



MAZARS

上海玛泽会计师事务所
MAZARS CERTIFIED PUBLIC ACCOUNTANTS

**MICRO ASSESSMENT OF FOREIGN ECONOMIC
COOPERATION OFFICE, MINISTRY OF
ENVIRONMENTAL PROTECTION (“FECO”)
COMMISSIONED BY UNDP**

**Micro Assessment Report**

MAZARS-[A]-(2017) SR No.00002

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Micro Assessment of Foreign Economic Cooperation Office, Ministry of Environmental Protection (“FECO”)
Commissioned by UNDP
Name of the 3rd Party Service Provider: Mazars Certificated Public Accountants
Date: October 4, 2016

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1. Background, Scope and Methodology**Background**

The micro assessment is part of the requirements under the Harmonized Approach to Cash Transfers (HACT) Framework. The HACT framework represents a common operational framework for UN agencies’ transfer of cash to government and non-governmental implementing partners.

The micro-assessment assesses the IP’s control framework. It results in a risk rating (low, moderate, significant or high). The overall risk rating is used by the UN agencies, along with other available information (e.g. history of engagement with the agency and previous assurance results), to determine the type and frequency of assurance activities as per each agency’s guideline and can be taken into consideration when selecting the appropriate cash transfer modality for an IP.

Scope

The micro-assessment provides an overall assessment of the Implementing Partner’s programme, financial and operations management policies, procedures, systems and internal controls. It includes:

- A review of the IP legal status, governance structures and financial viability; programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement;
- A focus on compliance with policies, procedures, regulations and institutional arrangements that are issued both by the Government and the Implementing Partner.



Micro Assessment Report (continued)

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It takes into account results of any previous micro assessments conducted of the Implementing Partner.

Methodology

We performed the micro-assessment from 29 June 2016 to 29 June 2016 at No. 5 Hou Ying Fang Hutong, Xicheng District, Beijing.

Through discussion with management, observation and walk-through tests of transactions, we have assessed the Implementing Partner’s and the related internal control system with emphasis on:

- The effectiveness of the systems in providing the Implementing Partner’s management with accurate and timely information for management of funds and assets in accordance with work plans and agreements with the United Nations agencies;
- The general effectiveness of the internal control system in protecting the assets and resources of the Implementing Partner.

We discussed the results of the micro assessment with applicable UN agency personnel and the IP prior to finalization of the report. The list of persons met and interviewed during the micro-assessment is set out in Annex III.

Auditors’ Signature:



Date of the auditor’s report: October 4, 2016

Auditor’s address: 8th Floor, One Lujiazui, No. 68 Yin Cheng Middle Road, Shanghai, China

This report is intended solely for the information and use of UNDP.

Mazars CPAs



October 4, 2016

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Micro Assessment Report (continued)

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2. Summary of Risk Assessment Results

The table below summarizes the results and main internal control gaps found during application of the micro-assessment questionnaire (in Annex IV). Detailed findings and recommendations are set out in section 3. below.

| Tested subject area | Risk assessment* | Brief justification for rating (main internal control gaps) |
|---|-------------------------|---|
| 1. Implementing partner | Low ✓ | Lack of control over the risk of foreign currency ✓ |
| 2. Programme Management | Low ✓ | None. |
| 3. Organizational structure and staffing | Low ✓ | None. |
| 4. Accounting policies and procedures | Low ✓ | Lack of reconciliation between the direct staff salary and the actual amount of staff time spent on the project ✓ |
| 5. Fixed Assets and Inventory | Low ✓ | No insurance policy for assets ✓ |
| 6. Financial Reporting and Monitoring | Low ✓ | None. |
| 7. Procurement | Low ✓ | Not all of suppliers with long-term cooperation are under performance review ✓ |
| Overall Risk Assessment | Low ✓ | |

*High, Significant, Moderate, Low



Micro Assessment Report (continued)

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1. Detailed Internal Control Findings and Recommendations

| No. | Description of Finding | Recommendation |
|---------------------------------------|--|--|
| 2 (Questionnaire 1.11) ✓ | Lack of control over the risk of foreign exchange ✓ IP makes the exchange settlement according to the fund demand of projects. However, the foreign exchange risk is undertaken by IP before the payment. | The organisation should apply for the fund strictly based on the plan of activities to shorten holding period of fund or use some financial instruments to decrease fluctuation of exchange rate. |
| 3 (Questionnaire 4.16) ✓ | Lack reconciliation between staff cost and actual staff time spent on the project ✓ IP records the staff salaries according to TOR which is agreed with UN Agencies. However, if the staff is responsible for more than 1 project, there is no allocation of staff cost based on actual time spent on the projects. | To ensure the accuracy of the project staff cost, the IP should trace the actual staff time spent on each project and use it as the base for the allocation of project staff cost. |
| 4 (Questionnaire 5.4) ✓ | Lack of asset insurance ✓ We noted that there is no insurance policy for assets. | It is recommended IP to consider about the insurance for assets. |
| 5 (Questionnaire 7.3) | Management on procurement system to be improved The IP does not has a computerized procurement system. Instead, in practice IP processes the documentations and approvals manually. | The IP should consider to establish a computerized procurement system for the trace of the procurement progress and the procurement reports in an efficient manner. |
| 6 (Questionnaire 7.13) ✓ | Not all of suppliers with long-term cooperation are under performance review ✓ The IP doesn't keep track of past performance of suppliers unless it is required according to project documents. | For those suppliers with long-term cooperation, the IP should review their performance periodically to ensure the quality of the products/services received and the market competitive price obtained. |

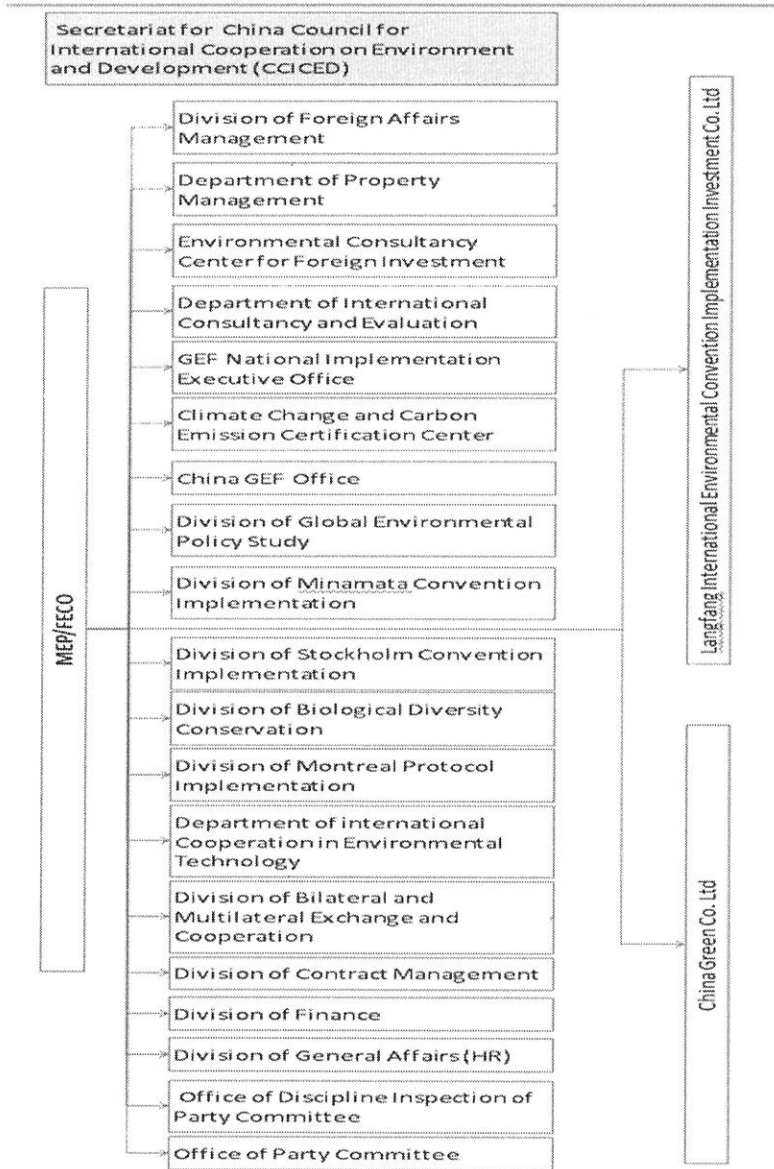
Annex I. IP and Programme Information

| | |
|---|--|
| Implementing partner name: | Foreign Economic Cooperation Office, Ministry of Environmental Protection |
| Implementing partner code or ID in UNICEF, UNDP, UNFPA records (as applicable) | FECO |
| Implementing partner contact details (contact name, email address and telephone number): | Liang CHEN, 010-82268808, chen.liang@mepfeco.org.cn |
| Main programmes implemented with the applicable UN Agency/ies: | <ol style="list-style-type: none"> 1. Sector Plan for HCFC Phase-out in the Industrial and Commercial Refrigeration and Air Conditioning (ICR) Sector in China (Stage-I compliance with 2013 and 2015 targets); 2. Global Environment Facility Promoting Energy Efficient Room Air Conditioners(PEERAC); 3. Reduction of POPs and PTS Release by Environmentally Sound Management throughout the Life Cycle of Electrical and Electronic Equipment and Associated Wastes in China; 4. Alternatives to DDT Usage for the Production of Anti-fouling Paint; 5. Sector plan for phase-out of HCFCs in the solvent sector in China stage I; 6. Priority Institutional Strengthening and Capacity Development to Implement the China Biodiversity Partnership and Framework for Action; 7. Developing and Implementing the National Framework on Access to and Benefit Sharing of Genetic Resources and Associated Traditional Knowledge; 8. Demonstration project for conversion from HCFC-22 technology to Ammonia/CO2 technology in the manufacture of two-stage refrigeration systems for cold storage and freezing applications at Yantai Moon Group Co. Ltd.; 9. Nature Conservation and Flood Control in the Yangtze River Basin; 10. Demonstration project for conversion from HCFC-22/HCFC-142b technology to CO2 with methyl formate co-blowing |

| | |
|--|--|
| | <p>technology in the manufacture of XPS foam at Feininger (Nanjing) Energy Saving Technology Co. Ltd.;</p> <ol style="list-style-type: none"> 11. Payment for Watershed Services in the Chishui River Basin for the Conservation of Globally Significant Biodiversity; 12. Demonstration project for conversion from HCFC-22 technology to HFC-32 technology in the manufacture of small-sized commercial air-source chillers/heat pumps at Tsinghua Tong Fang Artificial Environment Co. Ltd.; 13. Institutional Strengthening for the Phase out of Ozone Depleting Substances under the Montreal Protocol Phase XI; 14. National Coordination for China HCFC Phase-out Management Plan (Stage-I); 15. UPOPs Reduction through BAT/BEP and PPP-based Industry Chain Management in Secondary Copper Production Sector in China; 16. Reduction of POPs and PTS Release by Environmentally Sound Management throughout the Life Cycle of Electrical and Electronic Equipment and Associated Wastes in China; 17. Preparation of a HCFC Phase-out Management Plan (Stage II) - Overarching Strategy; 18. Project Preparation (PRP) for Stage II of HPMP for Solvent Sector in China |
| Key Official in charge of the UN Agency/ies' programme(s): | Patrick Haverman |
| Programme location(s): | Guaangdong Province, Shandong Province, Jiangsu Province, Hubei Province, Tianjing, Zhejiang Province, Jiangxi, Shenzhen etc. |
| Location of records related to the UN Agency/ies' programme(s): | Guaangdong Province, Shandong Province, Jiangsu Province, Hubei Province, Tianjing, Zhejiang Province, Jiangxi, Shenzhen etc. |
| Currency of records maintained: | RMB/USD |
| Expenditures incurred/reported to UNICEF, UNDP and UNFPA (as applicable) during the most recent financial reporting period (in US\$); | US\$18,190,491 |

| | |
|---|----------------------|
| Cash transfer modality/ies used by the UN agency/ies to the IP | Direct cash transfer |
| Intended start date of micro assessment: | 2016/6/27 |
| Number of days to be spent for visit to IP: | 3 |
| Any special requests to be considered during the micro assessment: | None |

Annex II. Implementing Partner Organizational Chart



Annex III. List of Persons Met

| Name | Unit/organization | Position |
|--------------|--------------------------|-------------------------------------|
| Ying PENG | FECO | Staff in Procurement Division |
| Hui FENG | FECO | Project Staff |
| Wenjing WANG | FECO | Accountant |
| Xian WU | FECO | Division Head of Finance Department |
| Entao WU | FECO | Vice Director of Finance Department |

Annex IV. Micro Assessment Questionnaire

Attached behind the completed questionnaire in original excel format.

Micro-assessment workbook

| Subject area <i>(key questions in bold)</i> | Yes | No | N/A | Risk Assessment | Risk points | Remarks/comments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|------------------|-------------------|------------------|-------------------|------------------|---|------------------|-------------------|--|------|--|------|--|-----------|--|-----|-------------------|-----|-------------------|-----|-------------------|-----|-------------------|--------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|-------------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|--------|----------------|----------------|----------------|---------------|----------------|---------------|----------------|---------------|-------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|---------------|
| 1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status and date of registration of the entity. | Yes | | | Low | 1 | 1. Implementing Partner FECO is the public institution and registered in May 28, 1997. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.2 If the IP received United Nations resources in the past, were significant issues reported in managing the resources, including from previous assurance activities. | No | | | Low | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements in the prior three fiscal years? | Yes | | | Low | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.4 Does the governing body meet on a regular basis and perform oversight functions? | Yes | | | Low | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.5 If any other offices/ external entities participate in implementation, does the IP have policies and process to ensure appropriate oversight and monitoring of implementation? | Yes | | | Low | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.6 Does the IP show basic financial stability in-country (core resources; funding trend) Provide the amount of total assets, total liabilities, income and expenditure for the current and prior three fiscal years. | Yes | | | Low | 1 | <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">2013</th> <th colspan="2">2014</th> <th colspan="2">2015</th> <th colspan="2">2016.5.31</th> </tr> <tr> <th>RMB</th> <th>Equivalent to USD</th> <th>RMB</th> <th>Equivalent to USD</th> <th>RMB</th> <th>Equivalent to USD</th> <th>RMB</th> <th>Equivalent to USD</th> </tr> </thead> <tbody> <tr> <td>Total assets</td> <td>2,427,615,195.69</td> <td>397,025,593.66</td> <td>2,406,000,319.96</td> <td>393,525,713.84</td> <td>2,261,546,234.45</td> <td>351,398,493.40</td> <td>2,433,806,011.37</td> <td>369,936,010.24</td> </tr> <tr> <td>Total liabilities</td> <td>151,459,539.40</td> <td>24,842,667.35</td> <td>169,943,001.16</td> <td>27,282,795.13</td> <td>169,560,245.60</td> <td>26,156,551.17</td> <td>161,664,889.73</td> <td>24,572,666.66</td> </tr> <tr> <td>Income</td> <td>805,495,407.52</td> <td>130,103,433.35</td> <td>600,590,957.99</td> <td>96,327,745.30</td> <td>535,938,887.67</td> <td>84,318,305.45</td> <td>747,277,681.49</td> <td>53,130,627.53</td> </tr> <tr> <td>Expenditure</td> <td>459,426,094.63</td> <td>72,704,176.03</td> <td>629,672,742.67</td> <td>103,123,428.13</td> <td>651,374,822.09</td> <td>104,815,259.99</td> <td>226,467,046.74</td> <td>34,650,650.48</td> </tr> </tbody> </table> | | 2013 | | 2014 | | 2015 | | 2016.5.31 | | RMB | Equivalent to USD | RMB | Equivalent to USD | RMB | Equivalent to USD | RMB | Equivalent to USD | Total assets | 2,427,615,195.69 | 397,025,593.66 | 2,406,000,319.96 | 393,525,713.84 | 2,261,546,234.45 | 351,398,493.40 | 2,433,806,011.37 | 369,936,010.24 | Total liabilities | 151,459,539.40 | 24,842,667.35 | 169,943,001.16 | 27,282,795.13 | 169,560,245.60 | 26,156,551.17 | 161,664,889.73 | 24,572,666.66 | Income | 805,495,407.52 | 130,103,433.35 | 600,590,957.99 | 96,327,745.30 | 535,938,887.67 | 84,318,305.45 | 747,277,681.49 | 53,130,627.53 | Expenditure | 459,426,094.63 | 72,704,176.03 | 629,672,742.67 | 103,123,428.13 | 651,374,822.09 | 104,815,259.99 | 226,467,046.74 | 34,650,650.48 |
| | 2013 | | 2014 | | 2015 | | | 2016.5.31 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | RMB | Equivalent to USD | RMB | Equivalent to USD | RMB | Equivalent to USD | RMB | Equivalent to USD | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 1.7 Can the IP easily receive funds? Have there been any major problems in the past in the receipt of funds, particularly where the funds flow from government ministries? | Yes | | | Low | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.8 Does the IP have any pending legal actions against it or outstanding material/significant disputes with vendors/contractors? If so, provide details and actions taken by the IP to resolve the legal action. | No | | | Low | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.9 Does the IP have an anti-fraud and corruption policy? | Yes | | | Low | 1 | The Ministry of Environmental Protection has this kind of divisions and functions in place since its establishment and there are regulations which make it very clear that all subordinated agencies managed by the MEP need to set up its own division to deal with the reports of suspect fraud, waste or misuse of agency resources or property as well as to protect the reporter's interest in order to make this reporting system work more smoothly. As for FECCO it has the Office of Party Committee in place which is in charge of relative responsibilities and perform daily operations. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.10 Has the IP advised employees, beneficiaries and other recipients to whom they should report if they suspect fraud, waste or misuse of agency resources or property? If so, does the IP have a policy against retaliation relating to such reporting? | Yes | | | Low | 1 | IP makes the exchange settlement according to the fund demand of projects. However, the foreign exchange risk is undertaken by IP before the payment. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1.11 Does the IP have any key financial or operational risks that are not covered by this questionnaire? If so, please describe. Examples: foreign exchange risk; cash receipts. | Yes | | | Moderate | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total number of questions in subject area: | 11 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total number of applicable questions in subject area: | 11 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total number of applicable key questions in subject area: | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total number of risk points: | 12 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Risk score | 1.09 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Area risk rating | Low | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Subject area <i>(key questions in bold)</i> | Yes | No | N/A | Risk Assessment | Risk points | Remarks/comments |
|---|------|----|-----|-----------------|----------------------|------------------|
| | | | | 2. | Programme Management | |
| 2.1. Does the IP have and use sufficiently detailed written policies, procedures and other tools (e.g. project development checklist, work planning templates, work planning schedule) to develop programmes and plans? | Yes | | | Low | 1 | |
| 2.2. Do work plans specify expected results and the activities to be carried out to achieve results, with a time frame and budget for the activities? | Yes | | | Low | 1 | |
| 2.3 Does the IP identify the potential risks for programme delivery and mechanisms to mitigate them? | Yes | | | Low | 1 | |
| 2.4 Does the IP have and use sufficiently detailed policies, procedures, guidelines and other tools (checklists, templates) for monitoring and evaluation? | Yes | | | Low | 1 | |
| 2.5 Does the IP have M&E frameworks for its programmes, with indicators, baselines, and targets to monitor achievement of programme results? | Yes | | | Low | 1 | |
| 2.6 Does the IP carry out and document regular monitoring activities such as review meetings, on-site project visits, etc. | Yes | | | Low | 1 | |
| 2.7 Does the IP systematically collect, monitor and evaluate data on the achievement of project results? | Yes | | | Low | 1 | |
| 2.8 Is it evident that the IP followed up on independent evaluation recommendations? | Yes | | | Low | 1 | |
| Total number of questions in subject area: | 8 | | | | | |
| Total number of applicable questions in subject area: | 8 | | | | | |
| Total number of applicable key questions in subject area: | 2 | | | | | |
| Risk score | 1.00 | | | | | |
| Area risk rating | Low | | | | | |

| Subject area (key questions in bold) | Yes | No | N/A | Risk Assessment | Risk points | Remarks/comments |
|---|------|----|-----|-----------------|-------------|--|
| 3.1 Are the IP's recruitment, employment and personnel practices clearly defined and followed, and do they embrace transparency and competition? | Yes | | | Low | 1 | |
| 3.2 Does the IP have clearly defined job descriptions? | Yes | | | Low | 1 | |
| 3.3 Is the organizational structure of the finance and programme management departments, and competency of staff, appropriate for the complexity of the IP and the scale of activities? Identify the key staff, including job titles, responsibilities, educational backgrounds and professional experience. | Yes | | | Low | 1 | Key staff include the followings: 1. Xian WU, Division Head of Finance Department, finance management, master, over 15-years working experience in FECCO. 2. Wenjing WANG, accountant, making accounts and reports, master, with 6-years working experience in FECCO. 3. Yangjing TIAN, Deputy Director, project management, master, with 9-years working experience in FECCO. 4. Peng GAO, project staff, project management, postdoctor, over 3-years working experience in FECCO. |
| 3.4 Is the IP's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds? | Yes | | | Low | 1 | |
| 3.5 Does the IP have training policies for accounting/finance/programme management staff? Are necessary training activities undertaken? | Yes | | | Low | 1 | |
| 3.6 Does the IP perform background verification/checks on all new accounting/finance and management positions? | Yes | | | Low | 1 | |
| 3.7 Has there been significant turnover in key finance positions the past five years? If so, has the rate improved or worsened and appears to be a problem? | No | | | Low | 1 | |
| 3.8 Does the IP have a documented internal control framework? Is this framework distributed and made available to staff and updated periodically? If so, please describe. | Yes | | | Low | 1 | The framework is updated in 2008 and distributed to every staff. |
| Total number of questions in subject area: | 8 | | | | | |
| Total number of applicable questions in subject area: | 8 | | | | | |
| Total number of applicable key questions in subject area: | 3 | | | | | |
| Total number of risk points: | 8 | | | | | |
| Risk score | 1.00 | | | | | |
| Area risk rating | Low | | | | | |

| Subject area <i>(key questions in bold)</i> | Yes | No | N/A | Risk Assessment | Risk points | Remarks/comments |
|---|-----|----|-----|-----------------|-------------|------------------|
| 4. Accounting Policies and Procedures | | | | | | |
| <i>4a. General</i> | | | | | | |
| 4.1 Does the IP have an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds? | Yes | | | Low | 1 | |
| 4.2 Does the IP have an appropriate cost allocation methodology that ensures accurate cost allocations to the various funding sources in accordance with established agreements? | Yes | | | Low | 1 | |
| 4.3 Are all accounting and supporting documents retained in an organized system that allows authorized users easy access? | Yes | | | Low | 1 | |
| 4.4 Are the general ledger and subsidiary ledgers reconciled at least monthly? Are explanations provided for significant reconciling items? | Yes | | | Low | 1 | |
| <i>4b. Segregation of duties</i> | | | | | | |
| 4.5 Are the following functional responsibilities performed by different units or individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction? | Yes | | | Low | 1 | |
| 4.6 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated? | Yes | | | Low | 1 | |
| 4.7 Are bank reconciliations prepared by individuals other than those who make or approve payments? | Yes | | | Low | 1 | |
| <i>4c. Budgeting system</i> | | | | | | |
| 4.8 Are budgets prepared for all activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance? | Yes | | | Low | 1 | |
| 4.9 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget? | Yes | | | Low | 1 | |
| 4.10 Is prior approval sought for budget amendments in a timely way? | Yes | | | Low | 1 | |
| 4.11 Are IP budgets approved formally at an appropriate level? | Yes | | | Low | 1 | |

4d. Payments

| | | | | | |
|--|-----|----|-------------|---|---|
| <p>4.12 Do invoice processing procedures provide for:</p> <ul style="list-style-type: none"> . Copies of purchase orders and receiving reports to be obtained directly from issuing departments? . Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods/services actually received? . Checking the accuracy of calculations? | Yes | | Low | 1 | |
| <p>4.13 Are payments authorized at an appropriate level? Does the IP have a table of payment approval thresholds?</p> | Yes | | Low | 1 | |
| <p>4.14 Are all invoices stamped 'PAID', approved, and marked with the project code and account code?</p> | | No | Low | 1 | The "PAID" mark is made on the payment application instead of invoice. |
| <p>4.15 Do controls exist for preparation and approval of payroll expenditures? Are payroll changes properly authorized?</p> | Yes | | Low | 1 | |
| <p>4.16 Do controls exist to ensure that direct staff salary costs reflects the actual amount of staff time spent on a project?</p> | | No | Significant | 6 | IP records the staff salaries according to TOR which is agreed with UN Agencies. However, if the staff is responsible for more than 1 project, there is no allocation of staff cost based on actual time spent on the projects. |
| <p>4.17 Do controls exist for expense categories that do not originate from invoice payments, such as DSAs, travel, and internal cost allocations?</p> | Yes | | Low | 1 | |
| <p>4e. Policies and procedures</p> | | | | | |
| <p>4.18 Does the IP have a stated basis of accounting (i.e. cash or accrual) and does it allow for compliance with the agency's requirement?</p> | Yes | | Low | 1 | |
| <p>4.19 Does the IP have an adequate policies and procedures manual and is it distributed to relevant staff?</p> | Yes | | Low | 1 | |

4f. Cash and bank

| | | | | |
|--|-----|-----|-----|---|
| 4.20 Does the IP require dual signatories / authorization for bank transactions? Are new signatories approved at an appropriate level and timely updates made when signatories depart? | Yes | | Low | 1 |
| 4.21 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments? | Yes | | Low | 1 |
| 4.22 If the partner is participating in micro-finance advances, do controls exist for the collection, timely deposit and recording of receipts at each collection location? | Yes | | Low | 1 |
| 4.23 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for significant, unusual and aged reconciling items? | Yes | | Low | 1 |
| 4.24 Is substantial expenditure paid in cash? If so, does the IP have adequate controls over cash payments? | No | | Low | 1 |
| 4.25 Does the IP carry out a regular petty cash reconciliation? | Yes | | Low | 1 |
| 4.26 Are cash and cheques maintained in a secure location with restricted access? Are bank accounts protected with appropriate remote access controls? | Yes | | Low | 1 |
| 4.27 Are there adequate controls over submission of electronic payment files that ensure no unauthorized amendments once payments are approved and files are transmitted over secure/encrypted networks? | | N/A | Low | 1 |
| <i>4f. Other offices or entities</i> | | | | |
| 4.28 Does the IP have a process to ensure expenditures of subsidiary offices/ external entities are in compliance with the work plan and/or contractual agreement? | Yes | | Low | 1 |
| <i>4f. Internal audit</i> | | | | |
| 4.29 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report? | | N/A | N/A | - |
| 4.30 Does the IP have stated qualifications and experience requirements for internal audit department staff? | | N/A | N/A | - |
| 4.31 Are the activities financed by the agencies included in the internal audit department's work programme? | | N/A | N/A | - |
| 4.32 Does the IP act on the internal auditor's recommendations? | | N/A | N/A | - |
| The internal audit department is still under establishment. Before the completion of the establishment, IP keeps close contact with internal audit department in Ministry of Environmental Protection to ensure effectiveness of finance management. Meanwhile, in 2016, the Ministry of Environmental Protection has set up the cross check mechanism for major projects among all the divisions under the Ministry of Environmental Protection and issued official paper named <<The Regulations and Instructions on Cross-check of Important Projects>>. Accordingly, FECO has already implemented the regulation in place. | | | | |
| Total number of questions in subject area: 32 Total number of applicable questions in subject area: 28 Total number of applicable key questions in subject area: 19 Total number of risk points: 33 Risk score 1.18 Area risk rating Low | | | | |

| Subject area <i>(key questions in bold)</i> | Yes | No | N/A | Risk Assessment | Risk points | Remarks/comments |
|--|-------------|----|-----|-----------------|-------------|---|
| 5. Fixed Assets and Inventory | | | | | | |
| <i>5a. Safeguards over assets</i> | | | | | | |
| 5.1 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse? | Yes | | | Low | 1 | |
| 5.2 Are subsidiary records of fixed assets and inventory kept up to date and reconciled with control accounts? | Yes | | | Low | 1 | |
| 5.3 Are there periodic physical verification and/or count of fixed assets and inventory? If so, please describe? | Yes | | | Low | 1 | The physical count is performed at beginning of every year. |
| 5.4 Are fixed assets and inventory adequately covered by insurance policies? | No | | | Significant | 3 | There is no insurance policy for assets. |
| <i>5b. Warehousing and inventory management</i> | | | | | | |
| 5.5 Do warehouse facilities have adequate physical security? | | | | | | |
| 5.6 Is inventory stored so that it is identifiable, protected from damage, and countable? | | | N/A | N/A | - | No inventory is held for the projects. |
| 5.7 Does the IP have an inventory management system that enables monitoring of supply distribution? | | | N/A | N/A | - | No inventory is held for the projects. |
| 5.8 Is responsibility for receiving and issuing inventory segregated from that for updating the inventory records? | | | N/A | N/A | - | No inventory is held for the projects. |
| 5.9 Are regular physical counts of inventory carried out? | | | N/A | N/A | - | No inventory is held for the projects. |
| Total number of questions in subject area: | 9 | | | | | |
| Total number of applicable questions in subject area: | 4 | | | | | |
| Total number of applicable key questions in subject area: | 0 | | | | | |
| Total number of risk points: | 6 | | | | | |
| Risk score | 1.50 | | | | | |
| Area risk rating | Low | | | | | |

| Subject area <i>(Key questions in bold)</i> | Yes | No | N/A | Risk Assessment | Risk points | Remarks/comments |
|--|-------------|----|-----|-----------------|-------------|---|
| 6. Financial Reporting and Monitoring | | | | | | |
| 6.1 Does the IP have established financial reporting procedures that specify what reports are to be prepared, the source system for key reports, the frequency of preparation, what they are to contain and how they are to be used? | Yes | | | Low | 1 | |
| 6.2 Does the IP prepare overall financial statements? | Yes | | | Low | 1 | |
| 6.3 Are the IP's overall financial statements audited regularly by an independent auditor in accordance with appropriate national or international auditing standards? If so, please describe the auditor. | Yes | | | Low | 1 | Auditing Administration and the third-party auditing firms. |
| 6.4 Were there any major issues related to ineligible expenditure involving donor funds reported in the audit reports of the IP over the past three years? | | No | | Low | 1 | |
| 6.5 Have any significant recommendations made by auditors in the prior five audit reports and/or management letters over the past five years and have not yet been implemented? | | No | | Low | 1 | |
| 6.6 Is the financial management system computerized? | Yes | | | Low | 1 | |
| 6.7 Can the computerized financial management system produce the necessary financial reports? | Yes | | | Low | 1 | |
| 6.8 Does the IP have appropriate safeguards to ensure the confidentiality, integrity and availability of the financial data? E.g. password access controls; regular data back-up. | Yes | | | Low | 1 | |
| Total number of questions in subject area: | 8 | | | | | |
| Total number of applicable questions in subject area: | 8 | | | | | |
| Total number of applicable key questions in subject area: | 3 | | | | | |
| Total number of risk points: | 8 | | | | | |
| Risk score | 1.00 | | | | | |
| Area risk rating | Low | | | | | |

| Subject area (Key questions in bold) | Yes | No | N/A | Risk Assessment | Risk points | Remarks/comments |
|--|-----|----|-----|-----------------|-------------|---|
| 7. Procurement and Contract Administration | | | | | | |
| 7a. Procurement | | | | | | |
| 7.1 Does the IP have written procurement policies and procedures? | Yes | | | Low | 1 | |
| 7.2 Are exceptions to procurement procedures approved by management and documented? | Yes | | | Low | 1 | In practice, the exception should be approved by UNDP before documentation of the approval. |
| 7.3 Does the IP have a computerized procurement system with adequate access controls and segregation of duties between entering purchase orders, approval and receipt of goods? Provide a description of the procurement system. | No | | | Low | 1 | The IP doesn't have computerized system. However, the procurement process are properly approved manually. |
| 7.4 Are procurement reports generated and reviewed regularly? Describe reports generated, frequency and review & approvers. | Yes | | | Low | 1 | |
| 7.5 Does the IP have a structured procurement unit with defined reporting lines that foster efficiency and accountability? | Yes | | | Low | 1 | |
| 7.6 Is the IP's procurement unit resourced with qualified staff who are trained and certified and considered experts in procurement and conversant with UN / World Bank / European Union procurement requirements in addition to the a IP's procurement rules and regulations? | Yes | | | Low | 1 | |
| 7.7 Have any significant recommendations related to procurement made by auditors in the prior five audit reports and/or management letters over the past five years and have not yet been implemented? | No | | | Low | 1 | |
| 7.8 Does the IP require written or system authorizations for purchases? If so, evaluate if the authorization thresholds are appropriate? | Yes | | | Low | 1 | |
| 7.9 Do the procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria? | Yes | | | Low | 1 | |
| 7.10 Does the IP obtain sufficient approvals before signing a contract? | Yes | | | Low | 1 | |
| 7.11 Does the IP have and apply formal guidelines and procedures to assist in identifying, monitoring and dealing with potential conflicts of interest with potential suppliers/procurement agents? If so, how does the IP proceed in cases of conflict of interest? | Yes | | | Low | 1 | |
| 7.12 Does the IP follow a well-defined process for sourcing suppliers? Do formal procurement methods include wide broadcasting of procurement opportunities? | Yes | | | Low | 1 | |

| | | | | | |
|---|-------------|-----|----------|---|--|
| 7.13 Does the IP keep track of past performance of suppliers? E.g. database of trusted suppliers. | No | | Moderate | 2 | The IP doesn't keep track of past performance of suppliers unless it is required according to project documents. |
| 7.14 Does the IP follow a well-defined process to ensure a secure and transparent bid and evaluation process? If so, describe the process. | Yes | | Low | 1 | |
| 7.15 When a formal invitation to bid has been issued, does the IP award the contract on a pre-defined basis set out in the solicitation documentation taking into account technical responsiveness and price? | Yes | | Low | 1 | |
| 7.16 If the IP is managing major contracts, does the IP have a policy on contracts management / administration? | Yes | | Low | 1 | |
| 7b. Contract Management - To be completed only for the IP's managing contracts as part of programme implementation. Otherwise select N/A for risk assessment. | | | | | |
| 7.17 Are there personnel specifically designated to manage contracts or monitor contract expirations? | Yes | | Low | 1 | |
| 7.18 Are there staff designated to monitor expiration of performance securities, warranties, liquidated damages and other risk management instruments? | Yes | | Low | 1 | |
| 7.19 Does the IP have a policy on post-facto actions on contracts? | | N/A | N/A | - | |
| 7.20 How frequent do post-facto contract actions occur? | | N/A | N/A | - | |
| Total number of questions in subject area: | 20 | | | | |
| Total number of applicable questions in subject area: | 20 | | | | |
| Total number of applicable key questions in subject area: | 5 | | | | |
| Total number of risk points: | 19 | | | | |
| Risk score | 0.95 | | | | |
| Area risk rating | Low | | | | |

| | | | | | |
|---|-------------|--|--|--|--|
| Totals | | | | | |
| Total number of questions: | 96 | | | | |
| Total number of applicable questions: | 85 | | | | |
| Total number of applicable key questions: | 37 | | | | |
| Total number of risk points: | 94 | | | | |
| Total risk score | 1.11 | | | | |
| Overall risk rating | Low | | | | |