective of the program. Procurable items under the program will include Civil Works, contracts related to provision of water supply schemes both in urban and rural areas; Goods such as pipes and fittings and electromechanical equipment, vehicles, IT equipment etc.; and Consultancy services for design and supervision of the water supply related works.
- 10.1.2.** The One WASH Program financed through the CWA is expected to follow Sector Wide Approach (SWAP), which is a mechanism by which development partners collaborate to support sector programs that are based on a country's long-term vision for its development. Under the SWAP development, partners and government funds are pooled for disbursement through jointly agreed channels. Since the Program funds will be deposited into and disbursed from a common account, a common procurement arrangement is agreed to be implemented as presented in this section.

10.2. Oversight Arrangements

Pooled fund donors have elected World Bank as the lead agency for fiduciary oversight over procurement. . In its role as lead agency World Bank will be responsible for prior of individual contract transaction as per agreed thresholds. Bank oversight will be supplemented by government own oversight and monitoring of procurement activities. Ministry of water and Energy will prepare quarterly monitoring reports that will highlight actions taken to improve capacity and mitigate risks, number of contracts planned within quarter, progress of each contract, funds committed and contracts committed, which will be shared and discussed with pooled partners. The MoWE will also engage an independent auditor annually and submit an audit report not later than six months after end of fiscal year. Head of each implementing agency will be responsible for monitoring and reporting progress of procurement activities at their level. The head of each agency will also be responsible for approving the use of uncompetitive methods for contracts below USD5,000 equivalent. Beyond this amount , use of uncompetitive methods will require Bank No Objection

10.3. Accountability Framework

Ministry of Water and Energy will be overall accountable for procurement decisions for the program. The Ministry will promote good procurement practices consistent with agreed rules and procedures and ensure that adequate capacity is maintained at all times and at all

levels of program implementation. Specifically the Ministry will be responsible for (i) ensuring that procurement rules and procedures are disseminated to all implementing entities (ii) procurement rules are adhered to and deviations from agreed rules are adequately justified (iii) independent procurement audits are timely carried out and final reports shared with Bank along with actions to be taken on observed deficiencies (iv) there are bidder complaint review committees at all levels and that bidders complaints are expeditiously dealt with by people different from those involved in evaluations of the same bidders (v) share with the bank allegations of fraud and corruption including actions taken (vi) public results of ICB contract awards within two weeks after Bank No Objection and publish quarterly on PPA website tender results other than those for ICB awarded in the quarter

10.4. Applicable Policies, Rules, Procedures

- 10.1.3.** Procurement under One WASH Program financed through the pooled funding (CWA) would be carried out in accordance with:
- 10.1.4.** The requirements set forth in Section I of Guidelines: Procurement of Goods, Works, and non-Consulting Services Under IBRD Loans and IDA Credits & Grants by World Bank Borrowers dated January 2011 (Procurement Guideline);
- 10.1.5.** The requirements set forth in Section I and IV of Guidelines: Selection and Employment of Consultants Under IBRD Loans and IDA Credits & Grants by World Bank Borrowers dated January 2011 (Consultants Guideline); and
- 10.1.6.** Guidelines on Preventing and Combating Fraud and Corruption in Program Financed by IBRD Loans and IDA Credits and Grants” dated October 15, 2006 and revised in January 2011.
- 10.1.7.** National Competitive Bidding procedure shall be in accordance with the procedures of GOE’s Federal Government Procurement and Property Administration Proclamation No. 649/2009 and the Federal Government Public Procurement Directive issued by the Minister of Finance and Economic Development June 2010, subject to the following additional provisions:
 - ✓ The Recipient’s standard bidding documents for procurement of goods and works acceptable to the Association shall be used. At the request of the Recipient, the introduction of requirements for bidders to sign an Anti-Bribery pledge and/or statement of undertaking to observe Ethiopian Law against fraud and corruption and other forms that ought to be completed and signed by him/her may be included in bidding documents if the arrangements governing such undertakings are acceptable to the Association.
 - ✓ If pre-qualification is used, the Association’s standard prequalification document shall be used.
 - ✓ No margin of preference shall be granted in bid evaluation on the basis of bidder’s nationality, origin of goods or services, and/or preferential programs such as but not limited to small and medium enterprises.
 - ✓ Mandatory registration in a supplier list shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and if recommended for contract award shall be given a reasonable opportunity to register with the reasonable cooperation of the recipient, prior to contract signing. Invitations to bids shall be advertised in at least one newspaper of national circulation or the official gazette or on a widely used website or electronic portal with free national and international access.

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- ✓ Bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents.
- ✓ All bidding for goods shall be carried out through a one-envelope procedure.
- ✓ Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.
- ✓ The results of evaluation and award of contract shall be made public. All bids shall not be rejected and the procurement process shall not be cancelled. A failure of bidding declared, or new bids shall not be solicited, without the Association's prior written concurrence. No bids shall be rejected on the basis of comparison with the cost estimates without the Association's prior written concurrence.
- ✓ In accordance with paragraph 1.16(e) of the World Bank Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (1) the bidders, suppliers, contractors and subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Association, at its request, to inspect all accounts, records and documents relating to the bid submission and performance of the contract, and to have them audited by auditors appointed by the Association; and (2) Acts intended to materially impede the exercise of the Association's audit and inspection rights constitutes an obstructive practice as defined in paragraph 1.16 (v) of the Procurement Guidelines.

10.5. Procurement of Goods, Works and Non-consultancy services

The following procurement methods are applicable for procurement of Goods, Works, and Non-Consultancy Services under the Program:

- ✓ International Competitive Bidding (ICB)
- ✓ National Competitive Bidding (NCB)
- ✓ Shopping
- ✓ Direct Contracting
- ✓ Community Participation in Procurement

10.5.1. International Competitive bidding (ICB)

Works contracts above and equal to 7million USD Goods, IT Systems, and Non-consultancy Services contracts above and equal to 1 million USD shall follow ICB procedure using provisions stated under Section II of the Bank's Procurement Guidelines. The features of ICB are:

- ✓ Advertisement of invitation for bids (IFBs) for ICBs shall be published in the World Bank's external website and in the United Nation's Development Business (UNDB) online
- ✓ Apart from UNDB online, advertisements for Invitation for bids (IFBs) shall be published in daily national newspaper with wide circulation all over the country, in the FPPA website, and in the Program website when available.
- ✓ The World Banks's Standard Bidding Documents shall be used
- ✓ Bidding period shall be 45 to 90 days from the start of the sale of the bid documents
- ✓ Other procedures for ICB will broadly be same as that of National Competitive Bidding (NCB) in respect of bid opening, bid evaluation, notification & publishing of award of contract, complaint handling, etc.

10.5.2. National Competitive Bidding (NCB)

Works contracts less than 7million USD, and Goods, IT Systems, and Non-consultancy Services contracts less than 1 million USD shall follow NCB procedure using provisions in the Federal Public Procurement Directive subject to the exceptions described in section 4.2 above. NCB, also known as Open Tender, is the competitive bidding procedure that provides adequate competition among participants in order to ensure competitive prices. The procurement steps for NCB broadly consist of the following activities: The features of NCB are:

- ✓ Advertisements for Invitation for bids (IFBs) shall be published in daily national newspaper with wide circulation all over the country, in the FPPA website, and in the Program website when available.
- ✓ The bidding document should invariably contain standard bidding instructions and contract conditions to make it self-explanatory.
- ✓ The Federal Standard Bidding Documents may be used with modification to take into account the exceptions to the NCB described in section 4.2 above.
- ✓ The minimum time given for submission of bids shall not be less than 30 days from the date of sale of bid document.

10.5.3. Shopping

Procurement of the shelf goods and commodities of small value contracts of less than 50,000 USD and procurement of simple works contracts with value up to 100,000 USD may be procured using Shopping method. The following consideration should be kept in view of adopting Shopping procedure:

- ✓ Shopping is a Procurement method based on comparing price quotations obtained from several national suppliers, usually at least three to ensure competitive prices.
- ✓ Shopping is intended to be a simple and rapid procurement method and is one of the least competitive procurement methods and may be abused unless it is carried out in compliance with legal agreements and observing a minimum formality in the process and with appropriate record keeping for verification and audit.
- ✓ Shopping should not be used as an expedient to by-pass more competitive methods or split large procurement into smaller ones solely to allow the use of Shopping.
- ✓ To procure small amounts of off-the-Shelf goods or Standard Specification Commodities or simple civil works for which more competitive methods are not justified on the basis of cost or efficiency.
- ✓ Request for quotation shall be written and sent by letter, fax, etc. (with proof of receipt and record keeping).
- ✓ The request shall include the description and quantity of the goods as well as the required delivery time and place for the goods or services, including any installation requirements as appropriate.
- ✓ The request shall indicate the date by which the quotations are needed.
- ✓ Requests should be addressed to more than three firms that are reputable, well established and are suppliers of the goods or services being purchased, as part of their normal business (after verifying whether those being invited will make an offer or not) to ensure at least three quotations are received.
- ✓ Award decision and its rationale should be documented/ and kept for review by audit by the Bank (or by the Bank's auditors) as needed. The record should contain the list of firms invited, and the list and value of quotations received, comparative statements, etc. The documents should clearly show that the award is based on sound technical and commercial criteria.
- ✓ Purchase order shall incorporate the terms of accepted offer.

10.5.4. Direct Contracting

The procedure for Direct Contracting may be adopted if any one of the following conditions is met.

- ✓ An existing contract for goods, works and non-consulting services, awarded in accordance with procedures acceptable to the Bank, may be extended for additional goods, works and non-consulting services of a similar nature. The World Bank shall be satisfied in such cases that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable. Provisions for such an extension, if considered likely in advance, shall be included in the original contract;
- ✓ Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original Supplier. For such purchases to be justified, the original equipment shall be suitable, the number of new items shall generally be less than the existing number, the price shall be reasonable, and the

advantages of another make or source of equipment shall have been considered and rejected on grounds acceptable to the World Bank;

- ✓ The required equipment is proprietary and obtainable only from one source;
- ✓ The procurement of certain goods from a particular Supplier is essential to achieve the required performance or functional guarantee of an equipment, plant or facility;
- ✓ In exceptional cases, such as, but not limited to, in response to natural disasters and emergency situations declared by the Government and recognized by the World Bank; and
- ✓ Works contracts related to development shallow of wells having value less than 1,000 USD. The Direct Contracting method used for works contracts by a single Implementing Agency or woreda shall not exceed 10,000 USD per year.

10.5.5. Community Participation in Procurement

The program will involve activities that will be carried out directly by the community. The procurement procedures to be followed by community groups will be elaborated in a separate manual that will be approved by the World Bank.

10.6. Procurement of consultancy services

The following selection methods are applicable for procurement of consultancy services contracts:

- ✓ Quality and Cost-based Selection (QCBS)
- ✓ Least Cost Selection (LCS)
- ✓ Selection based on Consultants' Qualifications (CQS)
- ✓ Single-source Selection of consulting firms (SSS)
- ✓ Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants;

10.6.1. Quality and Cost Based Selection

QCBS uses a competitive process among shortlisted firms that takes into account the quality of the proposals and the cost of the services in the selection of the successful firm. The relative weight to be given to the quality and cost shall be determined for each case depending on the nature of the assignment. The selection process shall include the following steps:

- ✓ Preparation of the Terms of Reference (ToR)
- ✓ Preparation of cost estimate & the budget
- ✓ Advertisement for Expression of Interest (EOI)
- ✓ Evaluation of EOI to shortlist six firms
- ✓ Preparation & issuance of Request for Proposal (RFP) to short listed firms
- ✓ Receipt of proposals
- ✓ Opening and Evaluation of technical proposals
- ✓ Public opening of financial proposals of firms technically qualified
- ✓ Combined evaluation of technical and financial proposals
- ✓ Negotiations and award of the contract to the selected firm

10.6.2. Least Cost Selection

This method is only appropriate for selecting consultants for assignments of a standard or routine nature (audits, engineering design of noncomplex works, and so forth) where well-established practices and standards exist. Under this method, a “minimum” qualifying mark for the “quality” is established. Proposals, to be submitted in two envelopes, are invited from a short list. Technical proposals are opened first and evaluated. Those securing less than the minimum qualifying mark are rejected, and the financial proposals of the rest are opened in public. The firm with the lowest price shall then be selected.

10.6.3. Selection based on Consultants’ Qualifications

This method may be used for small assignments for which the need for preparing and evaluating competitive proposals is not justified. In such cases, prepare the TOR, request expressions of interest and information on the consultants’ experience and competence relevant to the assignment, establish a short list, and select the firm with the most appropriate qualifications and references. The selected firm shall be asked to submit a combined technical-financial proposal and then be invited to negotiate the contract.

10.6.4. Single-source Selection of consulting firms

- 10.6.4.1.** Single-source selection of consultants does not provide the benefits of competition in regard to quality and cost, lacks transparency in selection, and could encourage unacceptable practices. Therefore, single-source selection shall be used only in exceptional cases.
- 10.6.4.2.** Single-source selection may be appropriate only if it presents a clear advantage over competition: (a) for tasks that represent a natural continuation of previous work carried out by the firm (see next paragraph), (b) in emergency cases, such as in response to disasters and for consulting services required during the period of time immediately following the emergency, (c) for very small assignments, or (d) when only one firm is qualified or has experience of exceptional worth for the assignment.
- 10.6.4.3.** When continuity for downstream work is essential, the initial RFP shall outline this prospect, and, if practical, the factors used for the selection of the consultant shall take the likelihood of continuation into account. Continuity in the technical approach, experience acquired, and continued professional liability of the same consultant may make continuation with the initial consultant preferable to a new competition subject to satisfactory performance in the initial assignment. For such downstream assignments, the client shall ask the initially selected consultant to prepare technical and financial proposals on the basis of TOR furnished by the client, which shall then be negotiated.
- 10.6.4.4.** If the initial assignment was not awarded on a competitive basis or was awarded under tied financing or if the downstream assignment is substantially larger in value, a competitive process acceptable to the Bank shall normally be followed in which the consultant carrying out the initial work is not excluded from consideration if it expresses interest. The Bank will consider exceptions to this

rule only under special circumstances and only when a new competitive process is not practicable.

10.6.5. Selection of Individual Consultants

- 10.6.5.1.** Individual consultants are employed on assignments for which (a) teams of personnel are not required, (b) no additional outside (home office) professional support is required, and (c) the experience and qualifications of the individual are the paramount requirement. When coordination, administration, or collective responsibility may become difficult because of the number of individuals, it would be advisable to employ a firm.
- 10.6.5.2.** Individual consultants are selected on the basis of their qualifications for the assignment. Advertisement may not be required and consultants do not need to submit proposals. Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly. Individuals considered for comparison of qualifications shall meet the minimum relevant qualifications.
- 10.6.5.3.** Individual consultants may be selected on a sole-source basis with due justification in exceptional cases such as: (a) tasks that are a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively; (b) assignments with total expected duration of less than six months; (c) emergency situations resulting from natural disasters; and (d) when the individual is the only consultant qualified for the assignment.

10.7. Reviews and Thresholds

10.7.1. Prior review

- 10.7.1.1.** The Bank acting in the name of all the pooled-fund partners will review all contracts subject to prior review. This includes the original Procurement Plan and all its revisions or updates. Prior review by the Bank will be required for the General Procurement Notice (GPN), Specific Procurement Notice (SPN) all bidding documents, RFPs, pre-qualification evaluation reports and short listing reports, bid and proposals evaluation reports, Draft negotiated contracts for consultancy services and contracts to ensure that the procurement process is carried out in accordance with the agreed procedures.
- 10.7.1.2.** The Bank will also prior selected contracts procured through NCB procedures, though these may be below the indicated threshold. Procurement post review and Audit will be conducted on contracts subject to post review at all implementing agencies with a view to updating the assessment of their procurement capacities.
- 10.7.1.3.** The thresholds for Bank’s Prior Review, and for International Competitive Bidding (ICB) including the maximum contract value for which the short list may comprise exclusively Ethiopian firms in the selection of consultants, are presented in the table below for purposes of guiding the preparation of the initial procurement plan. The procurement capacity of implementing agencies would be reviewed annually and the threshold will be revised according to the improvements or deterioration in the procurement capacity. Additionally, each procurement plan will indicate the number of contracts procured through National Competitive Bidding procedures or selection of consultants having a short list of exclusively Ethiopian firms that will be subject to prior review as part of risk mitigation.

Table 8 World Bank Prior Review and ICB Thresholds

Category	WB Prior Review Threshold (USD)	ICB Threshold (USD)	National Short-List Value (USD)	Max
Works	≥5,000,000	≥7,000,000	NA	
Goods, IT Systems, and Non-consultancy Services	≥500,000	≥1,000,000	NA	
Consultants (Firms)	≥200,000	NA	≤200,000; ≤300,000 (for Engineering and Contract Supervision)	
Consultants (Individuals)	≥100,000	NA	NA	

10.7.2. Post review

- 10.7.2.1.** For contracts subject to “post review”, the Implementing Agency can complete the whole procurement process from preparation of bid document to contract award without seeking “no objection” from the Bank. However, the Implementing Agency shall retain all documentation with respect to each contract (including but not limited to the signed contract and analysis of the proposals) for review or examination by the Bank or by its consultants. Each Implementing Agency shall also furnish such documentation to the Bank or its consultants upon request. To support this post review process each Implementing Agency should prepare a contract register that shows list of contract executed by each agency before the arrival of the reviewer.
- 10.7.2.2.** If the World Bank determines that the goods were not procured in accordance with the agreed procedures, as reflected in the Financing Agreement or that the contract itself is not consistent with such procedures, it may declare misprocurement and promptly inform the Ministry of Water, Irrigation and Energy.

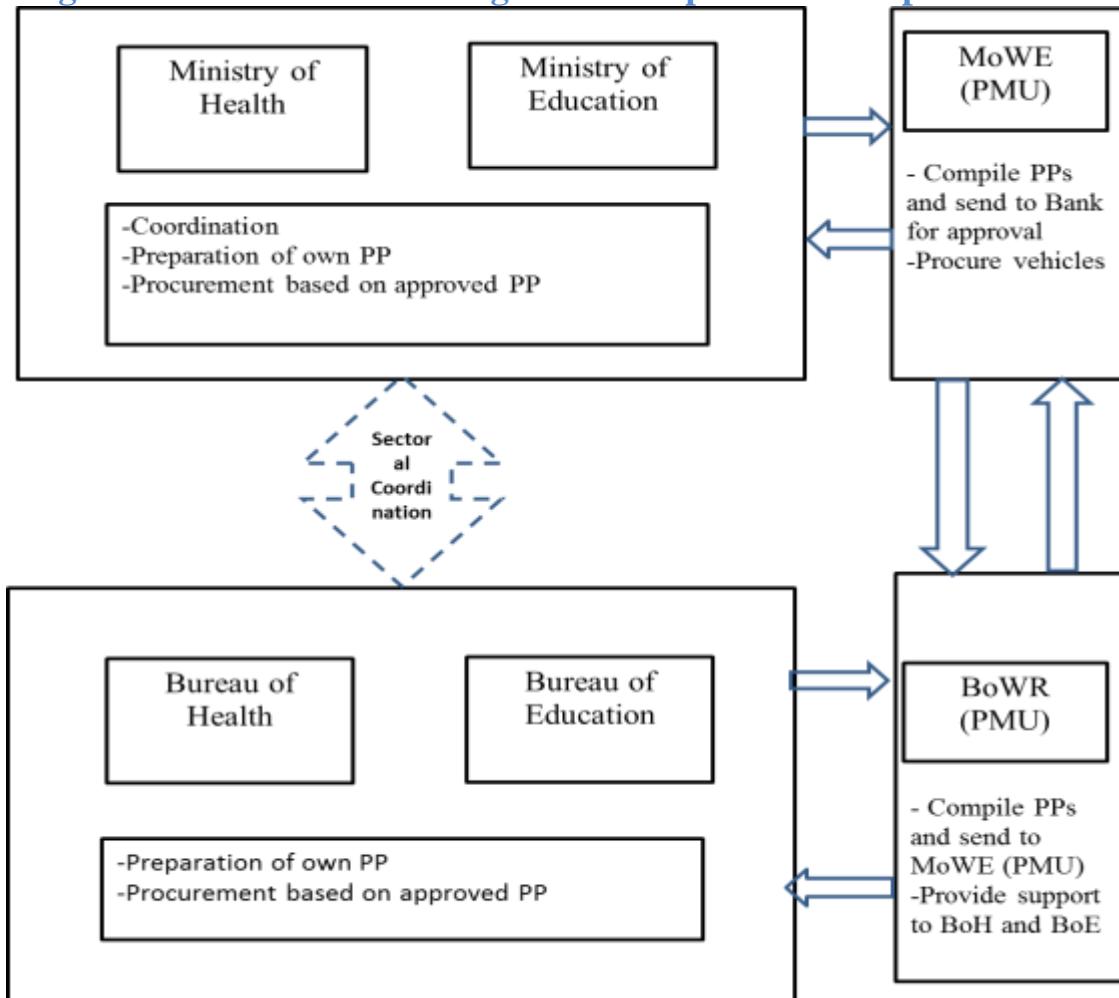
10.7.3. Institutional Setup for procurement

- 10.7.3.1.** Procurement under the Program shall be implemented in a decentralized arrangement. The following shows the function of the various implementers.

Procurement Agency	Implementing Agency	Function
MoWIE		Interface between the Bank and the program Coordination Monitoring of procurement performance Capacity building Compile PPs and contract registers Facilitate ICB with quality assurance Oversee and support NCB contracts Develop procurement tracking and contract administration formats Regularly monitor and report on procurement implementation Central procurement of Vehicles
Water Development (WRDF)	Resource Fund	Review Business Plans Determine Eligibility of town utilities Monitor Implementation of Sub projects Review PPs, BDs, BERs, Cont Admin.
Regional Supply and Program Management units)	BoWRs (Water and Sanitation)	Execute Procurement administration processes Update PPs and contract registers Oversee and support procurements in Towns and woredas Regularly monitor and report on procurement implementation
Towns		Execute procurement and contract admin process (sub loan towns)
Woredas		Execute small value procurement activities
Communities		Implementation of small scale schemes

10.7.3.2. In addition to the above the program expects procurement activities under Hygiene and Sanitation Component. The Following diagram depicts the procurement function under the component.

Diagram 5: Institutional arrangement and procurement process



10.8. Procurement Planning

10.8.1. Public procurement units at all level shall prepare annual procurement plans setting forth the particular contracts for consultancy and non-consultancy services, goods and works. The Procurement Plans at the initial period will need to be prepared by the procuring units at the start of the implementation to reflect the actual program implementation needs , and thereafter annually or as needed throughout the duration of the program based on actual program implementation.

10.8.2. The procurement plan will set out information regarding the package/lot number, the proposed procurement methods that apply for each individual bid, the related bank review procedures, the estimated costs/budget and time frame for completion of the various activities of the bidding process, the start and end dates of the resulting contracts.

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- 10.8.3.** Procurement plans at Woreda and Town level will be consolidated at each of the respective region level, and the consolidated regional level procurement plans from Woredas, cities and regional sector Bureaus will again be consolidated at national level. Similarly the national level procurement plans will consolidate regional and different sector ministries.
- 10.8.4.** Each implementing agency will be required to prepare its procurement plan based on the UAP plan and submit it to the concerned up level for consolidation. The deadline for submission of annual procurement plans by all implementing entities is set at April 30 of each year. The NWCO consolidates procurement plans and subsequent updates to submit to the National WASH Technical Team (NWTT) for review prior to its submission to the National WASH Steering Committee (NWSC) for approval by June 30th of each year.
- 10.8.5.** The procurement plan prepared by public bodies has to be approved by the head of the public body concerned and communicated to the relevant departments of the public body and the Agency until Hamle 30 (August 6) of the Ethiopian Calendar.
- 10.8.6.** The consolidated Procurement Plan shall be furnished to the World Bank for its review and approval, or its comment as necessary. Once approved by the World Bank, the procurement plan will serve as a management and monitoring tool and the procuring units shall implement the Procurement Plan in the manner in which it has been approved by the Bank and the National Wash Steering Committee. Expenditures under contract for Goods, Works, Non Consultancy Services, and Consultancy Services that have not been awarded in accordance with the provisions elaborated in the Procurement Plan may lead to mis-procurement of the particular contract.

10.9. Misprocurement

- 10.9.1.** Misprocurement occurs when goods, works, or services are not procured in accordance with procedures agreed to in the Finance Agreement of the Program. When the Bank determines that the procedures followed by the Executing Agency for procurement are a significant violation of the procedures set out in the Financing Agreement, (for example, when the procedures followed in bid evaluation are inconsistent with those outlined in the bidding documents, if sufficient time is not given for the bidders to prepare their complete document, if the appropriate standard bidding document is not used, etc.), the Bank may declare mis-procurement. The Bank does not finance expenditures for goods and works which have not been procured in accordance with the agreed procedures, and it is the policy of the Bank to cancel that portion of the loan allocated to the goods and works and services that have been mis-procured. In addition, the Bank may exercise other remedies as per the Credit Agreement.
- 10.9.2.** The Bank usually points out to the Borrower and provides advice, in the case of prior review contracts, that the inconsistencies or the wrong procedures to be rectified, if not rectified, the Bank may declare mis-procurement and exercises other remedies under the Finance Agreement. If, however, the Borrower has already awarded a contract after obtaining the Bank's "no objection," the Bank generally will declare mis-procurement only if the "No-Objection" was issued on the basis of incomplete, inaccurate, or misleading information furnished by the Borrower.
- 10.9.3.** The Implementing Agencies should make every effort to avoid mi-procurement by strictly following the agreed procedures and seeking advices from the Bank staff on

any unclear Bank financed contract procurement procedures. The Bank supports the Borrower by providing comments and advice in the review of bidding documents and bid evaluation. Once the contract is awarded after obtaining a “No-Objection” from the Bank, the Bank may still declare mis-procurement if it concludes that the “No-Objection” was issued on the basis of incomplete, inaccurate, or misleading information furnished by the Borrower or the terms and conditions of the contract had been modified without Bank’s approval. Therefore at most care should be exercised in following the agreed procedures, and the procurement process should managed with due diligence at all levels.

10.10. Record management

- 10.10.1.** Procurement documents should be kept in a systematic and organized manner for each step of the procurement process. They should also be kept in a safe and secure place preferably using Box files and folders. A separate file or a separate section should be reserved for each procurement package.
- 10.10.2.** Implementing Agencies must maintain records or each of the steps taken during the procurement process. Where contracts are to be awarded on the basis of competitive bidding, the procuring entity should maintain a complete record of the process and documentation for future review by the Bank. The experience is that lack of an efficient filing system causes long and costly delays in the search for documents at critical moments when procurement issues arise or when procurement audits and post reviews need to be done.
- 10.10.3.** Procurement filing has specific characteristics. Files must be based on the three procurement categories (works, goods, consultant services/training) and span the entire procurement process per contract in each category in an efficient and easily accessible manner (from advertising to contract signature and management.). This system should best be maintained professionally in order to remain useful.

10.11. Contracts register

- 10.11.1.** Contract register should be maintained by each Implementing Agency under the Program throughout the program life. Contract Register has to be recorded and updated as frequently as possible and be kept as one of the procurement file. Major procurement processes should be registered in the Contract Register and kept for future procurement audits and reviews by the Bank. Recording and maintaining of Contract Registers is the responsibility of the Procurement Specialist/Officer at Federal, Regional and Woreda levels. The following items are the major procurement process which should be captured in the contract register that will be prepared by each Implementing Agency.

- Contract Reference Number
- Contract Description
- Procurement Plan Cost Estimate
- Procurement Method Used
- Date, Month and Year of Invitation
- Name and address of Supplier/Contractor/Consultant
- Date, Month and Year of Contract Signing
- Contract Amount

Date, Month and Year of Completion of Contract

- 10.11.2.** Contract registers from woredas and towns shall be consolidated annually at the region level and shall be sent to the MoWIEPMU. The MoWIEPMU shall consolidate all contract registers from all Executing Agencies and shall avail the consolidated Program Contract Register for Bank and for Auditors.

10.12. Reporting

It is important in the Program to produce periodic procurement activities report by the program implementers at all level. Each procuring body will be responsible for monitoring and recording its procurement activities. The head of each procuring entity must satisfy itself that procurement proceedings were executed in accordance with the approved procurement plan and budget. Each implementing body will then compile its annual reports on procurements made and submit to the higher level for subsequent consolidation by the NWCO. The NWCO will submit the consolidated annual procurement report to the NWSC for approval.

10.13. Procurement Audits

Independent Procurement Audits will be carried out once a year, and all procurement implementing bodies shall provide all the required documentation and supports to the procurement audit firm representatives. The MoWIE will select the procurement audit firms through a Bank prior review process annually and will reflect the planned selection process in its procurement plan.

PART V ADMINISTRATION ISSUES

11. Administration

As clearly indicated in the program design document, the highest governing body in the Program is the National WASH Steering Committee (NWSC) whose members include Ministers and State Ministers from the ministries of Water and Energy, Health, Education and Finance and Economic Development. The NWSC is chaired by the Minister of Water, Irrigation and Energy.

The technical arm of the NWSC is the National WASH Technical Team (NWTT) consisting of Directors from the four WASH ministries. A similar structure is prescribed at regional level. The lowest level of WASH governance is the woreda. At woreda level WASH activities are implemented by the District WASH Team led by the District Administrator. Its members are from the four WASH sector offices (Water, Health, Education and Finance with additional members from the Women Affairs and Agriculture offices). Development partners are presently represented by the Development Assistance Group – Water Technical Working Group.

A National WASH Coordination Office (NWCO) will be responsible for coordinating, planning and oversight of Program implementation at federal level. The NWCO will report to a National Steering Committee chaired by the Minister of Water and Energy and supported by a National WASH Technical Team consisting of representatives from participating ministries and partners. Implementation of the Program in the sector ministries will be the responsibility of WASH Program Management Units (PMUs) in the ministries of Water, Irrigation and Energy, Health, Education and Finance and Economic Development, respectively. The NWCO needs to ensure that there is strong communication, coordination and linkage between the NWCO and the PMUs at all level.

11.1. Organizational Structure

- 11.1.1.** Organizational structures for program management should be responsible and accountable for implementation of the program and for timely progress and expenditure reporting that adheres to government policies and guidelines.
- 11.1.2.** The program coordinators, at all levels of government and city administrations, will be assisted by full time key staffs and accountable to the respective coordinator. In order to effectively implement the Program, the following minimum staffing package is proposed. Focal persons are not full-time staff, but will perform their Program-related tasks alongside other duties.

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11.1.3. The staff capacity assessment will be conducted and staffing plan will be developed to be reviewed at mid-term. The staffing minimum requirements for the financial management of the Program are summarized in Table 9

Table 9: Staffing Requirements

INSTITUTION	STAFFING ARRANGEMENTS
Federal Level	WASH Coordinator PMU coordinator(one for each of the four ministries) M&E specialist Procurement specialists Financial management/specialist Accountant (2) Community management expert) Water supply engineer S&H expert Environmentalist
Regional level	WASH Coordinator(1 for each of the four bureaus) Community management expert Water supply engineer Procurement Specialists S&H Specialist Environmentalist Financial management specialist (1) Accountant (2 for big regions and 1 for emerging regions) M&E specialist
Zonal level	WASH focal person Sanitation and hygiene specialist M&E specialist Financial management/accounting (1/1)
Woreda level	WASH focal person(1) Environmental sanitation specialist M&E specialist Procurement and contract management focal person Financial management/accounting) (1/1) Community management specialist Water supply technician
Town/City level	WASH focal person (1) M&E focal person (1) Procurement and contract management focal person (1) Financial management/accounting focal person (1) Customer relations focal person (1) Water supply engineer (1) S&H Specialist (1) Sanitation and hygiene specialist

11.1.4. The Program will not pay salaries to civil servants as they are ineligible. Top up allowances are also not allowed. Contract staff salaries are as per the government procedures as approved by MoFED. Low salary and incentive structure will lead to turn-over of key staffs in implementing organization which causes delays and lack of continuity in program implementation. In order to address such a problem, the Ministry of Finance and Economic Development is in the process of revising the existing salary scale and other benefits (like transport allowances). Any revisions to the salary scale will be communicated to all implementing entities by MoFED..

11.2. Personnel Management

Other personnel management procedures – like employment, , insurances, gender and social inclusiveness, pension arrangements disciplinary measures employment conditions will be governed by the government personnel management procedures and contract agreements.

11.3. Per diems

A daily allowance, that an implementing agencies of Channel One programs including WaSH, pay an employee for expenses to cover living expenses, when travelling on mission outside his or her duty station, has been decided by the Ministry of Finance and Economic Development.

Effective program implementation can only be assured if implementing agencies can regularly conduct supervision of works, monitoring of community activities and periodic consultation at all level. The per diem rate is one factor contributing for poor performance of programs lack of motivation of staffs. Noting this, the Ministry of Finance and Economic Development is in the process of revising the existing rate and will issue soon, with detailed guidance, to implementing agencies and regional states.

11.4. Taxation

It is important to note that the program will be subjected to the tax laws of the land and all partners financing the programs will thereby finance taxes as well. However, the National Wash Steering Committee should identify WASH investment areas where tax and custom privileges to the program can bring reduction of costs and can enhance effectiveness of the Program. The priority WASH investment areas for tax and custom privileges should be submitted for the approval of the Government of Ethiopia as soon as possible in order to gain the advantages for the program.

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PART VI ANNEXES

ANNEX ONE: Format for reporting Consolidated Statement of Source and Uses of Fund

Ministry of finance & economic development
One WaSH National Program Consolidated WaSH Account
Consolidated statement of source and uses of fund
As at quarter ended.....

Prepared in ETB and USD

Description	Current Quarter	Previous Total	Cumulative
Opening Balance :			
Pooled Account (BIRR)			
FINANCERS (DA Account)			
IDA Grant & Credit			
AfDB			
DFID			
UNICEF			
REGIONS			
Tigray Region			
Amhara region			
Oromia Region			
Beni. Gumuz Region			
SNNP Region			
Afar Region			
Somali Region			
Gambela Region			
Harer Region			
Addis Ababa			
Diredawa administration			
WaSH SECTOR MINISTRIES			
MOWIE			
MOE			
MOH			
MoFED			
Total Opening			
Add: Collection			
IDA Credit Account			
AfDB			
DFID			
UNICEF			

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Description	Current Quarter		Previous Total		Cumulative	
Total Collection						
Total Fund Available						
Less: Expenditure						
1 -Rural Water Supply and Sanitation						
2 -Urban Water Supply, Sanitation and Hygiene						
3 - Program Management and Capacity building						
Total Expenditure						
Ending Fund Balance						
Gain/Loss from Exchange Rate						
Remaining Balance						
	Cash on hand	Cash on transit	Cash at Bank	Advance	Payable	Total
Closing balances						
Pooled Account (BIRR)						
Designated Bank Accounts						
IDA Credit						
AfDB						
DFID						
UNICEF						
REGIONS						
REGIONS						
Tigray Region						
Amhara region						
Oromia Region						
Beni. Gumuz Region						
SNNP Region						
Afar Region						
Somali Region						
Gambela Region						
Harer Region						
Addis Ababa						
Diredawa Adm.						
MINISTRIES						
MOWIE						
MOE						
MOH						
MoFED						
Total						

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ANNEX TWO: Format for reporting Statement of Fund Flow

Ministry of finance & economic development
 one wash national program consolidated wash account
 statement of Fund Flow
 For the quarter ended

Description	For The Quarter Birr		Cumulative For The Year Birr
OPENING BALANCE			
Add :			
:Transfer from IDA credit			
:Transfer from UNICEF Grant			
:Transfer from DFID Grant			
Fund Available for use			
Less: Transfer and Expenditure			
Tigray			
Afar			
Amhara			
Oromiya			
Somale			
Benishangul Gumuz			
SNNPR			
Gambella			
Harari			
Dire Dawa			
Ministry of Water & Energy			
Ministry of Health			
MRDF			
Ministry of Education			
MoFED			
Total transfer			
Expenditures			
Bank Services Charges Incoming			
Bank Services Charges Outgoing			
Audit Fee			
Total transfer & expenditure			
closing balance			

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ANNEX THREE: Format for reporting Consolidated Expenditure (in Birr)

ministry of finance & economic development
 one wash national program- consolidated wash account
 consolidated expenditure (in birr)
 For the quarter ended

Description	Current Quarter			Cumulative Current Year			Cumulative Project Life			Remark
	Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance	
	1	2	(1)-(2)	3	4	(3)-(4)	3	4	(3)-(4)	
Tigray Region										
Component 1 -Rural Water Supply and Sanitation										
Detail by Goods, works, consultancy services, non-consultancy services and training										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
<i>Detail by Goods, works, consultancy services, non-consultancy services, training and operating cost</i>										
Total Tigray Region										
Afar Region										
Component 1 -Rural Water Supply and Sanitation										

FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED WASH ACCOUNTS

Description	Current Quarter			Cumulative Current Year			Cumulative Project Life			Remark
	Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance	
	1	2	(1)-(2)	3	4	(3)-(4)	3	4	(3)-(4)	
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
<i>Detail by Goods, works, consultancy services, non-consultancy services, training and operating cost</i>										
Total Afar Region										
Amhara Region										
Component 1 -Rural Water Supply and Sanitation										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
<i>Detail by Goods, works, consultancy services, non-consultancy services, training and operating cost</i>										
Total Amhara Region										
Oromia Region										
Component 1 -Rural Water Supply and Sanitation										

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Description	Current Quarter			Cumulative Current Year			Cumulative Project Life			Remark
	Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance	
	1	2	(1)-(2)	3	4	(3)-(4)	3	4	(3)-(4)	
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
<i>Detail by Goods, works, consultancy services, non-consultancy services, training and operating cost</i>										
Total Oromia Region										
Somalia Region										
Component 1 -Rural Water Supply and Sanitation										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
<i>Detail by Goods, works, consultancy services, non-consultancy services, training and operating cost</i>										
Total Somali Region										
B.Gumuze Region										
Component 1 -Rural Water Supply and Sanitation										

FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED WASH ACCOUNTS

Description	Current Quarter			Cumulative Current Year			Cumulative Project Life			Remark
	Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance	
	1	2	(1)-(2)	3	4	(3)-(4)	3	4	(3)-(4)	
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
<i>Detail by Goods, works, consultancy services, non-consultancy services, training and operating cost</i>										
Total B.Gumuze Region										
SNNP Region										
Component 1 -Rural Water Supply and Sanitation										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
<i>Detail by Goods, works, consultancy services, non-consultancy services, training and operating cost</i>										
Total SNNP Region										
Gambela Region										

FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED WASH ACCOUNTS

Description	Current Quarter			Cumulative Current Year			Cumulative Project Life			Remark
	Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance	
	1	2	(1)-(2)	3	4	(3)-(4)	3	4	(3)-(4)	
Component 1 -Rural Water Supply and Sanitation										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
<i>Detail by Goods, works, consultancy services, non-consultancy services, training and operating cost</i>										
Total Gambela Region										
Harari Region										
Component 1 -Rural Water Supply and Sanitation										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
<i>Detail by Goods, works, consultancy services, non-consultancy services, training and operating cost</i>										
Total Harari Region										
Addis Ababa City Admin.										
Component 1 -Rural Water Supply and										

FINANCIAL MANAGEMENT (FM) MANUAL FOR OWNP-CONSOLIDATED WaSH ACCOUNTS

Description	Current Quarter			Cumulative Current Year			Cumulative Project Life			Remark
	Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance	
	1	2	(1)-(2)	3	4	(3)-(4)	3	4	(3)-(4)	
Sanitation										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
<i>Detail by Goods, works, consultancy services, non-consultancy services, training and operating cost</i>										
Total A.A City Admin. Region										
Dire Dawa Administration counsel										
Component 1 -Rural Water Supply and Sanitation										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply, Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
Total Dire Dawa Administration counsel										
MOWR										
Component 1 -Rural Water Supply and Sanitation										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 2 -Urban Water Supply,										

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Description	Current Quarter			Cumulative Current Year			Cumulative Project Life			Remark
	Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance	
	1	2	(1)-(2)	3	4	(3)-(4)	3	4	(3)-(4)	
Sanitation and Hygiene										
<i>Detail by Goods, works, consultancy services, non-consultancy services and training</i>										
Component 3 - Program Management and Capacity building										
Total MOWR										
MOH										
Total MOH										
MOE										
Total MOE										
MOFED										
Total MOFED										
Total										

**FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED
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ANNEX FOUR: Format for reporting statement of designated account

Statement of Designated Bank Account

	Account Number:----- National Bank of Ethiopia		
		USD	Birr
1	OPENING BALANCE: January 9, 2015		
2	ADD RECEIPTS:		
	* DFID/IDA/UNICEF		
	Sub total		
3	LESS PAYMENTS		
	* Transfer to Birr a/c		
	* Travel advance		
	* Bank service charge		
	Sub total		
4	CLOSING BALANCE: -----		
	Exchange gain/loss		
	Closing Balance at Closing Rate		

Special Account Activity Statement

Description	IDA	DFID	UNICEF	AFDB	Total
1. Advances:					
2. Less total amount recovered:					
3. Equals present outstanding amount advanced (1-2)					
Amount in Special Account at July 7,2011 as per Bank Statement					
Add: amount of eligible expenditure documented in attached IFR					
Plus: amount claimed in previous application not yet credited at date of Bank Statement					
Total advanced accounted for					
Explanation of any discrepancy between total appearing on line					
Local Account					
Advance					
Payables					
Exchange gain/loss					
Total					

FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED WASH ACCOUNTS

ANNEX FIVE: Format for reporting Statement of Source and Uses of Fund

Ministry of finance & economic development
One wash national program- consolidated wash account
Statement of source and uses of fund
Ministry of finance & economic development

Ser. No.	Name of Region	Beginning Balance	Prior Period Adjustment	Collection From Donors	Collection From Community	Transfer From MoFED	Exchange Rate Difference	Total Fund Available	Expenditure				Ending Balance
									Comp. 1	Comp. 2	Comp. 3	Total	
1	Tigray												
2	Afar												
3	Amhara												
4	Oromiya												
5	Somale												
6	BenishangulGumuz												
7	SNNPR												
8	Gambella												
9	Harari												
10	Addis Ababa												
11	Dire Dawa												
12	MoWIE												
13	MoE												
14	MoH												
15	MoFED-Admin.												
16	MoFED- Held A/C												
	Grand Total												

FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED WASH ACCOUNTS

**Ministry of finance & economic development
 One wash national program- consolidated wash account
 Statement of source and uses of fund
 Ministry of finance & economic development**

Ser. No.	Name of Region	Ending Balance	Detail of Ending Balances			
			Cash in hand	Cash at Bank	Advances	Payables
1	Tigray					
2	Afar					
3	Amhara					
4	Oromiya					
5	Somale					
6	BenishangulGumuz					
7	SNNPR					
8	Gambella					
9	Harari					
10	Addis Ababa					
11	Dire Dawa					
12	MoWIE					
13	MoE					
14	MoH					
15	MoFED-Admin.					
16	MoFED- Held A/C					
	Grand Total					

**FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED
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ANNEX SIX: Format for reporting Statement of Fund Flow – Birr Account

One Wash National Program–consolidated wash account
statement of fund flow
Birr account no.
For the quarter ended

Description	Total Until Previous Quarter Birr	For The Quarter Birr	Cumulative For The Year Birr
OPENING BALANCE			
Add :			
Transfer from			
IDA credit			
AfDB			
DFID			
UNICEF			
Fund Available for use			
Less: Transfer and Expenditure			
Regions			
Tigray			
Afar			
Amhara			
Oromiya			
Somale			
BenishangulGumuz			
SNNPR			
Gambella			
Harari			
Dire Dawa			
Ministries			
Ministry of Water, Irrigation & Energy			
Ministry of Health			
Ministry of Education			
MoFED			
Total transfer			
Expenditures			
Bank Services Charges Incoming			
Bank Services Charges Outgoing			
Audit Fee			
Total transfer & expenditure			
closing balance			

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**ANNEX SEVEN: Format for reporting STATEMENT OF CASH
MOVEMENT**

One WaSH national program

statement of cash movement - xxxx region

for the quarter ended.....

Description	At Woreda	At Region	Total
Opening Balance			
At Woreda Level			
At Regional Level			
Adjustment			
Total Opening Balance			
Add : Cash Transfer			
Transfer From MoFED			
Community Contribution			
Total Cash Available (Opening and Transfer)			
Less : Expenditure	At Woreda	At Region	Total
Component 1 -Rural Water Supply and Sanitation			
Component 2 -Urban Water Supply, Sanitation and Hygiene			
Component 3 - Program Management and Capacity building			
Total Expenditure			
<u>Ending Balance</u>			
<u>Break Down of Ending Balance</u>			
Particulars	At Woreda	At Region	Total
Cash on Hand			
Cash at Bank			
Cash In Transit			
Total Cash on Hand and at Bank			
Advance Payment			
Payables			
Total Ending Balance			

**FINANCIAL MANAGEMENT (FM) MANUAL FOR OWNP-CONSOLIDATED
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ANNEX EIGHT: Format for reporting Statement of Cash Forecast for the next six months from

*ministry of finance and economic development (MoFED)
one wash national program
interim financial report
statement of cash forecast for the next six months from -----to-----*

(to be prepared both in etb and usd)

Descriptions	Annual Budget	QRT1	QRT2	Total 6 month	Remark
Expenditure for the next Six month					
Component 1:- Rural Water Supply and Sanitation					
Component 2: Urban Water Supply, Sanitation and Hygiene					
Component 3; Project management and capacity building					
Grand Total Expenditure for the next 6 months					
Less Direct payments					
Expenditure for the next 6 months to be financed by DA					
Less Ending balances					
Ending balance Designated account					
Ending balance Local account					
Ending balance Receivable from region					
Ending balance Receivable from other					
Ending balance Payable to other					
Net Amount Requested to be paid in to Designated account					
Represented by -Financing					
IDA Credit (Credit no.....)					
AfDB					
DFID					
UNCEF					
Total					

**FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED
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ANNEX NINE: Format for reporting Statement of Fund Transfer

*Ministry of Finance and Economic Development (MoFED)
One WaSH National Program
Fund Transfer Statement (From Birr Account)
From xxxxxxxx to xxxxxxxx*

S/No.	Regions/Ministries	Current Quarter	Cumulative
	Regions		
	Tigray		
	Afar		
	Amhara		
	Oromiya		
	Somale		
	BenshagulGumuz		
	SNNPR		
	Gambella		
	Harari		
	Dire Dawa		
	Addis Ababa		
	Ministries		
	MoFED		
	MoWIE		
	MoH		
	MoE		

FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED WaSH ACCOUNTS

ANNEX TEN: Fund utilization reporting from sector ministries & BoFED to MoFED

Name of Public Body
One wash national program- consolidated wash account
Fund Utilization Report
For the quarter ending -----xxxx

Ser. No.		Beginning Balance	Prior Period Adjustment	Collection From Community	Transfer From MoFED	Total Fund Available	Expenditure by Component				Expenditure by Category					Ending Balance
							Comp. 1 Rural WaSH	Comp. 2 Urban' WaSH	Comp. 3 Project Mgt.	Total	Works	Consulta ncy Service	Non-consulting service	Training & Workshop	Operating Cost	
1	Woreda															
2	A															
3	B															
4	C															
5	Total															
6	City/Town															
7	A															
8	B															
9	C															
10	Total															
11	Regional Bureau															
12	Water															
13	Health															
14	Education															
15	Total															
	Grand Total															

FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED WASH ACCOUNTS

Name of Public Body
 One wash national program- consolidated wash account
 Fund Utilization Report
 For the quarter ending -----XXXX

Ser. No.		Ending Balance	Detail of Ending Balances			
			Cash in hand	Cash at Bank	Advances	Payables
1	Woreda					
2	A					
3	B					
4	C					
5	Total					
6	City/Town					
7	A					
8	B					
9	C					
10	Total					
11	Regional Bureau					
12	Water					
13	Health					
14	Education					
15	Total					
16	Grand Total					

**FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED
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ANNEX ELEVEN: Format for reporting Statement of Advance Aging analysis

Ministry of Finance and Economic Development (MoFED)

One WaSH National Program

Aging Analysis of Advances

As at xxxxxx

Region/Federal	Cumulative Advance	Cumulative Reported Expenditure	Ending Balance	%age of Cumulative Expenditure Transfer	Aging of Un Settled Advances (Ending Balance)				A>24m
					A<3 m	3m>A<6m	6m>A<9m	12m<A<24m	
Regions									
Tigray									
Afar									
Amhara									
Oromiya									
Somale									
BeneshaugulGumuz									
SNNPR									
Gambella									
Harari									
Dire Dawa									
Addis Ababa									
Ministries									
MoFED									
MoWIE									
MoH									
MoE									
Total									

Region/Woreda	Cumulative Advance	Cumulative Reported Expenditure	Ending Balance	%age of Cumulative Expenditure Transfer	Aging of Un Settled Advances (Ending Balance)				A>24m
					A<3 m	3m>A<6m	6m>A<9m	12m<A<24m	
Woredas									
Woreda A									
Woreda B									
Woreda C									
Bureaus									
Water									
Health									
Education									
Total									

Note:

“A” refers to age

“M” refers to months

**FINANCIAL MANAGEMENT (FM) MANUAL FOR OWN-CONSOLIDATED
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**I. ANNEX TWELVE: Format for reporting Expenditure Apportionment
& Undocumented Advance Balance**

*Ministry of Finance and Economic Development (MoFED)
One WaSH National Program
Expenditure apportionment and undocumented Advance balance
from xxxxxxxx to xxxxxxxx*

			Expenditure		Apportionment			
Comp.	Component	Category	Birr	USD	World Bank	DFID	UNICEF	AfD
1	Rural WASH	<i>Goods, Works, non-consulting services, consultants services, operating costs, and training for Part 1 of the Project</i>				-	-	
2	Urban WASH	<i>Goods, Works, non-consulting services, consultants services, operating costs, and training for Part 2 of the Project</i>				-	-	
3	Program Management & Capacity Building	<i>Goods, Works, non-consulting services, consultants services, operating costs, and training for Part 3 of the Project</i>				-	-	
		Total				-	-	

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ANNEX THIRTEEN: Format for reporting Statement of Payment against contracts subject to the Bank’s Prior Review:

*Ministry of Finance and Economic Development (MoFED)
One WaSH National Program
Payments Made During Reporting Period (xxxxxx to xxxxxx)
Against Contracts subject to the Bank’s Prior Review*

<i>Contract No.</i>	<i>Supplier</i>	<i>Contract Date</i>	<i>Contract Amount</i>	<i>Date of WB’s Non objection to Contract</i>	<i>Amount Paid to Supplier During Period</i>	<i>WB’s Share of Amount Paid to Supplier During Period</i>

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ANNEX THIRTEEN: Format for reporting for Schedule of commitments

*Ministry of Finance and Economic Development (MoFED)
One WaSH National Program
Schedule of Commitments as on Reporting Date*

<i>List of Commitments</i>	<i>Amount (Birr)</i>	<i>Remark</i>

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**ANNEX FOURTEEN: Format for reporting Statement of Status of Major
Procurements**

*Ministry of Finance and Economic Development (MoFED)
One WaSH National Program
Status of Major Procurements (Above USD 100,000 from Procurement Plan)
As of End of Quarter Date (DD/MM/YYYY)*

<i>Procurement Package No.</i>	<i>Description</i>	<i>Current Status</i>	<i>Remark</i>

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Appendix ONE: planning and budgeting calendar

JULY
DEVELOPMENT PARTNERS CONFIRM CONTRIBUTION FOR FOLLOWING FISCAL YEAR
AUGUST
<ul style="list-style-type: none"> • NWCO&WMUs complete national Resource Mapping and propose national CWA+ budget ceiling and GTP targets for the Regions • FWTT reviews – recommends to NWSC – NWSC approves • NWCO notifies Regions of national CWA+ budget ceilings and GTP targets • RWCO&WPMUs complete regional Resource Mapping • RWCO&WPMUs propose notional CWA+ budget ceiling and GTP targets for Towns, Special Zones and Woredas • RWSC endorses proposed ceilings & targets and RWCO notifies Towns, Special Zones and Woredas
SEPTEMBER
<p>Towns, Special Zones & Woredas:</p> <ul style="list-style-type: none"> • review anticipated resources and set priorities and interact with communities/kebeles re: potential programming • estimate feasible physical and financial level of activity, investments, and outputs and draft Core Plans • forward draft Core Plans to respective Development Committees for review and initial approval
OCTOBER
<ul style="list-style-type: none"> • Towns, Special Zones & Woredas forward draft Core Plans to RWCO for review and consolidation • RWCO consolidates Core Plans from Towns, Special Zones & Woredas and drafts Regional AWP • RWSC endorses draft plan and forwards to BoFEDs for initial approval and to NWCO for review and consolidation
NOVEMBER
<ul style="list-style-type: none"> • NWCO consolidates Regional Core Plans and completes National Core Plan • NWCO submits draft national Core Plan to FWTT for review and forwarding to NWSC • NWSC & Development Partners review draft National Core Plan – NWSC approves
DECEMBER
<ul style="list-style-type: none"> • NWCO notifies all levels that National Core Plan is approved. • Woreda/Towns/Special Zones fine tune AWP • Woreda/Towns/Special Zones forward AWP to WoFED (ZoFED) for information and to RWCO for review and consolidation
JANUARY
<ul style="list-style-type: none"> • RWCO consolidates AWP from woredas& special zones – drafts Regional AWP for RWSC endorsement • RWSC endorses and forwards to BoFEDs for information and to NWCO for review and consolidation • NWCO consolidates Regional AWP and drafts National AWP – forwards to FWTT
FEBRUARY
February 8 th : NOTIFICATION OF ANNUAL SUBSIDY BUDGET & ISSUE OF BUDGET CALL
<ul style="list-style-type: none"> • NWTT reviews draft national AWP and recommends to NWSC • NWSC& Development Partners consult – and NWSC endorses composite Annual WaSH Plan and submit to MoFED for review and approval • NWCO notifies Regions/Woredas/Towns of the endorsement of the composite Annual WaSH Plan • Regions/Woredas/Towns submit composite Annual WaSH Plans to respective Councils for inclusion in Annual Development Plans
MARCH
March 22 nd : DEADLINE FOR PUBLIC BODIES TO SUBMIT BUDGET REQUESTS

Appendix TWO: Auditor Terms of Reference

ONE WaSH NATIONAL PROGRAM TERMS OF REFERENCE (TOR) FOR THE FINANCIAL AUDIT

1. Background

The **One WaSH National Program** (OWNP) is the Government of Ethiopia’s (GoE) main instrument for achieving the goals set out for WaSH in the Growth and Transformation Plan (GTP). The program was designed to be implemented in two Phases. Phase I is covering the period from July 2013 to June 2015 and Phase II from July 2015 to June 2020. Phase I of one WaSH, as is specified in the One WaSH national program, is designed to increase harmonization and alignment among and between development partners and the GoE. During this phase WaSH organizations and procedures are supposedly to be fully established and become operational at all levels. Plus during this Phase I, partners, including Civil Society Organizations (CSOs) are expected to increasingly align their targets, plans and activities with the program and strengthen coordination in planning, implementation, monitoring and reporting of all WASH activities amongst stakeholders at different levels . Any new WaSH programs or new phases of existing WaSH programs are also expected to align with the Program’s principles, approaches and plans.

It is envisaged that ONE WaSH Program will follow the modalities of the Sector-Wide Approach (SWAP) because it allows enhancement of development impact by scaling up, building stronger donor partnerships in support of country-led sector reform Programs, and improving the performance of institutions in managing all sector resources. The SWAP approach also presents particular opportunities and challenges for the harmonization of procedures by participating donors and more effective pooling of resources.

The Program’s Development objective is to improve the health and well-being of communities in rural and urban areas in an equitable and sustainable manner by increasing access to water supply and sanitation and adoption of good hygiene practices.

This government program is proposed to have the following program structure.

Component	Total (in USD million)
Rural WASH	243.15
Urban	121.69
Program Management and Capacity Building	35.72
Total	485.12

The Development partners in addition to WB that are involved in financing this program known at appraisal include DFID, AfDB and UNICEF.

The institutional arrangements for the Program will build on existing structures. Although Ministry of Water Resource, Irrigation and Energy is responsible for the overall project, the Ministry of Finance and Economic Development (MOFED) will be responsible for the financial management aspects of the program. At Regions or Woredas the Regional or Woreda bureaus or offices of both Ministries will be involved in respective areas in managing the program.

The accounting period covered for the audit is 12 months following the government fiscal year ending on July 7. The Audit will be completed on an annual basis following the normal government fiscal/accounting year.

Detailed information on the project including implementation arrangements is provided in the program Appraisal Document (PAD).

2. PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The responsibility for the preparation of financial statements of sub program including adequate disclosure is that of MoFED. MOFED is also responsible for the selection and application of accounting policies. MoFED would prepare the PFSs in accordance with IPSAS (International Public Sector Accounting Standards) as promulgated by the International Federation of Accounts (IFAC). The Government's accounting system outlined in the Manual Federal Accounting System-based on modified cash basis of accounting can also be used.

The auditor is responsible for forming and expressing opinions on the financial statements. The auditor would carry out the audit of the Program in accordance with the International Standards on Auditing (ISA), as promulgated by the International Federation of Accounts (IFAC), with special reference to ISA 800 (Auditor's Report on Special Purpose Audit Engagements) and to relevant World Bank guidelines. As part of the audit process, the auditor may request from MoFED written confirmation concerning representations made in connection with the audit.

3. Objective

The objectives of the audit of the program Financial Statements (PFSs) is to enable the auditor to express a professional opinion(s) on the financial position of the program at the end fiscal year, and on funds received and expenditures incurred for the relevant accounting period. The accounting system, books and records provide the basis for preparation of the PFSs by the program implementing agency and are established to reflect the financial transactions in respect of the project. MOFED and the rest of the implementing agencies maintain adequate internal controls and supporting documentation for transactions.

4. SCOPE OF THE AUDIT

As stated above, the audit of the project will be carried out in accordance with International Standards on Auditing (ISA) promulgated by the International Federation of Accountants (IFAC), and will include such tests and auditing procedures as the auditor will consider necessary under the circumstances. Special attention should be paid by the auditor as to whether the:

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- (a) World Bank financing (and all external financing where the World Bank is not the only financier) has been used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided – please see <Water Supply, Sanitation and Hygiene Project (WASHP- p133591)
- (b) Counterpart funds have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;
- (c) Goods, works and services financed have been procured in accordance with the relevant financing agreements including specific provisions of the [World Bank Procurement Policies and Procedures](#)⁴;
- (d) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Interim Unaudited Financial Statements (IFS) methods of reporting. The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- (e) Designated Accounts have been maintained in accordance with the provisions of the relevant financing agreements and funds disbursed out of the Accounts were used only for the purpose intended in the financing agreement;
- (f) National laws and regulations have been complied with, and that the financial and accounting procedures approved for the project (e.g. operational manual, financial procedures manual, etc.) were followed and used;
- (g) Financial performance of the project is satisfactory.
- (h) Assets procured from project funds exist and there is verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement.
- (i) Ineligible expenditures included in withdrawal applications are identified and reimbursed to the Designated Accounts. These should be separately noted in the audit report.

In complying with International Standards on Auditing, the auditor is expected to pay particular attention to the following matters:

⁴ Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of [International Standard on Auditing 620: Using the Work of an Expert](#). Consideration to use of the work of experts should be brought to the early attention of the borrower and the World Bank for mutual agreement and appropriate guidance.

- a) **Fraud and Corruption:** Consider the risks of material misstatements in the financial statements due to fraud as required by ISA 240: The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements. The auditor is required to identify and assess these risks (of material misstatement of the financial statements) due to fraud, obtain sufficient appropriate audit evidence about the assessed risks; and respond appropriately to identified or suspected fraud;
- b) **Laws and Regulations:** In designing and performing audit procedures, evaluating and reporting the results, consider that noncompliance by the implementing agency with laws and regulations may materially affect the financial statements as required by ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements;
- c) **Governance:** Communicate audit matters of governance interest arising from the audit of financial statements with those charged with governance of an entity as required by International Standards on Auditing 260: Communication of Audit Matters with those Charged with Governance.
- d) **Risks:** In order to reduce audit risk to an acceptable low level, determine the overall responses to assessed risks at the financial statement level, and design and perform further audit procedures to respond to assessed risks at the assertion level as required by Internal Standard on Auditing 330: the Auditor's Procedures in Response to Assessed Risks.

5. PROJECT FINANCIAL STATEMENTS (PFSs)

The auditor should verify that the project PFSs have been prepared in accordance with the agreed accounting standards (see paragraph 3 above) and give a true and fair view of the financial position of the project at the relevant date and of resources and expenditures for the financial year ended on that date

The Project Financial Statements (PFSs) should include:

- (a) A statement of funds received, showing funds from the World Bank, project funds from other donors and counterpart funds separately, and of expenditures incurred;
- (b) A summary of the activity in the Designated Account;
- (c) A Balance Sheet (if deemed necessary);
- (d) A Summary of the principal accounting policies that have been adopted, and other explanatory notes;
- (e) A list of material assets acquired or procured to date with project funds

As an Annex to the PFSs, the auditor should prepare a reconciliation of the amounts as “received by the Project from the Financers”, with those shown as being disbursed by these Financers.

6. Interim Financial Report (IFRs)

In addition to the audit of the PFSs, the auditor is required to verify all IFRs used as a basis for the submission of loan withdrawal applications to the World Bank. The auditor will apply such tests and auditing procedures as considered necessary under the circumstances. Annexed to the PFSs should be a schedule listing individual IFR withdrawal applications by specific reference number and amount.

The total withdrawals under the IFR procedures should be part of the overall reconciliation of Bank disbursements described in paragraph 5 above.

7. DESIGNATED ACCOUNT

In conjunction with the audit of the Project PFSs, the auditor is also required to review the activities of the Designated Account associated with the project. The Designated Account usually comprises:

- Advance deposits received from World Bank;
- Replenishments substantiated by withdrawal applications;
- Interest that may have been earned on the accounts, and which belong to the recipient; and
- Withdrawals related to project expenditures

The auditor should pay particular attention as to the compliance with the Bank's procedures and the balances of the Designated Accounts at the end of the fiscal year (or period). The auditor should examine the eligibility of financial transactions during the period under examination and fund balances at the end of such a period, the operation and use of the DAs in accordance with the relevant general conditions, relevant financing agreements and disbursement letter, and the adequacy of internal controls for this type of disbursement mechanism.

For this Project, the Designated Accounts are referred to in the general conditions, the Financing Agreement (subsection 5.3) and Disbursement Letter (para. I).

The auditor should also examine eligibility and correctness of:

- Financial transactions during the period under review;
- Account balances at the end of such a period;
- The operation and use of the Designated Account in accordance with the financing agreement; and

- The adequacy of internal controls for the type of disbursement mechanism.

8. AUDIT REPORT

The auditor will issue an opinion on the project financial statements (PFSs). The annual audit report of the project accounts should include a separate paragraph highlighting key internal control weaknesses and non-compliance with the financing agreement terms.

9. MANAGEMENT LETTER

In addition to the audit report, the auditor will prepare a management letter, in which the auditor will:

- (a) Give comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
- (b) Identify specific deficiencies or areas of weakness in systems and controls, and make recommendations for their improvement;
- (c) Report on the degree of compliance of each of the financial covenants in the financing agreement and give comments, if any, on internal and external matters affecting such compliance;
- (f) Communicate matters that have come to his/her attention during the audit which might have a significant impact on the implementation of the project;
- (g) Give comments on the extent to which outstanding issues/qualifications issues have been addressed;
- (h) Give comments on previous audits' recommendations that have not been satisfactorily implemented; and
- (e) Bring to the recipient's attention any other matters that the auditor considers pertinent, including ineligible expenditures.

Ideally, the management letter should also include responses from the implementing agency to the issues highlighted by the auditor.

10. AVAILABLE INFORMATION

The auditor should have access to all legal documents, correspondences, and any other information associated with the project and deemed necessary by the auditor. The auditor

will also obtain confirmation of amounts disbursed and outstanding at the Bank. Available information should include copies of the relevant: project appraisal document; financing agreement; financial management assessment reports; supervision mission reports and implementation status reports.

11.GENERAL

The financial statements, including the audit report, management letter and management response should be received by the Bank no later than xxxx months after the end of the accounting year to which the audit relates.

The auditor should submit the report to the recipient's designated agent rather than to any staff member of the project entity. The agent should then promptly forward two copies of the audit report and accompanying statements to the Bank together with the management letter and management response.

It is highly desirable that the auditor becomes familiar with the Bank's Guidelines on Annual Financial Reporting for World Bank-Financed Activities, June 30, 2003, which summarizes the Bank's financial reporting and auditing requirements. The auditor should be familiar with World Bank Procurement Guidelines, which can be obtained from the project implementing agency. The auditor should also be familiar with the Bank's Disbursement Handbook for World Bank Clients, Disbursement Guidelines for Projects: May 2006. These documents are available on the Bank's website and could be obtained from the Task Team Leader.

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Appendix THREE: Ineligible Expenses

Ineligibility: The following payments should not occur in the project as they have implications on eligibility of the expenditure incurred:

Type of Allowance	Eligibility	Comments
Salary top-up to Civil/Public Servants	Not allowed	Civil/Public Servants are paid to work for the government. Given that donor-financed projects are owned by the Government, the civil servants are still working for the Government when they provide support in implementing projects
Sitting allowance to Civil/Public Servants (for attending workshops, Project Steering Committee meetings, other committee meetings, etc.)	Not allowed	
Honorarium to Civil/Public Servants (payment for services performed in committees, meetings, workshops, etc.)	Not allowed	
Internal consulting of public and civil servants currently on the government payrolls	Not allowed	<p>This could amount to double payments to government employees. The government should not be paying consulting fees to staff on its payroll.</p> <p>A government employee may take a leave of absence (without pay) to work in another sector and be paid consulting fees by the government/project. The General conditions for hiring Government officials and civil servants under consulting contracts in Bank financed projects** are set forth in Par. 1.11(d) of the Consultant Guidelines. The Government officials and civil servants cannot be hired under any circumstances by the agency for which they previously worked, or if their employment would create a conflict of interest. When hired as individual consultants to work in another sector, they would have to be on leave without pay for the expected duration of their consultant contract before signing it. When members of a team of a consulting firm, they would have to be on leave without pay at the time the consulting firm submits its proposal.</p>
Travel and Transport	For this project either as per Government policies/directives	Receipts are required for local travel expenses; receipts required for actual cost reimbursement accommodation but not for lump sum hotel allowance; and receipts

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	or if different, as per policies/directives proposed by the DG and approved by MoFED	required for incidental expenses. Gasoline purchased for personal vehicles are not reimbursable.
Per Diem	For this project either as per Government policies/directives or if different, as per policies/directives proposed the DG and approved by MoFED	Receipts are required for local travel expenses; receipts required for actual cost reimbursement accommodation but not for lump sum hotel allowance; and receipts required for incidental expenses. Gasoline purchased for personal vehicles are not reimbursable.
Sitting allowances, honorarium, etc. to consultants financed under a project (for attending workshops, Project Steering Committee meetings, other committee meetings, etc.)	Not allowed	Consultants are contracted and paid reasonable fees to render services to the project