

# United Nations Development Programme



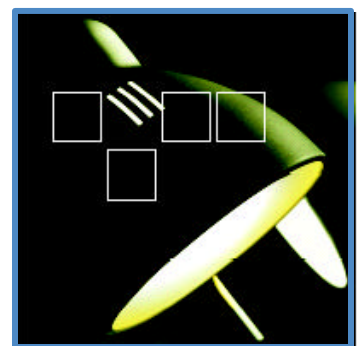
## Financial Assessment of General Department of Administration for Nature Conservation and Protection, Ministry of Environment

**Lochan & Co.**  
Chartered Accountants

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## SECTION – I

### 1. Introduction

1.1 UN agencies transfer funds to Government and Non Government agencies who act as implementing partners for implementation of various project related activities. The UN agencies have adopted Harmonized Approach to Cash Transfer (hereinafter referred as HACT) to transfer the funds to implementing partner. As per HACT clauses, the UN agencies are getting the Micro (Financial) Assessment of financial system of implementing partners:

- 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 conduct a comprehensive SWOT analysis of the entity covering all major policies and procedures and identify the areas which are healthy as well as those which offer scope for improvement.

As per the above mandate and in terms of the scope of work identified in Terms of Reference (ToR) attached to United Nations Development Programme (UNDP) contract with Lochan & Co (LC) dated 07 day of October 2010, UNDP has assigned the Micro (Financial) Assessment of General Department of Administration for Nature Conservation and Protection, Ministry of Environment of Cambodia and LC has undertaken the same.

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.

### 1.2 Brief Background of GDANCP

General Department of Administration for Nature Conservation and Protection (GDANCP) is working under Ministry of Environment, Cambodia.

GDANCP was established by Royal Decree, dated on 24 April 2008. GDANCP is accountable to the Ministry of Environment.

#### Mission

- To protect {and} promote environmental quality and public health through the prevention, reduction, and control of pollution.
- To assess the environmental impacts of all proposed projects prior to the issuance of the decision by the Royal Government.
- To ensure the rational and sustainable conservation, development, management, and use of the natural resources of the Kingdom of Cambodia.
- To encourage and enable the public to participate in environmental protection and natural resource management.
- To suppress any acts that cause harm to the environment.
- Identify important environmental issues and important natural resource management issues that are related to socio-economic development.
- Set forth measures to ensure environmental management.

### 1.3 Executive Summary

Based on 'Checklist B: Financial Management Questionnaire' of Micro (Financial) Assessment and detailed assessment, Risk Analysis / Assessment of GDANCP is summarized in below matrix:

Risk	Risk Assessment	Risk Mitigation Measures
<b>Control Risk</b>		
1. Implementing Partner	Moderate	Not Applicable
2. Funds Flow	Moderate	Not Applicable

Risk	Risk Assessment	Risk Mitigation Measures
3. Staffing	Moderate	Not Applicable
4. Accounting Policies and Procedures	Moderate	Not Applicable
5. Internal Audit	Moderate	Not Applicable
6. External Audit	Moderate	Not Applicable
7. Reporting and Monitoring	Moderate	Not Applicable
8. Information Systems	Moderate	Not Applicable
<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**.

#### Overall Assessment

Based on the facts and detailed assessment of checklist B, the overall risk of GDANCP, 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:

**However GDANCP has not implemented any donor funded project. So there is no separate accounting system in GDANCP. GDANCP follows all the systems followed at Ministry of Environment. All financial transactions of GDANCP are conducted by department of finance of MOE. But assessing firm is not given the access to the systems of MOE. So the assessment in the following paragraphs is based on the discussion with concerned personnel of GDANCP.**

### 2.1 Implementing Partner

General Department of Administration for Nature Conservation and Protection (GDANCP) is the department working under Ministry of Environment. GDANCP was established by Royal Decree, dated on 24 April 2008. GDANCP is accountable to the Ministry of Environment. The organizational structure of GDANCP seems to be appropriate for implementing the UN projects. However there is no separate independent governing body for implementation of donor funded projects.

**As at present, no projects are implemented by GDANCP, the observations and recommendation in the following paras are for future working. So recommendations may be considered for future projects and implemented in future accordingly in setting up the systems in case of ‘Implementing Partner’ section.**

<b>Subject Area</b>	<b>Implementing Partner</b>
<b>Observation No.</b>	<b>1</b>
<b>Subject Title</b>	Annual Financial Statements should be prepared
<b>Observation</b>	As no books of account are maintained by GDANCP, no annual financial statements are prepared. It has been observed that generally other departments which are implementing the multi donor projects do not prepare the annual financial statements incorporating the funding all donor projects. Only donor wise reports are prepared and reported to donors.
<b>Recommendation</b>	Whenever GDANCP will have project other than Government Budget it must have separate books of account, separate banks and cash accounts for its daily operation related to project and reporting system of financial report. Further GDANCP should prepare the annual financial statements where the consolidated reporting of total funds received from all the donors is considered. The annual financial reports should be approved by governing body of GDANCP and should be forwarded to respective ministry reporting system.
<b>Reference to Check List B</b>	Point No. 1.3

<b>Subject Area</b>	<b>Implementing Partner</b>
<b>Observation No.</b>	<b>2</b>

<b>Subject Title</b>	Separate Governing Body for implementation of project
<b>Observation</b>	As at present GDANCP is not implementing any project, there is no separate governing body for implementation of the projects. The working of GDANCP is carried out as per organizational structural and approval process of MOE of the Royal Government Cambodia.
<b>Recommendation</b>	Whenever GDANCP will get the project from donor agencies, it should form an independent Governing Body. The Governing Body should be well represented by independent members of the field related to the project.
<b>Reference to Check List B</b>	Point No. 1.4.

**Risk Assessed: Moderate**

**2.2 Funds Flow**

GDANCP is not receiving and transferring funds to any other entity. Funds are received by Account and Finance department of Ministry of Environment. For the purpose of process of expenditure GDANCP request to Ministry of Environment. It doesn't have separate bank account. So GDANCP funds flow system is not satisfactory. GDANCP has not received funds from Government and UN agencies for implementing of project activities.

**As at present, no projects are implemented by GDANCP, the observations and recommendation in the following paras are for future working. So recommendations may be considered for future projects and implemented in future accordingly in setting up the systems in case of 'Fund Flow' section.**

**LC's Assessment**

<b>Subject Area</b>	<b>Funds Flow</b>
<b>Observation No.</b>	<b>3</b>
<b>Subject Title</b>	Fund Flow Arrangement
<b>Observation</b>	GDANCP doesn't have bank account for receiving and transferring the funds. All the payments are processed through accounts and finance department of Ministry of Environment.
<b>Recommendation</b>	Whenever GDANCP will have project for implementing, it should open separate bank account for the different donor funds so that it may receive from donors and transfer the funds for implementation of activities.
<b>Checklist B Reference</b>	Point No. 2.1 & 2.2

<b>Subject Area</b>	<b>Funds Flow</b>
<b>Observation No.</b>	<b>4</b>
<b>Subject Title</b>	<b>Reporting and monitoring of funds transferred to NGOs</b>
<b>Observation</b>	At present GDANCP is not implementing any project. So it cannot be assessed that whether funds transferred to NGOs how will be monitored.
<b>Recommendation</b>	Whenever GDANCP will have project, it may be possible that some of the activities will be outsourced to NGOs or communities. In such cases, should have the reporting and monitoring system in place. GDANCP

	should entered agreements with such agencies. Periodical financial and physical reports should be submitted by such agencies to GDANCP.
<b>Checklist B Reference</b>	Point No. 2.8

**Risk Assessed: Moderate**

**2.3 Staffing**

Although no separate books of accounts are maintained at GDANCP but it has separate finance and administrative department. The organization chart of accounts department is attached as **annexure 3.2.2**.

The finance and administrative department is preparing the budgets for GDANCP. It receives the information of income generated at Provinces through tourist activities and prepares a report for the same. However no accounting functions are carried out by the staff. So assessing the capabilities related to accounting function is not possible. The organizational structure of accounting department seems to be satisfactory for the existing activities of the department.

**LC's Assessment**

Finance accounts function seems to be staffed adequately for the existing work. GDANCP's staffs are not aware of the new system HACT. There is a no position vacant for accounting staff. They are not transferred.

**As at present, no projects are implemented by GDANCP, the observations and recommendation in the following paras are for future working. So recommendations may be considered for future projects and implemented in future accordingly in setting up the systems in case of 'Staffing' section.**

<b>Subject Area</b>	<b>Staffing of Finance &amp; Accounts Department</b>
<b>Observation No.</b>	<b>5</b>
<b>Subject Title</b>	Knowledge of accounting of staff
<b>Observation</b>	GDANCP is not maintaining separate books of accounts. So capabilities of accounting of staff could not be assessed.
<b>Recommendation</b>	Whenever GDANCP will have project for implementing, it should introduce one of the accounting software for maintain the books of account. The accounting staff of GDANCP should be given the training for accounting software to maintain proper books of accounts for donor funds.
<b>Checklist B Reference</b>	Point No. 3.1

<b>Subject Area</b>	<b>Staffing of Finance &amp; Accounts Department</b>
<b>Observation No.</b>	<b>6</b>
<b>Subject Title</b>	Familiarity with UN procedures related to Cash Transfer
<b>Observation</b>	GDANCP is not handling any UN agency projects so its finance and accounts staffs are not aware of the new system, i.e. Harmonized Approach to Cash Transfer (HACT) introduced by UN.
<b>Recommendation</b>	UNDP should provide orientation to GDANCP finance and accounts staff regarding the HACT provisions.

<b>Checklist B Reference</b>	Point No. 3.5
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<b>Subject Area</b>	<b>Staffing of Finance &amp; Accounts Department</b>
<b>Observation No.</b>	7
<b>Subject Title</b>	No training policy for accounting finance staff
<b>Observation</b>	There is no prescribed training policy for the finance and accounting staff.
<b>Recommendation</b>	GDANCP should develop training policy for training of finance and accounting staff in implementation of accounting procedures & policies, legal complications like withholding tax and other matters.
<b>Reference to Check List B</b>	Point No. 3.9

**Risk Assessed: Moderate**

## 2.4 Accounting Policies and Procedures

### 2.4.1 Accounting Policies and Procedures

GDANCP team has explained that all the accounting and supporting documents are kept at accounts and finance department of ministry of Environment. GDANCP doesn't maintain books of accounts separately.

No projects are carried out at GDANCP. Whenever there is requirement of funds for expenditure GDANCP has to request to MOE finance and accounts department and accordingly payments are processed for expenditure.

As no separate books of accounts are maintained and no project is implemented by GDANCP, the assessing firm is not able to assess the accounting system and system of allocation of resources.

Similarly process related charts of accounts, allocation of expenditure and general ledger and subsidiary ledger could not be assessed.

**As at present, no projects are implemented by GDANCP, the observations and recommendation in the following paras are for future working. So recommendations may be considered for future projects and implemented in future accordingly in setting up the systems in case of 'Accounting Policies and Procedures' section.**

<b>Subject Area</b>	<b>Accounting Policies and Procedures</b>
<b>Observation No.</b>	8
<b>Subject Title</b>	Accounting System at GDANCP
<b>Observation</b>	GDANCP doesn't have separate books of accounts for its own daily operation. Only government projects are conducted for which all the financial and accounting tasks are performed by finance department of Ministry of Environment. Further no UN agencies projects are handling by the GDANCP.
<b>Recommendation</b>	<ul style="list-style-type: none"> <li>Whenever GDANCP will have UN agency projects it must have separate books of accounts, separate bank account for all the projects of different donors.</li> <li>It should have adequate chart of accounts to properly account for</li> </ul>



	<p>and report on activities and disbursement and categories.</p> <ul style="list-style-type: none"> <li>• There should be established agreement for cost allocations for common expenditures to be shared with different donors' projects.</li> <li>• GDANCP must have accounting software so that complete books of accounts can be maintained and also general ledger and subsidiary ledger can be reconciled automatically.</li> </ul>
<b>Reference to Check List B</b>	Point No. 4.1,4.3,4.4, & 4.5

### 2.4.2 Segregation of Duties

GDANCP team has explained that segregation of duties is in place with respect to various functions. It has explained that duties for authorization of expenditure, recording of the transactions and custody of assets are performed by various personnel of department. Further it also has explained that the functions of ordering, receiving, accounting for and paying are also well segregated.

However all the accounts and finance documents are kept at Finance department of Ministry of Environment so assessment team is not able to review the documents regarding segregation of duties.

For future projects, GDANCP may consider the following recommendation:

<b>Subject Area</b>	<b>Segregation of Duties</b>
<b>Observation No.</b>	9
<b>Subject Title</b>	Preparation of Bank reconciliation
<b>Observation</b>	As explained by the GDANCP doesn't have maintained separate bank account for its daily operation. All the payments are processed through Finance Department of Ministry of Environment. So bank reconciliation statements system could not be assessed.
<b>Recommendation</b>	Whenever GDANCP will have UN agency projects it must have separate bank account for same and it should have practices of preparing bank reconciliation on monthly basis by someone other than those who make or approve payments.
<b>Reference to Check List B</b>	Point No. 4.9

### 2.4.3 Budgeting Systems

GDANCP team has explained that budgets are prepared as per the Government Policy which includes all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance. GDANCP team has also explained that for the Government Budget, it is prepared by Deputy Director of GDANCP and verified by Director of Department of Planning and Statistic finally approved by Director General of GDANCP.

#### LC's Assessment

The budgets of the projects are prepared only for Government fund and no UN agency projects are carried by GDANCP.

For future projects, GDANCP may consider the following recommendation:

<b>Subject Area</b>	<b>Accounting Policies and Procedures- Budgeting System</b>
<b>Observation No.</b>	10
<b>Subject Title</b>	Comparison of Budget with actual expenditure.

<b>Observation</b>	As mentioned earlier that separate books of accounts are not prepared by GDANCP, there is no system of comparison of budget with actual expenditure for Government projects. As no comparison is prepared the approval of variances is sought from authorities.
<b>Recommendation</b>	Whenever GDANCP will have UN agency projects, the actual expenditure should be compared with budget at reasonable frequency. Further in case of significant variances from the budget, prior approval should be sought from appropriate authorities.
<b>Reference to Check List B</b>	Point No. 4.12 , 4.13 & 7.7

#### 2.4.4 Payments

GDANCP team has explained no goods and services are procured directly by GDANCP. All goods and services are procured through the finance and account department of MOE. So it is not possible to comment on this point. All the invoices are kept at finance and accounts department of Ministry of environment.

However with respect to attendance records, there is following observation and recommendation:

<b>Subject Area</b>	<b>Accounting Policies and Procedures – Payments</b>
<b>Observation No.</b>	11
<b>Subject Title</b>	No attendance records and leave records are maintained for Government employees
<b>Observation</b>	GDANCP team has explained that earlier GDANCP has system of maintaining attendance record however after biometric machine came into effect no attendance register is maintained. Further it has been explained that biometric machine is not working properly
<b>Recommendation</b>	The attendance records and leave records of Government employees should be maintained. The attendance should be forwarded to the respective department of the Government on monthly basis to ensure that attendance is considered at the time of processing the salary.
<b>Reference to Check List B</b>	Point No. 4.19

#### 2.4.5 Policies and Procedures

Books of accounts are maintained at finance department of Ministry of Environment. GDANCP team has explained that it is following Ministry of Environment issued manual to guide activities and ensure staff accountability. However no any such manual is available for review during the assessment.

For future projects, GDANCP may consider the following recommendation:

<b>Subject Area</b>	<b>Accounting Policies and Procedures – Policies and Procedures</b>
<b>Observation No.</b>	12
<b>Subject Title</b>	<ul style="list-style-type: none"> <li>• Basis of accounting.</li> <li>• International or national accounting standards.</li> <li>• Accounting policies and procedures are in place.</li> </ul>

<b>Observation</b>	<ul style="list-style-type: none"> <li>GDANCP doesn't have separate books of account and all the records are maintained at account and finance department of Ministry of Environment.</li> <li>So the basis of accounting, following accounting standards and policies and procedures could not be assessed.</li> </ul>
<b>Recommendation</b>	<ul style="list-style-type: none"> <li>In future when GDANCP will start to work on donor projects, it may follow cash basis or accrual basis. Generally in project funds cash basis of accounting is followed. So it may follow cash basis of accounting.</li> <li>Similarly, GNDACP has to decide the accounting standards to be followed. GDANCP has to review the accounting standard followed in Cambodia for donor fund projects and accordingly may decide with respect to accounting standards.</li> <li>In future when GDANCP will start to work on donor projects, GDANCP should develop its own accounting, administrative and human resource policies and manuals. The manuals should ensure the staff accountability. The manuals should define the responsibilities at different levels of the organization. The manuals should be available to all the users.</li> </ul>
<b>Reference to Check List B</b>	Point No. 4.20, 4.21, 4.22 & 4.24.

<b>Subject Area</b>	<b>Accounting Policies and Procedures- Policies and Procedures</b>
<b>Observation No.</b>	<b>13</b>
<b>Subject Title</b>	There is no policy on conflict of interest
<b>Observation</b>	It has been explained that policies and procedures of GDANCP do not clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them.
<b>Recommendation</b>	GDANCP should ensure while preparing 'Finance and Administration Manual', a clause is inserted which clearly define conflict of interest and provide for disclosure of related party transactions and provide safeguard to protect the organization from them.
<b>Reference to Check List B</b>	Point No. 4.25

**2.4.6 Cash and Bank**

GDANCP doesn't maintain separate cash and bank accounts for its daily operation all the payments are processed through the account and finance department of Ministry of Environment. So assessment team is not able to comment on this section. Some of the recommendation in the following table is mentioned for future projects:

<b>Subject Area</b>	<b>Accounting Policies and Procedures – Cash and Bank</b>
<b>Observation No.</b>	<b>14</b>
<b>Subject Title</b>	Maintaining of bank and cash account.
<b>Observation</b>	GDANCP doesn't maintain any bank and cash accounts. Account and Finance department of Ministry of Environment processes all the payments of GDANCP.

<b>Recommendation</b>	<ul style="list-style-type: none"> <li>• In future when GDANCP will start to work on donor projects, it should have separate cash and bank account for different donors.</li> <li>• 2 or more persons should be authorized signatories for bank account. The cheques should be issued with joint signatures.</li> <li>• There should be system of maintaining an up to date cash and bank book.</li> <li>• There should proper control exits for collection, deposits and recording of receipts at each collection location.</li> <li>• Bank and cash should be monthly reconciled and approved by appropriate authority.</li> <li>• When there will be some unusual items on the bank reconciliation, it should be reviewed and approved by the responsible official.</li> <li>• Receipts should be deposited on timely basis.</li> </ul>
<b>Reference to Check List B</b>	Point No. 4.27, 4.28 , 4.29 , 4.30 , 4.31 & 4.32

#### 2.4.7 Safeguard over Assets

GDANCP team has been explained that person who is concern about the inventory of assets is not available at the time of assessment, as he is assigned for provinces. So no records and documents were available during the assessment. Some of the recommendation in the following table is mentioned for future projects:

<b>Subject Area</b>	<b>Accounting Policies and Procedures- Safeguard Over Assets</b>
<b>Observation No.</b>	15
<b>Subject Title</b>	System on safeguard over Assets
<b>Observation</b>	GDANCP doesn't have its separate system of safeguard of assets. All the payments for procurement of Assets are done by the department of account and finance of Ministry of Environment so all document related to assets are kept at MOE.
<b>Recommendation</b>	<ul style="list-style-type: none"> <li>• In future when GDANCP will start to work on donor projects, it should have adequate system to safeguard and protect assets from fraud, waste and abuse, (e.g. assets list containing serial number, voucher number , amount of assets , location, description of assets ,tag number ,name of the donor, condition of assets ,custody of assets etc.)</li> <li>• There should be system of keeping subsidiary records, up to date list of assets and it's should be reconciled with its control account.</li> <li>• There should be system of periodical physical inventories of fixed assets and stocks (e.g. stationery and consumable items).</li> </ul>
<b>Reference to Check List B</b>	Point No. 4.33 , 4.34 and 4.35

<b>Subject Area</b>	<b>Accounting Policies and Procedures- Safeguard Over Assets</b>
<b>Observation No.</b>	16
<b>Subject Title</b>	No insurance coverage for assets except vehicles
<b>Observation</b>	It has been explained that assets (other than vehicles) are not covered by insurance policies.

<b>Recommendation</b>	GDANCP should obtain an insurance policy to safeguard all the assets.
<b>Reference to Check List B</b>	Point No. 4.36

#### 2.4.8 Other Offices or Entities

GDANCP implements all the activities of projects through 23 provinces for Government funded projects. As books of accounts are not maintained by GDANCP, it is not possible to GDANCP to establish control and procedures. Further it has been explained that provinces follow Government policy for established controls and procedures for flow of funds, financial information, accountability, and audits. However no documents were shared to assessing team.

Some of the recommendation in the following table is mentioned for future projects:

<b>Subject Area</b>	<b>Accounting Policies and Procedures- Other Offices or Entities</b>
<b>Observation No.</b>	17
<b>Subject Title</b>	Control and procedures for transfer of funds and reporting of funds from other offices.
<b>Observation</b>	GDANCP has explained that there are 23 provinces which are working for government budget. The Government control procedures and processes are followed for transfer and reporting of funds from other offices.
<b>Recommendation</b>	<ul style="list-style-type: none"> <li>• In future when GDANCP will start to work on donor projects, it should have established controls and procedures for flow of funds, financial information, accountability and audits in relation to such offices and there should be proper approval system for transactions at other offices.</li> <li>• Information among the different offices should be flowed on timely manner may be monthly or fortnightly basis.</li> <li>• The accounts between GDANCP and other offices should be reconciled on monthly basis.</li> </ul>
<b>Reference to Check List B</b>	Point No. 4.38,4.39 & 4.40

#### 2.4.9 Reporting of Suspected Frauds

It has been explained that GDANCP has advised its employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of agency resource or properties. Further it has been explained that committee called inspection department is established and responsible to take action on such matter. However no policy in this respect is shared with assessment team.

**Risk Assessed: Moderate**

#### 2.5 Internal Audit

GDANCP team has explained that there is internal audit system established in the accounts and finance department of Ministry of Environment, however no such reports were shared with the Directors of GDANCP and assessment team.

For future projects, GDANCP may consider the following recommendation:

<b>Subject Area</b>	<b>Internal Audit</b>
<b>Observation No.</b>	18

<b>Subject Title</b>	Internal Audit System
<b>Observation</b>	GDANCP team has explained that there is internal audit system established in the accounts and finance department of Ministry of Environment, however no such reports were shared with the Directors of GDANCP ad assessment team.
<b>Recommendation</b>	Whenever GDANCP will have UN agency projects it must have proper internal audits system which may be conducted by its own internal audit department or it may appoint separate audit firm for internal audit.
<b>Reference to Check List B</b>	Point No. 5

**Risk Assessed: Moderate**

## 2.6 External Audit

### LC's Assessment:

It has been explained that external audit of Ministry of Environment included GDANCP expenditure is conducted by National Audit authority of Cambodia. However no audit reports were shared with Director of GDANCP and assessment team also.

However as per the practice followed in other Government department, it has been observed that donor funds are not covered by National Audit authority of Cambodia.

So for future projects, GDANCP may consider the following recommendation with respect to external audits of donors fund projects:

<b>Subject Area</b>	<b>External Audit</b>
<b>Observation No.</b>	<b>19</b>
<b>Subject Title</b>	External audit of GDANCP
<b>Observation</b>	It has been explained that external audit of Ministry of Environment included GDANCP expenditure which is conducted by National Audit authority of Cambodia; however no any such report is shared with Director of GDANCP and assessment team also.  However as per the practice followed in other Government department, it has been observed that donor funds are not covered by National Audit authority of Cambodia.
<b>Recommendation</b>	Whenever GDANCP will have UN agency projects it must have proper external audits system. The external audit should be conducted for all the donors' project handled by GDANCP. The project audits which are generally conducted by the auditors for a particular project should not be considered as external audit. GDANCP may appoint a separate audit firm to audit the overall accounts of GDANCP.
<b>Reference to Check List B</b>	Point No. 6

**Risk Assessed: Moderate**

## 2.7 Reporting and Monitoring

### LC's Assessment

GDANCP doesn't prepare its own separate books of accounts. So it does not prepare annual financial statements or any other financial reports. All the reports are prepared for Government funded projects.

As at present, no projects are implemented by GDANCP, the observations and recommendation in the following paras are for future working. So recommendations may be considered for future projects and implemented in future accordingly in setting up the systems in case of 'Accounting Policies and Procedures' section.

<b>Subject Area</b>	<b>Reporting and Monitoring</b>
<b>Observation No.</b>	<b>20</b>
<b>Subject Title</b>	<ul style="list-style-type: none"> <li>• Preparation of annual financial statements.</li> <li>• Frequency of preparation of financial statement.</li> <li>• Capacity to link financial information system with progress reports.</li> <li>• Financial management reporting responsibility.</li> </ul>
<b>Observation</b>	<ul style="list-style-type: none"> <li>• GDANCP doesn't maintain its separate books of accounts so there is no system of preparing financial statement.</li> <li>• So there is no timing of preparing of financial statements.</li> <li>• Financial management reporting responsibilities are not specified as no books of accounts are maintained at GDANCP level.</li> <li>• There is no capacity to link the financial information with progress reports.</li> </ul>
<b>Recommendation</b>	<ul style="list-style-type: none"> <li>• Whenever GDANCP will handle Un agency projects it must have system of preparation of annual Financial Statement ,</li> <li>• The project financial reports should be prepared as per the requirement of donors agreements.,</li> <li>• Financial management responsibility must be specified so that it can be identified what reports are to be prepared, what they are to contain, and how they are to be used by the management.</li> <li>• GDANCP 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 here should be written documentation of steps taken to reduce the risk that the physical data may not synchronize with the financial data.</li> </ul>
<b>Reference to Check List B</b>	Point No. 7.1, 7.2, 7.4, 7.5 & 7.8

**Risk Assessed: Moderate**

## 2.8 Information Systems

GDANCP is not maintaining books of accounts and all the process of payments are done by the accounts and finance department of Ministry of Environment. The financial management system is not computerized.

For future projects, GDANCP may consider the following recommendation

<b>Subject Area</b>	<b>Information Systems</b>
<b>Observation No.</b>	<b>21</b>
<b>Subject Title</b>	Information System of GDANCP
<b>Observation</b>	The Financial management system of GDANCP is not computerized.
<b>Recommendation</b>	<ul style="list-style-type: none"> <li>• GDANCP should adopt computerized financial management system and the financial reports should be generated automatically from the financial system.</li> </ul>

	<ul style="list-style-type: none"> <li>• The staff should be trained to operate the computerized financial management system.</li> <li>• The computerized system should safeguard the confidentiality, integrity, and availability of the data.</li> </ul>
<p><b>Checklist B Reference</b></p>	<p>Point No. 8</p>

**Risk Assessed: Moderate**

Rajeev Lochan, Partner

[Lochan & Co](#)  
Chartered Accountants

Date: 13/06/2011

Place: Delhi



**SECTION – III**

**3.1 Checklist B: Financial Management Questionnaire**

Date: 18/04/2011

**Implementing Partner:** General Department of Administration for Nature Conservation and Protection, Ministry of Environment, Cambodia

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				
	H	S	M	L	Comments
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			✓		
<b>Inherent Risk</b>					
List major specific issues identified in the assessment of the country's public financial management system (macro-assessment), or specific risks related to the nature or operation of the Implementing Partner				Not Applicable	
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	<p>General Department of Administration for Nature Conservation and Protection (GDANCP) is the department working under Ministry of Environment.</p> <p>GDANCP was established by Royal Decree, dated on 24 April 2008. GDANCP is accountable to the Ministry of Environment.</p> <p><b>However GDANCP has not implemented any donor funded project. So there is no separate accounting system in GDANCP. GDANCP follows all the systems followed at Ministry of Environment. All financial transactions of GDANCP are conducted by department of finance of MOE. But Assessing firm is not given the access to the systems of MOE. So the assessment in the following paragraphs is based on the discussion with concerned personnel of GDANCP.</b></p>
1.2 Has the implementing partner received UN resources in the past?		No			GDANCP has not received any funds from UN agencies in past.
1.3 Does the IP have statutory reporting requirements? Please describe.		No			<p>As per the Cambodia there is no statutory reporting system to Royal Government of Cambodia.</p> <p>All the payments are processed through Ministry of Environment Finance and Account Department. So it can be concluded that there is no statutory reporting requirements for GDANCP.</p> <p><b>Refer to recommendation mentioned in paragraph 2.1</b></p>
1.4 Is the governing body for the implementing partner independent?		No			<p>It has been explained that GDANCP doesn't have separate governing body .It followed the organizational structure of Ministry of Environment for routine operations</p> <p><b>Refer to recommendation mentioned in paragraph 2.1</b></p>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
1.5 Is the organizational structure appropriate for the work to be carried out under UN cooperation?	Yes				The organization structure of GDANCP seems to be appropriate for the work to be carried out under UN cooperation. The Organization Structure is annexed hereto as <b>annexure 3.2.1.</b>
Risk Assessment (Implementing Partner)	H	S	M	L	<b>Risk Assessed: Moderate</b>
<b>2. Funds Flow</b>					
2.1 Can the entity receive and transfer funds?		No			GDANCP is not receiving and transferring fund to any other entity. Funds are received by Account and Finance department of Ministry of Environment from National Budget. For the purpose of process of expenditure GDANCP request to Ministry of Environment. <b>Refer to recommendation mentioned in paragraph 2.2</b>
2.2 Are the arrangements to transfer the funds to the entity satisfactory?		No			GDANCP doesn't have separate bank accounts. So it can be concluded that arrangements to transfer the funds to the entity are not satisfactory. <b>Refer to recommendation mentioned in paragraph 2.2</b>
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?			N.A		GDANCP doesn't have received funds from the Government of Cambodia / Ministry of finance.
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		GDANCP doesn't have received any funds from UN agency.
2.5 Does the entity have / need a capacity to manage foreign exchange risks? (if it			N/A		GDANCP doesn't operate its own bank account for payments. So capacity to manage foreign exchange risk is not applicable.

Subject Area	Yes	No	N/A	Review	Remarks / Comments
is expected that the entity will be using funds outside the country.)					
2.6 How are the counterpart funds accessed?			N/A		Refer point no. 2.1 and 2.2 above
2.7 How are payments made from the counterpart funds?			N/A		Refer point no. 2.1 and 2.2 above
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		As explained to us, none of the project activities of existing Government projects are implemented by communities or NGOs. All the activities of the project are implemented by GDANCP and provinces. <b>Refer to recommendation mentioned in paragraph 2.2</b>
Risk Assessment (Funds Flow)	H	S	M	L	<b>Risk Assessed : Moderate</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.	Yes				Although no separate books of accounts are maintained at GDANCP but it has separate finance and administrative department. The organization chart of accounts department is attached as <b>annexure 3.2.2</b> . The finance and administrative department is preparing the budgets for GDANCP. It receives the information of income generated at Provinces through tourist activities and prepares a report for the same. However no accounting functions are carried out by the staff. So assessing the capabilities related to accounting function is not possible. The organizational structure of accounting department seems to be satisfactory for the existing activities of the department. <b>Refer to recommendation mentioned in paragraph 2.3.</b>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
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				The level and competency of staff seem to be appropriate for the existing activities of the department. The details of accounting staff are annexed hereto as <b>annexure 3.2.3</b> .
3.3 Is the implementing partner finance and accounts function staffed adequately?	Yes				In our limited interaction at GDANCP, finance and accounts function seems to be staffed adequately for existing work.
3.4 Are finance and accounts staff adequately qualified and experienced?	Yes				As per limited interaction with GDANCP, GDANCP's finance and accounts staff are adequately qualified and experienced for exiting work.
3.5 Are accounts and finance staff familiar with UN procedures related to cash transfers?		No			Accounts and finance staffs are not familiar with UN procedures related to cash transfers. <b>Refer to recommendation mentioned in paragraph 2.3.</b>
3.6 What is the duration of the contract of finance and accounts staff?				Review	Finance and accounts staff are Government employees so duration of such employees on permanent basis.
3.7 Indicate in the remarks / comments section key positions not contracted yet, and the estimated date of appointment.				Review	GDANCP team has explained that there are no key positions that have not been contracted yet in the finance and accounts department.
3.8 Are staff frequently transferred? At what frequency?		No			GDANCP team has explained that staffs of GDANCP are not transferred. They are located in GDANCP office and provinces permanently.
3.9 Is there a training policy for the finance and accounting staff? Please describe.		No			There is no prescribed training policy for the finance and accounting staff. <b>Refer to recommendation mentioned in paragraph 2.3.</b>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
Risk Assessment (Staffing)	H	S	M	L	<b>Risk Assessed : Moderate</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?			N.A.		GDANCP doesn't maintain books of accounts separately. No projects are carried out at GDANCP. Whenever there is requirement of funds for expenditure GDANCP has to request to MOE finance and accounts department and accordingly payments are processed for expenditure. As no separate books of accounts are maintained and no project is implemented by GDANCP, the assessing firm is not able to assess the accounting system and system of allocation of resources. <b>Refer to recommendation mentioned in paragraph 2.4.1.</b>
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes				GDANCP has two types of expenditure. First category is regular expenditure for which General Director has to approve the expenditure and forwarded the same to Senior Minister for approval. After Senior Minister approval, it is forwarded to accounts and finance department for payments. Second category is procurements. In case of procurements, it has to submit to General Director of GDANCP for approval. After his approval it is submitted to account and finance department for procurement of item. However documents are kept at Ministry of Environment account and finance department so assessment team is not able comments on this point.
4.3 Is the chart of accounts adequate to properly account for and report on activities and disbursement categories?			N.A		As no books of accounts are maintained by GDANCP so charts of accounts could not be assessed <b>Refer to recommendation mentioned in paragraph 2.4.1.</b>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?			N/A		As no books of accounts are maintained by GDANCP and also no project are carried by GDANCP so cost allocation could not be assessed. <b>Refer to recommendation mentioned in paragraph 2.4.1.</b>
4.5 Are the general ledger and subsidiary ledgers reconciled and in balance?			N/A		As no books of accounts are maintained by GDANCP. General ledger and subsidiary ledger reconciliation could not assessed. <b>Refer to recommendation mentioned in paragraph 2.4.1.</b>
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes				GDANCP team has explained that all the accounting and supporting documents are kept at accounts and finance department of ministry of Environment.
<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?	Yes				GDANCP team has explained that segregation of duties is in place with respect to various functions. The segregation of duties is as follows: <ul style="list-style-type: none"> <li>• Authorization- General Director and Ministers of Environment.</li> <li>• Recording – Accounts and finance department of MOE</li> <li>• Custody – Administrator of department of admin of GDANCP.</li> </ul> However assessing team is not able to review documents as mentioned in point no 1.1.
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes				GDANCP team has explained that functions of ordering, receiving, accounting for, and paying for goods and services are well segregated. However assessing team is not able to review documents as mentioned in point no 1.1.

Subject Area	Yes	No	N/A	Review	Remarks / Comments
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?			N/A		As there is no bank account at GDANCP, bank reconciliation is not applicable. <b>Refer to recommendation mentioned in paragraph 2.4.2.</b>
<b>Budgeting System</b>					
4.10 Do the budgets lay down physical and financial targets?	Yes				GDANCP team has explained that budgets are prepared as per the Government Policy.
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes				GDANCP team has explained that the budgets are prepared only for Government fund which include all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance.
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?		No			GDANCP team has explained that no system of comparison of budget with actual expenditure for the projects implemented from National budget. <b>Refer to recommendation mentioned in paragraph 2.4.3.</b>
4.13 Are approvals from variations from the budget required in advance or after the fact?			N/A		GDANCP team has explained that no UN Agency projects are carried by GDANCP so there is no system regarding comparison of budget with actual. So approval from variances is not performed. <b>Refer to recommendation mentioned in paragraph 2.4.3.</b>
4.14 Who is responsible for preparation and approval of budgets?				Review	GDANCP team has explained that for the Government Budget, it is prepared by Deputy Director of GDANCP and verified by Director of Department of Planning and Statistic finally approved by Director General of GDANCP.
4.15 Are procedures in place to plan activities, collect information from the units in charge of the different	Yes				GDANCP team has explained that the Government Budget procedures for collection of information from the units in charge of the different components are in place as per



Subject Area	Yes	No	N/A	Review	Remarks / Comments
components, and prepare the budgets?					Government Policy. Deputy Director is responsible for preparing budget and it has been verified by Director of Department of Planning and Statistic finally approved by Director General of GDANCP
4.16 Are the plans and budgets of activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes				GDANCP team has explained that for the Government Budget 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.
<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? 2) Comparison of invoice quantities, prices, and terms with those indicated on the purchase order and with records of goods actually received? 3) Comparison of invoice quantities with those indicated on the receiving reports? 4) Checking the accuracy of calculations?			N/A		GDANCP team has explained no goods and services are procured directly by GDANCP, all goods and services are procured through the finance and account department of MOE, so it is not possible to comment on this point.
4.18 Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?			N/A		All the invoices are kept at finance and accounts department of Ministry of environment so it is not possible to comment on this point.

Subject Area	Yes	No	N/A	Review	Remarks / Comments
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?		No			<p>The payroll is processed as per Government procedures. Assessment team is not provided the access to the records. So same could not be assessed.</p> <p>However GDANCP team has explained that earlier GDANCP has system of maintaining attendance record however after biometric machine came into effect no attendance register is maintained.</p> <p>Further it has been explained that biometric machine is not working properly.</p> <p><b>Refer to recommendation mentioned in paragraph 2.4.4.</b></p>
<b>Policies And Procedures</b>					
4.20 Describe the basis of accounting (e.g., cash, accrual)?				Review	<p>As books of accounts are not maintained, basis of accounting cannot be assessed.</p> <p><b>Refer to recommendation mentioned in paragraph 2.4.5.</b></p>
4.21 Are internationally accepted accounting standards followed? If so, which standard?				Review	<p>As books of accounts are not maintained, which accounting standard followed, it cannot be assessed.</p> <p><b>Refer to recommendation mentioned in paragraph 2.4.5.</b></p>
4.22 Does the entity have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes				<p>GDANCP team has explained that it is following Ministry of Environment issued manual to guide activities and ensure staff accountability.</p> <p>However no any such manual is available for review during the assessment.</p> <p><b>Refer to recommendation mentioned in paragraph 2.4.5.</b></p>
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?	Yes				<p>GDANCP team has explained that Minister of Environment can alter or establish a new accounting principle, policy, or procedure to be used by the entity.</p>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
4.24 Are there written policies and procedures covering all routine financial management and related administrative activities? Are these accessible?	Yes				GDANCP team has explained that that the Manuals mentioned in above point no 4.22 are covering all routine financial management and related administrative activities and these are accessible to authorized user. <b>Refer to recommendation mentioned in paragraph 2.4.5.</b>
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?		No			GDANCP team has explained that there are no policies and procedures which clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them. <b>Refer to recommendation mentioned in paragraph 2.4.5.</b>
4.26 Are manuals distributed to appropriate personnel?	Yes				GDANCP team has explained that manuals are distributed to 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	GDANCP doesn't maintain any bank accounts. Finance department of Ministry of Environment maintained bank account. So name and positions of authorised signatories of bank accounts are not available to assessment team. <b>Refer to recommendation mentioned in paragraph 2.4.6.</b>
4.28 Does the implementing partner maintain an adequate, up-to-date cashbook, recording receipts and payments?			N/A		As mention on point no.4.27 above, bank accounts are not maintained by the GDANCP. Assessment team could not able to verify the records related to update of cash book, receipt and payment as all records are kept at Finance Department of Ministry of Environment. <b>Refer to recommendation mentioned in paragraph 2.4.6.</b>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
4.29 Do controls exist for the collection, timely deposit, and recording of receipts at each collection location?			N/A		As mention on point no.4.27 above, bank accounts are not maintained by the GDANCP. So assessment team could not able to comment on controls regarding collection, timely deposit and recording of receipt at each location. <b>Refer to recommendation mentioned in paragraph 2.4.6.</b>
4.30 Are bank and cash reconciled on a monthly basis?			N/A		As mention on point no.4.27 above, bank and cash accounts are not maintained by the GDANCP. So reconciliation of cash and bank are not applicable. <b>Refer to recommendation mentioned in paragraph 2.4.6.</b>
4.31 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?			N/A		As mention on point no.4.27 above, bank accounts are not maintained by the GDANCP. So there is no question of bank reconciliation and review of unusual items. <b>Refer to recommendation mentioned in paragraph 2.4.6.</b>
4.32 Are receipts deposited on a timely basis?			N/A		As mention on point no.4.27 above, bank and cash accounts are not maintained by the GDANCP. <b>Refer to recommendation mentioned in paragraph 2.4.6.</b>
<b>Safeguard Over Assets</b>					
4.33 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?				Review	It has been explained that person who is concern about the inventory of assets is not available at the time of assessment, as he is assigned for provinces so no records and documents were available during the assessment. Assessment firm is not in position to comments on this point. <b>Refer to recommendation mentioned in paragraph 2.4.7.</b>
4.34 Are subsidiary records of fixed assets and stocks kept up to date and			N/A		As mentioned on point no.4.33 above person who is concern about the inventory is not available at the time of

Subject Area	Yes	No	N/A	Review	Remarks / Comments
reconciled with control accounts?					assessment so assessment team could not able to verify the subsidiary records and to comment upon update of records and reconciliation. <b>Refer to recommendation mentioned in paragraph 2.4.7.</b>
4.35 Are there periodic physical inventories of fixed assets and stocks?			N/A		As mentioned on point no.4.33 above no records are available for review so assessment team could not able to verify that there is system of periodic physical inventories of fixed assets and stocks in GDANCP. <b>Refer to recommendation mentioned in paragraph 2.4.7.</b>
4.36 Are assets sufficiently covered by insurance policies?		No			It has been explained that assets are not sufficiently covered by insurance policies. Only Vehicles are under the Insurance Policy. <b>Refer to recommendation mentioned in paragraph 2.4.7.</b>
<b>Other Offices or Entities</b>					
4.37 Are there any other regional offices participating in implementation?				Review	GDANCP implements the activities of Government projects through 23 Provinces .List of the Provinces are attached as <b>annexure 3.2.4.</b>
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.			N/A		As books of accounts are not maintained by GDANCP so it is not possible to GDANCP to establish control and procedures. Further it has been explained that provinces follow Government policy for established controls and procedures for flow of funds, financial information, accountability, and audits. However no documents were shared to assessing team. <b>Refer to recommendation mentioned in paragraph 2.4.8.</b>
4.39 Does information among the different offices/Agencies flow in an accurate and timely fashion?			N/A		As no books of accounts are maintained by GDANCP, information flow between GDANCP and provinces flow could not be assessed. <b>Refer to recommendation mentioned in paragraph 2.4.8.</b>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
4.40 Are periodic reconciliations performed among the different offices/Agencies?			N/A		As books of accounts are not maintained by GDANCP so it is not possible to GDANCP to establish periodic reconciliations among different provenances. <b>Refer to recommendation mentioned in paragraph 2.4.8.</b>
<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				It has been explained that GDANCP has advised it employees, beneficiaries and other recipients to whom report if they suspect fraud, waste or misuse of agency resource or properties. Further It has been explained that committee called inspection department is established and responsible for to take action on such matter. However no such any reports created by such department and shared with assessment team.
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				It has been explained by GDANCP team that internal audit system is established in the Ministry of Environment and internal audits are conducted. However no any such report is shared with Director of GDANCP and assessment team also. <b>Refer to recommendation mentioned in paragraph 2.5</b>
5.2 What are the qualifications and experience of audit department staff?				Review	Reports are not shared with assessment team, so assessment team doesn't have information regarding the qualifications and experiences of audit department staffs.
5.3 Is the internal auditor sufficiently independent to make critical assessments?			N/A		Refer to point no. 5.1 "checklist B"

Subject Area	Yes	No	N/A	Review	Remarks / Comments
To whom does the internal auditor report?					
5.4 Will the internal audit department include the activities financed by the Agencies in its work program?			N/A		Refer to point no. 5.1 "checklist B"
5.5 Are actions taken on the internal audit findings?			N/A		Refer to point no. 5.1 "checklist B".
Risk Assessment (Internal Audit)	H	S	M	L	<b>Risk Assessed :Moderate</b>
<b>6. External Audit</b>					
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?		No			It has been explained that external audit of Ministry of Environment included GDANCP expenditure which is conducted by National Audit authority of Cambodia; however no any such report is shared with Director of GDANCP and assessment team also. <b>Refer to recommendation mentioned in paragraph 2.6</b>
6.2 Are there any delays in audit of the entity? When are the audit reports issued?			N/A		Refer to point no 6.1 of "checklist B"
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?			N/A		Refer to point no 6.1 of "checklist B"
6.4 Were there any major accountability issues brought out in the audit report of the past three years?			N/A		Refer to point no 6.1 of "checklist B"
6.5 Will the entity auditor audit the AWP accounts or will a separate auditor be appointed to audit the AWP financial statements?			N/A		Refer to point no 6.1 of "checklist B"

Subject Area	Yes	No	N/A	Review	Remarks / Comments
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		Refer to point no 6.1 of "checklist B"
6.7 Has the implementing partner prepared audit plans?			N/A		Refer to point no 6.1 of "checklist B"
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?		No			As books of accounts are not prepared by GDANCP so it does not prepare annual financial statements or any other financial reports. <b>Refer to recommendation mentioned in paragraph 2.7</b>
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?			N/A		As mentioned in point no 7.1 of "checklist B" "no such financial statements or any other financial reports are prepared, so timing for preparation of financial statements are not applicable." <b>Refer to recommendation mentioned in paragraph 2.7</b>
7.3 Does the reporting system need to be adapted to report on the AWP related expenditure?			N/A		As mentioned in point no 7.1 of "checklist B" "no such financial statements or any other financial reports are prepared so there is no such AWP related reporting system and also no projects are carried by GDANCP.
7.4 Does the reporting system have the capacity to link the financial information with the AWP's physical progress? If separate systems			N/A		As mentioned in point no 7.1 of "checklist B" "no such financial statements or any other financial reports are prepared." Further GDANCP is not carried any projects so there is no reporting system which may link



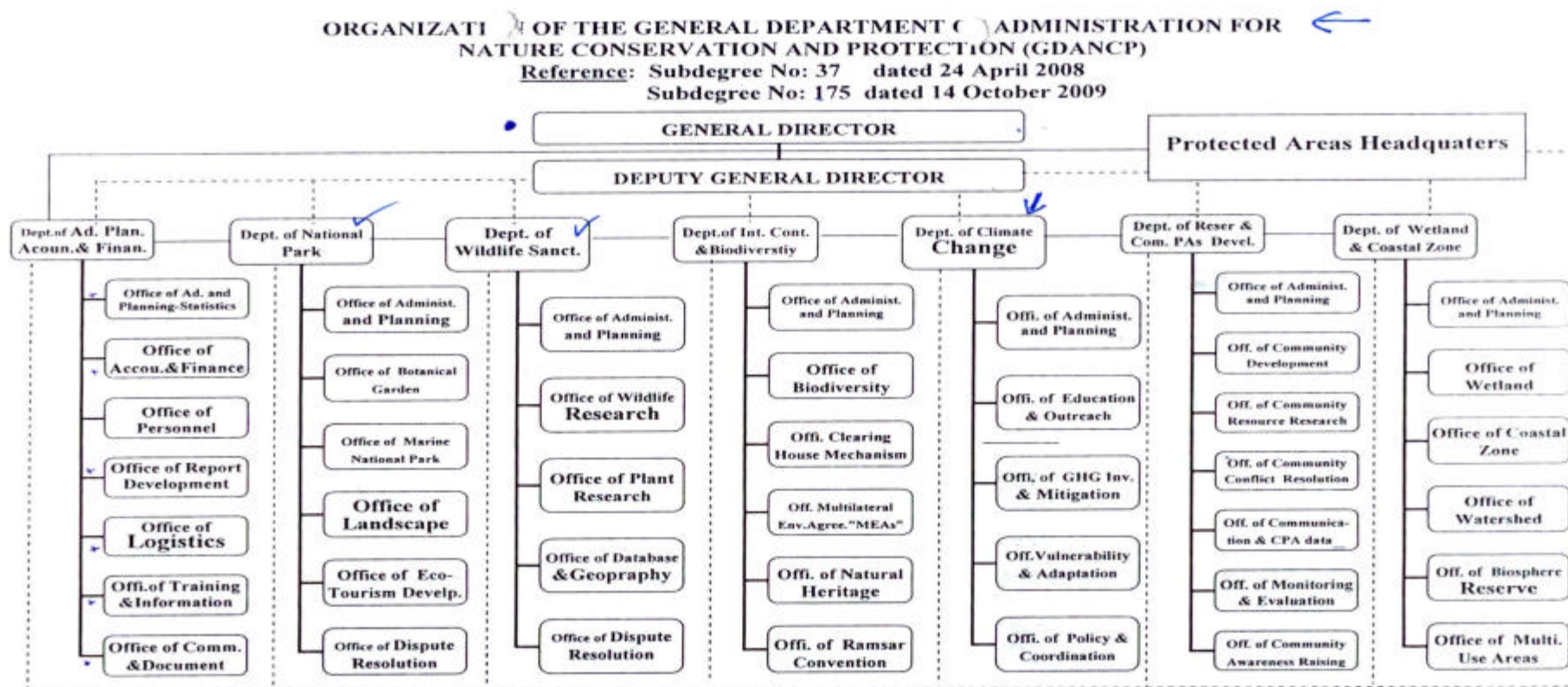
Subject Area	Yes	No	N/A	Review	Remarks / Comments
are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?					physical progress with financial information. <b>Refer to recommendation mentioned in paragraph 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?			N/A		As mentioned in point no 7.1 of "checklist B "no such financial statements or any other financial reports are prepared. GDANCP doesn't 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. <b>Refer to recommendation mentioned in paragraph 2.7</b>
7.6 Are financial management reports used by management?			N/A		As mentioned in point no 7.1 of "checklist B "no such financial statements or any other financial reports are prepared. So management could not use any financial reports.
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?			N/A		As mentioned in point no 7.1 of "checklist B "no such financial statements or any other financial reports are prepared. So comparison of actual expenditures with budgeted and programmed are not applicable. <b>Refer to recommendation mentioned in paragraph 2.4.3</b>
7.8 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?			N/A		As mentioned in point no 7.1 of "checklist B "no such financial statements or any other financial reports are prepared. So there is no automated software used, as separate books of accounts are not maintained by GDANCP.
Risk Assessment (Monitoring and Reporting)	H	S	M	L	<b>Risk Assessed: Moderate</b>

Subject Area	Yes	No	N/A	Review	Remarks / Comments
<b>8. Information Systems</b>					
8.1 Is the financial management system computerized?		No			As books of accounts are not maintained by GDANCP. There is no financial management system at GDANCP.
8.2 Can the system produce the necessary financial reports?			N/A		Refer to point no 8.1 of "checklist B"
8.3 Are the staff adequately trained to maintain the system?			N/A		Refer to point no 8.1 of "checklist B"
8.4 Does the management organization and processing system safeguard the confidentiality, integrity, and availability of the data?			N/A		Refer to point no 8.1 of "checklist B"
<b>Risk Assessment (Information Systems)</b>	<b>H</b>	<b>S</b>	<b>M</b>	<b>L</b>	<b>Risk Assessed: Moderate</b>

3.2 Annexures

Annexure 3.2.1

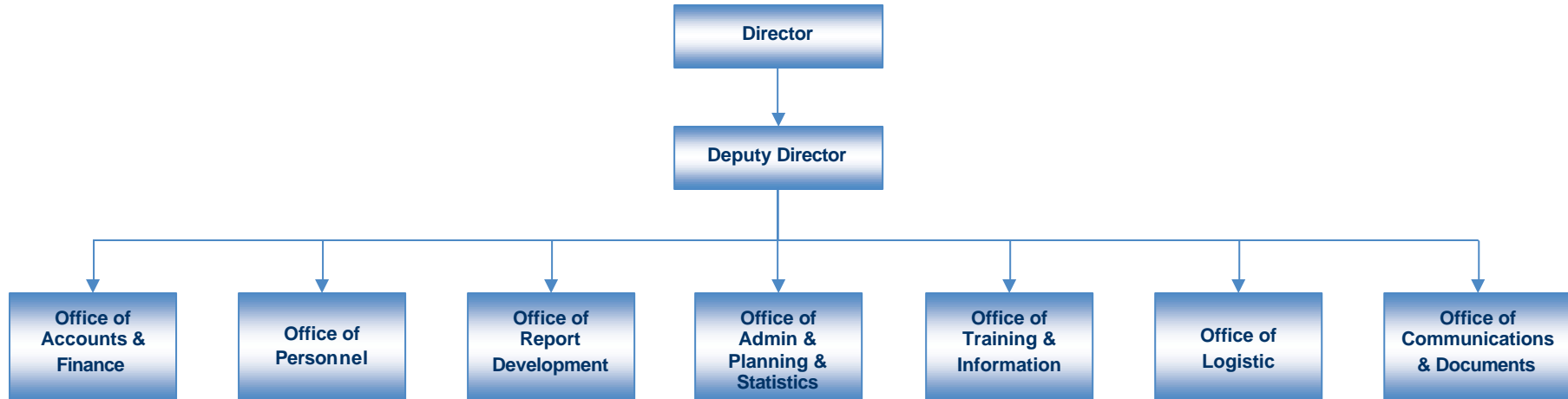
Organizational Chart of the GDANCP



Seen and Approved  
Phnom Penh, 13 August, 2010  
**Senior Minister  
Minister for Environment**  
  
MOK MARETH

No : 153 GDANCP/MOE  
Phnom Penh, 18 August, 2010  
**Delegate of the Royal Government of Cambodia  
in Charge of the General Director,  
Administration for Nature Conservation and Protection**  
  
CHAY SAMITH

**Organization Chart, Department of Admin, Planning, Accounting and Finance of GDANCP**



**Annexure 3.2.3**

**Detail of Finance and Administrative Department Staff**

<b>1.</b>	Miss Khhoun Theary	<ul style="list-style-type: none"> <li>• Director Department.</li> <li>• Overall Incharge of the Department.</li> </ul>
<b>2.</b>	Miss. Ly Sophora	<ul style="list-style-type: none"> <li>• Deputy Director of Admin Department.</li> <li>• Accountant and Planning.</li> </ul>
<b>3.</b>	Mr. Sok Sorano	<ul style="list-style-type: none"> <li>• Head of Account Office.</li> <li>• Assessing in Preparation of Report of Income.</li> </ul>
<b>4.</b>	Mr. Tan Khun Rathana	<ul style="list-style-type: none"> <li>• Deputy Director of Admin Department.</li> <li>• Incharge of Logistics.</li> </ul>
<b>5.</b>	Mr. Karb Kane	<ul style="list-style-type: none"> <li>• Head of Logistic Office.</li> <li>• Collection of inventory lost from other department reporting to Mr. Tan Khun Rathana</li> </ul>

## Annexure 3.2.4

## List of the Provinces of GDANCP

SL .No	Name of the Provinces
1.	Koh Kong
2.	Sihanukville
3.	Kampong Speu
4.	Kandal
5.	Takeo
6.	Kampot
7.	Kep
8.	Phnom Penh
9.	Prey Veng
10.	Svay Reing
11.	Kampong Cham
12.	Kampong Thom
13.	Siemreap
14.	Preah Vihear
15.	Otdar Meanchey
16.	Banteay Meanchey
17.	Pailin
18.	Battambang
19.	Pursat
20.	Kampong Chhnang
21.	Ratanakiri
22.	Kratie
23.	Stung Treng
24.	Mondulkiri

## 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 weaknesses 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. We have restricted the work to the Terms of Reference. We understand that the procedure to be performed is considered to be sufficient for UNDP purposes in connection with **General Department of Administration for Nature Conservation and Protection (GDANCP)** assessed by us.
- 4.2.2. Our review of the documents and other relevant records of GDANCP are limited to those document and records provided to us by GDANCP management and comprise inquiries and observations and limited tests of transactions on a sample basis, covering the detailed assessment objectives described in assessment scope above.
- 4.2.3. We have conducted the assessment in accordance with International Accounting and Auditing Standard and Local Standard of Cambodia.
- 4.2.4. Our review of the documents and other relevant records of GDANCP 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 and / or electronic version of the documents and we have relied upon these documents assuming their genuineness.
- 4.2.5. During the assessment, LC had reviewed the documents of GDANCP. The photocopies of some documents are not provided to LC .So our assessment is based on the review of the documents and we can not have support to our assessment.
- 4.2.6. During the assessment, LC has discussed with the senior management of GDANCP and in some cases, our assessment is also based on the discussion with senior management of GDANCP.
- 4.2.7. The working papers, prepared while conducting the assessment are the property of Lochan & Co., constitute confidential and proprietary information and will be retained by Lochan & Co. in accordance with their policies and procedures.
- 4.2.8. We have no responsibility to update our 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
DNPC	:	Deputy National Project Manager
LC	:	Lochan & Co.
MOE	:	Ministry of Environment
NGO	:	Non-Government Organizations
UN	:	United Nations
UNDP	:	United Nations Development Programme
USD	:	United State Dollar

