FINANCIAL MANAGEMENT ASSESSMENT

I.   Objective and Purpose

1.   The primary objective of the financial management process is to optimize the financial and economic benefits of an investment. Financial management encompasses financial planning, programming, accounting, reporting, auditing, funding, organization and personnel of a project, Executing Agency (EA) or Implementing Agency (IA). Both the EA and IA should plan, develop and maintain financial management systems that can provide timely and reliable information suitable for monitoring the project's EA's and IA's progress towards ADB agreed objectives.

2.   As a project financier, ADB is governed by its Charter which requires that; (i) in making a loan or grant it shall take necessary measures to ensure that the proceeds of any loan or grant shall only be used for the intended purpose with due attention to considerations of economy and efficiency. In the case of a loan, the Charter requires that borrower will be able to meet its obligations under the loan agreement.

3.   To meet the requirements of the Charter, it is necessary to demonstrate that the project is financially viable and sustainable, in the case of a revenue generating project or financially sustainable in the case of a non-revenue generating project. Furthermore, it is necessary to assess from the borrower/grantee's perspective that its financial management systems and controls are in place to ensure that the funds will be utilized for the intended purpose and support monitoring and supervision of the project.

4.   The financial management assessment (FMA) has been carried out of the EA and IA in accordance with ADB's *Financial Management and Analysis of Projects, 2005, Financial Management Technical Guidance Note, 2015* and *Financial Due Diligence, A Methodology Note, 2009*. The Financial Management and Analysis of Projects, 2005, state that "the FMA is not an audit but a review designed to determine whether the entity's financial management arrangements are sufficient for the purposes of project implementation".

5.   The FMA was undertaken as follows: (i) the financial management assessment questionnaire (FMAQ) contained in the above ADB guidelines was administered to the EA and IA to elicit information and responses; (ii) analysis of the responses and potential risks; (iii) identify ways of mitigation of risks (if any).

II.   Public Financial Management (PFM) Initiatives in the FSM and RMI

6.   FSM/RMI public financial management (PFM) is based on the basic legislative framework under the FSM and RMI Code/s. The Code in each jurisdiction covers basic executive, legislative and judicial procedures and has a separate chapter on financial management, also referred to as the Financial Management Acts of FSM and RMI.

7.   PFM reviews have been done by PEFA[1] for FSM in 2013 and RMI in 2012. PEFA is methodology for assessing public financial management performance. The reviews are carried

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[1] Under the PEFA framework, performance is assessed in relation to seven dimensions of public financial management: credibility of the budget; comprehensiveness and transparency; degree to which the budget is prepared with due regard to government policy; predictability and control in budget execution; accounting, recording and reporting; external scrutiny and audit operations; appropriateness of development partner practices in country; and intergovernmental fiscal relationships.

out by the PEFA Secretariat, which is part of the World Bank. The PEFA program is managed by seven international development partners; World Bank, IMF, European Commission and the governments of France, Norway, Switzerland and the U.K.

8.   PEFA reports for FSM and RMI were issued in 2013 and 2012 respectively. The conclusions reached for both countries are similar and are as follows. (**i**) *budget credibility.* The budget is the mechanism for controlling expenditure and estimating income and implementing the budget as planned is important in delivering the government's policy objectives. The PEFA report concludes that on average, budgeted revenues have been conservative and actual revenues have exceeded the budget. **(ii)** *accounts payable settlement.* Although both FMIS report outstanding payables by 30, 60, 90 days, there is evidence that this information is not used systematically resulting in payment of bills exceeding 30 days in some instances. The FSM/RMI Code requires settlement within 30 days, (**iii**) *fiscal risk from SoE, other States and local government.* In both FSM and RMI, there is no central agency or central agency that provides oversight on Shoes and potential fiscal risks. The same holds true for each State in the FSM which have separate Constitutions and are entitled to borrow without informing the national government. In practice, FSM national government does not actively monitor the State's fiscal position. In RMI, local governments are not required to send fiscal information to the national government and therefore no monitoring is done. (*iv) lack of multi-year fiscal perspective.* In FSM, the Strategic Development Program contains sector goals, strategies, outcomes and activities but is not updated nor costed. In RMI, the Medium-Term Budget and Investment Framework (MTBIF), covering a 5-year period into the future is prepared by the Economic Policy, Planning & Statistics Office (EPPSO) under the Office of the President. The MTBIF is not used during the budget process. *(v) effectiveness of payroll controls.* In FSM line departments maintain personnel records and employees submit timesheets to the DoFA payroll office although these three sets of databases are not reconciled. The same is true for RMI. The public sector payroll is maintained by the MoF, the personnel records by the line ministries and structure for all posts by the Public Services Commission (PSC). Since the three databases are separate changes to employee records take time to be done on all three. The internal control environment at the payroll section of MoF has not been tested and there are issues regarding lack of segregation of duties. *(vi) Inadequacy of the account reconciliation process.* The discipline of regular reconciliation, clearing of suspense and advance accounts is not prevalent in both countries. Often reconciliations are left till the year end which delays the finalization of accounts. *(vii) inadequacy of periodic reporting.* Although the FMIS produces budget versus actual variance reports these are not reported to the line departments/ministries either DoFA or MoF. The State finance does not report to the State departments either.

9.   In May 2016, the Graduate School, U.S.A fielded a team of Consultants to carry out a broad level assessment of MoF. The report is still in Draft form but it is pertinent to highlight the three highest risks that they have identified in terms of PFM at MoF;
- Management deficiencies, staff turnover/vacancies and staff morale;
- Compelling need for acquisition of FMIS, as the new owners do not seem in supporting the product or improving it;
- Slipping deadlines for the completion of audit.

III.   Financial Management Assessment of the Executing Agencies (EA)

10.   The Department of Finance and Administration (DoFA) of FSM and the Ministry of Finance (MoF) of RMI are the executing agencies (EA) for the project. The Secretaries of Finance of DoFA and MoF are the chief accounting officers and are responsible for the

collection, disbursement and accounting of public funds. They are accountable to their respective Ministers of Finance. The EAs are responsible for the management of all government funds including the General Fund, grant funds and the Compact Trust Fund (CTF). The General Fund comprises of tax and non-tax revenue collections and budget appropriations for government expenditure. Grant funds comprise of U.S Federal grants, Compact sector grants and grants from other donors. The CTF is a fiduciary fund with restricted use until 2023 when the Compact ends.

11.   In the FSM, reporting to the Secretary of Finance are assistant secretaries heading the departments of (i) budget and economic management; (ii) treasury; (iii) customs and tax; (iv). investment; and (v) personnel. The treasury division oversees accounting and reporting and consists of separate sub-divisions for accounts payable, accounts receivable, payroll, reconciliation, travel advances, IT and three field offices in the States of Chuuk, Kosrae and Yap.

12.   In RMI, reporting to the Secretary of Finance are four assistant secretaries for; (i) accounting and administration; (ii) budget and procurement; (iii) treasury, taxation, revenue and customs; (iv) Ebeye MoF office and (v) international development. The accounting and administration department is comprised of two main sections, the Chief Accountant's section and the IT/FMIS administrator. The Chief Accountant has Accounts receivable and accounts payable sections in addition to the payroll sections reporting to him. In addition, there is a separate "reconciliation" section which undertakes bank reconciliations and other general ledger reconciliations with subsidiary ledgers. The international development (previously grant writing office) is responsible for a coordinating role with bi-lateral and multi-lateral agencies for funding assistance.

A.   Findings of the Financial Management Assessment (FMA)

13.   **Financial system**. DoFA in FSM (including States) uses the FundWare financial management information system (FMIS) and in RMI, MoF uses the 4Gov FMIS for recording and reporting transactions. Both FundWare and 4Gov are windows-based modular FMIS which have been used for the past ten years or so and both FSM and RMI are considering the migration in to more advanced and user-friendly FMIS. The FMIS uses the U.S Government Accounting Standards[2], is a double entry based general ledger system with accompanying subsidiary ledgers. The FMIS is in effect a modified double entry accounting system with receipts being posted on an actual basis when received and payments based on accrual accounting. It is not possible to accrue receipts hence the modified double entry system in operation. The FMIS consists of several modules for accounts payable, procurement (purchase requisitions and purchase orders), payroll, inventory, cash receipts and budget. Reports can be produced of at any time of the budget and cumulative spend to date. The cumulative spend cannot exceed the budget. Certain modules which should be used such as bank reconciliation and fixed assets are used due to the lack of knowledge on their use and the functions are being done manually, off-system which is inefficient and error-prone.

14.   DoFA and MoF do not have active vendor support for the FMIS software as it once did in the past due to staffing changes at the vendor. Many staff have not been trained in using the FMIS's functions to the fullest and therefore, much time and effort is spent on off-system work. Given the age of the systems, DoFA and MoF are considering replacement. MoF is taking account of the recommendations from the US Graduate School Report of 2016, is considering replacing the FMIS which requires careful planning and continued assistance to ensure that

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[2] A requirement by the U.S due to substantial grant funding under the Compact.

hardware is purchased, staff properly trained and current FMIS data carefully transferred to the new system.

15.   Many hundreds of Journal entries are posted on an annual basis. Journal entries are used to make corrections and account for items such as bank charges or depreciation and should be few. This large number of journal entries indicates that there is an issue in incorrect data entry postings. The chart of accounts is lengthy and alpha-numeric (in the case of MoF) which too may be contributing to the number of errors.

16.   **Financing reporting.** The FMIS can produce periodic budget and expenditure to date by each type of fund such as General Fund, Compact etc. However, this information is not regularly extracted and given to the various ministries and discussed as part of routine management meetings. Instead each ministry is allowed one fourth of the annual budget on a quarterly basis. Periodic progress financial reporting to management is minimal. At the end of the Financial Year (FY), a Trial Balance is obtained from the FMIS and once all reconciliations are complete is handed over to Deloitte who does the preparation and audit of the final government financial statements. This is unusual as the auditor prepares as well as audits the financial statements, but has been the practice for many years.

17.   **Fixed Asset Register (FAR)**. Although the FMIS has a FAR module, the FAR is maintained off-system on MS Excel spreadsheets at both DoFA and MoF, which inevitably results in reconciliation issues with the General Ledger (GL) in the FMIS. In addition, fixed assets are not tagged and annual verification of fixed assets is not carried out at MoF although it is at DoFA.

18.   **Standard Operating Procedure (SoP)**. In MoF, Standard Operating Procedures (SoP) was prepared by an external consultant in 2015 and approved by the Minister of Finance. These are specific policies, procedures and controls to be adhered to in processing transactions in accordance with best practice. DoFA has a recently prepared document dated August 2016 on finance office procedures, but in both countries, few of the staff are aware of them.

19.   **Centralized payment structure**. The public sector payroll is maintained and payments made to each employee by both DoFA and MoF. In addition most of the payments of the various government ministries are also made through the DoFA and MoF. The only exception is where the Ministries of Education and Health in RMI make payments for certain items under their budget, excluding payroll which is fully centralized.

20.   **Budgeting process and budgetary control**. The budget preparation cycle commences with the Budget Call Circular usually issued during the third quarter of the preceding FY. The line ministries receive information, formats and timetable for submission of their budget. The budget circular is issued by the Budget Office of the DoFA and MoF after approval from the Budget Coordinating Committee (BCC). Following the submission of budget proposals, the BCC conducts hearings with the line ministries, generally during June and July each year and a draft budget is prepared and submitted to Cabinet for approval. After cabinet approval, the legal counsel prepares the Appropriation Bill which is submitted to the respective Parliaments for approval as an Appropriation Act prior to the commencement of the new FY, i.e., prior to 30 September.

21.   Each budget unit has the responsibility to manage their own budget and the DoFA and MoF informs each unit of the budget and actual results (and variance) through quarterly statements. Budget transfers between different budget items are permitted provided they are

approved by the Secretary of Finance. Supplemental budgets are permitted but the approval process is similar to that of the original budget.

22.   **Payroll.** The entire public sector payroll is handled by the payroll section within the DoFA and MoF. Hours worked by each employee are entered into the FMIS which has master-file information of all employees to calculate the pay. There is no separate HR section responsible for maintaining and updating employee master file data to ensure integrity of the payroll.

23.   **Audit.** The consolidated FSM and RMI financial statements are audited by Deloitte and in financial statements are prepared in accordance with U.S Government Accounting Standards due to the substantial grant funding from the U.S. Although the financial statements have received an unqualified audit opinion, the 30 June deadline for audit has not been met since FY2010 in the RMI. Therefore, the FY2015 RMI statements have still not been audited. The Management Letter issued by the auditor for RMI contains several accounting and internal control issues many of which have not been addressed for many years.

IV.   Financial Management Assessment of the National Department of Education (NDOE), FSM and Ministry of Education (MOE), RMI

24.   NDoE and MoE are the implementing agencies (IA) of the project. NDoE consists of the office of the secretary, office of post-secondary education and scholarships, division for basic education systems and accreditation, assessment systems unit, curriculum unit, early childhood program, teacher certification, data and IT systems, special education, career and technical education divisions. As the national policy agency, NDoE has a small staff. Teachers are attached to the State DoEs.

25.   The MoE consists of the Public Schools System (PSS), the National Training Centre (responsible for TVET), private schools and the College of Marshall Islands (CMI), all coming under the purview of the Minister of Education. The PSS is headed by a nine-member Board of Education and reporting to the Board the Commissioner of Education. Reporting to the Commissioner are assistant commissioners responsible for primary school, secondary schools, planning / policy / statistics, facility management and administration and human resources. The latter currently oversees the budget and fiscal operations of the MoE. MoE is the largest ministry in RMI employing over 1300 persons.

A.   Findings of the Financial Management Assessment (FMA)

26.   All payments on behalf of the NDoE are made by DoFA. At MoE, up to FY 2015 all financial functions were centralized at MoF. In FY 2016, the non-payroll budget of the General Fund only (about $100,000) was decentralized to MoE. This means that MoE has the authority to make expenditure (mainly stationary and other sundry expenses).

27.   NDoE uses a spreadsheet to monitor budget and cumulative expenditure of the financial year for each section and program. The Fiscal officer attached to the NDoE visits the DoFA from time to time (generally quarterly) to access the DoFA computer and ensure that the balances pertaining to the NDoE at DoFA agree with the balances in the spreadsheet and if not make adjustments as necessary in the spreadsheet and/or the DoFA FMIS.

28.   In RMI, MoE is using a windows-based, integrated accounting software package called Abila–MIP, different from 4Gov used by MoF but used in the RMI by CMI, MISSA, EPA and the

Bank of Marshall Islands. The vendor carries out annual training programs. Four people are employed in the use of the system. Given the small number of transactions, many of the features of this software are not needed. Bank reconciliations are done off-system and cheese are typed.

29.   The accounting functions at NDoE and MoE are limited as payments are centralized at the DoFA and MoF. NDoE and MoE are responsible for the preparation of payment vouchers and associated documents such as purchase requisitions and once approved forward them to DoFA or MoF for payment.

B.   Recommendations arising from the findings of the Financial Management Assessment (FMA)

30.   The following recommendations are based on the findings of the FMA:
- Retention of trained finance staff and training for all staff must be a priority and funds should be made available for continuous professional development;
- Should the decision be made to purchase a new FMIS in both FSM and RMI, an agreement must be made with the vendor to provide face-to-face training to all finance staff at both the national and state levels In FSM and MoF in the RMI at regular intervals so that all users are well versed in all functionalities of the FMIS;
- Long term assistance from a consultant with internal audit experience or other accounting service provider (with internal audit experience) to instill the importance of basic accounting in terms of regular reconciliations, filing and labeling and internal auditing in terms of segregation of duties, documentation of transaction processes and ensuring the integrity of accounting information. Capable and interested staff should be trained in the internal auditing process by this Consultant or service provider.
- Develop a system of periodic reporting between the departments (FSM) and ministries (RMI) so that they have regular access to information for expenditure control and planning. All too often large portions of budgets are expended towards the year end since the expenditure units do not plan their activities.

C.   Financial Management Risk Assessment and Risk Management Plan

31. ADB guidelines on *Financial Management and Analysis of Projects*, requires that a Financial Management Internal Control and Risk Assessment (FMICRA) be carried out to identify risks. The FMICRA is based largely on the International Standard on Auditing 400 *Risk Assessment and Internal Control* was conducted on the existing structure, staffing, resources and procedures of EAs (DoFA, FSM and MoF, RMI) and the IAs, NDoE. FSM and MoE, RMI. Inherent risks relate to the environment in which the project related financial management systems operate, such as country rules and regulations and the entity's working environment. Control risk relates to internal controls to ensure that the project funds are used economically and efficiently for the intended purpose.

Table 1: Financial Management Internal Control and Risk Assessment - EA and IA

Risk Type	Risk Assessment Rating*	Risk Description	Mitigation Measures
A. Inherent Risk (the susceptibility of the project financial management system to factors			

Risk Type	Risk Assessment Rating*	Risk Description	Mitigation Measures
arising from the environment in which it operates, such as country rules and regulations and entity working environment (assuming absence of any counter checks or internal controls)).			
1. Country-specific Risks	Moderate	PEFA report 2013 notes several PFM challenges.	FSM & RMI are well versed in ADB procedures and can replicate this experience where needed.
2. Entity-specific Risks	Moderate	Lack of skilled staff, especially at managerial level.	The project will finance key managerial positions to be on board at project start-up by September 2017 and available throughout the life of the project so that required skills can be developed. In addition, the Australian Government also has a PACTAM Advisor focused on financial management for Education based in RMI. They have discussed having this person straddle both FSM and RMI. In FSM, a PACTAM Advisor for Education is also being hired in July 2017 and the advisor's role is to support ADB projects which will include generalized support on the sector. Depending on the expertise of the advisor, this may also include financial management in education.
	Low	Several entities involved at the national and state levels in FSM	Experienced project director to be recruited by September 2017 for project startup. Position will support national level project co-ordination across all states.
3. Project-specific Risks	Moderate	Complex project delivery structure in FSM with the participation of the States	Project Implementation Units will be established at each State, by September 2017 for project start-up, and will work with national PIU as coordinator across states. Project financing a key long term positions from beginning until end of project.
Overall	Average/		

Risk Type	Risk Assessment Rating*	Risk Description	Mitigation Measures
Inherent Risk	Moderate		
B. Control Risk (the risk that the project's accounting and internal control framework are inadequate to ensure project funds are used economically and efficiently and for the purpose intended, and that the use of funds is properly reported).			
1. Implementing Entity	Low	Government departments/ministries with experience in implementing U.S funded education budgets	Project funded staff also available to assist deputized staff at the project implementing units. This will occur throughout the project life and is the design of the project.
2. Funds Flow	Moderate	Sub imprest accounts to be opened at each State in FSM in addition to the main imprest account at NDOFA	State finance staff experienced in managing several accounts and will be supported by NDOFA staff in the international division. This is how the FSM already works and it is effective.
3. Staffing	Moderate	Difficulty in attracting and retaining qualified and experienced staff.	The international divisions at the EAs will assist and provide regular training on ADB disbursement and financial reporting requirements will be provided. This will occur at project start-up in September 2017 and intermittently through the life of the project.
4. Accounting Policies and Procedures	Moderate	EA/IA accounting per U.S Government Standards. US GASB is acceptable to ADB.	The project accounts will be audited separately by qualified auditors. EAs will assist project implementing units.
5. Internal Audit	Moderate	There is no internal audit function at any EA or IA. Very difficult to recruit skilled internal auditors	The external auditors have given an unqualified opinion on the financial statements of all project entities. Project fund flow will ensure that funds are entirely separate and separate project financial statements will be prepared. A combination of Australian Government PACTAM Advisor (who focuses on financial management in education ministry) and project consultant support will be deployed to strengthen internal controls and conduct internal audit training for PIU and

Risk Type	Risk Assessment Rating*	Risk Description	Mitigation Measures
			appropriate IA staff. Training will include internal audit will review processes and responsibilities, assess risks, test check on documentations and inventory, and document process flows with a view [to strengthen check and balance and] internal control overall. This will occur at Project start-up in September 2017 and regularly throughout the life of the project until completion.
6. External Audit	Low	Financial statements of all entities are up to date and audited with unqualified opinions. MOF and MOE is slightly delayed by the backlog is being cleared.	
7. Reporting and Monitoring	Moderate	MOF and MOE financial statements are delayed are have not met the deadline of 30 June.	MOF is looking to purchase a new FMIS which will reduce delays. This will be known in the coming year.
8. Information systems	Moderate	FundWare and 4Gov FMIS used in FSM and RMI are dated with little vendor support. Many processes are done off-system	The project will not use the FMIS but be separate and this will have no impact on the project financial statements
Overall Control Risk	**Moderate**		

* H = High; M = Average/Moderate; L = Low or Negligible.

FMAQ DoFA, FSM

Topic	Response	Potential Risk Event
1. Executing / Implementing Agency		
1.1 What is the entity's legal status / registration?	National government department	
1.2 How much equity (shareholding) is owned by the Government?	Not applicable	
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.[3]	Not applicable	
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	Yes. For ADB and World Bank and there is a separate international unit coordinating these projects	
1.5 Briefly describe the statutory reporting requirements for the entity.	Annual budget versus actual reporting and annual financial statements	
1.6 Describe the regulatory or supervisory agency of the entity.	State legislation and State government	
1.7 What is the governing body for the project? Is the governing body for the project **independent?**	Government	
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	Headed by the Secretary finance with sections for budget, treasury/finance, customs & tax, investment & personnel	
1.9 Does the entity have a Code of Ethics in place?	No separate code of ethics but has to function within the government policies and procedures	
1.10 Describe (if any) any historical issues reports of ethics violations involving the entity and management. How were they addressed?	None reported	
2. Funds Flow Arrangements		
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other	Direct payments to Consultants and re-imbursement procedure for other	

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[3] In such cases, consult OAI on the need for integrity due diligence on non-governmental beneficial owners.

Topic	Response	Potential Risk Event
financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	expenses	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	An imprest account will be held in DoFA and sub-imprest accounts at each State.	
2.3 Are the disbursement methods appropriate?	Yes	
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	No major issues	
2.5 In which bank will the Imprest Account (if applicable) be established?	Bank of Guam	
2.6 Is the bank in which the imprest account is established capable of− • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly?	Yes	
2.7 Is the ceiling for disbursements from the imprest account and SOE appropriate/required?	Yes	
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Staff have experience also DoFA staff have experience	
2.9 Does the PIU have adequate administrative and accounting capacity to manage the imprest fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	Same as above	
2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	No, local currency is USD	
2.11 How are the counterpart funds accessed?	Through the national budget	

Topic	Response	Potential Risk Event
2.12 How are payments made from the counterpart funds?	Based on the percentage of counterpart funding for each item	
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	No	
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	No	
3. Staffing		
3.1 What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	Accounting department has 32 staff with responsibilities for treasury (tax collection), accounts payable, accounts receivable and payroll	
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	existing staff	
3.3 Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	No project unit at DoFA only at NDoE	
3.4 Is the project finance and accounting function staffed adequately?	Yes	
3.5 Are the project finance and accounting staff adequately qualified and experienced?	Yes,	
3.6 Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	Existing staff and project staff will be experienced in ADB procedures	
3.7 What is the duration of the contract with the project finance and accounting staff?	Existing staff take on responsibilities	
3.8 Identify any key positions of project finance and accounting staff not	No	

Topic	Response	Potential Risk Event
contracted or filled yet, and the estimated date of appointment.		
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	Full time Project Management specialist at the NDoE and Technical Coordinators at States	
3.10 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all the officers, managers, and staff?	Yes	
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	Key staff have remained for many years but staff turnover is high	
3.12 What is training policy for the finance and accounting staff?	Accounting system training, US Federal fund accounting	
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	No formal programs other than above.	
4. Accounting Policies and Procedures		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?	Yes, project will have separate budget identity and expensed against those categories together with counterpart funds. Project will use different accounting system and its accounts will be prepared per IFRS	
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes	
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Government Chart of Accounts. May need to be modified as full accrual accounting needed for ADB	
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 monthly? Are actions	There are some reconciliation issues	Potential for some write-offs if

Topic	Response	Potential Risk Event
taken to resolve reconciliation differences?	for past transactions	unable to reconcile
4.6 Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Under the Financial Management Act records need to be kept for 6 years.	
4.7 Describe any previous audit findings that have not been addressed.	None	
Segregation of Duties		
4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	Yes,	
4.9 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes	
Budgeting System		
4.10 Do budgets include physical and financial targets?	Financial	
4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	Yes, for each department and program	
4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	Fund balance report on a quarterly basis or on needs basis.	Not distributed to line departments and no discussion on actual performance
4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	In advance	
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	Yes	
4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?	Director	

Topic	Response	Potential Risk Event
4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	The preparation of the budget commences with the Budget Call Circular by September 15. Budget proposals submitted by October 15 to Budget Review Committee. April 12 is the first reading of the Appropriation Bill thereafter to JEMMCO through national government prior to being passed by the State Legislation.	
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals? Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds? Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects? What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	Yes No No No	
Payments		
4.18 Do invoice-processing procedures require: (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 received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?	Yes	
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly	Yes	

Topic	Response	Potential Risk Event
marked for account code assignment?		
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Government payroll centralized with MoF. Master file kept with personnel department. Timesheets sent by the line departments based on which payroll is prepared	
Policies And Procedures		
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	Modified accruals basis. Receipts on cash basis but payments accrued	
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	U.S Government Accounting Standards	
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Will have	
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	Yes	
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Yes	
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes, and have been updated in August 2016	
4.27 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	
4.28 Are manuals distributed to appropriate personnel?	No	This is being done if not risk of proper procedures not being followed

Topic	Response	Potential Risk Event
4.29 Describe how compliance with policies and procedures are verified and monitored.	During the annual audit	
Cash and Bank		
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Secretary and treasurer,	
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Yes	
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	All collections at customs and revenue are banked on a daily basis	
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Yes, and is up to date reconciliation is done manually on a monthly basis	
4.34 Are all reconciling items approved and recorded?	Yes	
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	
4.36 Are there any persistent/non-moving reconciling items?	No	
4.37 Are there appropriate controls in safekeeping of unused checks, USB keys and passwords, official receipts and invoices?	Yes.	
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	No	
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	Passwords changed regularly.	
Safeguard over Assets		
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	Each asset recorded with description, cost, date of purchase. Fixed assets are tagged and verified	

Topic	Response	Potential Risk Event
	annually	
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Yes, and is updated, however it is off-system on MS Excel	
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	Yes, reconciliation done	
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labeled?	Yes	
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes	
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	Yes	
4.46 Are assets sufficiently covered by insurance policies?	No	Potential for loss of assets due to natural or other disaster
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	Not applicable	
Other Offices and Implementing Entities		
4.48 Describe any other regional offices or executing entities participating in implementation.	State DoEs	
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	The finance divisions of each state headed by Fiscal Officer.	
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Yes	
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? Do the offices other than the head office use the same accounting and reporting system?	Yes, through the Project Management Unit	

Topic	Response	Potential Risk Event
4.52 Are periodic reconciliations performed among the different offices/implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	All project reporting and auditing will be through the PIUs	
4.53 If any sub-accounts (under the Imprest Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	Not applicable	
Contract Management and Accounting		
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	Yes	
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	Yes	
Other		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes	
5. Internal Audit		
5.1 Is there an internal audit (IA) department in the entity?	No	The integrity of internal controls and procedures may be compromised
5.2 What are the qualifications and experience of the IA staff?	Not applicable	
5.3 To whom does the head of the internal audit report?	Not applicable	
5.4 Will the internal audit department include the project in its annual work program?	Not applicable	
5.5 Are actions taken on the internal audit findings?	Not applicable	
5.6 What is the scope of the internal audit program? How was it developed?	Not applicable	
5.7 Is the IA department independent?	Not applicable	

Topic	Response	Potential Risk Event
5.8 Do they perform pre-audit of transactions?	Not applicable	
5.9 Who approves the internal audit program?	Not applicable	
5.10 What standards guide the internal audit program?	Not applicable	
5.11 How are audit deficiencies tracked?	Not applicable	
5.12 How long have the internal audit staff members been with the organization?	Not applicable	
5.13 Does any of the internal audit staff have an IT background?	Not applicable	
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	Not applicable	
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Not applicable	
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Not applicable	
6. External Audit – entity level		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Entire national government account audited by Deloitte	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Accounts submission and audit up to date	
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	US Government Accounting Standards	
6.4 Were there any major accountability issues noted in the audit report for the past three years?	No	
6.5 Does the external auditor meet with the audit committee without the presence of management?	No audit committee	This is another area where audit recommendations can be expeditiously implemented. Lack of an audit committee may delay implementation
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value	No	

Topic	Response	Potential Risk Event
of non-audit engagements, relative to the value of audit services?		
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	No	
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes	
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	No	
External Audit – project level		
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Yes, likely to be the same auditor	
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	No	
6.12 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?	No	
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Will have	
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	No	
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Previous ADB project audit experience	
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No	
[For second or subsequent projects] 6.17 Were past audit reports complete, and did they fully address the obligations under	Not applicable	

Topic	Response	Potential Risk Event
the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?		
7. **Reporting and Monitoring**		
7.1 Are financial statements and reports prepared for the entity?	For the state government as a whole	
7.2 Are financial statements and reports prepared for the implementing unit(s)?	As part of the government reporting not separate	
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Annually yes timely	
7.4 Does the entity reporting system need to be adapted for project reporting?	No	
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?		
7.6 Are financial management reports used by management?	Yes	
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Directly. Only a Trial Balance is prepared from the system and based on this the auditor prepares the financial statements	
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes	
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, every year requires extensive reporting for the U.S government	
8. **Information Systems**		

Topic		Response	Potential Risk Event
8.1	Is the financial accounting and reporting system computerized?	Yes, at the national level DoFA not department level	This is one of the reasons why periodic reporting non existent
8.2	If computerized, is the software off-the-shelf, or customized?	Customized	
8.3	Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	Only DoFA uses systems to consolidate national departments	However, it has the potential to be used at the other national departments
8.4	How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	Independent accounting system	
8.5	Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Entered based on PR and labor records provided by various departments	
8.6	Can the system automatically produce the necessary project financial reports?	Yes	
8.7	Is the staff adequately trained to maintain the computerized system?	Yes, there is an IT department with limited external support	
8.8	Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes	
8.9	Are there back-up procedures in place?	Yes	
8.10	Describe the backup procedures – online storage, offsite storage, offshore storage, fire, and earthquake and calamity protection for backups.	Backed up on to two external drives daily and one kept in the office and the other off-site in a bank	

FMAQ NDoE, FSM

Topic	Response	Potential Risk Event
1. Executing / Implementing Agency		
1.1 What is the entity's legal status / registration?	National Government department	
1.2 How much equity (shareholding) is owned by the Government?	Not applicable	
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.[4]	Not applicable	
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	Implemented the pilot project and a major proportion of its budget is funded by US Compact grants and Supplemental Education Grants	
1.5 Briefly describe the statutory reporting requirements for the entity.	Monthly, quarterly and annual reporting	
1.6 Describe the regulatory or supervisory agency of the entity.	Department of Finance and administration	
1.7 What is the governing body for the project? Is the governing body for the project **independent?**	Government	
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	Office of the Secretary, Office of post-secondary education and scholarship, division of basic education systems & accreditation, assessment systems unit, bridging gaps outreach, curriculum unit, early childhood education program, teacher certification, data and IT system, special education, career and technical education,	
1.9 Does the entity have a Code of Ethics in place?	No separate code of ethics but must function within the government policies and procedures	
1.10 Describe (if any) any historical issues reports of ethics violations involving the	Not applicable	

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[4] In such cases, consult OAI on the need for integrity due diligence on non-governmental beneficial owners.

	Topic	Response	Potential Risk Event
	entity and management. How were they addressed?		
2.	**Funds Flow Arrangements**		
2.1	Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	No fund flow at NDOE since it only processes documentation but does not make payments. For the project implementation, it is expected to create a PMU within the NDOE	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Not applicable since the grant proceeds may not be transferred from the Ministry of Finance	
2.3	Are the disbursement methods appropriate?	Yes	
2.4	What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	No	
2.5	In which bank will the Imprest Account (if applicable) be established?	Not applicable	
2.6	Is the bank in which the imprest account is established capable of− • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly?	Not applicable	
2.7	Is the ceiling for disbursements from the imprest account and SOE appropriate/required?	Not applicable	
2.8	Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	No, but governments have experience with ADB projects.	
2.9	Does the PIU have adequate administrative and accounting capacity to manage the imprest fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)?		

Topic		Response	Potential Risk Event
	Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.		
2.10	Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	No	
2.11	How are the counterpart funds accessed?	Through the national budget	
2.12	How are payments made from the counterpart funds?	No answer.	
2.13	If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	No	
2.14	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	No	
3.	**Staffing**		
3.1	What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	Administrative Officer (AO) and Fiscal officer	
3.2	Will existing staff be assigned to the project, or will new staff be recruited?	There will be new staff in the PIU as well as deputized existing staff	
3.3	Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	Both officers are graduates in finance. The proposed staff at the PMU will also have formal finance qualifications	
3.4	Is the project finance and accounting function staffed adequately?	Yes	
3.5	Are the project finance and accounting staff adequately qualified and experienced?	Yes	

	Topic	Response	Potential Risk Event
3.6	Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	No	PMU finance personnel will have training in ADB procedures
3.7	What is the duration of the contract with the project finance and accounting staff?	All contract staff since salaries paid by Compact grants	
3.8	Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	No	
3.9	For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	Not applicable	
3.10	Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all the officers, managers, and staff?	Will have	
3.11	What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	Low	
3.12	What is training policy for the finance and accounting staff?	No training policy	
3.13	Describe the list of training programs attended by finance and accounting staff in the last 3 years.	None	
4.	**Accounting Policies and Procedures**		
4.1	Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?	Yes, Budget for each section/program entered into Excel and payments against budget items done through the Excel with a running balance to ensure no overspend. Project must use a full accrual based accounting system	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes	

	Topic	Response	Potential Risk Event
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Government Chart of Accounts	
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 monthly? Are actions taken to resolve reconciliation differences?	Done at the DoFA not NDoE	
4.6	Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Yes, there is a standard policy for retention of accounting records	
4.7	Describe any previous audit findings that have not been addressed.	Not in particular to NDoE	
Segregation of Duties			
4.8	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	No bank accounts. Secretary approves and finance officers record transactions	
4.9	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Ordering at NDoE. Payments and accounting at DoFA	
Budgeting System			
4.10	Do budgets include physical and financial targets?	Financial	
4.11	Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	Yes, for each department and program	
4.12	Are actual expenditures compared to	Compared on Excel	Formal system of

	Topic	Response	Potential Risk Event
	the budget with reasonable frequency? Are explanations required for significant variations against the budget?		periodic reporting lacking
4.13	Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	In advance	
4.14	Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	No	
4.15	Who is responsible for preparation, approval and oversight/monitoring of budgets?	Secretary of department. Quarterly statement issued to the President	
4.16	Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Budget call in December to each department. Sections/programs within each department present activities and programs which are costed by the AO and Fiscal Officer before being approved by the Secretary. Meeting at Finance and & admin to discuss and adjust estimates before being made final in about March. Approved by Congress	
4.17	Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals? Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds? Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects? What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	Yes No No No	
Payments			
4.18	Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices	Purchase Invoice made out by DOFA based on Purchase Requisitions by each department.	

Topic	Response	Potential Risk Event
and terms, with those indicated on the purchase order and with records of goods received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?		
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly marked for account code assignment?	Payments by DoFA	
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Payroll prepared by DoFA. NDOE cross checks with DoFA report.	
Policies And Procedures		
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	Not applicable to NDOE since no accounting done	
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	None at the NDoE. Government follows US Government Accounting Standards	
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Yes	
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	Yes	
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Yes	
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes	
4.27 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?		

Topic	Response	Potential Risk Event
4.28 Are manuals distributed to appropriate personnel?	No	Available at NDoFA but not at NDoE.
4.29 Describe how compliance with policies and procedures are verified and monitored.		
Cash and Bank		
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Not applicable	
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Not applicable	
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Not applicable	
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Not applicable	
4.34 Are all reconciling items approved and recorded?	Not applicable	
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Not applicable	
4.36 Are there any persistent/non-moving reconciling items?	Not applicable	
4.37 Are there appropriate controls in safekeeping of unused checks, USB keys and passwords, official receipts and invoices?	Not applicable	
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	Not applicable	
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	Not applicable	
Safeguard over Assets		

Topic	Response	Potential Risk Event
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	NDOE has FAR and verification carried out by DFOA annually	
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Yes, on MS Excel	
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	**Yes**	
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labeled?	Yes	
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	Yes	
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	No significant disposals	
4.46 Are assets sufficiently covered by insurance policies?	No	Potential for loss of assets due to natural or other disaster
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	Not applicable	
Other Offices and Implementing Entities		
4.48 Describe any other regional offices or executing entities participating in implementation.	State DoEs	
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	The finance divisions of each state headed by Fiscal Officer.	

Topic	Response	Potential Risk Event
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Yes	
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	Yes, through the Project Management Unit	
4.52 Are periodic reconciliations performed among the different offices/implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	All project reporting and auditing will be through the PMU	
4.53 If any sub-accounts (under the Imprest Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	Not applicable	
Contract Management and Accounting		
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	Yes	
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	Yes	
Other		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes	
5. Internal Audit		
5.1 Is there an internal audit (IA) department in the entity?	No	The integrity of internal controls

	Topic	Response	Potential Risk Event
			and procedures may be compromised
5.2	What are the qualifications and experience of the IA staff?	Not applicable	
5.3	To whom does the head of the internal audit report?	Not applicable	
5.4	Will the internal audit department include the project in its annual work program?	Not applicable	
5.5	Are actions taken on the internal audit findings?	Not applicable	
5.6	What is the scope of the internal audit program? How was it developed?	Not applicable	
5.7	Is the IA department independent?	Not applicable	
5.8	Do they perform pre-audit of transactions?	Not applicable	
5.9	Who approves the internal audit program?	Not applicable	
5.10	What standards guide the internal audit program?	Not applicable	
5.11	How are audit deficiencies tracked?	Not applicable	
5.12	How long have the internal audit staff members been with the organization?	Not applicable	
5.13	Does any of the internal audit staff have an IT background?	Not applicable	
5.14	How frequently does the internal auditor meet with the audit committee without the presence of management?	Not applicable	
5.15	Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Not applicable	
5.16	Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Not applicable	
6.	**External Audit – entity level**		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Entire national government account audited by Deloitte	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	No	
6.3	Is the audit of the entity conducted in accordance with the International	US Government Accounting Standards	

	Topic	Response	Potential Risk Event
	Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?		
6.4	Were there any major accountability issues noted in the audit report for the past three years?	No	
6.5	Does the external auditor meet with the audit committee without the presence of management?	No audit committee	This is another area where audit recommendations can be expeditiously implemented Lack of an audit committee may delay implementation
6.6	Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	No	
6.7	Has the external auditor expressed any issues on the availability of complete records and supporting documents?	No	
6.8	Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes	
6.9	Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	No	
External Audit – project level			
6.10	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Yes, likely will be the same auditor	
6.11	Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	No	
6.12	Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the	No	

Topic	Response	Potential Risk Event
external audit?		
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Will have	
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	No	
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Previous ADB project audit experience	
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No	
[For second or subsequent projects] 6.17 Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?	Not applicable	
7. Reporting and Monitoring		
7.1 Are financial statements and reports prepared for the entity?	For national government as a whole	
7.2 Are financial statements and reports prepared for the implementing unit(s)?	No	
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Annually	
7.4 Does the entity reporting system need to be adapted for project reporting?	No	
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	Yes	
7.6 Are financial management reports used by management?	No	The reports produced by FMIS are not used by

	Topic	Response	Potential Risk Event
			management
7.7	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	
7.8	How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Directly. Only a Trial Balance is prepared from the system and based on this the auditor prepares the financial statements	
7.9	Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes	
7.10	Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, every year requires extensive reporting for the U.S government	
8.	**Information Systems**		
8.1	Is the financial accounting and reporting system computerized?	Yes, at the national level DFOA not department level	This is one of the reasons why periodic reporting non existent
8.2	If computerized, is the software off-the-shelf, or customized?	Customized	
8.3	Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	Only DFOA uses systems to consolidate national departments	However, it has the potential to be used at the other national departments
8.4	How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	Independent accounting system	
8.5	Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Entered based on PR and labor records NDOE used Excel to monitor expenditure	
8.6	Can the system automatically produce the necessary project financial reports?	Yes	
8.7	Is the staff adequately trained to maintain the computerized system?	Yes, there is an IT department with limited	

	Topic	Response	Potential Risk Event
		external support	
8.8	Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes	
8.9	Are there back-up procedures in place?	Not applicable	
8.10	Describe the backup procedures – online storage, offsite storage, offshore storage, fire, and earthquake and calamity protection for backups.	Not applicable	

FMAQ MoF, RMI

Topic	Response	Potential Risk Event
1. Executing / Implementing Agency		
1.1 What is the entity's legal status / registration?	Government ministry	
1.2 How much equity (shareholding) is owned by the Government?	Not applicable	
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.[5]	Not applicable	
1.4 Has the entity implemented an externally-financed project in the past? If yes, please provide details.	Yes. Several projects for ADB have been implemented in the past	
1.5 Briefly describe the statutory reporting requirements for the entity.	Annual budget versus actual reporting and annual financial statements	
1.6 Describe the regulatory or supervisory agency of the entity.	Cabinet and Parliament	
1.7 What is the governing body for the project? Is the governing body for the project **independent?**	Government	
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	Secretary as Chief Accounting Officer followed by divisions for accounting (including IT and payroll), budget, customs tax & revenue, international (new division for donor coordination)	
1.9 Does the entity have a Code of Ethics in place?	No separate code of ethics but must function within the government policies and procedures	
1.10 Describe (if any) any historical issues reports of ethics violations involving the entity and management. How were they addressed?	There have been delays in submitting financial statements. FY2016 target is to have the no delay	
2. Funds Flow Arrangements		
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government,	Direct payment by ADB to suppliers / consultants is the likely modality with re-imbursement procedure for local	

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[5] In such cases, consult OAI on the need for integrity due diligence on nongovernmental beneficial owners.

Topic		Response	Potential Risk Event
	EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	supplies	
2.2	Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Yes	
2.3	Are the disbursement methods appropriate?	Yes	
2.4	What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	The government handles US Compact grants and Federal grants totaling over $50m each year	
2.5	In which bank will the Imprest Account (if applicable) be established?	Bank of Guam	
2.6	Is the bank in which the imprest account is established capable of− • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly?	Not applicable	
2.7	Is the ceiling for disbursements from the imprest account and SOE appropriate/required?	Yes	
2.8	Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Seconded staff will have experience	
2.9	Does the PIU have adequate administrative and accounting capacity to manage the imprest fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)? Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.	Same as above	
2.10	Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for	Local currency is the USD	

Topic	Response	Potential Risk Event
	managing foreign exchange risk.		
2.11	How are the counterpart funds accessed?	Through the national budget	
2.12	How are payments made from the counterpart funds?	Based on the percentage of counterpart funding for each item	
2.13	If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	No	
2.14	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	No	
3.	**Staffing**		
3.1	What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	Headed by Assistant Secretary, Accounting & Administration. Chief Accountant division responsible for payments, general ledger and reconciliations, Payroll division and IT division	There is no HR division where personal files of employees are secured. Possible inadequate segregation of duties for internal control
3.2	Will existing staff be assigned to the project, or will new staff be recruited?	New staff and existing staff	
3.3	Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting staff.	Not applicable	
3.4	Is the project finance and accounting function staffed adequately?	Yes	
3.5	Are the project finance and accounting staff adequately qualified and experienced?	Yes,	
3.6	Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines	Existing staff and project staff will be experienced in ADB procedures	

Topic	Response	Potential Risk Event
(i.e., LDH)?		
3.7 What is the duration of the contract with the project finance and accounting staff?	Mostly full time a few contract staff (expatriate)	
3.8 Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	No	
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	The PIU will include a finance/procurement specialist (seconded)	
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	
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	The key staff have remained in their positions for at least 3 years	
3.12 What is training policy for the finance and accounting staff?	No training policy as such but contribution made towards further study	
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	Not applicable	
4. Accounting Policies and Procedures		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (in particular, the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?	Yes, project will have separate budget identity and expensed against those categories together with counterpart funds. Project will use same accounting system but its accounts will be prepared per IFRS	
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and	Yes	

Topic		Response	Potential Risk Event
	adequately explained?		
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Government Chart of Accounts.	
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 monthly? Are actions taken to resolve reconciliation differences?	Yes, there is a separate reconciliation team within the Chief Accountant's division	
4.6	Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Under the Financial Management Act records need to be kept for 6 years.	
4.7	Describe any previous audit findings that have not been addressed.	Data integration and network penetration issues of the IT system Non-reconciliation of cancelled checks Inadequate fixed asset verification procedures	Potential losses as a result of these issued which have not been addressed
Segregation of Duties			
4.8	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	Yes	
4.9	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes	
Budgeting System			

Topic	Response	Potential Risk Event
4.10 Do budgets include physical and financial targets?	Financial	
4.11 Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	Yes, for each department and program	
4.12 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	Fund balance report on a quarterly basis or on needs basis.	Not distributed to line departments and no discussion on actual performance
4.13 Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	In advance	
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	Yes	
4.15 Who is responsible for preparation, approval and oversight/monitoring of budgets?	Secretary of department. As chief accounting officer	
4.16 Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	The preparation of the budget commences with the Budget Call Circular during the third quarter of the preceding FY. The line ministries receive information and formats for budget submission, the timetable and main expenditure parameters. Once line ministries make their submissions, the Budget Coordinating Committee holds hearings with the ministries during June or July and the draft budget in the form of an Appropriation Bill is approved by the Cabinet in August. The Appropriations Committee of the Nitijela makes its deliberations during July/August and the Appropriation Bill is approved by the Nitijela in September as an	

Topic	Response	Potential Risk Event
	Appropriation Act, prior to the commencement of the new FY.	
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals? Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds? Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects? What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	Yes No No No	
Payments		
4.18 Do invoice-processing procedures require: (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? (v) Checking authenticity of invoices and supporting documents?	Yes	
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly marked for account code assignment?	Yes	
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Government payroll centralized with MoF. However, no separate HR division with security for master file data	
Policies and Procedures		
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	Modified accruals basis. Receipts on cash basis but payments accrued	
4.22 What accounting standards are followed (International Financial	U.S Government Accounting Standards	

Topic	Response	Potential Risk Event
Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?		
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Standard operating procedures	
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	No	
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Yes	
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Statement of Procedures prepared by consultant for decentralizing payments on a gradual basis	
4.27 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	
4.28 Are manuals distributed to appropriate personnel?	No	This is not being done if not risk of proper procedures not being followed
4.29 Describe how compliance with policies and procedures are verified and monitored.		
Cash and Bank		
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Secretary and treasurer	
4.31 Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Yes	
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	Collections only at customs revenue and tax and only through bank deposits	

Topic	Response	Potential Risk Event
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Yes, and is up to date	
4.34 Are all reconciling items approved and recorded?	Yes	
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	
4.36 Are there any persistent/non-moving reconciling items?	No	
4.37 Are there appropriate controls in safekeeping of unused checks, USB keys and passwords, official receipts and invoices?	Yes	
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	No	
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	Only user	
Safeguard over Assets		
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	FAR maintained for assets over $50k but no physical verification nor test for impairment	Possible losses as a result of non-verification of assets
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Yes	
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	Yes, reconciliation done	
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labeled?	No	
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	No	

Topic	Response	Potential Risk Event
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	Yes	
4.46 Are assets sufficiently covered by insurance policies?	No	Potential for loss of assets due to natural or other disaster
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	Not applicable	
Other Offices and Implementing Entities		
4.48 Describe any other regional offices or executing entities participating in implementation.	No	
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	Not applicable	
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Not applicable	
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	Not applicable	
4.52 Are periodic reconciliations performed among the different offices/implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	Not applicable	
4.53 If any sub-accounts (under the Imprest Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	Not applicable	
Contract Management and Accounting		
4.54 Does the agency maintain contract-wise accounting records to indicate gross	Yes	

Topic	Response	Potential Risk Event
value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?		
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	Yes	
Other		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes	
5. Internal Audit		
5.1 Is there an internal audit (IA) department in the entity?	No	The integrity of internal controls and procedures may be compromised
5.2 What are the qualifications and experience of the IA staff?	Not applicable	
5.3 To whom does the head of the internal audit report?	Not applicable	
5.4 Will the internal audit department include the project in its annual work program?	Not applicable	
5.5 Are actions taken on the internal audit findings?	Not applicable	
5.6 What is the scope of the internal audit program? How was it developed?	Not applicable	
5.7 Is the IA department independent?	Not applicable	
5.8 Do they perform pre-audit of transactions?	Not applicable	
5.9 Who approves the internal audit program?	Not applicable	
5.10 What standards guide the internal audit program?	Not applicable	
5.11 How are audit deficiencies tracked?	Not applicable	
5.12 How long have the internal audit staff members been with the organization?	Not applicable	
5.13 Does any of the internal audit staff have an IT background?	Not applicable	

Topic	Response	Potential Risk Event
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	Not applicable	
5.15 Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Not applicable	
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Not applicable	
6. **External Audit – entity level**		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Auditor General, but outsourced to Deloitte	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Yes, FY 2015 due in June but likely delayed by 4-5 months	
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	US Government Accounting Standards	
6.4 Were there any major accountability issues noted in the audit report for the past three years?	No, but some internal control issues highlighted in Management Letter	
6.5 Does the external auditor meet with the audit committee without the presence of management?	No audit committee	This is another area where audit recommendations can be expeditiously implemented. Lack of an audit committee may delay implementation
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	No	
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	No	

Topic	Response	Potential Risk Event
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Yes	
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	No	
External Audit – project level		
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Yes, likely to be the same auditor	
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	No	
6.12 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?	No	
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Will have	
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	No	
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Previous ADB project audit experience	
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No	
[For second or subsequent projects] 6.17 Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?	Not applicable	

Topic	Response	Potential Risk Event
7. Reporting and Monitoring		
7.1 Are financial statements and reports prepared for the entity?	For national government as a whole	
7.2 Are financial statements and reports prepared for the implementing unit(s)?	As part of the government reporting not separate	
7.3 What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Annually	
7.4 Does the entity reporting system need to be adapted for project reporting?	No	
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	Yes	
7.6 Are financial management reports used by management?	Yes	
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Directly. Only a Trial Balance is prepared from the system and based on this the auditor prepares the financial statements	
7.9 Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes	
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, every year requires extensive reporting for the U.S government	
8. Information Systems		
8.1 Is the financial accounting and reporting system computerized?	Yes 4Gov system used at MoF	
8.2 If computerized, is the software off-the-shelf, or customized?	Customized	
8.3 Is the computerized software standalone, or integrated and used by	Only at MoF	Other government ministries can

Topic		Response	Potential Risk Event
	all departments in the headquarters and field units using modules?		obtain statements if they wish but this limits its use as is on an on-demand basis
8.4	How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	Independent accounting system	
8.5	Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Only a trial balance produced, Deloitte's prepare final accounts	
8.6	Can the system automatically produce the necessary project financial reports?	Yes	
8.7	Is the staff adequately trained to maintain the computerized system?	Yes, with external support	
8.8	Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes	
8.9	Are there back-up procedures in place?	Yes	
8.10	Describe the backup procedures – online storage, offsite storage, offshore storage, fire, and earthquake and calamity protection for backups.	On-site and off-site storage	

FMAQ MoE, RMI

	Topic	Response	Potential Risk Event
1.	**Executing / Implementing Agency**		
1.1	What is the entity's legal status / registration?	Government ministry	
1.2	How much equity (shareholding) is owned by the Government?	Not applicable	
1.3	Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.[6]	Not applicable	
1.4	Has the entity implemented an externally-financed project in the past? If yes, please provide details.	Yes. Several projects for ADB have been implemented in the past	
1.5	Briefly describe the statutory reporting requirements for the entity.	Annual budget versus actual reporting and annual financial statements	
1.6	Describe the regulatory or supervisory agency of the entity.	Cabinet and Parliament	
1.7	What is the governing body for the project? Is the governing body for the project **independent?**	Government	
1.8	Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	Public Schools system (PSS), National Training Center, private schools and the College of RMI. PSS has a nine-member board reporting to the Commissioner. Reporting to the Board and Commissioner are Assistant Secretaries responsible for primary schools, secondary schools, planning/policy/statistics, facility management, administration and human resources (currently overseeing finance)	
1.9	Does the entity have a Code of Ethics in place?	No separate code of ethics but must function within the government policies and procedures	
1.10	Describe (if any) any historical issues reports of ethics violations involving	None reported	

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[6]In such cases, consult OAI on the need for integrity due diligence on non-governmental beneficial owners.

Topic	Response	Potential Risk Event
the entity and management. How were they addressed?		
2. **Funds Flow Arrangements**		
2.1 Describe the (proposed) project funds flow arrangements in detail, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	Direct payment by ADB to suppliers / consultants is the likely modality	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity and to the end-recipients satisfactory?	Yes	
2.3 Are the disbursement methods appropriate?	Yes	
2.4 What have been the major problems in the past involving the receipt, accounting and/or administration of funds by the entity?	The government handles US Compact grants and Federal grants totaling over $50m each year	
2.5 In which bank will the Imprest Account (if applicable) be established?	No	
2.6 Is the bank in which the imprest account is established capable of− • Executing foreign and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transaction? • Issuing detailed monthly bank statements promptly?	Not applicable	
2.7 Is the ceiling for disbursements from the imprest account and SOE appropriate/required?	Yes	
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Proposed staff will have experience	
2.9 Does the PIU have adequate administrative and accounting capacity to manage the imprest fund and statement of expenditure (SOE) procedures in accordance with ADB's Loan Disbursement Handbook (LDH)?	Same as above	

	Topic	Response	Potential Risk Event
	Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.		
2.10	Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	Local currency is the USD	
2.11	How are the counterpart funds accessed?	Through the national budget	
2.12	How are payments made from the counterpart funds?	Based on the percentage of counterpart funding for each item	
2.13	If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of project proceeds by such entities?	No	
2.14	Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor or material), are proper guidelines and arrangements formulated to record and value the labor or material contributions at appraisal and during implementation?	No	
3.1	What is the current and/or proposed organizational structure of the accounting department? Attach an organization chart.	Headed by Assistant Secretary, Accounting & Administration. Chief Accountant division responsible for payments, general ledger and reconciliations, Payroll division and IT division	There is no HR division where personal files of employees are secured. Possible inadequate segregation of duties for internal control
3.2	Will existing staff be assigned to the project, or will new staff be recruited?	Existing staff will be assigned and new staff recruited	
3.3	Describe the existing or proposed project accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key existing accounting	Not applicable	

	Topic	Response	Potential Risk Event
	staff.		
3.4	Is the project finance and accounting function staffed adequately?	Yes	
3.5	Are the project finance and accounting staff adequately qualified and experienced?	Yes,	
3.6	Are the project finance and accounting staff trained in ADB procedures, including the disbursement guidelines (i.e., LDH)?	Existing staff and project staff will be experienced in ADB procedures	
3.7	What is the duration of the contract with the project finance and accounting staff?	Duration of the project	
3.8	Identify any key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	No	
3.9	For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	The PMU will include a finance/procurement specialist (full time)	
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	
3.11	What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	Since MoE is funded by US Compact and SEG all staff are on contract and there has been staff turnover	
3.12	What is training policy for the finance and accounting staff?	No training policy as such but contribution made towards further study	
3.13	Describe the list of training programs attended by finance and accounting staff in the last 3 years.	Not applicable	
4.	**Accounting Policies and Procedures**		

	Topic	Response	Potential Risk Event
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 (in particular, the legal agreements with ADB)? Will the project use the entity accounting system? If not, what accounting system will be used for the project?	Project accounts need to be prepared per IFRS and it is likely that the project finance will run on separate accounting software	
4.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes	
4.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories? Obtain a copy of the chart of accounts.	Government Chart of Accounts.	
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 monthly? Are actions taken to resolve reconciliation differences?	Not applicable since all accounting with at MoF	
4.6	Describe the EA's policy for retention of accounting records including supporting documents (e.g., ADB's policy requires that all documents should be retained for at least 1 year after ADB receives the audited project financial statements for the final accounting period of implementation, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	Under the Financial Management Act records need to be kept for 6 years.	
4.7	Describe any previous audit findings that have not been addressed.	Not applicable	
Segregation of Duties			

	Topic	Response	Potential Risk Event
4.8	Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; (iii) custody of assets involved in the transaction; (iv) reconciliation of bank accounts and subsidiary ledgers?	Yes, payments at MoF	
4.9	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes	
Budgeting System			
4.10	Do budgets include physical and financial targets?	Financial	
4.11	Are budgets prepared for all significant activities in sufficient detail to allow meaningful monitoring of subsequent performance?	Yes, for each department and program	
4.12	Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations against the budget?	On an annual basis	
4.13	Are approvals for variations from the budget required (i) in advance, or (ii) after the fact?	In advance	
4.14	Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	Yes	
4.15	Who is responsible for preparation, approval and oversight/monitoring of budgets?	Secretary of department. As chief accounting officer	
4.16	Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	The preparation of the budget commences with the Budget Call Circular during the third quarter of the preceding FY. The line ministries receive information and formats for budget submission, the timetable and main expenditure parameters. Once line ministries make their submissions, the Budget Coordinating Committee holds hearings	

Topic	Response	Potential Risk Event
	with the ministries during June or July and the draft budget in the form of an Appropriation Bill is approved by the Cabinet in August. The Appropriations Committee of the Nitijela makes its deliberations during July/August and the Appropriation Bill is approved by the Nitijela in September as an Appropriation Act, prior to the commencement of the new FY.	
4.17 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals? Is there evidence of significant mid-year revisions, inadequate fund releases against allocations, or inability of the EA to absorb/spend released funds? Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects? What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?	Yes No No No	
Payments		
4.18 Do invoice-processing procedures require: (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 received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?	Yes	

Topic	Response	Potential Risk Event
4.19 Are all invoices stamped PAID, dated, reviewed and approved, recorded/entered into the system correctly, and clearly marked for account code assignment?	Payments by MoF for salaries, compact funds etc. only payments other than salaries from	
4.20 Do controls exist for the preparation of the payroll? Are changes (additions/deductions/modifications) to the payroll properly authorized?	Government payroll centralized with MoF.	
Policies and Procedures		
4.21 What is the basis of accounting (e.g., cash, accrual) followed (i) by the entity? (ii) By the project?	Modified accruals basis. Receipts on cash basis but payments accrued	
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	U.S Government Accounting Standards	
4.23 Does the project have adequate policies and procedures manual(s) to guide activities and ensure staff accountability?	Standard operating procedures	
4.24 Is the accounting policy and procedure manual updated regularly and for the project activities?	No	
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting policy or procedure to be used by the entity?	Yes	
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Not at MoE but at MoF	
4.27 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	
4.28 Are manuals distributed to appropriate personnel?	Not applicable	
4.29 Describe how compliance with policies and procedures are verified and monitored.		
Cash and Bank		
4.30 Indicate names and positions of	Secretary and treasurer.	

	Topic	Response	Potential Risk Event
	authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	From FY2016 MoE manages non-payroll budget of the General Fund (about $100k)	
4.31	Does the organization maintain an adequate and up-to-date cashbook recording receipts and payments?	Yes	
4.32	Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	No collection of cash	
4.33	Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Yes, and is up to date	
4.34	Are all reconciling items approved and recorded?	Yes	
4.35	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	
4.36	Are there any persistent/non-moving reconciling items?	No	
4.37	Are there appropriate controls in safekeeping of unused checks, USB keys and passwords, official receipts and invoices?	Yes	
4.38	Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	No	
4.39	For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	Only user	
Safeguard over Assets			
4.40	What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse?	FAR maintained at MoF	
4.41	Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	At MoF	

Topic	Response	Potential Risk Event
4.42 Are subsidiary records of fixed assets, inventories and stocks kept up to date and reconciled with control accounts?	Yes reconciliation done	
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and stocks appropriately labeled?	No	
4.44 Are the physical inventory of fixed assets and stocks reconciled with the respective fixed assets and stock registers, and discrepancies analyzed and resolved?	No	
4.45 Describe the policies and procedures in disposal of assets. Is the disposal of each asset appropriately approved and recorded? Are steps immediately taken to locate lost, or repair broken assets?	Yes	
4.46 Are assets sufficiently covered by insurance policies?	**No**	
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.		
Other Offices and Implementing Entities		
4.48 Describe any other regional offices or executing entities participating in implementation.	No	
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	Not applicable	
4.50 Has the project established segregation of duties, controls and procedures for flow of funds and financial information, accountability, and reporting and audits in relation to the other offices or entities?	Not applicable	
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	Not applicable	
4.52 Are periodic reconciliations performed among the different offices/implementing agencies? Describe the project reporting and auditing arrangements between these	Not applicable	

Topic	Response	Potential Risk Event
offices and the main executing/implementing agencies.		
4.53 If any sub-accounts (under the Imprest Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	Not applicable	
Contract Management and Accounting		
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	Not applicable	
4.55 If contract records are maintained, does the agency reconcile them regularly with the contractor?	Not applicable	
Other		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. 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?	None reported	
5. Internal Audit		
5.1 Is there an internal audit (IA) department in the entity?	No	The integrity of internal controls and procedures may be compromised
5.2 What are the qualifications and experience of the IA staff?	Not applicable	
5.3 To whom does the head of the internal audit report?	Not applicable	
5.4 Will the internal audit department include the project in its annual work program?	Not applicable	
5.5 Are actions taken on the internal audit findings?	Not applicable	
5.6 What is the scope of the internal audit program? How was it developed?	Not applicable	
5.7 Is the IA department independent?	Not applicable	
5.8 Do they perform pre-audit of	Not applicable	

	Topic	Response	Potential Risk Event
	transactions?		
5.9	Who approves the internal audit program?	Not applicable	
5.10	What standards guide the internal audit program?	Not applicable	
5.11	How are audit deficiencies tracked?	Not applicable	
5.12	How long have the internal audit staff members been with the organization?	Not applicable	
5.13	Does any of the internal audit staff have an IT background?	Not applicable	
5.14	How frequently does the internal auditor meet with the audit committee without the presence of management?	Not applicable	
5.15	Has the internal auditor identified / reported any issue with reference to availability and completeness of records?	Not applicable	
5.16	Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Not applicable	
6.	**External Audit – entity level**		
6.1	Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	No. Part of the overall government audit	
6.2	Are there any delays in audit of the entity? When are the audit reports issued?	Not applicable	
6.3	Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	Not applicable	
6.4	Were there any major accountability issues noted in the audit report for the past three years?	Not applicable	
6.5	Does the external auditor meet with the audit committee without the presence of management?	Not applicable	
6.6	Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of	Not applicable	

Topic	Response	Potential Risk Event
audit services?		
6.7 Has the external auditor expressed any issues on the availability of complete records and supporting documents?	Not applicable	
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Not applicable	
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	Not applicable	
External Audit – project level		
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Yes, likely to be the same auditor	
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	No	
6.12 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?	No	
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	Will have	
6.14 Has the project auditor identified any issues with the availability and completeness of records and supporting documents?	Not applicable	
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	Previous ADB project audit experience	
6.16 Are there any recommendations made by the auditors in prior audit reports or	No	

	Topic	Response	Potential Risk Event
	management letters that have not yet been implemented?		
6.17	[For second or subsequent projects] Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?	Not applicable	
7.	**Reporting and Monitoring**		
7.1	Are financial statements and reports prepared for the entity?	For national government as a whole not for MoE separately	
7.2	Are financial statements and reports prepared for the implementing unit(s)?	As part of the government reporting but can be extracted	
7.3	What is the frequency of preparation of financial statements and reports? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Annually	
7.4	Does the entity reporting system need to be adapted for project reporting?	No, project will have own accounting system	
7.5	Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	Will have	
7.6	Are financial management reports used by management?	Yes	
7.7	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	
7.8	How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Not prepared for MoE Separately	

	Topic	Response	Potential Risk Event
7.9	Does the financial system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes	
7.10	Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes, every year requires extensive reporting for the U.S government	
8.	**Information Systems**		
8.1	Is the financial accounting and reporting system computerized?	From FY2016 has the responsibility for managing a small budget – computerized	
8.2	If computerized, is the software off-the-shelf, or customized?	Customized to a certain degree – used by other entities in the RMI	
8.3	Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	Stand alone	
8.4	How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	Project will have separate system	
8.5	Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Only a trial balance produced, Deloitte's prepare final accounts	
8.6	Can the system automatically produce the necessary project financial reports?	Yes	
8.7	Is the staff adequately trained to maintain the computerized system?	Yes	
8.8	Do the management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data?	Yes	
8.9	Are there back-up procedures in place?	Yes	

Topic	Response	Potential Risk Event
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, and earthquake and calamity protection for backups.	Onsite and off site	