



**The Global Crop Diversity Trust**  
**Financial Policies and Procedures Manual**

**Updated 2018**



## CONTENTS

<b>1. INTRODUCTION</b>	<b>9</b>
1.1 Global Crop Diversity Trust	9
1.2 Global Crop Diversity Trust Legal Status	9
1.3 Introduction to the Financial Policies and Procedures Manual	9
1.4 Effective Date	9
1.5 Part 1 – Financial Policies	9
1.6 Part 2 – Financial Procedures	10
1.7 Amendments to the Financial Policies and Procedures Manual	10
1.8 Maintenance of the Financial Policies and Procedures Manual	10
1.9 Delegation of Authority	10
1.10 Definitions	10
<b>PART 1 – FINANCIAL POLICIES</b>	<b>12</b>
<b>2. DEFINING ACCOUNTING SYSTEMS</b>	<b>12</b>
2.1 Economic Entity	12
2.2 Monetary Unit	12
2.3 Periodicity	12
2.4 Elements of Accounting Systems	12
<b>3. PRESENTATION OF FINANCIAL STATEMENTS</b>	<b>13</b>
3.1 Introduction	13
3.2 Accounting Concepts	13
<b>4. CHART OF ACCOUNTS</b>	<b>16</b>
4.1 Introduction	16
<b>5. ASSETS</b>	<b>17</b>

5.1	Accounts Receivable .....	17
5.2	Cash and Cash Equivalents .....	19
5.3	Non Current Assets .....	19
5.4	Fixed Assets .....	20
5.5	Depreciation .....	22
<b>6.</b>	<b>LIABILITIES .....</b>	<b>23</b>
6.1	Nature and Definition .....	23
6.2	Classification .....	23
6.3	Recognition Principles .....	24
6.4	Valuation .....	25
6.5	Presentation and Disclosure .....	25
<b>7.</b>	<b>NET ASSETS .....</b>	<b>26</b>
7.1	Nature and Definition .....	26
7.2	Classification .....	26
7.3	Presentation and Disclosure .....	26
<b>8.</b>	<b>FOREIGN EXCHANGE TRANSACTIONS .....</b>	<b>27</b>
8.1	Nature and Definition .....	27
8.2	Recognition Principles .....	27
8.3	Presentation and Disclosure .....	27
<b>9.</b>	<b>EMPLOYEE BENEFITS .....</b>	<b>28</b>
9.1	Nature and Definition .....	28
9.2	Recognition Principles .....	28
<b>10.</b>	<b>INCOME .....</b>	<b>29</b>
10.1	Nature and Definition .....	29

10.2	Recognition Principles .....	29
10.3	OTHER INCOME AND GAINS.....	29
11.	EXPENSES.....	30
11.1	Nature and Definition.....	30
11.2	Classification.....	30
11.3	Recognition Principles .....	31
11.4	Presentation and Disclosure .....	31
12.	NET SURPLUS OR DEFICIT FOR THE PERIOD, FUNDAMENTAL ERRORS AND CHANGES IN ACCOUNTING POLICIES .....	32
12.1	Nature and Definition.....	32
12.2	Presentation and Disclosure .....	32
13.	EVENTS AFTER THE BALANCE SHEET DATE .....	34
13.1	Nature and Definition.....	34
13.2	Recognition and Measurement .....	34
14.	EXTERNAL FINANCIAL REPORTING .....	35
14.1	Responsibility.....	35
14.2	Year-end Financial Statements .....	35
14.3	Audited Financial Statements .....	36
14.4	Special Reporting .....	38
	PART 2 – FINANCIAL PROCEDURES.....	39
15.	INTRODUCTION, GENERAL PRINCIPLES AND DESCRIPTION .....	39
15.1	Accounting System .....	39
15.2	Internal Control .....	39
16.	CASH TRANSACTIONS .....	43
16.1	Receipt of Cash.....	43

16.2	Cash Disbursements - General .....	43
16.3	Petty Cash.....	43
16.4	Bank Accounts and Bank Disbursements .....	45
<b>17.</b>	<b>PURCHASING OF SUPPLIES, SERVICES &amp; FIXED ASSETS.....</b>	<b>47</b>
17.1	General.....	47
17.2	Credit Purchasing Arrangements .....	47
17.3	Agreements and Contracts.....	48
17.4	Consultancy and/or Employment Contracts.....	48
17.5	Payments .....	49
17.6	Quotations and Bids.....	49
17.7	Budget Holders .....	49
<b>18.</b>	<b>TRAVEL.....</b>	<b>50</b>
18.1	Authorization.....	50
18.2	Processing Travel Requests.....	50
18.3	Payment of Travel Agents.....	50
18.4	Settlement of Travel Expenses Claims.....	50
<b>19.</b>	<b>ACCOUNTING FOR FIXED ASSETS .....</b>	<b>52</b>
19.1	Ledgers and Ledger Entries .....	52
19.2	Physical Control.....	52
19.3	Insurance Coverage.....	53
19.4	Disposal of Fixed Assets .....	53
<b>20.</b>	<b>PERSONNEL- RELATED PAYMENTS.....</b>	<b>54</b>
20.1	Personnel Records .....	54
20.2	Payroll Preparation and Records .....	54

20.3	Other Personnel-Related Payments and Records .....	55
<b>21.</b>	<b>ENDOWMENT FUND.....</b>	<b>56</b>
21.1	Nature and Definition.....	56
21.2	Pledges to the Endowment Fund.....	56
21.3	Receipt of Cash.....	56
21.4	Income Withdrawal .....	56
21.5	Monthly Valuations.....	57
<b>22.</b>	<b>EXTERNAL AUDIT .....</b>	<b>58</b>
22.1	General.....	58
22.2	General Description of the Tender Process.....	58
22.3	Description of the Decision-Making Process .....	58
22.4	Annual Confirmation of the Appointment .....	59
22.5	Annual Audit Plan .....	59
22.6	Conduct of the Audit .....	59
22.7	Delegation of Authority .....	60





# **1. INTRODUCTION**

## **1.1 Global Crop Diversity Trust**

The Global Crop Diversity Trust (hereinafter referred to as the “Crop Trust” or the “Organization”) is an international fund with its own legal personality established under the Agreement for the Establishment of the Global Crop Diversity Trust, which entered into force on 21 October 2004, and has as its objective to ensure the long-term conservation and availability of plant genetic resources for food and agriculture with a view to achieving global food security and sustainable agriculture. The Crop Trust entered into a relationship agreement with the Governing Body of the Treaty on 16 June 2006 recognizing the Crop Trust as “an essential element of the funding strategy of the Treaty in relation to the ex situ conservation and availability of plant genetic resources for food and agriculture” and providing for the Governing Body to provide overall policy guidance to the Crop Trust.

## **1.2 Global Crop Diversity Trust Legal Status**

The Crop Trust is an international fund with its own international legal personality. Its legal status is regulated by its Establishment Agreement and annexed Constitution, and by the Headquarters Agreement with its host country.

Its headquarters is located in Bonn, Germany.

## **1.3 Introduction to the Financial Policies and Procedures Manual**

The Financial Policies and Procedures Manual (FPPM) aims to maintain the integrity of the financial system and govern the financial management of the Crop Trust.

These policies and procedures shall, unless otherwise provided by the Executive Board or as otherwise specified in this manual, apply to all resources administered by the Crop Trust and to all funds and programmes administered by the Executive Director.

The policies and procedures are subject to, and shall be construed in conformity with, the provisions of the Constitution of the Crop Trust.

The Manual is divided into two parts:

Part 1 – Financial Policies; and

Part 2 – Financial Procedures.

## **1.4 Effective Date**

These policies and procedures are in effect immediately.

## **1.5 Part 1 – Financial Policies**

Part 1 of this manual establishes the accounting policies and reporting

practices used by the Crop Trust. It is intended that the Crop Trust will present donors, management and external users of such financial data with information that is both informative and comparable with other international organizations.

## **1.6 Part 2 – Financial Procedures**

Part 2 of this manual describes the system used by the Crop Trust for incurring and recording expenditures of the Organization as it moves through the financial year.

This part also defines the Crop Trust’s internal control system. This consists of policies, procedures, techniques, physical devices, documentation and people. The system lays out how these components interact to assure achievement of Management’s objectives related to:

- safeguarding of assets;
- assurance against the incurrence of improper liabilities;
- assurance of the accuracy and reliability of accounting data;
- achievement of operational efficiency; and
- adherence to prescribed managerial policies.

## **1.7 Amendments to the Financial Policies and Procedures Manual**

Changes required to Part 1 of this manual will only be made after review by the Senior Management Team (SMT) and approval by the Executive Board.

Changes to Part 2 of the manual may be made with the approval of the SMT.

## **1.8 Maintenance of the Financial Policies and Procedures Manual**

Under the overall responsibility of the Executive Director, the Finance Director is responsible for the maintenance and administration of this manual.

## **1.9 Delegation of Authority**

The Executive Director may delegate such authority, as he or she considers necessary for the effective implementation of these policies and procedures.

## **1.10 Definitions**

ASC:	Accounting Standards Codification
Constitution:	Constitution of the Crop Trust
Crop Trust (or “Organization”):	Global Crop Diversity Trust
CPPM:	Contracts Policies and Procedures Manual
ERP System:	Computerized Financial Reporting System used by the Crop Trust
Executive Director:	Executive Secretary of the Crop Trust

Executive Board:	Executive Board of the Crop Trust
FASB:	Financial Accounting Standards Board
FIC:	Finance and Investment Committee
FPPM:	Financial Policies and Procedures Manual
IASB:	International Accounting Standards Board
IFA:	Independent Financial Advisor
IFRS:	International Financial Reporting Standards
PO:	Purchase Order
PPPM:	Personnel Policies and Procedures Manual
PR:	Purchase Request
SMT: (or "Management")	Senior Management Team of the Crop Trust
TEC:	Travel Expense Claim
TMA:	Travel and Meeting Assistant
TPPM:	Travel Policies and Procedures Manual

## **PART 1 – FINANCIAL POLICIES**

### **2. DEFINING ACCOUNTING SYSTEMS**

Generally accepted accounting principles are based on a number of axioms relating to the environment in which transactions take place. These axioms provide the underlying basis for an accounting system, and they include the following:

#### **2.1 Economic Entity**

This assumes that an economic activity can be identified with a particular unit of accountability, which means that financial transactions can be related to a specific operating activity.

It provides a rationale for financial reporting by type of activity and by type of funding.

#### **2.2 Monetary Unit**

This assumes that money is the common denominator by which economic activity is conducted, and that the monetary unit provides an appropriate basis for measurement and analysis.

The unit of account for the Crop Trust is the US dollar.

#### **2.3 Periodicity**

This assumes that the activities and, therefore, the financial flows of an entity, can be divided into any chosen time period.

The financial statements of the Crop Trust are prepared on an annual calendar year basis.

The financial year for all regular activities shall be the calendar year, irrespective of whether these activities encompass an entire calendar year or a portion thereof. Where the financial year is less than 12 months, it shall be defined by indicating precisely the dates on which it commences and ends.

#### **2.4 Elements of Accounting Systems**

Financial statements group transactions and other events into broad classes according to their economic characteristics which IFRS (International Financial Reporting Standards) terms the “elements of financial statements”.

The elements that are directly related to the Statement of Financial Position are Assets, Liabilities and Net Assets.

The elements that are directly related to the Statement of Activities and Other Comprehensive income are Income and Expenditure.

## 3. PRESENTATION OF FINANCIAL STATEMENTS

### 3.1 Introduction

Financial statements are structured financial representations of the financial position of, and the transactions undertaken, by an organization. The objective of general purpose financial statements is to provide information about the financial position, performance and cash flows of an organization that is useful to a wide range of stakeholders.

A complete set of financial statements includes the following components:

- Statement of Financial Position;
- Statement of Activities and other comprehensive Income;
- Statement of Change in Net Assets;
- Statement of Cash Flows; and
- Accounting policies and explanatory notes.

### 3.2 Accounting Concepts

The following key accounting concepts underlie the presentation of general-purpose financial statements:

#### 3.2.1 Fair presentation and compliance with international accounting standards

The Crop Trust's financial statements will present fairly the financial position, financial performance and cash flows of the Organization and are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis except for investments that have been measured at fair value.

The financial statements are presented in thousands of US dollars (USD '000) and all values are rounded to the nearest thousands, except where otherwise indicated.

The appropriate application of international accounting standards, with additional disclosure where necessary, results in financial statements that achieve a fair presentation.

#### 3.2.2 Accounting policies

The SMT will select and apply the Crop Trust's accounting policies ensuring that the financial statements comply with the relevant accounting standards.

The SMT will develop policies that ensure the financial statements provide information that is:

- Relevant to the decision-making needs of all users; and
- Reliable in that they:
  - i. represent faithfully the results and financial position of the Organization;
  - ii. reflect the economic substance of events and transactions;
  - iii. are free from error;

- iv. are prudent; and
- v. are complete in all material respects.

### 3.2.3 Going Concern

When preparing the financial statements, the SMT will make an assessment of Crop Trust's ability to continue as a going concern.

Should the SMT be aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Organization's ability to continue as a going concern, those uncertainties will be disclosed.

### 3.2.4 Accrual

The Crop Trust will prepare its financial statements, except for cash flow information, under the accrual basis of accounting.

Under the accrual basis of accounting, transactions and events are recognized when they occur (and not when cash or a cash equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. Expenses are recognized in the Statement of Activities and Other Comprehensive income on the basis of a direct association between the costs incurred and the earning of specific items of income (matching).

### 3.2.5 Consistency of Presentation

The presentation and classification of items in the financial statements will be retained from one period to the next unless:

- A significant change in the nature of operations of the Crop Trust or a review of its financial statement presentation demonstrates that the change will result in a more appropriate presentation of events or transactions; or
- A change in presentation is required by international accounting standards.

### 3.2.6 Offsetting

Assets and liabilities will not be offset except when offsetting is required or permitted by the international accounting standards.

Items of income and expenditure will be offset when and only when:

- It is required by international accounting standards; or
- Gains, losses and related expenses arising from the same or similar transactions and events are not material.

### 3.2.7 Comparative Information

Comparative information will be disclosed in respect of the previous period for all numerical information in the financial statements. Comparative information will be included in the narrative when it is relevant to an understanding of the current period's financial statements.

When the presentation or classification of items in the financial statements is amended, comparative amounts will also be reclassified.

### 3.2.8 Materiality and Aggregation

Each material item will be presented separately in the financial statements. Immaterial amounts will be aggregated with amounts of a similar nature or function and need not be presented separately.

## 4. CHART OF ACCOUNTS

### 4.1 Introduction

In its simplest form, the chart of accounts provides a logical framework for the compilation and presentation of financial transactions in an accounting system.

Items contained in the chart of accounts describe the balances and flows of the accounting system. Assets, liabilities and net assets provide absolute financial amounts or levels. Income and expenditures describe inflows and outflows, i.e. changes in amounts or levels over time.

Within this configuration, the definition of the items included in a chart of accounts, and the procedures governing them, give substance to the processing and measurement of transactions.

The Crop Trust follows a uniform chart of accounts to ensure the production of consistent accounting information.

Three key financial statements provide a comprehensive picture of an organization's financial balances and transactions. They are:

- **Statement of Financial Position (balance sheet)**  
This provides the status of assets, liabilities and net assets, at a moment in time;
- **Statement of Activities and Other Comprehensive (income and expenditure)**  
This describes the net result of the flows of income, expenses and the resulting surplus/deficit over a given period of time;
- **Statement of Change in Net Asset**  
This provides details of the change in assets derived from revenues, expenses, and any releases on the restrictions of assets during the period.
- **Statement of Cash Flows**  
This maps the resulting movement of cash during a period.

This manual describes each of the major elements used in the chart of accounts, which are:

- Accounting for Assets (Section 5);
- Accounting for Liabilities (Section 6);
- Net Assets (Section 7).
- Accounting for Income (Section 10);
- Accounting for Expenses (Section 11).

The objective of the above-mentioned sections is to provide a consistent framework for the Crop Trust's chart of accounts, on the basis of which the Organization will develop detailed accounts and sub-accounts consistent with its requirements.



## **5. ASSETS**

### **5.1 Accounts Receivable**

#### 5.1.1 Nature and Definition

Receivables are generally defined as claims held against others for the future receipt of money, goods or services.

Receivables of the Crop Trust could include claims against donors, loans and advances to officers and employees, or claims against third parties for goods or services paid for in advance (prepaid expenses).

#### 5.1.2 Classification of Receivables

- (a) Receivables due from donors can arise from:
  - Unrestricted grants that are due and receivable;
  - Amounts due from restricted grants that have been negotiated between a donor and the Crop Trust.
- (b) Employees - advances made to officers and employees for travel, benefits, salary, loan, etc.
- (c) Others - includes advance payments to suppliers, consultants or other third parties.

#### 5.1.3 Recognition Principles

- (a) **Unrestricted Grants**  
Receivables from unrestricted grants will be recognized in full in the period specified by the donor providing there is sufficient verifiable evidence documenting that a commitment was made by the donor.
- (b) **Restricted Grants**  
Receivables from restricted grants will be recognized in accordance with the terms of the underlying contract.
- (c) **Employees**  
Receivables from employees are recognised as they arise and cancelled when payment is received.
- (d) **Other Receivables**  
Other receivables are recognised upon the occurrence of the event or transaction that gives the Crop Trust a legal claim against others.

#### 5.1.4 Valuation

All receivable balances will be valued at their net realizable value, calculated as the gross amount of the receivable minus any allowances provided for doubtful accounts where appropriate.

Allowance for doubtful accounts will be provided in an amount equal to the total receivables shown or reasonably estimated to be doubtful of collection. The amount of the allowance will be based on past experience and on a continuing review of receivable aged reports and other relevant factors.

When an Accounts Receivable – Donor is deemed doubtful of collection, the Crop Trust will provide an allowance for doubtful accounts during the year in which the account was deemed doubtful.

Any receivable or portion of a receivable deemed to be uncollectible will be written-off. Write-offs of receivables will be done via the allowance for doubtful accounts after all efforts to collect the receivable have been exhausted.

Receivables denominated in a currency other than US dollar are recorded at the exchange rate in effect at the time of the transaction and restated to the equivalent US dollar amount at prevailing market rates at the reporting date of the Statement of Financial Position.

Exchange gains or losses resulting from rate fluctuations upon actual collection of recorded receivables are credited or charged to operations.

#### 5.1.5 Presentation and Disclosure

Receivables from donors will be shown as a separate line item in the Statement of Financial Position.

Employees' outstanding balances will be identified as a separate line item in the Statement of Financial Position.

Receivables will be classified in the Statement of Financial Position as current or non-current. Current receivables are those collectible within one year from the date of the Statement of Financial Position. Non-current receivables are those collectible beyond one year.

The allowance for doubtful accounts will be deducted from the related asset, being shown in the Statement of Financial Position either at:

- Gross, less the allowance; or
- Net, with the amount of the allowance indicated in the parenthetical notation.

## **5.2 Cash and Cash Equivalents**

### 5.2.1 Nature and Definition

Cash comprises cash on hand, petty cash funds, and currencies awaiting deposits as well as local or foreign currency deposits in banks which are immediately available for use in current operations.

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity date that there is an insignificant risk of changes in value arising from changes in interest rates. In general terms, only investments with original maturities of three months or less will qualify under this definition.

### 5.2.2 Valuation

Cash and cash equivalents in US dollar are valued at face value.

Cash and cash equivalents in currencies other than the US dollar are recorded at market rates in effect at the time of the transaction, and restated to the equivalent US dollar amount at prevailing market rates at the date of the Statement of Financial Position.

### 5.2.3 Presentation and Disclosure

The Crop Trust will include a separate line item “Cash and Cash Equivalents” in the Statement of Financial Position.

## **5.3 Non Current Assets**

### 5.3.1 Nature and Definition

Non-current assets refer to permanently restricted contributions received by the Crop Trust and used to establish an endowment fund to support the mission of the Organization.

### 5.3.2 Valuation

The endowment fund investments are recorded as non-current assets at fair market value. The fair value of financial assets and liabilities is determined with reference to quoted market prices. Changes in the market value of the fund are net of investment management fees and are reported as an increase or decrease to permanently restricted net assets in the year in which the change occurs.

### 5.3.3 Presentation and Disclosure

The Crop Trust will include a separate line item “Non-Current Assets” in the Statement of Financial Position, distinguishing between funds held as:

- Cash & Cash Equivalents; and
- Endowment Fund, where the funds have been invested.

## 5.4 Fixed Assets

### 5.4.1 Nature and Definition

Fixed assets are defined as tangible assets held for administrative purposes and expected to be used for more than one year.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life; depreciable amount is the cost of an asset less its residual value.

Useful life is the period of time over which an asset is expected to be used by the Crop Trust.

Cost is the amount of cash or cash equivalents paid or the fair value of any other consideration given to acquire an asset.

Residual value is the net amount that the Crop Trust expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The net book value is the amount at which an asset is recognized in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

The Crop Trust does not consider items valued at less than USD 2,000 to be capital items. This amount will be reviewed from time to time based on specific circumstances relevant to the Organization.

### 5.4.2 Classification of Fixed Assets

The following classifications may apply to the Crop Trust:

- Fixtures & Fittings
- Equipment

### 5.4.3 Recognition Principles

An item will be recognized as an asset when:

- it is probable that future economic benefits associated with the asset will flow to the Crop Trust; and
- the cost of the asset can be measured reliably.

Items acquired through non-monetary grants will be recognized at fair value at the date of the grant. Such grants will be presented in the Statement of Financial Position as deferred revenue and will be taken into account as income on a systematic and rational basis over the life of the asset.

Items acquired through the use of restricted grants may be recorded as an asset. Such assets will be depreciated at a rate of 100% and the depreciation expense charged directly to the appropriate restricted project.

Acquisitions of items worth less than the minimum level set by the Crop Trust will be expensed outright.

Subsequent expenditure on an item that has already been recognized will only be added to the carrying amount of the asset if the expenditure improves the condition of the asset beyond its originally assessed standard of performance. All other subsequent expenditure will be recognized as an expense in the period in which it is incurred.

#### 5.4.4 Valuation

An item that qualifies for recognition as an asset will initially be measured at cost.

Subsequent to initial recognition as an asset, the item will be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Items acquired on credit or by instalment are recorded at their cash purchase price. The difference between credit and cash price, if any, will be considered as financing cost to be amortised over the credit period.

#### 5.4.5 Presentation and Disclosure

The financial statements will disclose by way of notes to the accounts for each class of property:

- the measurement bases used for determining the gross carrying amount;
- the depreciation methods used;
- the gross carrying amount and the accumulated depreciation at the beginning and end of the period;
- a reconciliation of the carrying amount at the beginning and end of the period showing:
  - i. additions and disposals;
  - ii. impairment losses recognized or reversed in the statement of activities and Other Comprehensive income during the period;
  - iii. depreciation and other movements.

#### 5.4.6 Disposal or Retirement of Property and Equipment

An asset will be eliminated from the Statement of Financial Position on disposal or when the asset is permanently withdrawn from use and no further economic benefits are expected from its disposal.

Gains or losses arising from the retirement or disposal will be determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and will be recognized as an income or expense in the Statement of Activities.

## **5.5 Depreciation**

### 5.5.1 Nature and Definition

Depreciation is the systematic allocation of the depreciable amount of an asset over its estimated useful life.

### 5.5.2 Recognition Principles

Depreciation will be based on the full acquisition cost of the asset, net of its salvage value, as applicable.

The Crop Trust will follow the straight-line method of depreciation.

This method allocates the cost of the asset uniformly over its expected useful life. The straight-line method of depreciation will be applied consistently from period to period unless altered circumstances justify a change.

Depreciation of acquired assets will start in the month in which the asset was in place and continue until the asset has been fully depreciated or its use discontinued.

### 5.5.3 Presentation and Disclosure

Accumulated depreciation will be disclosed as a deduction or parenthetically in the Statement of Financial Position, or as a note to the Financial Statements.

The amount of depreciation expense for the period and the method used to compute depreciation, for each asset class will also be disclosed.

## 6. LIABILITIES

### 6.1 Nature and Definition

A liability is a present obligation of the Crop Trust arising from past events, the settlement of which is expected to result in an outflow from the Organization's resources.

A liability will be classified as a current liability when it:

- is expected to be settled in the normal course of the Crop Trust's operating cycle; or
- is due to be settled within 12 months from the balance sheet date.

All other liabilities will be classified as non-current liabilities.

A provision is a liability of uncertain timing or amount.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more future uncertain events; or
- a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

### 6.2 Classification

(a) Current liabilities are those obligations whose settlement is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities. Current liabilities of the Crop Trust will generally be categorised as follows:

- **Accounts payable**  
Represents amounts due for supplies and services received prior to year-end, but not paid as at the balance sheet date.
- **Donors payable (Deferred Income)**  
Refers to grants received from donors for which conditions have not yet been met and amounts payable to donors in respect of any unexpended funds received in advance for restricted grants.
- **Employees payable**  
This may include unpaid salaries and bonuses, leave credits and pension settlements.
- **Other payables**  
This includes any other liability which has been incurred and billed for but which remains unpaid at the balance sheet date.

- Accruals  
This represents liabilities to pay for goods or services that have been received or supplied but have not been invoiced or formally agreed with the supplier.
- (b) Non-current liabilities are obligations maturing or scheduled to mature after an uninterrupted period extending beyond one year from the date of the Statement of Financial Position.

## **6.3 Recognition Principles**

### **6.3.1 Accounts Payables and Accruals**

This classification refers to obligations for items which have entered into the operating cycle, such as payables incurred in the acquisition of supplies and services to be used in the Crop Trust's activities; collections received in advance of the delivery of supplies and services; and debts which arise from operations directly related to the Crop Trust's activities.

Resources received in exchange for transactions from other service beneficiaries for specific projects, programs or activities that have not yet taken place will be recognized as liabilities to the extent that the earning process has not yet been completed.

Liabilities denominated in a currency other than the US dollar are recorded at the exchange rate in effect at the time of the transaction and restated to the equivalent US dollar amount at prevailing market rates at the reporting date of the Statement of Financial Position.

Exchange gains or losses resulting from rate fluctuations upon payment are credited or charged to operations.

### **6.3.2 Provisions**

A provision will be recognized when the organization has a present obligation arising from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision will be the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Provisions will be reviewed at each balance sheet date and adjusted to reflect the best estimate at that date.

A provision will only be used for expenditures for which it was originally recognized.

### **6.3.3 Contingent Liability**

The Trust will not recognize a contingent liability in its Statement of Financial Position.



## **6.4 Valuation**

- (a) Current liabilities are carried at the amount to be paid.
- (b) Long-term liabilities are shown at the present or discounted value of the future net cash outflows expected to be made to settle the liabilities in the normal course of operations.

## **6.5 Presentation and Disclosure**

The following items will be disclosed separately:

- Accounts payable
- Accruals
- Provisions

For each class of provision, the Crop Trust will disclose:

- The carrying amount at the beginning and end of the period;
- Additional provisions made during the period;
- Amounts used during the period;
- Unused amounts reversed during the period.

The Trust will disclose in the notes to the financial statements, for each class of contingent liability at the balance sheet date, a brief description of the nature of the contingent liability and, if possible, an estimate of the financial effect and an indication of the uncertainties relating to the amount or timing of any outflow.

## **7. NET ASSETS**

The concept of Net Assets as defined by the FASB has been drawn on to supplement the concept of Equity outlined in IFRS and to provide additional levels of disclosure that are more appropriate for not-for-profit organizations in general and the Crop Trust in particular.

### **7.1 Nature and Definition**

Net assets are the residual interest in an organization's assets remaining after liabilities have been deducted.

The overall change in net assets represents the total gains and losses generated by the organization's activities during the period as determined by the particular measurement principles adopted and disclosed in the financial statements.

### **7.2 Classification**

Resources are classified for accounting and reporting purposes into net asset classes according to the restriction imposed. These classes are:

- Unrestricted Net Assets
- Permanently Restricted Net Assets

### **7.3 Presentation and Disclosure**

Changes in net asset balances are detailed in the Statement of Change in Net Assets.

## **8. FOREIGN EXCHANGE TRANSACTIONS**

### **8.1 Nature and Definition**

Foreign currency is any currency other than the reporting currency of the Crop Trust.

Reporting currency is the currency used in presenting the financial statements. The reporting currency for the Crop Trust is the US Dollar.

Exchange rate is the ratio of exchange of two currencies.

Exchange difference is the difference resulting from reporting the same amount of foreign currency at different exchange rates. Foreign exchange gain/loss is the result of transactions involving currencies other than the US dollar and restatement of foreign currency denominated assets and liabilities at the balance sheet date.

Closing rate is the spot exchange rate at the balance sheet date.

Monetary items include funds held and assets and liabilities to be received or paid in fixed or determinable amounts of money.

### **8.2 Recognition Principles**

All foreign currency transactions will be recorded, on initial recognition, in the Crop Trust's reporting currency by applying to the foreign currency amount the exchange rate between the US dollar and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items will be reported using the closing rate;
- non-monetary items denominated in foreign currency which are carried at historical cost will be reported using the exchange rate at the date of the transaction; and,
- non-monetary items denominated in foreign currency which are carried at fair value will be reported using the exchange rates that existed when the values were determined.

Exchange differences will be recognized as income or expenditure in the period in which they arise. Such differences normally arise at the time of the settlement of foreign currency monetary items or as at the balance sheet date reporting the Crop Trust's monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements.

### **8.3 Presentation and Disclosure**

Where material, the Crop Trust will disclose the amount of exchange differences included in the increase/(decrease) in net assets as either Other Income or Other Expenses.

## **9. EMPLOYEE BENEFITS**

### **9.1 Nature and Definition**

Employee benefits are all forms of consideration given by the Crop Trust in exchange for services rendered by employees.

Employee benefits include:

- short-term employee benefits (such as wages, salaries and paid leave), non-monetary benefits (such as medical care) and other benefits (such as education grant and relocation); and
- post employment benefits such as pensions, other retirement benefits, post-employment medical care and insurance.

### **9.2 Recognition Principles**

When an employee has rendered services to the Organization during an accounting period, the Crop Trust recognizes the undiscounted amount of the benefits expected to be paid in exchange for that service as a liability and an expense.

The Crop Trust will recognize the expected cost of short-term compensated absences that have accumulated at the balance sheet date.

When an employee has rendered services to the Crop Trust during a period, the Organization will recognize the contribution payable to a defined contribution plan as a liability (less any contribution already paid) and as an expense.

## **10. INCOME**

### **10.1 Nature and Definition**

Income is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of the Crop Trust where those inflows result in increases in net assets. Most of the Crop Trust's income is normally derived through the receipt of donor grants (unrestricted or restricted) and through income released from the endowment fund (permanently restricted).

Unrestricted Grant revenue arises from the unconditional transfer of cash or other assets to the Crop Trust.

Restricted Grant revenue arises from a transfer of resources to the Crop Trust in return for past or future compliance relating to the operating activities of the Organization.

Fair Value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **10.2 Recognition Principles**

Unrestricted contributions are recorded in full upon receipt of funds.

Temporarily restricted contributions are recorded upon receipt of funds as deferred income and are subsequently recognized as income to the extent grant conditions have been met. The amount recognized as income for the year is reported in the Statement of Activities and Other Comprehensive income as grant revenue. Contributions pledged for project expenditure but not yet received are accrued among donor receivables to the extent expenditures have been made.

Permanently restricted contributions are recorded in full upon receipt of funds as permanently restricted net assets.

### **10.3 OTHER INCOME AND GAINS**

#### 10.3.1 Nature and Definition

Other income and gains are increases in net assets resulting from the Crop Trust's peripheral or incidental transactions and other events and circumstances affecting the Organization other than those that result from grants.

#### 10.3.2 Recognition Principles

Other income and gains are recognized in the period in which they are earned.

#### 10.3.3 Presentation and Disclosure

Total other income and gains are reported as a single line item in the Statement of Activities and Other Comprehensive income. Other income and gains, if material, will be disclosed in the notes to the financial statements.

## **11. EXPENSES**

### **11.1 Nature and Definition**

Expenses are outflows or other activities which use up assets or incur liabilities (or a combination of both) from carrying out other activities that constitute the Crop Trust's on-going major or central activities.

They are decreases in economic benefits during the accounting period in the form of outflows or the depletion of assets or incurrence of liabilities which results in a decrease in net assets.

### **11.2 Classification**

The Crop Trust will present on the face of the Statement of Activities and Other Comprehensive income an analysis of expenses using a classification based on the function and nature of expenses within the Organization.

#### **11.2.1 Functional Classification of Expenses**

The Crop Trust classifies its expenses by function either as Program Expenses or Operational Expenses.

##### **(a) Program Expenses**

Program expenses are activities that result in goods and services being distributed to beneficiaries, project proponents, and members that fulfil the purpose or mission for which the Crop Trust exists. These services are the main purpose for the major output of the Organization and often relate to several programs.

##### **(b) Operational Expenses**

These are all activities of the Crop Trust other than program services, which include management, governance and fundraising activities.

#### **11.2.2 Natural Classification of Expenses**

In addition to the above functional classification, the Crop Trust will classify operational expenses into the following groups:

- Personnel costs  
Salaries and benefits of the Crop Trust's regular employees;
- Operational travel  
Domestic and international travel of the Crop Trust's regular staff on official duty for fundraising, public awareness or other purposes;
- Governance  
Includes the cost of hosting the Executive Board and Donors' Council meetings and attendance at Governing Body and other governance meetings. It also includes the professional indemnity insurance for Directors and Officers of the Organization and Board Members' expenses should they be required to work on behalf of the Crop Trust outside of Board meetings;
- Fundraising & Communications  
All expenditure incurred in furtherance of the fundraising and communications strategies of the Crop Trust;

- Professional Services  
A multitude of services which may be required by the Crop Trust including audit services, IT consultancies and legal advice.
- Facilities  
All costs associated with the running of the Crop Trust offices.

11.2.3 Details of the expenses to be itemized by natural classification will be determined from time to time by the balancing of SMT's needs for information and control with the needs of all other relevant stakeholders.

### **11.3 Recognition Principles**

Expenses are recognized in the Statement of Activities and Other Comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the Statement of Activities and Other Comprehensive income on the basis of a direct association between the costs incurred and the earning of specific items of income (matching principle).

When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognized on the basis of systematic and rational allocation procedures (e.g., depreciation and amortization).

An expense is recognized immediately when expenditure produces no future benefit or when future economic benefits cease to qualify for recognition as assets in the Statement of Financial Position.

### **11.4 Presentation and Disclosure**

The functional and natural classification of expenses shown on the face of the statement of activities and Other Comprehensive income will provide separate line items for program expenses and operational expenses.

## **12. NET SURPLUS OR DEFICIT FOR THE PERIOD, FUNDAMENTAL ERRORS AND CHANGES IN ACCOUNTING POLICIES**

### **12.1 Nature and Definition**

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Crop Trust and therefore are not expected to recur frequently or regularly.

Ordinary items are any activities which are undertaken by the Crop Trust as part of its normal business and such related activities in which the Crop Trust engages in furtherance of, incidental to, or arising from these activities.

Fundamental errors are errors discovered in the current period that are of such significance that the financial statements of one or more prior periods can no longer be considered to have been reliable at the date of issue.

Accounting policies are the specific principles, bases, conventions, rules and practices adopted by the Crop Trust in preparing and presenting financial statements.

### **12.2 Presentation and Disclosure**

#### **12.2.1 Net Surplus or Deficit for the Period**

All items of income and expenditure recognized in a period will be included in the determination of the net surplus or deficit for the period unless an international accounting standard requires or permits otherwise.

The net surplus or deficit for the period comprises the following components, each of which will be disclosed on the face of the Statement of Activities and Other Comprehensive income:

- surplus or deficit arising from ordinary activities; and
- extraordinary items.

When items of income and expenditure within the surplus or deficit arising from ordinary items are of such size, nature or incidence that their disclosure is relevant to explain the performance of the Crop Trust for the period, the nature and amount of such items will be disclosed separately.

#### **12.2.2 Extraordinary Items**

The nature and amount of each extraordinary item will be separately disclosed.

#### **12.2.3 Changes in Accounting Estimates**

The effect of a change in accounting estimate will be included in the determination of the net surplus or deficit in:

- the period of change, if the change affects the period only; or



- the period of change and future periods, if the change affects both (e.g. a change in the estimated useful life of a depreciable asset).

The nature and amount of a change in an accounting estimate that has a material effect in the current period or which is expected to have a material effect in subsequent periods will be disclosed by way of note to the accounts.

#### 12.2.4 Fundamental Errors

The amount of the correction of a fundamental error that relates to prior periods will be reported by adjusting the opening balances of net assets. Comparative information will be restated, unless it is impracticable to do so.

The Crop Trust will disclose the following:

- the nature of the fundamental error;
- the amount of the correction for the current period and for the each prior period presented;
- the amount of the correction relating to periods prior to those included in the comparative information; and
- the fact that comparative information has been restated or that it is impracticable to do so.

#### 12.2.5 Changes in Accounting Policies

A change in accounting policy will be made only if required by statute, or by an accounting body, or if the change will result in a more appropriate presentation of events or transactions in the financial statements of the Crop Trust.

A change in accounting policy which is made on the adoption of an international accounting standard will be accounted for in accordance with the specific transitional provisions, if any, in that standard.

A change in accounting policy will be applied retrospectively unless the amount of any resulting adjustment that relates to prior periods is not reasonably determinable. Any resulting adjustment will be reported as an adjustment to the opening balance of net assets. The change in accounting policy will be applied prospectively when the amount of the adjustment required in 12.2.2 above cannot be reasonably determined.

When a change in accounting policy has a material effect on the current period or any prior period presented, or may have material effects in subsequent periods, the Crop Trust will disclose the following:

- the reasons for the change;
- the amount of the adjustment for the current period and for each period presented;
- the amount of the adjustment relating to periods prior to those included in the comparative information; and
- the fact that comparative information has been restated or that it is impracticable to do so.

## **13. EVENTS AFTER THE BALANCE SHEET DATE**

### **13.1 Nature and Definition**

Events after the balance sheet date are those events, both favorable and unfavorable, that occur between the balance sheet date and the date that the financial statements are authorized for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

### **13.2 Recognition and Measurement**

#### **13.2.1 Adjusting events after balance sheet date**

The Crop Trust will adjust the amounts recognized in its financial statements to reflect adjusting events after the balance sheet date.

#### **13.2.2 Non-adjusting events after the balance sheet date.**

Where non-adjusting events after the balance sheet date are of such importance that non-disclosure will affect the ability of the users of the financial statements to make proper evaluations and decisions, the Crop Trust will disclose the following information for each significant category of non-adjusting event after the balance sheet date:

- the nature of the event; and
- the estimate of its financial effect, or a statement that such an estimate cannot be made.

#### **13.2.3 Going Concern**

The Crop Trust will not prepare its financial statements on a going concern basis if management determines after the balance sheet date that it intends to cease operating, or it has no realistic alternative but to do so.

## **14. EXTERNAL FINANCIAL REPORTING**

### **14.1 Responsibility**

#### 14.1.1 Management and Board

The Executive Board and the SMT of the Crop Trust are responsible to donors for ensuring that the financial statements present fairly the financial position, financial performance and cash flows of the Organization and that they are presented in compliance with the documented accounting policies.

The Executive Board and the SMT will work closely with the external auditors in fulfilling this responsibility.

The Executive Director and the Director of Finance will certify that:

- the financial records of the Crop Trust have been properly maintained;
- the financial statements, and notes thereto, comply with the documented accounting policies; and
- the financial statements and notes thereto, give a true and fair view.

#### 14.1.2 External Auditors

External auditors have a special responsibility to provide an independent assessment and to express an opinion on whether the Crop Trust's financial statements are presented fairly and in conformity with the accounting policies.

The external auditors are also charged with pointing out, in a written statement, instances of non-compliance.

### **14.2 Year-end Financial Statements**

The final step in the Crop Trust's accounting cycle is the preparation of the year-end financial statements.

The objective of the financial statements is to provide information about the financial position, performance and cash flows of the Organization that is useful to a wide range of stakeholders such as donors, creditors, and others who provide resources to the Organization.

The external users of financial statements have common interests in assessing the services provided by the Crop Trust, its ability to continue to provide those services; and how management discharges its stewardship responsibilities and other aspects of financial performance.

More specifically, the purpose of the financial statements and the accompanying notes is to provide information about:

- The amount and nature of the Crop Trust's assets, liabilities and net assets as embodied in the Statement of Financial Position;
- the effect of transactions and other events and circumstances that change the amount and nature of net assets as embodied in the Statement of Activities and Other Comprehensive income;

- the amounts and kinds of inflows and outflows of economic resources during an accounting period and the relation between the inflows and outflows as shown in the Statement of Cash Flows;
- how the Crop Trust obtains and spends cash, its borrowing and repayment of borrowing, and other factors that may affect its liquidity;
- the service efforts of the Crop Trust, the costs associated with the Organization's various programs or activities, and cost of projects associated with various types of funding.

A complete set of the Crop Trust's financial statements includes:

- Statement of Financial Position;
- Statement of Activities and other comprehensive Income;
- Statement of Change in Net Asset;
- Statement of Cash Flows; and
- Accounting policies and accompanying explanatory notes to the financial statements.

The financial statements of the Crop Trust are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

### **14.3 Audited Financial Statements**

#### 14.3.1 Statement of Financial Position

The Statement of Financial Position is a measure of the financial position of the Crop Trust at the end of the reporting period.

The primary purpose of a Statement of Financial Position is to provide relevant information about the Crop Trust's assets, liabilities, and net assets and about their relation to each other at a moment in time.

The information provided in the Statement of Financial Position, used with related disclosures and information in other financial statements, helps donors, creditors, and others to assess the Crop Trust's ability to continue to provide services and its liquidity, financial flexibility, ability to meet obligations, and needs for external financing. This information is generally provided by aggregating assets and liabilities that possess similar characteristics into reasonably homogeneous groups.

Information about liquidity will be provided by one or more of the following:

- sequencing assets according to their nearness of conversion to cash, and sequencing liabilities according to the nearness of their maturity and resulting use of cash;
- classifying assets and liabilities as current and non-current; and
- disclosing relevant information about the liquidity or maturity of assets and liabilities, including restrictions on the use of particular assets, in the notes to the financial statements.

#### 14.3.2 Statement of Activities and Other Comprehensive Income

The Statement of Activities and Other Comprehensive Income provides

details of income and support and expenditures incurred during the reporting period.

The primary purpose of the Statement of Activities and Other Comprehensive Income is to provide relevant information about the effect of transactions and other events and circumstances on net assets, the relationship of those transactions and other events and circumstances to each other; and how the Crop Trust's resources are used in providing various programs and services.

The information provided in the Statement of Activities and Other Comprehensive Income, used with related disclosures and information in other financial statements, helps donors, creditors, and others to evaluate the Crop Trust's financial performance during a period; to assess the Crop Trust's service efforts and its ability to continue to provide services; and to assess how the SMT has discharged its stewardship responsibilities and other aspects of their financial performance.

Information about income, expenditure, gains, losses, and reclassifications is generally provided by aggregating items that possess similar characteristics into reasonably homogeneous groups.

#### 14.3.3 Statement of Change in Net Asset

The Statement of Change in Net Asset provides details of the change in assets derived from revenues, expenses, and any releases on the restrictions of assets during the period.

The primary purpose of a Statement of Change in Net Asset is to provide information about the movements in Crop Trust's net assets during the reporting period.

#### 14.3.4 Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the relation between inflows and outflows of the Organization's resources during the reporting period. The Crop Trust will distinguish between resource flows that are related to operations and those that are not.

The information provided in the Statement of Cash Flows, if used with related disclosures and information in other financial statements, will help donors, creditors, and others to assess the Crop Trust's ability to generate positive future net cash flows; its ability to meet its obligations, and its needs for external financing; and the effect on the Crop Trust's financial position of both its cash and non-cash investing and financing transactions during the period.

The Statement of Cash Flows for a period will report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on cash and cash equivalents during the period, in a manner that reconciles beginning and ending cash and cash equivalents.

The total amounts of cash and cash equivalents at the beginning and end of the period shown in the Statement of Cash Flows will be the same amounts as similarly titled line items or subtotals shown in the Statement of Financial Position as of those dates.

### 14.3.5 Notes to the Financial Statements

The notes to the financial statements will present information about the basis of preparation of the financial statements and the specific accounting policies applied for significant transactions and events and provide additional information which is not presented elsewhere but which is required by the accounting policies or necessary for a fair presentation.

The information that will be disclosed includes the following:

- **Statement of purpose**  
A brief description of the Crop Trust's mandate and activities;
- **Summary of significant accounting policies**  
Presents information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and events;
- **Accounts receivable**  
A complete analysis of accounts receivable from donors and a brief analysis of significant amounts of other receivables;
- **Fixed assets**  
An analysis by major classes of depreciable assets, including:
  - i. historical costs at the beginning of the reporting period;
  - ii. additions and disposal during the period;
  - iii. depreciation expense for the period;
  - iv. accumulated depreciation at the end of reporting period; and
  - v. net book values at the date of financial statements.
- **Accounts payable**  
A complete analysis of accounts payable to donors, unearned grants, and a brief analysis of significant amounts of other payables will be presented;
- **Net assets**  
Details of the nature and balance of net assets will be provided. Details of any designations of unrestricted net assets, if any, will also be disclosed;
- **Additional notes**  
These will include any other information that could be necessary to understand the Crop Trust's operations and its financial position.

## 14.4 Special Reporting

Some donors require periodic financial reporting. Often the donor agency specifies the reporting format and definitions to be used in describing detailed accounts.

To the extent possible the Crop Trust will use the standard chart of accounts described in these guidelines.

## **PART 2 – FINANCIAL PROCEDURES**

### **15. INTRODUCTION, GENERAL PRINCIPLES AND DESCRIPTION**

#### **15.1 Accounting System**

##### 15.1.1 Elements of the Accounting System

The Crop Trust's accounting system is comprised of accounting records and a series of processes and procedures. The goals of the accounting system are to ensure that the financial data and economic transactions are properly recorded and that all financial reports necessary for the management of the Organization are prepared accurately and in a timely manner.

All accounting transactions are booked in the Crop Trust's computerized financial reporting system (ERP system).

##### 15.1.2 The Accounting Cycle

The accounting cycle is the accounting process of recording, summarizing and presenting financial information to interested parties. The accounting process consists of a sequence of steps, or stages of the accounting cycle, that serve as the logical progression of carrying out related accounting tasks. Major tasks in the accounting cycle include recording financial transactions, making adjusting entries, summarizing account information, verifying information in accounts and preparing financial statements.

In particular, the Crop Trust's accounting cycle contains the following stages:

- The financial transaction is appropriately authorised;
- The transaction is analysed and recorded in journal entries;
- The journal entries are verified and posted to the general ledger;
- The general ledger account is checked to ensure correct posting;
- Financial statements are prepared from general ledger information.

All aspects of the accounting cycle are carried out by the Finance Team under the overall guidance of the Director of Finance.

#### **15.2 Internal Control**

##### 15.2.1 Nature and Definition

Internal control refers to any process or action designed to reduce risk and give reasonable assurance that:

- operations are effective and efficient;
- financial and operational reports are reliable;
- compliance with applicable laws, regulations, policies and procedures has been attained.

Inadequate segregation of duties, inappropriate access to assets, inadequate knowledge of the Organization's policies and procedures, and/or control override by SMT can jeopardize internal control.

#### 15.2.2 The Role of the Finance Team

The Finance Team has primary responsibility for ensuring appropriate financial controls are implemented although managers throughout the Organization should also assume responsibility for implementing these controls.

#### 15.2.3 The Role of the Director of Finance

The Director of Finance provides organizational leadership in risk assessment, and in designing and implementing systems to ensure an effective control environment and acceptable risk mitigation levels.

#### 15.2.4 Components of Internal Control

Five interrelated components (listed below in order of their importance and effectiveness) make up the Crop Trust's internal control system. The components work together to create a comprehensive system capable of deterring fraud, and preventing, detecting, and correcting problems based on an overall assessment of risk and exposure. They are:

- **Control Environment**

The control environment sets the tone for the organization and influences the control consciousness of its management and staff. Management establishes a local control environment for programmes and units. Control environment factors include ethical values; competence of the employees; leadership philosophy and operating style; and the way management assigns authority and responsibility. The control environment forms the foundation for the other control components and provides discipline and structure to the organization.
- **Risk Assessment**

Risk assessment identifies circumstances that may impede the ability of a programme or project to achieve its objectives. The assessment process analyses the procedures currently in place, which are designed to mitigate the identified risks, and determines the residual exposure that the programme or project has with respect to the risks. Risks with unacceptable exposure levels will require additional control procedures; risks with very low exposure levels might be effectively controlled with fewer procedures.
- **Control Activities**

Control activities are the policies and procedures designed to ensure that management directives are carried out. Control activities occur throughout the organization, at all levels and in all functions. They can be either administrative or financial in nature. They can range from an authorization signature to a lock on a door or a disaster plan. Controls should mitigate identified risks; controls that are assessed as ineffective or inefficient should be modified or eliminated.



- **Information and Communication**  
To ensure that employees have adequate information to effectively discharge their responsibilities, quality data must be transmitted to the right people at the appropriate time. Effective communication must also occur in a broader sense throughout the organization. Training employees to be more effective in their current positions and educating them for future positions is a vital form of communication.
- **Monitoring**  
Monitoring is a process that assesses the performance quality of the programme or project over time. It is accomplished through ongoing activities such as reviews of operating and financial reports, comparisons of data to physical assets, checks on the separation of duties, reviews of authorization procedures, and other regular management and supervisory activities. Monitoring can also be accomplished through separate evaluations such as internal and external audits.

#### 15.2.5 Internal Control Principles

The Crop Trust's internal control system is based on the following principles:

- **Authorization and Approval**  
Transactions are authorized by a person with the appropriate authority, and the system of checking and approval in operation is such that:
  - i. the originator of the request prepares the documentation and enters the relevant information into the ERP system;
  - ii. the request is circulated within the ERP system and is approved by the relevant authorized person;
  - iii. the Finance Officer checks the records and ensures correct expenditure allocation;
  - iv. final approval is given by the Director of Finance or authorized delegate before release of funds.
- **Documentation of Policies and Procedures**  
The Organization's policies and operating procedures are formalized and communicated to staff. Documenting policies and procedures and making them accessible to staff helps provide day-to-day guidance and promotes continuity of activities in the event of prolonged staff absences or turnover.
- **Physical Security**  
Equipment, inventories, cash, and other property are secured physically, counted periodically, and compared with amounts shown on control records.
- **Proper Management of Costs and Expenses**  
Costs and expenses are monitored and controlled. Comparisons of actual expenses to budgeted amounts are performed on a regular basis, and all significant variances are researched.

- **Review and Reconciliation**  
Routine examination and reconciliation of transaction records of official Crop Trust records is required to verify the accuracy of the records, the appropriateness of the transactions, and their compliance with policy.
- **Separation of Duties**  
Financial responsibilities are divided among a number of people to assure a single person does not perform every aspect of a financial transaction. Segregating responsibilities can reduce errors and prevent or detect inappropriate transactions or fraud.
- **Training and Supervision**  
Staff receive appropriate training and guidance to ensure that they have the knowledge necessary to carry out their job duties. Staff are provided with an appropriate level of direction and supervision and are aware of the proper channels for reporting suspected improprieties.

## **16. CASH TRANSACTIONS**

### **16.1 Receipt of Cash**

The internal control system for receipts provides assurance that all cash receipts are recorded in a timely and accurate manner.

The primary source of cash for the Crop Trust is the interbank transfer of funds from donors. For this reason, all bank accounts are checked daily. Upon the receipt of funds into a Crop Trust bank account the Finance Assistant forwards information to the Finance Officers for recording in the books of account and the donor database.

Where a donor wishes to make a contribution in the form of a cheque, the cheque should be made payable to 'Global Crop Diversity Trust'. Upon receipt, a copy of the cheque will be made and held by the Finance Officer for entry in the books of account. The Finance Assistant will then prepare the deposit slip and arrange lodgement. After depositing the cheque, the Finance Officer will compare the appropriately validated deposit slip with the copy of the cheque.

In cases where cash receipts arise from sources such as the sale/disposal of fixed assets, the cash receipts will be deposited in the petty cash or in the bank in a timely manner.

Depository banks will be instructed in writing - by proper authorization of the Director of Finance - to accept cheques and other cash items for deposit only, thereby limiting the negotiability of the instruments.

### **16.2 Cash Disbursements - General**

Disbursements of cash by the Organization may be made by petty cash, bank transfer or cheque. In order to control the proper disbursement of cash, there must be a separation of activities such as invoice approval, entry in the books of account and preparation of payment.

Upon presentation of an invoice or voucher for payment all amounts, including any credit notes or allowances, will be verified by the Finance Officer to ensure that the payment amount does not exceed the amount approved in the purchase request or an agreed installment due against a contract. Purchase discounts and credit notes will be checked to ensure they are properly computed and are recorded in the system.

### **16.3 Petty Cash**

#### **16.3.1 Petty Cash Fund**

A petty cash fund (the "Fund") will be held to ensure operating units have sufficient amounts of cash available for the immediate payment of items such as delivery charges, postage, taxi fares and other small consumable items. Approval for the establishment and size of the Fund rests with the Director of Finance.

The Fund will have a custodian responsible for its operation. The responsibilities include safekeeping of the cash and disbursement documentation. By assigning the responsibility for the Fund to one individual, the Crop Trust has internal control over cash in the Fund.

Once approval has been given to establish a Fund, a cash withdrawal from the bank is organized and the cash is turned over to the custodian. Funds are then available for disbursement as needed.

#### 16.3.2 Operating a Petty Cash Fund

When cash is disbursed from the Fund, the requester prepares a petty cash voucher, which will be signed by the budget holder and the person receiving the funds. A petty cash voucher is a document that shows the amount, purpose and expense account code for each disbursement.

Petty cash vouchers will be prepared for each disbursement from the Fund. If an invoice for the expenditure is provided, the invoice will be stapled to the petty cash voucher. The person responsible for petty cash is at all times accountable for having cash and petty cash vouchers equal to the total amount of the Fund.

#### 16.3.3 Replenishing Petty Cash Funds

The Fund will be replenished quarterly or sooner if required. The petty cash vouchers together with a reconciliation and cash count are presented to the Finance Office. The Finance Office will check the vouchers, reconciliation, cash count and if all is in order they are approved, and a cash withdrawal from the bank is organized to restore the Fund to its original amount.

The vouchers are recorded in the books of account in their appropriate accounts at the end of each month.

#### 16.3.4 Reconciliation of Petty Cash Funds

The Fund will be reconciled at the time of each replenishment, or at least once per month by the custodian. The reconciliations will be prepared by the Finance Assistant, checked by the Finance Officer and certified by the Director of Finance.

#### 16.3.5 Cash Short or Over

Errors can be made in making disbursements or receiving cash replenishments. These errors cause the amount of cash in the Fund to be more or less than the original balance less the total vouchers. When the Fund is restored to its original amount, the credit to cash is for the difference between the established amount and the actual cash in the Fund. Debits are made for all vouchered items. Any discrepancy will be debited or credited to an account called Miscellaneous Income/Expense with the appropriate description.

## **16.4 Bank Accounts and Bank Disbursements**

### 16.4.1 General

The Crop Trust maintains two types of bank account. The first is used for the daily operations of the Organization; the second is used solely for endowment fund transactions.

### 16.4.2 Establishment and Signatories

The Executive Director has delegated authority from the Executive Board to open all Crop Trust bank accounts he/she deems necessary.

The Director of Finance has delegated authority from the Executive Director to authorize the Crop Trust's bankers to add/delete signatories to/from the bank accounts as appropriate.

All signatories to the Crop Trust's bank accounts will be regular staff members.

The Executive Director, the Deputy Executive Director, and the Director of Finance will be signatories to all Crop Trust bank accounts.

### 16.4.3 Release of Funds from Bank Accounts

The release of funds must all be authorized in accordance with clearly defined limits as detailed below:

#### **Authorized Bank Signatories**

Executive Director  
Deputy Executive Director  
Director of Finance

#### **Authorized Amounts**

For amounts up to USD 50,000 One authorized signatory  
For amounts over USD 50,000 Two authorized signatories

### 16.4.4 Cheque Payments

Cheques will be made payable to the creditor and not prepared payable to the order of Cash or Bearer.

Cheques that must be mailed will be posted as registered mail. Before mailing, a copy of the signed cheque will be attached to all vouchers for recording in the books of account.

### 16.4.5 Control of Cheques

Paid cheques will be examined for alteration and substitution by comparing them with original vouchers such as invoices, purchase orders and purchase requests, and cheque copies.

All cheques must be accounted for. Cheques that are spoiled in preparation will be voided immediately in order to prevent their possible misuse. All voided cheques will be maintained for audit inspection to preserve the integrity of the cheque number sequence control.

#### 16.4.6 Credit Card

A corporate credit card may be issued to members of the SMT. These credit cards will be used strictly for corporate payments.

On occasion other staff members may require the use of a credit card for corporate purchases. In these cases, the request will be made through the ERP system. Once the required approvals have been received, the originator of the request will liaise with the Finance Assistant in order to make the payment.

The credit card information will be kept by the Finance Department. Detailed documentation on purchases made will be maintained and expenditures will be reconciled and booked at the end of each month.

#### 16.4.7 Inter-Bank Transfers

Requests to the Crop Trust's bankers for disbursements by inter-bank transfer will be made in writing or by electronic means using bank-provided computer software. Authorization levels will follow those set out in Section 16.4.3 above.

#### 16.4.8 Reconciliation of Bank Accounts

In addition to the daily reconciliations carried out, bank accounts will be officially reconciled at the end of each month by comparing bank statements with the books of account. The Finance Officer and the Director of Finance will sign the monthly bank reconciliations.

The reconciliations will be prepared by the Finance Assistant, checked by the Finance Officer and certified by the Director of Finance.

## **17. PURCHASING OF SUPPLIES, SERVICES & FIXED ASSETS**

### **17.1 General**

Detailed policies with respect to procurement can be found in the separate Procurement Policies & Procedures Manual, approved by the Crop Trust Executive Board in October 2016.

Ensuring adequate internal control over acquisition procedures usually requires that the purchasing processes be segregated from the receiving, recording and payment processes.

Modalities for the acquisition of supplies, services and fixed assets include credit purchasing (the issue of purchase orders), agreements and contracts, consultancy and/or employment contracts and cash purchasing.

The schedule of financial delegations is provided in section 22.7.

### **17.2 Credit Purchasing Arrangements**

#### **17.2.1 Applicability**

Subject to the provisions detailed below, payment for goods and services shall be made in accordance with the terms of the relevant contract, purchase order or other document containing the financial undertaking.

#### **17.2.2 Request for Supplies or Services**

Any staff member, through the procurement focal point in their team, may request the purchase of supplies or services to carry out Crop Trust activities. However, purchasing may not proceed until the necessary authorizations have been obtained.

The request for supplies or services will be entered into the ERP system, in the form of a purchase order (PO).

In certain cases, competitive quotations or bids are required (Section 17.6), these will be uploaded electronically into the ERP system.

The PO will be approved electronically in the ERP system. In general, the approval of the budget holder, the Finance Officer and the Finance Director will be required.

The approved PO will then pass to the originator of the request who may incur the expense.

#### **17.2.3 Purchase Orders**

Purchase orders (PO) are created in the ERP system when there is a request for purchase. The system automatically generates a unique identifying number for each purchase order.

A notification will be sent to the originator, who will keep a copy of the

purchase order together with all supporting documentation related to the request.

Upon receipt of the fixed assets, goods or services, the originator of the request will certify a copy of the purchase order confirming that the fixed assets, goods or services received are in conformity with the order and are in good condition.

The originator will then certify a copy of the invoice for payment and forward it to the finance department for processing. The Finance Officer will make the necessary checks, record the transaction in the ERP system and send the request for payment to the Finance Assistant. The certified documents will serve as supporting documentation for the payment and will be filed accordingly.

In cases where the amount of an invoice received is greater than 10% of the approved request for purchase the originator must raise an additional request in the ERP system and have this additional amount approved by the appropriate people.

The original invoice should be given to the finance department without any stamps or certifications, as this is required by the German government in the case of VAT reimbursement.

In authorizing payments, the approving authorities shall act in a timely manner in order to ensure that the Organization may benefit from any discounts offered by a supplier or contractor for timely cash payment.

### **17.3 Agreements and Contracts**

Many of the Crop Trust's activities require contractual agreements with partner institutions, universities or other organizations.

The agreements and contracts produced by the Crop Trust are described in the Contract Policies & Procedures Manual (CPPM).

Agreements and contracts will not be used for straightforward purchases of supplies or services. A purchase order should be used in these cases (Section 17.2).

Detailed instructions on the use of agreements and contracts are contained in the CPPM.

### **17.4 Consultancy and/or Employment Contracts**

The Crop Trust has identified a limited number of groups of complementary staff, which are described in the Personnel Policies and Procedures Manual (PPPM). Complementary staff are individuals hired to complete a specific task or undertake activities that are limited in time and scope. Agreements with individuals for consultancies and short-term employment contracts will be handled by the Corporate Operations Office. Terms, conditions and entitlements specified in the individual contracts of employment will be subject to the provisions of the PPPM.



## **17.5 Payments**

Payments will be made by electronic means through the online banking system or by the use of written bank instructions, except in the case of cash payments made from the Petty Cash Fund. Payments will be recorded in the books of account at the date the payment is processed.

Payment by cheque may be possible in exceptional cases.

## **17.6 Quotations and Bids**

Detailed instruction in relation to quotations and bids can be found in the Procurement Policy and Procedures manual section 17 Approval thresholds.

## **17.7 Budget Holders**

Budget Holders are responsible for examining proposed commitments to ensure that they can be met from the available balance of the respective budget and that they are reasonable and in accordance with the purposes of that budget.

Budget Holders shall coordinate with the responsible Finance Officer when necessary to ensure that funds are available in the relevant budget and that the proposed commitments are in accordance with the financial policies and procedures.

## **18. TRAVEL**

Payments related to official travel by staff members and their dependants, and other individuals contracted by the Crop Trust shall be based on the Travel Policies and Procedures Manual (TPPM) approved by the Executive Board.

### **18.1 Authorization**

The Travel and Meeting Assistant (TMA) will arrange the preparation of a travel request in accordance with the Crop Trust's TPPM.

In cases where the travel involves a non-staff member, the TMA will sign the travel request as originator.

The TMA will then obtain approvals according to the regulations detailed in the TPPM.

All travel requests will have to be approved for budget clearance by the relevant budget holder and the finance department.

The corporate operations office should approve all HR-related travel in accordance with the TPPM.

The cleared travel request will be entered into the ERP system as a purchase request and approved electronically. The Finance Officer will check the correct booking and expense allocation in the system.

### **18.2 Processing Travel Requests**

Once the necessary travel bookings have been made the approved travel request will be allocated a unique identifying sequence number. This number will be used to convey instructions to the Crop Trust's travel agents to issue tickets and proceed with any advance against travel expenses.

The TMA will maintain a complete sequence of approved travel requests filed in an orderly manner.

A copy of each approved travel request will be uploaded into the ERP system.

### **18.3 Payment of Travel Agents**

For travel agency services, the TMA will prepare an Invoice in the ERP system supported by the travel agent's invoice and certify its correctness for payment. The invoice is then passed to the Finance Officer for verification and booking. The Finance Officer then passes it to the Finance Assistant for payment.

### **18.4 Settlement of Travel Expenses Claims**

The TMA completes a Travel Expenses Claim (TEC) in accordance with the policies and procedures detailed in the TPPM.

The TMA then submits the original TEC together with all supporting documentation to the Finance Officer for approval and booking. The Finance Officer prepares an Invoice in the ERP system, ensuring the correct allocation of expenditure, and passes the completed TEC to the Finance Assistant for payment.

The Finance Assistant will return the paid TEC together with the supporting documentation to the TMA for filing.

## **19. ACCOUNTING FOR FIXED ASSETS**

### **19.1 Ledgers and Ledger Entries**

To ensure control over fixed assets and to meet external reporting requirements the Crop Trust will maintain subsidiary fixed asset ledgers for each major class of depreciable asset, for example:

- Office Furniture (Fixtures & Fittings)
- Computers and Peripheral Equipment (Equipment)
- ITC Equipment
- Software

A detailed record will exist for each item represented in a subsidiary ledger account.

Each detailed record will contain information such as the following:

- a description of the asset;
- a document number (this is cross-referenced with the physical inventory listing, which includes the identification and serial number of the asset);
- location of the asset;
- date of acquisition;
- cost;
- estimated useful life;
- annual depreciation;
- accumulated depreciation;
- repairs (if capitalized), and,
- any gain or loss on final disposal of the asset.

The general ledger control account balance for each major class of fixed assets will equal the total of the amounts shown in the subsidiary ledger accounts for that class of fixed asset; and the totals shown in the detailed records for a specific subsidiary ledger account will equal the balance of that account. Each time a fixed asset is acquired, exchanged or disposed of, an entry will be posted to both a general ledger control account and the appropriate subsidiary ledger account. The detailed record for the items supported also will be updated.

Where appropriate in accordance with the Crop Trust's accounting policies, when an asset is acquired during the year, depreciation will be recognized for the full year. No depreciation is recorded in the year of the asset's disposal.

### **19.2 Physical Control**

#### **19.2.1 Receipt of Assets**

All assets received by the Crop Trust shall be inspected to ensure that their condition is satisfactory and in accordance with the terms of the related purchase order or contract.

A report on quality and service shall be issued by the Corporate Operations Office for all items received and shall be entered into the appropriate fixed asset register.

### 19.2.2 Control

To enhance control over fixed assets, an identification number will be attached to each asset. A physical inventory will be carried out annually to determine whether all items shown in the accounting records actually exist, and whether they are still being used. Failure to maintain detailed records and identification numbers or take physical inventories make the detection of stolen or discarded assets difficult.

### 19.3 Insurance Coverage

The Corporate Operations Office is responsible for ensuring that the Organization's assets are adequately insured. Insurance coverage is renewed on a yearly basis documentation of which is held with the Corporate Operations Office.

### 19.4 Disposal of Fixed Assets

Requests for disposal of fixed assets will be prepared in writing and sent to the Director of Finance. Such requests will properly identify the asset and contain a recommendation as to the method of disposal.

Acceptable methods of disposal include sale, donation, or destruction.

The Director of Finance will give or seek approval for the disposal of assets according to the net book value of the asset as follows:

- up to USD 25,000 – Director of Finance
- over USD 25,000 – Executive Director or Deputy Executive Director

Once approval for disposal has been given, the responsible staff member will provide confirmation in writing to the Director of Finance when the disposal has been effected. The Finance Officer will be informed and do the necessary adjusting accounting records.

## **20. PERSONNEL- RELATED PAYMENTS**

### **20.1 Personnel Records**

The Corporate Operations Office will maintain comprehensive records on each staff member. These will take the form of a personnel file for each staff member as well as subsidiary records for leave and certain types of allowances.

In addition to individual personnel records, the Corporate Operations Office will also maintain records of broadly applicable schedules such as salary scales and rates of various allowances as approved by the Executive Board or the Executive Director.

### **20.2 Payroll Preparation and Records**

Payroll preparation follows the general internal control of separating preparation, verification and authorization. The Corporate Operations Manager is responsible for preparation, the Finance Officer is responsible for verification and the Director of Finance authorizes payment.

The payroll batch is generated in the ERP system for the monthly payroll, this is checked by the Corporate Operations Manager and the Finance Officer, circulated for the electronic approvals in the ERP system and prepared for disbursement after all approvals are finalized. The cash disbursement of the payroll will then be undertaken by the Finance Department.

Monthly salary payments will be made to only one account for each staff member, these bank details will be communicated to the finance department by the Corporate Operations Office. The banking details may be updated as necessary.

Source documents for the creation of a payroll entry and the required level of authorization are as follows:

- letter of appointment for staff member signed by the Executive Director;
- staff member declarations of family composition and banking instructions signed by the staff member;
- incremental advancement, individual salary increases or bonuses as notified in writing by the Executive Director;
- termination of contract as a result of probation review or otherwise as advised in writing by the Executive Director;
- staff member letter of resignation accepted by the Executive Director;
- variations in salary scales and benefits approved by the Executive Board and notified in writing by the Executive Director.

Such information will be reflected in a payroll input form prepared by the Corporate Operations Manager and passed to the Finance Office.

The Finance Officer will maintain such payroll records that full earnings of individual staff members by pay period can be readily ascertained. Such records will be annotated as prepared, verified and authorized. Copies of the payroll input form containing the information from the source document and any manually calculated adjustments will be appended.

### **20.3 Other Personnel-Related Payments and Records**

The Corporate Operations Manager will prepare the appropriate expenditure document for other allowances and payments which are not paid through the payroll. These expenditure documents together with all supporting documentation will be uploaded to the ERP system and approved as appropriate.

Disbursement will be undertaken by the Finance Department once all approvals have been received in the system.

Copies of all documentation will be filed by the Corporate Operations Office.

## **21. ENDOWMENT FUND**

### **21.1 Nature and Definition**

The Endowment Fund is a permanently restricted fund established to provide secure long-term funding to support the Crop Trust and its mission to ensure the effective conservation and ready availability of crop diversity for food security worldwide.

### **21.2 Pledges to the Endowment Fund**

The finance team, and in particular the Finance Officer (Budget), works closely with the Partnerships and Communications Team regarding all donor relations.

Once an Endowment Fund contract has been finalized, the Partnerships Manager provides a copy of the signed contract to the Finance Officer (Budget) for recording in the donor database. The original contract is filed with the Partnerships and Communications Team.

Pledges to the Endowment Fund are only recognized in the books of account once the funds have been received.

### **21.3 Receipt of Cash**

Upon receipt of cash to the Endowment Fund bank account the Finance Assistant informs the Finance Officers responsible for updating the books of account and the donor database. All records are updated accordingly.

The Director of Finance is also informed so that they may advise SMT, the fund managers and the Finance and Investment Committee (FIC). Unless required as an income payment the funds are transferred to the Crop Trust investment managers for investment.

Contributions made to the Endowment Fund are invested in accordance with the Investment Policy Statement approved by the Executive Board. Decisions on the investment strategy as outlined in the Policy are taken by the FIC.

### **21.4 Income Withdrawal**

The Investment Policy Statement authorises the annual withdrawal of up to 4% of the average market value of the endowment fund over the previous twelve quarters to cover program and operational expenses of the Crop Trust. Funds withdrawn are reported in the Statement of Activities and Other Comprehensive income as permanently restricted expenditure.

When preparing the annual budget the Director of Finance, in consultation with the Executive Director, determines the amount required for the upcoming year. The funds are withdrawn from the investment fund towards the end of the year unless the cash-flow situation requires otherwise.

The Director of Finance reviews the financial status of the Organization quarterly and revises the amount required from the fund accordingly. Any significant variations should be discussed with the Executive Director.



The Director of Finance communicates the decision regarding income withdrawal to the Finance Assistant who will transfer the relevant amount from the endowment fund account to the operational account and informs the Finance Officer responsible for the books of account so that the accounting records can be updated accordingly.

## **21.5 Monthly Valuations**

Changes in the investment fund values are communicated to the Finance Officer responsible for the books of account on a monthly basis.

## **22. EXTERNAL AUDIT**

### **22.1 General**

The SMT undertakes a tender process in order to select an independent audit firm from among competent international accounting firms.

A short-list of candidate firms is presented to the FIC who make a recommendation to the Executive Board.

The Executive Board, on the advice of the FIC, appoints the selected audit firm.

### **22.2 General Description of the Tender Process**

A letter of invitation is sent to selected audit firms together with a copy of the Crop Trust's most recent annual report and audited financial statements.

The letter generally seeks preliminary information and expressions of interest from the firms. The firms are provided with information on the Crop Trust's organizational structure, audit scope, accounting structure and reporting requirements. The selected firms are then invited to present a detailed bid.

The bids are analyzed based on the following criteria:

- estimated cost, expressed in hours and by staffing levels;
- extent of experience with relevant not-for-profit international organizations;
- information on current client base, together with the names of three relevant clients who could be contacted for comments; and
- other considerations like greater knowledge by the firm's office of the international environment in which the Crop Trust operates, more logical basis for systematic rotation of staff, excellent references provided by similar not-for-profit organizations, better English capability (particularly at partner level), stronger partner involvement, and proposed greater interaction with Board.

### **22.3 Description of the Decision-Making Process**

Based on the results of the analysis and summary of bids submitted, the SMT will generally short-list two audit firms as valid candidates. Arrangements will be made if the SMT decides to meet with the short-listed firms.

The FIC will review the bids and recommendations of the SMT and make a recommendation to the Executive Board. The Executive Board will then take a decision on the appointment, generally for a five-year period.

In the selection of external auditors for the Crop Trust, the Executive Board generally agrees that the appointment should be changed every five years. However, in cases where the incumbent can provide a fresh philosophy, view and approach, which will challenge the Organization's staff and will continue to provide a learning opportunity without compromising independence, then the current external auditors can be renewed for another period of five years.

## **22.4 Annual Confirmation of the Appointment**

The Executive Board evaluates and assesses the performance of the appointed auditors annually. Subject to their satisfactory performance, the Executive Board confirm their re-appointment.

## **22.5 Annual Audit Plan**

The auditors submit the overall audit plan of the current year to the Director of Finance. The main objective of this plan is to obtain comments and feedback on how to improve the effectiveness and efficiency of the audit and to coordinate audit procedures with the Organization's personnel. However, the overall audit and the audit program remain the auditor's responsibility.

## **22.6 Conduct of the Audit**

The independent auditor shall perform such audit on an annual basis as he or she deems necessary to certify:

- that the financial statements and other statements of account are in accord with the books and records of the Trust;
- that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
- that the securities and money on deposit have been verified by certificate received direct from the Trust's depositaries or by actual count;
- that the internal controls are adequate in the light of the extent of reliance placed thereon;
- that procedures satisfactory to the independent auditor a have been applied to the recording of all assets, liabilities, surpluses and deficits.

The audit shall be conducted in conformity with generally accepted auditing standards and, subject to any special directions of the Executive Board.

The independent auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general the administration and management of the Crop Trust.

The independent auditor shall be completely independent and solely responsible for the conduct of the audit.

The Executive Board may request the independent auditor to perform certain specific examinations and issue separate reports on the results.

The Crop Trust shall provide the independent auditor with the facilities he or she may require in the performance of the audit.

The independent auditor and his or her staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the independent auditor, necessary for the performance of the audit.

The independent auditor shall express and sign an opinion on the financial statements.

The independent auditor shall prepare a report on the audit of the annual statement of account and other financial statements and on any matters on which a specific examination has been requested by the Executive Board under section 22.6.5.

The Executive Director shall make the independent auditor's reports available to the Executive Board through the Finance and Investment Committee, to the Donors' Council and to the Governing Body of the International Treaty.

## **22.7 Delegation of Authority**

The Executive Director may delegate such authority as he or she considers necessary for the effective implementation of these Regulations.