



INTERNATIONAL TROPICAL TIMBER COUNCIL

COMMITTEE ON FINANCE AND ADMINISTRATION

Distr.
GENERAL

CFA(XXXV)/7
9 October 2020

Original: ENGLISH

THIRTY-FIFTH SESSION
9-13 November 2020
Virtual Session

NEW PROJECT AUDIT FRAMEWORK

1. Ernst & Young Japan emphasized, in its recommendation to the ITTO Management in 2018 for ITTO's financial statements audit, that audit reports received from the project executing agencies were an essential source of information in estimating project expenses, which is a key element under the International Public Sector Accounting Standards (IPSAS) reporting framework. Simultaneously, they noted that for some project audits there may be issues with timely reporting and reliability of the locally selected auditors to detect errors and internal control weaknesses under the current project audit framework, hence recommended that ITTO explore ways to improve the process. The secretariat proceeded to develop and test a new project audit framework based on relevant international standards which requires auditors to report in detail on any issues found with management of funds and/or internal control weaknesses, in accordance with applicable ITTO rules. The new project audit framework was further reviewed by an independent audit firm for compliance with relevant international standards and effectiveness to detect material issues. The Secretariat proceeded to test the new approach on select projects under the draft framework: PD646/12 Rev.3 (F) and PD777/15 Rev.3 (F) in 2019 and PD732/14 Rev.2 (M) in 2020. The results of the trial were shared with Ernst & Young, who were satisfied with the results and recommended to ITTO management that this new framework be applied to all projects with executing agencies.

2. The new project audit framework contains the following elements:

- Terms of reference for the auditor detailing the procedures for the project audit (Annex 1), which requires the auditors to undertake the engagement in accordance with the International Standard on Related Services (ISRS) 4400 and IFAC Code of Ethics for Professional Accountants
- A detailed factual finding reporting format (Annex 2), which requires auditors to describe results of each test conducted and any issues found
- An updated financial statements' reporting format for better compatibility with IPSAS's accrual-based accounting (Annex 3)

3. The new framework would be applied as follows:

- A final audit is required upon completion of all projects/activities which transfer funds to an executing agency. In addition, an annual audit is required if the budget of the executing agency is \$200,000 or more.
- Audit reports are to be completed within 3 months from the end of the year for annual audits and 4 months from the completion of the project/activity for final audits.
- ITTO retains the audit budget and directly contracts the auditor. The annual audits for various projects could be conducted at the same time through a single global firm to save costs and ensure timeliness of reporting.
- The audit budget in future projects should reflect the requirements of the new framework whilst ensuring sufficient funds for such audits to be conducted.
- Additional paragraphs (contained in Annex 4) will be added to project agreements to reflect the above changes.

4. The Committee on Finance and Administration may wish to consider the proposed project audit framework and recommend to the Council for their adoption and immediate implementation for all future audits.

Annex 1 – Terms of Reference for a Project Audit

TERMS OF REFERENCE FOR A PROJECT AUDIT

The following are the terms of reference ('ToR') under which the International Tropical Timber Organization agrees to engage ~~XXXXXX~~ ('the Auditor') to perform agreed upon procedures ('Project Audit') and to report in connection with a Project Agreement signed by both the ITTO and the and the Executing Agency ('EA') concerning "**Project Number, Project title**" (the 'Project Agreement').

1.1. Responsibilities of the Parties to the Engagement

- The EA is responsible for providing Financial Statements for the Project financed by ITTO which complies with the terms and conditions of the Project Agreement and for ensuring that these Project Financial Statements reconcile with the Executing Agency's accounting and bookkeeping system and to the underlying accounts and records. The EA is responsible for providing sufficient and adequate information, both financial and non-financial, in support of the Project Financial Statements.
- ITTO manages the Project Audit for its completion and accepts that the ability of the Auditor to effectively perform the procedures required by this engagement depends upon the EA, and as the case may be, its affiliated entity(ies), providing full and free access to its (their) staff and its (their) accounting and bookkeeping system and underlying accounts and records.
- The Auditor is responsible for performing the agreed-upon procedures as specified in Annex 2 in this ToR. The Auditor refers to the audit firm contracted for performing this engagement and for submitting a report of factual findings to ITTO. The Auditor" can refer to the person or persons conducting the Project Audit, usually the engagement partner or other members of the engagement team. The engagement partner is the partner or other person in the audit firm who is responsible for the engagement and for the report that is issued on behalf of the firm, and who has the appropriate authority from a professional, legal or regulatory body.

By agreeing to this ToR, the Auditor confirms that he/she meets at least one of the following conditions:

- The Auditor and/or the firm is a member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC).
- The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organisation is not a member of the IFAC, the Auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in this ToR.
- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).

1.2. Subject of the Engagement

The subject of this engagement is the Project Financial Statements in connection with the Project Agreement covering ~~01/01/201X~~ to ~~31/12/201X~~. Annex 1 to this ToR contains information about the Project Agreement.

1.3. Reason for the Engagement

Section 5.03 of the Project Agreement requires an external auditor to submit to ITTO an audit report produced by an external auditor in support of the payment requested by EA under Section 3.03 and/or contingency funds under section 3.04 of the Project Agreement.

1.4. Engagement objective

The objective of the Project Audit is to provide useful information to ITTO to evaluate whether the fund for a project has been used based on the Project Agreement or other related document. The Auditor is required to report the factual findings by performing certain agreed-upon procedures in Annex 2. These agreed upon procedures are primarily designed for the procedures on the annual (or final) Project Financial Statements of projects in terms of verification of amounts on the Project Financial Statements. However, there are some procedures evaluating material internal control weakness and non-compliance or

illegal acts. As this engagement is not an assurance engagement the Auditor does not provide an audit opinion and expresses no assurance. ITTO assesses for itself the factual findings reported by the Auditor and draws its own conclusions from these factual findings.

1.5. Standards and Ethics

The Auditor shall undertake this engagement in accordance with:

- the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- the IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, ITTO requires that the Auditor is independent from the EA and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

1.6. Audit Process

1 Pre-auditing

The Auditor shall review the following documents, if applicable, to become familiar with the project:

- The project implementation agreement;
- The sub-agreements between the EA and other collaborating parties;
- Contracts and sub-contracts with third parties;
- The project document, the budget, project-implementation letters/correspondence, agreed minutes and procedures to manage the project as approved by ITTO;
- Manual on standard operating procedures for the ITTO project cycle
- The Project Financial Statements and progress reports of the project;
- Organizational charts, a description of the administrative organization, procedures on procuring, receiving, storing and distributing of project goods, and the chart of accounts necessary to successfully perform the audit;

The Auditor shall also review the actions taken in response to findings and recommendations reported in prior audits that could have an effect on the current audit objectives. The auditor shall determine whether prompt and/or appropriate corrective actions have been taken by the agency where necessary and/or applicable.

2 Procedures, Evidence and Documentation

The Auditor plans the work so that effective procedures can be performed. The Auditor performs the procedures listed in Annex 2 of these ToR ('Listing of specific procedures to be performed'). The evidence to be used for performing the procedures in Annex 2 is all financial and non-financial information which makes it possible to examine the financial information provided by the EA in the Project Financial Statements. The Auditor uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor documents matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISRS 4400 and this ToR.

1.7. Reporting

The report on this Project Audit should describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail to enable ITTO to understand the nature and extent of the procedures performed by the Auditor and the factual findings reported by the Auditor.

The use of the Model Report for Project Audit in Annex 3 of this ToR is compulsory. This report should be provided by the Auditor to ITTO by the due date specified in 1.9 below.

1.8. Fee

The fee for this engagement shall be USD X,XXX,XXX (excluding out-of-pocket expenses).

1.9. Schedules

Item	Due date
Submit audit schedule	The end of December 20XX
Preparatory meeting with the EA	The end of December 20XX
Field work	1 st /2 nd week of February
Submit audit report	The end of February 20XX

Annex 1 Information about the Project Agreement

Annex 2 Listing of specific procedures to be performed

Annex 3 Model report for Project Audit of Project Agreement

(Please be aware that the separate Excel spread sheet "Detailed Factual Findings by the Auditor" needs to be filled out in the reporting processes of this engagement)

For ITTO:

For the Auditor:

(Name)XXXXXXXX
(Title) XXXXXXX
DD MM 20XX

(Name)XXXXXXXX
Engagement Partner
DD MM 20XX

Annex 1 Information about the Project Agreement

Information about the Project Agreement	
Project ID number and date of the Project Agreement	XXXXXXXXXXXXXX
Project title	XXXXXXXXXXXXXX
Country	XXXXXXXXXXXXXX
Executing Agency	XXXXXXXXXXXXXX
Start date of the implementation period of the Project	MM/DD/YYYY
End date of the implementation period of Project	MM/DD/YYYY
Fund available to the Project	USD XXXXXX
Total amount received to date by the EA	XXXXXXXXXX
ITTO	International Organizations Center 5F Pacifico-Yokohama, 1-1-1 Minato-Mirai Nishi-ku, Yokohama 220-0012 JAPAN
Executing Agency	Name Address
Auditor	Name Address

Annex 2 Listing of Specific Procedures to be performed

[This Annex is a standard listing of specific procedures to be performed and it shall not be modified]

1 Balance Sheets Item

1.1. Cash and cash equivalents

The Auditor should:

- obtain the details of the balance of Cash and cash equivalents and trace each balance to the bank statement for the bank accounts. Where the balance does not agree, obtain bank reconciliation statements and examine the reasonableness of the discrepancy. Document the result and any findings.
- confirm the fund allocated by ITTO is separately kept in a separate bank account or ledger. (Section 5.01)
- If petty cash exists, confirm the amount is kept at minimum and inquire about the stored conditions and describe a brief summary of it.
- Inquire about the payment procedures and provide a brief summary of it, focusing on if a proper segregation of duty between a preparer and approver (or execution of payment) is properly established.

1.2. Property, plant and equipment

- Obtain a list of property, plant and equipment and verify that the acquisitions to the value of or over US\$1,500 in the subjected period are accompanied by relevant supporting documents (Purchase order, Receipt, or Invoices).
- Perform physical observation on the property, plant and equipment based on the list above. If there are any property, plant and equipment damaged or missing, inquire about the reason and confirm the residual value of the assets is properly assessed.
- Confirm that appropriate purchase requisition and approval has been obtained from ITTO for capital goods such as equipment, automotive or buildings
- Confirm such equipment are exclusively used for the implementation of the projects (Section 4.01)
- Confirm that appropriate registration is obtained for assets such as cars or buildings, view the registration document and report if any abnormal condition is attached (ex. Pledge for loans or liability for others.)
- Confirm that depreciation over the years is properly calculated and expensed based on the physical life years not less than the project duration.

1.3. Prepaid expense

- Confirm that appropriate supporting document/s are available for prepaid expenses, showing the receipt of goods or services, if occurred outside the current accounting periods
- Confirm prepaid expenses have been properly authorized by ITTO before they were paid.

1.4. Accounts payables and Accrued Expenses.

- For accounts payable and accrued expenses, select randomly **two** samples from the details and obtain the supporting documents (Purchase order, Invoice or equivalent). Examine whether the expenditures are incurred during the reporting date, but not yet settled as of the reporting date.
- Unrecorded liability.

Select **three** samples from subsequent payments from bank statements and invoices that were received but not processed (recorded) in the current reporting period. Examine whether such payment after the reporting period needs to be recorded in the current reporting period using the supporting documents (Purchase order, Invoice or equivalent)

1.5. Others

- Obtains the details of other balances and describe the nature of the transactions. Report if there was proper communication relating to the transactions.

2. Statement of Activity Item

2.1. Expenditures

Select the largest amount recorded (one record) from each of the sub-headlines under 10. Additionally, randomly select two samples from each headline. Examine the following:

- that the amount paid/recorded match the supporting documents (invoices, purchase order, delivery note, contract etc). Report any findings especially if there were unexplained discrepancies between recorded amount and the supporting document.
- if the expenditure is recorded when it is paid
- the nature of the expenditure and verify the item has been classified under the correct headlines.
- verify that the transaction is properly approved by examining approval documents
- if the purpose of the expenditure is exclusively for the implementation of the project.
- if the amount is reasonable in terms of the market price for the goods or services.
- if the supplier is not related to any anti-social party or family related parties.

2.2. Project personnel or Sub-contract

For the samples of Project personnel or Sub-contract, additionally perform the followings.

- Obtain the documents regarding the appointment process and examine if there were proper consultation and approvals with/from ITTO (Section 4.03)
- Examine that the amount paid/recorded are aligned with the employment contract
- Report any findings especially if there was payment outside the employment contract or expense claims

2.3. Expenditures from previous period

- Reconcile expenditures from the previous period with the current Project Financial Statements and verify that they match with previously reported Project Financial Statements.

2.4. Adjustment to Accrual basis & Reconciliation to Net Asset

Statement of Activity is prepared to satisfy ITTO's reporting requirement by adjusting expenditures to accrual basis expenses.

- Reconcile items shown in the adjustment column with the balance sheet item, such as Accounts Payable, Prepaid Expenses, and PP&E.

- Examine that exchange gain/loss is properly calculated and recorded.
- Examine whether there are any other items for adjusting, and that these are properly calculated and recorded.
- Examine whether Total Net Asset on the Balance Sheet has been properly rolled-forward from the Net Asset from the previous year.
- Examine that the Net Asset calculated at the bottom of the Statement of Activity matches the Net Asset in the Balance Sheet.

3. Other Examination

3.1. Accounting system

- Inquire whether the access right to the accounting system is properly limited.
- Observe storage condition of supporting documents and assess that these are properly filed and stored.
- Inquire about the exchange rate used to convert from the local currency to the reporting currency in the financial statements (US dollars) and verify that annual average rate is used for expenditure, closing rate is used for monetary claim/liabilities and historical rate is used for Property plant and equipment.

3.2. Special examinations

- N/A

Annex 3 Model Report for Project Audit

<To be printed on AUDITOR'S letterhead>

Report for a Project Audit

<Title of and number of the Project Agreement >

Report of Factual Findings

<Name of contact person(s)>, < Position>

< name of the Coordinator>

<Address>

<dd Month yyyy>

Dear <Name of contact person(s)>

In accordance with the terms of reference dated <dd Month yyyy> as agreed with the ITTO and the EA, we provide our Report of Factual Findings ('the Report'), combined with "Detailed Factual Findings by the Auditor", with respect to the accompanying Project Financial Statements for the period covering <dd Month yyyy — dd Month yyyy> (Annex 1 of this Report). ITTO requested certain agreed upon procedures to be carried out in connection with the EA's Financial Statements concerning <title and number of the contract>, the 'Project Agreement'.

Objective

The objective of this Project Audit is for us to carry out certain procedures to which we have agreed and to submit to you a report of factual findings with regard to the procedures performed.

Standards and Ethics

Our engagement was to perform certain agreed-upon procedures with regard to the Project Financial Statements for the Project Audit between the EA and ITTO, undertaken in accordance with:

International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the International Federation of Accountants ('IFAC);

the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*;

Procedures performed

As requested, we have only performed the procedures listed in Annex 2 of the ToR for this engagement.

These procedures have been determined solely by ITTO and the procedures were performed solely to assist ITTO in evaluating whether the funds for the project have been used based on the project agreement

or other related document.

The procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements. As such, we do not express any assurance on the accompanying Financial Report.

Had we performed additional procedures or had we performed an audit or review of the financial statements of the EA in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to ITTO.

Sources of Information

The Report sets out information provided to us by the EA in response to specific questions or as obtained and extracted from the EA's accounts and records

Factual Findings

Please refer to the accompanying spread sheets "Detailed Factual Findings by the Auditor"

Use of this Report

This Report is solely for the purpose set forth above under objective.

This report is prepared solely for ITTO's own confidential use and solely for the purpose of submission to ITTO in connection with the requirements as set out in Section 1.3 of the Terms of Reference for a Project Audit. This report may not be relied upon by ITTO for any other purpose, nor may it be distributed to any other parties.

ITTO may only disclose this Report to others who have regulatory rights of access to it. This Report relates only to the Project Financial Statements specified above.

We will discuss our Report with ITTO, if requested and would be pleased to provide any further information or assistance which may be required.

Yours sincerely,

Auditor's signature [person or firm or both, as appropriate and in accordance with company policy]

Name of Auditor signing [person or firm or both, as appropriate]

Auditor's address [office having responsibility for the engagement]

Date of signature <dd Month yyyy> [date when the final report is signed]

Annex 2 – Detailed Factual Findings by the Auditor

Executive summary

1 Are there any exceptions noted in the Report for the agreed upon procedure in Annex 2?

Conclusion	YES	NO

2 Were there any limitations when performing the agreed upon procedures?

Conclusion	YES	NO
If YES, please describe the specific limitation.		

3 Were there any misstatements to the financial statements found during the agreed upon procedure?

Conclusion	YES	NO
If YES, are the misstatements properly adjusted?	YES	NO
If the misstatements are not properly adjusted, please describe the uncorrected items and the amount and the reason why those were not properly amended.		

4 Were any material internal control weakness identified during the course of the agreed upon procedure?

Conclusion	YES	NO
If YES, please describe material internal control weakness identified .		

5 Were any non-compliance and illegal acts identified in the course of the agreed upon procedure?

Conclusion	YES	NO
If YES, please describe non-compliance and illegal acts identified.		

6 Please indicate if there was anything else noted during the procedure.

--

Reporting format for the aged upon procedure in Annex 2

Procedures		Description of the result and any exceptions if found
1 BALANCE SHEETS ITEM		
1.1	Cash and cash equivalents	obtain the details of the balance of Cash and cash equivalents and trace each balance to the bank statement for the bank accounts. Where the balance does not agree, obtain bank reconciliation statements and examine the reasonableness of the discrepancy. Document the result and any findings.
		confirm the fund allocated by ITTO is separately kept in a separate bank account or ledger. (Section 5.01)
		If petty cash exists, confirm the amount is kept at minimum and inquire about the stored conditions and describe a brief summary of it.
		Inquire about the payment procedures and provide a brief summary of it focusing on if a proper segregation of duty between a preparer and approver (or execution of payment) is properly established.
1.2	Property, plant and equipment	Obtain a list of property, plant and equipment and verify that the acquisitions to the value of or over US\$1,500 in the subjected period are accompanied by relevant supporting documents (Purchase order, Receipt, or Invoices).
		Perform physical observation on the property, plant and equipment based on the list above. If there are any property, plant and equipment damaged or missing, inquire about the reason and confirm the residual value of the assets is properly assessed.
		Confirm that appropriate purchase requisition and approval has been obtained from ITTO for capital goods such as equipment, automotive or buildings
		Confirm such equipment are exclusively used for the implementation of the projects (Section 4.01)
		Confirm that appropriate registration is obtained for assets such as cars or buildings, view the registration document and report if any abnormal condition is attached (ex. Pledge for loans or liability for others.)
		Confirm that depreciation over the years is properly calculated and expensed based on the physical life years not less than the project duration.
1.3	Prepaid expense	Confirm that appropriate supporting document/s are available for prepaid expenses, showing the receipt of goods or services, if occurred outside the current accounting periods
		Confirm prepaid expenses have been properly authorized by ITTO before they were paid.
1.4	Accounts payables and Accrued Expenses	For accounts payable and accrued expenses, select randomly two samples from the details and obtain the supporting documents (Purchase order, Invoice or equivalent). Examine whether the expenditures are incurred during the reporting date, but not yet settled as of the reporting date.
		Unrecorded liability. Select three samples from subsequent payments from bank statements and invoices that were received but not processed (recorded) in the current reporting period. Examine whether such payment after the reporting period needs to be recorded in the current reporting period using the supporting documents (Purchase order, Invoice or equivalent)
1.5	Others	Obtains the details of other balances and describe the nature of the transactions. Report if there was proper communication relating to the transactions.

2 STATEMENT OF ACTIVITY ITEM			
2.1	Expenditures	Select the largest amount recorded (one record) from each of the sub-headlines under 10. Additionally, randomly select two samples from each head line. Examine the following: <ul style="list-style-type: none"> - that the amount paid/recorded match the supporting documents (invoices, purchase order, delivery note, contract etc). Report any findings especially if there was unexplained discrepancies between recorded amount and the supporting document. - if the expenditure is recorded when it is paid - the nature of the expenditure and verify the item has been classified under the correct headlines. - verify that the transaction is properly approved by examining approval documents - if the purpose of the expenditure is exclusively for the implementation of the project. - if the amount is reasonable in terms of the market price for the goods or services. - if the supplier is not related to any anti-social party or family related parties. 	Please use the separated form of "WP_for Expenditure test 2-1"
2.2	Expenditures-Project personnel, Sub-contract	Obtain the documents regarding the appointment process and examine if there were proper consultation and approvals with/from ITTO. (Section 4.03). – Examine that the amount paid/recorded are aligned with the employment contract Report any findings especially if there was payment outside the employment contract or expense claims	
2.3	Expenditures for previous period	Reconcile expenditures from the previous period with the current Project Financial Statements and verify that they match with previously reported Project Financial Statements.	
2.4	Adjustment to Accrual basis & Reconciliation to Net Asset	<ul style="list-style-type: none"> - Reconcile items shown in the adjustment table with the balance sheet item, such as Accounts Payable, Prepaid Expenses, and PP&E. - Examine that exchange gain/loss is properly calculated and recorded. - Examine whether there are any other item for adjusting, and that these are properly calculated and recorded. - Examine whether Total Net Asset on the balance sheet has been properly rolled-forward from the Net Asset from the previous year. - Examine that the Net Asset calculated at the bottom of the Statement of Activity matches the Net Asset in the Balance Sheet. 	
3 Other Examination			
3.1	Accounting system	Inquire about if the access right to the accounting system is properly limited.	
	Documents' filing	Observe storage condition of supporting documents and verify these are properly filed and stored.	
	Exchange rate	– Inquire about the exchange rate used to convert from the local currency to the reporting currency in the financial statements (US dollars) and verify that annual average rate is used for expenditure, closing rate is used for monetary claim/liabilities and historical rate is used for Property plant and equipment.	
3.2	Special examinations		

Annex 3 – Financial Statements Template

BALANCE SHEET

As at 31 December [Year]

Or as at the date of Completion

	<u>Notes</u>	<u>31 December</u>	
		<u>20XX</u>	<u>20YY</u>
Assets:			
Cash and cash equivalents			
Prepaid expense			
Property, plant & equipment			
Others			
Total assets		<u>0</u>	<u>0</u>
Liabilities and net assets:			
Accounts payable			
Others			
Total liabilities		<u>0</u>	<u>0</u>
Net assets:			
Unspent funds			
Total net assets		<u>0</u>	<u>0</u>
Total liabilities and net assets		<u>0</u>	<u>0</u>

STATEMENT OF ACTIVITY

(To be prepared separately for ITTO funding and for Counterpart Funding)
For the periods from (date of commencement of project) to 31 December (Year) or to the date of completion

Project No _____ Period ending on _____

Project Title: _____

(in US Dollars)

	In Past Periods	Current Period	Total
Funds received			0

Component	Budget	Previously accumulated expenses (Accrual basis)	Expenses (to be audited) Current Period 1/1/20XX through 31/12/20XX			Accumulated expenses (Accrual basis) To-date	Available Budget
			Expended	Adjustment for Accrual basis	Total		
			A	B	C		
Funds managed by Executing Agency							
10	Project Personnel					0	0
11	National Experts (long term)					0	0
	11.1 Project Coordinator					0	0
	11.2 Forester 1					0	0
	11.3 Market/industry expert etc.					0	0
	11.4 Administrator					0	0
12	Other Personnel					0	0
	12.1 Assistant 1					0	0
	12.2 Other labor					0	0
13	National Consultant(s) (short term)					0	0
	13.1 Consultant 1					0	0
	13.2 Consultant 2					0	0
14	International Consultant(s)					0	0
	14.1 Forest Inventory Expert					0	0
	14.2 Consultant 2					0	0
15	Fellowships and Training					0	0
	15.1 Training 1 (specify beneficiaries)					0	0
	15.2 Training 2					0	0
19	Component Total:					0	0
20	Sub-contracts					0	0
21	Sub-contract (Topic e.g. mapping, etc.)					0	0
22	Sub-contract (Topic 2)					0	0
29	Component Total:					0	0
30	Travel					0	0
31	Daily Subsistence Allowance					0	0
	31.1 National Expert(s)/ Consultant(s)					0	0
	31.2 International Consultant(s)					0	0
	31.3 Others					0	0
32	International Travel					0	0
	32.1 National Expert(s)/ Consultant(s)					0	0
	32.2 International Consultant(s)					0	0
	32.3 Others					0	0
33	Local Transport Costs					0	0
	33.1 National Expert(s)/ Consultant(s)					0	0
	33.2 International Consultant(s)					0	0
	33.3 Others					0	0
39	Component Total:					0	0
40	Capital Items					0	0
41	Premises					0	0
42	Land					0	0
43	Vehicle(s)					0	0
44	Capital Equipment					0	0
	44.1 Computer Equipment (specify)					0	0
	44.2 Forestry Equipment (specify)					0	0
	44.3 Others					0	0
45	Depreciation expense					0	0
49	Component Total:					0	0
50	Consumable Items					0	0
51	Raw Materials					0	0
52	Spares					0	0
53	Utilities					0	0
54	Office Supplies					0	0
59	Component Total:					0	0
60	Miscellaneous					0	0
61	Sundry					0	0
62	Audit Costs					0	0
63	Contingencies					0	0
69	Component Total:					0	0
70	National Management Costs					0	0
71	Executing Agency Management Costs					0	0
72	Focal Point Monitoring					0	0
73	Exchange gain/loss					0	0
79	Component Total:					0	0
	Sub-Total:					0	0
100	GRAND TOTAL:	0	0	0	0	0	0

Fund Balance	Last Period	Current Period
	0	0

Note: Budget Components are those detailed in the Project Document.

1) The Cash Flow Statement must be completed first before the input into the Financial Statement.

2) Amounts under the 'Expended' column will be reported from the Cash Flow Statement (with direct link).

3) Adjustment for accrual basis

This column is used to adjust the expenditures to accrual basis in order to reconcile with the balance sheets belows:

Prepaid expense: If cash is paid in the current fiscal year but the goods or services will be received in the next year (such as rent, advertising, etc.), it is recognized in accrual basis as expenses in the next year. The previous year's balance is added and the current year's balance is deducted here.

Property, plant & equipment: Capital expenditure paid in the current fiscal year but used beyond the current fiscal year end is recognized as Property, plant & equipment and depreciated over the period used. Such expenditures as vehicles, equipment, etc. might be recognized as PP&E on the balance sheet. The cash paid is deducted from here and the depreciation expense (Component 45) is added.

Accounts payable: If the goods or services is received but has not been paid as of the end of the fiscal year, the amount is recognized as an expense in the current fiscal year. The previous year's balance is subtracted and the current year's balance is added.

Exchange gain/loss: The exchange rate for US\$ fluctuates day by day. Translation differences should be recognized as an expense in the current year (Component 73).

4) The Fund Balance should agree with the ending balance of the Balance sheet.

PROJECT CASH FLOW STATEMENT

Period ending on:

			Amount	
Component	Reference	Date	In US\$	Local currency
A. Funds received from ITTO:				
1	First Installment			
2	Second Installment			
3	Third Installment			
4	Fourth Installment			
	ETC.			
Total Fund received				0
B. Expenditures by Executing Agency:				
10	Project Personnel			
11	National Experts (long term)			
	11.1 Project Coordinator			
	11.2 Forester 1			
	11.3 Market/industry expert etc.			
	11.4 Administrator			
12	Other Personnel			
	12.1 Assistant 1			
	12.1 Assistant 2			
	12.2 Other labor			
13	National Consultant(s) (short term)			
	13.1 Consultant 1			
	13.2 Consultant 2			
	13.3 Consultant 3			
14	International Consultant(s)			
	14.1 Forest Inventory Expert			
	14.2 Consultant 2			
15	Fellowships and Training			
	15.1 Training 1 (specify beneficiaries)			
	15.2 Training 2			
	15.3 Training 3			
19	Component Total:			
20	Sub-contracts			
21	Sub-contract (Topic e.g. mapping, etc.)			
22	Sub-contract (Topic 2)			
29	Component Total:			
30	Travel			
31	Daily Subsistence Allowance			
	31.1 National Expert(s)/ Consultant(s)			
	31.2 International Consultant(s)			
	31.3 Others			
32	International Travel			
	32.1 National Expert(s)/ Consultant(s)			
	32.2 International Consultant(s)			
	32.3 Others			
33	Local Transport Costs			
	33.1 National Expert(s)/ Consultant(s)			
	33.2 International Consultant(s)			
	33.3 Others			
39	Component Total:			
40	Capital Items			
41	Premises			
42	Land			
43	Vehicle(s)			
44	Capital Equipment			
	44.1 Computer Equipment (specify)			
	44.2 Forestry Equipment (specify)			
	44.3 Others			
49	Component Total:			
50	Consumable Items			
51	Raw Materials			
52	Spares			
53	Utilities			
54	Office Supplies			
59	Component Total:			
60	Miscellaneous			
61	Sundry			
62	Audit Costs			
63	Contingencies			
69	Component Total:			
70	National Management Costs			
71	Executing Agency Management Costs			
72	Focal Point Monitoring			
79	Component Total:			
Total expenditures to-date				
Remaining balance of funds (A-B)				0

Notes: 1) Amount of expenditures in US dollar should be the same as amount shown in column (D) of the Statement of Activity (exported with direct link from the Cash Flow Statement); and
2) Submit bank reconciliation statement along with the bank statements to support the remaining balances/funds in the Cash Flow Statement.

Annex 4 – Additions to the Project Agreement Template

Under amounts to be retained by ITTO, add:

- an amount of [US\$ XX,XXX.XX (United States dollarsonly)] to meet project audit costs as appropriate;

Under the auditing requirements of the project, add:

The Project accounts shall be audited by duly recognized independent auditors appointed by ITTO in consultation with the Executing Agency. For the audit, the Executing Agency acknowledges the contents of "TERMS OF REFERENCE FOR A PROJECT AUDIT" as an integral part of this agreement. For the purpose of the Project, the financial year of the Project shall be from 1 January to 31 December of each year.