OPERATIONAL and Financial Management CAPACITY Assessment CHECKLIST & rating sheet

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| Project Name: | **Asia-Pacific Farmers’ Program (APFP)** |
| **Name and contract details of Potential National Implementing Agency (NIA):** | |
| **Name of Org:** |  |
| **Contact of contact person** |  |
| **Email address:** |  |
| **Mobile phone Number:** |  |
| **Self-assessment completed by:** | **Date :** |
| **Review completed by** | **Date :** |

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| **GUIDANCE NOTES:**  The Due Diligence Checklist and rating sheet provides an indicative list of issues and questions to be considered in the Operational and financial management assessment of potential NIAs. The Checklist helps the RIA determine the organization capacity of potential NIA.  The questionnaire shall be completed at three levels:   1. Self-Assessment by the organization 2. RIA assessment 3. IFAD/ external partner review   **Please kindly rate (1 being the lowest and 5 being the highest) your organization and provide detailed justification of your rating. Please also attach required document that can help in the justification** |

| **Topic** | | Rating  **(1low capacity;**  **5 high capacity)** | **Detailed Response /Justification for the rating** |
| --- | --- | --- | --- |
| **1.** | **Organization and Staffing** |  |  |
| 1.1 | What is the entity’s legal status and relevant national legislation under which they are registered? |  |  |
| 1.2 | What is the governance structure of the organization? *(please attach separate organizational structure and description of key responsibilities)* |  |  |
| 1.3 | Will financial management of the project be the responsibility of the organization/potential NIA? Or will this be undertaken wholly / partially by other agencies/service providers?  If by other agencies/service providers/, indicate nature of contractual relationship between organization and other organization/service provider. |  |  |
| 1.4 | Has the organization implemented a donor financed project in the past - if so, please provide details[[1]](#footnote-1)?  Is the organization currently implementing donor financed projects? If so, please give details[[2]](#footnote-2). |  |  |
| 1.5 | What is the total size of organization (most recent date available[[3]](#footnote-3)):   * Total assets * Total revenue * Net profit / loss * Total full time employees |  |  |
|  | **Staffing** |  |  |
| 1.6 | What is the (proposed) organizational structure of the accounting department and the operations unit? Attach an organization chart. |  |  |
| 1.7 | Identify the (existing and proposed) project operations staff, finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key operations and project staff including accounting staff. |  | **Please kindly attached short CV of proposed project staff of NIA including jod description** *(you may use as reference the previous job description during MTCP2 e.g. coordinator, finance, etc)* |
| 1.8 | Are written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff? |  |  |
| 1.9 | Is the finance and accounts staff adequately qualified and experienced? |  |  |
| 1.10 | Are the project accounts and finance staff trained to comply with IFAD and EC procedures? |  |  |
| 1.11 | Are any Finance Staff appointed on contract?  What is the duration of the contracts?  Indicate key positions not contracted yet, and the estimated date of appointment |  |  |
| 1.12 | At what frequency are personnel transferred/turned over? |  |  |
| 1.13 | Is the project finance and accounting function staffed adequately to handle proposed project transactions? |  |  |

| Topic | | **Rating**  **(1 low capacity**  **5 high capacity)** | **Detailed Description/Justification** |
| --- | --- | --- | --- |
| **2.** | **Budgeting** |  |  |
| 2.1 | Who is responsible for preparation and approval of project budgets? |  |  |
| 2.2 | Are project budgets prepared for all significant project activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance? |  |  |
| 2.3 | Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets? |  |  |
| **3** | **Funds Flow/Disbursement Arrangements** |  |  |
| 3.1 | Does the Entity have previous experience of using revolving funds and donor funding Withdrawal / Statements of Expenditure (SOE) procedures? |  |  |
| 3.2 | Does the Entity have experience in the management of disbursements from IFAD funded project or other donors?  Have there been the major problems in the past in receipt of funds by the entity? |  |  |
| 3.3 | Does the entity have/need to develop capacity to manage foreign exchange risks? |  |  |
| 3.4 | Is the Recipient / entity contributing with its own funds?  If counterpart funds are to be contributed in kind (in the form of labour), are proper guidelines formulated to record and value this contribution? |  |  |
| 3.5 | Does the entity have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies? |  |  |
| 3.6 | Will the project require funds to be transferred to other locations / countries for incurring eligible expenditures? If so, indicate to whom and where?  Describe (proposed) project funds flow arrangements; (attach flow chart and explanation of the flow of funds from IFAD, the entity and other financiers for the proposed project). |  |  |
| 3.7 | In which bank will the Advance Account be opened? |  |  |
| 3.8 | Are the (proposed) arrangements to transfer the proceeds of the financing from RIA/IFAD to the Recipient / Entity satisfactory? |  |  |
| **4.** | **Internal Controls** |  |  |
| 4.1 | Segregation of duties - are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction? |  |  |
| 4.2 | Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated? |  |  |
| 4.3 | Are bank reconciliations prepared by someone other than those who make or approve payments? |  |  |
| **5.** | **Accounting Systems, Policies and Procedures** |  |  |
| 5.1 | Does the entity have an automated accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system? |  |  |
| 5.2 | Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained? |  |  |
| 5.3 | Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?  Can complete transaction lists be easily generated from the general ledger when requested by IFAD? |  |  |
| 5.4 | Can cost allocations to the various funding sources be made accurately? |  |  |
| 5.5 | Are the General Ledger and subsidiary ledgers reconciled and in balance? |  |  |
| 5.6 | Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access? |  |  |
| 5.7 | What is the basis of accounting (e.g., cash, accrual)? |  |  |
| 5.8 | What accounting standards are followed? |  |  |
| 5.9 | Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability? |  |  |
| 5.10 | Is there a written policies and procedures manual covering all routine project financial management activities?  Are manuals distributed to appropriate personnel?  Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity? |  |  |
| 5.11 | When expenditures will be incurred by other implementing entities / partners / sub-grantees, explain how these will be recorded in the accounting system. |  |  |
|  | **Payments** |  |  |
| 5.12 | Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?  Are payments authorized only after verification of invoices against contracts and documentary evidence of delivery of contracted goods, works, services?  If expenditures are incurred by other implementing entities / partners / sub-grantees, indicate where accounting evidence for expenditures are / will be retained. |  |  |
|  | **Cash and Bank** |  |  |
| 5.13 | Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments? |  |  |
| 5.14 | Are bank and cash reconciled on a monthly basis? |  |  |
| 5.15 | Indicate names and positions of authorized signatories of project bank accounts. |  |  |
|  | **Safeguard over Assets** |  |  |
| 5.16 | Is there a Fixed Asset accounting system, with a Fixed Asset Register, fully implemented - as part of an integrated accounting system  Is the system maintained up to date ? |  |  |
| 5.17 | Are there periodic physical reconciliation of fixed assets and stocks? |  |  |
|  | **Other** |  |  |
| 5.18 | Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property? |  |  |
| 5.19 | Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them? |  |  |
| 5.20 | Do controls exist for the preparation of the project payroll and are changes to the payroll properly authorized |  |  |
| **6.** | **Financial Reporting and Monitoring** |  |  |
| 6.1 | Does the reporting system need to be adapted to report on the expenditures per project components? |  |  |
| 6.2 | Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and the frequency of production.? |  |  |
| 6.3 | What is the frequency of preparation of financial statements?  Are the reports prepared in a timely fashion so as to useful to management for decision making? |  |  |
| 6.4 | Do the financial reports compare actual expenditures with budgeted and programmed allocations? |  |  |
| 6.5 | Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means? |  |  |
| 6.6 | (In case of need of consolidated financial statements) Is the accounting system sufficiently equipped to ensure proper consolidation of entities’ financial data? |  |  |
|  | **Information Systems** |  |  |
| 6.7 | Is the financial management system computerized? |  |  |
| 6.8 | Can the system produce the necessary project financial reports? |  |  |
| 6.9 | Is the staff adequately trained to maintain the system? |  |  |
| 6.10 | Are adequate systems in place to “back up” financial records? Indicate the frequency at which such backups are made. |  |  |
| **7.** | **Internal Audit** |  |  |
| 7.1 | Are the Recipient’s operations subject to internal audit?  Is there an internal audit staff? |  |  |
| 7.2 | What are the qualifications and experience of internal audit staff? |  |  |
| 7.3 | To whom does the internal auditor report? |  |  |
| 7.4 | How frequently does the internal auditor issue a report?  Are follow up actions taken on the internal audit findings? |  |  |
| **8.** | **External Audit** |  |  |
| 8.1 | Indicate the name of the external auditor of the entity for the last 2 years and the current year. |  |  |
| 8.2 | Are there any delays in completing audit of the entity? When are the audit reports expected to be issued? |  |  |
| 8.3 | Is the audit of the entity conducted according to the International Standards on Auditing? |  |  |
| 8.4 | Were there any major accountability issues brought out in the audit report of the past three years?  Were there any issues noted in prior audit reports related to the operation of project revolving accounts or use of SOE procedures for donor financed projects? |  |  |
| 9. | Business/ Agri-enterprise Service to farmers |  |  |
| 9.1 | Indicate the business/agri-enterprise services provided by your organization to farmers |  |  |
|  | 1. Sustainable Production extension services (how many trained farmer technicians or professional agriculturist or agronomist do you have) |  |  |
|  | 1. Financing / credit |  |  |
|  | 1. Business planning |  |  |
|  | 1. Farm planning |  |  |
|  | 1. Marketing |  |  |
|  | 1. processing |  |  |
| 9.2 | Indicate type and number of staff providing economic services to members |  |  |
| 9.3 | Existing partnership agreement or contracts with private and public sector related to economic services to members |  |  |
| 10. | Policy Advocacy and networking capacity |  |  |
| 10.1 | Is there an experienced staff and leaders with expertise in advocacy and networking |  |  |
| 10.2 | What are the successful policy advocacy championed/anchored /led by the entity |  |  |
| 10.3 | Policy researches and case studies prepared by the entity |  |  |
| 11. | Project Monitoring and Knowledge Management Capacity |  |  |
| 11. 1 | Is there an experienced staff or volunteer working on monitoring and knowledge management |  |  |
| 11.2 | List of available Knowledge products of the entity |  |  |

**Please kindly attach the following supporting Documents:**

* Registration Certificate (issued by government registering agency)
* Organizational Structure /Chart
* List of Board of Directors and staff
* List of FO members
* List of programs and services including the fund source for the last 5 years
* Link to organization website

1. Donor name, project name, amount, start date and actual completion date. [↑](#footnote-ref-1)
2. Donor name, project name, amount, start date and expected completion date. [↑](#footnote-ref-2)
3. Attach audited financial statements for preceding 2 years. [↑](#footnote-ref-3)