

Checklist B: Financial Management Questionnaire¹

Implementing Partner: **Ministry of Environment, Conservation & Meteorology**

Date: 4 February 2009

Summary of Risks related to the Financial Management Capacity of Implementing Partner						
Tested Subject Area (see subsequent pages for questions for each area that should be completed and summarized in the sections below)						
	Risk Assessment				Comments	
	<i>H</i>	<i>S</i>	<i>M</i>	<i>L</i>		
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				√		
Inherent Risk						
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						
Overall Risk Assessment			<i>H</i>	<i>S</i>	<i>(M)</i>	<i>L</i>

H – High

S – Significant

M – Moderate

L –Low

Financial Management Questionnaire

Subject Area	Yes	No	N/A	Review	Remarks/Comments
1. Implementing partner					
1.1 Is the implementing partner legally registered? Please note the legal status/registration of the entity.			√		
1.2 Has the implementing partner received UN resources in the past?	√				
1.3 Does the IP have statutory reporting requirements? Please describe.	√				
1.4 Is the governing body for the implementing partner independent?	√				
1.5 Is the organizational structure appropriate for the work to be carried out under UN cooperation?	√				Copy of corporate plan obtained
<i>Risk Assessment (Implementing Partner)</i>	H	S	M	(L)	Circle assessed risk for Subject Area 1
2. Funds Flow					
2.1 Can the entity receive and transfer funds?	√				Ministry only receives funds and manage through one account – the ministry account
2.2 Are the arrangements to transfer the funds to the entity satisfactory?	√				Working perfect
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?		√			Process of transfer might be slow sometimes, but no problem with funds transfer from the government
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.		√			No incidents, so far experienced in this newly created Ministry
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.)		√			No other operation outside Solomon Islands
2.6 How are the counterpart funds accessed?					Approved funding usually get transferred direct to the bank account. (signatories are with Ministry and not the project)
2.7 How are payments made from the counterpart funds?					Payments are drawn after all payment request have been properly authorised.“

Subject Area	Yes	No	N/A	Review	Remarks/Comments
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?		√			
<i>Risk Assessment (Funds Flow)</i>	H	S	M	(L)	Circle assessed risk for Subject Area 2
3. Staffing					
3.1 Is the organizational structure of the accounting department appropriate for the level of financial volume? Attach an organization chart.	√				
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.	√				
3.3 Is the implementing partner finance and accounts function staffed adequately?	√				
3.4 Are finance and accounts staff adequately qualified and experienced?	√				
3.5 Are accounts and finance staff familiar with UN procedures related to cash transfers?	√				From experience working with the project – need UN procedure Manual
3.6 What is the duration of the contract of finance and accounts staff?					Contracted for the duration of the project, but Ministry staff are permanent staff
3.7 Indicate in the remarks/comments section key positions not contracted yet, and the estimated date of appointment.					Senior Accountant position still vacant - not
3.8 Are staff frequently transferred? At what frequency?		√			
3.9 Is there a training policy for the finance and accounting staff? Please describe.	√				Budget for training (staff), (short courses) with University of the South Pacific
<i>Risk Assessment (Staffing)</i>	H	S	M	(L)	Circle assessed risk for Subject Area 3
4. Accounting Policies and Procedures					

Subject Area	Yes	No	N/A	Review	Remarks/Comments
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?		√			Government system (Accounting) –Manual recording of transactions on time cards, done properly and up to date.
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	√				Good control measures
4.3 Is the chart of accounts adequate to properly account for and report on activities and disbursement categories?			√		No computerised system in place
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	√				
4.5 Are the general ledger and subsidiary ledgers reconciled and in balance?			√		No accounting system (Ministry have commitments card and are update correctly
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?			√		
<i>Segregation of Duties</i>					
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?	√				
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	√				
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	√				
<i>Budgeting System</i>					
4.10 Do the budgets lay down physical and financial targets?	√				

Subject Area	Yes	No	N/A	Review	Remarks/Comments
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	√				
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	√				
4.13 Are approvals from variations from the budget required in advance or after the fact?					Always in advance
4.14 Who is responsible for preparation and approval of budgets?					CFO in consultation with the other directors, then to PS for approve before submitted to Ministry of Finance.
4.15 Are procedures in place to plan activities, collect information from the units in charge of the different components, and prepare the budgets?	√				
4.16 Are the plans and budgets of activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	√				Sometimes, but not always exact.
<i>Payments</i>					
4.17 Do invoice processing procedures provide for: <ul style="list-style-type: none"> • Copies of purchase orders and receiving reports to be obtained directly from issuing departments? • Comparison of invoice quantities, prices, and terms with those indicated on the purchase order and with records of goods actually received? • Comparison of invoice quantities with those indicated on the receiving reports? • Checking the accuracy of calculations? 	√ √ √ √				Government system applied
4.18 Are all invoices stamped <i>PAID</i> , dated, reviewed and approved, and clearly marked for account code assignment?		√			Payment Registered + Voucher attached
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	√				System

Subject Area	Yes	No	N/A	Review	Remarks/Comments
<i>Policies And Procedures</i>					
4.20 Describe the basis of accounting (cash)?					Cash (Government system)
4.21 Are internationally accepted accounting standards followed? If so, which standard?	√				
4.22 Does the entity have an adequate policies and procedures manual to guide activities and ensure staff accountability?	√				But very complex document.
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?	√				
4.24 Are there written policies and procedures covering all routine financial management and related administrative activities? Are these accessible?	√				Financial Instructions - one copy for the CFO.
4.25 Do policies and procedures clearly define <i>conflict of interest</i> and <i>related party transactions</i> (real and apparent) and provide safeguards to protect the organization from them?	√				The General Orders do provide for such, but accessibility to staff is very limited
4.26 Are manuals distributed to appropriate personnel?		√			
<i>Cash and Bank</i>					
4.27 Indicate in remarks/comments section the names and positions of authorized signatories on the bank accounts.					Compulsory- PS & Accountant General Counter Signs - CFO and GM- Human Resource
4.28 Does the implementing partner maintain an adequate, up-to-date cashbook, recording receipts and payments?		√			Done by the Ministry of Finance
4.29 Do controls exist for the collection, timely deposit, and recording of receipts at each collection location?	√				
4.30 Are bank and cash reconciled on a monthly basis?	√				
4.31 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	√				
4.32 Are receipts deposited on a timely basis?	√				
<i>Safeguard Over Assets</i>					
4.33 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	√				Not functioning

Subject Area	Yes	No	N/A	Review	Remarks/Comments
4.34 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?		√			
4.35 Are there periodic physical inventories of fixed assets and stocks?		√			
4.36 Are assets sufficiently covered by insurance policies?		√			
<i>Other Offices or entities*²</i>					
4.37 Are there any other regional offices participating in implementation?		√			
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.			√		
4.39 Does information among the different offices/Agencies flow in an accurate and timely fashion?			√		
4.40 Are periodic reconciliations performed among the different offices/Agencies?			√		
<i>Other</i>					
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?	√				
<i>Risk Assessment (Accounting Policies and Procedures)</i>	H	S	(M)	L	Circle assessed risk for Subject Area 4
5. Internal Audit					
5.1 Is there an internal audit department in the entity?		√			Part of ministry of finance
5.2 What are the qualifications and experience of audit department staff?					Inexperience and unqualified staff
5.3 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?		√			

² Other offices or entities refers to sub-offices of the implementing partners and/or respective parties.

Subject Area	Yes	No	N/A	Review	Remarks/Comments
5.4 Will the internal audit department include the activities financed by the Agencies in its work program?			√		
5.5 Are actions taken on the internal audit findings?					Unable to assess
<i>Risk Assessment (Internal Audit)</i>	H	S	(M)	L	Circle assessed risk for Subject Area 5
6. External Audit					
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?		√			Not required for audit, However, only 2004 – 2006 audit for the ministry of finance has been completed
6.2 Are there any delays in audit of the entity? When are the audit reports issued?			√		
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?			√		
6.4 Were there any major accountability issues brought out in the audit report of the past three years?			√		
6.5 Will the entity auditor audit the AWP accounts or will a separate auditor be appointed to audit the AWP financial statements?			√		
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?			√		
6.7 Has the implementing partner prepared audit plans?		√			
<i>Risk Assessment (External Audit)</i>	H	(S)	M	L	Circle assessed risk for Subject Area 6
7. Reporting and Monitoring					
7.1 Are financial statements prepared for the entity?		√			Done by the Ministry of Finance
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?			√		“
7.3 Does the reporting system need to be adapted to report on the AWP related expenditure?	√				So far it's done manually

Subject Area	Yes	No	N/A	Review	Remarks/Comments
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?		√			
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?		√			Nothing apart from the General Orders
7.6 Are financial management reports used by management?			√		
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?			√		
7.8 Are financial reports prepared directly by the automated accounting system or are they or are they prepared by spreadsheets or some other means?					Done on Excel - manually
<i>Risk Assessment (Monitoring and Reporting)</i>	H	S	(M)	L	Circle assessed risk for Subject Area 7

8. Information Systems					
8.1 Is the financial management system computerized?		√			
8.2 Can the system produce the necessary financial reports?			√		
8.3 Are the staff adequately trained to maintain the system?			√		
8.4 Does the management organization and processing system safeguard the confidentiality, integrity, and availability of the data?			√		
<i>Risk Assessment (Information Systems)</i>	H	S	M	(L)	Circle assessed risk for Subject Area 8