



A Review of the Technical Working Group on Forestry Reform (TWG-FR) as a Fund Management Mechanism for REDD+ in Cambodia

July 2013

1. Introduction

Cambodia has reached a very important stage in the development of its REDD+ program. Following completion of a “roadmap” and a series of multi-stakeholder consultations, a national program is now firmly underway with an institutional structure to manage implementation, and financial and technical support provided by multiple donors. REDD+ demonstration projects play a critical complementary role to the national program by building local capacity, testing implementation strategies, and informing the national program with practical on-the-ground experience, and earning REDD+ income to support ongoing forest conservation, provide benefits to forest communities and explore additional REDD+ sites. In Cambodia, the Oddar Meanchey Community Forestry REDD+ Project (OM CF REDD+) was the pioneer demonstration project and received official endorsement from the Prime Minister through Government Decision (GD) 699 in May 2008.

After more than five years of preparatory work, buyers are coming to the project to buy emissions reductions generated between 2008 and 2012. In order for the funds to be transferred to Cambodia, the project must have in place a transparent, multi-stakeholder mechanism to manage and distribute the funds according to the Project Document, workplan and budget. As the first REDD+ initiative in Cambodia to sell credits, this project has the potential to be a model for future projects. GD 699 designated the Technical Working Group on Forestry & Environment (TWG-FE), now called the TWG for Forestry Reform (TWG-FR) as the channel for carbon revenue. Roles for funds management are expected to include:

- Maintenance of a dedicated bank account for proceeds from the sale of verified carbon units;
- Distribution of funds to implement the project activities according to the project workplan and budget, including independent approvals for the distribution of funds;
- Oversight to ensure that the implementing partners and other contractors are performing the project activities work in accordance to each sub-contract and as required to produce future verified carbon units for the project;
- Management of budget to ensure at least 50% of the net income from funds received (after project activities and carbon development costs are deducted) will be distributed to support the local communities who participate in the project, as defined under the project documents;
- Arrangement of annual external audits of the financial functions and the benefits sharing supported by the TWG-FR for the project.

This paper will provide background on both the OM CF REDD+ project and the TWG FR and will examine the suitability of this institution to manage REDD+ revenues. This review also provides a number of recommendations aimed to guide decision-makers in this process.

This review has been conducted by Pact, implementing partner for the OMCFREDD+ project, under funding from United Nations Development Program (UNDP) through the UN-REDD Program in Cambodia.

2. Background of the Oddar Meanchey Community Forestry REDD+ Project

The OM CF REDD+ was initiated in February 2008 and is the first REDD+ Project in Cambodia. The project is being implemented by the Forestry Administration (FA) in collaboration with Pact, Terra Global Capital (TGC), Children's Development Association (CDA), Monks' Community Forestry (MCF), and 13 Community Forestry groups in Oddar Meanchey Province. The project aims to reduce deforestation and degradation in the project area while at the same time providing benefits to improve local livelihoods and protect biodiversity. The project covers 63,831 hectares over 13 community forestry areas, and is expected to generate benefits for approximately 7,000 households in 58 rural villages. The project is estimated to earn somewhere in the range of \$20-50 million through the sale of carbon credits over the next 25 years.

The OM CF REDD+ Project is being registered under the Climate Community Biodiversity Alliance (CCBA) and the Verified Carbon Standard (VCS), and has already been successfully validated by a third-party Validation Verification Body (VVB). The project is currently undergoing verification, and completion is expected in July 2013. The final verification report will confirm the number of metric tons of carbon dioxide equivalent that have been sequestered during the first verification period, from 2008 to 2012. The first sales in 2013 are expected to generate significant income for the RGC and its partners, including the 13 local communities involved.

3. Background of the Technical Working Group on Forestry Reform

Based on the Consultative Group (CG) meeting in Phnom Penh in 1999, the RGC and its development partners began a dialogue to pursue action-oriented and thematic forums for improved aid coordination. A key agreement comprised the establishment of 18 Technical Working Groups for development, planning and coordination, chaired by the Royal Government of Cambodia (RGC) and reporting to a shared umbrella forum: the Government-Donor Coordination Committee (GDCC).

The TWG mechanism actually preceded the OECD-Development Assistance Committee¹ good practice principles and is in full compliance with these global guidelines. Cambodia and the leading development partners were commended for having taken the first steps towards modern coordination of development, promoting true partnership and mutual accountability. In 2004, the "Technical Working Group on Forestry and Environment" was formed as one of these initial working groups, and was later renamed the Technical Working Group for Forestry Reform (TWG-FR) to reflect a more limited scope focused on forestry.

The TWG-FR is officially designated as the operational body for government-donor policy, planning and coordination for the forestry sector. The TWG-FR provides a forum for dialogue on forestry-related topics between government agencies and development partners. The group aims to identify sector priorities, to harmonize activities, to improve the utilization and

¹ OECD-DAC: Organisation for Economic Co-operation and Development - Development Assistance Committees

mobilization of resources and to support efforts to strengthen the sector's capacity to contribute to economic growth and to include the poor in the process (TWG-F&E, 2012). The TWG FR is not intended nor mandated to replace the function of ministries and agencies, but to coordinate and plan activities with the broader areas of joint interest (TWG-F&E, 2004).

3.1 TWG FR Management Structure and Decision Making Process

The chairman of the TWG-FR is nominated by the Ministry of Agriculture Forestry and Fisheries (MAFF), and is currently the Director General (DG) of the Forestry Administration. The development partners elect a coordinator/co-chair from among their members, which is currently the European Union (EU). The members of the TWG-FR include representatives from relevant ministries and institutions (See Annex 2: TWG-FR members). Other representatives of government bodies, civil society organizations, and the private sector may be invited as observers or guests. In theory, the members of the TWG-FR are authorized as representatives of their institutions, and have the right to express their concerns during meetings.

In order to facilitate coordination among its members, in 2004 the TWG-FR established a secretariat, based at the Forestry Administration. The Secretariat is staffed by a chief and two support staff, including a finance officer and a driver (TWG-F&E, 2011). From 2006 to 2012, the Secretariat was financially supported by DANIDA-DFID-NZAID to fulfill the duties stated in Annex 3. When DANIDA-DFID-NZAID discontinued its development assistance to Cambodia in late 2012, a new arrangement became necessary to ensure the continued functioning of the TWG FR. Currently, the European Union (EU) is providing a reduced level of support to cover only a consultancy fee for the chief of the Secretariat.

Within the TWG FR, two ad hoc sub-working groups were recently established. The first one focuses on REDD+, while the second sub-group deals with community forestry. Currently, these two groups are concentrated on developing their groups' terms of.

3.2 Fund Management Experience

The Natural Resource Management and Livelihood Program (NRMLP) was a multi-donor fund provided jointly by Danida, DFID, and NZAID under the Multi-Donor Livelihoods Facility (MDLF) to support the sector from 2006 to 2010. The NRMLP annual budget was administered by the TWG-FR Secretariat. This funding supported four offices² and five FA cantonments,³ as well as several NGO projects. Community Forestry International was one of the NGO recipients, which was supported to initiate the OMCFREDD+ project.

The NRMLP supported five components of the NFP: 1) demarcation of the permanent forest estate, 2) development of community forestry, 3) awareness raising, 4) forest and biodiversity conservation, and 5) REDD+ demonstration projects. The TWG-FR Secretariat not only administered and monitored this support, but also supported the harmonizing and coordinating of all development partners' workplans to ensure alignment with the NFP.

In 2006, the NRMLP partners encouraged the TWG-FR (as well as the Ministry of Environment and Fisheries Administration) to develop an accounts manual in order to improve program

² Community Forestry Office (CFO), GIS Office, Forest Extension Office (FEO), Watershed Management Office, Planning office/M&E Office, FWTC.

³ Kratie, Ratanakiri, Mondulkiri, Kandal, Kampot

accountability and efficiency. The manual defined procurement guidelines, systems and procedures for managing the funds and other assets. It is attached as Annex 3 to this report.

3.3 Program Monitoring and Evaluation

Program monitoring and evaluation is important to determine the effectiveness of spending and to identify or prevent problems of misuse. During the years of NRMLP support, the Secretariat was not able to regularly monitor the program activities in the field; however, it was relatively effective in collecting regular progress reports. To remedy this situation, Danida assigned one of its program officers to conduct regular field monitoring visits.

4. Is the TWG-FR Appropriate for Managing Revenues from OM CF REDD+?

This section of the paper will examine the suitability of the TWG FR to manage carbon revenues from the OMCFREDD+ project. GD 699, issued by the Council of Ministers in May 2008, designated the FA as the seller of the forest carbon for the OMCFREDD+ project, with the authority to execute the sale of forest carbon, in consultation with the TWG-FR “if necessary.” It also stated that revenues from the sale of credits from the OM CF REDD+ project will be channeled through the TWG-FR during the first five years of the project, and that the net-income will be used to improve the livelihoods of participating communities, finance new REDD+ initiatives, and improve the quality of the forest. Because GD 699 mandates the TWG FR to play an important role in managing carbon revenue to achieve the project’s objectives, and the Forestry Administration has confirmed in Spring 2013 that it does not want to seek an amendment to this decision, this review focuses on the TWG-FR as the primary option for management of revenue from the project, while providing some recommendations on how to improve the TWG-FR mechanism to play this role.

Should a mechanism for REDD+ revenues differ substantially from other funding mechanisms?

It is important to consider how and why fund management of REDD+ revenues might be different from mechanisms for other funds such as development assistance or bilateral aid, and what unique characteristics might call for special attention. First, the mechanism should be stable and long ranging since carbon revenues are expected to flow for at least 25 years. It may also become necessary to eventually integrate or align voluntary market revenues with those of a national REDD+ compliance system. Therefore, some flexibility is also required. The RGC feels a strong sense of ownership over the revenues from REDD+, since the revenues are earned within Cambodia based on the country’s performance. Carbon offset buyers expect multi-stakeholder revenue management, and there will be external scrutiny by buyers and verifiers on how revenues are channeled and used. These groups will be more independent in their assessments than politically-constrained donors. The mechanism will set a precedent, since the OMCFREDD+ project is one of the first where the national government is the project proponent and seller and manager of the credits and revenues. Other REDD+ project developers look to OMCFREDD+ as a model to replicate or learn from.

A good governance framework

A revenue-sharing mechanism that meets international standards should adhere to core principles of good governance, including those of transparency, equity, participation, efficiency, effectiveness and accountability. Bearing in mind the special nature of a REDD+ revenue funds

mechanism, this section of the review examines to what degree the current TWG-FR follows these principles. It also provides some suggestions for improvement.

4.1 Transparent Management of Funds

As mentioned above, the TWG-FR and its Secretariat already have significant experience in managing funds. The TWG-FR has its own website (www.twgfe.org)⁴ to share important decisions, quarterly meeting minutes and information resources. Under the NRMLP, the Secretariat employed an experienced finance officer and utilized *Conical Hat* accounting software. The Secretariat prepared reports for the DG as well as for NRMLP donors. Unfortunately, since to the withdrawal of Danida support, the Secretariat is no longer fully staffed and regular auditing is no longer occurring. Nevertheless, previous experience indicates that the TWG-FR Secretariat has the capacity to manage significant budgets with relative competency. The TWG-FR does not have active grievance, fraud or conflict of interest policies in place, which would be critical for transparent and accountable funds management.

Areas for Action

- Develop Standard Operating Procedures (SOP) to guide TWG FR's management of OMCF REDD+. The current Accounts Manual can be used as a starting point, along with other relevant financial guidelines to funds management, such as those of the Forestry Administration or individual donors who contribute funds. However, the SOP should be consistent with the existing OMCFREDD+ project policies and approved by TWG-FR membership.
- Create grievance, fraud, and conflict of interest policies based on high standards, and obtain approval of TWG-FR members.
- Share the SOP, policies, and narrative and financial project reports and evaluations on the TWG website and at quarterly TWG meetings.
- Find ways to make information on project management accessible to local communities. For instance, provide reports in Khmer language at CF Network meetings; present highlights in local radio broadcasts. Provide opportunities for review and comment from other stakeholders.
- Conduct an international audit of accounts every year. Funding for an international audit of the project accounts is part of the 30-year project budget and should be maintained over the life of the project.

4.2 Equity

There is some concern among donors and other TWG members that the hierarchical culture within the FA discourages debate and consensus building and relies heavily on top-down decision making. These norms impair efforts to achieve equity in management and benefit distribution. Furthermore, the TWG-FR has no such specific policy or procedures to deal with grievances related to equity.

⁴ The website has not yet been updated to reflect the change in name to Technical Working Group on Forestry Reform.

Areas for Action

- Review and endorse the project grievance mechanism. Pact has drafted a project policy to handle grievances; however, this policy has not yet been formally acknowledged by the FA nor agreed to by other local stakeholders. The grievance policy should be finalized in consultation with relevant stakeholders.
- Review the project budget annually with multiple stakeholders. Several consultations have already been held on the draft budget; however, it has not yet been finalized. Furthermore, if only smaller volumes of credits are sold initially, it will be necessary to rank project activities and expenses according to available funds and priorities. Participatory processes should be put in place to support these reviews.
- Ensure access of the poor and other marginalized groups to project benefits. The risk of elite capture exists even within local CF communities. The TWG-FR Secretariat will need to work along with the OMCFREDD+ project implementers to identify deliberate strategies to deliver benefits to poor and marginalized individuals within the community, including women. Such strategies should ideally be developed with participation of these groups.
- Incentivize performance under a results-based system. The TWG-FR needs to more clearly define how net income will be distributed to reach the goal of “maximizing benefits to local communities” (GD 699) while recognizing the importance of rewarding effective control of deforestation and degradation. If those who perform well receive benefits which reflect their efforts, revenues will serve to reinforce the objectives of REDD+.

4.3 Participation

Currently, rank and file membership of the TWG-FR do not participate in funds management, and most were not members during the NRMLP funds management. Given the importance to REDD+ buyers of seeing multi-stakeholder revenue management, the TWG-FR membership, or portion of the membership, will likely need to take a more active role than occurred under NRMLP funding, and all major decisions regarding funds management, disbursement and audit will need to be reviewed and approved by multiple members of the TWG-FR beyond the Chair and Co-Chair.

Areas for Action

- Clarify roles of TWG members for funds management and specifically define the responsibilities of the TWG-FR chair, co-chair, members, working groups and Secretariat.
- Consider mobilizing the REDD+ sub-working group to play a lead or supportive role. Given the wide agenda of the TWG-FR, the REDD+ sub-working group could be designated to play a more active role in reviewing and supporting the OMCFREDD+ project.
- TWG members review manual/policies of the Secretariat functions around funds management. It is important to have a wider consensus on the policies that guide the Secretariat and to ensure that they serve the purpose of REDD+ revenue management, as well as the needs of various donors.
- Conduct regular meetings and establish a feedback mechanism. The TWG-FR should provide a forum for information sharing and exchange related to the project.
- Make management accessible to communities. Higher-level project management should not be entirely removed from local communities who are the primary stakeholder. The

TWG-FR should consider including a community representative(s) in regular project management meetings in Phnom Penh.

4.4 Efficiency and Effectiveness

Currently, the TWG FR Secretariat, with only one remaining employee, is not sufficiently staffed to support management of sizeable funds. Even when the Secretariat was fully staffed, there were complaints that grants administration was often delayed due to an overly bureaucratic process and unwritten rules to consult numerous offices and individuals within the FA prior to decision-making. Furthermore, a number of grantees were not able to produce acceptable financial and program reports. The financial management manual prepared with support from Danida provides guidance on funds management; however, there have been no attempts to further improve the manual or make it relevant to funds management outside the NRMLP.

Areas for Action

- Review TWG-FR financial systems and policies.
- In development of the SOP for the project, include a time limit on response times for reviews and approvals.
- Provide financial support to maintain the Secretariat with appropriate staffing and skill levels, and consider what portion of OMCFREDD+ credit revenues should be used for this purpose.⁵ Continue to build the capacity of the Secretariat staff by providing training on financial management, procurement, and program management to meet the international standards. A percentage of OMCFREDD+ revenues should be set aside for this purpose.

4.5 Accountability

The TWG-FR does not have sufficiently clear procedures in place for monitoring the projects that it supports. In 2011, a consultant was assigned to assist the FA to develop a monitoring and evaluation plan to support implementation of the National Forestry Program and it was suggested that the TWG-FR would play an important role. However, no progress has been made in developing this system since then. Guidelines for contracting third parties are very brief in the Accounts Manual, while holding sub-contractors accountable to project budgets, workplans and policies will be critical for the OMCFREDD+ project.

The TWG FR's bank account (with ACLEDA) was recently closed. In general, government agencies are not permitted to set up and manage accounts without the approval of the Ministry of Economics and Finance.

Areas for Action

- Clarify roles, responsibilities and reporting structure of TWG members, sub-group, and Secretariat. Consider having the REDD+ and PES sub working group play a larger role in governing the project, with participation from a community forest representative.
- Ensure funds management SOP has adequate provisions to ensure accountability in sub-contracts management.
- Provide more resources for monitoring and improve monitoring and evaluation system.
- Clarify procedures and consequences for fraud.

⁵ Previous draft project budgets included 5% of revenue for FA/TWG administration.

- Gain permission from the Ministry of Economics and Finance and the Ministry of Agriculture Forestry and Fisheries to open a TWG-FR bank account with sub-accounts for individual projects. The SOP should designate the signatories on these accounts who are accountable to TWG membership.

5. Alternatives to TWG-FR Fund Management

On March 29, 2013, Pact presented a summary of the proposed fund management role of the TWG-FR to the group's development partners (DP). Multiple DP representatives responded that they did not consider the funds management role appropriate to the TWG-FR and suggested the OMCFREDD+ find an alternative management mechanism, such as using a multi-stakeholder task force on REDD+ or establishing a multi-stakeholder trust fund. When Pact shared this feedback with FA staff, the FA responded that they did not intend to ask for a revision of GD 699+ and that the funds would need to move through the TWG-FR as originally mandated.

Other funds management mechanisms could be acceptable to the OMCFREDD+ project and buyers of carbon. For example, trust funds have been used to manage REDD+ revenues in other countries. Nonetheless, whatever mechanism is ultimately used to receive, manage, distribute and monitor the credit revenues, the above good governance principles of transparency, equity, participation, efficiency, effectiveness and accountability will need to be applied to a multi-stakeholder body to be acceptable to international credit buyers.

6. Conclusion

Detailed recommendations to the FA and TWG-FR to prepare for a REDD+ revenue management role are provided above. In order to move forward, the DG of the FA, as the project proponent, should confirm as soon as possible whether the funds management role will stay with the TWG-FR, versus another mechanism.

If the FA confirms the TWG-FR will remain the funds management mechanism, the DG should exercise his role as chair of the TWG-FR to promote the recommendations above, in consultation and with the approval of TWG-FR members to accept this role. He may wish to suggest the detailed funds management role be assumed by the new sub-group on REDD. With the approval of TWG-FR membership, the DG should assign the Secretariat to implement the recommendations above, including the development of a revised SOP that is appropriate for REDD+ revenue management. The TWG-FR will also need to open a bank account dedicated to the OMCFREDD+ project.

If the FA decides to assign or form another multi-stakeholder body to manage the funds mechanism, it will need to determine whether a modification to GD 699 is necessary, or whether the TWG-FR can assign another body to undertake the in-depth funds management role, while retaining the overall role of funds channel and manager. As project proponent, it should communicate the good governance principles and considerations above and ensure they are met for the integrity of the project's fund management.

Establishment of a functional funds management mechanism is a significant investment in the project that will require input and agreement from diverse members of the TWG-FR. Fortunately, some tools are already in place that can be drawn upon as resources. Moreover, this investment can quickly pay off, as tens of millions of dollars in carbon credit revenue are

projected for the OMCFREDD+ project over the next 25 years. Should the funds management mechanism prove successful, it can also provide a mechanism for funds management for additional REDD+ projects under development in Cambodia.

References

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Annexes

1. Lists of interviewees
2. TWG-FR members and Secretariat
3. NRMLP Accounts Manual for the TWG-F&E
4. OMCFREDD+ Benefit Sharing Policy

ANNEX 1:

List of Interviewees

List of interviewees

Name	Position & Institution
Mr. Koen Everaert	Attaché, European Union Delegation to the Kingdom of Cambodia & TWG-FR Co-Chair (DP)
Mr. Sok Srun	TWG-FR Coordinator
Ms. Tina	TWG-FR Financial Officer
Mr. Lic Vuthy	Former DANIDA Program Officer
Mr. Ma Vuthy	Forestry Administration Officer

ANNEX 2:

TWG-FR Members and Secretariat

TWG-FR Members, Agencies and Ministries

No	Name of Member and Back stopper/alternation	- Title in agency - Title in TWG-FR	Agency Phone Email	Address
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2	Mr. Yos Mony Rath Mr. Sam Sidara	- Deputy Director General of Dept. Mine Resource - TWG-FR Member Chief of Office	Ministry of Industry, Mines and Energy (MIME) 016-833373 monyrath_dmr@yahoo.com 011 757784 sam_sidara@yahoo.com	#45 Norodom Blvd., Phnom Penh
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TWG-FR Secretariat

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Associate Members (Relevant Topic)

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ANNEX 3:

NRMLP Accounts Manual for the TWG-F&E

THE NRM & L. PROGRAMME 2006-2010

ACCOUNTS MANUAL

FOR

THE TECHNICAL WORKING GROUP

ON

FORESTRY AND ENVIRONMENT

(TWG-F&E)

FOR THE PROGRAMME

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1. INTRODUCTION

1.1 Purpose and Scope of the Manual

The purpose of this accounts manual is to have an explicit description of the agreed accounts procedures of the programme, and of the organization of the accounts functions, the accounts system and related systems within the Technical Working Group on Forestry and Environment Secretariat.

The Forestry Administration, TWG-F&E Secretariat, auditors and Multi-Donor Livelihoods Facility (MDLF) representatives, shall use the manual as a reference book and it shall be used in connection with training of accounts staffs of the programme within the TWG-F&E Secretariat.

1.2 Distribution and Maintenance of the Manual

The copies of the manual are to be distributed to the MDLF, the Forestry Administration, and TWG-F&E Secretariat. The TWG-F&E Secretariat is responsible for the maintenance of the manual.

- The TWG-F&E Chairman and MDLF are allowed to make changes to the manual. Any users of the manual, who wish to propose amendments or additions, should be addressed to the TWG-F&E Chairman and approved by the MDLF.
- The TWG accountant, currently Mrs. Thai Seilatina, is responsible for amendments of the updated manual and will be circulated to all holders.
- The holders will be instructed to return the previous copy of the manual to TWG Secretariat while received a new copy.

1.3 Objectives

The Accounting Manual is to meet the following objectives:

- **Reporting:** The manual provides the procedures to TWG-F&E Secretariat/FA and with the necessary financial information required to ensure efficient programme implementation. It provides for accurate and timely financial reporting to the MDLF and to the government according to prevailing rules and agreements.
- **Control:** The manual provides for efficient control and monitoring of the use of funds and other assets made available for the TWG-F&E Secretariat

2. TWG-F&E

The TWG-F&E consists of a Chairman, Senior Officer (FA & MoE), a Senior Secretary and the Senior Accountant. The TWG-F&E (Project Management) is responsible for the day-to-day management of the Project Operations.

- The Project Management is responsible for the compliance of the Project with the Project Document, the Regulations and Guidance of Danida and the local applicable laws and regulations.
- The Project Management is responsible for reviewing and approving the financial reports, budget, report, etc and to ensure that those reports represent a true and fair view of the Project.
- The Project Management is responsible for the effectiveness and efficiency of the internal control system, of the anti-corruption measures and of fraud detections.
- TWG-F&E Secretariat is intent to manage the fund more efficiency, transparency, and accountability for government side and development partners.

2.1 The Accounts Section

- The TWG-F&E has one Accountant (Job description is in Appendix 4).
- The TWG-F&E Chairman is responsible for the disbursement and expenditure for all activities and work plan

3. SPECIAL ISSUES

3.1 Fixed Assets and Assets Register

Fixed assets are defined as buildings, vehicles, equipment, furniture and fixture used by the TWG-F&E Secretariat in its day-to-day operation.

- The TWG-F&E Secretariat maintain a register of fixed assets where the individual item is registered with a reference to item number, date of purchase, price and its present location.. The individual item must be numbered so that it is easy to identify.
- Fixed assets are expended at the time of purchase. It means that there shall be no fixed assets accounts in the balance sheet of the TWG-F&E Secretariat and consequently the TWG-F&E Secretariat is not having any depreciation accounts.
- Although the TWG-F&E Secretariat will not have fixed assets accounts in its balance sheet all purchases of fixed assets should be debited to distinct expense account(s) and the register should be reconciled at least once a year.

3.2 Different Financial Years

The MDLF's financial year follows the calendar year. The financial period of the TWG-F&E Secretariat is from 1st January to 31st December, except for the first and the last years when the starting and closing dates respectively may be different.

4 CHART OF ACCOUNTS

4.1 Structure

- The structure of the chart of accounts clearly reflects the activities and organisation of the TWG-F&E Secretariat.
- The chart of accounts therefore is formulated individually to meet the requirements of the programme.
- The Chart of Accounts are set up by the TWG-F&E Secretariat and approved by the MDLF.
- The Code numbers of the Accounts reflect the budget lines used in the TWG-F&E.

4.2 Maintenance of Chart of Accounts

- Changes to the chart of accounts should be avoided as much as possible.
- Changes, however, may be required, and it must be approved for changes/to be adding by TWG-F&E Chairman.
- Changes/adds should preferably be made as the beginning of a financial year as much as possible or in any month if necessary for activities that did not set in the chart of accounts.

See Appendix 1 for the Chart of Account, Appendix 2 for Budget Lines system.

5 THE ACCOUNTING SYSTEM

5.1 The Technical Set-up

- The TWG-F&E Secretariat Account System will use the accounting software provided by Conical Hat Co. Ltd., for hardware configuration and software, General Ledger, Debtors System, Stores System etc.
- Service and support on hardware and software e.g. General Ledger, Debtors System, Stores System, Payroll System will be provided by Conical Hat Co. Ltd. through MDLF (it shall be stated in Appendix 8).
- In the appendix a condensed manual on the computer system may be included or it may be included in this chapter. The system manuals for both hardware and software will be kept in the accounts section.

5.2 Security Procedures

- The security procedures include such issues as daily/monthly back up, the protection of back-up files and documents, a system of user names and passwords should be used to access the computers
- Cash on hand must be kept in a safe to which only the accountant has access.

5.3 Filing

- All the accounting records and reports, the supporting documentations should be properly filed in a safe place by the accountant.
- The TWG secretariat shall keep the accounts material safely for the whole program period.
- At the end of the program, the account materials will be handed over to the MDLF.

6 ACCOUNTING PROCEDURES AND REPORTING

6.1 Responsibilities

The TWG-F&E Chairman has the overall responsibility to the MDLF for the economic financial management of the programme activities.

This responsibility implies among other things the following duties:

- Establishment of secure procedures in the economic administration, including specification of authority delegated to TWG-F&E Secretariat.
- The list for authorization to sign vouchers for payment.

TWG-F&E Accountant

- Responsibility for all cash and bank holdings and other assets recorded in the books.
- Current control with the programme budget, including necessary recommendations to the MDLF concerning programme reviews and adjustments.
- The supervision and random control of cash holdings and the daily bookkeeping.

6.2 Transfer of Funds from the MDLF

- Funds will be transferred from the MDLF Bank Account to the bank account of the TWG-F&E (Acct. No. 10-3524-6) on the request by TWG-F&E Chairman.
- The MDLF will send a copy of the letter for transfer to the TWG-F&E Chairman/Secretariat.
- When received the fund, TWG-F&E accountant will enter the amount in the cashbook and accounts system, and inform by e-mail/phone to the MDLF.

6.3 Cash Handling

Authorization of Signatories

- The TWG-F&E Chairman must single sign for the cheques.
- The accountant is allowed to issue cash less than US\$50 without prior authorisation from TWG-F&E Chairman and submit for approval later.
- Persons who have authority to sign payments on behalf of the TWG-F&E Chairman are listed in Appendix 6.
- The list shall be signed by TWG-F&E Chairman, and also indicate the date from which the signatures are valid.
- The word "payment" should be understood as: cash/cheque payments to be debited to an expense account and cash/cheque payments to be debited to the account current book.

Cash in hand

- The Accountant is responsible for cash in hand and keys of the safe box.

- Cash and chequebooks must be kept in the safe box, and no other cash can be kept in the safe.
- The maximum for cash balance is US\$3000. When the amount is over US\$3000 the excess will be banked within two weeks.
- The practice of payments by cash should be use for the amount up to 1000US\$. The amount exceed US\$1000 should be use by cheque or transfer, if possible.

Imprest

Imprest payment should be stated:

- Imprest holder is show in the CoA and will be replenished when he/she has been clearance the previous advance.
- Imprest is used for project activities, travel, field trips and workshop/conference /meeting and other activities etc. for in and outside Cambodia
- All imprest holders may only request by the Project for every quarterly for three months project activities with attachment of the work plan.
- Imprest/advance requests for project activities /travel etc. should be prepared for any advance and submit to the TWG secretariat and should be reviewed by secretary/accountant and approved by the Chairman of TWG-F&E.
- The planning of expenditure should be attached and estimate the total of expenditure, indicate the period of the activities.
- Advance should be cleared from the date of completion of the activities and submission of reports.

Receiving funds

- When the fund is received, the accountant should prepare the receipt voucher and approve by the CM, and inform by email/phone to MDLF.
- The procedures for receiving fund/cash shall be described in Appendix 3.

Payments

Voucher and original supporting documents are numbered and filed sequentially for each month.

- For all expenditures the accountant shall prepare a payment voucher (to be shown in Appendix 5 for the form). Original invoices, and receipts shall be attached to the voucher, all invoices/receipts should have the English short key word explanation or translation.
- The accountant may disburse payment of up to USD50 and submit for approval later.

Daily/monthly cash reconciliation

The rules for keeping the cash and bankbook are described above.

- Any differences for the daily/monthly reconciliation of cash in hand with the cash and bankbook shall be immediately reported to the Chairman of TWG-F&E.

Bank reconciliation

- When accounts statements are received from the bank, they shall be reconciled with the bank account in the cash and bankbook.
- Differences shall at once be investigated with the bank if necessary.
- Bank statements shall always be received and reconciled by the end of the month.
- The TWG-F&E shall keep a copy of the bank statement, and of the reconciliation.

See the form in Appendix 5.

6.4 Daily Accounts Procedures

The daily accounts procedures include:

- Receipt and check of vouchers, cash and non-cash. The check shall include check of authorization, and check of the arithmetic.

- Numbering of vouchers.
- Control of data entry.
- Filing of vouchers and journals.
- Possible daily/periodic reports to management.
- The set of procedures should be set up by the Project and approved by Chairman of TWG-F&E and MDLF.
- The Project Management is responsible for the enforcement of the accounting procedures.
- The Project Management is responsible to propose changes to the existing procedures. Any change should inform to MDLF.

Please see the Appendix 3 for procedures in details.

Closing of the Accounts

- Transactions to be checked every month, they may include payroll, reports from transport section, imprests, etc.
- The actual routines in connection with the monthly closing, e.g. production of trial balance, statements of accounts, etc. will be described in Appendix 3.

6.5 Annual Procedures and Reporting

- By the end of the financial year the books of the TWG secretariat shall be closed (cash, bank and account current book) and assets carried forward to the next year.
- The accounts shall be audited as stated below.
 - The TWG-F&E secretariat financial year 1st January to 31st December.
 - The annual accounts shall strictly follow the reporting made to MDLF through the TWG-F&E secretariat during the year including the use of budget lines.
- A note to the accounts shall show the expenditures divided in standard account codes. The following format shall be used for the overall accounting for the year:

	This year	Last year
Expenditures and income:		
budget line no. 1	xxx.xxx	xxx.xxx
budget line no. 2	xxx.xxx	xxx.xxx
budget line no. 3	xxx.xxx	xxx.xxx
etc.		

Total expenditures and income xxx.xxxxxx.xxx

- In cases where the TWG-F&E accounting period does not follow the calendar year the expenditures per budget lines shall be shown in a note to the accounts divided in calendar years.

7 OTHER SYSTEMS AND PROCEDURES

7.1 Purchasing

- If the TWG-F&E secretariat is making a large number of purchases separate procedures and systems may have to be designed, which may include the issue of purchase orders, etc.
- It is noted that at least two quotations should be obtained for purchase with the amount more than 500 USD.
- In case has only one supplier, only one quotation is acceptable.
- The Chairman of TWG-F&E has the authority to make purchases.

7.2 Stores System

- If the TWG-F&E secretariat is having stores of materials and parts, it may be relevant to establish a formal stores system.

- The stores system must provide for a proper control of the stock, with regard to receipt of goods, storing, and issue of goods.
- The stores system may be described in a separate manual designed by the TWG-F&E secretariat.
- All accounting materials and accounting software must store in a safety place.

7.3 Payroll System

- The payroll system/procedures of the TWG-F&E secretariat shall be listing which shows the calculation of salaries payments as well as other deductions/received such as social insurance, health insurance, personal income tax should be prepared.
- The calculation of insurances, Personal Income Tax should be complied with the current local rules and regulations.
- The payroll listings should show the calculation of net salary to be paid to employees, a potential accident insurance paid by employer and employees, the Personal Income Tax and the Gross Salary charged as payroll expenditure.

7.4 Monitoring System

- Designing the chart of accounts, the management must consider how it is going to monitor TWG-F&E secretariat in relation to plans and in relation to funds spent.
- The TWG-F&E secretariat will be responsible for monitoring.

Monitoring can be done by:

- The Accounting and Finance Section (AFS) at the MDLF shall recommend the principles and procedures which are in accordance with the Danida rules and regulations to be applied in the TWG-F&E Secretariat
- The AFS shall approve the Decentralized Accounting Manual to be followed by the Project.
- The AFS shall appoint external auditors and agree with them the terms of reference to perform external audits.
- If necessary the project management can request supervising support from the MDLF.

7.5 Assets Register and Log-books for vehicle

- All fixed assets and equipment managed and maintained by the TWG-F&E Secretariat /Project/NGOs and related to programme activities should be registered for all items amount from **USD 100**.
- All the assets purchased should be registered in the assets register which should at least show the Asset register number, Assets short description (name, model), date purchased, amount, location, status, etc.
- The assets registers should be updated with the results of the assets counts should be held at once annually.

Car register:

- A log-book should be maintained for every car used by the Project.
- The log-book should at least show the user of the car, the day of the travel, the area in which the driving took place, the distance traveled and should be signed off by the users and review by TWG-F&E Secretary.

7.6 Onwards transfers of funds to third party

- In the case the TWG-F&E transfers funds to a third party institution for the implementation of programme activities, these activities must be governed by a contract between the TWG-F&E Secretariat and the third party. It is the TWG-F&E's responsibility to ensure that accounts are received timely and that they are appropriately audited.

8 BUDGETING

8.1 Annual Plans and Budget

- The TWG-F&E secretariat shall prepare annual activity based work-plans and budgets as agreed with MDLF.
- The TWG-F&E secretariat shall prepare the budget procedures on annual basis, addressing the total amount of budget.
- An annual budget will be prepared in December for the following year.

8.2 Budget Revisions

- The TWG-F&E secretariat shall agree with the MDLF as how often budget shall be revised for the calendar year and for the rest of the programme period.
- The TWG-F&E secretariat shall inform the MDLF of any known deviations from the budget, especially in the last months of the calendar year.

9 AUDIT

- For the annual audit will be conducted at the first quarter of the following year. The accountant and Secretary will be responsible for preparing the accounts and documents for audit.
- Audit is to be carried out according to the audit agreement in Appendix 7.

9.1 External Audit

- The External auditor for TWG-F&E Secretariat is to be appointed and consultation by the AFS at the MDLF.
- On receipt of the auditor's report the TWG-F&E management shall give its own report to the MDLF in which it shall answer/comment on the issues raised by the auditor in report.
- The audit fees are charged to the TWG Secretariat's expenditure.

Upon receipt of the Auditor's report, the TWG-F&E is required to response to the issues raised by the auditor as well as proposes a plan to resolve such issues.

9.2 Internal Audit

- The role and the procedures of the internal audit function should be agreed with the MDLF and be described in the manual.
- The internal audit will be carried out by the internal auditor appointed by MDLF in accordance with the Internal Audit Guidance issued by MDLF.

The TWG-F&E is required to response to the issues raised by the auditor as well as propose a plan to resolve such issues.

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- Appendix 7 : Audit Agreement
- Appendix 8 : Brief Computer Manual
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APPENDIX 1

Chart of Accounts (Just example only)

Main Account (Budget Line)	Sub-account (Account No.)	Account Name
		TWG Secretariat
10	00	Personnel (all inclusive, bonus, tax, leave etc)
10	01	Salary, Secretariat Staff
	02	Salary Tax
	03	Staff Insurance
	04	Performance
	80	Other
	99	Sub-total
12	00	Consultancy
12	01	International Consultant
	02	National Consultant/Coordinator
	03	Local Consultant
	04	Technical assistance
	80	Other
	99	Sub-total
14	00	Training
14	01	B.Sc / M.Sc Course
	02	Long term training course(more than 6 months)
	03	Short term training course
	04	Local courses and language in Cambodia
	05	Meeting/Workshops/Conference(outside Cambodia)
	06	Meeting/Workshops /seminar in Cambodia
	07	International/Regional courses/workshop
	08	Reg. coordination, consultations,
	40	DA for meeting/Workshop in Cambodia
	80	Other
	99	Sub-total
16	00	Equipment
16	01	Vehicles
	02	Motorbike, Other transport
	03	Computers, copiers,
	04	Communication equipment
	05	Office furniture
	06	Laboratory equipment
	07	Seed handling Equipment
	08	Field Survey Equipment
	09	Extension equipment, training eqp.
	10	Library literature
	80	Other
	99	Sub-total
18	00	Operations
18	01	Office Vehicles
	02	Insurances for equipment(Vehicles,....)
	03	Other transport, Motor

	04	Publication, translation, photocopies,....
	05	Stationeries
	06	Communication fee(Phones, Website, Email...)
	04	Maintenance of computer and office equipment
	07	Trials, demonstrations, experiments
	08	Field work
	09	Renovations of premises
	10	Office decoration
	11	Bank fee
	12	Audit fee
	40	Other
	50	GERES
	51	Survey and field work
	52	National/ international Consultancies
	55	WCS
	56	Field work, survey, experiments
	57	Consultancies
	60	CFO
	61	
	65	WFLO
	66	
	70	FITDO
	71	
	75	FEO
	76	
	99	Sub-total
40	00	General Budget
	01	General budget
	10	Personnel
	12	Consultancies
	14	Training
	18	Operations
	95	Sub – Total
8999		Total Expenditures
90	00	Balances
90	01	Cash in hand (petty cash)
91	01	Bank holdings
91	99	Sub-Total

94	00	Account current/ Imprest Account
94	01	H.E. Ty Sokhun
	02	Mr. Chea Sam Ang
	03	Mr. Chheng Khim Sun
	04	Mr. Eang Savet
	05	Mr. Sok Srun
	06	Mrs. Thai Seilatina
	07	Mr. Mam Piseth
	08	Mr. Meas Makara, WFLO (GIS)
	09	Dr. Sokh Heng, CFO
	10	Mr. Nup Sothea, FEO
	11	Mr. Hang Suntra, FITDO
	12	FA staff
	13	GERES
	14	WCS
	50	Old bank notes
	60	Deposit
	99	
96	00	Grant account
96	01	Fund transfers from MDLF
	02	Fund transfers from
	03	Fund transfers to
	04	Grants in kind
	05	Transfer to and from
	06	Transfer to and from
	99	Sub-Total
97	00	Grand Total
-	-	Contingencies

APPENDIX 2: Budget Lines

NRMLP/TWG-F&E	
Budget Line No:	Line Item:
10	Personnel
12	Consultancies
14	Training
16	Equipment
18	Operations
90	Cash
91	Bank
94	Account current (imprests/advance)
96	Balances (Danida)
9700	Grand Total
	Contingencies

APPENDIX 3: Accounting Procedures

Procedure 3.1: Security

Procedure	Responsibility	When
The Project Management should determine physical security arrangement.	CM	Project Life
Project assets should be restrictedly used by the Project authorized persons only.	Secretary	Project Life
Project accounting records and reports should be kept in a locked cabinet.	Accountant	Daily
Cash on hand should be kept in a safe to which only the accountant has access.	Accountant	Daily
A system of user names and passwords should be used to access the computers. The chairman and accountant know these.	Accountant, CM	Daily
Any case of assets stolen, system hacked, etc should be reported to the Project Management for further action	Secretary	Daily

Procedure 3.2: Anti Corruption

Procedure	Responsibility	When
The Project Management is responsible for the measures of anti-corruption.	CM, secretary	Project Life
The TWG-F&E secretariat should comply with the policies and regulations of Danida regarding Anti-corruption.	CM, secretariat	Project Life
No means of bribes, kickbacks should be accepted by the TWG-F&E secretariat.	CM, Secretariat	Project Life
Information regarding procurements, bidding, recruitment of consultants and employees should be transparent to avoid abuses for personal interests.	CM, Secretariat	Project Life
Zero tolerance is given for the committed corruptions.	TWG-F&E	Project Life
Any case of corruption discovered should be reported to the MDLF for further actions.	CM, Secretary	Project Life

Procedure 3.3: Fund Request

Procedure	Responsibility	When
Fund requests are made when needed and to be submitted to the MDLF.	CM	when needed
The Fund Request Form (See Appendix 5) should be filled in, authorized by the CM, sent to the MDLF addressing the Desk Officers.	Secretary, Accountant	when needed
Once the Form is approved by the Desk Officers, funds will be transferred to the TWG's bank account. Upon transfer the AFS at the MDLF will send a copy of transfer slip or an email to project stating that transfer has been initiated for information of transfers.	DO, AFS at the MDLF	Quarterly
Upon the receipt of funds, the Secretariat should send an email/ phone of confirmation of receipt of funds to the AFS at the MDLF confirming the timing and amount of transfers received.	Accountant	Quarterly
The TWG Sec. should prepare a Reconciliation of the amount of funds transferred from the MDLF with the amount of funds received at the bank and explain for all reconciling items. The Reconciliation is sent as a part of the MRP to the MDLF	Accountant	Quarterly

Procedure 3.4: Cash on hand

Procedure	Responsibility	When
There should be a segregation of duties between the accountant and procurement staff. (Conditional on that provisions for these positions are given)	CM, Secretary	Project Life
Cash should be kept in a safe, which is placed in a room with restricted physical access.	Accountant	Daily
No other cash except for Project's can be kept in the safe	Accountant	Daily
The maximum of cash on hand balance should not exceed USD 3000 .	Accountant	Daily
Depending on the demand for cash, the accountant may come to the bank to withdraw once or more times a week to maintain cash balance at reasonable level.	Accountant	When needed
In cases the TWG Secretariat withdraw cash for payments and by any reason, the exceed balance over USD 3000 and for the period more than two weeks should be deposited to the bank.	Accountant	When needed
An imprest system should be established. The maximum of imprest cash for the third party is referring to the quarterly project activities proposal.	CM	Quarterly
Payment vouchers should be prepared, reviewed by the Secretary and approved CM. (See Appendix 6 for the level)	Accountant/Secretary/CM	Daily
Upon understanding between the accountant and the CM, single payments on up to USD 50 can be done by the accountant's immediate approval. However, the CM or secretary must subsequently approve each voucher.	Accountant/Secretary/CM	Daily
All the payments and receipts should be updated as soon as possible in the cash-book	Accountant	Daily
The accountant should perform the cash-count on a monthly basis. Minutes of the count should be prepared, reviewed by the clerk/secretary and approved by CM or secretary. Reconciliation between the actual balance and booked balances should be prepared. (See appendix 5 for the form)	Accountant	Monthly

Procedure 3.5: Cash at Bank

Procedure	Responsibility	When
The bank accounts should be opened and maintained under the name of the “Royal Danish Embassy- TWG Livelihood and Forest Development” with the account holder to be the Royal Danish Embassy. Any change in the status of the Bank account should be approved by the MDLF.	MDLF, CM	Project Life
The bank accounts should be authorized by the TWG-F&E Chairman. Any changes in the authorization of the Bank account should be approved by the MDLF.	CM	Project Life
There should be a bank- book maintained by the accountant to monitor the movement of the cash at bank balance.	Accountant	Daily
Blank Cheque should be kept in a safe. Cancelled Cheque should be crossed out and also kept properly.	Accountant	Daily
The practice of payment by bank transfers should be encouraged. Cash-Cheque is preferred in case payments are settled by cash on hand. PV by bank should be prepared and authorized by CM.	CM	Daily
At the month-end, bank reconciliation should be prepared and attached by a copy of bank book, and sign the statement by CM or secretary. A copy of bank reconciliation and bank statement should be forwarded together and attached as a part of the MRF sent to MDLF. (See Appendix 5 for the form)	CM, Secretary, Accountant	Monthly

Procedure 3.6: Imprest/Advances

Procedure	Responsibility	When
Imprest or advance requests should be prepared and submit to secretariat and should be reviewed by secretary and approved by the CM.	CM, Secretary	When needed
A ledger for advances should be maintained to monitor the advances for each individual, which should show the outstanding balances and the aging of these balances. This ledger can be a part of the Accounting Software.	Accountant	When needed
The planning of expenditure should be attached to the advance request. Advances should be cleared from the date of completion of the activities.	Staff/ third party	When needed
Advance clearance form (expense report) should be prepared which should indicate how much was advanced, spent, returned (or claimed) from the Project.	Project/ Staff /third party	When needed
The Project Management may determine the measures to enforce the timely clearance of the advances. The possible measures can be: <ol style="list-style-type: none"> 1. Advancing only 50% of the total needs for expenditure for staff. 2. Imprest holder for the sub-project should be advance according to the request advance for quarterly. 3. Deducting to the salary of staff with the amount of un-cleared advances. 4. Considering stop funding activity of the sub-project. The measure taken is at the discretion of the Project Management 	CM, secretary	When needed

Procedure 3.7: Assets Management

Procedure	Responsibility	When
All assets should be procured in such a way that is compliance with the Danida Procurement Guidelines	CM/ secretary	Project Life
All fixed assets should be tagged with a nametag, which shows code and the name Danida. A code itself should contains the information of type of assets, number of assets, location of assets, etc.	Secretariat, Driver/clerk	Project Life
An assets register should be maintained to monitor the status of the fixed assets. The asset register should at least shows the assets name, brief configurations, code, date purchased, date used, value purchased, location, individual assigned to and status.	Secretariat, Driver/clerk	Project Life
The Assets Register should be updated promptly when there is a movement of fixed assets, change of status or upon the results of the assets inventory.	Secretariat, Driver/clerk	Project Life
A list of expendable assets should also be maintained and updated which should shows the name of assets, value, and individual assigned to and status.	Secretariat, Driver/clerk	Project Life
The fixed assets should be counted at once every year in October. The Project management may consider more physical checks of both fixed assets and expendable assets (informed or un-informed) should they feel necessary.	Secretary/CM	Annually
The minutes of the assets count which shows the physical status of the assets counted should be prepared and signed by the stock-taker, reviewed and approved by the Project Management.	CM, Secretary	Annually
The holder of the assets (whom the assets are assigned to) should be fully responsible for the assets assigned. The Project Management has discretion of the level of responsibilities of individuals when the assets assigned to them are damaged, lost or malfunctioned. Full or part compensation to project may be required in such cases upon the decision of the Project Management. A separate expenses account should be maintained to record the written off assets. The value of the written off assets will be transferred from the assets- expenses account to written-off-assets-expenses account when they are written off.	CM, Secretary	When needed
The Project has to obtain insurance policies for motor/vehicles as regulated. The Project Management may consider having insurance policies for other assets of high value (such as some electronic and computer equipments) against the risks of theft and fire.	CM, Secretary	When needed

Procedure 3.8: Expenditure

Procedure	Responsibility	When
All the expenditure should be relating to the Project's purposes and activities.	CM, Secretary	Project Life
All the expenditure should be properly authorized. The Project Management(TWG Sec.) has to consider: <ul style="list-style-type: none"> i. The necessity of the expenditure (whether it serves the objectives of the Project). ii. The reasonableness and appropriateness of expenditure. iii. The fact that the item is budgeted for. iv. The compliance with Cost Norms and Accounting Guideline; v. Whether it is supported by sufficient and adequate 	CM, Secretary	Project Life

Procedure	Responsibility	When
supporting documentation. vi. The accounting treatment of the expenditure. For cash and bank expenditure.		
Expenditure should be recorded on a modified cash basis where expenditure is recognized when paid except for: i. Payroll expenditure, ii. Number of fixed and routine administrative expenditure such as office rent, electricity, water, telephone, etc which are recognized on an accrual basis. iii. Fixed Assets are expensed off when purchased.	TWG-F&E Sec.	Project Life
The Project is required to account for all transactions using the original or the main currencies. Separate accounting reports and records should be used for each type of currencies if of any significance. The Exchange Rates issued by the AFS at the MDLF should be applied for any conversion of currencies.	Accountant	Project Life
Expenses should be accounted for under the correct budget-lines and activity codes. The reclassification between the budget-lines is prohibited unless it is justified and approved by the MDLF.	TWG-F&E	Project Life
Total Project actual expenses must not exceed the total grants as stated in the Project Document. Any excessive spending should be justified by the management and explain in writing to the MDLF. Total actual expenses for each budget line should also not exceed the budgeted amount unless they are justified and approved by the MDLF.	CM, secretariat	Project Life
Supporting documentation should properly support all the expenditure. Supporting documentation varies upon the nature of the expenditure, which may comprise of receipts, invoices, etc. The Project has to comply with the local regulations to obtain the official tax invoices for its procurements of goods and services.	Accountant	Daily

Procedure 3.9: Salary

Procedure	Responsibility	When
Labor contract using the form issued by Danida may be used and signed with the employees. The Project may consider signing the standard labor contract with employees but there must be no conflicts and inconsistencies between the two forms.	CM, Secretary	When needed
The Project Management at their discretion decides salary rates, which should be in line with the budget, the current levels and other Danida Guidance.	CM, Secretary	When needed
There should be a system of time record (Time Sheet) to monitor the work attendance of the employees and consultants. This should be reviewed and authorized by the CM to serve as a basis for the calculation of salaries to employees and fees paid to consultants.	CM	Monthly
The payroll listing which shows the calculation of salaries payments as well as other deductions or add such as social insurance, health insurance, personal income tax should be prepared by accountant, and approved by the CM.	CM, Accountant	Monthly
Cheque or Cash may arrange salary payments to the employees.	CM, Accountant	Monthly
The overtime working for officers/staff with fixed monthly	CM, Accountant	When needed

Procedure	Responsibility	When
salary, overtime payment does not apply.		
When a contract with an employee is terminated, the severance allowance and bonus should be calculated and paid to the employees in accordance with the local rules and regulations, if any, according the contract conditions.	CM, Accountant	End of the year

Procedure 3.10: Currency

Procedure	Responsibility	When
The TWG Sec. maintains a bank account with Cambodian Public Bank in USD.	CM, secretariat	Project Life
The TWG Sec. is required to account for all transactions using the USD currencies.	Accountant	Project Life
The AFS publishes the Monthly Accounting Exchange Rates on the MDLF website to serve for the accounting purpose if necessary. The Project is required to use those exchange rates.	Accountant	Project Life
All the exchange rates differences arising from the disbursement and expenditure transactions will be accounted for as expense item at the AFS.	AFS at MDLF,	Project Life
At the end of the Project, all balances in original currencies will be revaluated to DKK at the then rates prevailing. All exchange rates differences will be accounted for as expense item at the AFS.	AFS at MDLF	Project Life

Procedure 3.11: Daily and Weekly Accounting Procedures

Procedure	Responsibility	When
Collect the invoices and payments for bought items.	Accountant	Daily
The receipt/payment voucher is entered into the cash/bank book, indicating: date, voucher No., account number, amount (either cash or bank)	Accountant	Daily
When receiving/paying money a receipt payment voucher is issued. The receipt/payment voucher is given a voucher No. (all receipt/vouchers entered in the cash/bank book are numbered consecutively throughout the financial year).	Accountant	Daily
Check the invoices of summarization and prepare PV for payments. Check the PV of proper authorization, summarization, agreement of the amount with the supporting invoices, budget-lines that the payment will be accounted for.	Accountant	Daily
In case of cash payments, <ul style="list-style-type: none"> - The accountant will stamp "PAID" on the paid payment vouchers and supporting document. - The accountant has to ask the recipient to sign as evidence of receipts.(when needed) - The accountant should also update the cashbook immediately. 	Accountant	Daily
In case of Bank payments: <ul style="list-style-type: none"> - The Accountant prepares either a Cheque or a bank transfer request and gets it approved by the CM. - If a Cheque is issued to the beneficiary, he/she is required to sign of as evidence of receipt, if the bank transfer request is used, then a debit advice or a copy form for 	Accountant, CM	Daily

Procedure	Responsibility	When
transfer from the bank is to be obtained and filed. - The Accountant updates the bankbook immediately with the details of the transactions. - The accountant keys in the information on the supporting documentation to the Accounting Software.		
All the invoices, payment vouchers and supporting documentation should be properly numbered and filed by timing order.	Accountant	Regularly
The Project may consider the frequency of backing up the Accounting Software but the system should be backed up at least one time every week or better every day the system is used.	Accountant	Weekly

Procedure 3.12: Monthly Accounting Procedures

Procedure	Responsibility	When
Print a General Journal before posting.	Accountant	Monthly
Perform the Cash count together with the secretary. Reconcile any difference between the cashbook balance and actual balance. Prepare the cash count minutes, which should be signed by the counters and authorized by the Project Management.	Accountant, CM ,secretary	Monthly
Perform the bank reconciliation of the balance at bankbook , which should be reviewed and approved by the Project Management.	Accountant , CM, secretary	Monthly
Prepare the reconciliation of funds received to reconcile between the funds transferred from the MDLF with the amounts received in the Project.	Accountant	Monthly
Perform the back up of the Accounting Software.	Accountant	Month-end
Close the month so that no more transaction can be posted in that month.	Accountant	Monthly

Procedure 3.13: Annual Accounting Procedures

Procedure	Responsibility	When
Estimate all the relevant expenditure that needs to be accrued at the year-end, get it approved by the Project Management and post to the Accounting Software.	CM, Secretary	Year-end
Prepare the necessary reports, records, ledgers, statements, and other supporting documentations for the audit.	Accountant, Secretary, CM	Annually

Procedure 3.14: Project Closing Accounting Procedures

Procedure	Responsibility	When
Settle and clear all outstanding advances and receivable. Clear the balance of current account.	Accountant, Secretary	Closing of the Project
Pay all outstanding invoices and bills.	CM, Accountant	Closing of the Project
Perform the final cash-count, reconcile with the cash book and adjust the cashbook based on the result of the cash-count and transfer the balance of cash to the MDLF.	Accountant, CM	Closing of the Project
The MDLF will reevaluate the closing balance of the fund disbursements. The Exchange Rate Differences should be	AFS at the MDLF	Closing of the Project

charged as an expenses item.		
Obtain the bank statement, perform the final reconciliation with bank- book and transfer the balance of bank to the MDLF.	CM, Accountant	Closing of the Project
Require the Bank to close all Project Accounts	CM	Closing of the Project
Perform the final assets count. Update the Assets register base on the actual count.	Driver/Clerk, Secretary,	Closing of the Project
If appropriate and agreed by the MDLF transfer all assets to the FA and obtain the handover minutes.	Secretary, CM	Closing of the Project
Prepare, cooperate, and coordinate with the audit in the final audit.	Accountant, CM	Closing of the Project
Back up the Accounting Software in a CD and send to AFS at the MDLF.	Accountant	Closing of the Project
Pack all the accounting records and sends to AFS at the MDLF.	Accountant	Closing of the Project

APPENDIX 4: Job description

Position: Senior Accountant

Duties and Responsibilities:

Responsibilities:

Responsible for all finance and accounts related matters of the project. These include the control of cash, debtors, maintenance of accounts, financial reporting externally and internally, participate in the preparation.

General Duties

- Supervise the daily work, and that all accounts work is being carried out according to the laid down procedures.
- Manage the cash flow of the project including the preparation of requests for transfer of funds from the MDLF.
- Propose revisions to chart of accounts and procedures if appropriate.
- Maintain the Accounts Manual and distribute corrections to the holders of the manual.
- Liaise with the project's external auditor.
- Carry out budget revisions as requested by the Programme Manager.
- Contribute to the ordinary office duties and coordination with the Secretariat.
- Other duties as required and assigned by the TWG-F&E Chairman.

Monthly Duties

- Supervise the closing of accounts, including reconciliation of bank accounts.
- Carry out and prepare the monthly financial reports, and manage all financial matters.
- Scrutinize all outstanding advances, imprests and other debtors, and report any deviation from agreements to the Programme Management.
- Management of project budget, and submission of monthly reports to donors.
- Preparation of payments according to the TWG accounting manual.
- Management of petty cash.

Annual Duties

- Supervise the closing of accounts.
- Make necessary year-end adjustments, and supervise the transfer of opening accounts balances to next year.

- Lease with the external auditor regarding annual audit according to the audit agreement.
- Prepare annual accounts reports.
- Organize project audits to international standards.

APPENDIX 5: Accounts and Reports Forms

List of Accounting and Reporting Forms

No.	Name of Form
5.1	Fund Request
5.2	Confirmation of receipt of fund
5.3	Reconciliation of funds received during the period
5.4	Receipt Voucher
5.5	Payment Voucher
5.6	Cash-count minutes
5.7	Petty cash reconciliation statement
5.8	Bank Reconciliation
5.9	Overview sheet
5.10	Advance Request
5.11	Expenses Report
5.12	Travel and Training Expense Claim (TEC)
5.13	Aging Analysis
5.14	Payroll Listings
5.15	Journal Voucher
5.16	Statement of Cash receipts and disbursements & Fund balances
5.17	Car Logbook
5.18	Asset register
5.19	

FUND REQUEST FORM

The Royal Danish Embassy
Development Cooperation Section & MDLF
#8, street 352, Beung Keng Kang I

Att :
Danida Resident Representative, Phnom Penh

Date :

Subject : Request for fund transfer for and Quarter 200...

Dear Mr. A,

Reference to the MOU signed between the Royal Danish Embassy and Ministry of Agriculture, forestry and Fisheries, on 26 October 2006. We would like to request the Embassy to transfer the amount of USD xxxxxxxx (in words) to our bank account as detail bellow :

Account Name : xxxxxxxxxxxxxxxxxxxxxxxx
Account No. : xxxxxxxxxxxxxxxxxxxxxxxx
Bank Name : xxxxxxxxxxxxxxxxxxxxxxxx
Address : xxxxxxxxxxxxxxxxxxxxxxxx

Thank you very much for your kind cooperation,

You're sincerely,

TY SOKHUN
Chairman of TWG-F&E

Attachment:

- Disbursement schedules for next trance
- A copy of bank statement

FUNDS RECEIPT CONFIRMATION FORM

To: The Royal Danish Embassy
 Attn: The Accounting and Finance Section
 Fax:
 Email: [email of Finance Controller]

Project Name: TWG-F&E	File No.....
Period: from d/m/y to d/m/y	UMF No.
Tel: (855) 23 215 034	Date:
Fax: (855) 23 215 034	Ref. No.:

The Project has received the following fund transfers from the Embassy:

Date	USD	
Date d1/m1/y1		
Date d2/m2/y2		
Fund Requests		

Best Regards

Accountant

Reviewed by
Date

RECONCILIATION OF FUNDS RECEIVED DURING THE PERIOD

To: The Royal Danish Embassy
 Attn: The Accounting and Finance Section
 Fax:
 Email: [email of Finance Controller]

Project Name: TWG-F&E	File No....
Period: from d/m/y to d/m/y	UMF No.
Tel: (855) 23 215 034	Date:
Fax: (855) 23 215 034	Ref. No.:

Following is the reconciliation between the funds received by the TWG Secretariat and the amount transferred by the MDLF.

	USD	
Total Funds received during the period:		
Total Funds transferred from RDE (1):		
Difference		
<i>of which:</i>		
- Bank interest earned deducted to the fund request		
- Other reconciling items (please specify)		
Total of all reconciling items		

- This is extracted from the debit movement of the Budget Line 01 UMF Statement sent by MDLF to the TWG Secretariat on a monthly basis.

Best Regards

 Accountant

 Reviewed by
 Date:

Project Name: TWG-F&E
Period: from d/m/y to d/m/y
 Tel: (855) 23 215 034
 Fax: (855) 23 215 034

File No....
 UMF No.
 Date:
 Ref. No.:

RECEIPT VOUCHER FORM

Project receives from

The amount (in word):.....

In USD

Accounting Entry:

Descriptions	Account Code	Amount	
		DR	CR
TOTAL			

Received by

Approved by
Date

Project Name: TWG-F&E
Period: from d/m/y to d/m/y
 Tel: (855) 23 215 034
 Fax: (855) 23 215 034

File No....
 UMF No.
 Date:
 Ref. No.:

PAYMENT VOUCHER FORM

Project pays to:.....
 By cash on hand cash at bank
 The amount (in word):.....
 In USD

Accounting Entry:

Descriptions	Account Code	Amount	
		DR	CR
TOTAL			

Received by

Prepared by

Approved by
Date

Technical Working Group on Forestry and Environment

CASH COUNT MINUTES

- Date and time conducted cash-count:
- Venue of the cash-count

RESULT OF THE COUNT

Bank Notes	Quantity	Amount	
		USD	RIEL
- USD 100			
- USD 50			
- USD 20			
- USD 10			
- USD 5			
- USD 1			
Total USD			
Total Riel(US\$ 1= xxxxR)			
Balance per Cashbooks in US\$			
Differences			
<i>Of which:</i>			
- Payment vouchers not updated to cash book (list all payment vouchers)			
- Receipt vouchers not updated to cash book (list all receipt vouchers)			
- Rounding difference			
- Others (explain)			
TOTAL DIFFERENCES			

Counter 1- Accountant

Approved by Chairman/Secretary

Date:.....

Counter 2- Secretary/ driver

Technical Working Group on Forestry and Environment

Petty Cash Reconciliation Statement

Month xxxx & year xxxx

	USD
Cash balance last month	xxxx
Plus Opening float for xxxx (date, month, year)	xxxx
Return advance from	xxxx
	Total cash xxxx
Less Cash disbursement for this month	xxxx
	Total cash expenses xxxx
Closing balance petty cash	xxxx
Cash counted as at end of (date, month)	xxxx

Prepared by accountant

Approved by TWG-F&E Chairman/Secretary

Technical Working Group on Forestry and Environment

**Bank Reconciliation Statement
(Month & Year)**

Balance as per Bank Statement		xxxxxxx
Plus: - Fund transfer from MDLF	xxxxxxx	
-	xxxxxxx	
-	xxxxxxx	
Total cash in bank		xxxxxxx
Less: Cashbook disbursement for the month of		
- Out standing cheque	xxxxxxx	
- Withdraw for cash in hand	xxxxxxx	
- Transfer to	xxxxxxx	
- Bank Charge	xxxxxxx	
-		
Total cashbook expenses		xxxxxxx
Balance		xxxxxxx
BANK ACCOUNT		
- Balance per Conical Hat statement as at	xxxxxxx	
Less - Unregistered debit advice by bank (if any)	xxxxxx	
- Balance per bank statement as at (date)	xxxxxxx	
TOTAL DIFFERENCES		xxxxxxx

Listing of cheques

Cheque No.	Amount
xxxxxxx	xxxxxxx
xxxxxxx	xxxxxxx

Sub total **xxxxxxx**

Prepared by Accountant

Approved by Chairman/Secretary

Project Name: TWG-F&E	File No....
Period: from d/m/y to d/m/y	UMF No.
Tel: (855) 23 215 034	Date:
Fax: (855) 23 215 034	Ref. No.:

AGING ANALYSIS REPORT

Name	Outstanding				TOTAL
	30 – 90 days	90 – 180 days	180- 360 days	> 360 days	
TOTAL	_____	_____	_____	_____	_____

Accountant

Reviewed by

Date:

Project Name: TWG-F&E Period: from d/m/y to d/m/y	File No.... UMF No.
Tel: (855) 23 215 034 Fax: (855) 23 215 034	Date: Ref. No.:

PAYROLL LISTINGS

Name	CALCULATION OF NET PAID					EMPLOYER'S		TOTAL PAYABLE		Total Payroll Cost
	Gross Salary	Personal Income Tax	Social Insurance	Health Insurance	Net Paid	Personal Income Tax	Health Insurance	Total Social Insurance	Total Health Insurance	
(a)	(b)	©	(d)	(e)	(f)= (b)- (c) - (d) - (e)	(g)	(h)	(i) = (d) + (g)	(k)= (e) + (h)	(l) = (b) + (g) + (h)
TOTAL	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

Prepared by
Date:

Reviewed by

Project Name: TWG-F&E
Period: from d/m/y to d/m/y
 Tel: (855) 23 215 034
 Fax: (855) 23 215 034

File No....
 UMF No.
 Date:
 Ref. No.:

JOURNAL VOUCHER

Voucher No:

In USD

Date	Descriptions	Account Code	Amount	
			DR	CR

Accountant

Approved by

Date:

Project Name: TWG-F&E
Period: from d/m/y to d/m/y
 Tel: (855) 23 215 034
 Fax: (855) 23 215 034

File No....
 UMF No.
 Date:
 Ref. No.:

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS AND STATEMENT
 OF FUND BALANCE**

For the period from d/m/y to d/m/y

	D/m/y to d/m/y	Last period
Grant Income:		
- Fund transferred from XXX		
- Fund transferred to XXX		
TOTAL GRANT INCOME		
Disbursements:		
- Expenditure item XXX		
- Expenditure item XXX		
TOTAL DISBURSEMENTS		
- SURPLUS (DEFICIT) INCOME OVER DISBURSEMENT		
- Opening Fund Balance		
CLOSING FUND BALANCE		
Represented by:		
- Cash on hand		
- Cash at Bank		
- Current Account		
- Bank Interest		
TOTAL FUND BALANCE		

Prepared by

Approved by
Date:

Project Name: TWG-F&E
Period: from d/m/y to d/m/y
 Tel: (855) 23 215 034
 Fax: (855) 23 215 034

File No....
 UMF No.
 Date:
 Ref. No.:

CAR LOGBOOK

Date	Time	User's name	From	To	Distance	Signature

Prepared by

Reviewed by
Date

Project Name: TWG-F&E
Period: from d/m/y to d/m/y
 Tel: (855) 23 215 034
 Fax: (855) 23 215 034

File No....
 UMF No.
 Date:
 Ref. No.:

ASSETS REGISTER

No	Name	Code/Serial	Unit	Date purchased	Value Purchased	Location	Assigned to	Status

Prepared by

Reviewed by
Date:

APPENDIX 6: List of signatories

The authorization of CM is required for all expenditure.

The following persons who authorized are entitled to approve expenditures/sign cheques/sign Payment Voucher/ pay cash and collect cash from the bank for the project:

Name	Specimen signature	Initials
H.E. Ty Sokhun	_____	_____
Mr. Sok Srun	_____	_____
Mrs. Thai Seilatina	_____	_____

The list of level and the persons who authorized to sign on payments voucher on behalf of the project management, as below :

- Payment Voucher up to 1000\$ per transaction: TWG-F&E Secretary, Mr. Sok Srun.
- Payment Voucher more than 1000\$ per transaction: Chairman of TWG-F&E, H.E. Ty Sokhun

This authorization is valid for the hold project life.

Date :

Chairman of TWG-F&E

Each time a name is added or deleted from the list of signatories, a new list must be issued to substitute the previous one and indicating the date for the valid of signatures and signed by Chairman and send one copy to the MDLF.

APPENDIX 7: Audit Agreement

External Audit

Terms of Reference for External Audit

I. Introduction of the Project Accounts and Accounting System

The financial statements are prepared on the cash basis where income is recognized when received and disbursements are recognized when paid with the exception of certain items such as social insurance, health insurance and personal income taxes which are recorded when incurs. The below set out the key accounting policies and procedures

- i. **Income:** income is recognized when received.
- ii. **Expenses:** expenses are recognized when paid with the exception of the items mentioned above. The TWG Chairman must approve all expenditure of the project.
- iii. All of the **procurements** of assets and inventories are expensed off. Notwithstanding with this, an inventory list is maintained by the Project
- iv. **Procurements** should be performed in accordance with “Rules and Guidelines for the Procurement of goods” issued by Chairman. It is noted that at least two quotations should be obtained for the purchase with the amount of over USD 500 except in case has only one supplier, only one quotation is acceptable.
- v. **Guarantee funds:** supposed to be covered by the guarantee fund. In the meantime, the guaranty fund shall be deposited to the concerned bank account and considered income in the project accounts when initially received.
- vi. **Currency:** The activities of the project component are conducted in one functional currency, US dollars. Foreign currency transactions are converted using rates in effect at the time of the transaction.
 - o **Accounting software:** The Project uses a computerized accounting system named “Conical Hat” for the bookkeeping, set up for each currency used for payment (USD).
 - o **Accounting Reports:** The Monthly Reporting Forms (in USD and DKK) are prepared and sent to the MDLF.

II. Requirements to the Auditors

- **The objective of the audit** is to express an independent opinion on where the financial statements of the TWG Secretariat are true and fair and comply with the Decentralized Accounting system.
- **The period** to be covered is from 2007 to 2010.
- **The audit scope** is all the local expenditure of the project.
- **Audit Deliverables:**
 - i. Auditor’s report where the auditor expresses audit opinion on the financial statements
 - ii. Memorandum on Examination where the auditor states the work done, how it responses to the Terms of Reference of the Audit and Management Letter where the auditor indicates weaknesses in the internal control system, the implication and recommendations to resolve those.

The auditors should ensure the at least the below **procedures** are followed:

- i. **Audit approach:** The audit must be conducted in accordance with International Standards on Auditing and will have regard to relevant auditing guidelines. The work you are going to do enable you to form your opinion must be conducted in such a

manner as considered necessary to fulfil your responsibility as defined above. You must obtain an understanding of the accounting system in order to assess its adequacy as basis for preparation of the financial statements and to establish whether proper accounting records have been maintained. You must expect to obtain such relevant and reliable evidence, as you consider sufficient to draw reasonable conclusions from.

ii. **Audit works** should at least cover the followings:

- a. Check the compliance of the Project with the Decentralized Accounting System.
 - b. Income: Verify the occurrence of income, reconcile with the disbursements from the MDLF.
 - c. Expenditure: Verify the occurrence of expenditure, check the compliance with guidance on procurement, check all expenditure items with values of more than USD 500 (and initial the vouchers you have checked). For the items those are selected for the audit test, you need to examine the authorization, the legibility of supporting documentation, and you need to assess the reasonableness of those procurements and give your assessment on internal controls over expenditure and procurements;
 - d. Bank and Cash: Circularize bank confirmation, obtain petty cash certificate as at the period end, perform a monthly cash count and give your assessment on the internal controls over the bank and cash cycle;
 - e. Advances (part of the Account 94): verify the existence of the advances at the period end and you may need to circularize confirmations of (a) significant balances of advance and (b) the outstanding advances. Assess the recoverability of the balance of advances and give your assessment on the internal control of the advance cycle.
- iii. You are required to discuss your findings with the Project Management at the audit exit meeting. You may obtain the comments of the Project Management on your findings and recommendations.
- iv. Other services such as special audit, bookkeeping services are only performed only upon the written request of the MDLF.

Last year financial statements were audited by **XXX**.

III. Responsibilities of the Project Management

- Responsible for the maintenance of the accounting records and reports.
- Responsible for the selection of the accounting policies to be adopted.
- Responsible for the financial statements of the Project to reflect a true and fair view.
- Responsible for fraud and irregularities control, prevention and detection.
- Provide the accesses to all the accounting reports and records upon your requirements.

APPENDIX 8: Computer manual

TWG-F&E Secretariat is used of the computerised accounting system Conical Hat Software (when we are trained) and computer service and support by Conical Hat Co.,Ltd. , with such aspects as:

Starting up the system
Opening accounts
Data entry
Printing reports
Making queries
Closing down the system
Security, including back up

The following should be contacted if computer related service or support is required:

Computer Hardware: Conical Hat Software

Company:

Contact person(s):
Address:
Phone:
Fax:

Software:

Company:
Contact person(s):
Address:
Phone:
Fax:

APPENDIX 9: Reimbursement and supplementary scheme

Daily Subsistence Allowances

Daily Subsistence Allowances can never be paid unless a Travel Authorization has been prepared in advance. No meals/drinks will be paid for in addition to the amounts listed.

As soon as the travel is completed for travel outside the duty station, the staff should complete the "Claim" and attach all supporting documents and reports for Reimbursement of Internal Travel Expenses.

The current maximum DSA rates for the TWG F&E are as follows:

Description	Daily DSA Rate (US \$)
<i>Travel outside province</i>	
Travel to other provinces	US\$20.00
Travel to Phnom Penh	US\$20.00
<i>Travel within province</i>	
DSA for overnight stay in provincial town	US\$7.50
DSA for overnight stay in the district outside the provincial or municipal town, commune or village	US\$3.50
Refreshment for trainer and trainee/day	US\$0.50

Note that, there is no DSA provided for day travel within the province. The **traveler must stay overnight in order to received DSA**, except for provincial staff/other personal who joined for the implement with the project work for temporary.

These rates can only in exceptional cases by raised and only on the basis of approval by the MDLF.

NOTE :

In case for travel outside Cambodia, apply the Sub degree 10 Anukret.BK date February 12, 2004 on Daily Subsidiary Allowance for Mission outside the country for the Government Officials or project staff.

LIST OF ABBREVIATION

A/C	Account
ABB	Activity Based Budgeting
Acc	Accountant
AFS	Accounting and Finance Section at the MDLF
B.Sc	Bachelor & Science Course
CA	Chief Accountant
CoA	Chart of Accounts
CFO	Community Forestry Office
CM	Chairman of TWG-F&E
DA	Daily Subsistence Allowance
DKK	Danish Kroner
DO	Desk Officer at the RDE
FA	Forestry Administration
FEO	Forest Extension Office
FITDO	Forest Industry and Trade Development Office
MRF	Monthly Report Form
MDLF	Multi-Donor Livelihoods Facility
MRP	Monthly Reporting Package
MEF	Ministry Economic and Financial
MoE	Ministry of Environment
M.Sc	Master and Science Course
PD	Project Director
PIT	Personal Income Tax
PAO	Planning and accounting office, FA
PV	Payment Voucher
RDE	Royal Danish Embassy
RV	Receipt Voucher
RIEL	Cambodia Riel
Sec	Secretariat
TEC	Travel and Training Expense Claim
TWG	Technical Working Group on Forestry and Environment
USD	United States Dollar
WFLO	Watershed and Forest Land Office (GIS)

ANNEX 4:
OMCFREDD+ Benefit Sharing Policy

Benefit-Sharing Policy

Introduction

The Oddar Meanchey Community Forestry REDD+ (OM CF REDD+) project is estimated to generate significant net income over the 30-year project life after project costs and carbon costs are covered. This net income does not start to accrue until 2014, and is dependent on the price of carbon and the project's ability to actually deliver verified tons of carbon as forecast in the Project document. As the first REDD+ initiative in Cambodia, this project has the potential to be a model for equitable benefit-sharing and effective project management. Its success is critical to Cambodia's reputation and future involvement in the forest carbon sector and ability to replicate the work done in Oddar Meanchey to other provinces that have meaningful CF areas. A benefit-sharing mechanism that meets international standards should follow certain core principles, including those of transparency, equity, participation, and accountability. The mechanism should also incentivize effective forest protection while building capacity and strengthening coordination among various stakeholders.

Benefit-sharing encompasses not only financial benefits, but also social and environmental benefits as well. These may include employment opportunities, skills training, empowerment of vulnerable populations, and better protection of forests and the environmental services they provide. This document sets out the terms and provisions for a benefit-sharing mechanism to be reviewed by all key stakeholders.

Background

The OM CF REDD+ project has received strong backing from the highest levels of the Royal Government of Cambodia (RGC) since its inception in January 2008. Shortly following an official launching workshop in March 2008, the Council of Ministers issued Government Decision No. 699 which provided endorsement and key guiding principles for the project to move forward. Notably, Government Decision No. 699:

- Designates the Forestry Administration (FA) as the Seller of the forest carbon in Cambodia.
- Channels revenue from the sale of carbon credits from the project through the Technical Working Group on Forestry & Environment (TWG-F&E) for the first five years.
- Designates The RGC as responsible for helping to fulfill the terms and conditions in the contract(s) with the buyer(s).
- Identifies specific uses of project revenues, namely:
 - Improve the quality of the forest¹;

¹ The assumption is that this statement refers to forest restoration and assisted natural regeneration activities.

- Maximize the benefits to local communities who are participating in the project; and
- Study potential sites for additional forest carbon credit REDD+ projects.
- Delegates the FA as the representative of The RGC to execute the sale of Cambodia forest carbon in consultation within the TWG-F&E, if necessary.

Government Decision No. 699 provides the legal and policy foundation for developing the specifics of the project's benefit sharing mechanism.

Benefit-Sharing Mechanism

This section describes the specific benefit-sharing mechanism and how funds will be channeled to Project Stakeholders, including the TWG F&E, FA, Pact, Terra Global Capital (TGC), local NGO partners, and Community Forest Management Committees (CFMC).

Step 1: Transfer of Funds from the Buyer

Verified Carbon Units (VCUs) will be deposited on the Markit Registry following the project verification which occurs every two years. Upon the delivery of the VCUs and satisfaction of the Buyer's requirements, funds will be transferred by the Buyer to the designated project bank account(s), through the use of escrow accounts setup with the Registry. The TWG Secretariat will confirm and circulate information on the transfer to the Implementing Partners to inform them on the date and amount of the transfer.

Step 2: Delivery of TWG Secretariat and FA Management Costs

The TWG plays an important role in channeling the carbon revenues to the Implementing Partners, and the FA plays a critical role in implementing and monitoring the project activities and the associated budgets. Sufficient resources in the TWG are necessary to ensure that these tasks are carried out efficiently and effectively. Based on a pre-approved budget, 5 percent of the revenues will be allocated to the TWG and FA to cover the office running costs, travel and equipment. The TWG and FA are responsible to determine the most effective way of supporting the critical human resources for the project, understanding that these funds will also be subject to external audit.

Step 3: Delivery of FA Implementation Costs

Based on a previously approved annual budget and workplan, funds will be disbursed by the TWG to the Oddar Meanchey FA Cantonment Office via bank transfer. These funds will be used to fulfill the responsibilities of the FA Cantonment in implementation, including forest law enforcement and forest restoration, among others. In addition to its regular reports, the FA Cantonment shall provide a quarterly financial and narrative report specific to the project funds to the TWG and copied to the Implementing Partners.

Step 4: Delivery of Project Funds to Implementing Partner

Based on a previously approved annual budget and workplan, which are part of a deliverables-based contract, funds will be disbursed by the TWG to the project

Implementing Partner (IP) by bank transfer. The IP will utilize these funds for direct implementation as well as capacity development and sub-grants to local partners - such as Children's Development Association (CDA) and Community Forestry Network (CFN), whose work will be closely monitored by the IP. The IP will provide a quarterly narrative and financial report to the TWG based on the achievement of deliverables.

The IP will deliver both funding and technical support to the local level. Some of this funding will provide employment for local people to engage in project activities, such as forest patrols, tree planting, forest carbon monitoring, etc, according to the project workplan. Regular meetings and trainings will serve to improve skills and coordination while building local management capacity of the community forests. These are amongst the many non-monetary benefits that OM CF REDD+ stakeholders will enjoy.

Step 5: Net Income

According to preliminary financial projections, the project will generate net income (revenue remaining after project costs are covered) after approximately 4-6 years. This net income shall be allocated according to Govt. Decision 699 and the existing Agreement between the Forestry Administration and Terra Global Capital (date: 30 March, 2009). As mandated, a minimum of 50% of net income must be delivered to local communities for community development. The remainder may be allocated by the FA to new REDD+ and/or improved forest quality projects.

The TWG will decide how the net income shall be divided between the three major priorities of community benefits, new REDD projects, and improved forest quality as specified in Government Decision No. 699 by assigning a percentage proportional to each priority. The proportion of benefits assigned may be reviewed and revised on an annual basis in consultation with the members of the TWG. (The TWG may consider establishing an endowment fund for after the project is completed).

A small grants mechanism will be provided to support the 13 Community Forestry (CF) groups in the project with criteria based on a set of parameters established by the Project Team. CFMCs will be eligible to apply for support for a range of activities related to rural development, and they will be responsible to draft brief applications. CFs with weaker skills in project proposal development shall be provided with training support. A provincial-level Grants Fund Board with participants from the local FA, local NGOs, and CFN shall be convened to evaluate proposals and deliver funds. The communities shall be eligible to apply for grants based on a semi-annual funding cycle. The Fund Board will aim to allocate grants equitably among the 13 communities, based on a set of criteria to be developed by the Fund Board in consultation with local communities. These criteria could include population size, forest area protected and performance, strength of application, etc.

Funds allocated to improve forest quality and support other REDD+ initiatives beyond Oddar Meanchey will be allocated by open bidding managed by the TWG F&E.

Step 6: Reporting

An international standard financial audit will be conducted annually for OM REDD project activities and payments. The TWG Secretariat will have responsibility for contracting the auditor. The auditor shall have access to all relevant project partner accounts, including accounts of the TWG, FA, Pact, and other partners. A summary of the resulting auditor's report shall be made posted on the internet and made publicly available. Additional information on the effectiveness of the established benefit-sharing mechanisms will be collected at the annual project meeting and through an independent project evaluation (scheduled to take place every three years). The results of the audit reports, IP reports, and evaluations will be available to the public through the TWG website.

Review and Revision

The key stakeholders shall review the functioning of the benefit-sharing mechanism on an annual basis during the Provincial Review Meeting. Revisions may be suggested and integrated to improve the distribution of benefits. The benefit mechanism agreement will be modified according to decisions taken in the review meeting.

Complaints and Grievances

All relevant stakeholders agree to a Policy and Procedure on Complaints and Grievances to prevent and deal with possible corruption and misuse of funds. This policy shall strengthen the commitment to transparent and accountable benefit-sharing.