

# United Nations Development Programme Cambodia



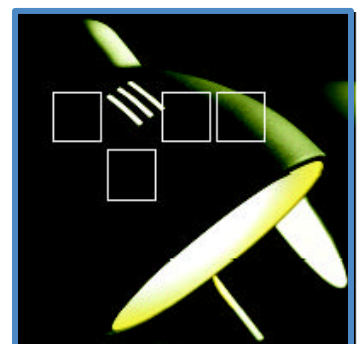
## Financial Management Capacity Assessment of Fisheries Administration, Ministry of Agriculture, Forestry and Fisheries, Royal Government of Cambodia

**Lochan & Co.**  
Chartered Accountants

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## SECTION – I

### 1. Introduction

1.1 As per Terms of Reference (ToR) attached to United Nations Development Program (UNDP) contract with Lochan & Co (LC) dated 07 October 2011, UNDP has assigned the Micro (Financial) Assessment of Fisheries Administration (FiA) and LC has undertaken the same.

UNDP and other three UN Agencies have adopted Harmonized Approach to Cash Transfer (hereinafter referred as HACT) to transfer the funds to Implementing Partners i.e. Government and Non-Government Organizations. As per HACT clauses, Financial Management Capacity Assessments of Implementing Partners is to be undertaken with following parameters:

- I. To assess the Implementing Partner's financial control systems to enable the assessor to express a professional opinion on the adequacies of the accounting and internal control systems, authenticity and transparency of the accounting returns, effective and efficient use of the fund resources, and
- II. To identify those particulars areas of capacity that are strongest and those that need improvement.

This exercise is only a broad evaluation and not an audit; LC is not rendering an opinion as to whether the UNDP should initiate funding to the Implementing Partner or not.

### 1.2 Brief Background of Fisheries Administration

Fisheries Administration (FiA) is a government authority under the Ministry of Agriculture Forestry and Fisheries (MAFF) in managing fisheries and fisheries resources. FiA is working with other ministries, departments and agencies to promote livelihood diversification in support of effective fisheries management.

#### Objectives of FiA

According to the National Fisheries Sector Policy and the Fisheries Law, the main objective of FiA is Management, conservation, and development of sustainable fisheries resources to contribute to ensuring people's food security and to socioeconomic development in order to enhance people's livelihoods and the nation's prosperity. To this end, FiA is to perform the following duties based on the Fisheries Law:

- Reviewing, revising and improving the policy, plans, legislation, institution and capacity (human and physical) of the fisheries sector.
- Increasing more areas for family fishing through fishing lot reforms.
- Stock enhancement through conservation and research study.
- Community-based fisheries management to promote local participation in fisheries management linked to livelihood diversification.
- Improving livelihood of poor rural people by enhancing the role of fish in food security, employment and income generation by ensuring the sustainable use of aquatic resources, and by increasing community and household production levels through rural aquaculture development.
- Improving livelihood of poor people by improving their capacity to more effectively use fish after capture through enhanced post-harvest fisheries development.

### 1.3 Executive Summary

Based on our detailed assessment of checklist B, LC has assessed the overall risk of Fisheries Administration (FiA) as **Moderate**.

**Risk Analysis / Assessment** of FiA is summarized in the matrix below:

Risk	Risk Assessment	Risk Mitigation Measures
<b>Control Risk</b>		
1. Implementing Partner	Low	Refer to recommendation

Risk	Risk Assessment	Risk Mitigation Measures
2. Funds Flow	Low	Refer to recommendation
3. Staffing	Low	Refer to recommendation
4. Accounting Policies & Procedures	Moderate	Refer to recommendation
5. Internal Audit	Significant	Refer to recommendation
6. External Audit	Moderate	Refer to recommendation
7. Reporting and Monitoring	Moderate	Refer to recommendation
8. Information Systems	Moderate	Refer to recommendation
<b>Overall Risk</b>	<b>Moderate</b>	
*H – High,                      S – Significant,                      M – Moderate,                      L – Low		

## SECTION – II

### 2.0 Detailed Assessment

Our detailed assessment is based on ‘**Checklist B: Financial Management Questionnaire**’ of Financial Assessment, which is attached as **section 3.1**. LC has assessed the risk in eight areas and same are detailed below:

#### Overall Assessment

Based on the facts and detailed assessment of checklist B, the overall risk of FiA, Cambodia assessed by assessment firm is **Moderate**. The assessment firm has assessed the risk in eight areas as mentioned in **Checklist B** and same has been detailed in following paragraphs:

### 2.1 Implementing Partner

Fisheries Administration (FiA) is one of the departments working under the Ministry of Agriculture, Forestry and Fisheries (MAFF) of the Royal Government of Cambodia which is not required to be registered under any statute. FiA has not received funds from UN agencies in the past. FiA is following with statutory reporting requirements through line ministries wherein donor funds are not included. FiA doesn't prepare annual consolidated financial statements for the organization as a whole. There is a well structured government system in place under which Council of Ministers are elected through mandate. The overall organizational structure of FiA is depicted in **Annexure 3.2.1**.

#### Assessment

FiA overall organizational structure seems to be appropriate for work to be carried out under UN Cooperation.

However in case of ‘**Implementing Partner**’, FiA needs improvement in one area. The same has been mentioned in the following table with assessment team recommendation.

Subject Area	Implementing Partner
Observation No.	1
Subject Title	No Consolidated Annual Financial Statements are prepared
Observation	<ul style="list-style-type: none"> <li>FiA maintains books of accounts for the donor funds and Government funds separately. No consolidated annual financial statements are prepared by FiA where the consolidated expenditure and revenue (from Government funds and donor funds) are reported.</li> <li>The donors' funds are reported only to the respective donors as per the requirement of their agreement. It is not reported to MAFF in the report submitted to them.</li> </ul>
Recommendation	<ul style="list-style-type: none"> <li>FiA should prepare consolidated financial statements for the organization as a whole incorporating the receipts and expenditure from all the sources to have a better monitoring.</li> <li>FiA should ensure that donor funds reporting should form part of the report submitted to MAFF.</li> </ul>
Reference to Check List B	Point No. 1.3 & 7.1

**Risk Assessed: Low**

### 2.2 Funds Flow

The fund mechanism of government system is in place. FiA has maintained separate bank accounts for government fund and donor funds at central level and province level. The

arrangement to transfer the funds to the entity is satisfactory. FiA doesn't implement its activities through communities or NGOs.

**Assessment**

The funds flow system of FiA is quite satisfactory.

**Risk Assessed: Low**

**2.3 Staffing**

The organizational structure of accounts department seems to be appropriate for the existing level of financial volume. The organizational structure of FiA is depicted in **annexure 3.2.3**. The details of the accounting staffs are attached as **annexure 3.2.4**.

**Assessment:**

In case of "Staffing", FiA needs improvement in two areas. The same has been mentioned in the following table with assessment team recommendation.

<b>Subject Area</b>	<b>Staffing</b>
<b>Observation No.</b>	2
<b>Subject Title</b>	Shortage of accounting staff
<b>Observation</b>	<ul style="list-style-type: none"> <li>• FiA, finance and accounts function seems to be staffed adequately for financial management of the Government Funds.</li> <li>• However for donor funded projects there is an accountant who is handling entire affairs of donor projects at central level. Further he is also required to visit provinces for review and supervision of financial affairs carried out at provinces.</li> <li>• The assessment firm has concluded that as there is only one person in finance and accounts department who is handling the accounting of all the donor projects and also visiting provinces for review of financial system followed at provinces; there is a need of an additional resource to share with volume of work.</li> </ul>
<b>Recommendation</b>	FiA should appoint one more experienced finance and accounts person to handle the financial operations of FiA in addition to the existing staff.
<b>Reference to Check List B</b>	Point No. 3.3

<b>Subject Area</b>	<b>Staffing</b>
<b>Observation No.</b>	3
<b>Subject Title</b>	Familiarity with UN procedures related to Cash Transfer
<b>Observation</b>	The finance and accounts staffs are not aware of the new system introduced by UN Agencies; particularly of HACT provisions as no orientation has been provided by UNDP to FiA finance and account staff in this respect.
<b>Recommendation</b>	UNDP should provide orientation to FiA finance and accounts staff regarding the HACT provisions
<b>Checklist B Reference</b>	Point No. 3.5

**Risk Assessed: Low**

**2.4 Accounting Policies and Procedures**

**2.4.1 Accounting Policies and Procedures**

FiA has computerized system of accounting for recording the transactions. The books of accounts for the Government funds are maintained using spreadsheets while for the accounting of the donor related funds accounting software “Conical Hat” is used. The common cost of FiA is borne by Royal Government of Cambodia; it is not allocated to donor funds. The controls concerning the preparation and approval of transactions are in place. The chart of accounts is adequate to properly account for and report on activities and disbursement categories.

**Assessment:**

The arrangement for the “**Accounting Policies and Procedures**” seems to be satisfactory. However FiA needs improvement in one area. The same has been mentioned in the following table with assessment team recommendation:

<b>Subject Area</b>	<b>Accounting Policies and Procedures</b>
<b>Observation No.</b>	4
<b>Subject Title</b>	Advance disbursed to Provinces recorded as expenditure in the books of account
<b>Observation</b>	<ul style="list-style-type: none"> <li>• The expenditures incurred at province level are not reported on actual basis. The entire amount of advances disbursed to Provinces is recorded as expenditure in the software which is reported accordingly in the financial report submitted to donors.</li> <li>• There is no system for recording the disbursements to Provinces as advance and adjusting the same in the books of account on submission of expenditure reports against these advances.</li> </ul>
<b>Recommendation</b>	FiA should ensure that the funds disbursed to the provinces are recorded as an advance and the expenditure against the same is recorded on submission of expenditure reports by the Provinces through adjusting the advance.
<b>Checklist B Reference</b>	Point No. 4.1

**2.4.2 Segregation of Duties**

Duties for authorization of expenditure and recording of the transactions are well segregated. The functions of ordering, receiving, accounting for and paying for goods and services are properly segregated.

**2.4.3 Budgeting Systems**

The budgets prepared by FiA for Government funds and donors funds provide for physical and financial targets of activities which is approved by appropriate authorities. The budget is prepared by knowledgeable persons and it is based on valid assumptions. Budget vs. actual expenditure comparison is being undertaken and reasons for variance thereon are being well recorded and approved. Approvals for variations from the budget are taken in advance or after the fact based on the nature of expenditure for any activity.

**Assessment**

The arrangement regarding the budgeting system seems to be satisfactory. However, in case of “**Accounting Policies and Procedure-Budgeting Systems**”, FiA requires improvement in one area. The same has been mentioned in the following table with assessment team recommendation:

<b>Subject Area</b>	<b>Budgeting System</b>
---------------------	-------------------------

<b>Observation No.</b>	5
<b>Subject Title</b>	No explanations regarding significant budget gaps
<b>Observation</b>	<ul style="list-style-type: none"> <li>On review of the Annual Action Plan 2011 the assessment firm has noticed that the budgets prepared by FiA for Government funds is not to the mark as there are large budget gaps which range from 10% to 40% of the total budgeted funds in comparison to actual expenditure.</li> <li>No explanation is available with the FiA documenting the reasons regarding the budget gaps in the Annual action Plan 2011.</li> </ul>
<b>Recommendation</b>	FiA should identify the reasons for budget gaps and take corrective measures to ensure that budgets prepared by the organization are more realistic.
<b>Checklist B Reference</b>	Point No. 4.11 and 4.16

#### 2.4.4 Payments

All the procurement of goods and services for FiA is undertaken by MAFF for the Government funded projects, while for the other donor funded projects there is a procurement committee. Proper controls exist for the preparation of payroll and the changes to the payroll are properly authorized.

##### Assessment

The payment processing system of FiA is satisfactory and Assessment firm has no observations in this regard.

#### 2.4.5 Policies and Procedures

FiA follows cash basis of accounting. FiA follows the Manual of Accounting issued by Ministry of Economy and Finance (MEF) for accounting of government funds, whereas for accounting of the donor fund, it follows the guidelines issued from donors. FiA follows the policies and procedures of the Royal Government of Cambodia to guide activities and ensure staff accountability.

##### Assessment

In case of “**Accounting Policies and Procedures**”, FiA requires improvement in one area. The same has been mentioned in the following table with assessment team recommendation:

<b>Subject Area</b>	<b>Policies and Procedures</b>
<b>Observation No.</b>	6
<b>Subject Title</b>	No policy on conflict of interest
<b>Observation</b>	<ul style="list-style-type: none"> <li>The policy regarding conflict of interest is envisaged under the Procurement Manual of the MAFF only.</li> <li>In general, there are no policies and procedures that clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organisation.</li> </ul>
<b>Recommendation</b>	<ul style="list-style-type: none"> <li>FiA may develop policy that defines conflict of interest and provide for disclosure of related party transactions.</li> <li>FiA should also orient its staff on the issue of conflict of interest.</li> </ul>
<b>Checklist B Reference</b>	Point No. 4.25



#### 2.4.6 Cash and Bank

FiA maintains two bank accounts for donor funds at the central level and five others at the province level. The bank accounts are operated through joint signatories. It maintains an adequate, up to date cash book recording receipts and payments. Proper control is in existence for the collection, timely deposit, and recording of receipts. Bank reconciliation statements are prepared on monthly basis; cash is also reconciled on monthly basis.

##### Assessment

The cash and bank operation of the FiA is satisfactory. The assessment firm has no observation in this regard.

#### 2.4.7 Safeguard over Assets

FiA has proper system for safeguarding of assets from fraud, waste and abuse. It carries out physical verification of assets and stock items on annual basis. Codes are assigned to fixed assets procured from the Government and donor funds.

##### Assessment

In case of “**Accounting Policies and Procedures – Safeguard over Assets**”, FiA requires improvement in two areas. The same has been mentioned in the following table with assessment team recommendation:

Subject Area	Safeguard Over Assets
Observation No.	7
Subject Title	Vehicle log book not maintained
Observation	<ul style="list-style-type: none"> <li>• FiA is not maintaining any log book for usage of the vehicles.</li> <li>• However, it has been explained by the IP that there is an arrangement that every movement of the vehicle has the request from each department for the use of vehicle and send it to accounting department for review and verification before submission for approval of Director General.</li> </ul>
Recommendation	FiA should adopt the practice of maintaining log books to record the details regarding the usage of the vehicles.
Checklist B Reference	Point No. 4.33

Subject Area	Safeguard Over Assets
Observation No.	8
Subject Title	No insurance coverage for assets
Observation	FiA has not obtained any insurance policy for safeguard over assets from various uncertainties and risks.
Recommendation	FiA should obtain insurance policy to safeguard the assets against any unforeseen incident.
Checklist B Reference	Point No. 4.36

#### 2.4.8 Other Offices or Entities

FiA is implementing its activities through five provinces. FiA has established controls and procedures for flow of funds, financial information and accountability in relation to provinces.

**Assessment**

The arrangement regarding the provinces for flow of funds, financial information, accountability and audits seems to be satisfactory except the system of recording of advances disbursed to Provinces as mentioned in observation no. 4 in para 2.4.1.

**2.4.9 Reporting of Suspected Frauds**

FiA has Disciplinary Committee in place at the central level and province level in order to inspect any reports of suspected fraud, waste or misuse of resources or property.

**Assessment**

The arrangement regarding the Reporting of Suspected Frauds seems to be satisfactory. Assessment firm has no observations in this regard.

**Risk Assessed: Moderate**

**2.5 Internal Audit**

The assessment firm has noticed that there is no system of conducting internal audit of organizations in Cambodia. However as FiA is a department under MAFF, it is subject to annual internal audit which is undertaken by the Internal Audit Department of MAFF. The internal audit only covers the national budget in its scope. Donor funded projects are not part of these annual internal audits.

**Assessment**

FiA has internal audit system for government funding only, donor funded projects are not subject to internal audit. In case of **“Internal Audit”**, FiA needs improvement in one area. The same has been mentioned in the following table with assessment team recommendation.

<b>Subject Area</b>	<b>Internal Audit</b>
<b>Observation No.</b>	9
<b>Subject Title</b>	No internal audit is conducted for the overall accounts of FiA.
<b>Observation</b>	<ul style="list-style-type: none"> <li>• FiA is a department under MAFF and is subject to annual internal audit which is undertaken by the Internal Audit Department of MAFF.</li> <li>• However only the transactions related to national budget are covered in the internal audit by the Internal Audit Department of MAFF. Donor funded projects are not part of these annual internal audits.</li> </ul>
<b>Recommendation</b>	FiA should ensure that donors’ projects shall either become part of the internal audit conducted by the Internal Audit Department of MAFF or independent auditors may be appointed to undertake the audit of donor projects.
<b>Checklist B Reference</b>	Point No. 5.1 & 5.4

**Risk Assessed: Significant**

**2.6 External Audit**

FiA is subject to audit by the National Audit Authority. The audit conducted by National Audit Authority doesn’t cover the audit of donor funded projects. The donor funded projects are separately audited by the auditor appointed by the donors.

**Assessment**

In case of **“External Audit”** FiA needs improvement in one area. The same has been mentioned in the following table with assessment team recommendation.

<b>Subject Area</b>	<b>External Audit</b>
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<b>Observation No.</b>	10
<b>Subject Title</b>	No external audit is conducted for donor funds
<b>Observation</b>	<ul style="list-style-type: none"> <li>• FiA is not preparing annual consolidated financial statements for the organization as a whole, so there is no system for audit of consolidated financial statements.</li> <li>• FiA is subject to audit by the National Audit Authority. The audit conducted by National Audit Authority covers only government funds. It doesn't cover the audit of donor funded projects.</li> <li>• However, the donor funded projects are separately audited by the auditor appointed by the donors.</li> </ul>
<b>Recommendation</b>	FiA should introduce a system of preparing annual consolidated financial statements for the organization as a whole including funds received from donors. Such consolidated financial statements should be audited by an independent auditor.
<b>Checklist B Reference</b>	Point No. 6.1

**Risk Assessed: Moderate**

## 2.7 Reporting and Monitoring

FiA does not prepare annual financial statements compiling all financial data from all sources/donors. Reports are created as per the requirements. FiA prepares monthly, quarterly and annual financial reports for Government funds for submission to MAFF. Financial reports for submission to donors are prepared as per specific donor requirements. The reporting system is adapted to report on the AWP related expenditure.

### Assessment

In case of “**Reporting and Monitoring**” FiA needs improvement in one area. The same has been mentioned in the following table with assessment team recommendation:

<b>Subject Area</b>	<b>Reporting and Monitoring</b>
<b>Observation No.</b>	11
<b>Subject Title</b>	Financial Reports and Physical Progress Reports are not synchronized through software.
<b>Observation</b>	<ul style="list-style-type: none"> <li>• There is no system, where financial information may be linked with the AWP's physical progress through software. However, separate financial and physical reports are prepared.</li> <li>• It has been explained that proper control exists to reduce the risk that physical data match with financial data. Both the reports are manually checked and matched before submitting to donor.</li> </ul>
<b>Recommendation</b>	FiA should develop accounting software with the capacity to link the financial information with the AWP's physical progress. Where accounting software could not be developed then there should be written documentation of steps taken to reduce the risk that the physical data may not synchronize with the financial data.
<b>Checklist B Reference</b>	Point No. 7.4

**Risk Assessed: Moderate**

## 2.8 Information Systems

Financial management system of FiA is computerised. The books of accounts of government is maintained in Spread Sheets while for the accounting of Donors related funds accounting software is being used. The software Conical Hat used by FiA can generate required financial reports for donor funding.

### Assessment

In case of "Information Systems" FiA needs improvement in two areas. The same has been mentioned in the following table with assessment team recommendation:

Subject Area	Information Systems
Observation No.	12
Subject Title	Training to accountants at province level
Observation	<ul style="list-style-type: none"> <li>The books of accounts for donor funds are maintained in computer software (Conical Hat) at central level as well as province level.</li> <li>Accountant at Central level is adequately trained to use the accounting software. However accountants at province level are required to be trained properly so that they can use the accounting software for better information system.</li> </ul>
Recommendation	FiA should conduct training program for accountants at province level for enabling the capacity to operate the computerized financial management system.
Checklist B Reference	Point No. 8.3

Subject Area	Information Systems
Observation No.	13
Subject Title	Anti-virus Software not installed on computer system
Observation	<ul style="list-style-type: none"> <li>The management organization and processing system do safeguard the confidentiality, integrity, and availability of the data through the system of regular backups and use of password.</li> <li>However it has been noticed that there is no antivirus software being used to secure the data from malicious programs.</li> </ul>
Recommendation	FiA should install Anti-virus software to secure the data from malicious programs.
Reference to Check List B	Point No. 8.4

Risk Assessed: Moderate


  
 Rajeev Lochan, Partner  
 Lochan & Co.  
 Chartered Accountants

Date: 16.03.2012  
Place: Delhi

## SECTION – III

### 3.1 Checklist B: Financial Management Questionnaire

Date: 28.11.2011 to 30.11.2011

Implementing Partner: Fisheries Administration (FiA)

Summary of Risks related to the Financial Management Capacity of Implementing Partner					
<b>Tested Subject Area</b> (see subsequent pages for questions for each area that should be completed and summarized in the sections below)					
	Risk Assessment				Comments
	H	S	M	L	
1. Implementing Partner				✓	
2. Funds Flow				✓	
3. Staffing				✓	
4. Accounting Policies and Procedures			✓		
5. Internal Audit		✓			
6. External Audit			✓		
7. Reporting and Monitoring			✓		
8. Information Systems			✓		
Overall Risk Assessment	H	S	M	L	<b>Moderate</b>

H – High

S – Significant

M – Moderate

L –Low

### Financial Management Questionnaire

Subject Area	Yes	No	N/A	Review	Remarks / Comments
<b>1. Implementing Partner</b>					
1.1 Is the Implementing Partner legally registered? Please note the legal status / registration of the entity.				Review	<ul style="list-style-type: none"> <li>• Fisheries Administration (FiA) is one of the departments working under the Ministry of Agriculture, Forestry and Fisheries (MAFF) of the Royal Government of Cambodia.</li> <li>• FiA is not required to be registered under any statute.</li> </ul>
1.2 Has the Implementing Partner received UN resources in the past?		No			<ul style="list-style-type: none"> <li>• FiA has not received fund from UN Agencies in the past.</li> </ul>
1.3 Does the IP have statutory reporting requirements? Please describe.	Yes				<ul style="list-style-type: none"> <li>• FiA is required to submit periodical (monthly/ quarterly/ annual) reports to Ministry of Agriculture, Forestry and Fisheries (MAFF). MAFF submits the annual report to Ministry of Economy and Finance (MEF). Thereafter MEF puts the reports before the Parliament through Council of Ministers.</li> <li>• The report submitted by FiA to MAFF includes the reporting for government funds only; it doesn't include reporting of donor funds.</li> <li>• The assessment firm noticed that FiA doesn't prepare annual consolidated financial statements for the organization as a whole.</li> </ul> <p><b>Refer to recommendation 1 mentioned in paragraph 2.1.</b></p>
1.4 Is the governing body for the Implementing Partner independent?	Yes				<ul style="list-style-type: none"> <li>• FiA is one of the departments of MAFF. The governance system is independent and representatives are being elected through mandate.</li> <li>• There is a well structured government system in place under which Council of Ministers are elected</li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
					<p>through mandate i.e. election process.</p> <ul style="list-style-type: none"> <li>The assessment firm noticed that there is no separate governing body for controlling the operations of the FiA. It is controlled through mechanism of Royal Government of Cambodia.</li> </ul>
1.5 Is the organizational structure appropriate for the work to be carried out under UN cooperation?	Yes				<p>There is a proper and appropriate government structure for the work to be carried out under UN cooperation.</p> <p>The organizational structure of FiA is depicted in <b>annexure 3.2.1</b>.</p>
Risk Assessment (Implementing Partner)	H	S	M	L	<b>Risk Assessed: Low</b>
<b>2. Funds Flow</b>					
2.1 Can the entity receive and transfer funds?	Yes				<ul style="list-style-type: none"> <li>The fund mechanism of government system is in place. FiA has maintained separate bank accounts for government fund and donor funds at Central level.</li> <li>Further it has maintained separate bank account at 5 provinces where it is executing programs at province level.</li> <li>In case of Government funds, the funds are being transferred to MEF first. Then MEF transfers the funds to MAFF and finally it reaches to FiA. The transfer of funds takes place through bank transfer or through cheque.</li> <li>In case of donor funds, the funds are received directly from donor agencies in the bank account.</li> <li>The funds flow system of FiA is depicted in <b>annexure 3.2.2</b></li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
2.2 Are the arrangements to transfer the funds to the entity satisfactory?	Yes				The arrangement to transfer the funds to the entity is satisfactory. The funds are received through bank transfer or cheque. Further transfer of funds from FiA to Local Cantonments (field level office) is made through cheque on the basis of requisition received from cantonment officer.
2.3 Have there been major problems in the past in receipt of funds by the entity, particularly where the funds flow from the Government / Ministry of Finance?		No			As informed no problems have been noticed in past in receipt of funds by FiA from Royal Government of Cambodia through MEF & MAFF.
2.4 In the past, has the entity had any problems in the management of disbursements from a member of the UN country team? Please describe.			N/A		As informed by FiA, it has not received fund from UN agencies in the past.
2.5 Does the entity have / need a capacity to manage foreign exchange risks? (if it is expected that the entity will be using funds outside the country.)			N/A		FiA maintains its bank account in US\$ and most of the payments are also processed in US\$ only. FiA is not required to manage foreign exchange risks as it is not supposed to make payment in any other currency.
2.6 How is the counterpart funds accessed?				Review	<ul style="list-style-type: none"> <li>• FiA submits the budget to its line ministry i.e. MAFF. After the approval of the budget by MAFF, MEF finally approves the budget and it becomes part of the national budget.</li> <li>• The national budget is being approved by the Council of Ministers.</li> <li>• Once this process is complete, then FiA can access the funds through Government Treasury.</li> </ul>



Subject Area	Yes	No	N/A	Review	Remarks / Comments
2.7 How are payments made from the counterpart funds?				Review	<ul style="list-style-type: none"> <li>• FiA disburses the funds on the basis of approved budget only.</li> <li>• FiA transfers the funds to Local Cantonments (field level office) through bank transfer, wherefrom the payments are disbursed in cash.</li> <li>• However, procurement of goods and services are being done by MAFF. The assessment team has not been able to review such payments.</li> </ul>
2.8 If some activities will be implemented by communities or NGOs, does the entity have the necessary reporting and monitoring mechanisms to track the use of funds?			N/A		FiA doesn't implement its activities through communities or NGOs.
Risk Assessment (Funds Flow)	H	S	M	L	<b>Risk Assessed :Low</b>
<b>3. Staffing</b>					
3.1 Is the organizational structure of the accounting department appropriate for the level of financial volume? Attach an organization chart.				Review	<p>The organizational structure of the accounting department seems to be appropriate for maintaining the existing system of accounting and the volume of transaction.</p> <p>The organization structure of the accounts department is attached as <b>annexure 3.2.3</b>.</p>
3.2 Is the level and competency of staff appropriate for the level of financial volume? Identify the accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Yes				<p>Based on limited interaction at FiA and review of CVs of accounting staff, the level and competency of staff seems to be appropriate for the level of financial volume for undertaking existing accounting transaction related to Government Funds as well as donors funds.</p> <p>The details of key accounting staff provided by FiA are attached as <b>annexure 3.2.4</b></p>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
3.3 Is the Implementing Partner finance and accounts function staffed adequately?	Yes				<ul style="list-style-type: none"> <li>• FiA, finance and accounts function seems to be staffed adequately for financial management of the Government Funds.</li> <li>• However for donor funded projects there is an accountant who is handling entire affairs of donor projects at central level. Further he is also required to visit provinces for review and supervision of financial affairs carried out at provinces.</li> <li>• The assessment firm noticed that as there is only one person in finance and accounts department who is handling affairs of all the donor projects and also visiting provinces for review of financial system followed at provinces; there is a need of an additional resource to share with volume of work.</li> </ul> <p><b>Refer to recommendation 2 mentioned in paragraph 2.3.</b></p>
3.4 Are finance and accounts staff adequately qualified and experienced?	Yes				Based on limited interaction at FiA and review of details of staff provided, the finance and accounts staffs are adequately qualified and experienced.
3.5 Are accounts and finance staff familiar with UN procedures related to cash transfers?		No			<p>The accounts and finance staff are not familiar with UN procedures related to cash transfers as FiA has not received any fund from the UN agencies in the past.</p> <p><b>Refer to recommendation 3 mentioned in paragraph 2.3.</b></p>
3.6 What is the duration of the contract of finance and accounts staff?				Review	All the finance and accounts staffs are permanent employees of FiA.
3.7 Indicate in the remarks / comments section key positions not contracted yet, and the estimated date of appointment.				Review	As informed to assessment firm by FiA staff there is no key position which is vacant.

Subject Area	Yes	No	N/A	Review	Remarks / Comments
3.8 Are staff frequently transferred? At what frequency?				Review	As informed the services of FiA finance and accounts staffs are not transferable.
3.9 Is there a training policy for the finance and accounting staff? Please describe.	Yes				<ul style="list-style-type: none"> <li>The training of accounting and finance staff is conducted as per the training schedule of MAFF.</li> <li>MAFF sends a request to FiA to appoint resources for the training.</li> <li>The relevant resources are then identified to undertake the training.</li> </ul>
Risk Assessment (Staffing)	H	S	M	L	<b>Risk Assessed: Low</b>
<b>4. Accounting Policies and Procedures</b>					
4.1 Does the entity have an accounting system that allows for the proper recording of financial transactions from UN Agencies, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds?				Review	<ul style="list-style-type: none"> <li>FiA has computerized system of accounting for recording the transactions related to the Government and donor Funds.</li> <li>The books of accounts for the Government funds are maintained using spreadsheets while for the accounting of the donor related funds accounting software "Conical Hat" is used.</li> <li>The expenditures incurred at province level are not reported on actual basis. The entire amount of advances disbursed to Provinces is recorded as expenditure in the software which is reported accordingly in the financial report submitted to donors.</li> <li>There is no system for recording the disbursements to Provinces as advance and adjusting the same in the books of account on submission of expenditure reports against the advances.</li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
					<ul style="list-style-type: none"> <li>The common cost of FiA is borne by Royal Government of Cambodia; it is not allocated to donor funds.</li> </ul> <p><b>Refer to recommendation 4 mentioned in paragraph 2.4.1.</b></p>
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes				<ul style="list-style-type: none"> <li>The controls concerning the preparation and approval of transactions are in place.</li> <li>All the transactions are properly documented. It has been depicted through a chart attached as <b>annexure 3.2.5.</b></li> </ul>
4.3 Is the chart of accounts adequate to properly account for and report on activities and disbursement categories?	Yes				<ul style="list-style-type: none"> <li>The chart of accounts has been made available for donor accounting only, which is adequate to properly account for and report on activities and disbursement categories.</li> <li>The account codes are divided into ledgers and sub-ledgers as per the budget heads of the donor agency which allows for proper accounting and reporting on activities and disbursement categories.</li> </ul>
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?			N/A		It has been informed that no common cost has been charged to donor funds. The common cost of FiA is borne from the funds received from Royal Government of Cambodia.
4.5 Are the general ledger and subsidiary ledgers reconciled and in balance?	Yes				<ul style="list-style-type: none"> <li>FiA maintains journals, general ledgers, cash and bank book regarding the donors funds in a computerized software called as "Conical Hat".</li> <li>The subsidiary and main ledger accounts are automatically reconciled in the accounting software.</li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes				<ul style="list-style-type: none"> <li>As explained to us all the supporting documents are retained for a minimum period of 5 years as per the regulations of Ministry in this regard.</li> <li>For the project accounting no time limit has been defined to keep the records. As informed by the accounts department of FiA the records are kept for the projects since inception. i.e. 2007.</li> </ul>
<b>Segregation of Duties</b>					
4.7 Are the following functional responsibilities performed by different units or persons: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction?				Review	<p>Segregation of duties is in place with respect to various functions. The segregation of duties is as follows:</p> <ul style="list-style-type: none"> <li>Authorization – Director</li> <li>Recording – Finance Officer</li> <li>Custody – Project Manager</li> </ul>
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes				<ul style="list-style-type: none"> <li>The functions of ordering, receiving, accounting for, and paying for goods and services are appropriately segregated.</li> <li>The procurement for government account are as per rules and regulation framed by MAFF.</li> <li>The ordering of goods and services and payments for the same are done by the procurement division of MAFF on behalf of Fisheries Administration for the Government Funds.</li> </ul>
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes				Bank reconciliation statements are prepared by FiA for all the projects bank accounts by a person other than those who make or approve payments.

Subject Area	Yes	No	N/A	Review	Remarks / Comments
<b>Budgeting System</b>					
4.10 Do the budgets lay down physical and financial targets?	Yes				The budgets prepared by FiA for Government funds and donors funds provide for physical and financial targets for implementation of activities.
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes				<ul style="list-style-type: none"> <li>The budgets are prepared for all significant activities in sufficient detail to provide a meaningful tool to monitor subsequent performance of the project.</li> <li>However on review of the Annual Action Plan 2011, the assessment firm has noticed that the budgets prepared by FiA for Government funds is not to the mark as there are huge budget gaps which range from 10% to 40% of the total budgeted funds in comparison to actual expenditure incurred for the same.</li> </ul> <p><b>Refer to recommendation 5 mentioned in paragraph 2.4.3</b></p>
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes				Budget vs. Actual expenditure comparison is being undertaken and reasons for variance thereon are being well recorded and approved.
4.13 Are approvals from variations from the budget required in advance or after the fact?				Review	<ul style="list-style-type: none"> <li>As informed to the assessment team, the system for approval of any variations from the budget depends upon the nature of expenditure for any activity.</li> <li>If the variations can be anticipated then advance approvals are obtained otherwise post facto approval is sought.</li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
4.14 Who is responsible for preparation and approval of budgets?				Review	<ul style="list-style-type: none"> <li>The Director General of FiA is responsible for the preparation of budget for implementation of activities funded by Government funds or donor funds.</li> <li>The budget is thereafter submitted to MAFF for its approval which is finally sent to donor agencies for approval.</li> </ul>
4.15 Are procedures in place to plan activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes				<ul style="list-style-type: none"> <li>The procedures for planning activities, collection of information from the units in charge of the different components are in place for preparation of budget.</li> <li>FiA follows Bottoms-up approach for preparation of budget.</li> </ul>
4.16 Are the plans and budgets of activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes				<ul style="list-style-type: none"> <li>The plans and budgets of activities are realistic. It has been explained that persons concerned with the planning and preparations of the budget are qualified and knowledgeable. Budgets are based on valid assumptions. However as mentioned in point 4.11 above it has been observed that the budget prepared by FiA is not up to the mark for government funds. The budget prepared is having gaps which range from 10% to 40% of the total budgeted expenditure in comparison to actual expenditure incurred for the same.</li> </ul> <p><b>Refer to recommendation 5 mentioned in paragraph 2.4.3</b></p>
<b>Payments</b>					
4.17 Do invoice processing procedures provide for: 1) Copies of purchase orders and receiving reports to be obtained directly from issuing departments?	Yes			Review	<ul style="list-style-type: none"> <li>All the procurement of goods and services for Government funded projects is undertaken by MAFF on behalf of FiA.</li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
<p>2) Comparison of invoice quantities, prices, and terms with those indicated on the purchase order and with records of goods actually received?</p> <p>3) Comparison of invoice quantities with those indicated on the receiving reports?</p> <p>4) Checking the accuracy of calculations?</p>	Yes				<ul style="list-style-type: none"> <li>For other donor projects there is a procurement committee consisting of Director General, Acting Director of Planning, Finance and International Cooperation Department of FiA and Secretariat of the TWG.</li> <li>There is a system of inviting three quotations for procurement and based on such quotations vendor is selected.</li> <li>The purchase orders are issued for the procurement which is prepared by the Department of Accounts and Finance.</li> <li>The invoices are then sent to FiA along with the goods which are received at the stores.</li> <li>The procurement executive of FiA is responsible for the collection and documentation of invoices sent by the Department of Accounts and Finance.</li> <li>The invoices are checked for comparison of invoice quantities, prices, and terms with those indicated on the purchase order and accuracy of calculations.</li> </ul>
4.18 Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?				Review	Assessment team has reviewed the invoices and noticed that all invoices are stamped PAID, dated, reviewed and approved and marked for account code assignment in invoices or vouchers.
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes				<ul style="list-style-type: none"> <li>The system of payroll processing is satisfactory. All payrolls related records such as attendance and leave records, monthly payroll sheet are properly maintained by FiA.</li> <li>Any changes to the payroll are authorized by MAFF.</li> </ul>



Subject Area	Yes	No	N/A	Review	Remarks / Comments
<b>Policies And Procedures</b>					
4.20 Describe the basis of accounting (e.g., cash, accrual)?				Review	FiA follows cash basis of accounting.
4.21 Are internationally accepted accounting standards followed? If so, which standard?				Review	FiA follows the Manual of Accounting issued by Ministry of Economy and Finance (MEF) for accounting of government funds, whereas for accounting of the donor fund, it follows the guidelines issued from donors.
4.22 Does the entity have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes				FiA follows the policies and procedures of the Royal Government of Cambodia to guide activities and ensure staff accountability.
4.23 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy, or procedure to be used by the entity?				Review	<ul style="list-style-type: none"> <li>Any alteration in the existing government accounting policy, or procedure or establishment of new principle, policy or procedure to be followed by FiA can be done by the Ministry of Economy and Finance</li> <li>For the donor funded projects, accounting principle, policies and procedures are established by the donor agencies.</li> </ul>
4.24 Are there written policies and procedures covering all routine financial management and related administrative activities? Are these accessible?	Yes				FiA follows the policies and procedures manual of the Royal Government of Cambodia to guide activities.
4.25 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?				Review	<ul style="list-style-type: none"> <li>The policy regarding conflict of interest is envisaged under the Procurement Manual of the MAFF only. In general, there are no policies and procedures that clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organisation from them. <b>Refer to recommendation 6 mentioned in paragraph 2.4.5.</b></li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
4.26 Are manuals distributed to appropriate personnel?	Yes				As informed the manuals are accessible to the appropriate personnel.
<b>Cash and Bank</b>					
4.27 Indicate in remarks / comments section the names and positions of authorized signatories on the bank accounts.				Review	<ul style="list-style-type: none"> <li>• FiA maintains two bank accounts for donor funds at the central level and five others at the province level.</li> <li>• The bank accounts are operated through joint signatures of two signatory out of three signatories.</li> <li>• The detail of the bank accounts and signatories thereof is attached as <b>annexure 3.2.6.</b></li> </ul>
4.28 Does the Implementing Partner maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes				FiA maintains an adequate, up to date cash book recording receipts and payments.
4.29 Do controls exist for the collection, timely deposit, and recording of receipts at each collection location?	Yes				FiA receives funds from Government and donors only. The funds from donors are received through bank transfer. The proper control is in existence for the collection, timely deposit, and recording of receipts.
4.30 Are bank and cash reconciled on a monthly basis?				Review	<ul style="list-style-type: none"> <li>• Bank Reconciliation Statements are prepared by FiA on monthly basis.</li> <li>• Cash is also reconciled on a monthly basis.</li> </ul>
4.31 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes				Bank reconciliation statements prepared at FiA are reviewed and approved by responsible official.
4.32 Are receipts deposited on a timely basis?	Yes				As mentioned in point no. 4.29, the receipts are deposited in a timely basis.
<b>Safeguard Over Assets</b>					
4.33 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes				<ul style="list-style-type: none"> <li>• Adequate safeguards to protect assets from fraud, waste and abuse exists in FiA.</li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
					<ul style="list-style-type: none"> <li>An appropriate asset register is maintained by FiA. Further there is system of codification of fixed assets procured from the project fund and Government funds.</li> <li>However no log books regarding the use of vehicles is maintained by FiA, but there is an arrangement that every movement of the vehicle has the request from each department for the use of vehicle and send it to accounting department for review and verification before submission for approval of Director General</li> </ul> <p><b>Refer to recommendation 7 mentioned in paragraph 2.4.7.</b></p>
4.34 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?				Review	As fixed assets purchased from project funds are booked through respective expenditure or budget line therefore fixed assets inventory is maintained through a subsidiary record which is maintained on excel sheet on regular basis.
4.35 Are there periodic physical inventories of fixed assets and stocks?	Yes				Physical verification of inventories of fixed assets and stocks is conducted on annual basis.
4.36 Are assets sufficiently covered by insurance policies?		No			Assets are not covered by insurance policies. <b>Refer to recommendation 8 mentioned in paragraph 2.4.7.</b>
<b>Other Offices or Entities</b>					
4.37 Are there any other regional offices participating in implementation?	Yes				<ul style="list-style-type: none"> <li>FiA is implementing its activities through five provinces.</li> <li>The list of the provinces which participate in the implementation of the activities of FiA is attached as <b>annexure 3.2.7.</b></li> <li>Some donor funded programmes such as DANIDA /DFID/ NZAid,</li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
					<p>Oxfam Australia and Wetland Alliance programme are managed by FiA directly whereas other donor funded programmes are managed by Project Monitoring Units (PMU) established for such projects. In such cases where project is managed through PMU, FiA is used as counterpart for the execution of programmes.</p>
<p>4.38 Has the Implementing Partners established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities? Please describe approval process.</p>				<p>Review</p>	<ul style="list-style-type: none"> <li>• FiA has established controls and procedures for flow of funds and financial information in relation to the provinces.</li> <li>• Funds are disbursed to the provinces in their respective bank accounts on the basis of approved work plan and budget.</li> <li>• <b>As mentioned in point no. 4.1 above, the advances disbursed to each of the provinces is recorded as expenditure and charged to the financial report directly rather than showing it as an advance.</b></li> <li>• Further the expenditure at the province level is incurred mainly in cash.</li> <li>• The expenditure details along with bills are accounted for at the province level office. They submit semester report for the actual expenditure done against approved work plan to the office at centre.</li> <li>• It has been informed to the team that person from central office (Phnom Penh) visits the province level offices on monthly basis and checks the controls. Although there is no such report or other documentary evidence available on record.</li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
					<ul style="list-style-type: none"> <li>Some donors' projects are managed by PMU established for it and they are responsible for establishing controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities if any.</li> </ul> <p><b>Refer to recommendation 4 mentioned in paragraph 2.4.1.</b></p>
4.39 Does information among the different offices/Agencies flow in an accurate and timely fashion?				Review	The expenditure details along with bills are accounted for at the province level office. They submit semester report for the actual expenditure done against approved work plan to central office at Phnom Penh.
4.40 Are periodic reconciliations performed among the different offices/Agencies?					The accounts are maintained separately at central office and all five provinces of FiA. Therefore, reconciliation is made only for funds transferred to provinces by the Central office.
<b>Other</b>					
4.41 Has the Implementing Partner advised employees, beneficiaries, and other recipients to whom to report if they suspect fraud, waste, or misuse of Agency resources or property?	Yes				FiA has Disciplinary Committee in place at the central level and province Level in order to inspect any reports of suspected fraud, waste or misuse of resources or property.
Risk Assessment (Accounting Policies and Procedures)	H	S	M	L	<b>Risk Assessed: Moderate</b>
<b>5. Internal Audit</b>					
5.1 Is there an internal audit department in the entity?	Yes				<ul style="list-style-type: none"> <li>The assessment firm has noticed that there is no system of conducting internal audit of organizations in Cambodia. However as FiA is a department under MAFF, it is subject to annual internal audit which is undertaken by the Internal Audit Department of MAFF.</li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
					<ul style="list-style-type: none"> <li>The internal audit conducted by Internal Audit Department only covers the national budget in its scope. Donor funded projects are not part of these annual internal audits.</li> </ul> <p><b>Refer to recommendation 9 mentioned in paragraph 2.5.</b></p>
5.2 What are the qualifications and experience of audit department staff?				Review	FiA has not shared with the assessment team the information regarding the qualifications and experience of the Internal Audit department of MAFF.
5.3 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?	Yes				<ul style="list-style-type: none"> <li>As informed to us, the internal auditor is sufficiently independent to make critical assessments regarding the audit of the funds related to National Budget.</li> <li>The internal auditor submits the report to MAFF.</li> </ul>
5.4 Will the internal audit department include the activities financed by the Agencies in its work program?		No			As informed to the assessment team, the internal audit department scope of work is limited to national budget only. It doesn't cover donor funds. <b>Refer to recommendation 9 mentioned in paragraph 2.5</b>
5.5 Are actions taken on the internal audit findings?	Yes				<ul style="list-style-type: none"> <li>As informed FiA is required to reply to the findings incorporated in the Internal Audit Report to the MAFF.</li> <li>The actions on the internal audit findings are taken based on the nature of the findings.</li> <li>If the action to be taken is within the capacity of the FiA, it is taken immediately. If it is not, then the action is taken with support from MAFF.</li> </ul>
Risk Assessment (Internal Audit)	H	S	M	L	<b>Risk Assessed : Significant</b>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
<b>6. External Audit</b>					
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes				<ul style="list-style-type: none"> <li>As discussed in point no. 1.3 FiA is not preparing annual consolidated financial statements for the organization as a whole, so there is no system for audit of consolidated financial statements.</li> <li>FiA is subject to audit by the National Audit Authority. The audit conducted by National Audit Authority covers only government funds. It doesn't cover the audit of donor funded projects.</li> <li>The donor funded projects are separately audited by the auditor appointed by the donors.</li> <li>FiA has not shared any audit report for the audit conducted by National Audit Authority or auditors appointed by donors.</li> </ul> <p><b>Refer to recommendation 10 mentioned in paragraph 2.6.</b></p>
6.2 Are there any delays in audit of the entity? When are the audit reports issued?			N/A		<ul style="list-style-type: none"> <li>As the audit reports have not been shared with the assessment firm, firm is not able to comment on the same.</li> </ul>
					<ul style="list-style-type: none"> <li>However as informed there is no delay in audit of the entity and the reports are submitted on time.</li> </ul>
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?				Review	The audit of FiA is conducted according to the rules and regulations of the National Audit Authority of the Royal Government of Cambodia.
6.4 Were there any major accountability issues brought out in the audit report of the past three years?				Review	The audit report of the National Audit and donor funds were not shared with assessment firm.

Subject Area	Yes	No	N/A	Review	Remarks / Comments
6.5 Will the entity auditor audit the AWP accounts or will a separate auditor be appointed to audit the AWP financial statements?	Yes				As informed: <ul style="list-style-type: none"> <li>The National Audit Authority audits the AWP accounts related to the funds disbursed by MAFF i.e. Government Funds.</li> <li>The AWP accounts of the donor funds are covered by the auditors appointed by donors.</li> </ul>
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?			N/A		As the audit reports have not been shared with the assessment firm, firm is not able to comment on the same.
6.7 Has the Implementing Partner prepared audit plans?		No			The audit plan is prepared by the National Audit Authority for government funds and by donors for donor funded projects.
Risk Assessment (External Audit)	H	S	M	L	<b>Risk Assessed : Moderate</b>
<b>7. Reporting and Monitoring</b>					
7.1 Are financial statements prepared for the entity?	Yes				<ul style="list-style-type: none"> <li>FiA does not prepare annual financial statements compiling all financial data from all sources/donors. Reports are created as per the requirements.</li> <li>FiA prepares monthly, quarterly and annual financial reports for Government funds for submission to MAFF.</li> <li>The annual financial report submitted to MAFF is then submitted to MEF.</li> <li>Financial reports for submission to donors are prepared as per specific donor requirements.</li> </ul> <p><b>Refer to recommendation 1 mentioned in paragraph 2.1</b></p>



Subject Area	Yes	No	N/A	Review	Remarks / Comments
7.2 What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to be useful to management for decision making?				Review	Refer point no. 7.1 above. As informed the financial reports submitted to MAFF and donors are used by management for decision making.
7.3 Does the reporting system need to be adapted to report on the AWP related expenditure?		No			The reporting system of donors fund is adapted to report on the AWP related expenditure.
7.4 Does the reporting system have the capacity to link the financial information with the AWP's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?		No			There is no system, where financial information may be linked with the AWP's physical progress through software. However, separate financial and physical reports are prepared. However it has been explained that proper control exists to reduce the risk that physical data match with financial data. Both the reports are manually checked and matched before submitting to donor. <b>Refer to recommendation 11 mentioned in paragraph 2.7.</b>
7.5 Does the Implementing Partner have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes				<ul style="list-style-type: none"> <li>• FiA has established the financial management reporting responsibilities for funding which specifies the reports to be prepared, the content of the report and the utility of the same.</li> <li>• IP is submitting reports to the donor in the forms and details as per the requirements of the donor.</li> </ul>
7.6 Are financial management reports used by management?	Yes				As informed to the assessment firm financial management reports are used by the management for decision making.
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes				The financial reports compare actual expenditures with budgeted and programmed allocations.

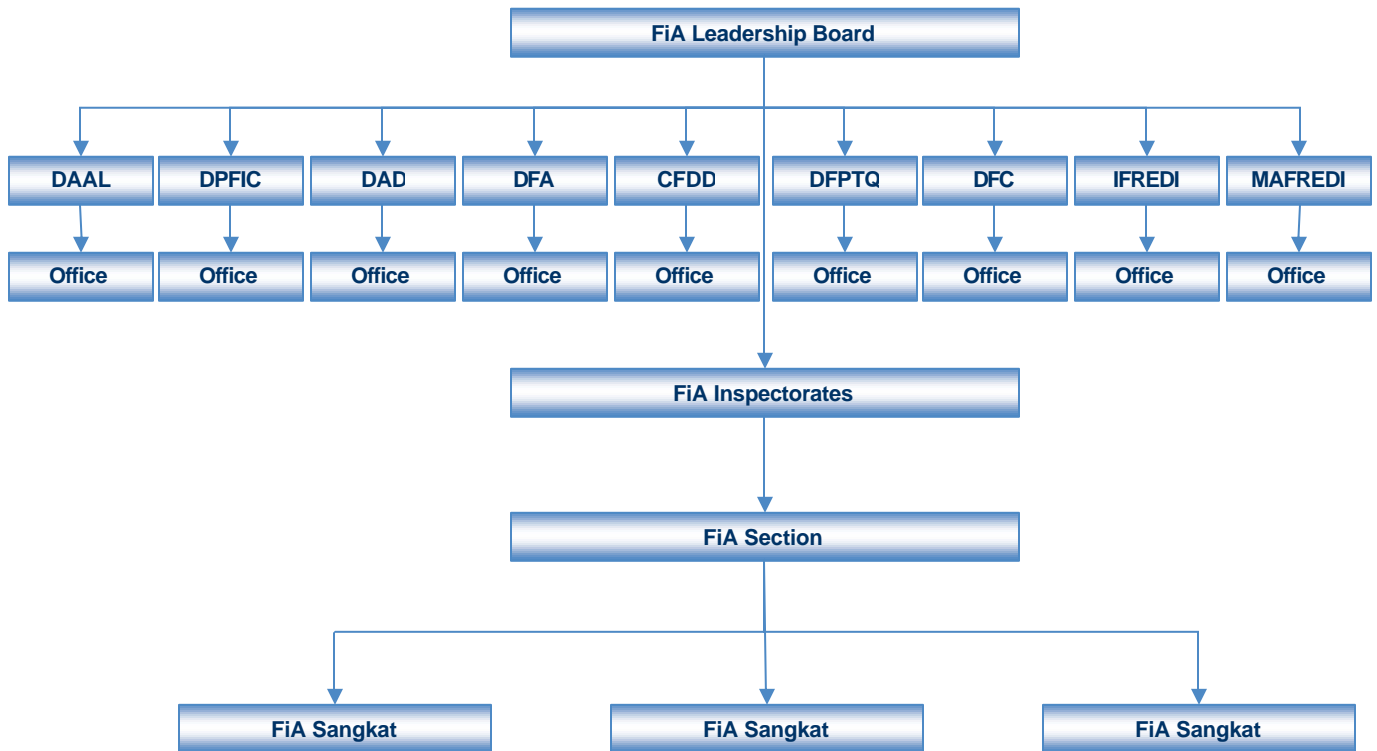
Subject Area	Yes	No	N/A	Review	Remarks / Comments
7.8 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Yes				The financial reports are prepared directly by automated accounting system known as "Conical Hat".
Risk Assessment (Monitoring and Reporting)	H	S	M	L	<b>Risk Assessed: Moderate</b>
<b>8. Information Systems</b>					
8.1 Is the financial management system computerized?	Yes				<ul style="list-style-type: none"> <li>Financial management system is computerized.</li> <li>The books of accounts for the government funds are maintained using Spread Sheets while for the accounting of donor funds accounting software (Conical Hat) is being used.</li> </ul>
8.2 Can the system produce the necessary financial reports?	Yes				The software Conical Hat used by FiA can generate required financial reports for donor funding.
8.3 Are the staff adequately trained to maintain the system?	Yes				<p>The staffs are trained to manage the computerized system at central level although the related staffs at province level need regular training.</p> <p><b>Refer to recommendation 12 mentioned in paragraph 2.8.</b></p>
8.4 Does the management organization and processing system safeguard the confidentiality, integrity, and availability of the data?				Review	<ul style="list-style-type: none"> <li>The financial management system of FiA is computerised and confidentiality, integrity, and availability of the data is ensured through a mechanism of periodic backup system on external hard drive.</li> <li>As informed there is also a system of external backups at the province level offices as well.</li> <li>The backup is taken on daily and fortnightly basis.</li> </ul>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
					<ul style="list-style-type: none"> <li>However, it has been noticed that there is no Anti-virus software on the computer systems.</li> </ul> <p><b>Refer to recommendation 13 mentioned in paragraph 2.8.</b></p>
Risk Assessment (Information Systems)	H	S	M	L	<b>Risk Assessed: Moderate</b>

3.2 Annexure

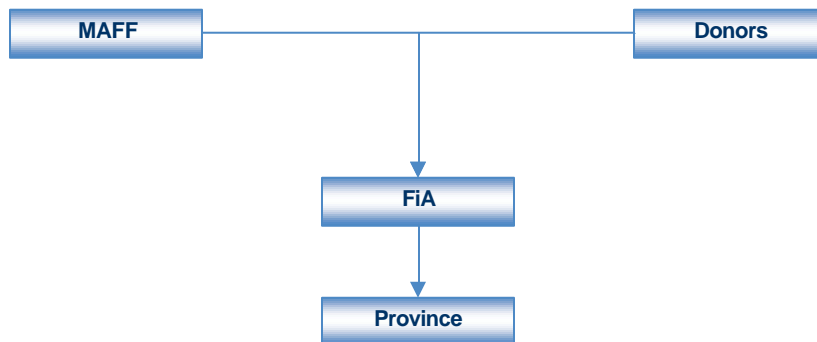
Annexure 3.2.1

Organizational Structure



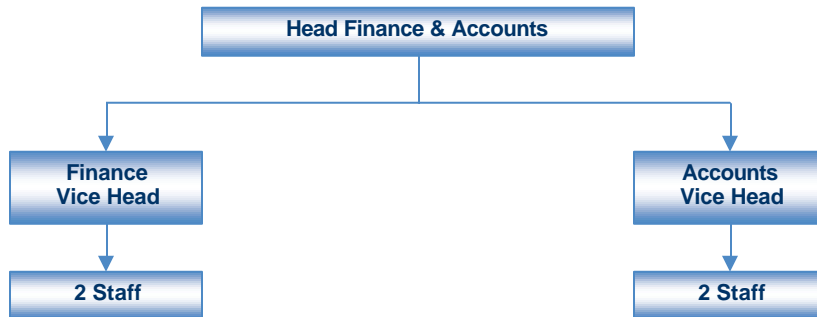
**Annexure 3.2.2**

**Funds Flow Diagram**



**Annexure 3.2.3**

**Accounts and Finance Department Organization Structure**



Annexure 3.2.4

Details of the Accounting Staffs of FiA

S. No.	1
Name	Kong chea
Designation	Vice Head Officer of Planning Division (Yet to be approved by Ministry)
Location	Phnom Penh (Central level)
Qualifications	MBA in the field of Business Administration Management from AIT (Thailand)
Job Profile / Responsibilities	<ul style="list-style-type: none"> <li>Budget monitoring, management and Accounting for donor fund.</li> <li>Administration work for Fisheries Administration.</li> </ul>
Trainings	Advance accounting Training course , Budget Management, Budget accounting management by Conical Hat system
Professional Experience	12 Years as a senior fisheries Staff and project accountant
Since in the Organization	Since 1996

S. No.	2
Name	Heng Boren
Designation	Project Accountant and Officer
Location	Mondulkiri Fisheries Administration Cantonment (Province)
Qualifications	<ul style="list-style-type: none"> <li>Bachelor of Agriculture Science (Major in Fisheries)</li> <li>Associate Degree in Business Administration (Accounting)</li> </ul>
Job Profile / Responsibilities	<ul style="list-style-type: none"> <li>Budget monitoring, management and Accounting for donor fund.</li> <li>Administration work for Fisheries Administration Cantonment.</li> </ul>
Trainings	Advance accounting Training course , Budget Management, Budget accounting management by Conical Hat system
Professional Experience	2 Years as a senior fisheries Staff and project accountant
Since in the Organization	Since 2010

S. No.	3
Name	Uo sovannara
Designation	Volunteer staff of Fisheries Administration, (Yet to be approved by Ministry)
Location	Kratie Cantonment (Province)
Qualifications	Bachelor Degree of Science (Bsc) in Faculty of Fisheries at Prek leap National school of Agriculture
Job Profile /	<ul style="list-style-type: none"> <li>Accounting management and monitoring/follow up</li> </ul>

<b>Responsibilities</b>	<ul style="list-style-type: none"> <li>Administration Affair</li> </ul>
<b>Trainings</b>	Advance accounting Training course , Budget Management, Budget accounting management by Conical Hat system
<b>Professional Experience</b>	3Years experience as a Fisheries volunteer Staff, Kratie Province and 1Year experience as a project accountant, Kratie Province
<b>Since in the Organization</b>	Since 2009

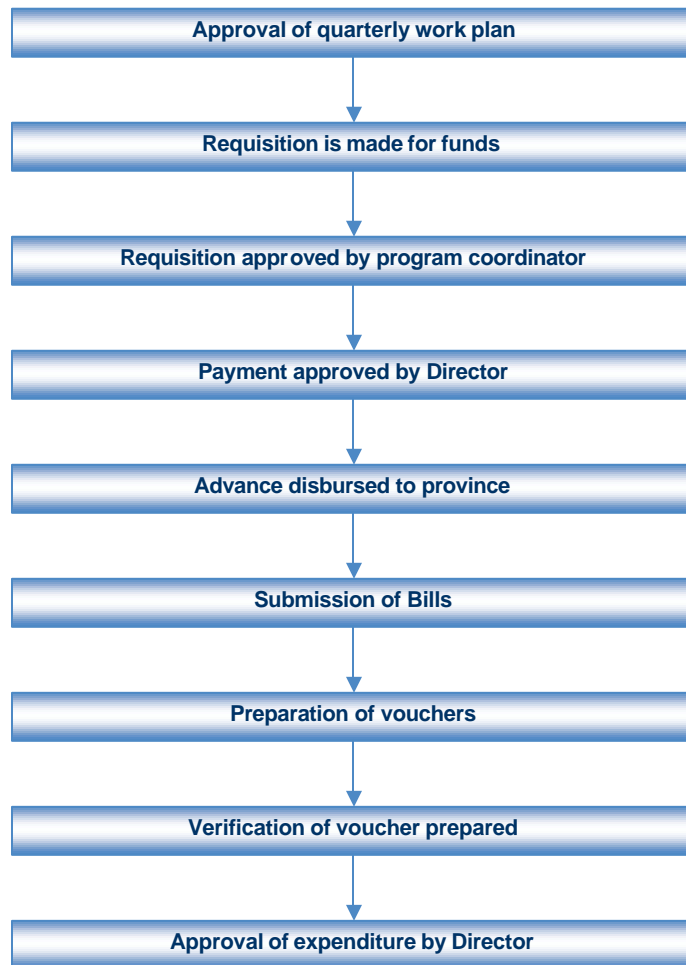
<b>S. No.</b>	4
<b>Name</b>	Bun Mengsrea
<b>Designation</b>	Staff of Fisheries Administration
<b>Location</b>	Ratanakiri Cantonment (Province)
<b>Qualifications</b>	Bachelor Degree of Fisheries Science (Royal University of Agriculture, Cambodia)
<b>Job Profile / Responsibilities</b>	<ul style="list-style-type: none"> <li>Budget monitoring, management and Accounting for donor fund</li> <li>Administration work for Fisheries Administration Cantonment Ratanakiri</li> </ul>
<b>Trainings</b>	<ul style="list-style-type: none"> <li>Accounting Training course, Budget Management, Budget accounting management by Conical Hat system two times per year.</li> <li>Budget Management, Budget accounting management by Department of Planning, Finance and International Cooperation (Fisheries Administration) three times per year.</li> </ul>
<b>Professional Experience</b>	2 Years as project accountant and fisheries Staff.
<b>Since in the Organization</b>	2009

<b>S. No.</b>	5
<b>Name</b>	Voен Seila
<b>Designation</b>	Vice Chief of Fisheries Administration Division
<b>Location</b>	Kampot Cantonment (Province)
<b>Qualifications</b>	Bachelor of Fisheries Science, Royal University of Agriculture
<b>Job Profile / Responsibilities</b>	<ul style="list-style-type: none"> <li>Budget monitoring, management and Accounting for donor fund</li> <li>Some Administration work for Fisheries Administration</li> <li>Project coordination/facilitator</li> </ul>
<b>Trainings</b>	<ul style="list-style-type: none"> <li>Computer base accounting Training course</li> <li>Budget Management, Budget accounting management by Conical Hat system.</li> </ul>
<b>Professional Experience</b>	4 Years as a project facilitator and accountant
<b>Since in the Organization</b>	Since 2007



**Annexure 3.2.5**

**Approval Process for transactions**



**Annexure 3.2.6**

**Details of Bank Accounts**

S. No.	Bank and A/c No.	Location	Authorised Signatory
1	ACLEDA Bank Inc. 2900-10-599699-1-9	Phnom Penh (FiA)	Nao Thuok- Director General, FiA Thor Sensereivorth – Acting director of Planning, Finance and International Cooperation, FiA Chan Danith- Secretariat TWG,FiA
2	ACLEDA Bank Inc. 0001-10-177142-1-9	Phnom Penh (DOF)	Nao Thuok- Director General, FiA Thor Sensereivorth – Acting director of Planning, Finance and International Cooperation, FiA Chan Danith- Secretariat TWG,FiA
3	ACLEDA Bank Inc. 2600-10-895601-1-7	Ratnakiri	Mao Chanman – Chief at Cantonment Phat Pagna – Deputy Chief at Cantonment Bun Meng Srea – Senior Fisheries Officer
4	ACLEDA Bank Inc. 1600-10-893873-1-7	Kratie	Sean Kin – Chief at Cantonment Em Kol – Deputy Chief at Cantonment Tan Someth Bunwath – Deputy Chief at Cantonment
5	ACLEDA Bank Inc. 0700-10-890650-1-9	Kampot	Sar Sorin – Chief at Cantonment Kuch Virak – Deputy Chief at Cantonment Pheun Phalla – Deputy Chief at Cantonment
6	ACLEDA Bank Inc. 0500-10-891190-1-1	Kampong Spue	Hean Venchar – Chief at Cantonment Chhim Chantha-Deputy Chief at Cantonment Kheav Sombok- Deputy Chief at Cantonment
7	ACLEDA Bank Inc. 3000-10-895665-1-9	Mondulkiri	Tit Chan – Chief at Cantonment Heng Boren - Deputy Chief at Cantonment Kang Sovichear – Deputy Chief at Cantonment

**Annexure 3.2.7**

**List of Local Cantonments at province level**

Local Cantonments	Accountants	Location
Kratie Fisheries Cantonment	Ou Soyanara	Mekong Inspectorate
Mondulkiri Fisheries Cantonment	Heng Boren	
Ratanakiri Fisheries Cantonment	Bun Meng Srea	
Kampong Spue Fisheries Cantonment	Thun Valentina	Southern Tonlesap Inspectorate
Kampot Fisheries Cantonment	Von Seila	Gulf Inspectorate

## SECTION – IV

### 4.1 Assessment Scope and Methodology

#### 4.1.1 Objectives and Scope of the Assessment

The objectives of the assessment undertaken by Lochan & Co. for the United Nations Agencies utilizing Harmonized Approach for Cash Transfers (HACT) are:

**Capacity Development Objective:** The review supports the Agencies and government to identify strengths and inadequatenesses in the Implementing Partner's capacity for financial management and areas for capacity development by government and others.

**Financial Management Objective:** The review assists in the establishment of appropriate cash transfer modalities, procedures, and assurance activities to be applied by the Agencies.

#### 4.1.2 We have covered and reviewed the following aspects / areas:

- Implementing partner
- Funds flow
- Staffing
- Accounting policies and procedures
- Internal audit
- External audit
- Reporting and monitoring
- Information systems

#### 4.1.3 Assessment Methodology Adopted

We have adopted the following methodology to undertake the assessment:

- To utilize "**Checklist B: Financial Management Questionnaire**" provided by UNDP to us;
- In completing the questionnaire, we have assessed the partner's control system with equal emphasis on
  - (a) The effectiveness of the system in providing the partner's management with useful and timely information for the proper management of the partner;
  - (b) The general effectiveness of the internal control system in protecting the assets and resources of the partner;
- To discuss with the senior management of the organization to assess the financial capability;
- To access records, books of account, legal agreements, minutes of committee meetings, bank records and contracts wherever made available;
- To access employees of the Implementing Partner.

## 4.2 Scope Limitations

- 4.2.1. The assessment firm has restricted the work to the Terms of Reference. The assessment firm understand that the procedure to be performed is considered to be sufficient for UNDP purposes in connection with Fisheries Administration (FiA) assessed by us.
- 4.2.2. The assessment firm's review of the documents and other relevant records of FiA are limited to those document and records provided to us by FiA management and comprise enquiries and observations and limited tests of transactions on a sample basis, covering the detailed assessment objectives described in assessment scope above.
- 4.2.3. The assessment firm has conducted the assessment in accordance with International Accounting and Auditing Standards and local accounting standards in Cambodia.
- 4.2.4. The assessment firm's review of the documents and other relevant records of FiA are limited to those documents and records provided to us. While performing the work, we have assumed that all the signatures were genuine and all the original documents were authentic. In general, we have been provided the photocopies of the documents and we have relied upon these documents assuming their genuineness.
- 4.2.5. During the assessment, the assessment firm has discussed with the senior management of FiA and in some cases, our assessment is also based on the discussion with senior management of FiA.
- 4.2.6. The working papers, prepared while conducting the assessment are the property of the assessment firm, constitute confidential and proprietary information and will be retained by the assessment firm in accordance with their policies and procedures.
- 4.2.7. The assessment firm has no responsibility to update this report for events and circumstances occurring after the end of our assessment.

### 4.3 Abbreviations and Acronyms

AWP	:	Annual Work Plan
CV's	:	Curriculum Vitae
CFDD	:	Department of Community Fisheries Development
DAAL	:	Department of Administrative and Litigation
DAD	:	Department of Aquaculture Development
DAPF	:	Department Administration, Planning and Finance
DANIDA	:	Danish International Development agency
DFA	:	Department of Fisheries Affairs
DFC	:	Department fo Fisheries Conservation
DFID	:	Department For International Development
DFPTQ	:	Department of Fisheries Post-Harvest Technologies and Quality Control
DOF	:	Department of Fisheries
DPFIC	:	Department of Planning, Finance and International Cooperation
FiA	:	Fisheries Administration
HACT	:	Harmonized Approach to Cash Transfers
IFReDI	:	Inland Fisheries Research and Development Institute.
IP	:	Implementing Partner
JICA	:	Japan International Cooperation Agency
LC	:	Lochan & Co.
MAFF	:	Ministry of Agriculture, Forestry and Fisheries
MaFReDI	:	Marine Fisheries Research and Development Institute
MEF	:	Ministry of Economy and Finance
NGO	:	Non Government Organizations
NZAid	:	New Zealand Aid
PMU	:	Project Management Unit
NAA	:	National Audit Authority
RGC	:	Royal Government of Cambodia
SWOT	:	Strength Weakness Opportunity and Threats
ToR	:	Terms of Reference
TWG	:	Technical Working Group
UN	:	United Nations
UNDP	:	United Nations Development Program



## Lochan & Co.

Chartered Accountants

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