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|  <b>THE ASEAN SECRETARIAT</b> | Document code : SOP              |
|  | Approval date : 18 November 2015 |
| <b>Project Financial Disbursement and Reporting</b>  | Effective Date : 1 January 2016  |

## A. Objective & Scope

1. The purpose of the Standard Operating Procedure on Project Financial Disbursement and Reporting (hereafter, "PFDR") is to spell out requirements and procedures for financial disbursement, financial oversight, and financial accountability by all Implementing Agencies/Proponents for approved projects funded by Trust/Project Funds under the ASEAN Secretariat's custody from inception to closure of the project.
2. These procedures aim at ensuring all financial activities pertaining to a project are well-aligned with the ASEAN Secretariat Financial Rules & Procedures (AFRP, 2010), and IPSAS accounting standard, thereby reaffirming sound financial governance by the ASEAN Secretariat.

## B. Definitions

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| Implementing Agency             | : Implementing Agency is the party that receives funding through ASEAN Secretariat and utilize it to implement projects. The implementing agency may be the Proponent, or other agency, entity.   |
| Proponent                       | Project formulator/designer   |
| Desk Officer                    | : ASEAN Secretariat staff with purview over sectoral matters  |
| Sectoral Division               | : ASEAN Secretariat Division with purview over sectoral matters in which the desk officer is a member   |
| CPR                             | : Committee of Permanent Representatives to ASEAN   |
| SCDC                            | : Sub-Committee on Development Cooperation  |
| ERD 1 and ERD 2                 | : External Relations Division 1 and External Relations Division 2   |
| SPCD                            | : Strategic Planning and Coordination Division  |
| FBD                             | : Finance and Budget Division   |
| PMF                             | : Project Management Framework  |
| Professional consultant         | : An individual or institution provides professional services in a specific field or area of expertise.   |
| External party                  | : An institution that collaborates with ASEAN Secretariat to conduct project or programme activities, such as ILO, ADB, OECD, etc.  |
| DAF                             | : Disbursement Authority Form   |
| Project Completion Report       | : Report to be submitted by the Implementing Agency/ Proponent after project is completed, comprising of narrative and financial report. The narrative report is as per prescribed in Annex C (Project Completion Report) and Annex A (financial report). The Project Completion Report is required to be submitted 60 days after the project is fully implemented. |
| Annual Financial interim report | : Financial report as of 31 December of that year. This report is required for the ASEAN Secretariat auditing purpose and is  |


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|                                | applicable for projects that span between two financial year (Annex A financial report). The Annual Financial Interim report is required to be submitted 30 days after the end of the ASEAN Secretariat's Financial Year                                  |
| First Tranche Financial Report | : Financial report over the first tranche fund before asking for additional 20% for the next tranche. This report is only applicable for projects that has 70-30 disbursement ratio. It is required to be submitted when requesting for the next tranche. |
| Annex A Financial Report       | : An excel based report explaining the project approved budget, actual expenditure, and balances, including total fund received and disbursed   |
| Project Commencement           | Project is considered to have "commenced" as of the date the Implementing Agency/Proponent is informed of the approval and upon receipt of the first disbursement.  |
| Project Completion             | Project is considered "completed" when the Project Completion report and unspent balance, if any, is received by the ASEAN Secretariat upon the verification by FBD.  |

**ASEAN Secretariat Senior Management** means Secretary-General – as per ASEAN Financial Rules and Procedures – and Members of the Senior Management, Deputies Secretary-General.

### C. References

3. The main references and guiding policies for the PFDR following the AFRP are extracted below:
  - a. The ASEAN Secretariat uses accrual basis of accounting, while the Financial Statements shall be presented in accordance to the International Public Sector Accounting Standards (IPSAS). Accrual basis of accounting requires recognition of project expenses at the time in which the transaction occurs. As such, project expenses reports or financial reports from the project implementers must be received by the ASEAN Secretariat in time and with no delay to enable the ASEAN Secretariat to book the project transactions in the proper period, or fiscal year. The issue of the timeliness of project completion report was also mentioned in the 38<sup>th</sup> Audit Committee Meeting (agenda item 5, point 11 vii b).
  - b. The ASEAN Secretariat's fiscal year is from January to December. Audit reports (covering the ASEAN Secretariat regular budget and all Trust/Project Funds) shall be made available to the ASEAN Audit Committee, which convenes its meeting in May.


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- c. The ASEAN Secretariat's functional currency is USD. Financial Statements are expressed in USD. This requires that major revenues and expenditures are in USD, while the accounts shall be presented and maintained in USD.
- d. All Funds are subject to audit – annual financial audit (external audit), and internal or management audit. An audit requires sufficient evidence of transactions over the activities and budgets on the approved projects and expected outcomes.

## **D. The PFDR Procedures**

### **D. 1 Financial Disbursement**

4. To clarify the reporting requirements of the Implementing Agency/Proponent entrusted to utilize the fund, a 'Disbursement Letter' shall be issued subsequent to approval of a project.
5. The Disbursement Letter will spell out the reports required in connection with implementation of a project (namely, financial and project narrative reports) and timeline for their submissions in accordance with audit requirements.
6. The main purpose of the Disbursement Letter is to ensure that terms and conditions of the Trust/Project Funds as well as ASEAN financial rules are fulfilled.
7. The fund will be disbursed in tranches. The Implementing Agency/Proponent has to ensure bank account detail is available once the project is approved. The ASEAN Secretariat would restrict cash payment and only transfer funds to the Implementing Agency/Proponent.
8. The Implementing Agency/Proponent recipient bank accounts should be in an official institution name. In the event that a recipient bank account is not in the name of an official institution and is under the name of an individual then:
  - a. The signatory on the Letter of Request for the disbursement must be different from the individual named in the Recipient Account;
  - b. Letters of Request should be printed on the official letterhead of the office of the signatory; and
  - c. Letters of Request must specify the (i) name of the recipient account; (ii) bank account number; (iii) name of the bank; (iv) bank branch and address; and SWIFT Code
9. For projects with 1 (one) year duration or longer, funds will be disbursed in tranches; 70% of initial disbursement and 30% upon submission of Project Financial and Completion reports as appear in Annex A and Annex C, respectively. The Implementing


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Agency/Proponent can request for further disbursement of 20% upon submission of the financial report of the first tranche.

10. For projects less than 1 (one) year duration, funds will be disbursed 90% of initial disbursement and 10% upon submission of Project Financial and Completion reports. Projects that might fall under this category would be workshops, meetings and disbursement of emergency fund.
11. The Disbursement Letter will be prepared by the Desk Officer at ASEAN Secretariat in charge of the project in consultation with the Finance and Budget Division within 5 working days. The Letter shall be signed by a Deputy Secretary-General, as Head of Department, or OIC or Authorized Officer, where the project is housed.
12. The Disbursement Letter will be sent through the Desk Officer to the Implementing Agency/Proponent (who receives the fund), and related parties (e.g. Country Coordinator, Office of Dialogue Partner's Mission to ASEAN) on the fifth working day after the approval of the project.
13. The funds shall be transferred to the Implementing Agency/Proponent within 10 working days upon receipt a duly counter-signed of the Disbursement Letter and completed project documents by FBD.
14. Please refer to Annex B for Disbursement Letter Template.


## **D. 2 Financial Oversight & Accountability**

15. All Funds are subject to audit. An audit requires examination on the following:
  - i. the approved activities and budgets, this means the approved project document and its relevant correspondence;
  - ii. financial transactions, including any contract agreements, financial disbursements, financial reports, and evidence of transactions, i.e. receipts and related supporting documents;
  - iii. project reports, including either project completion, annual interim financial report, and/or first tranche financial report;
  - iv. interview with management, relevant staff, and stakeholders of the related project, as necessary;
  - v. Trust/Project Fund's TOR or Funding Agreement, and/or policies and procedures governing implementation of the project
16. The ASEAN Secretariat shall maintain a complete set of the project documents including the financial documents. The financial documents will be managed and maintained by the Trust and Project Fund of the Finance and Budget Division while the project

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documents will be managed by the Strategic Planning and Coordination Division. The financial documents include, but not limited to, budgets, financial reports and evidence of transactions.

17. Projects managed by the ASEAN Secretariat shall follow the AFRP and the ASEAN Secretariat Staff Rules (ASSR, 2012) for any financial activities (procurement of goods and services, contracts, travels, workshops, meetings, appointment of project staff, consultant). Accordingly, the financial reports and evidence of transactions are maintained by Trust and Project Funds Unit of the Finance and Budget Division.
18. A financial report (Annex A) is required under the following conditions:
  - a. When a project is fully implemented (Project Completion Report)
  - b. When a project spans between two financial year (Annual Financial Interim Report as of 31 Dec)
  - c. When an Implementing Agency/Proponent requested for funds in additional to the first tranche fund (First Tranche Financial Report)
19. Desk officers shall remind Implementing Agencies/ Proponents of their responsibilities to submit the relevant reports.
20. When an Implementing Agency/Proponent submits its report directly to ASEAN Secretariat, original receipts should accompany the reports. When original receipts are not available for submission to ASEAN Secretariat, copy of receipts certified by the Head of the Implementing Agency/Proponent is required.
21. Any unspent balance of the fund shall be returned, at the latest, 90 days after the project completion date. Any interest earned from the funds by the Implementing Agency/Proponent should be included in the financial report and returned to the ASEAN Secretariat with the unspent balance.
22. The reporting requirements will be stated well in advance in the Disbursement Letter, to clarify the reporting requirements expected from the fund recipient.
23. ASEAN Secretariat is accountable for funds and activities within the Secretariat. The Implementing Agencies/Proponents take full responsibility of the utilization of the fund.
24. The Implementing Agency/Proponent can submit the project reports through the following channels:
  - a. For project proposed by ASEAN Member States or ASEAN Sectoral Bodies:
    - (i) Directly to the concerned Division of the ASEAN Secretariat in charge of the project;
  - b. For projects proposed by Dialogue Partner:

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- (i) Directly to the concerned Division of the ASEAN Secretariat in charge of the project, provided it is in line with the financial procedure of the concerned Dialogue Partner, or;
- (ii) Through the Ministry of Foreign Affairs/ the Mission to ASEAN of the concerned Dialogue Partner.

The ASEAN Secretariat will assist in following up with the Implementing Agencies/Proponents in the submission of accountable documents through appropriate channels.

- 25. In the case where an Implementing Agency/Proponent has not submitted its Project Completion report, funding for the next project will be withheld until the pending report is settled. The Finance and Budget Division (FBD) will check for any pending Project Completion report prior to disbursing the fund for the project. Funds withheld will remain in the Trust or Project accounts until the Project Completion report is received.
- 26. ASEAN Secretariat will compile and circulate to the SCDC meeting the updated list of projects whereby the Implementing Agency/Proponent has not submitted a completion report.
- 27. DSG CCAD will send a letter to remind the respective Implementing Agency/Proponent to submit the pending completion report. The letter will be copied to the respective ASEAN Mission and/or the respective Mission of the Dialogue Partner.
- 28. This SOP is effective one month after the date of approval, including to the on-going projects.
- 29. This SOP supplements the existing Rules of Procedures (ROP) and Term of Reference (TOR) for the existing Trust Funds resident in ASEAN Secretariat. In the event of any conflict between the provisions of the SOP and TOR/ROP, the SOP will take precedence.

## **E. Attachments**

- Annex A – Financial Reporting Template
- Annex B – Template of Disbursement Letter
- Annex C – Project Completion Report (Narrative)