

**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060049
PROJECT ID 00075402
STRENGTHENING SUSTAINABLE FOREST MANAGEMENT**

**AUDITED STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014**

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

PROJECT INFORMATION

PROJECT MANAGEMENT:

Chea Sam Ang, PhD, National Project Director,
Forestry Administration,
Ministry of Agriculture Forestry and Fisheries

Khorn Saret, PhD, National Project Manager,
Forestry Administration,
Ministry of Agriculture Forestry and Fisheries

Mr. Napoleon Navarro, Deputy Country Director-
Programme, UNDP

IMPLEMENTING PARTNER:

Forestry Administration/
Ministry of Agriculture Forestry and Fisheries

PRINCIPAL BANKER:

ANZ Royal Bank

AUDITORS:

BDO (Cambodia) Limited

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

CONTENTS		PAGE
PART 1	AUDITED STATEMENT OF EXPENDITURES (COMBINED DELIVERY REPORT)	1
	Report of Project Management on the statement of expenditures (Combined Delivery Report)	2
	Report of the independent auditors on the statement of expenditures (Combined Delivery Report)	3 - 4
	Statement of expenditures (Combined Delivery Report)	5 - 9
	Notes to the statement of expenditures (Combined Delivery Report)	10 - 12
PART 2	AUDITED STATEMENT OF CASH POSITION	13
	Report of Project Management on the statement of cash position	14
	Report of the independent auditors on the statement of cash position	15 - 16
	Statement of cash position	17
	Notes to the statement of cash position	18
PART 3	AUDITED STATEMENT OF ASSETS AND EQUIPMENT	19
	Report of Project Management on the statement of assets and equipment	20
	Report of the independent auditors on the statement of assets and equipment	21 - 22
	Statement of assets and equipment	23 - 26
	Notes to the statement of assets and equipment	27
PART 4	SUMMARY OF AUDITED RESULTS	28
	Audit data and observations on the statement of expenditures (Combined Delivery Report)	29
	Audit data and observations on the statement of cash position	30
	Audit data and observations on the statement of assets and equipment	31
PART 5	MANAGEMENT LETTER	32 - 39
PART 6	STATUS OF THE PREVIOUS YEAR'S AUDIT RECOMMENDATIONS	40 - 49

**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060049
PROJECT ID 00075402
STRENGTHENING SUSTAINABLE FOREST MANAGEMENT**

**PART 1
AUDITED STATEMENT OF EXPENDITURES
(COMBINED DELIVERY REPORT)
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014**

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

**REPORT OF PROJECT MANAGEMENT ON THE STATEMENT OF EXPENDITURES
(COMBINED DELIVERY REPORT)**

The Project Management hereby submits the report together with the audited statement of expenditures of Strengthening Sustainable Forest Management (“the Project”) for the period from 1 January 2014 to 31 December 2014.

Responsibility of the Project Management in respect of the statement of expenditures

The Project Management is responsible to ascertain that the statement of expenditures (“the statement”) presents fairly, in all material respects, the expenditures incurred by the Project for the period from 1 January 2014 to 31 December 2014 in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement. In preparing this statement, the Project Management is required to select suitable accounting policies and then apply them consistently.

The Project Management is responsible for ensuring that proper accounting records are kept which enable the statement to be prepared in compliance with the basis of preparation and accounting policies set out in Note 2 to the statement as well as in accordance with the Project Document signed on 11 March 2011 between United Nations Development Programme (“UNDP”) and Forestry Administration/Ministry of Agriculture Forestry and Fisheries. The Project Management is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Project Management assumes the responsibility to provide, and has provided, the auditors with all accounting records, supporting and other documents, minutes, and any other pertinent information and explanations, either orally or in writing, necessary for the audit.

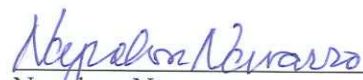
Statement by the Project Management

In the opinion of the Project Management, the statement set out on pages 5 to 12 presents fairly, in all material respects, the expenditures incurred by the Project for the period from 1 January 2014 to 31 December 2014 in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement.

Signed on behalf of the Project Management 



Chea Sam Ang, PhD
National Project Director,
Forestry Administration,
Ministry of Agriculture Forestry and Fisheries



Napoleon Navarro
Deputy Country Director -
Programme, UNDP

Phnom Penh, Cambodia
Date: 31 March 2015

REPORT OF THE INDEPENDENT AUDITORS ON THE STATEMENT OF EXPENDITURES (COMBINED DELIVERY REPORT) TO THE PROJECT MANAGEMENT OF STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

Report on the Statement

We have audited the accompanying statement of expenditures (“the statement”) of the UNDP Award ID 00060049 and Project ID 00075402 - Strengthening Sustainable Forest Management (“the Project”) in relation to the column titled “Govt Exp” with an expenditure of US\$970,103 implemented by the Forestry Administration/Ministry of Agriculture Forestry and Fisheries for the period from 1 January 2014 to 31 December 2014 and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 12.

Project Management’s Responsibility for the Statement

The Project Management is responsible for the preparation of the statement in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement, and for such internal control as the Project 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 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 Project’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 effectiveness of the Project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Project 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.

**REPORT OF THE INDEPENDENT AUDITORS ON THE STATEMENT OF EXPENDITURES
(COMBINED DELIVERY REPORT) TO THE PROJECT MANAGEMENT OF STRENGTHENING
SUSTAINABLE FOREST MANAGEMENT (continued)**

Opinion

In our opinion, the statement presents fairly, in all material respects, the expenditure of US\$970,103 incurred by Project for the period from 1 January 2014 to 31 December 2014 in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the statement, which describes the basis of preparation and significant accounting policies adopted by the Project. The statement is prepared for the information and use of the Project Management, UNDP and the Royal Government of Cambodia. As a result, the statement may not be suitable for another purpose.

Other Matter

We also draw attention to the fact that we have not audited the accompanying statement of expenditures of the UNDP Award ID 00060049 and Project ID 00075402 - Strengthening Sustainable Forest Management in relation to the columns titled "UNDP Exp" amounting to US\$112,629 made by UNDP Country Office as part of support service (as shown in Note 4 to the statement), "UN Agencies Exp" and "Total Exp" for the period from 1 January 2014 to 31 December 2014 and any of the related notes and accordingly, we do not express an opinion on them.



Lim Seng Siew
Partner

BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia
Date: 31 March 2015

Combined Delivery Report by Activity



UN Development Programme
Report ID: unglcdrb

Page 1 of 5
Run Time: 17-03-2015 07:03:44

Selection Criteria :

Business Unit : KHM10
Period : Jan-Dec (2014)
Selected Project Id : 00060049
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : 00060049 PIMS 4136 FSP MF: SSFM	Period :	Jan-Dec (2014)		
Output # : 00075402 Sustainable Forest Management	Impl. Partner :	00632 National Execution		
	Location :	Cambodia		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Activity : ACTIVITY1 (1. National Capacities & Tools)

Fund : 62000 (GEF Voluntary Contribution)

72115 - Svc Co-Natural Resources & Env	147,938.00	0.00	0.00	147,938.00
75706 - Learning - ticket costs	7,341.00	0.00	0.00	7,341.00
75707 - Learning - subsistence allowan	24,254.00	0.00	0.00	24,254.00
75709 - Learning - training of counter	53.00	0.00	0.00	53.00

Total for Fund 62000 179,586.00 0.00 0.00 179,586.00

Total for Activity ACTIVITY1 179,586.00 0.00 0.00 179,586.00

Activity : ACTIVITY2 (2. Community-based Sustain.SFM)

Fund : 04000 (Core Programme, UNU Centre)

72115 - Svc Co-Natural Resources & Env	195,500.00	0.00	0.00	195,500.00
73410 - Maint, Oper of Transport Equip	0.00	47.70	0.00	47.70

Total for Fund 04000 195,500.00 47.70 0.00 195,547.70

Fund : 62000 (GEF Voluntary Contribution)

72115 - Svc Co-Natural Resources & Env	182,838.00	0.00	0.00	182,838.00
74210 - Printing and Publications	5,787.00	0.00	0.00	5,787.00
74525 - Sundry	88.00	0.00	0.00	88.00
75705 - Learning costs	21,775.73	0.00	0.00	21,775.73

Total for Fund 62000 210,488.73 0.00 0.00 210,488.73

Total for Activity ACTIVITY2 405,988.73 47.70 0.00 406,036.43

Activity : ACTIVITY3 (3. Small and Medium Enterprise)

Fund : 04000 (Core Programme, UNU Centre)

72115 - Svc Co-Natural Resources & Env	186,035.00	0.00	0.00	186,035.00
----------------------------------------	------------	------	------	------------

Total for Fund 04000 186,035.00 0.00 0.00 186,035.00

Fund : 62000 (GEF Voluntary Contribution)

72115 - Svc Co-Natural Resources & Env	99,965.00	0.00	0.00	99,965.00
----------------------------------------	-----------	------	------	-----------

72

Combined Delivery Report by Activity



UN Development Programme
Report ID: unglcdrb

Page 2 of 5
Run Time: 17-03-2015 07:03:44

Project Id : 00060049 PIMS 4136 FSP MF: SSFM	Period :	Jan-Dec (2014)
Output # : 00075402 Sustainable Forest Management	Impl. Partner :	00632 National Execution
	Location :	Cambodia
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

72210 - Machinery and Equipment	22,150.00	0.00	0.00	22,150.00
Total for Fund 62000	122,115.00	0.00	0.00	122,115.00
Total for Activity ACTIVITY3	308,150.00	0.00	0.00	308,150.00

Activity : ACTIVITY4 (4. Monitoring and Evaluation)

Fund : 04000 (Core Programme, UNU Centre)

71205 - Intl Consultants-Sht Term-Tech	0.00	13,264.30	0.00	13,264.30
71405 - Service Contracts-Individuals	0.00	23,404.69	0.00	23,404.69
71410 - MAIP Premium SC	0.00	102.36	0.00	102.36
71415 - Contribution to Security SC	0.00	920.76	0.00	920.76
71620 - Daily Subsistence Allow-Local	0.00	9,685.80	0.00	9,685.80
71635 - Travel - Other	0.00	300.00	0.00	300.00
74110 - Audit Fees	0.00	2,908.00	0.00	2,908.00
74525 - Sundry	0.00	658.84	0.00	658.84
74598 - Direct Project Costs - GOE	0.00	4,520.19	0.00	4,520.19
74599 - UNDP cost recovery chrgs-Bills	0.00	0.00	0.00	0.00
75705 - Learning costs	0.00	9,309.00	0.00	9,309.00
75706 - Learning - ticket costs	0.00	187.00	0.00	187.00

Total for Fund 04000 0.00 65,260.94 0.00 65,260.94

Fund : 62000 (GEF Voluntary Contribution)

71610 - Travel Tickets-Local	809.00	0.00	0.00	809.00
71620 - Daily Subsistence Allow-Local	756.00	2,268.00	0.00	3,024.00
71635 - Travel - Other	0.00	56.00	0.00	56.00
73410 - Maint, Oper of Transport Equip	0.00	0.00	0.00	0.00
75705 - Learning costs	51,686.00	0.00	0.00	51,686.00
75706 - Learning - ticket costs	6,345.60	0.00	0.00	6,345.60
75707 - Learning - subsistence allowan	6,459.60	0.00	0.00	6,459.60
75709 - Learning - training of counter	337.40	0.00	0.00	337.40

Total for Fund 62000 66,393.60 2,324.00 0.00 68,717.60

Total for Activity ACTIVITY4 66,393.60 67,584.94 0.00 133,978.54

Activity : ACTIVITY5 (5. Project Management)

Fund : 04000 (Core Programme, UNU Centre)

71405 - Service Contracts-Individuals	0.00	40,933.07	0.00	40,933.07
71410 - MAIP Premium SC	0.00	176.49	0.00	176.49
71415 - Contribution to Security SC	0.00	1,589.01	0.00	1,589.01

Total for Fund 04000 0.00 42,698.57 0.00 42,698.57

Jr

Combined Delivery Report by Activity



UN Development Programme
Report ID: unglcdrb

Page 3 of 5
Run Time: 17-03-2015 07:03:44

Project Id : 00060049 PIMS 4136 FSP MF: SSFM	Period :	Jan-Dec (2014)
Output # : 00075402 Sustainable Forest Management	Impl. Partner :	00632 National Execution Cambodia
	Location :	

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Fund : 62000 (GEF Voluntary Contribution)				
72420 - Land Telephone Charges	224.05	0.00	0.00	224.05
72425 - Mobile Telephone Charges	2,990.00	0.00	0.00	2,990.00
72435 - E-mail-Subscription	1,620.00	0.00	0.00	1,620.00
72505 - Stationery & other Office Supp	211.70	0.00	0.00	211.70
73110 - Custodial & Cleaning Services	1,088.00	0.00	0.00	1,088.00
73405 - Rental & Maint-Other Office Eq	711.09	0.00	0.00	711.09
73410 - Maint, Oper of Transport Equip	1,395.46	2,298.02	0.00	3,693.48
74510 - Bank Charges	62.00	0.00	0.00	62.00
74525 - Sundry	1,682.07	0.00	0.00	1,682.07
Total for Fund 62000	9,984.37	2,298.02	0.00	12,282.39
Total for Activity ACTIVITY5	9,984.37	44,996.59	0.00	54,980.96
Total for Output : 00075402	970,102.70	112,629.23	0.00	1,082,731.93
Project Total :	970,102.70	112,629.23	0.00	1,082,731.93

Handwritten mark

Signed By : Chea Sam Ang, Ph.D Date : 31/03/2015

Signed By : Napoleon Navarro Napoleon Navarro Date : 31/03/2015
Deputy Country Director
Programmes.



Combined Delivery Report by Activity



UN Development Programme
Report ID: unglcdrv

Page 4 of 5
Run Time: 17-03-2015 07:03:45

Selection Criteria :

Business Unit : KHM10
Period : Jan-Dec (2014)
Selected Project Id : 00060049
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project Id : ALL	Period :	Jan-Dec (2014)			
Output # : ALL	Impl. Partner :				
	Location :				
		Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
39605 - Cambodia - Energy & Environmnt		970,102.70	112,629.23	0.00	1,082,731.93

Handwritten signature

Combined Delivery Report by Activity



UN Development Programme
Report ID: unglcdrb

Page 5 of 5
Run Time: 17-03-2015 07:03:09

Funds Utilization

Selection Criteria :

Business Unit : KHM10
Period : Jan-Dec (2014)
Selected Project Id : 00060049
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Project/Award: 00060049 PIMS 4136 FSP MF: SSFM

Period : As Of Dec31,2014

Output #	00075402	Impl. Partner :00632 National Execution	UNDP AMOUNT
Outstanding NEX advances			37,270.47
Undepreciated Fixed Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			0.00

Handwritten signature

UNITED NATIONS DEVELOPMENT PROGRAMME**AWARD ID 00060049****PROJECT ID 00075402****STRENGTHENING SUSTAINABLE FOREST MANAGEMENT****NOTES TO THE STATEMENT OF EXPENDITURES
(COMBINED DELIVERY REPORT)**

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

1. PROJECT BACKGROUND

The Strengthening Sustainable Forest Management (“the Project”) is set up in accordance with the project document signed on 11 March 2011 between UNDP and Forest Administration/Ministry of Agriculture Forestry and Fisheries acting as the implementing partner of the Project. The Project started its activities on 1 March 2011 for an estimated duration of four years.

The overall objective of the Project is to strengthen national sustainable forest management policy, integrate community-based sustainable forest management into policy, planning and investment frameworks, and create markets for sustainable bio-energy technologies that reduce carbon dioxide emissions. The Project planned to achieve the following results:

- Improvement of existing national capacities, policies and regulations which facilitate the widespread implementation of sustainable forest management, integrating energy efficiency, biodiversity, sustainable land management and livelihood consideration;
- Community-based sustainable forest management is being implemented effectively within a context of cantonment/province, district and commune level planning and delivering concrete benefits to local communities; and
- Strengthened demand and supply chain for energy efficient cook stoves.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation**

The statement of expenditures (Combined Delivery Report) of the UNDP Award ID 00060049 and Project ID 00075402 – Strengthening Sustainable Forest Management (“the Project”), which is expressed in United States Dollar (“US\$”), have been prepared in accordance with cash basis of accounting. Under this basis of accounting, expenditures are recognised when payments are made rather than when incurred, including the treatment of the advance payments to staff.

The accompanying statement of expenditures (Combined Deliver Report) was prepared for the purpose of complying with UNDP Award ID 00060049 and Project ID 00075402 between UNDP and implementing partner, and the UNDP accounting requirements.

2.2 Expenditures

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

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

**NOTES TO THE STATEMENT EXPENDITURES (continued)
(COMBINED DELIVERY REPORT)**

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 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 comprises non-expendable item whose cost is US\$400 and over.

2.4 Foreign exchange difference

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

2.5 Corresponding figures

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

3. COMBINED DELIVERY REPORT

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

3.1 Implementing partner (either Government or NGO)

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

3.2 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.

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

NOTES TO THE STATEMENT OF EXPENDITURES (continued)
(COMBINED DELIVERY REPORT)

3. COMBINED DELIVERY REPORT (continued)

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

- (ii) UNDP Support Services – This is where the government and UNDP have agreed that UNDP will provide support services to the Project and signed a Letter of Agreement. These support services must be described in the Letter of Agreement. UNDP is fully responsible and accountable for these expenditures and, accordingly, maintains all supporting documentation for the disbursement.

3.3 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 Exp” column in the CDR.

4. UNDP EXPENDITURES

	UNDP Direct payments US\$	UNDP Support services US\$ (Unaudited)	Total US\$ (Unaudited)
Total expenditures	<u>-</u>	<u>112,629</u>	<u>112,629</u>

**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060049
PROJECT ID 00075402
STRENGTHENING SUSTAINABLE FOREST MANAGEMENT**

**PART 2
AUDITED STATEMENT OF CASH POSITION
AS AT 31 DECEMBER 2014**

UNITED NATIONS DEVELOPMENT PROGRAMME**AWARD ID 00060049****PROJECT ID 00075402****STRENGTHENING SUSTAINABLE FOREST MANAGEMENT****REPORT OF PROJECT MANAGEMENT ON THE STATEMENT OF CASH POSITION**

The Project Management hereby submits the report together with the audited statement of cash position of Strengthening Sustainable Forest Management (“the Project”) as at 31 December 2014.

Responsibility of the Project Management in respect of the statement of cash position

The Project Management is responsible to ascertain that the statement of cash position (“the statement”) of the Project as at 31 December 2014 presents fairly, in all material respects, the cash balance of the Project as at 31 December 2014 in accordance with the basis of preparation and accounting policies set out in Note 1 to the statement. In preparing this statement, the Project Management is required to select suitable accounting policies and then apply them consistently.

The Project Management is responsible for ensuring that proper accounting records are kept which enable the statement to be prepared in compliance with the basis of preparation and accounting policies set out in Note 1 to the statement as well as in accordance with Project Document signed on 11 March 2011 between United Nations Development Programme (“UNDP”) and Forestry Administration/Ministry of Agriculture Forestry and Fisheries. The Project Management is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Project Management assumes the responsibility to provide, and has provided, the auditors with all accounting records, supporting and other documents, minutes, and any other pertinent information and explanations, either orally or in writing, necessary for the audit.

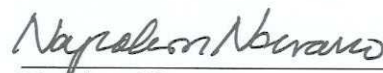
Statement by the Project Management

In the opinion of the Project Management, the statement set out on pages 17 to 18 presents fairly, in all material respects, the cash balance of the Project as at 31 December 2014 in accordance with the basis of preparation and accounting policies set out in Note 1 to the statement.

Signed on behalf of the Project Management 



Chea Sam Ang, PhD
National Project Director,
Forestry Administration,
Ministry of Agriculture Forestry and Fisheries



Napoleon Navarro
Deputy Country Director -
Programme, UNDP

Phnom Penh, Cambodia
Date: 31 March 2015

REPORT OF THE INDEPENDENT AUDITORS ON THE STATEMENT OF CASH POSITION TO THE PROJECT MANAGEMENT OF STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

Report on the Statement

We have audited the accompanying statement of cash position (“the statement”) of the UNDP Award ID 0060049 and Project ID 00075402 - Strengthening Sustainable Forest Management (“the Project”) with a balance of US\$34,801 implemented by the Forestry Administration/Ministry of Agriculture Forestry and Fisheries as at 31 December 2014 and a summary of significant accounting policies set out in Note 1 to the statement and other explanatory information, as set out on pages 17 to 18.

Project Management’s Responsibility for the Statement

The Project Management is responsible for the preparation of the statement in accordance with the basis of preparation and accounting policies set out in Note 1 to the statement, and for such internal control as the Project 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 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 Project’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 effectiveness of the Project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Project 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.

REPORT OF THE INDEPENDENT AUDITORS ON THE STATEMENT OF CASH POSITION TO THE PROJECT MANAGEMENT OF STRENGTHENING SUSTAINABLE FOREST MANAGEMENT (continued)

Opinion

In our opinion, the statement presents fairly, in all material respects, the cash balance of the Project amounting to US\$34,801 as at 31 December 2014 in accordance with the basis of preparation and accounting policies set out in Note 1 to the statement.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the statement, which describes the basis of preparation and significant accounting policies adopted by the Project. The statement is prepared for the information and use of the Project Management, UNDP and the Royal Government of Cambodia. As a result, the statement may not be suitable for another purpose.


Lim Seng Siew
Partner



BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia
Date: 31 March 2015

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

STATEMENT OF CASH POSITION AS AT 31 DECEMBER 2014

As at
31 December 2014
US\$

Cash in bank

34,801

Prepared by:

Certified by:



Name: Nuon Chenda
Position: Project Assistant

Name: Khorn Saret, PhD
Position: National Project Manager

Date: 31 March 2015

Date: 31 March 2015

Approved by:



Name: Chea Sam Ang, PhD
Position: National Project Director

Date: 31 March 2015



UNITED NATIONS DEVELOPMENT PROGRAMME**AWARD ID 00060049****PROJECT ID 00075402****STRENGTHENING SUSTAINABLE FOREST MANAGEMENT****NOTES TO THE STATEMENT OF CASH POSITION****1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES****1.1 Basis of preparation**

The statement of cash position of the UNDP Award ID 00060049 and Project ID 00075402 – Strengthening Sustainable Forest Management (“the Project”), which is expressed in United States Dollar (“US\$”), has been prepared in accordance with cash basis of accounting. Under this basis of accounting, expenditures are recognised when payments are made rather than when incurred, including the treatment of the advance payments to staff.

The accompanying statement of cash position was prepared for the purpose of complying with UNDP Award ID 00060049 and Project ID 00075402 between UNDP and implementing partner, and the UNDP accounting requirements.

1.2 Foreign exchange difference

The statement of cash position is presented in US\$. Cash balance in currencies other than US\$ are recorded at the UNDP exchange rate at 31 December 2014.

1.3 Corresponding figures

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

**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060049
PROJECT ID 00075402
STRENGTHENING SUSTAINABLE FOREST MANAGEMENT**

**PART 3
AUDITED STATEMENT OF ASSETS AND EQUIPMENT
AS AT 31 DECEMBER 2014**

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

REPORT OF PROJECT MANAGEMENT OF THE STATEMENT OF ASSETS AND EQUIPMENT

The Project Management hereby submits the report together with the audited statement of assets and equipment of Strengthening Sustainable Forest Management (“the Project”) as at 31 December 2014.

Responsibility of the Project Management in respect of the statement of assets and equipment

The Project Management is responsible to ascertain that the statement of assets and equipment (“the statement”) of the Project as at 31 December 2014 presents fairly, in all material respects, the assets and equipment balance of the Project as at 31 December 2014 in accordance with the basis of preparation and accounting policies set out in Note 1 to the statement. In preparing this statement, the Project Management is required to select suitable accounting policies and then apply them consistently.


The Project Management is responsible for ensuring that proper accounting records are kept which enable the statement to be prepared in compliance with the basis of preparation and accounting policies set out in Note 1 to the statement as well as in accordance with Project Document signed on 11 March 2011 between United Nations Development Programme (“UNDP”) and Forestry Administration/Ministry of Agriculture Forestry and Fisheries. The Project Management is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Project Management assumes the responsibility to provide, and has provided, the auditors with all accounting records, supporting and other documents, minutes, and any other pertinent information and explanations, either orally or in writing, necessary for the audit.

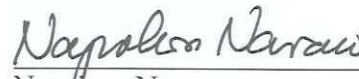
Statement by the Project Management

In the opinion of the Project Management, the statement set out on pages 23 to 27 presents fairly, in all material respects, the assets and equipment balance of the Project as at 31 December 2014 in accordance with the basis of preparation and accounting policies set out in Note 1 to the statement.

Signed on behalf of the Project Management 


 Chea Sam Ang, PhD
 National Project Director,
 Forestry Administration,
 Ministry of Agriculture Forestry and Fisheries

Phnom Penh, Cambodia
 Date: 31 March 2015


 Napoleon Navarro
 Deputy Country Director -
 Programme, UNDP

REPORT OF THE INDEPENDENT AUDITORS ON THE STATEMENT OF ASSETS AND EQUIPMENT TO THE PROJECT MANAGEMENT OF STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

Report on the Statement

We have audited the accompanying statement of assets and equipment (“the statement”) of the UNDP Award ID 00060049 and Project ID 00075402 - Strengthening Sustainable Forest Management (“the Project”) with a balance of US\$92,994 implemented by the Forestry Administration/Ministry of Agriculture Forestry and Fisheries as at 31 December 2014 and a summary of significant accounting policies set out in Note 1 to the statement and other explanatory information, as set out on pages 23 to 27.

Project Management’s Responsibility for the Statement

The Project Management is responsible for the preparation of the statement in accordance with the basis of preparation and accounting policies set out in Note 1 to the statement, and for such internal control as the Project 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 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 Project’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 effectiveness of the Project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Project 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.

REPORT OF THE INDEPENDENT AUDITORS ON THE STATEMENT OF ASSETS AND EQUIPMENT TO THE PROJECT MANAGEMENT OF STRENGTHENING SUSTAINABLE FOREST MANAGEMENT (continued)

Opinion

In our opinion, the statement presents fairly, in all material respects, the assets and equipment balance of the Project amounting to US\$92,994 as at 31 December 2014 in accordance with the basis of preparation and accounting policies set out in Note 1 to the statement.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the statement, which describes the basis of preparation and accounting policies adopted by the Project. The statement is prepared for the information and use of the Project Management, UNDP and the Royal Government of Cambodia. As a result, the statement may not be suitable for another purpose.


Lim Seng Siew
Partner



BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia
Date: 31 March 2015

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

Statement of assets and equipment as at 31 December 2014

No	Description of Assets	Serial Number	Asset Code	Purchase Date	Quantity	Unit price (US\$)	Location
1	Dell OptiPlex 380MT Desktop	S/N: CN-04-H19R-72872-1AH-CYiM ; Dell black S/N: 7V4X82S	0001	13/12/2011	1	605	Chenda Nuon, PA
2	MacBook Pro (MD314ZP/A)	S/N: C02GH19HV14	0002	13/12/2011	1	1,510	NPM Office
3	MacBook Pro (MD314ZP/A)	S/N: C02GG8GADV14	0003	13/12/2011	1	1,510	Chea Sam Ang, NPD
4	MacBook Pro (MD314ZP/A)	S/N: C02GG8F4DV14	0004	13/12/2011	1	1,510	Khorn Saret, NPM
5	HP LJ 5200 printer Laser	Q7543A; S/N: CNHXN06854	0005	13/12/2011	1	1,150	SFM Office
6	Lenovo ThinkPad T510	S/N: R8-7P2D0	0006	26/02/2012	1	1,456	Project Office
7	SHARP Photo Copy machine	S/N: 13078529	00015	15/05/2012	1	2,980	SFM Office
8	Nikon D5100	S/N: 2066187	00016	18/05/2012	1	749	SFM Office

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

Statement of assets and equipment as at 31 December 2014 (Continued)

No	Description of Assets	Serial Number	Asset Code	Purchase Date	Quantity	Unit price (US\$)	Location
9	FORD RANGER Model 2012	PF2HPCR35567	00021	26/06/2016	1	24,701	Khorn Saret
10	LCD projector SONY VPL DX 11	S/N: 5007373	00023	17/07/2012	1	1,099	SFM Office
11	Color Printer	S/N: CNJ6D5X05R	00024	17/07/2012	1	490	SFM Office
12	Video Camera, SONY HDR PJ600VE	S/N: 1720091	00025	04/09/2012	1	1,099	SFM Office
13	SONY Laptop VPC-S13116FG-Black	S/N: 27554401-7001007	00026	03/12/2012	1	1,150	SFM focal Point, MLMUPC
14	SONY Laptop VPC-S13116FG-Black	S/N: 275544017001007	00027	03/12/2012	1	1,150	SFM focal Point, MIME
15	SONY Laptop VPC-S13116FG-White	S/N: 27554407-7000785	00028	03/12/2012	1	1,150	Nhem Sovanna, SFM
16	Desktop: Dell CPU	S/N: D91FF2S	00029	03/12/2012	1	445	Project Office
17	Monitor LCD 20 in, Widescreen	S/N: CN-06KTXV-64180-26B-1FDS	00030	03/12/2012	1	130	Project Office

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

Statement of assets and equipment as at 31 December 2014 (Continued)

No	Description of Assets	Serial Number	Asset Code	Purchase Date	Quantity	Unit price (US\$)	Location
18	Desktop: Dell CPU	S/N: 3C1FF2S	00031	03/12/2012	1	445	Project Office
19	Monitor LCD 20 in, Widescreen	S/N: CN-06KTXV-64180-25P-15-V	00032	03/12/2012	1	130	Project Office
20	TOYOTA LAND CRUISER, Model 2012	1VD 0188996	00034	17/01/2013	1	42,865	Chea Sam Ang, NPD
21	AirCon Panasonic	CU_CS -S13MKH	00035	02/02/2012	1	460	SFM Office
22	AirCon Panasonic	CU_CS -S13MKH	00036	02/02/2012	1	460	SFM Office
23	SONY Laptop VPC-SVS13126 Black	S/N: 54511261 0001223	00039	03/07/2013	1	1,070	SFM focal Point, FA/Co
24	Dell OptiPlex 9010 AIO, Desktop	S/T: 1FG6NW1	00040	09/09/2013	1	890	Chea Sam Ang, NPD
25	HP Laser Jet Pro 200 Colour MFP M27n	S/N: CND8F4Q5M4	00041	10/09/2013	1	550	SFM focal Point, MLMUPC

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

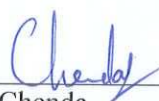
PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

Statement of assets and equipment as at 31 December 2014 (Continued)

No	Description of Assets	Serial Number	Asset Code	Purchase Date	Quantity	Unit price (US\$)	Location
26	HP Laser Jet Pro 200 Colour MFP M27n	S/N: CND8F4Q5NS	00042	10/09/2013	1	550	SFM focal Point, MIME
27	HP Laser Jet Pro 200 Colour MFP M27n	S/N: CND8F4Q5NF	00043	10/09/2013	1	550	SFM focal Point, FA/Co
28	MacBook Air (MD760ZP/B12 8GB)	S/N: C02NDVFAG085	00044	14/11/2014	1	1,070	Marona Srey, SFM focal point, MoE
29	MacBook Air (MD760ZP/B12 8GB)	S/N: C02NDPBQG085	00045	14/11/2014	1	1,070	Kon Serey Rotha, SFM focal point, MoE
Total						92,994	

Prepared by:



Nuon Chenda
Project Assistant

Date: 31 March 2015

Checked by:



Khorn Saret, PhD
National Project Manager

Date: 31 March 2015

Approved by:



Chea Sam Ang, PhD
National Project Director

Date: 31 March 2015



UNITED NATIONS DEVELOPMENT PROGRAMME**AWARD ID 00060049****PROJECT ID 00075402****STRENGTHENING SUSTAINABLE FOREST MANAGEMENT****NOTES TO THE STATEMENT OF ASSETS AND EQUIPMENT****1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES****1.1 Basis of preparation**

The statement of assets and equipment of the UNDP Award ID 00060049 and Project ID 00075402 – Strengthening Sustainable Forest Management (“the Project”), which are expressed in United States Dollar (“US\$”), have been prepared in accordance with cash basis of accounting. Under this basis of accounting, expenditures are recognised when payments are made rather than when incurred, including the treatment of the advance payments to staff.

The accompanying statement of assets and equipment was prepared for the purpose of complying with UNDP Award ID 00060049 and Project ID 00075402 between UNDP and implementing partner, and the UNDP accounting requirements.

1.2 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\$400 and above.

1.3 Foreign exchange difference

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

1.4 Corresponding figures

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

**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 00060049
PROJECT ID 00075402
STRENGTHENING SUSTAINABLE FOREST MANAGEMENT**

**PART 4
SUMMARY OF AUDIT RESULTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014**

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

AUDIT DATA AND OBSERVATIONS ON THE STATEMENT OF EXPENDITURES (COMBINED DELIVERY REPORT)
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

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 (US\$)	Observation(s) that had impact on qualification of audit opinion (list observation number(s) and page of audit report/management letter)
00064631	00081323	970,103	Unqualified	Nil	Nil	Not applicable	Not applicable



Lim Seng Siew
Partner

BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia
Date: 31 March 2015

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049


PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

AUDIT DATA AND OBSERVATIONS ON THE STATEMENT OF CASH POSITION
AS AT 31 DECEMBER 2014

Award No.	Project ID.	Value of Cash Position Statement as at 31 December 2014 (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\$)
00060049	00075402	34,801	Unqualified	Nil	Nil


Lim Seng Siew
Partner


BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia

Date: 31 March 2015

UNITED NATIONS DEVELOPMENT PROGRAMME

AWARD ID 00060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

AUDIT DATA AND OBSERVATIONS ON THE STATEMENT OF ASSETS AND EQUIPMENT
AS AT 31 DECEMBER 2014

Award No.	Project No.	Cost of assets and equipment as at 31 December 2014 (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\$)
00060049	00075402	92,994	Unqualified	Nil	Nil



Lim Seng Stew
Partner

BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia

Date: 31 March 2015

**UNITED NATIONS DEVELOPMENT PROGRAMME
CAMBODIA COUNTRY OFFICE**

**AWARD ID 0060049
PROJECT ID 00075402
STRENGTHENING SUSTAINABLE FOREST MANAGEMENT**

**PART 5
MANAGEMENT LETTER
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014**

Chea Sam Ang, PhD
National Project Director
Forestry Administration
Ministry of Agriculture Forestry and Fisheries
Phnom Penh, Kingdom of Cambodia

Our Ref: BDO/LSS/LKW/TS/SST
Date: 31 March 2015

Dear Sir

**STRENGTHENING SUSTAINABLE FOREST MANAGEMENT
AUDIT FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014**

We have completed the audit on the statements of expenditure (Combined Delivery Report), cash position and assets and equipment (“the statements”) of the UNDP Award ID 0060049 and Project ID 00075402 - Strengthening Sustainable Forest Management (“the Project”) for the period from 1 January 2014 to 31 December 2014. As part of our audit, we have obtained an understanding of the internal control process of the Project to establish the reliance, which we may place thereon in determining the nature, timing and extent of our substantive auditing procedures.

During the course of our audit, we noted weaknesses in the internal control systems that require improvement and management letters have been issued accordingly. However, the matters cover only weaknesses, which have come to our attention as a result of the audit and that our examination had not been designed to determine the adequacy of the internal controls process of the Project or to identify/highlight all weaknesses.

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.

Our findings covered the following audit areas:

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:

1. Lack of/Inadequate policies/procedures/guidelines;
2. Lack of/Inadequate guidance/supervision at the project level;
3. Inadequate guidance/monitoring at UNDP country office level;
4. Lack of/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.

Our recommendations are meant as a form of constructive advice to the Project and its management. Please note that the recommendations in the management letters do not provide absolute assurance to the achievements of the Project's objectives. It provides a mean in assisting and meeting your needs to minimise or off-set unwanted risks.

We have incorporated the Project Management's responses to the various comments enclosed in the attached report for your attention.

We would like to take this opportunity to thank the Project Management and staff for the co-operation and kind assistance granted to us during the course of our audit.

Yours faithfully


Lim Seng Siew
Partner
Encl.



UNITED NATIONS DEVELOPMENT PROGRAMME (“UNDP”)

AWARD ID 0060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

MANAGEMENT LETTER

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

A. SUMMARY OF AUDIT FINDINGS	RISK SEVERITY	PAGE
I. Financial management		
1. Understatement of expenses	Low	36
2. Ineligible expenses	Medium	37
II. Project progress and rate of delivery - no finding		
III. Procurement of goods and services		
3. Request for quotation	Low	38
IV. Human resources selection and administration - no finding		
V. Management and use of equipment/inventory - no finding		
VI. Record keeping systems and controls		
4. Accounting software	Medium	39
VII. Management structure - no finding		
B. APPENDIX - REPORT ON AUDIT OBSERVATIONS AND RECOMMENDATIONS		40 - 49

UNITED NATIONS DEVELOPMENT PROGRAMME (“UNDP”)

AWARD ID 0060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT**MANAGEMENT LETTER****FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014****A. SUMMARY OF AUDIT FINDINGS****1. Understatement of expenses****Risk** : Low**Audit area** : Financial management**Causes** : Lack of/Inadequate guidance/supervision at the project level*Observation*

- a. We noted that expenditures paid by petty cash were recorded to the General Ledger at the time when the petty cash is replenished rather than when payment is made.
- b. No expenses were recorded for the petty cash replenishment of US\$202.

Implication

- a. Expenses may not be recorded in the appropriate financial period.
- b. This resulted in an understatement of expenses of US\$202 in the current financial period.

Recommendation

- a. We recommend that expenses should be recorded at the time of payment made regardless whether the payment was made by cash or through bank.
- b. The Project Management should discuss with UNDP for further action on the un-recording of the US\$202 expense.

Management’s response

The Project Management takes notes of the auditor’s observation and will take appropriate actions in response to audit recommendation.

CO’s response

We agreed with the audit finding and recommendation.

UNITED NATIONS DEVELOPMENT PROGRAMME (“UNDP”)

AWARD ID 0060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT**MANAGEMENT LETTER****FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014****A. SUMMARY OF AUDIT FINDINGS****2. Ineligible expenses****Risk** : Medium**Audit area** : Financial management**Causes** : Lack of/Inadequate guidance/supervision at the project level*Observation*

During the course of our audit, we noted that there is a difference of US\$2,257 between the Combined Delivery Report (CDR) and the Funding Authorisation and Certificate of Expenditures (FACE) report in respect of the second quarter of 2014. The difference was due to the fact that the expenses for telephone and Daily Substance Allowances (DSA) amounting to US\$126 and US\$2,131 respectively were not approved by UNDP, as the payments were in excess of the limits authorised by UNDP.

Implication

Unapproved expenditures are considered as ineligible expenses and are to be refunded to UNDP.

Recommendation

Project Management should review the requests for expenditure to ensure they are allowed by UNDP to avoid being ineligible expenditures.

Management's response

We take note of the finding. Our project also attempted to recover US\$ 2,257 distributed to meeting participants. But it was impossible to recover such amount from them. Given our continuing collaboration, and in the spirit of mutual cooperation and understanding, we would like to request for CO to waive the request to return of the uncertified amount of US\$ 2,257.

CO's response

CO agrees with the audit findings. CO will issue a reminder letter to IP to re-fund the amount back to the Project by end of quarter 2 2015.

UNITED NATIONS DEVELOPMENT PROGRAMME (“UNDP”)

AWARD ID 0060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

MANAGEMENT LETTER

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

A. SUMMARY OF AUDIT FINDINGS

3. Request for quotation

Risk : Low

Audit area : Procurement of goods and services

Causes : Lack of/Inadequate guidance/supervision at the project level

Observation

We noted that requests for quotation were sent to all hotels and suppliers of computers in the Carbon Copy (CC) list rather than sending to each individual hotel and supplier of computers.

Implication

This practice may result in the hotels and suppliers of computers colluding with each other, resulting in a higher quotation.

Recommendation

We recommend that request for quotation should be sent separately to each party concerned.

Management’s response

The Project management takes notes of the auditor’s observation and will take appropriate actions in respond to audit recommendation.

CO’s response

We agreed with the audit finding and recommendation.

UNITED NATIONS DEVELOPMENT PROGRAMME (“UNDP”)

AWARD ID 0060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT**MANAGEMENT LETTER****FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014****A. SUMMARY OF AUDIT FINDINGS****4. Accounting software****Risk** : Medium**Audit area** : Record keeping systems and controls**Causes** : Lack of/Inadequate guidance/supervision at the project level*Observation*

During the course of our audit, we noted that:

- a. The Project Assistant uses an unauthorised version of Microsoft Excel software for recording transactions.
- b. Transactions were not recorded as double entries. Only one entry (expenditure) was recorded for all transactions.

Implication

- a. Microsoft Excel is not accounting software and the use of an unauthorised version is not legal. The recording of accounting entries using this software could result in loss of data or system errors.
- b. Single entry recording may result in the misstatement of the accounting entries.

Recommendation

- a. We recommend that the Project should purchase and use a legal version of accounting software from an approved vendor.
- b. We recommend that transactions should be recorded by double entries.

Management's response

The project management takes note of the auditor's observations, but project already purchased the accounting software and used in 2015.

CO's response

We agree with the audit finding and recommendation. CO will strictly recommend the IP to use the legal version of accounting software from approve vendor.

UNITED NATIONS DEVELOPMENT PROGRAMME (“UNDP”)

AWARD ID 0060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

MANAGEMENT LETTER

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

B. APPENDIX - REPORT ON AUDIT OBSERVATIONS AND RECOMMENDATIONS

Observation No.	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Project/CO Management Comments
1	<p>Understatement of expenses</p> <p>a. We noted that expenditures paid by petty cash were recorded to the General Ledger at the time when the petty cash is replenished rather than when payment is made.</p> <p>b. No expenses were recorded for the petty cash replenishment of US\$202.</p>	<p>c. We recommend that expenses should be recorded at the time of payment made regardless whether the payment was made by cash or through bank.</p> <p>d. The Project Management should discuss with UNDP for further action on the un-recording of the US\$202 expense.</p>	Financial management	Lack of/ Inadequate guidance/ supervision at the project level	Low	<p><i>Management's response</i> The Project management takes notes of the auditor's observation and will take appropriated actions in response to audit recommendation.</p> <p><i>CO's response</i> We agreed with the audit finding and recommendation.</p>

UNITED NATIONS DEVELOPMENT PROGRAMME (“UNDP”)

AWARD ID 0060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

MANAGEMENT LETTER

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

B. APPENDIX - REPORT ON AUDIT OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No.	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Project/CO Management Comments
2	<p>Ineligible expenses</p> <p>During the course of our audit, we noted that there is a difference of US\$2,257 between the Combined Delivery Report (CDR) and the Funding Authorisation and Certificate of Expenditures (FACE) report in respect of the second quarter of 2014. The difference was due to the fact that the expenses for telephone and Daily Substance Allowances (DSA) amounting to US\$126 and US\$2,131 respectively were not approved by UNDP, as the payments were in excess of the limits authorized by UNDP.</p>	<p>Project Management should review the requests for expenditure to ensure they are allowed by UNDP to avoid being ineligible expenditures.</p>	<p>Financial management</p>	<p>Lack of / Inadequate guidance / supervision at the project level</p>	<p>Medium</p>	<p><i>Management's response</i> We take note of the finding. Our project also attempted to recover US\$ 2,257 distributed to meeting participants. But it was impossible to recover such amount from them. Given our continuing collaboration, and in the spirit of mutual cooperation and understanding, we would like to request for CO to waive the request to return of the uncertified amount of US\$ 2,257.</p> <p><i>CO's response</i> CO agrees with the audit findings. CO will issue a reminder letter to IP to re-fund the amount back to the Project by end of quarter 2 2015.</p>

UNITED NATIONS DEVELOPMENT PROGRAMME (“UNDP”)

AWARD ID 0060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

MANAGEMENT LETTER

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

B. APPENDIX - REPORT ON AUDIT OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No.	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Project/CO Management Comments
3	<p>Request for quotations</p> <p>During the course of our audit, we noted that requests for quotation were sent to all hotels and suppliers of computers in the Carbon Copy (CC) list rather than sending to each individual hotel and supplier of computers.</p>	<p>We recommend that request for quotation should be sent separately to each party concerned.</p>	<p>Procurement of goods and services</p>	<p>Lack of/ Inadequate guidance/ Supervision at the project level</p>	<p>Low</p>	<p><i>Management's response</i> The Project management takes notes of the auditor's observation and will take appropriate actions in respond to audit recommendation.</p> <p><i>CO's response</i> We agreed with the audit finding and recommendation.</p>

UNITED NATIONS DEVELOPMENT PROGRAMME (“UNDP”)

AWARD ID 0060049

PROJECT ID 00075402

STRENGTHENING SUSTAINABLE FOREST MANAGEMENT

MANAGEMENT LETTER

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

B. APPENDIX - REPORT ON AUDIT OBSERVATIONS AND RECOMMENDATIONS (Continued)

Observation No.	Audit Observation	Recommendation	Audit Area	Audit Cause	Risk Severity	Project/CO Management Comments
4	<p>Accounting software</p> <p>During the course of our audit, we noted that:</p> <p>a. The Project Assistant uses an unauthorised version of Microsoft Excel software for recording transactions due to the errors experienced in the Peachtree accounting software.</p> <p>b. Transactions were not recorded as double entries. Only one entry (expenditure) was recorded for all transactions.</p>	<p>a. We recommend that the Project should purchase and use a legal version of accounting software from an approved vendor.</p> <p>b. We recommend that transactions should be recorded by double entries.</p>	Record keeping systems and controls	Lack of/ Inadequate guidance/ Supervision at the project level	Medium	<p><i>Management's response</i></p> <p>The project management takes note of the auditor's observations, but project already purchased the accounting software and used in 2015.</p> <p><i>CO's response</i></p> <p>We agree with the audit finding and recommendation. CO will strictly recommend the IP to use the legal version of accounting software from approve vendor.</p>



Lim Seng Siew
Partner

BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia
Date: 31 March 2015