

Financial Management Assessment Questionnaire

| Topic | Response | Remarks |
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| 1. Implementing Agency | | |
| 1.1 What is the entity's legal status / registration? | MPWT is a regular ministry of the government of Lao PDR. | |
| 1.2 Has the entity implemented an externally-financed project in the past (if so, please provide details)? | Yes. ADB-financed Small Town Water Supply and Sanitation Project which was implemented in 2004. | |
| 1.3 What are the statutory reporting requirements for the entity? | Yes | Monthly reporting using Lao PDR Government Accounting Standards |
| 1.4 Is the governing body for the project independent? | Yes. | It is composed of several government agencies. |
| 1.5 Is the organizational structure appropriate for the needs of the project? | Yes | |
| 2. Funds Flow Arrangements | | |
| 2.1 Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers. | See attached proposed funds flow chart. | |
| 2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory? | Yes with the use of imprest account. | |
| 2.3 What have been the major problems in the past in receipt of funds by the entity? | Lack of counterpart fund | |
| 2.4 In which bank will the Imprest Account be opened? | BCEL | |
| 2.5 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB? | Yes but still needs additional training. | |
| 2.7 Does the entity have/need a capacity to manage foreign exchange risks? | No. | Responsibility of the Ministry of Finance for the Government of LAO PDR |
| 2.8 How are the counterpart funds accessed? | Through the Ministry of Economy and Finance | |
| 2.9 How are payments made from the counterpart funds? | | Following the rule of state budget |
| 2.10 If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies? | Not applicable. | |
| 2.11 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution? | No | |
| 3. Staffing | | |
| 3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart. | To be organized at a later stage of Project Preparation. | |
| 3.2 Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff. | To be accomplished later. | |
| 3.3 Is the project finance and accounting function staffed adequately? | Yes | |
| 3.4 Is the finance and accounts staff adequately qualified and experienced? | Yes | Need to be upgraded |

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| 3.5 | Is the project accounts and finance staff trained in ADB procedures? | Yes for some staff. | |
| 3.6 | What is the duration of the contract with the finance and accounts staff? | For PMO and PCU, co-terminus with the project. | |
| 3.7 | Indicate key positions not contracted yet, and the estimated date of appointment. | To be done. | |
| 3.10 | Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff? | To be done. | |
| 3.11 | At what frequency are personnel transferred? | Depending on requirement | |
| 3.12 | What is training policy for the finance and accounting staff? | One or two times a year training | |
| 4. Accounting Policies and Procedures | | | |
| 4.1 | Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system? | Yes. Standard government accounting system. | |
| 4.2 | Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained? | Yes | |
| 4.3 | Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? | Yes | |
| 4.4 | Are cost allocations to the various funding sources made accurately and in accordance with established agreements? | Yes | |
| 4.5 | Are the General Ledger and subsidiary ledgers reconciled and in balance? | Yes | |
| 4.6 | Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access? | Yes | |
| <i>Segregation of Duties</i> | | | |
| 4.7 | Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction? | Yes | |
| 4.8 | Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated? | Yes | |
| 4.9 | Are bank reconciliations prepared by someone other than those who make or approve payments? | Yes | |
| Budgeting System | | | |
| 4.10 | Do budgets include physical and financial targets? | Yes | |
| 4.11 | Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance? | Yes | |
| 4.12 | Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget? | Yes | |
| 4.13 | Are approvals for variations from the budget required in advance or after the fact? | After the fact | |
| 4.14 | Who is responsible for preparation and approval of budgets? | Finance officer | |

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| 4.15 Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets? | Yes | |
| 4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals? | Yes | |
| Payments | | |
| 4.17 Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? | Yes | |
| 4.18 Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment? | Yes | |
| 4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized? | Yes | |
| Policies And Procedures | | |
| 4.20 What is the basis of accounting (e.g., cash, accrual)? | Cash | |
| 4.21 What accounting standards are followed? | Public accounting | |
| 4.22 Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability? | Yes | |
| 4.23 Is the accounting policy and procedure manual updated for the project activities? | Yes | |
| 4.24 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity? | Yes | |
| 4.25 Are there written policies and procedures covering all routine financial management and related administrative activities? | Yes | |
| 4.26 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them? | Yes | |
| 4.27 Are manuals distributed to appropriate personnel? | Yes | |
| Cash and Bank | | |
| 4.28 Indicate names and positions of authorized signatories in the bank accounts. | Director and Deputy Director | |
| 4.29 Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments? | Yes | |
| 4.30 Do controls exist for the collection, timely deposit and recording of receipts at each collection location? | Yes | |
| 4.31 Are bank and cash reconciled on a monthly basis? | Yes | |
| 4.32 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official? | Yes | |
| 4.33 Are all receipts deposited on a timely basis? | Yes | |
| Safeguard over Assets | | |
| 4.34 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse? | Yes | |
| 4.35 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts? | Yes | |

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| 4.36 Are there periodic physical inventories of fixed assets and stocks? | Yes | |
| 4.37 Are assets sufficiently covered by insurance policies? | Yes, state insurance. | |
| Other Offices and Implementing Entities | | |
| 4.38 Are there any other regional offices or executing entities participating in implementation? | Yes | |
| 4.39 Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities? | Yes | |
| 4.40 Does information among the different offices/implementing agencies flow in an accurate and timely fashion? | Yes | Still fair |
| 4.41 Are periodic reconciliations performed among the different offices/implementing agencies? | Yes | Still fair |
| Other | | |
| 4.42 Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property? | Yes | |
| 5. Internal Audit | | |
| 5.1 Is there an internal audit department in the entity? | Yes but only one staff due to lack of personnel. | |
| 5.2 What are the qualifications and experience of audit department staff? | Good | |
| 5.3 To whom does the internal auditor report? | To Entity manager, Donor | |
| 5.4 Will the internal audit department include the project in its work program? | Yes | |
| 5.5 Are actions taken on the internal audit findings? | To certify exactly | |
| 6. External Audit | | |
| 6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor? | Yes, by state audit authority | |
| 6.2 Are there any delays in audit of the entity? When are the audit reports issued? | No, at the end of fiscal year | |
| 6.3 Is the audit of the entity conducted according to the International Standards on Auditing? | Yes | |
| 6.4 Were there any major accountability issues brought out in the audit report of the past three years? | Yes | |
| 6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements? | Yes both of them | |
| 6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented? | Yes | |
| 6.7 Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit? | Yes | |
| 6.8 Has the project prepared acceptable terms of reference for an annual project audit? | Yes | |
| 7. Reporting and Monitoring | | |
| 7.1 Are financial statements prepared for the entity? In accordance with which accounting standards? | Yes, | Project accounting |
| 7.2 Are financial statements prepared for the implementing unit? | Yes | |

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| 7.3 | What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to be useful to management for decision making? | Yes | Monthly quarterly, yearly |
| 7.4 | Does the reporting system need to be adapted to report on the project components? | yes | Yes |
| 7.5 | Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data? | Yes | |
| 7.6 | Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used? | Yes | |
| 7.7 | Are financial management reports used by management? | Yes | |
| 7.8 | Do the financial reports compare actual expenditures with budgeted and programmed allocations? | Yes | Yes |
| 7.9 | Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means? | Yes | |
| 8. Information Systems | | | |
| 8.1 | Is the financial management system computerized? | Yes | |
| 8.2 | Can the system produce the necessary project financial reports? | Yes | |
| 8.3 | Is the staff adequately trained to maintain the system? | yes | |
| 8.4 | Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data? | Yes | |

ADB = Asian Development Bank, MPWT = Ministry of Public Works and Transport, PCU = project coordination unit, PMO = project management office.