

**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060959
PROJECT ID 00076990
CLEARING FOR RESULTS (PHASE II)**

**AUDIT REPORT
FOR THE PERIOD FROM 1 JANUARY 2011
TO 31 DECEMBER 2011**

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

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**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060959
PROJECT ID 00076990
CLEARING FOR RESULTS (PHASE II)**

**PART 1
AUDITED STATEMENT OF EXPENDITURES
(COMBINED DELIVERY REPORT)
FOR THE PERIOD FROM 1 JANUARY 2011
TO 31 DECEMBER 2011**

Report of the independent auditors on statement of expenditures (Combined Delivery Report)

To the National Program Director of the Cambodian Mine Action and Victim Assistance Authority and the Country Director of the United Nations Development Programme

We have audited the accompanying Statement of Expenditures (“the statement”) of the UNDP Award ID 00060959 and Project ID 00076990 – Clearing for Results (Phase II) (“CFRII” or “the Project”) in column titled “Govt Disb” implemented by the Cambodian Mine Action and Victim Assistance Authority (“CMAA” or “the Implementing Partner”) for the period from 1 January 2011 to 31 December 2011, and a summary of significant accounting policies and other explanatory information set out on pages 4 to 10. The statement has been prepared by the management of the Project based on the basis of accounting and accounting policies described in Note 2 to the statement.

Management’s responsibility for the statement

Management is responsible for the preparation of this statement in accordance with the basis of accounting and the accounting policies described in Note 2 to the statement, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of expenditures presents fairly, in all material respects, the expenditure of US\$3,165,410 incurred by the Project for the period from 1 January 2011 to 31 December 2011 in accordance with the basis of accounting and the accounting policies described in Notes 2 to the statement.

Other matters

We draw attention to the fact that we have not audited the accompanying statement of expenditures of the UNDP Award ID 00060959 and Project ID 00076990 – Clearing for Results (Phase II) in columns titled “UNDP Disb” amounting to US\$871,908 made by UNDP Country Office as part of support service (as further detailed in Note 4), “UN Agencies”, “Encumbrance” and “Total Exp” for the period from 1 January 2011 to 31 December 2011 and any of the related notes and accordingly, we do not express an opinion on them.

We draw attention to Note 2 to the statement which describes the basis of accounting and the accounting policies adopted by the Project. The statement is prepared for the information and use of the Project’s management and UNDP. As a result, the statement may not be suitable for another purpose. This report is intended solely for the information and use of UNDP and the Royal Government of Cambodia.

For KPMG Cambodia Ltd

By Craig McDonald
Audit Partner

Phnom Penh, Cambodia

Date:



Combined Delivery Report With Encumbrance

Selection Criteria :

Business Unit : KHM10
Period : Jan-Dec (2011)
Selected Award Id : 00060959
Selected Fund Code : ALL

Award Id : 00060959 Clearing for Result phase II	Period :	Jan-Dec (2011)
Project # : 00076990 Clearing for Results II	Impl. Partner :	00632 National Execution
	Location :	Cambodia

	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
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Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))

61305 - Salaries - IP Staff	0.00	51,838.28	0.00	0.00	51,838.28
61310 - Post Adjustment - IP Staff	0.00	12,553.13	0.00	0.00	12,553.13
61360 - Other payroll costs IP	0.00	3,936.00	0.00	0.00	3,936.00
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	17,649.93	0.00	0.00	17,649.93
62315 - Contrib. to medical, social in	0.00	192.29	0.00	0.00	192.29
62320 - Mobility, Hardship, Non-remova	0.00	5,302.53	0.00	0.00	5,302.53
63335 - Home Leave Trvl & Allow-IP Stf	0.00	2,108.25	0.00	0.00	2,108.25
63520 - Personal Security Measures	0.00	429.00	0.00	0.00	429.00
63530 - Contribution to Separations	0.00	1,664.31	0.00	0.00	1,664.31
63535 - Contribution to Security	0.00	2,662.84	0.00	0.00	2,662.84
63540 - Contribution to Training	0.00	1,664.31	0.00	0.00	1,664.31
65115 - Contributions to ASHI Reserve	0.00	3,328.53	0.00	0.00	3,328.53
65135 - Payroll Mgt Cost Recovery ATLA	0.00	276.65	0.00	0.00	276.65
71145 - Security Evacuation (ALD)	0.00	0.00	0.00	0.00	0.00
71150 - Medical Evacuation (ALD)	0.00	0.00	0.00	0.00	0.00
71305 - Local Consult.-Sht Term-Tech	5,580.00	0.00	0.00	0.00	5,580.00
71310 - Local Consult.-Short Term-Supp	0.00	0.00	0.00	0.00	0.00
71405 - Service Contracts-Individuals	9,900.00	- 7,151.52	0.00	0.00	2,748.48
71605 - Travel Tickets-International	0.00	834.00	0.00	0.00	834.00
71615 - Daily Subsistence Allow-Intl	0.00	5,814.20	0.00	0.00	5,814.20
71620 - Daily Subsistence Allow-Local	0.00	13,212.63	0.00	0.00	13,212.63
71635 - Travel - Other	0.00	31.38	0.00	0.00	31.38
72170 - Svc Co-Humanitarian Aid & Relf	0.00	0.00	0.00	0.00	0.00
72205 - Office Machinery	0.00	4,153.99	0.00	0.00	4,153.99
72215 - Transporation Equipment	0.00	113.30	0.00	0.00	113.30
72220 - Furniture	0.00	0.00	0.00	0.00	0.00
72311 - Fuel, petroleum and other oils	0.00	0.00	0.00	0.00	0.00
72425 - Mobile Telephone Charges	0.00	1,238.40	0.00	0.00	1,238.40
72430 - Postage and Pouch	0.00	18.60	0.00	0.00	18.60
72505 - Stationery & other Office Supp	1,617.70	0.00	0.00	0.00	1,617.70
72510 - Publications	520.00	0.00	0.00	0.00	520.00
72805 - Acquis of Computer Hardware	0.00	0.00	0.00	0.00	0.00
73405 - Rental & Maint-Other Office Eq	0.00	0.00	0.00	0.00	0.00
73410 - Maint, Oper of Transport Equip	0.00	2,540.10	0.00	0.00	2,540.10
74210 - Printing and Publications	0.00	13,915.00	0.00	0.00	13,915.00
74220 - Translation Costs	0.00	252.36	0.00	0.00	252.36
74225 - Other Media Costs	0.00	0.00	0.00	0.00	0.00
74325 - Contrib.To CO Common Security	0.00	0.00	0.00	0.00	0.00
74505 - Insurance	0.00	94.33	0.00	0.00	94.33
74510 - Bank Charges	24.00	- 24.00	0.00	0.00	0.00
74525 - Sundry	0.00	4,274.32	0.00	0.00	4,274.32
74599 - UNDP cost recovery chrgs-Bills	0.00	11,339.61	0.00	0.00	11,339.61
74605 - Prepaid Project Expenses	0.00	0.00	0.00	0.00	0.00
75705 - Learning costs	0.00	54,311.07	0.00	0.00	54,311.07
75706 - Learning - ticket costs	0.00	513.00	0.00	0.00	513.00
75707 - Learning - subsistence allowan	0.00	3,603.65	0.00	0.00	3,603.65
75708 - Learning - subcontracts	0.00	706.95	0.00	0.00	706.95
75709 - Learning - training of counter	0.00	1,846.88	0.00	0.00	1,846.88
75710 - Participation of counterparts	0.00	5,427.00	0.00	0.00	5,427.00
75711 - TrnWrkshp&Conf - Stipends	0.00	0.00	0.00	0.00	0.00
76125 - Realized Loss	0.00	0.00	0.00	0.00	0.00

Total for Fund 04000 17,641.70 220,671.30 0.00 0.00 238,313.00

Fund : 26960 (CPR TTF - Conflict - Country S)



Combined Delivery Report With Encumbrance

UNDP UN Development Programme

Report ID: ungl143a

Page 2 of 3

Run Time: 17-03-2012 12:03:07

Award Id : 00060959 Clearing for Result phase II Project # : 00076990 Clearing for Results II	Period :		Jan-Dec (2011)		
	Impl. Partner :	Location :	00632 National Execution Cambodia		
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
61305 - Salaries - IP Staff	0.00	2,163.97	17,688.75	0.00	19,852.72
61310 - Post Adjustment - IP Staff	0.00	54.51	4,121.49	0.00	4,176.00
61360 - Other payroll costs IP	0.00	891.00	0.00	0.00	891.00
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	79.05	5,716.44	0.00	5,795.49
62315 - Contrib. to medical, social in	0.00	- 4.35	69.66	0.00	65.31
62320 - Mobility, Hardship, Non-remova	0.00	309.99	1,457.52	0.00	1,767.51
63310 - Repat. Grant/Comm Annual Lv-IP	0.00	- 16,001.70	18,197.10	0.00	2,195.40
63511 - Staff related Insurance-Others	0.00	- 150.69	150.69	0.00	0.00
63530 - Contribution to Separations	0.00	7.23	545.25	0.00	552.48
63535 - Contribution to Security	0.00	733.95	76.62	0.00	810.57
63540 - Contribution to Training	0.00	7.23	545.25	0.00	552.48
64340 - Staff related Cost-Others	0.00	- 60.66	60.66	0.00	0.00
65115 - Contributions to ASHI Reserve	0.00	1,104.93	0.00	0.00	1,104.93
65135 - Payroll Mgt Cost Recovery ATLA	0.00	- 780.21	946.20	0.00	165.99
71150 - Medical Evacuation (ALD)	0.00	0.00	0.00	0.00	0.00
71168 - Other Expenses UN Agy Pers Rel	0.00	0.00	0.00	0.00	0.00
71305 - Local Consult.-Sht Term-Tech	540.00	- 540.00	0.00	0.00	0.00
71405 - Service Contracts-Individuals	0.00	17,721.56	0.00	0.00	17,721.56
71605 - Travel Tickets-International	0.00	5,144.00	0.00	0.00	5,144.00
71615 - Daily Subsistence Allow-Intl	0.00	8,354.02	0.00	0.00	8,354.02
71620 - Daily Subsistence Allow-Local	33,603.33	23,933.75	0.00	0.00	57,537.08
72105 - Svc Co-Construction & Engineer	0.00	- 13,950.00	13,950.00	0.00	0.00
72170 - Svc Co-Humanitarian Aid & Relf	0.00	0.00	0.00	0.00	0.00
72425 - Mobile Telephone Charges	0.00	0.00	0.00	0.00	0.00
73405 - Rental & Maint-Other Office Eq	1,577.00	0.00	0.00	0.00	1,577.00
73410 - Maint, Oper of Transport Equip	8,457.66	2,352.00	0.00	0.00	10,809.66
74220 - Translation Costs	0.00	0.00	0.00	0.00	0.00
74325 - Contrib.To CO Common Security	0.00	0.00	0.00	0.00	0.00
74505 - Insurance	0.00	438.42	0.00	0.00	438.42
74525 - Sundry	0.00	- 9,192.73	5,520.60	0.00	- 3,672.13
75115 - Facilities & Admin - OH & Ind	0.00	9,850.83	0.00	0.00	9,850.83
75705 - Learning costs	485.26	- 485.26	0.00	0.00	0.00
75709 - Learning - training of counter	13,123.03	- 8,236.35	0.00	0.00	4,886.68
75710 - Participation of counterparts	0.00	0.00	0.00	0.00	0.00
75711 - TrnWrkshp&Conf - Stipends	0.00	0.00	0.00	0.00	0.00
Total for Fund 26960	57,786.28	23,744.49	69,046.23	0.00	150,577.00
Fund : 30000 (Programme Cost Sharing)					
61305 - Salaries - IP Staff	0.00	17,688.75	40,107.68	0.00	57,796.43
61310 - Post Adjustment - IP Staff	0.00	4,121.49	10,109.48	0.00	14,230.97
62305 - Dependency Allowances-IP Staff	0.00	0.00	1,737.78	0.00	1,737.78
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	5,716.44	12,163.88	0.00	17,880.32
62315 - Contrib. to medical, social in	0.00	69.66	1,420.24	0.00	1,489.90
62320 - Mobility, Hardship, Non-remova	0.00	1,457.52	3,996.64	0.00	5,454.16
63310 - Repat. Grant/Comm Annual Lv-IP	0.00	16,001.70	0.00	0.00	16,001.70
63511 - Staff related Insurance-Others	0.00	150.69	351.63	0.00	502.32
63530 - Contribution to Separations	0.00	545.25	1,255.45	0.00	1,800.70
63535 - Contribution to Security	0.00	150.00	177.05	0.00	327.05
63540 - Contribution to Training	0.00	545.25	1,255.45	0.00	1,800.70
64321 - Reassignment-Ticket Costs	0.00	0.00	6,758.00	0.00	6,758.00
64322 - Reassignmnts-Subsistence Allow	0.00	0.00	7,440.00	0.00	7,440.00
64323 - Reassignments-Lump Sum	0.00	0.00	7,064.68	0.00	7,064.68
64324 - Reassignments-Shipment	0.00	0.00	15,000.00	0.00	15,000.00
64340 - Staff related Cost-Others	0.00	60.66	100.73	0.00	161.39
65115 - Contributions to ASHI Reserve	0.00	0.00	7,202.74	0.00	7,202.74
65135 - Payroll Mgt Cost Recovery ATLA	0.00	946.20	2,207.80	0.00	3,154.00
71305 - Local Consult.-Sht Term-Tech	117,525.00	10,440.00	0.00	0.00	127,965.00
71310 - Local Consult.-Short Term-Supp	0.00	15,146.00	0.00	0.00	15,146.00
71405 - Service Contracts-Individuals	0.00	42,443.62	0.00	0.00	42,443.62
71505 - UN Volunteers-Stipend & Allow	0.00	9,836.84	0.00	0.00	9,836.84
71510 - UNV Settling-In-Grant	0.00	3,942.00	0.00	0.00	3,942.00
71520 - UNV-Language Allowance	0.00	246.32	0.00	0.00	246.32

Combined Delivery Report With Encumbrance



Award Id : 00060959 Clearing for Result phase II		Period :		Jan-Dec (2011)	
Project # : 00076990 Clearing for Results II		Impl. Partner :		00632 National Execution	
		Location :		Cambodia	
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
71535 - UNV-Medical Insurance	0.00	751.98	0.00	0.00	751.98
71540 - UNV-Global Charges	0.00	1,158.45	0.00	0.00	1,158.45
71545 - UNV-Home Leave Travel & Allowa	0.00	192.77	0.00	0.00	192.77
71550 - UNV-Resettlement Allowance	0.00	803.23	0.00	0.00	803.23
71560 - UNV-Intl Appoint/Sep incl Trvl	0.00	3,060.00	0.00	0.00	3,060.00
71605 - Travel Tickets-International	13,560.00	16,345.56	0.00	0.00	29,905.56
71615 - Daily Subsistence Allow-Intl	5,350.00	10,574.00	0.00	0.00	15,924.00
71620 - Daily Subsistence Allow-Local	46,325.42	8,645.54	0.00	0.00	54,970.96
71625 - Daily Subsist Allow-Mtg Partic	0.00	523.28	0.00	0.00	523.28
71635 - Travel - Other	11,017.00	0.00	0.00	0.00	11,017.00
72105 - Svc Co-Construction & Engineer	0.00	13,950.00	3,945.20	0.00	17,895.20
72115 - Svc Co-Natural Resources & Env	0.00	40,000.00	0.00	0.00	40,000.00
72165 - Svc Co-Social Svcs, Social Sci	0.00	0.00	0.00	0.00	0.00
72170 - Svc Co-Humanitarian Aid & Relf	0.00	2,534,404.78	0.00	0.00	2,534,404.78
72205 - Office Machinery	0.00	3,286.00	0.00	0.00	3,286.00
72210 - Machinery and Equipment	41,698.70	0.00	0.00	0.00	41,698.70
72215 - Transporation Equipment	0.00	143,809.78	0.00	0.00	143,809.78
72420 - Land Telephone Charges	2,845.00	0.00	0.00	0.00	2,845.00
72425 - Mobile Telephone Charges	3,390.00	0.00	0.00	0.00	3,390.00
72435 - E-mail-Subscription	3,660.00	0.00	0.00	0.00	3,660.00
72505 - Stationery & other Office Supp	12,916.61	0.00	0.00	0.00	12,916.61
72515 - Print Media	416.00	0.00	0.00	0.00	416.00
72705 - Hospitality-Special Events	41,032.74	0.00	0.00	0.00	41,032.74
72805 - Acquis of Computer Hardware	0.00	13,253.00	0.00	0.00	13,253.00
74205 - Audio Visual Productions	88,844.50	0.00	0.00	0.00	88,844.50
74210 - Printing and Publications	88,034.50	-2,780.00	0.00	0.00	85,254.50
74215 - Promotional Materials and Dist	29,000.00	0.00	0.00	0.00	29,000.00
74510 - Bank Charges	113.00	24.00	0.00	0.00	137.00
74525 - Sundry	252.10	9,192.73	9,942.98	0.00	19,387.81
75105 - Facilities & Admin - Implement	0.00	251,850.76	0.00	0.00	251,850.76
75705 - Learning costs	0.00	4,013.26	0.00	0.00	4,013.26
75708 - Learning - subcontracts	0.00	4,094.25	0.00	0.00	4,094.25
75709 - Learning - training of counter	9,696.88	11,324.07	0.00	0.00	21,020.95
75710 - Participation of counterparts	0.00	2,618.00	0.00	0.00	2,618.00
75711 - TrnWrkshp&Conf - Stipends	0.00	1,200.00	0.00	0.00	1,200.00
76125 - Realized Loss	0.00	0.01	0.00	0.00	0.01
76135 - Realized Gain	0.00	-6.76	0.00	0.00	-6.76
Total for Fund 30000	515,677.45	3,201,797.08	132,237.41	0.00	3,849,711.94
Total for Project : 00076990	591,105.43	3,446,212.87	201,283.64	0.00	4,238,601.94
Award Total :	591,105.43	3,446,212.87	201,283.64	0.00	4,238,601.94

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

Notes to the statement of expenditures (Combined Delivery Report) For the period from 1 January 2011 to 31 December 2011

These notes form an integral part of the accompanying statement of expenditures (Combined Delivery Report).

1. Background and activities

The Clearing for Results (Phase II) (“CFRII” or “the Project”) was set up in accordance with the Project agreement signed between UNDP and the Cambodian Mine Action and Victim Assistance Authority (CMAA) on 10 December 2010, representing the Royal Government of Cambodia. The Project commenced its operations on 1 January 2011 for an estimated duration of four years. The budget fund for the Project is US\$24,152,640 and is supported by UNDP.

The Project’s overall objective is to ensure national structures and mechanisms ensure demining resources are effectively allocated promoting the release of land for productive use by the poor.

The Project planned to achieve the following results:

1. Mine action policy and strategic frameworks ensure most resources are effectively allocated onto national priorities as defined by local planning processes and maximize the land available for local development;
2. The CMAA is equipped with the technical and functional capacities required to manage, coordinate, regulate and monitor the sector within an evolving environment; and
3. At least 35 sq km of contaminated land mapped through Baseline Survey, cleared and released for productive use through local planning and that promote efficiency and transparency.

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

**Notes to the statement of expenditures (Combined Delivery Report) (continued)
for the period from 1 January 2011 to 31 December 2011**

2. Significant accounting policies

(a) Basis of preparation

The statement of expenditures (Combined Delivery Report) of the UNDP Award ID 00060959 and Project ID 00076990 – Clearing for Results (Phase II) (“CFRII” or “the Project”), which is expressed in United States dollars (“US\$”) has been prepared in accordance with the cash basis of accounting. This is a basis of accounting that is designed to meet the UNDP accounting requirements for the implementing partner; it is not designed to produce a statement that is compatible with International Financial Reporting Standards. Under this basis of accounting, expenditures are recognised when payments are made rather than when incurred. Payments are made by the implementing partner or by the UNDP Country Office.

Payments are made by the implementing partner or by the UNDP Country Office.

The accompanying statement of expenditures (Combined Delivery Report) was prepared for the purpose of complying with UNDP Award ID 00060959 and Project ID 00076990 between UNDP and the implementing partner and the UNDP accounting requirements.

(b) Expenditures

Expenditures represent costs incurred in meeting the Project objectives in line with the approved budgets.

(c) Non-expendable items

The purchase price and any directly attributable costs in acquiring the non-expendable items are recorded as expenses at the time the assets and equipment are acquired and payment is made.

For control purposes, the Project prepares a statement of assets and equipment. The statement of assets and equipment comprise non-expendable items whose cost is over US\$1,000.

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

**Notes to the statement of expenditures (Combined Delivery Report) (continued)
for the period from 1 January 2011 to 31 December 2011**

2. Significant accounting policies (continued)

(d) Foreign currencies

The statement of expenditures (Combined Delivery Report) is presented in United States dollars ("US\$"). Transactions in currencies other than US\$ are recorded at the UNDP rate of exchange for the month when the expenditure was made.

(e) Corresponding figures

Corresponding figures are not required by the accounting practices prescribed by the UNDP.

3. Combined delivery report

The Combined Delivery Report ("CDR") is the report that reflects the total expenditures and actual obligations (recorded in ATLAS) of a Project during a period. This report is prepared by UNDP, using an in-house accounting software package called ATLAS. The CDR combines expenditures from three disbursement sources for a calendar year. The three disbursement sources include:

(a) Implementing partner (either Government or NGO)

These represent disbursements made by implementing partner and are recorded in the Government expenditures column in the CDR.

(b) UNDP (country office, headquarters and other country offices)

These represent disbursements made by UNDP from its own bank accounts. These UNDP disbursements are recorded in the UNDP disbursements column in the CDR. These disbursements may be classified as either direct payments or UNDP support services.

- (i) Direct Payments – These are payments made by the UNDP on behalf of the implementing partner, which is responsible for the expenditures. The implementing partner is accountable for the disbursement and maintains all supporting documentation.

Draft subject to partner review – 19 April 2012

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

Notes to the statement of expenditures (Combined Delivery Report) (continued)
for the period from 1 January 2011 to 31 December 2011

3. Combined delivery report (continued)

(b) UNDP (country office, headquarters and other country offices) (continued)

- (ii) UNDP Support Services – These are payments made by the UNDP for the provision of support services to the Project and signed a Letter of Agreement on 4 February 2011. UNDP is fully responsible and accountable for these expenditures and, accordingly, maintains all supporting documentation for the disbursement.

(c) UN agencies

These represent expenditures of a UN agency when implementing part of the Project. These UN agency expenditures are recorded in the UN Agencies column in the CDR.

4. UNDP disbursements

	UNDP Direct payment US\$	UNDP Support services US\$ (Unaudited)	Total US\$ (Unaudited)
Total disbursements	<u>2,574,305</u>	<u>871,908</u>	<u>3,446,213</u>

**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060959
PROJECT ID 00076990
CLEARING FOR RESULTS (PHASE II)**

**PART 2
AUDITED STATEMENT OF CASH POSITION
AS AT 31 DECEMBER 2011**

Report of the independent auditors on the statement of cash position

To the National Program Director of the Cambodian Mine Action and Victim Assistance Authority and the Country Director of the United Nations Development Programme

We have audited the accompanying Statement of Cash Position (“the statement”) of the UNDP Award ID 00060959 and Project ID 00076990 – Clearing for Results (Phase II) (“CFRII” or “the Project”) implemented by the Cambodian Mine Action and Victim Assistance Authority (“CMAA” or “the Implementing Partner”) as at 31 December 2011, a summary of significant accounting policies and other explanatory information set out on pages 14 to 15. The statement has been prepared by the management of the Project based on the basis of accounting and accounting policies described in Note 1 to the statement.

Management’s responsibility for the statement

Management is responsible for the preparation of this statement in accordance with the basis of accounting and the accounting policies described in Note 1 to the statement, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of cash position presents fairly, in all material respects, the cash balance of the Project amounting US\$19,440 as at 31 December 2011 in accordance with the basis of accounting and the accounting policies described in Note 1 to the statement.

Other matter

We draw attention to Note 1 to the statement, which describes the basis of accounting and the accounting policies adopted by the Project. The statement is prepared for the information and use of the management and donor of the Project. As a result, the statement may not be suitable for another purpose. This report is intended solely for the information and use of UNDP and the Royal Government of Cambodia.

For KPMG Cambodia Ltd

By Craig McDonald
Audit Partner

Phnom Penh, Cambodia

Date:

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

Statement of cash position as at 31 December 2011

	As at 31 December 2011 US\$
Cash in bank	19,440

Prepared by:

Verified by:

Mr. Song Ty
Admin and Finance officer

H.E Prak Sokyou
General Administration Manager

Date:

Date:

Certified by:

Approved by:

H.E Prum Sophakmonkol
Project Manger

H.E Chum Bun Roong
Project Director

Date:

Date:

Draft subject to partner review – 19 April 2012

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (Phase II)

Note to the statement of cash position as at 31 December 2011

These notes form an integral part of the accompanying statement of cash position.

1. Significant accounting policies

(a) Basis of preparation

The statement of cash position of the UNDP Award ID 00060959 and Project ID 00076990 - Clearing for Results (Phase II) ("CFRII" or "the Project"), which is expressed in United States dollars ("US\$") has been prepared in accordance with the cash basis of accounting. This is a basis of accounting that is designed to meet the UNDP accounting requirements for the implementing partner; it is not designed to produce a statement that is compatible with International Financial Reporting Standards. Under this basis of accounting; expenditure is recognised when payments are made rather than when incurred. Payments are made by the implementing partner or by the UNDP Country Office.

The accompanying statement of cash position was prepared for the purpose of complying with UNDP Award ID 00060959 and Project ID 00076990 between UNDP and the implementing partner and the UNDP accounting requirements.

(b) Foreign currencies

The statement of cash position is presented in United States dollars ("US\$"). Cash balances in currencies other than US\$ are recorded at the UNDP exchange rate at 31 December 2011.

(c) Corresponding figures

Corresponding figures are not required by the accounting practices prescribed by the UNDP.

**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060959
PROJECT ID 00076990
CLEARING FOR RESULTS (PHASE II)**

**PART 3
AUDITED STATEMENT OF ASSETS AND EQUIPMENT
AS AT 31 DECEMBER 2011**

Report of the independent auditors on the statement of assets and equipment

To the National Program Director of the Cambodian Mine Action and Victim Assistance Authority and the Country Director of the United Nations Development Programme

We have audited the accompanying Statement of Assets and Equipment (“the Statement”) of the UNDP Award ID 00060959 and Project ID 00076990 – Clearing for Results (Phase II) (“CFRII” or “the Project”) implemented by the Cambodian Mine Action and Victim Assistance Authority (“CMAA” or “the Implementing Partner”) as at 31 December 2011, a summary of significant accounting policies and other explanatory information set out on pages 19 to 21. The statement has been prepared by the management of the Project based on the basis of accounting and accounting policies described in Note 1 to the statement.

Management’s responsibility for the statement

Management is responsible for the preparation of this statement in accordance with the basis of accounting and the accounting policies described in Note 1 to the statement, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of assets and equipment presents fairly, in all material respects, the assets and equipment balance of the Project amounting to US\$116,477 as at 31 December 2011 in accordance with the basis of accounting and the accounting policies described in Note 1 to the statement.

Other matter

We draw attention to Note 1 to the statement, which describes the basis of accounting and the accounting policies adopted by the Project. The statement is prepared for the information and use of the Project's management and UNDP. As a result, the statement may not be suitable for another purpose. This report is intended solely for the information and use of UNDP and the Royal Government of Cambodia.

For KPMG Cambodia Ltd

By Craig McDonald
Audit Partner

Phnom Penh, Cambodia

Date:

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

Statement of assets and equipment as at 31 December 2011

No	Description of Assets	Serial Number	Asset Code	Purchase Date	Quantity	Unit Price (USD)	Location	Donor/Activity
1	Laptop Dell E 6420 S/N 56G83R1	11273960701	CFR 2 - 446	6-Oct-11	1	1,119.00	Hang Vannara (QA Team)	00296
2	Laptop Dell E 6420 S/N 3CG83R1	7283930850	CFR2 - 447	6-Oct-11	1	1,119.00	Chim Chansideth (R&M)	00296
3	Laptop Dell E 6420 S/N 1CG83R1	29296284132	CFR2 - 448	6-Oct-11	1	1,119.00	Bun Narith (QA Team)	00078
4	Laptop Dell E 6420 S/N GBG84R1	35520897277	CFR2 - 449	6-Oct-11	1	1,119.00	Sang Sarath (QC Team)	00078
5	Laptop Dell E 6420 S/N 6DG83R1	13874006269	CFR2 - 450	6-Oct-11	1	1,119.00	Ek Sophan (PRD)	00078
6	Laptop Dell E 6420 S/N BBG83R1	42051244285	CFR2 - 451	6-Oct-11	1	1,119.00	Vong Vanny(SEPD)	00078
7	Laptop Dell E 6420 S/N DBG83R1	28990550269	CFR2 - 452	6-Oct-11	1	1,119.00	Hean Kimsin (SEPD)	00078
8	Laptop Dell E 6420 S/N BBG83R1	24636985597	CFR2 - 453	6-Oct-11	1	1,119.00	Keng Mony (SEPD)	00078
9	Laptop Dell E 6420 S/N 7BG81R1	15929856253	CFR2 - 454	6-Oct-11	1	1,119.00	Eng Pheap (CPU)	00078
10	Laptop Dell E 6420 S/N HBG83R1	37697679613	CFR2 - 455	6-Oct-11	1	1,119.00	Nem Veasna (GAD)	00078
11	Laptop Dell E 6420 S/N 36G83R1	69203960290	CFR2 - 456	6-Oct-11	1	1,119.00	Sreng Sorphea (GAD)	00078
12	Computer Laptop Macbook Pro MC724 ZP/A	(CO2G 54KUDR16)	CFR2 - 458	28-Dec-11	1	1,664.00	H.E Chum Bun Rong	00078
13	Computer Laptop Macbook Pro MC724 ZP/A	(CO2G 54KUDR19)	CFR2 - 459	28-Dec-11	1	1,664.00	H.E Prum Sophakmonkol	00078
14	Computer Laptop Macbook Pro MC724 ZP/A	(CO2G GID1DRJ9)	CFR2 - 460	28-Dec-11	1	1,664.00	H.E Prak Sokyou	00078
15	Mine Lap F3	(Serial No. N20948)	CFR2 - 484	29-Dec-11	1	3,897.00	QC Team	00078
16	Mine Lap F3	(Serial No. N20939)	CFR2 - 485	29-Dec-11	1	3,897.00	QC Team	00078
17	Mine Lap F3	(Serial No. N20973)	CFR2 - 486	29-Dec-11	1	3,897.00	QC Team	00078
18	Mine Lap F3	(Serial No. N20946)	CFR2 - 487	29-Dec-11	1	3,897.00	QC Team	00078
19	Mine Lap F3	(Serial No. N20947)	CFR2 - 488	29-Dec-11	1	3,897.00	QC Team	00078
20	Mine Lap F3	(Serial No. N20969)	CFR2 - 489	29-Dec-11	1	3,897.00	QC Team	00078
21	Mine Lap F3	(Serial No. N20962)	CFR2 - 490	29-Dec-11	1	3,897.00	QC Team	00078
22	Mine Lap F3	(Serial No. N20951)	CFR2 - 491	29-Dec-11	1	3,897.00	QC Team	00078

Draft subject to partner review – 19 April 2012

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

Statement of assets and equipment as at 31 December 2011

No	Description of Assets	Serial Number	Asset Code	Purchase Date	Quantity	Unit Price (USD)	Location	Donor/Activity
23	Car Pickup Ford Ranger 209428 Model2011	(MNCLSFE40BW977566)	CFR2 - 495	20-Dec-11	1	17,000.00	QA Team	00078
24	Car Pickup Ford Ranger 207947 Model2011	(MNCLSFE40BW977228)	CFR2 - 496	20-Dec-11	1	17,000.00	QA Team	00078
25	Car Pickup Ford Ranger 207967 Model2011	(MNCLSFE40BW977242)	CFR2 - 497	20-Dec-11	1	17,000.00	QC Team	00078
26	Car Pickup Ford Ranger 207977Model2011	(MNCLSFE40BW977246)	CFR2 - 498	20-Dec-11	1	17,000.00	QC Team	00078
Total						116,477.00		

Prepared by:

Ms. Eng Pheap
Chief of Procurement Unit

Date:

Verified by:

H.E Prak Sokyou
General Administration Manager

Date:

Seen and certified by:

H.E Prum Sophakmonkol
Project Manager

Date:

Approved by:

H.E Chum Bun Rong
Project Director

Date:

Draft subject to partner review – 19 April 2012

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

Note to the statement of assets and equipment

As at 31 December 2011

1. Significant accounting policies

(a) Basis of preparation

The statement of assets and equipment of the UNDP Award ID 00060959 and Project ID 00076990 – Clearing for Results (Phase II) (“CFRII” or “the Project”), which is expressed in United States dollars (“US\$”) has been prepared in accordance with the cash basis of accounting. This is a basis of accounting that is designed to meet the UNDP accounting requirements for the implementing partner; it is not designed to produce a statement that is compatible with International Financial Reporting Standards. Under this basis of accounting, expenditure is recognised when payments are made rather than when incurred. Payments are made by the implementing partner or by the UNDP Country Office.

The accompanying statement of assets and equipment was prepared for the purpose of complying with UNDP Award ID 00060959 and Project ID 00076990 between UNDP and the implementing partner and the UNDP accounting requirements.

(b) Non-expendable items

The purchase price and any directly attributable costs in acquiring the non-expendable items are recorded as expenses at the time the assets and equipment are acquired and payment is made. No depreciation or price adjustment on the statement of assets and equipment is made subsequent to purchases as they were already expensed.

Those expenditures are reported in the statement of expenditures (Combined Delivery Report) in their respective year of purchase.

For control purposes, the Project prepares a statement of assets and equipment. The statement of assets and equipment comprise non-expendable items whose cost is US\$1,000 and above.

(c) Foreign currencies

The statement of assets and equipment is presented in United States dollars (“US\$”). Transactions in currencies other than US\$ are recorded at the UNDP rate of exchange for the month when the expenditure was made.

**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060959
PROJECT ID 00076990
CLEARING FOR RESULTS (PHASE II)**

**PART 4
SUMMARY OF AUDIT RESULTS
FOR THE PERIOD FROM 1 JANUARY 2011 TO
31 DECEMBER 2011**

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

**Audit data and observations on the statement of expenditures (Combined Delivery Report)
for the period from 1 January 2011 to 31 December 2011**

Award No.	Project No.	Amount audited and certified (US\$)	Audit opinion (unqualified, qualified, adverse, disclaimer)	Total amount of qualification of audit opinion (if qualified, adverse or disclaimer opinion)	Total amount of Net financial impact (NFI) of qualification of audit opinion (if qualified, adverse or disclaimer opinion)	Reason(s) for qualification of audit opinion and breakdown of NFI amount	Observation(s) that had impact on qualification of audit opinion (list observation number(s) and page of audit report/management letter)
00060959	00076990	3,165,410	Unqualified	Nil	Nil	Not applicable	Not applicable

For KPMG Cambodia Ltd

By Craig McDonald
Audit Partner

Phnom Penh, Cambodia

Date:

Draft subject to partner review – 19 April 2012

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

Audit data and observations on the statement of cash position as at 31 December 2011

Award No.	Project No.	Value of Cash Position Statement as at 31 December 2011 (US\$)	Audit Opinion - Statement of Cash Position	Total amount of qualification - Statement of Cash Position (US\$)	Total amount of Net financial impact (NFI) of qualification of audit opinion - Statement of Cash Position (US\$)
00060959	00076990	19,440	Unqualified	Nil	Nil

For KPMG Cambodia Ltd

By Craig McDonald
Audit Partner

Phnom Penh, Cambodia

Date:

Draft subject to partner review – 19 April 2012

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060959

PROJECT ID 00076990

CLEARING FOR RESULTS (PHASE II)

Audit data and observations on the statement of assets and equipment as at 31 December 2011

Award No.	Project No.	Cost of Assets and equipment as at 31 December 2011 (cumulative from Project start date) (US\$)	Audit Opinion - Statement of Assets and Equipment	Total amount of qualification on the Statement of assets and equipment (US\$)	Total amount of Net financial impact (NFI) of qualification of audit opinion on Statement of assets and equipment (US\$)
00060959	00076990	116,477	Unqualified	Nil	Nil

For KPMG Cambodia Ltd

By Craig McDonald
Audit Partner

Phnom Penh, Cambodia

Date:

Draft subject to partner review – 19 April 2012



**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060959
PROJECT ID 00076990
CLEARING FOR RESULTS (PHASE II)**

**PART 5
MANAGEMENT LETTER
FOR THE PERIOD FROM 1 JANUARY 2011
TO 31 DECEMBER 2011**

H.E. Chum Bun Rong
Project Director
Cambodian Mine Action and Victim Assistance Authority
Phnom Penh
Kingdom of Cambodia

Date:

Dear Sir,

Management Letter – Audit for the period from 1 January 2011 to 31 December 2011

We have audited in accordance with International Standards on Auditing the statements of expenditures, cash position and assets and equipment (“the statements”) of the UNDP Award ID 00060959 and Project ID 00076990 – Clearing for Results (Phase II) (“CFRII” or “the Project”) for the period from 1 January 2011 to 31 December 2011, and have issued our report thereon dated _____. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the statements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Project’s preparation and fair presentation of the statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Project’s internal control.

As part of our finding procedures, we also looked at the Project’s internal control systems, which include the general review of the Project progress as well as the general assessment of internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These observations and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarised in the enclosed report.

Our audit procedures are designed primarily to enable us to form an opinion on the statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Project gained during our work to make comments and suggestions that we hope will be useful to you.

Our findings are grouped into the following categories:

- High:** Action that is considered imperative to ensure that UNDP is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).
- Medium:** Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
- Low:** Action that is considered desirable and should result in enhanced control or better value for money.

Draft subject to partner review – 19 April 2012



Our findings covered the following audit area:

Audit area

1. Financial management;
2. Project progress and rate of delivery;
3. Procurement of goods and services;
4. Human resources selection and administration;
5. Management and use of equipment/inventory;
6. Record keeping systems and controls; and
7. Management structure.

Furthermore, our findings were also classified by possible causes as follows:

Causes

1. Lack of/or inadequate policies/procedures/guidelines;
2. Lack of/or inadequate guidance/supervision at the project level;
3. Inadequate guidance/monitoring at UNDP country office level;
4. Lack of/or insufficient resources (specify: financial, human or, technical resources);
5. Inadequate planning;
6. Inadequate training;
7. Human error;
8. Intentional overriding of internal controls; and
9. Inadequate management structure.

We would be pleased to discuss these comments and recommendations with you at any time.

The Project’s written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of UNDP and the Royal Government of Cambodia.

Yours sincerely

Craig McDonald

Audit Partner

Draft subject to partner review – 19 April 2012



A. Summary of audit findings	Risk severity	Page
I Financial management		
1. Complying with Cambodian Law on Taxation	Low	30
2. Improving control over advance liquidation	Medium	31-32
3. Improving control over payment	Medium	33-34
II Project progress and rate of delivery		
4. Delay in performing the project activities	Medium	35
III Procurement of goods and services– no finding		
IV Human resources selection and administration – no finding		
V Management and use of equipment/inventory		
5. Improving control over non-expendable equipment	Medium	36-37
VI Record keeping systems and control		
6. Accounting system and IT Security	Medium	38
VII Management structure – no finding		
B. Appendix - Report on audit observations and recommendations		39-44



A. Summary of audit findings

1. Complying with Cambodian Law on Taxation

Risk : Low

Audit area : Financial management

Causes : Lack of/or inadequate policies/procedures/guidelines

Observation

- (i) Tax in respect of the salaries paid to the employees was not withheld and remitted to the General Department of Taxation (“GDT”).
- (ii) Withholding tax on payments made to local supplier i.e creative concept design service and rental services (car, helicopter, and Tuk Tuk) have not been withheld and remitted to the General Department of Taxation (“GDT”).

Implication

This could result in the imposition of penalties up to 40% of the unpaid tax, together with interest accruing at the rate of 2% per month. The Project would also be liable for the amount of tax not withheld.

Recommendation

- (i) Salary tax for all taxable employees should be withheld and remitted to the GDT within the required timeframe (i.e the 15th of the following month). The basis for salary tax calculation should include bonus payments and various allowances made during the month, if any.
- (ii) The Project should withhold tax from taxable services and remit it to the GDT.

Management’s response

CMAA:

UNDP's response



2. Improving control over advance liquidation

Risk : Medium

Audit area : Financial management

Causes : Lack of or inadequate guidance/ supervision at Project level

Observation

- (i) According to the UNDP guidelines, Chapter III (section iv, B-1, xix), it states that advances should be cleared within 10 working days after completion of the activities. We noted, however that certain advances were not cleared within the stipulated period; usually, it takes more than 10 days from the completion of the activities. For instance:

References	Amount in (US\$)	Activity completion date	Advance clearance date
JV/MSC/0001	2,608	27 Nov 11	04 Jan 12
JV/MSC/0006	2,530	18 Dec 11	16 Jan 12

- (ii) There are no supporting documents for the following advances:

Reference	Amount in (US\$)	Description
PV-11-103	4,390	Cash advance for DSA of delegation to visit to Singapore on 3-5 Oct 11
PV-11-112	2,209	Cash advance (80%) for PCM activities of MAPU BTB for Oct-Dec 11

- (iii) There is no logbook prepared by the Project to monitor and record issued and cleared advances.

Implication

- (i) Failure to properly account for and monitor advances on a timely basis increases the risk of the misappropriation and the misuse of funds originally allocated for project activities.
- (ii) In the absence of sufficient supporting documents, there is an increased risk of the misappropriation or misuse of funds.
- (iii) In the absence of cash advance records represent a weakness in control over advances payments. Accordingly, it increases the risk that expenses may not be properly controlled.



2. Improving control over advance liquidation (continued)

Recommendation

- (i) Cash advances should be liquidated on a timely basis as required by the UNDP guideline. Long outstanding advances should be promptly followed up.
- (ii) The management should ensure that supporting documents contain sufficient information to demonstrate the validity of transactions.
- (iii) A record or logbook of advances should be prepared and updated each time the advance is made and cleared or liquidated. The record/logbook should contain sufficient information (i.e name, cash advance form reference number, date of cash advance, amount advanced, date of clearing the advances, amount cleared).

Management’s response

CMAA:

UNDP's response



3. Improving control over payment

Risk : Medium

Audit area : Financial management

Causes : Lack of/or inadequate guidance/supervision at the project level

Observation

- (i) No report or minute were obtained and attached with the payment voucher as supporting documents when payments made for attending meeting or seminar, for examples:

Reference	Amount in US\$	Description
PV-11-071	5,080	Cash advance for DSA of delegation to Hanoi - VN, 17-20 Aug 11
PV-11-086	13,560	Costs for delegation to attend a meeting in Geneva, 03-07 Sep 2011

- (ii) Certain invoices were not stamped “PAID” to indicate that payment has already made.
- (iii) According to contract between CMAA and local implementing partner (IP), the IP is required to submit quarterly report to CMAA for approval before UNDP release payment. However, during our audit there is no original report for quarter two from CMAC-BMC available for our review.

Implication

- (i) Payments recorded may not be adequately supported by appropriate and sufficient documents. Funds may have been misused.
- (ii) There is a risk that payment vouchers and invoices may be presented for payment twice.
- (iii) Failure to properly check and verify documents supporting claims for payments increases the risk of misappropriation or the misuse of funds originally allocated for Project activities.

Recommendation

The management should ensure that supporting documents contain sufficient information to demonstrate the validity of transactions. Payment made by cheque or petty cash should not be approved if supporting documents have not been properly prepared and completed. All the payment vouchers attached with supporting documents should be reviewed and approved by the Management.



3. Improving control over payment (continued)

Management’s response

CMAA:

UNDP’s response

DRAFT



4. Delay in performing the Project activities

Risk : Medium

Audit area : Project progress and rate of delivery

Causes : Lack of/or inadequate guidance/supervision at the project level

Observation

We noted some significant delays in the Project’s implementation, which could affect the overall objectives of the Project. The activities experiencing significant delays are as follow:

- Activity 2 was not implemented.
- Activity 9 was implemented but not yet completed as at year end and was under budget by US\$22,000 or 13%.

Implication

The delay in implementing the Project’s activities results in a risk that, if project activities are not carried out on a timely basis, the donor may require substantial components to be cancelled or reduced to avoid overruns on administrative expenditures if the Project is extended. The donors may also conclude that the project is not a suitable partner for future projects of this nature and the resources required accommodating project delays could be better utilised for other activities.

Recommendation

Project management should take steps to implement the project activities on time with close monitoring and control on its progress compared to the planned timetable. If these timetables cannot be met, they should be adjusted with approval from the project management committee. Moreover, the progress report should be appropriately updated to present the status of the activity, that is, the reasons why the activities were delayed and what actions need to be taken.

Management’s response

CMAA:

UNDP's response



5. Improving control over non-expendable equipment

Risk : Medium

Audit area : Management and use of equipment/inventory

Causes : Lack of/or inadequate guidance/supervision at the project level

Observation

- (i) We understand that the Project has procedures with respect to the labelling of non-expendable equipment. However, during the performance of our physical verification of non-expendable equipment, we noted that some items were not properly tagged.

Per listing	Per physical asset
CFR 2 – 459	CFR 2 - 460
CFR 2 – 456	CFR 2 - 455

- (ii) Serial numbers are not entered for each asset on the non-expendable equipment listing.
- (iii) Physical verification of non-expendable equipment was not documented.

Implication

- (i)&(ii) Without properly tagged equipment and entered serial numbers, the management will find it difficult to ensure that items of non-expendable equipment are being properly maintained and used.
- (iii) Without documented minutes for non-expendable equipment verification, there is no evidence that the verification was performed. The project may face the risk that non-expendable equipment being lost, misused, or misappropriated without management being aware of this.

Recommendation

- (i) & (ii) The non-expendable equipment listing should be updated together with the serial numbers as soon as the status of the equipments changes.
- (iii) The project should prepare records evidencing physical verifications of non-expendable equipment. These should be reviewed by a senior member of the project management and be retained for reference when needed.



*United Nations Development Programme (“UNDP”)
Award ID 00060959
Project ID 00076990
Clearing for Results (Phase II)
Management letter
for the period from 1 January 2011 to 31 December 2011*

Management’s response

CMAA:

UNDP’s response

DRAFT



6. Accounting system and IT Security

Risk : Medium

Audit area : Record keeping systems and controls

Causes : Lack of/or inadequate policies/ procedures/guidelines

Observation

- (i) We noted that back-up was made for the accounting records of the Project into an external hard disk. However, the back-up data was not checked to ensure that all the information was stored and accessible.
- (ii) In addition, the back-up file was not kept offsite.

Implication

- (i) Without testing the backed-up data it cannot be established whether or not the back-up has been carried out as per the designed procedures. Consequently, restoration of the data may not be possible and any time spent backing-up data would have been an ineffective use of labour resources.
- (ii) Any accident can be incurred such as fire, thief etc. This indicates that the risk that back-up data is easily lost or damaged.

Recommendation

- (i) We recommend that the back-up restoration test should be performed by staff regularly to ensure that the procedures have been carried out as required. The result of testing the backup data should also be documented and reviewed by appropriate personnel.
- (ii) The Project should maintain back-up records in a safe place (i.e fire proof place and at a different location from the original data storage).

Management response

CMAA:

UNDP's response



B. Report on audit observations and recommendations (Appendix)

Observation No.	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Programme/CO Management Comments
1	<p>Complying with Cambodian Law on Taxation</p> <p>(i) Tax in respect of the salaries paid to the employees was not withheld and remitted to the General Department of Taxation (“GDT”).</p> <p>(ii) Withholding tax on payments made to local supplier i.e creative concept design service and rental services (car, helicopter, and Tuk Tuk) have not been withheld and remitted to the General Department of Taxation (“GDT”).</p>	<p>(i) Salary tax for all taxable employees should be withheld and remitted to the GDT within the required timeframe (i.e the 15th of the following month). The basis for salary tax calculation should include bonus payments and various allowances made during the month, if any.</p> <p>(ii) The Project should withhold tax from taxable services and remit it to the GDT.</p>	Financial Management	Lack of/or inadequate policies/procedures/guidelines	Low	
2	<p>Improving control over advance liquidation</p> <p>During our audit, we noted the following:</p> <p>(i) According to the UNDP guidelines, Chapter III (section iv, B-1, xix), it states that advances must be cleared within 10 working days after completion of the activities. We noted, however, that certain advances were not cleared</p>	<p>(i) Cash advances should be liquidated on a timely basis as required by the Finance and Administrative Manual. Long outstanding advances should be promptly followed up.</p> <p>(ii) The management should ensure that supporting</p>	Financial Management	Lack of or inadequate guidance/supervision at Project level.	Medium	

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B. Report on audit observations and recommendations (Appendix)

Observation No.	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Programme/CO Management Comments																					
	<p>within the stipulated period; usually, it takes more than 10 days from the completion of the activities.</p> <table border="1"> <thead> <tr> <th>References</th> <th>Amount in (US\$)</th> <th>Activity completion date</th> <th>Advance clearance date</th> </tr> </thead> <tbody> <tr> <td>JV/MSC/0001</td> <td>2,608</td> <td>27 Nov 11</td> <td>4 Jan 12</td> </tr> <tr> <td>JV/MSC/0006</td> <td>2,530</td> <td>18 Dec 11</td> <td>16 Jan 12</td> </tr> </tbody> </table> <p>(ii) There are no supporting documents for the following advances:</p> <table border="1"> <thead> <tr> <th>References</th> <th>Amount in (US\$)</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>PV-11-103</td> <td>4,390</td> <td>Cash advance for DSA of delegation to visit to Singapore on 3-5 Oct 11</td> </tr> <tr> <td>PV-11-112</td> <td>2,209</td> <td>Cash advance (80%) for PCM activities of MAPU BTB for Oct-Dec 11</td> </tr> </tbody> </table> <p>(iii) There is no logbook prepared by the Project to monitor and record issued and cleared advances.</p>	References	Amount in (US\$)	Activity completion date	Advance clearance date	JV/MSC/0001	2,608	27 Nov 11	4 Jan 12	JV/MSC/0006	2,530	18 Dec 11	16 Jan 12	References	Amount in (US\$)	Description	PV-11-103	4,390	Cash advance for DSA of delegation to visit to Singapore on 3-5 Oct 11	PV-11-112	2,209	Cash advance (80%) for PCM activities of MAPU BTB for Oct-Dec 11	<p>documents contain sufficient information to demonstrate the validity of transactions.</p> <p>(iii) A record or logbook of advances should be prepared and updated each time the advance is made and cleared or liquidated. The record/logbook should contain sufficient information (i.e name, cash advance form reference number, date of cash advance, amount advanced, date of clearing the advances, amount cleared).</p>				
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B. Report on audit observations and recommendations (Appendix)

Observation No.	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Programme/CO Management Comments									
3	<p>Improving control over payment</p> <p>(i) No report or minute were obtained and attached with the payment voucher as supporting documents when payments made for attending meeting or seminar, for examples:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">References</th> <th style="text-align: left;">Amount in (US\$)</th> <th style="text-align: left;">Description</th> </tr> </thead> <tbody> <tr> <td>PV-11-071</td> <td style="text-align: right;">5,080</td> <td>Cash advance for DSA of delegation to Hanoi - VN, 17-20 Aug 11</td> </tr> <tr> <td>PV-11-086</td> <td style="text-align: right;">13,560</td> <td>Costs for delegation to attend a meeting in Geneva, 03-07 Sep 2011</td> </tr> </tbody> </table> <p>(ii) Certain invoices were not stamped “PAID” to indicate that payment has already made.</p> <p>(iii) According to contract between CMAA and local implementing partner (IP), the IP is required to submit quarterly report to CMAA for approval before UNDP release payment. However, during our audit there is no original report for quarter two from CMAC-BMC available for our review.</p>	References	Amount in (US\$)	Description	PV-11-071	5,080	Cash advance for DSA of delegation to Hanoi - VN, 17-20 Aug 11	PV-11-086	13,560	Costs for delegation to attend a meeting in Geneva, 03-07 Sep 2011	<p>The management should ensure that supporting documents contain sufficient information to demonstrate the validity of transactions. Payment made by cheque or petty cash should not be approved if supporting documents have not been properly prepared and completed. All the payment vouchers attached with supporting documents should be reviewed and approved by the Management.</p>	Financial management	Lack of/or inadequate guidance/supervision at the project level	Medium	
References	Amount in (US\$)	Description													
PV-11-071	5,080	Cash advance for DSA of delegation to Hanoi - VN, 17-20 Aug 11													
PV-11-086	13,560	Costs for delegation to attend a meeting in Geneva, 03-07 Sep 2011													

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B. Report on audit observations and recommendations (Appendix)

Observation No.	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Programme/CO Management Comments
4	<p>Delay in performing the Project activities</p> <p>We noted some significant delays in the Project’s implementation, which could affect the overall objectives of the Project. The activities experiencing significant delays are as follow:</p> <ul style="list-style-type: none"> ▪ Activity 2 was not implemented. ▪ Activity 9 was implemented but not yet completed as at year end and was under budget by US\$22,000 or 13%. 	<p>Project management should take steps to implement the project activities on time with close monitoring and control on its progress compared to the planned timetable. If these timetables cannot be met, they should be adjusted with approval from the project management committee. Moreover, the progress report should be appropriately updated to present the status of the activity, that is, the reasons why the activities were delayed and what actions need to be taken.</p>	<p>Project progress and rate of delivery</p>	<p>Lack of/or inadequate guidance/supervision at the project level</p>	<p>Medium</p>	
5	<p>Improving control over non-expendable equipment</p> <p>(i) We understand that the Project has procedures with respect to the labelling of non-expendable equipment. However, during the performance of</p>	<p>(i)&(ii): The non-expendable equipment listing should be updated together with the serial numbers as soon as the status of the equipments changes.</p>	<p>Management and use of equipment/inventory</p>	<p>Lack of/or inadequate guidance/supervision at the project level</p>	<p>Medium</p>	



B. Report on audit observations and recommendations (Appendix)

Observation No.	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Programme/CO Management Comments
	<p>our physical verification of non-expendable equipment, we noted that some items were not properly tagged.</p> <p style="text-align: center;">Per listing Per physical asset</p> <p style="text-align: center;">CFR 2 - 459 CFR 2 - 460</p> <p style="text-align: center;">CFR 2 - 456 CFR 2 - 455</p> <p>(ii) Serial numbers are not entered for each asset on the non-expendable equipment listing.</p> <p>(iii) Physical verification of non-expendable equipment was not documented.</p>	(iii)The project should prepare records evidencing physical verifications of non-expendable equipment. These should be reviewed by a senior member of the project management and be retained for reference when needed.				
6	<p>Accounting system and IT Security</p> <p>(i) We further noted that back-up was made for the accounting records of the Project into an external hard disk. However, the back-up data was not checked to ensure that all the information was stored and accessible.</p>	(i) We recommend that the back-up restoration test should be performed by staff regularly to ensure that the procedures have been carried out as required. The result of testing the backup data should also be	Record keeping systems and controls	Lack of/or inadequate policies/procedures/guidelines	Medium	

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B. Report on audit observations and recommendations (Appendix)

Observation No.	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Programme/CO Management Comments
	(ii) The back-up file was not kept offsite.	documented and reviewed by appropriate personnel. (ii) The Project should maintain back-up records in a safe place (i.e fire proof place and at a different location from the original data storage).				

For KPMG Cambodia Ltd

By Craig McDonald
Audit Partner

Phnom Penh, Cambodia

Date: