

**ATTACHMENT #1**

**REPORT**

**on cash and bank expenses on performance of the administrative budget of IOFS for 2019**

In accordance with the Law of the Republic of Kazakhstan dated November 20, 2017 No.110-VI LRK «On ratification of the Headquarters Agreement between the Government of the Republic of Kazakhstan and the Islamic Organization for Food Security» and having based on the goals and objectives of the Organization, **Islamic Organization for Food Security** **(hereinafter - IOFS):**

1. may own any kind of currency and have accounts in any currency;
2. can freely transfer its funds to the Republic of Kazakhstan and/or from the Republic of Kazakhstan and convert them to any currency at the official current exchange rate.

For the reporting (January-December 2019) period, after a certain pause (February-April), the administrative staff of the IOFS Secretariat was completely rebooted with the appointment of the Director General, who is responsible to the Executive Board and the General Assembly of the Organization for implementation of activities of the Secretariat:

• By the resolution of the first session of the General Assembly of the Islamic Organization for Food Security in April 2016, Jalmukhanov Yerzhan Zhulamanovich, who took office on January 1, 2018, was appointed to the position of Director General in accordance with order No.1L/C of January 01, 2018.

• By letter No.4-2-5/1380-i of April 30, 2019 of the Ministry of Agriculture of the Republic of Kazakhstan, sent to the Secretariat of the Islamic Organization for Food Security, it was reported that on April 10, 2019, Dzhalmukhanov Yerzhan Zhulamanovich voluntarily left the position of Director General.

• By the letter of the Ministry of Foreign Affairs of the Republic of Kazakhstan No.19-2/824 dated May 13, 2019, Yerlan Alimzhanuly Baidaulet, who took office on April 26, 2019, was appointed to the position of Acting Director General in accordance with the order No.1 of April 26, 2019.

• On the basis of Resolution No.IOFS/GA/1-5-2019 of August 29, 2019, the second session of the General Assembly of the Islamic Organization for Food Security, Yerlan Alimzhanuly Baidaulet, who took office on August 29, 2019, was appointed to the position of Director General.

**Islamic Organization for Food Security** has monetary funds in current and foreign currency accounts in the «Islamic Bank «Al Hilal» JSC, monetary funds in cash at the cash desk (in tenge of the Republic of Kazakhstan and in US dollars) and monetary funds in deposit bank accounts.

The reporting fiscal year begins on January 1 and ends on December 31.

For 2019, the financial resources of the Islamic Organization for Food Security amounted to 749 103 US dollars of the annual contribution from the Republic of Kazakhstan, as well as the financial assistance, according to the letter «IBR CRS/ASIA/2087 291018 SP IOFS/BNK/ALHILAL/2018-3 from December 26, 2018» in the amount of 29 400 US dollars.

For the reporting period, cash and bank expenses amounted to **679,688 US dollars**, including, by sources of expenditure items:

**Table No.1**

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| --- | --- | --- |
| **No.in sequence** | **TITLES** | **Cash and Bank expenses (USD)** |
| 1 | PERSONNEL EMOLUMENTS | 303687 |
| 2 | RECURRENT EXPENDITURES | 172949 |
| 3 | ACQUISITION OF FURNITURE AND EQUIPMENTS | 124979 |
| 4 | CONFERENCES AND MEETINGS | 41600 |
| 5 | PROGRAMME AND ACTIVITIES | 36473 |
| 6 | **TOTAL** | **679688** |

The staff of the Secretariat of the Organization is consist of nationals of Member States and is regarded as staff of international employees. Throughout the entire term of office, each employee must act in accordance with the charter goals and objectives of the Organization.

The remuneration of the staff of the Secretariat of the Organization is made in accordance with the Rules of the Islamic Organization for Food Security on personnel management in accordance with resolution No.GA/5-2016 of April 28, 2016, adopted at the first session of the General Assembly of the Islamic Organization for Food Security, in accordance with the hold positions and in accordance with the concluded labour contracts.

From May to December 2019, the number of employees of the Islamic Organization for Food Security Secretariat amounted to 12 employees, according to the authorized staffing table.

**From table No.1 is seen that expense item No.1 «PERSONNEL EMOLUMENTS» is amounted 303 687 US dollars.**

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| **No.in sequence** | **TITLES** | **Cash and Bank expenses (USD)** |
| **1** | **Salaries** | **276404** |
| **2** | **Allowances** | **17743** |
| 2.1 | Housing | 17743 |
| **3** | **Other Emolument** | **9540** |
| 3.1 | *Health Care (Medical insurances)* | 9540 |
|  | **TOTAL** | **303687** |

Islamic Organization for Food Security independently distributes the total wage fund by months. The accrued labour compensation fund for officials of the Organization who are not citizens of the Republic of Kazakhstan are exempt from salary tax, while the accrued salary budget for the staff of the Organization, who are Kazakhstan citizens, are subject to all taxes in accordance with the laws and regulations of Kazakhstan in relation to labour legislation, except for individual income tax.

**During 2019, employees set a form of remuneration as an official salary, and payment was made in the amount of 276 404 US dollars, including:**

- for the period of leadership of Dzhalmukhanov E (January-April 2019), the salary budget of 98 136 US dollars was paid,

- for the period (May-December 2019), a salary budget of 178 268 US dollars was paid, incl. in the form of taxes and social contributions in accordance with local labour legislation for employees-citizens of the Republic of Kazakhstan in the amount of 21 045 US dollars.

**From the list of social benefits, payment was made only for housing allowance of IOFS employees (without owner-occupied dwelling) in the amount of 17 743 US dollars.**

IOFS pays for medical assistance to employees and members of their families through an insurance company selected through an open tender. **During the reporting period, the payment of medical insurance amounted to 9 540 US dollars.**

**From table No.1 is seen that expense item No.2 «RECURRENT EXPENDITURES» is 172 949 US dollars.**

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| **No.in sequence** | **TITLES** | **Cash and Bank expenses (USD)** |
| **1** | **Transports and Travelling** | **98653** |
| 1.1 | *Internal business trip* | 3010 |
| 1.2 | *Business trips abroad* | 95643 |
| **2** | **Maintenance and Repairs** | **3741** |
| 2.1 | *Vehicles (parking)* | 1689 |
| 2.2 | *Furniture and equipment* | 2052 |
| **3** | **Office administration** | **67266** |
| 3.1 | *Printing and stationery* | 10038 |
| 3.2 | *Communication* | 13076 |
| 3.3 | *Bank charges* | 3348 |
| 3.4 | *Incidental expenses* | 40804 |
| **4** | **Representations and Reception** | **3289** |
| **5** | **TOTAL** | **172 949** |

According to the rules of the Islamic Organization for Food Security by Human Resources, a Secretariat employee is sent on the official business trips, both inside and outside the headquarters country, solely for the purposes of assistance and achieving goals and objectives of the Organization. **During the reporting period, 98 653 US dollars was paid for travel expenses.**

**For 2019, administrative, operating, business and entertainment expenses amounted to 74 296 US dollars.** These expenses are aimed at making settlements with various suppliers of Inventory Reserves and services, namely the purchase of office supplies, payment of postal and courier services, for communication and Internet services, maintenance of office equipment, office maintenance, banking services, entertainment expenses.

**From table No.1 is seen that expense item No.3 «ACQUISITION OF FURNITURE AND EQUIPMENTS» is 124 979 US dollars.**

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| **No.in sequence** | **TITLES** | **Cash and Bank expenses (USD)** |
| **1** | **Capital expenditures** | **124979** |
| 1.1 | *Furniture and equipment* | 46590 |
| 1.2 | *Vehicles* | 77020 |
| 1.3 | *Fixture and installation* | 1369 |
| **2** | **TOTAL** | **124979** |

During the reporting year, the Organization purchased for administrative purposes: **office equipment, furniture, implements and accessories in the amount of 46 590 US dollars**, as well as payments **for delivery services, installation of the above items in the amount of 1 369** **US dollars**. Inventory and accessories include items that create comfortable working conditions for employees for effective and high-quality performance of the official duties.

In 2019, **the payment of 77 020 US dollars was made for the purchase of the official BMW 750i Drive Limousine, the 2019 model year vehicle.**

**From table No.1 is seen that expense item No.4 «CONFERENCES AND MEETINGS» is amounted 41 600 US dollars.**

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| **No.in sequence** | **TITLES** | **Cash and Bank expenses (USD)** |
| **1** | **Conferences and institutional meetings** | **18621** |
| 1.1 | Air tickets | 13894 |
| 1.2 | Printings and transport documents | 4727 |
| **2** | **Meetings of the Board** | **22979** |
| 2.1 | *Accommodation and food* | 10785 |
| 2.2 | *Translation fees* | 7196 |
| 2.3 | *Printings and transport documents* | 361 |
| 2.4 | *Hiring various equipment* | 912 |
| 2.5 | *Miscellaneous expenses* | 3725 |
|  | **TOTAL** | **41600** |

During 2019, the Secretariat held a number of important meetings and conferences for the Organization. Especially significant are:

- 3rd meeting of the Executive Board of the IOFS from 1st to 4th July, 2019 in Nur-Sultan city;

- 2nd General Assembly of the IOFS from August 27-29, 2019 in Jeddah city;

- 4th meeting of the Executive Board of the IOFS (in cooperation with the inauguration of the Secretariat Office in the AIFC complex) from 11 to 12th December 2019 in Nur-Sultan city.

In order to effectively conduct and ensure the quorum of the Executive Board of the Islamic Organization for Food Security for the members of the Executive Board of the IOFS, arriving to Nur-Sultan city for the duration of the events, payment was made for air tickets (return fare) in the amount **of 13 894 US dollars, accommodation in hotel and meals in the amount of 10 785 US dollars.**

In order to successfully organize and carry out the planned activities during the above-mentioned meetings of the Executive Board of the IOFS, payment was made to suppliers for the services rendered in the amount **of 16 921 US dollars.**

**From table No.1 is seen that expense item No.5 «PROGRAMME AND ACTIVITIES» is 36 473 US dollars.**

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| **No.in sequence** | **TITLES** | **Cash and Bank expenses (USD)** |
| **1** | Development of the IT product «WorkFlow Electronic Document Management System, based on the ARTA SYNERGY Platform Program» | **7675** |
| **2** | Services to provide access to the Qlik Sense technology platform and the creation of analytical applications on demand (in order to create the IOFS Database) | **26958** |
| **3** | Improving Documentation Rules, Document Management and the Use of WorkFlow Electronic Document Management | **1840** |
| **4** | **TOTAL** | **36473** |

**The Islamic Organization for Food Security** orders and defines a concept for controlling requests and protocols, organizational/management (including HR recordkeeping) document flow, improving the quality, completeness and reliability of information in compliance with information security conditions, improving manageability and increasing the transparency of document-oriented business processes.

The conceptual basis for solving this problem was the creation of the IT product « Workflow» Electronic Document Management System».

Implementation of the System will ensure the achievement of the following goals:

- improvement and operational efficiency of working with documents;

- observance of the momentaneousness principle of the documents registration;

- determining the state interrogation of the document at every moment of its life cycle and determining responsible employees for the document’s execution;

- cost cutting related to document flow and workflow management;

- reduction of wasteful expenditures of working hours of the Customer’s employees;

- increasing the mobility of Customer’s leaders and employees;

- strengthening control of operational discipline.

During the reporting period, the payment was made to the supplier **for the services provided for the development of the IT product «WorkFlow Electronic Document Management System»**, based on the computer program called «ARTA SYNERGY» platform and the **improvement of the Documentation Rules, documentation management and use of WorkFlow Electronic Document Management in the amount of 9 515 US dollars.** In the 1st quarter of 2020 the IT product «Workflow» Electronic Document Management System» is launched.

In addition, in accordance with the 5-year Action Plan approved by the first session of the General Assembly IOFS (April 2016), the Organization is working to provide access to the Qlik Sense technology platform and, through the launch of a mobile analytical application, to create its own Database IOFS for its operational food security and agricultural development activities of the Organization's member countries. This work was launched in July 2019 and will continue throughout 2020.

The purpose of access to the technology platform is to optimize the processes of preparation and formation of analytical reporting, as well as research conducted by employees and partners of the IOFS.

The purpose of analytical applications and a technology platform is to combine data from various sources into a single data model, provide research on trade balance data of the IOFS member countries, as well as provide other information.

During 2019, payment was made for the service provided to provide **access to the Qlik Sense technology platform and create analytical applications in the amount of 26 958 US dollars.** Currently, work continues on the development and implementation of the above access to the technological platform. In the future, it is planned to transfer the developed analytical module to the balance sheet of the Organization.

The accounting in the Organization is carried out in different currencies (tenge of the Republic of Kazakhstan, US dollars and euros) depending on the dependence and content of business operations. In this regard, the presented explanatory note on cash and bank expenses for 2019 was converted into the **presentation currency** as of December 31, 2019, according to the official rate of the National Bank of the Republic of Kazakhstan.

**Director General**

**IOFS**

**Yerlan Baidaulet**