

Financial Management Assessment

A. Summary

1. For Additional Financing Loan, the Ministry of Economic and Finance (MEF) will continue to be executing agency (EA) of the Project. It has delegated the overall project responsibility to its project coordination management unit (PCMU), responsible for central level project coordination. The PCMU is also responsible to manage the component 4 (Project Management and Facilitation). As in the ongoing project, IAs will be the same three participating ministries (i) the Ministry of Public Work and Transport (MPWT) will manage component 1: National and Provincial Roads; (ii) ; (ii) the Ministry of Rural Development (MRD) for managing component 2: Rural Roads; and (III) and the Ministry of Water Resource and Meteorology (MOWRAM) for managing component 3: Irrigation and Flood Control. These agencies have demonstrated adequate financial and management capacity, and experience to implement the ongoing project. They have also implemented several significant donor-funded projects, including ADB projects.

2. The financial management assessment (FMA) for these agencies was updated, during the fact-finding mission (FFM) held from 20 to 30 January 2014, from the FMA of the ongoing project. Initially the FMA was prepared using references from detailed FMA carried out during processing of some other projects¹ in 2011. To complete the FMA, the EA and IAs have refilled out the ADB's standard FMA checklists during the FFM. The completed updated FMA checklists for the EA and IAs are attached.

3. The assessment purpose was to determine the robustness of the accounting, financial controls and internal audit arrangements, and the capability of the EA and IAs to meet all the fiduciary requirements which are set out in the loan agreement, grant agreement and other project documents. The assessments indicate that on the whole, the prevailing government financial, accounting, and auditing rules and systems meet the generally acceptable international accounting and auditing standards. The Government has adequate internal control systems and financial reporting arrangements. The EA and the three IAs have worked in the past with ADB and are implementing well the ongoing ADB funded projects. They also have been part of ADB's capacity development activities² particularly on public financial management. The overall performance of EA and the three IAs in implementing financial management of the ongoing project is good.

4. Financial record keeping capacity at the PIU levels still varies and needs further improvements. So far, the PIUs of MPWT and MOWRAM PIUs have recruited individual accounting consultants and PIU of MRD has its existing staffs who are successfully handling financial management of the ongoing and previous ADB funded projects³. MOWRAM will establish a new PIU for the proposed additional loan due to reassignment in MOWRAM.

5. As discussed in the previous Project Administration Manual (PAM), the current PCMU team leader and his deputy have a strong financial and procurement background. They have been supporting the three PIUs to ensure that the financial management system is well

¹ ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Provincial Road Improvement Project*. ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Rural Road Improvement Project*. ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Water Resource Management Sector Development Project*.

² MRD and MOWRAM have been participants in ADB's Public Financial Management for Rural Development Program

³ Including Loan 2670 – CAM: Rural Road Improvement Project

established and maintained. Further, ADB's small scale technical assistance has provision of financial management expert to undertake advance actions of the ongoing project.

6. A complete assessment and review of internal controls and accounting systems including random sampling of statement of expenditures of the EA and IA will be undertaken by ADB during the review mission. Recording and reporting of transactions of project expenditures will be consistent with the Chart of Accounts and Budget Classification of the Government Financial Management Manual (2012, updated from time to time) and Government's Standard Operating Procedures, (2012, updated time to time) for Externally Financed Projects/Programs.⁴

B. Disbursement

7. The ongoing loan and grant⁵ proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time)⁶ and detailed arrangements agreed upon between the Government and ADB. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS)⁷,¹² ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to subprojects financed by ADB.

8. Disbursements from the ADB Loan for consulting services, civil works and goods under the international competitive bidding(ICB) procedures will generally be paid through direct payment procedures as defined in ADB's *Loan Disbursement Handbook* (January 2007, amended from time to time). Likewise, civil works contracts of \$1 million and above using national competitive bidding (NCB) and direct contracting procedures will generally be paid directly by ADB. Disbursements for civil works using direct contracting and NCB procedures for contracts less than \$1 million will be generally paid through an imprest account, established at MEF. Likewise, civil works contracts using shopping methods, and goods using NCB and shopping procedures will be also paid from the imprest account. In addition, all the related incremental expenses will be generally paid through the imprest account. The Government of Australia co-financing will fund only the civil works, and disbursement will be in accordance with the joint cofinancing agreement between ADB and the Government of Australia.

9. The PCMU representing the MEF as the EA, has been established soon after the ongoing loan effectiveness. It established an imprest account for the ADB Loan at the National Bank of Cambodia (NBC) that is acceptable to ADB. The currency of the imprest account is in US Dollar and managed by the PCMU. The PCMU coordinated with the other three IAs to open three sub-accounts (one for each IA), also at the NBC or commercial banks . The currency of the three sub-accounts is also in US\$ dollar. MEF, MPWT, MRD and MOWRAM have sufficient past experience in administering ADB funded project accounts, and disbursement arrangements have been satisfactory to ADB. The PCMU will be responsible for preparing the annual contract

⁴ Ministry of Economy and Finance (MEF). 2012. *Standard Operating Procedures for Externally Financed Project/Programs in Cambodia*. Phnom Penh (May); MEF. 2012. *Financial Management Manual for Externally Financed Project/Programs in Cambodia*. Phnom Penh (May); MEF. 2012. *Procurement Manual for Externally Financed Project/Programs in Cambodia*, Phnom Penh (in two volumes), (May)

⁵ From the Government of Australia: Grant – CAM:

⁶ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

⁷ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

awards and disbursement projections. It will be responsible in (i) requesting budgetary allocations for counterpart funds, (ii) preparing of withdrawal applications, and (iii) sending the withdrawal applications to ADB. PCMU and the three PIUs are responsible in collecting supporting documents for the project expenditures they have incurred. The supplementary (additional) financing will use the same accounts and arrangements.

10. In the ongoing project, funds in the imprest account have been used to establish advances provide replenishments for the three sub-accounts in the three PIUs. The ceiling of the imprest account has not exceeded the estimated ADB financed expenditures to be paid from the account for the next six months, or 10% of the loan amount, whichever is lower. Currently the maximum ceiling of the imprest account is \$5.50 million, MPWT's sub-account is \$2.00 million, MRD's and MOWRAM's are each \$1.00 million. The ceiling will be updated, if necessary, during review missions. PIU-based sub-accounts have been replenished upon presentation of documented liquidation of expenditures as outlined in ADB's *Loan Disbursement Handbook*.

11. For the ongoing project, disbursements from the ADB Loan for consulting services, civil works and goods under the international competitive bidding(ICB) procedures were disbursed through direct payment procedures as defined in the ADB's *Loan Disbursement Handbook* (2012, amended from time to time). Civil works and consulting services contracts amounting \$1.00 million and above using national competitive bidding (NCB) and direct contracting procedures were generally directly paid by ADB. Civil work contracts less than \$1.00 million and also for contracts using shopping method, and goods using NCB and shopping procedures, were generally paid through the imprest account. Only related incremental expenses were paid through sub-accounts. Additionally, if an individual request for payment is lower than the minimum ceiling of the withdrawal application, \$100,000 as stated in the ADB's *Loan Disbursement Handbook* (2012, amended from time to time); such request could be settled through the imprest account and to be subject for replenishment via SOE procedure.

12. The statement of expenditure (SOE) may be used for reimbursement and to liquidate advances to the imprest account to ensure speedy project implementation. Any individual payment to be reimbursed or liquidated under this procedure shall not exceed the equivalent of \$100,000. For individual payments exceeding the SOE ceiling, supporting documents should be provided to ADB when submitting the withdrawal application. Supporting documents include contracts (contract terms and conditions relating to payments), contractor's invoice claims, interim payment certificates and other documents required in the contract, evidence of payments (official receipts, bank payment slips). The SOE records should be well maintained and made available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit purposes. The supplementary loan will follow same practices.

13. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$100,000 equivalent, unless otherwise approved by ADB. Individual payments below this amount should generally be paid from the imprest/sub-account, or by the EA/IA and subsequently claimed to ADB through reimbursement. ADB reserves the right not to accept WAs below the minimum amount.

14. PCMU has provided guidance to the staff of the ongoing project to ensure their skills are sufficient for the project needs. The guidance will be continued, especially for the refreshing of financial management and accounting skills and for the orientation of new staff as necessary. The effectiveness and efficiency of the disbursement procedures have been assessed at the Mid-term Review of the ongoing project and actions have been taken to simplify or streamline the processes if deemed appropriate.

15. The request for initial advance to the imprest account has been accompanied by an Estimate of Expenditure Sheet⁸ setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the borrower will furnish to ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against the EA's records⁹. The supplementary loan will also follow these practices.

16. As discussed in the ongoing project, before the submission of the first withdrawal application, the borrower has submitted to ADB sufficient evidence of the authority of the persons who signed the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000, unless otherwise approved by ADB. The borrower is to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing. The same practices will continue for the supplementary loan.

17. The statement of expenditure (SOE) has been used to reimburse and replenish the eligible expenditures and liquidate advances to the imprest account and sbu-accounts to ensure speedy project implementation. Any individual payment to be reimbursed or liquidated under this procedure shall not exceed the equivalent of \$100,000 for both imprest accounts and three sub-accounts. Payments exceeding the SOE ceiling, supporting documents should be provided. Supporting documents include contracts (contract terms and conditions relating to payments), contractor's invoice claims, interim payment certificates and other documents required in the contract, evidence of payments (official receipts, bank payment slips). The SOE records should be well maintained and made available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit purposes¹⁰.

⁸ Available in Appendix 29 of the *Loan Disbursement Handbook*.

⁹ Follow the format provided in Appendix 30 of the *Loan Disbursement Handbook*.

¹⁰ Checklist for SOE procedures and formats are available at:

http://www.adb.org/documents/handbooks/loan_disbursement/chap-09.pdf

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Contracts-100-Below.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Contracts-Over-100.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Operating-Costs.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Free-Format.xls

C. Disbursement and Liquidation Procedures for Government Funds

18. Withdrawal of government counterpart funds must be carried out in accordance with the Government Policies and Procedures. The IAs will be responsible for submitting withdrawal applications to MEF. Counterpart funds withdrawal applications should be made in accordance with the budget plan agreed between the IAs and MEF. Counterpart funds may only be withdrawn for expenditures of the project which are specified in the project loan and grant agreements. Projects Team should set out the expenditure percentages, for the project in the Project Finance Manual as a supplement to the main Financial Management Manual (September 2005, updated time to time). Counterpart funds withdrawals may be made for:

- Imprest Account Initial Advance
- Imprest Account Replenishment
- Direct Payment to Supplier or Contractor

19. **Key Internal Controls:** Withdrawal applications must be signed by an authorized signatory or signatories. Withdrawal applications must be sequentially numbered starting with the number one. Counterpart funds advanced to projects must be held in a Government Counterpart Funds/Project Account at the National Bank of Cambodia or other approved commercial bank.

20. **Counterpart Funds Initial Advance:** Each PIU completes the Government Withdrawal Application form for the initial advance of counterpart funds together with supporting documents and submits to the PCMU/MEF – Department of Investment and Cooperation (MEF/DIC). The maximum amount of the advance of counterpart funds will be agreed between the PIUs and MEF. The Government Withdrawal Application Form must be signed by the authorized signatories of PIUs and submitted to the MEF/DIC. The Government Withdrawal Application must be recorded in the Project Counterpart Funds WA Register.

21. The MEF/DIC will review the completed forms and submit for approval of MEF Management. Thereafter, arrangements are made - to transfer the funds from the General Department of National Treasury Accounts to the Project's Counterpart Funds Imprest Account and advise the respective PIU of the transfer. On receipt of advice from the NBC that the funds have been deposited into the Counterpart Funds Account, the receipt of the funds should be recorded in the General Ledger and the Government WA Register must be up-dated.

22. **Counterpart Funds Replenishment:** The Project Team will complete the Government Withdrawal Application form and attach a statement of actual expenditure together with the disbursement tracking form for counterpart funds. Supporting expenditure documentation must be maintained by the Project Team for subsequent review by MEF or audit. The Government Withdrawal Application Form must be signed by the authorized signatories of the PIU and submitted to the MEF/DIC. The Government Withdrawal Application must be recorded in the Project Counterpart Funds WA Register.

23. The DIC reviews the completed forms and submits for approval of MEF Management. Thereafter arrangements are made to transfers the funds from the General Department of National Treasury Accounts to the Project's Counterpart Funds Imprest Account. On receipt of advice from the NBC that the funds have been deposited into the Counterpart Funds Account,

the receipt of the funds should be recorded in the General Ledger and the Government WA Register must be up-dated.

24. **Direct Payment to Supplier or Contractor:** The Project Team completes a Government Withdrawal Application Form. Separate withdrawal applications are required for each payment in different currencies. The following documentation must be attached to the Withdrawal application Forms:

- Copy of Contract(s).
- Supplier or contractor invoice or claim
- For civil work – summary of work progress certified by project technical officer and approved by the relevant Project authorized officer
- For equipment and materials purchased - evidence of shipment, either a copy of the bill of lading or the forwarder's certificate
- Advance security such as a bank guarantee in the case of advance payments if required under the terms of the contract, or where an unusually large advance payment is made.

25. The Government Withdrawal Application Form must be signed by the authorized signatories of the PIU and submitted to the MEF/DIC. The Government Withdrawal Application must be recorded in the Project Counterpart Funds WA Register. The DIC reviews the completed forms and submits for approval of MEF Management. Thereafter arrangements are made to transfer the funds from the General Department of National Treasury Accounts to the accounts of the supplier or contractor. On receipt of advice from the DIC that the payments have been made, the receipt of the counterpart funds should be recorded in the General Ledger and the Government WA Register must be updated.

D. Accounting Systems

26. The EA and the IAs will maintain separate project accounts and records by funding sources for all expenditures incurred on the Project. Recording and reporting of transactions of project expenditures will be consistent with the Chart of Accounts and Budget Classification of the Government (2007) and Government's 2005 Standard Operating Procedures (SOP) for Externally Financed Projects/Programs (as updated from time to time).

E. Auditing Requirements

27. PCMU will cause the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the EA. The annual audit report will include a separate audit opinion on the use of the imprest accounts, SGIA, the SOE procedures (as applicable) and financial loan covenants. The Government has been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures. The audited project accounts must be disclosed in the ADB and the EA website.

1. Risk Assessment

28. The ongoing project has been performing well, in terms of its achievement for both the physical and financial progress. As of 20 February 2014, about \$50 million out of \$54 million of ADB Loan has been awarded, with total disbursement for about \$26 million. The physical progress is ongoing and the project staff believes that, except for Irrigation component, most targets/ performance indicators set in the project design and monitoring framework will be achieved earlier than the completion date, scheduled on September 2015. The following are some issues in MOWRAM that may affect the performance of the project funded by the Additional Financing: (i) delays in processing and endorsements of procurement packages; (ii) lack of staff capacity to properly manage the subprojects; and (iii) some internal problems within the institution. Beside the specific implementation issues under MOWRAM, the following table show risks related to the overall country performance and other matters related to the Project, including recommendations for risk mitigation measures.

Risk type	Risk Asst ^a	Risk Description	Mitigation Measures
Country-Specific Risks	M	Needs improvements in control in budget execution; accounting and reporting, and budget credibility.	Efforts will be made to properly monitor fund flow management. ADB support to improve sector governance through improvement in the financial management and procurement systems, implementation of Risk Assessment and Risk Management Plan ¹¹ (RARMP) at the project level, and improve local accountability through support for decentralization initiative is expected to further improve governance environment.
Public expenditure management	M	improvements are needed to achieve full accountability in public expenditures Financial record keeping capacity at the PIU levels still varies and needs further improvements.	Monitor the progress made by Grant 0222-CAM: Strengthening Public Financial Management for Rural Development Program, Sub-program 2, ADB has supported capacity building for three rural development ministries ¹² in budget preparation and execution, financial management and accounting, procurement, internal audit development, and in monitoring and evaluation. Based of findings and recommendations, some follow-up actions will be explored.

¹¹ Accessible from the list of linked documents in Appendix 10.

¹² The three rural development ministries are MAFF, MRD, and MOWRAM.

Risk type	Risk Asst ^a	Risk Description	Mitigation Measures
Governance/ Anti-Corruption	M	corruption remains a major issue and poses significant constraints for development effectiveness in Cambodia. .	<p>all contractors/bidders, suppliers and consultants (firms or individual/national or international) will be required to sign declarations of ethical conduct; (ii) strengthening transparency through posting project information on the IA websites; (iii) development of complaint handling mechanisms; (iv) strict monitoring and enforcement of procurement procedures and contracts; and (v) joint investigation by the NAA and the ADB's Office of Anticorruption and Integrity on irregularities</p> <p>Work more intensively with supreme institution and monitor progress for adopting good governance in the project implementation.</p> <p>ADB's Anticorruption Policy (1998 as amended to date) was explained to and discussed with the EA and IAs. The specific policy requirements and anticorruption measures are described in the PAM.</p> <p>Complaints redress mechanism. The EA and IAs will set up grievance redress mechanisms with outreach for all subprojects funded by ADB. The grievance and complaints mechanism will be posted publicly on the project website.</p>
Entity-Specific Risks	M	Most participating institutions will need more guidance to properly segregate and consolidate between the ongoing project and the additional financing.	Will establish a clear guidance of the PMO and PIUs and also the TORs of individual consultants and firms to properly manage the existing project and additional financing.

Risk type	Risk Asst^a	Risk Description	Mitigation Measures
Management	M	<p>Limited financial management capacity</p> <p>Sudden, high increases in construction costs</p> <p>Failed contract negotiation for Stage 2 civil works; poor quality contractors</p> <p>Changes in management staff of MOWRAM may slow the progress of irrigation component.</p>	<p>The government is implementing the public financial management reform program (PFMRP) to improve budget preparation and execution, financial management and reporting, procurement, and strengthening of internal control. In addition, ADB is supporting the EA in implementing the PFMRP, which includes strengthening the PFM systems in MOWRAM and MRD</p> <p>More significant supports to the new staff participating in the project.</p>
Funds Flow - Internal Audit	H	pre mitigation financial management risks are assessed as high, including those related to weak internal controls, limited financial management capacity of EA/IAs, weaknesses in internal audit capacities and delayed reconciliations	Will work closely with MEF, as the EA and MOWRAM, MPWT and MRD, the implementation agencies to improve the internal control system, specific for the project and recruit financial management consultants and provide more guidance to improve project staff capacity.
External Audit	M	Lack of analysis in interpreting the project financial statements.	<p>Coordinate with MEF to update the TOR for auditors and explore potential participation of supreme audit institution to further improve the APFS quality.</p> <p>In addition, the Grant 0222-CAM has also supported the National Audit Authority (NAA) to strengthen its capacity in audit of externally funded projects. The NAA has been progressively improving external audit scrutiny of government expenditures and revenues, borrowings, and assets.</p>

Risk type	Risk Asst^a	Risk Description	Mitigation Measures
Procurement matters	H	<p>Inadequate procurement capacity</p> <p>Procurement Capacity Assessment (PCA) for MOWRAM, it indicates that the risk is high. We have not done PCA for other two IAs (MPWT and MRD)</p> <p>Public Procurement Law was adopted in January 2012 and the Anti-Corruption Law was adopted in 2010, the implementation progress is limited and the risk remains high</p>	<p>Procurement capacity is being strengthened under the PFMRP. In addition, ADB will strengthen the EA and IAs' capacity in procurement, which will include training on the SOPs and the PM. ADB and the EA will pay particular attention in all cycles of procurement stages which include implementation of procurement contracts, and ensure frequent and strict quality monitoring.</p> <p>Following PCA on MOWRAM, the project will work closely with OSFMD to conduct PCA for other two IAs (MPWT and MRD) and monitor progress on resolving any issue on procurement.</p> <p>Procurement Manual, and Financial Management Manual for Externally Assisted Projects were approved in May 2012 and have been applied for the ADB and other development partners financed projects. The Manuals consist of the identification and mitigation measures designed to reduce the risk and improve the efficiency and effectiveness in management and administration of the portfolio of externally assisted projects.</p>
Overall Risk	M		

Notes: Asst = assessment

^a score for assessment: H = High, S = Substantial, M = Moderate, N = Negligible or Low.

Sources: The Government and ADB

Financial Management Assessment Questionnaire**I. Ministry of Economic and Finance****Project Coordination and Monitoring Unit (PCMU)**

Topic	Response	Remarks
1. Executing Agency		
1.1 What is the entity's legal status/registration?	MEF, the proposed executing agency, is one of the line ministries of the Royal Government of Cambodia. Multilateral Cooperation 1, which is administering ADB-funded project within MEF, is under Department of Cooperation and Debt Management of MEF.	
1.2 Has the entity implemented an externally-financed project in the past (if so, please provide details)?	Yes, it has. It manages all of ADB-financed projects including the ongoing and the proposed Flood Emergency Rehabilitation Project.	
1.3 What are the statutory reporting requirements for the entity?	The statutory reporting requirements for the entity is determined by the Prime Minister. The reports may include the receipts of and uses of fund under the Financial Monitoring Report.	
1.4 Is the governing body for the project independent?	Yes, it is.	
1.5 Is the organizational structure appropriate for the needs of the project?	Yes, it is.	
2. Fund 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.	The flow of funds for project from ADB, government, and other financiers to the RGC and the EA/IA will be specified in the Project Administration Manual based on the nature of the projects.	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes, they are.	
2.3 What have been the major problems in the past in receipt of funds by the entity?	There have been no major problems in the past in receipt of funds by the entity.	
2.4 In which bank will the Imprest Account be opened?	The banks are accepted by ADB and MEF, the National Bank of Cambodia (NBC).	

Topic	Response	Remarks
2.5 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes, it does, but somewhat limited and need more guidelines, especially in preparing project financial statements.	
2.7 Does the entity have/need a capacity to manage foreign exchange risks?	No, it doesn't since most financial transactions will be in USD. If ADB provides training on this matter, the concerned project staffs will attend it.	
2.8 How are the counterpart funds accessed?	The counterpart funds can be accessed through MEF as a borrower will finance the project in accordance with the loan agreement.	
2.9 How are payments made from the counterpart funds?	The payments are processed as specified in the arrangements between PIU and MEF. PIU processes the payments for its management's approval to be made from the counterpart bank account with NBC or directly by the Ministry of Economy and Finance.	
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?	NA since the Project will not directly involve NGOs in its operation.	
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 they aren't.	
3. Staffing		
3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	Determined by MEF	
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.	The proposed staff shall be from MEF – please list the names of account staffs that will be assigned to the project, and attach their TORs.	
3.3 Is the project finance and accounting function staffed adequately?	Yes, it is.	

Topic	Response	Remarks
3.4 Is the finance and accounts staff adequately qualified and experienced?	They are of somewhat limited qualifications and work experience. They need more guidance in preparing project financial statements.	
3.5 Is the project accounts and finance staff trained in ADB procedures?	Yes, they are, but need more guidelines in preparing annual project financial statements.	
3.6 What is the duration of the contract with the finance and accounts staff?	The counterpart staff are assigned to work for the whole period of the project based on MEF's Prakas	
3.7 Indicate key positions not contracted yet, and the estimated date of appointment.	National Financial Management Consultant for the whole period of the project to be recruited to support the accounting staffs	
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?	Yes, it does – list and attach TORs of all related staff.	
3.11 At what frequency are personnel transferred?	Rarely	
3.12 What is training policy for the finance and accounting staff?	The concerned staffs are encouraged to attend the training/workshops on Financial Management or Loan Disbursement conducted by ADB or MEF.	
4. Accountings 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, it can be functioned as questioned, but it is out of dated. It was procured from the previous project. The project will use it, but it requests that it be updated.	
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes, they are.	
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes, they are.	

Topic	Response	Remarks
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes, they are.	
4.5 Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes, they are.	
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes, they are as stipulated in Financial Management Man (FMM) and loan disbursement.	
Segregation of Duties		
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, they are.	
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes, they are.	
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes, they are prepared by Project Officer, Reviewed by chief Multilateral Cooperation Division 1, and Approved by Deputy Director General.	
Budgeting System		
4.10 Do budgets include physical and financial targets?	Yes, they are.	
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes, they are.	
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes, they are, but not comprehensive. Staff needs more training in preparing proper annual financial statements.	
4.13 Are approvals for variations from the budget required in advance or after the fact?	Not sure	

Topic	Response	Remarks
4.14 Who is responsible for preparation and approval of budgets?	The head of the entity is responsible for approval while person in charge of finance is responsible for preparation.	
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, they are.	
4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes, they are.	
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, they do.	
4.18 Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes, they are.	
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Limited – further guidelines on proper internal control are required.	
Policies and Procedures		
4.20 What is the basis of accounting (e.g., cash, accrual)?	Cash Accounting will be when involving with advances.	
4.21 What accounting standards are followed?	Cambodian Accounting Standard	
4.22 Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes, it does – but limited. – further guidelines on proper internal control are required	

Topic	Response	Remarks
4.23 Is the accounting policy and procedure manual updated for the project activities?	Financial Management Manual for externally financed project developed by MEF, ADB and the World Bank. Further updated and manuals are required.	
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, they do.	
4.25 Are there written policies and procedures covering all routine financial management and related administrative activities?	No.	
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, they are.	
4.27 Are manuals distributed to appropriate personnel?	Yes, they are if any.	
Cash and Bank		
4.28 Indicate names and positions of authorized signatories in the bank accounts.	Project Director or any other senior positions to be determined by MEF as guided by PAM	
4.29 Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes, it does.	
4.30 Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes, they are.	
4.31 Are bank and cash reconciled on a monthly basis?	Yes, they are.	
4.32 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes, they are.	
4.33 Are all receipts deposited on a timely basis?	Yes, they are.	

Topic	Response	Remarks
<i>Safeguard over Assets</i>		
4.34 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes, there is, but limited and need more manuals.	
4.35 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes, they are.	
4.36 Are there periodic physical inventories of fixed assets and stocks?	Not sure.	
4.37 Are assets sufficiently covered by insurance policies?	Not sure.	
<i>Other Office and Implementing Entities</i>		
4.38 Are there any other regional offices or executing entities participating in implementation?	Yes, there are: MOWRAM, MPWT and MOA.	
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 – but need more manuals to improve them	
4.40 Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Not sure – need to study this in greater details	
4.41 Are periodic reconciliations performed among the different offices/implementing agencies?	Not sure – need to study this in greater details	
<i>Other</i>		
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, it has.	
5. Internal Audit		
5.1 Is there an internal audit department in the entity?	Yes, there is – explain what institutions/department are responsible for this?	

Topic	Response	Remarks
5.2 What are the qualifications and experience of audit department staff?	Explain the qualifications and experience of audit department staff !	
5.3 To whom does the internal auditor report?	The internal auditor reports to the Minister.	
5.4 Will the internal audit department include the project in its work program?	Not sure – need further studies on this.	
5.5 Are actions taken on the internal audit findings?	Not sure – need further studies on this.	
6. External Audit		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, annually by PWC, KPMG, or EY, recruited by MEF.	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	No, they aren't. The audit reports are issued before the deadline as stipulated in the loan agreement.	
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?	Yes, it is.	
6.4 Were there any major accountability issues brought out in the audit report of the past three years?	No, there weren't.	
6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Yes, another auditor will be appointed to audit the project financial statements.	
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No, there aren't.	
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, it is. However, the SAI has not been involved in auditing donor funded projects.	
6.8 Has the project prepared acceptable terms of reference for an annual project audit?	Yes, it has, still being updated.	
7. Reporting and Monitoring		
7.1 Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes, they are, but in accordance with the loan agreement.	

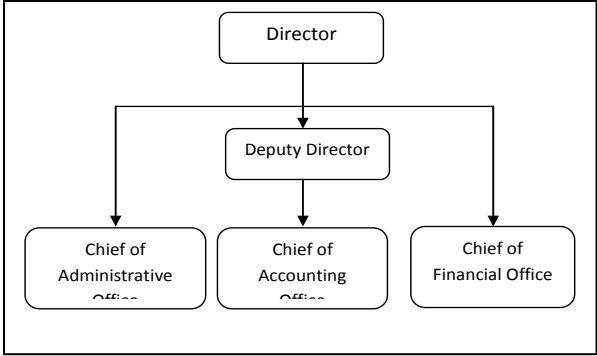
Topic	Response	Remarks
7.2 Are financial statements prepared for the implementing unit?	Yes, they are.	
7.3 What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	The financial statements can be prepared monthly, quarterly, or annually. Yes, they are.	
7.4 Does the reporting system need to be adapted to report on the project components?	Yes, it is if necessary.	
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?	No, it doesn't	
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, it does, but limited	
7.7 Are financial management reports used by management?	Yes, they are.	
7.8 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes, they do.	
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	The financial reports are prepared by Spreadsheet.	
8.1 Information System		
8.1 Is the financial management system computerized?	Yes	
8.2 Can the system produce the necessary project financial reports?	Yes, it can.	

Topic	Response	Remarks
8.3 Is the staff adequately trained to maintain the system?	No	
8.4 Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Yes, it does.	

II. Ministry of Water Resources and Meteorology (MOWRAM)
(one of the three Implementing Agencies)

Topic	Response	Remarks
1. Implementing Agency		
1.1 What is the entity's legal status / registration?	Project Management Unit of Flood Damage Emergency Reconstruction Project (FDERP)	
1.2 Has the entity implemented an externally-financed project in the past (if so, please provide details)?	Not	
1.3 What are the statutory reporting requirements for the entity?	The PMU was establish No. 027 dated 16 th January 2012 with 3 article consist of 22 staffs including, one project director and one project manager.	
1.4 Is the governing body for the project independent?	The body is the independent project	
1.5 Is the organizational structure appropriate for the needs of the project?	The organizational structure appropriate for the needs of the project, because the following structure: 1- Project Director One Person 2- Project Manager One Person 3- FWUC Officer One Person with 4 assistants 4- Technical Officer One Person with 8 assistants 5- Proc. Officer One Person with 1 assistant 6- Admin. Officer One Person with 1 assistant 7- Financial Officer One Person with 1 assistant	
2.1 Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	<pre> graph TD PDWRM[PDWRM] --> PMU[PMU/MOWR] PMU --> MEF[MEF] MEF --> NBC[NBC] NBC -.-> RGC1([RGC Account Manage by]) RGC1 --> MEF_FDERP([MEF-FDERP Project Account]) MEF_FDERP --> Petty[Petty] MEF_FDERP --> MOWRAM_FDERP([MOWRAM-FDERP Account with NBC Incremental Operating]) MEF_FDERP --> DirectPayment([Direct Payment to Contractor/Supplier/Consultants/Service Provider]) MOWRAM_FDERP -.-> RGC2([RGC Account Manage by]) </pre>	

Topic	Response	Remarks
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	With the Fund Flow Mechanism, we think going smooth	
2.3 What have been the major problems in the past in receipt of funds by the entity?	Not have problem yet	
2.4 In which bank will the Imprest Account be opened?	NBC/FTB	
2.5 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	The Unit was experience with Government, WB and ADB fund.	
2.7 Does the entity have/need a capacity to manage foreign exchange risks?	Need a capacity to manage foreign exchange risk	
2.8 How are the counterpart funds accessed?	Flexible to procedure of Cambodia Government and ADB or other partner	
2.9 How are payments made from the counterpart funds?	Flexible to procedure of Cambodia Government and ADB or other partner (pay by implementation agency OR MEF)	
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?	If so, the PMU need the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies	
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?	There is contribution from beneficiaries (labors), but it was not have guideline to record and value of labor contribution.	

Topic	Response	Remarks
3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	 <pre> graph TD Director[Director] --> DeputyDirector[Deputy Director] DeputyDirector --> ChiefAdmin[Chief of Administrative Services] DeputyDirector --> ChiefAccounting[Chief of Accounting Services] DeputyDirector --> ChiefFinance[Chief of Financial Office] </pre>	
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.	Need data on these	
3.3 Is the project finance and accounting function staffed adequately?	No, inadequate and need supports	
3.4 Is the finance and accounts staff adequately qualified and experienced?	The quality and experience of staff still limited and please help for strengthening the knowledge	
3.5 Is the project accounts and finance staff trained in ADB procedures?	Yes, have training with ADB procedure	
3.6 What is the duration of the contract with the finance and accounts staff?	Flexible to project's duration	
3.7 Indicate key positions not contracted yet, and the estimated date of appointment.	Support Staff are still not contract yet	
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?	Yes, it does	
3.11 At what frequency are personnel transferred?	Seldom	
3.12 What is training policy for the finance and accounting staff?	The training policy for the finance and accounting staff is to properly work with all donor, including World Bank, Government, Asian Development Bank extc.	

Topic	Response	Remarks
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?	Quick Book/ Peach Tree for project only	
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Need the consultant to help for ensuring transactions are correctly made and adequately explained	
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Need the consultant to help for properly account for and report on project activities and disbursement categories	
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?	Need the consultant for further improvements especially for new staff	
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes, all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access	
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?	(I) (II) &(III) will respond by one unit	
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes, appropriately segregated	
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes	
4.10 Do budgets include physical and financial targets?	Yes	

Topic	Response	Remarks
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes, but need helps to improve them	
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes, but need helps to improve them, especially to properly produce financial statements.	
4.13 Are approvals for variations from the budget required in advance or after the fact?	For variations from the budget required are approvals after the fact (in advance or)	
4.14 Who is responsible for preparation and approval of budgets?	Financial Staff responsible prepared the budget and project manager and director will checking and approve it.	
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, but need further improvements	
4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes, but need further improvements	
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, but need further improvements	
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, but need further improvements	
4.20 What is the basis of accounting (e.g., cash, accrual)?	cash	

Topic	Response	Remarks
4.21 What accounting standards are followed?	The National Accounting Council has issued Cambodian Standards on Auditing. There is no legislation establishing which audit standards to apply for statutory audits. (Report on Observance of Standards and Codes (ROSC) Cambodia: Accounting and Auditing, May 15, 2007)	
4.22 Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes, but need further improvements	
4.23 Is the accounting policy and procedure manual updated for the project activities?	Not yet	
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 The basic requirements for accounting, financial reporting, and auditing in Cambodia are set out in the Law on Commercial Enterprises (the Company Law) and the Law on Corporate Accounts, their Audit and the Accounting Profession adopted in 2002.	
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?		
4.27 Are manuals distributed to appropriate personnel?		
4.28 Indicate names and positions of authorized signatories in the bank accounts.		
4.29 Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?		
4.30 Do controls exist for the collection, timely deposit and recording of receipts at each collection location?		

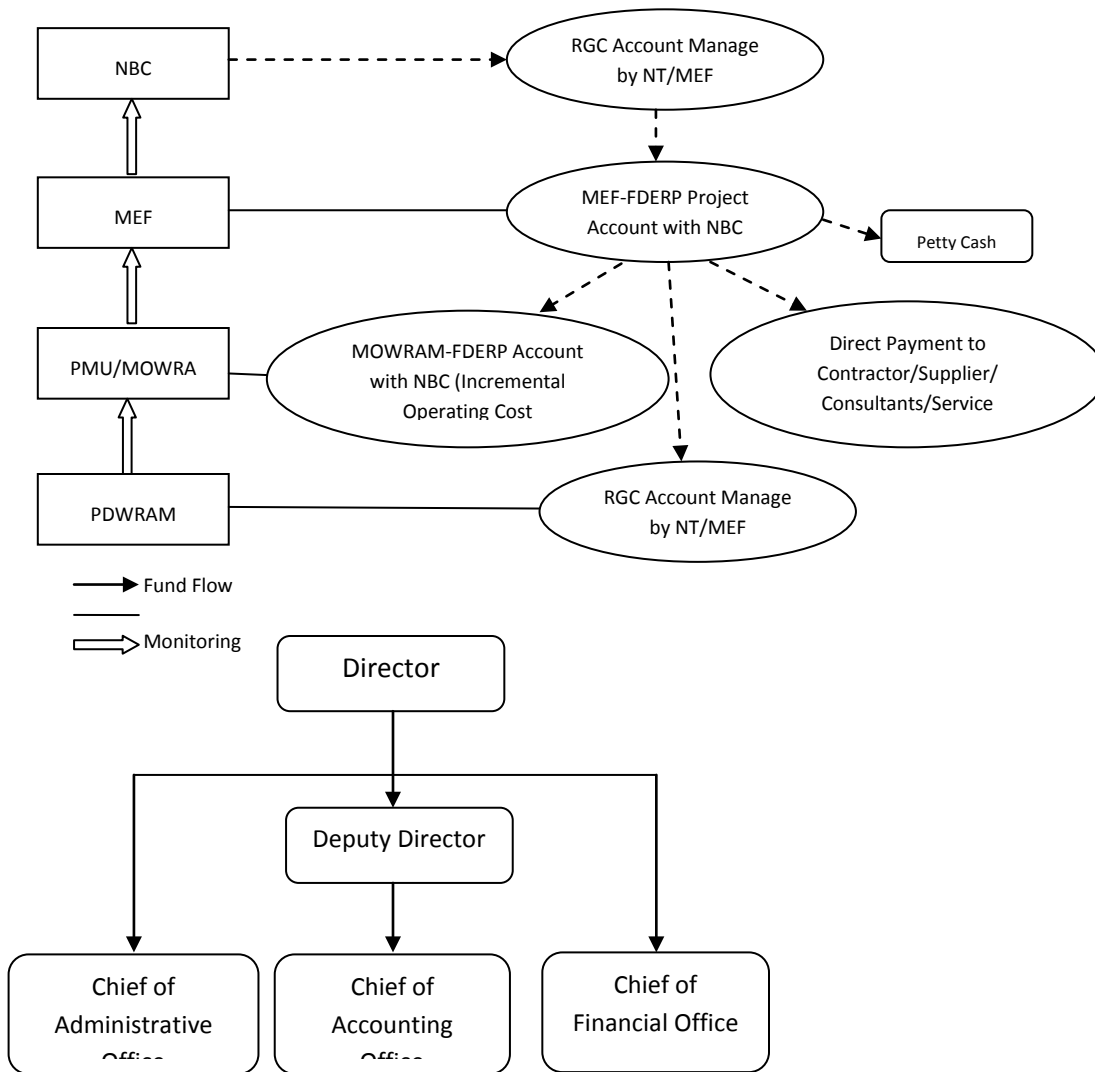
Topic	Response	Remarks
4.31 Are bank and cash reconciled on a monthly basis?		
4.32 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?		
4.33 Are all receipts deposited on a timely basis?		
4.34 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?		
4.35 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?		
4.36 Are there periodic physical inventories of fixed assets and stocks?		
4.37 Are assets sufficiently covered by insurance policies?		
4.38 Are there any other regional offices or executing entities participating in implementation?		
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?		
4.40 Does information among the different offices/implementing agencies flow in an accurate and timely fashion?		
4.41 Are periodic reconciliations performed among the different offices/implementing agencies?		
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?		

Topic	Response	Remarks
5. Internal Audit		
5.1 Is there an internal audit department in the entity?	Yes, there are	
5.2 What are the qualifications and experience of audit department staff?	Acceptable	
5.3 To whom does the internal auditor report?	Project Director and MEF	
5.4 Will the internal audit department include the project in its work program?		
5.5 Are actions taken on the internal audit findings?		
6. External Audit		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	In the past use independent audit to do in one a year.	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	there are some delay wit one month	
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?	Yes it is	
6.4 Were there any major accountability issues brought out in the audit report of the past three years?	One year only	
6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Only one auditor audit for both accounts and project financial statements.	
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	All recommendation made by auditor have implement accordingly.	
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?	It did not have any other auditor audit the subproject	
6.8 Has the project prepared acceptable terms of reference for an annual project audit?	Yes, it has	

Topic	Response	Remarks
7. Reporting and Monitoring		
7.1 Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes	
7.2 Are financial statements prepared for the implementing unit?	financial statements prepared as entire the project	
7.3 What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	The report do with the model develop by MEF and monthly report.	
7.4 Does the reporting system need to be adapted to report on the project components?	Yes, it is	
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?	It was not yet link.	
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?	The project is trying to have financial management report.	
7.7 Are financial management reports used by management?	Yes, it use by both manager and director	
7.8 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	It was compared, but not systematically.	
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	The financial reports prepared directly by the automated accounting system.	
8.1 Is the financial management system computerized?	?	

Topic	Response	Remarks
8.2 Can the system produce the necessary project financial reports?	?	
8.3 Is the staff adequately trained to maintain the system?	Still not so good	
8.4 Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Still under process to learn more on it.	

Fund Flow Mechanism



III. Ministry of Rural Development (MRD)**(One of the three IAs)**

Topic		Response	Remarks
1. Implementing Agency			
1.1	What is the entity's legal status / registration?	The legal entity is the entity that created by law	MRD
1.2	Has the entity implemented an externally-financed project in the past (if so, please provide details)?	Yes,	
1.3	What are the statutory reporting requirements for the entity?	The statutory reporting requirements for the entity are progress of works	
1.4	Is the governing body for the project independent?	Yes	
1.5	Is the organizational structure appropriate for the needs of the project?	The organizational structure is appropriate for the needs of the project	
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 in main text	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes	
2.3	What have been the major problems in the past in receipt of funds by the entity?	Delays in processing bidding documents and approval process	
2.4	In which bank will the Imprest Account be opened?	National Bank of Cambodia,	
2.5	Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes, the ongoing project	
2.7	Does the entity have/need a capacity to manage foreign exchange risks?	Yes, foreign exchange risks are managed by MEF.	
2.8	How are the counterpart funds accessed?	Through regular Government budget	

Topic	Response	Remarks
2.9 How are payments made from the counterpart funds?	Through regular fund flow of the Government	
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?	NGOs are not involved	
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	
3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	See Project Administration Manual	
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.	<p>- Nhem Sopheak, Financial Officer, Responsible for internal control the budget and disbursement of the project, MBA and par-time lecture of accounting and finance at NUM</p> <p>- Chum Bunneang, Assistant of Accountant /Cashier . Responsible for small payment in PMU and prepare the voucher</p>	
3.3 Is the project finance and accounting function staffed adequately?	The project finance and accounting function is staffed adequately	
3.4 Is the finance and accounts staff adequately qualified and experienced?	Yes, The finance and accountants staff is adequately qualified and experience	
3.5 Is the project accounts and finance staff trained in ADB procedures?	Yes, the finance staff is jointed in the training workshop on Loan Disbursement but accountant have not joint yet.	
3.6 What is the duration of the contract with the finance and accounts staff?	3 Years	
3.7 Indicate key positions not contracted yet, and the estimated date of appointment.	None - will continue working with the staff of the ongoing project.	

Topic	Response	Remarks
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?	Yes, they have written job description.	
3.11 At what frequency are personnel transferred?	Seldom	
3.12 What is training policy for the finance and accounting staff?	Financial Manual and Policy for the projects funded by ADB	
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?	No, It has not, just used accounting software for recording of the project financial transaction such as Quick book. The project proposed to use the accounting system that have standardized.	
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are made and adequately explained?	Yes, but need improvements	
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	I think that the chart of account is very importance for Flood emergency project. Because this project are implemented by line ministries so the project should have standard of chart account to transaction.	
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, will be	
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes, all accounting and supporting documents should retained on a permanent basis in a defined system.	

Topic	Response	Remarks
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?	(i) the authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction are performed by different persons	
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	the function of ordering, receiving, accounting for and paying for goods and service are segregated appropriately	
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes, Bank reconciliation should be prepared by finance or accountant	
4.10 Do budgets include physical and financial targets?	Yes, but need improvements	
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes, the budgets are prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance.	
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes, the actual expenditures are compared to the budget planned.	
4.13 Are approvals for variations from the budget required in advance or after the fact?	In advance	
4.14 Who is responsible for preparation and approval of budgets?	Project Director and Manager	
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, to make a plan of project activities and prepare the budget, it's need collect information from the different units in the entity	
4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes, the project plans and budget of project activities realistic are based on the activities and procedure of preparation of the budget such as up-down, bottom-up and participatory.	

Topic	Response	Remarks
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, are done follow this process.	
4.18 Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes, all invoices are stamped PAID, dated, signature of buyer and seller.	
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes,	
4.20 What is the basis of accounting (e.g., cash, accrual)?	Cash basis / verify cash basis	
4.21 What accounting standards are followed?	Cambodian Accounting Standard	
4.22 Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	No, need more guidelines	
4.23 Is the accounting policy and procedure manual updated for the project activities?	No	
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?	No	
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?	No	

Topic	Response	Remarks
4.27 Are manuals distributed to appropriate personnel?	No	
4.28 Indicate names and positions of authorized signatories in the bank accounts.	Fill this	
4.29 Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	No	
4.30 Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes, but need further improvements	
4.31 Are bank and cash reconciled on a monthly basis?	Yes. Bank reconciled must be made monthly	
4.32 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes, but need manual to guide them better	
4.33 Are all receipts deposited on a timely basis?	Yes,	
4.34 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	No	
4.35 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes, but need further improvements	
4.36 Are there periodic physical inventories of fixed assets and stocks?	Yes, but need further improvements	
4.37 Are assets sufficiently covered by insurance policies?	No - check	
4.38 Are there any other regional offices or executing entities participating in implementation?	Yes – provincial and district offices	
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?	No, I have not.	

Topic	Response	Remarks
4.40 Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Yes, but need further improvements	
4.41 Are periodic reconciliations performed among the different offices/implementing agencies?	Yes, but need further improvements	
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?	No – need manual to implement good governance	
5. Internal Audit		
5.1 Is there an internal audit department in the entity?	Yes	
5.2 What are the qualifications and experience of audit department staff?	Educational background that relate to accounting and finance of staff. Duration of work that relate to audit, accounting and finance	
5.3 To whom does the internal auditor report?	Minister	
5.4 Will the internal audit department include the project in its work program?	Yes, but need further improvements to monitor the progress	
5.5 Are actions taken on the internal audit findings?	No	
6. External Audit		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	The entity financial statement is audited regularly by private auditors recruited by the Ministry of Economy and Finance. The NAA is not involved	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Yes, for some projects	
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?	Yes, but need improvements	

Topic	Response	Remarks
6.4 Were there any major accountability issues brought out in the audit report of the past three years?	No	
6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Yes, the entity auditor will audit to project account or project financial statements	
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	Yes, there are some recommendations from auditor – checks the ones not implemented and explain the reasons.	
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, the project subject to audit from an independent government entity such as National Audit Authority – but the country system is not followed yet. Further guidance is required to involve NAA in audit process	
6.8 Has the project prepared acceptable terms of reference for an annual project audit?	Yes, the draft is being discussed with MEF	
7. Reporting and Monitoring		
7.1 Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes, the basic requirements for accounting, financial reporting, and auditing in Cambodia are set out in the Law on Commercial Enterprises (the Company Law) and the Law on Corporate Accounts, their Audit and the Accounting Profession adopted in 2002.	
7.2 Are financial statements prepared for the implementing unit?	Yes,	
7.3 What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Monthly. Annually	
7.4 Does the reporting system need to be adapted to report on the project components?	Yes, but need manuals to help EA/IAs prepare these properly.	

Topic	Response	Remarks
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?	No – manuals are required to help EA and IAs deal with these	
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?	No – further improvements are required	
7.7 Are financial management reports used by management?	Yes. The financial management reports are used by management for decision making.	
7.8 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes, the financial report must be compared actual expenditure with budgeted allocations	
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Yes, the financial reports are prepared directly by the automated accounting system or prepared by spreadsheets	
8.1 Is the financial management system computerized?	Yes, the financial management system is computerized	
8.2 Can the system produce the necessary project financial reports?	Yes.	
8.3 Is the staff adequately trained to maintain the system?	No	
8.4 Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Yes, but need improvements	

IV. Ministry Public Works and Transport (MPWT)
(one of the three Implementing Agencies, IAs)

Topic	Response	Remarks
1. Implementing Agency		
1.1 What is the entity's legal status/registration?	MPWT is one of the line ministries of the Royal Government of Cambodia. GDPW is one of the general departments under MPWT. GDPW is in charge of the orientation, advice, follow up and control of the construction, repairing and maintenance of the road, bridge infrastructure	
1.2 Has the entity implemented an externally-financed project in the past (if so, please provide details)?	Yes, it has. It manages a couple of externally financed projects such as Flood Emergency Rehabilitation Project and Provincial and Rural Infrastructure Project which were financed by the World Bank; and Flood Damage Emergency Reconstruction Project. These projects involved in road rehabilitation and periodic maintenance.	
1.3 What are the statutory reporting requirements for the entity?	The statutory reporting requirements for the project must be determined by the loan agreement. The reports may include the receipts of and uses of fund under the Financial Monitoring Report.	
1.4 Is the governing body for the project independent?	Yes, it is.	
1.5 Is the organizational structure appropriate for the needs of the project?	Yes, it is.	
2. Fund 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.	The flow of funds for project from ADB, government, and other financiers to the RGC and the EA/IA will be specified in the Project Administration Manual based on the nature of the projects.	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	Yes, they are.	
2.3 What have been the major problems in the past in receipt of funds by the entity?	There have been no major problems in the past in receipt of funds by the entity.	

Topic	Response	Remarks
2.4 In which bank will the Imprest Account be opened?	The banks are accepted by ADB and MEF such as the National Bank of Cambodia (NBC) and Foreign Trade Bank (FTB)	
2.5 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes, it does, but somewhat limited and need further guidance and manuals	
2.7 Does the entity have/need a capacity to manage foreign exchange risks?	No, it doesn't since all of the financial transactions will be in USD. If ADB provides a training on this matter, the concerned project staffs will attend it.	
2.8 How are the counterpart funds accessed?	The counterpart funds can be accessed through MEF as a borrower will finance the project in accordance with the loan agreement.	
2.9 How are payments made from the counterpart funds?	The payments are processed as specified in the arrangements between PIU and MEF. PIU processes the payments for its management's approval to be made from the counterpart bank account with NBC or directly by the Ministry of Economy and Finance.	
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?	No, NGOs are not involved	
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 they aren't.	
3. Staffing		
3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	Determined by MPWT and see details in PAM	
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.	The proposed staff shall be from Road Infrastructure Department of MPWT.	

Topic	Response	Remarks
3.3 Is the project finance and accounting function staffed adequately?	Yes, it is.	
3.4 Is the finance and accounts staff adequately qualified and experienced?	They are of somewhat limited qualifications and work experience.	
3.5 Is the project accounts and finance staff trained in ADB procedures?	Yes, they are.	
3.6 What is the duration of the contract with the finance and accounts staff?	The counterpart staff are assigned to work for the whole period of the project based on MPWT's Prakas	
3.7 Indicate key positions not contracted yet, and the estimated date of appointment.	National Financial Management Consultant for the whole period of the project to be recruited to support the accounting staffs	
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?	Yes, it does.	
3.11 At what frequency are personnel transferred?	Rarely	
3.12 What is training policy for the finance and accounting staff?	The concerned staffs are encouraged to attend the training/workshops on Financial Management or Loan Disbursement conducted by ADB or MEF.	
4. Accountings 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, it can be functioned as questioned, but it is out of dated. It was procured from the previous project. The project will use it, but it requests that it be updated.	
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes, they are.	

Topic	Response	Remarks
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes, they are.	
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes, they are.	
4.5 Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes, they are.	
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes, they are as stipulated in FMM and loan disbursement.	
Segregation of Duties		
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, they are.	
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes, they are.	
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes, they are prepared by Finance Officer, Endorsed by Project Manager, and Approved by Project Director.	
Budgeting System		
4.10 Do budgets include physical and financial targets?	Yes, they are.	
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes, they are.	
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes, they are.	

Topic	Response	Remarks
4.13 Are approvals for variations from the budget required in advance or after the fact?	Not sure	
4.14 Who is responsible for preparation and approval of budgets?	The head of the entity is responsible for approval while person in charge of finance is responsible for preparation.	
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, they are.	
4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes, they are.	
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, they do.	
4.18 Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes, they are.	
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes, they do and yes, they are.	
Policies and Procedures		
4.20 What is the basis of accounting (e.g., cash, accrual)?	Cash accounting is transactions and other events are recognized when cash or its equivalent is received or paid while accrual accounting is transaction and other events are recognized when they occur (and not when cash or its equivalent is received or paid). Also, Modified Cash Accounting will be when involving with advances.	

Topic	Response	Remarks
4.21 What accounting standards are followed?	Cambodian Accounting Standard	
4.22 Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes, it does.	
4.23 Is the accounting policy and procedure manual updated for the project activities?	Financial Management Manual for externally financed project developed by MEF, ADB and the World Bank.	
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, they do.	
4.25 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes, they are.	
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, they are.	
4.27 Are manuals distributed to appropriate personnel?	Yes, they are if any.	
Cash and Bank		
4.28 Indicate names and positions of authorized signatories in the bank accounts.	Project Director or any other senior positions to be determined by PAM	
4.29 Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes, it does.	
4.30 Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Yes, they are.	
4.31 Are bank and cash reconciled on a monthly basis?	Yes, they are.	
4.32 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes, they are.	

Topic	Response	Remarks
4.33 Are all receipts deposited on a timely basis?	Yes, they are.	
Safeguard over Assets		
4.34 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes, there is.	
4.35 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes, they are.	
4.36 Are there periodic physical inventories of fixed assets and stocks?	Not, sure.	
4.37 Are assets sufficiently covered by insurance policies?	Yes, if required by the loan agreement and allowed by MEF.	
Other Office and Implementing Entities		
4.38 Are there any other regional offices or executing entities participating in implementation?	Yes, there are.	
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, but need improvements	
4.40 Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Yes, but need improvements	
4.41 Are periodic reconciliations performed among the different offices/implementing agencies?	Yes, but need improvements	
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, it has. but need improvements	
5. Internal Audit		
5.1 Is there an internal audit department in the entity?	Yes, there is. but need improvements	

Topic	Response	Remarks
5.2 What are the qualifications and experience of audit department staff?	The staff of the audit department of MPWT has limited qualifications and work experience.	
5.3 To whom does the internal auditor report?	The internal auditor reports to the Minister.	
5.4 Will the internal audit department include the project in its work program?	No, it won't since there will be the External Auditor	
5.5 Are actions taken on the internal audit findings?	No data	
6. External Audit		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, annually by PWC, KPMG, or EY.	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	No, they aren't. The audit reports are issued before the deadline as stipulated in the loan agreement.	
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?	Yes, it is.	
6.4 Were there any major accountability issues brought out in the audit report of the past three years?	No, there weren't.	
6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Yes, external auditor will be appointed to audit the project financial statements.	
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No, there aren't.	
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, it is, but the country system is not implemented yet. NAA needs capacity building before it may be involved in auditing ADB funded projects	
6.8 Has the project prepared acceptable terms of reference for an annual project audit?	Yes, it has, but the TOR is being updated.	
7. Reporting and Monitoring		
7.1 Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes, they are, but in accordance with the loan agreement.	

Topic	Response	Remarks
7.2 Are financial statements prepared for the implementing unit?	Yes, they are.	
7.3 What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	The financial statements can be prepared monthly, quarterly, or annually. Yes, they are.	
7.4 Does the reporting system need to be adapted to report on the project components?	Yes, it is if necessary.	
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?	No, it doesn't	
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, it does, but limited	
7.7 Are financial management reports used by management?	Yes, they are.	
7.8 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes, they do.	
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	The financial reports are prepared by Spreadsheet.	
8.1 Information System		
8.1 Is the financial management system computerized?	Yes, but outdated	
8.2 Can the system produce the necessary project financial reports?	Yes, it can but limited.	

Topic	Response	Remarks
8.3 Is the staff adequately trained to maintain the system?	They are limited to do this.	
8.4 Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Yes, it does.	