

# Financial Management Assessment

---

Project Number: 47070-002  
November 2015

People's Republic of China: Hunan Dongjiang Lake  
Integrated Environmental Protection and  
Management Project



## Table of Contents

Financial Management Assessment.....	3
1 Summary.....	3
2 Executing Agency.....	4
3 Implementing Agency and Project Implementation Unit.....	4
3.1 Organization legal Status and Institutional arrangement .....	5
3.2 Fund Flow Arrangement.....	5
3.3 Staffing .....	6
3.4 Accounting Policies and Procedures.....	7
3.5 Internal Audit and External Audit .....	8
3.6 Reporting and Monitoring.....	8
3.7 Information System .....	8
4 Risk Assessment.....	8
4.1 Inherent Risk .....	9
4.2 Control Risk .....	10
5 Action Plan.....	11

Attachment 1: Financial Management Assessment Questionnaires Prepared by ZCFD and ZIFC

Attachment 2: Historical Financial Statements of ZIFC



## Financial Management Assessment

### 1 Summary

1. The financial management assessment (FMA) was carried out in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects<sup>1</sup> and the publication Financial Due Diligence – A Methodology Note<sup>2</sup>. The instrument used for the assessment was Asian Development Bank's (ADB) financial management assessment questionnaire (FMAQ). The completed FMAQs are presented in attachment 1.

2. Zixing City Government (ZCG) is the executing agency (EA) of the project, and has extensive experience in the preparation and implementation management of projects funded by the World Bank. A new Zixing Project Management Office (ZPMO) has been established within the ZCG. It is responsible, on behalf of ZXG, for daily coordination and management of project preparation and implementation. Zixing City Finance Department (ZCFD) will be responsible, on behalf of ZCG, for financial management of the project, including ADB loan application, payment and repayment, providing counterpart fund for the project and so on.

3. Zixing Urban and Rural Environmental Protection Investment and Financing Center (ZIFC) is the implementation agency (IA) of the project. It is responsible for implementation of all subcomponents in Zixing city. It is an institutional agency which was established in 2014.

4. The scope of the FMA is to assess the financial management capacity of ZCFD and ZIFC. The assessment includes review of fund-flow arrangements, staffing, accounting policies and procedures, internal and external auditing arrangements, reporting and monitoring, and financial information systems and so on.

5. ZCFD has adequate financial staff, accounting policies and procedures, internal and external controls, audit arrangements, and reporting system. It has experience on World Bank and ADB projects. Therefore, proper training and support will still be required on ADB policies and procedures, including procurement, disbursement and project management.

6. ZIFC has sound financial management systems which can meet the minimum financial management requirements for their current activities. There are 4 staff in the financial department. They have experience with local large capital projects and foreign-funded projects. The proper training and support will also be required at IA level on ADB policies and procedures, including procurement, disbursement and project management. Therefore, external financial management assistance will be required.

7. ZCFB has sound financial management systems which can meet the minimum financial management requirements for their current activities. There is 5 staff in the Foreign Economic and Trade Division. They have experience on financial management of local large capital projects and foreign-funded projects. The proper training and support will also be required at EA level on ADB policies and procedures, including procurement, disbursement and project management.

8. The Hunan Provincial Finance Department (HPFD) will operate and administer the imprest account of the project and will be responsible for withdrawal applications and

---

<sup>1</sup> ADB. 2005. *Financial Management and Analysis of Projects*. Manila.

<sup>2</sup> ADB. 2009. *Financial Due Diligence A Methodology Note*. Manila.

withdrawals of the ADB loan. HPFD has many years' experience in these activities and in the general financial oversight of ADB and WB funded projects.

9. Specifically the FMA recommends capacity development measures to ensure that the EA, IA and PIUs are able to meet the project's financial management requirements. It was agreed that the EA, IA and PIUs will strengthen their financial management capability to manage the project, including (i) undertaking training, particularly on ADB policy and procedural requirements; and (ii) seeking external financial management assistance as needed.

10. The overall financial management risk-rating of the project, after considering mitigating measures, is low. The identified financial management risks will be closely monitored during project implementation. Besides the risks mentioned in Table 1 and Table 2 below, no other significant weaknesses were identified.

## **2 Executing Agency**

11. Zixing City Government (ZCG) is the executing agency (EA) of the project, and has extensive experience in the preparation and implementation management of projects funded by the World Bank, ADB.

12. A new project management office (PMO) has been established within the ZCG, which is responsible, on behalf of ZCG, for daily coordination and management of project preparation and implementation.

13. Zixing City Finance Department (ZCFD) will be responsible, on behalf of ZCG, for financial management of the project, including ADB loan withdrawal applications, payments and repayment, providing counterpart funds for the project and so on. There are 5 persons in the Foreign Economic and Trade Division, who are responsible for project supervision and management, and fund accounting.

14. ZCFD has adequate financial staff, accounting policies and procedures, internal and external controls, audit arrangements, and reporting systems. It has experience on World Bank, ADB and foreign government projects<sup>3</sup>. The proper training and support will be required on ADB policies and procedures, including procurement, disbursement and project management.

15. The Hunan Provincial Finance Department (HPFD) will operate and administer the imprest account of the project and will be responsible for withdrawal applications and withdrawals of the ADB loan. HPFD has many years' experience in these activities and in the general financial oversight of ADB and WB funded projects.

## **3 Implementing Agency and Project Implementation Unit**

16. Zixing Urban and Rural Environmental Protection Investment and Financing Center (ZIFC) is the implementation agency (IA) of the project. It is responsible for implementation of all subcomponents in Zixing city. It was established in 2014 and is a government institution. It is not

---

<sup>3</sup> The projects completed include WB-financed Second Red Soil Development Project, WB-financed national forestation project; the projects under construction include WB-loaned Infectious diseases and endemic diseases control, WB forest restoration and development project; the project under the beginning of the implementation includes ADB-financed Hunan Vocational Education Project.

responsible for asset's operating of subcomponents in Zixing. Historical financial statements of ZIFC are shown in attachment 2.

17. The evaluation of the ZIFC included a review of their legal status, existing organizational structure, current management regulations and institutional arrangements to undertake the Project. The FMA also included a review of proposed funds flow arrangements, staffing, accounting policies and procedures, internal and external audit, reporting and monitoring and information systems.

### **3.1 Organization Legal Status and Institutional Arrangement**

18. ZIFC was established in 2014, which is responsible for construction of Dongjiang Lake ecology environmental protection project. Therefore, it has experience with local large capital projects and has no foreign-financed projects. Its current organization structure can meet project management requirements. In order to strengthen the project financial management, the two persons from ZCFD, who have financial management experiences of the World Bank and ADB is designated as financial manager of the financial department and chief accountant of the ADB project.

19. ZCFD is a department of the ZCG and has implementation experience of WB and ADB projects. Its current organization structure can meet project management requirements. The persons who involved into financial management of the ADB project have experience of WB and ADB projects' implementation.

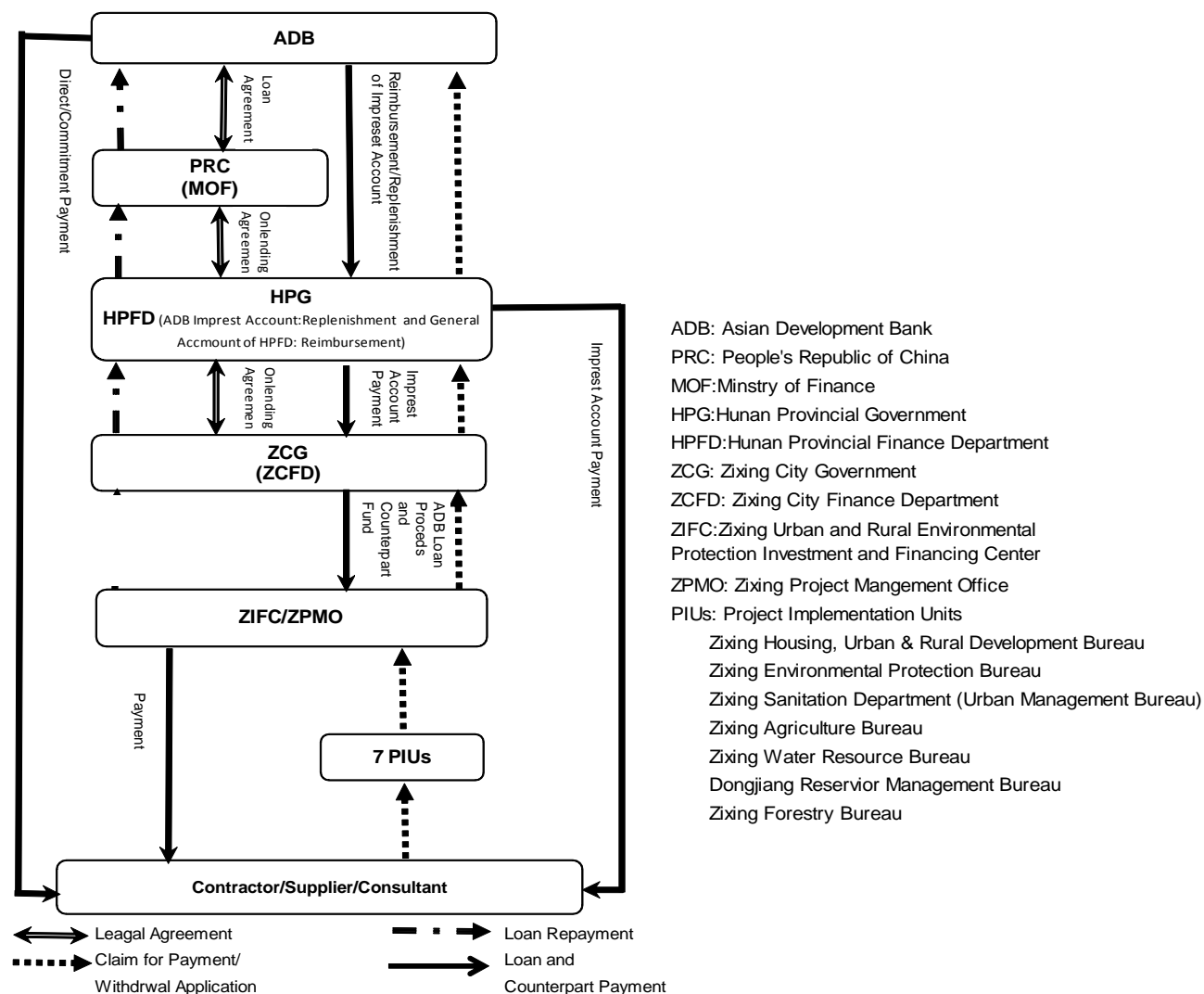
### **3.2 Fund Flow Arrangement**

20. An imprest account for disbursing the ADB loan will be established in HPDF, who will be responsible for application and management for ADB loan funds and disburse the funds including counterpart funds based on project progress. ADB loan proceeds will be disbursed in accordance with the procedures set out in ADB's Loan Disbursement Handbook (2007, as amended from time to time), and detailed arrangements agreed upon between the Government and ADB. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to all the project contracts wholly or partly financed by ADB.

21. ZCFD, PMO and the ZIFC will be involved in fund withdrawal applications and disbursement during the project implementation. There are 7 project implementation units (PIUs) which will be involved into project implementation construction management. Therefore, they are also involved into the withdrawal application process. They are Zixing Housing, Urban & Rural Development Bureau, Zixing Environmental Protection Bureau, Zixing Sanitation Department (Urban Management Bureau), Zixing Agriculture Bureau, Zixing Water Resource Bureau, Dongjiang Reservoir Management Bureau and Zixing Forestry Bureau.

22. The proposed funds flow arrangement is shown in Figure 1.

**Figure 1: Fund Flow Diagram of the Project**



### 3.3 Staffing

23. There are 4 and 5 financial staff in the Financial Department of ZIFC and ZCFD respectively. They have sound financial management skills and comply with ADB minimum standards for project accounting and financial management. In order to strengthen financial management capacity of the ADB project, the two persons from ZCFD with more financial management experience of World Bank and ADB project management are designated as the financial manager and chief accountant of financial department in ZIFC. Therefore, ZIFC has experience of financial management for local large capital projects and foreign-funded project, such as World Bank and ADB project. The person of ZCFB, who will be involved into the ADB project, has experience of financial management for World Bank project and on-going ADB project. But they still think it is proper that the finance and technical staff who will be assigned to the Project should be trained in ADB disbursement guidelines and procedures, project accounting requirements, project and contract management, financial monitoring and report preparation.



### 3.4 Accounting Policies and Procedures

24. The ZIFC are establishing an accounting system that will maintain separate project accounts and records by funding source for all expenditures incurred on the project. Subsidiary ledgers are adequate for the reconciliation of accounts with the general ledger. All annual financial statements and accounting file inventory books would be stored and retained on a permanent basis, and other accounting files and records are maintained in retention period of 3, 5, 10, 15, or 25 years depending on the nature of the files according to the regulation of Ministry of Finance. All accounting records and files are accessible by authorized users, and are available for audit. The consolidated project financial statements will be prepared annually in accordance with applicable PRC laws, guidelines and regulations,<sup>4</sup> and these are generally consistent with internationally recognized accounting principles and practices.

25. **Segregation of duties.** ZIFC has established clear segregation in the allocation of financial management duties.

26. **Budgeting system.** ZIFC has sound budget management system. The ADB project budgets will be prepared annually by the responsible project persons, and will include physical and financial targets. The ZIFC' higher level managers will approve the final budget, which will then be forwarded to higher level agencies, ZPMO and ZCFD for their endorsement.

27. Budget monitoring reports present a comparison between budgeted and actual amounts, and highlight budget variances.

28. **Payments.** Processing of the project payment invoices involves comparison of quantities, prices and terms in purchase orders and those reported in the receipts. All invoices are stamped PAID, dated, reviewed, and approved as well as clearly marked for account code assignment. Controls are in place for the preparation of payroll while changes to the payroll are properly approved by the relevant Department.

29. **Policies and procedures.** At present, the ZIFC has adopted an Institutional Accounting Standard with an accrual basis of accounting for the institution. State-owned Construction Enterprise Accounting Regulations and Accounting Methods for Projects Financed by the World Bank (accrual basis) will be applied for the ADB project. The regulations have an adequate chart of accounts to properly account for and report on the project activities and disbursement categories. Moreover, cost allocations to various funding sources are made accurately in accordance with established agreements. The ZIFC's existing financial staff has accounting experience using the State-owned Construction Enterprise Accounting Regulations or Accounting Methods for Projects Financed by the World Bank. But they also expressed a strong desire for training in these standards.

30. **Cash and bank.** All fund payments are made using bank cheques or bank transfers. All cash received is deposited to the relevant bank account leaving minimal amounts necessary for the office operations. A cashbook is maintained and bank reconciliation is undertaken at the end of each month.

---

<sup>4</sup> Applicable laws, regulations and guidelines include

- The Accounting Law of the PRC (2000).
- State-owned Construction Enterprise Accounting Regulations.
- Capital Construction Financial Control Regulations.
- Accounting Methods for Projects Financed by the World Bank.

31. **Safeguarding assets.** ZIFC has an established system of safeguards to protect assets from fraud, waste, and abuse. Subsidiary records of fixed assets and stocks are kept up-to-date and reconciled with control accounts periodically. ZIFC will conduct annual physical inventory of all assets in place.

### **3.5 Internal Audit and External Audit**

32. The ZIFC has no internal audit department, but there is a internal audit person who is responsible for all daily transaction audit. All accounts are audited annually by an independent external auditor or Zixing City Audit Office. Meanwhile, it is subject to periodic financial inspection by finance staff from higher authorities (eg ZCFD). The audit is carried out in accordance with the auditing standards and requirements of the PRC.

33. The National Audit Office of PRC will authorize Hunan Province Audit Department to be responsible for the auditing of the ADB project. The audit will be carried out in accordance with the auditing standards and requirements of the PRC. The PMO/Hunan Province Audit Department will submit to ADB the auditor's report and management letter in English within 6 months of each financial year-end during the period of project implementation.

### **3.6 Reporting and Monitoring**

34. The project financial reports will be prepared using an accounting software system and are submitted on a monthly, quarterly and annual basis. The reports will highlight the physical and financial progress of projects being undertaken. For this Project, the ZIFC will prepare and submit to ADB (via PMO) quarterly progress reports for individual outputs, which will include: (i) a narrative description of progress made during the reporting period; (ii) changes in the implementation schedule; (iii) problems or difficulties encountered; and (iv) activities to be undertaken in the next reporting period. ZIFC will also prepare and submit to ADB (via PMO) a project completion report within 3 months of the completion of each sub-project, and an investment project completion report after completion of all outputs under the proposed Project.

### **3.7 Information System**

35. The existing automated accounting software of the ZIFC is capable of generating the project reports required for both external and internal use. In addition, all relevant staff has been trained and are familiar with the system, although supplementary training in reporting requirements for the ADB financed project will be provided. Regular back-ups of all accounting systems and appropriate security measures over backed-up data are in place.

## **4 Risk Assessment**

36. The following risk assessments are based on the above description of existing circumstances, staffing and procedures and assume proposed risk mitigation measures are put into effect. The assessment also reviewed if accounting and internal controls are adequate to ensure that project funds are used economically and efficiently and for the purpose intended, and that the use of the funds is properly reported. Particular weaknesses concern the low understanding of and adherence to financial management policies and procedures of ADB and the current financial management arrangements of the ZIFC. The results of the risk assessment for inherent and control risks are in Table 1 and Table 2 respectively.

#### 4.1 Inherent Risk

37. Inherent risk is the susceptibility of the project financial management system to factors arising from the environment in which it operates, such as country roles and regulations and entity working environment (assuming absence of any counter checks or internal controls).

**Table 1: Summary of Inherent Risk**

<b>Risks Considered</b>	<b>Risk level Without Mitigation</b>	<b>Risk Management Measures</b>	<b>Risk level With Mitigation</b>
(i) Country-Specific Risks: ➤ Adequate financial management ➤ Adequate management and skills capacity	<b>Medium</b>	<ul style="list-style-type: none"> <li>There are sufficient resident skills, expertise and experience in most areas for timely and successful implementation.</li> <li>In addition, there is a high level coordinating body in Government to systematically and critically assess directions and outcomes of the Project.</li> <li>Training will be given to financial staff of ZCFD and ZIFC so they become familiar with ADB requirements.</li> </ul>	<b>Low</b>
(ii) Entity specific risks: ➤ Understanding of roles between EA, IA and other agencies ➤ internal audit function and budget system exists within the IA	<b>Medium</b>	<ul style="list-style-type: none"> <li>A clear organizational structure of the EA/IA is already established in relation to the Project, separation of roles and responsibilities between the parties are clear.</li> <li>Work plans of core activities for EA/IAs personnel are well developed.</li> <li>ZIFC has internal audit capability, several forms of government/external audit will be applied in recognition of this.</li> <li>ZIFC will receive extensive training and capacity building support.</li> </ul>	<b>Low</b>
(iii) Project specific risks: ➤ EA, ZPMO and IA's experience of ADB projects	<b>Medium</b>	<p>(a) EA has management experience of ADB project implementation. Financial persons with more financial management experiences of World Bank and ADB project has been designated into the project implementation.</p> <p>(b) Technical assistance to be provided in the following areas:</p> <ul style="list-style-type: none"> <li>➤ Disbursement procedures of ADB</li> <li>➤ Project accounting</li> <li>➤ Procurement training and so on.</li> </ul> <p>(c) Leveraging and making available experience and capacity that exists at the EA (ZCG) level.</p>	<b>Low</b>
<b>Overall Inherent related risk:</b>			<b>Low</b>

## 4.2 Control Risk

38. Control risk is the risk that the Project's accounting and internal control framework proves inadequate to ensure project funds are used economically and efficiently for the purpose intended, and that the use of the funds is properly recorded.

**Table 2: Summary of Control Risk**

<b>Risks Considered</b>	<b>Risk level Without Mitigation</b>	<b>Risk Management Measures</b>	<b>Risk level With Mitigation</b>
<b>(i) Implementing entity:</b> <ul style="list-style-type: none"> <li>Financial management policies and procedures for the Project are adequate.</li> </ul>	<b>Low</b>	Technical assistance to be provided in the following areas: <ul style="list-style-type: none"> <li>➤ Disbursement procedures of ADB</li> <li>➤ Project accounting</li> <li>➤ Procurement training and so on.</li> </ul>	<b>Low</b>
<b>(ii) Funds flow:</b> <ul style="list-style-type: none"> <li>Interpretation and adherence to ADB guidelines in disbursement and withdrawal of project funds by IAs</li> </ul>	<b>Medium</b>	<ul style="list-style-type: none"> <li>ZIFC to liaise regularly with ADB to ensure that ADB guidelines are followed.</li> <li>Interagency coordination at all levels to discuss the loan disbursement performance.</li> <li>Provide regular training on ADB's disbursement policies.</li> <li>A separate account will be maintained for activities financed by ADB and the Government, and will be audited by the external auditor.</li> </ul>	<b>Low</b>
<b>(iii) Staffing:</b> <ul style="list-style-type: none"> <li>There is low staff turnover and staff has adequate financial management skills</li> <li>Accounting staff have experience with World Bank and ADB requirements</li> </ul>	<b>Low</b>	<ul style="list-style-type: none"> <li>Through training on ADB's disbursement procedures and project accounting requirements to be provided..</li> <li>Oversight of disbursement by experienced financial staff at EA level (ie ZCFD).</li> <li>Guidance and support from loan consultants.</li> </ul>	<b>Low</b>
<b>(iv) Accounting Policies and Procedures:</b> <ul style="list-style-type: none"> <li>Accounting policies and procedures for the Project are adequate.</li> <li>Account and bank reconciliations are performed in a timely manner</li> </ul>	<b>Low</b>	<ul style="list-style-type: none"> <li>Accounting policies and procedures for the Project have been built.</li> </ul>	<b>Low</b>
<b>(v) Internal Audit:</b> <ul style="list-style-type: none"> <li>adequate capacity in the Internal Audit department</li> </ul>	<b>Medium</b>	<ul style="list-style-type: none"> <li>An internal audit person with more large project audit experience has been in place.</li> </ul>	<b>Low</b>

<b>Risks Considered</b>	<b>Risk level Without Mitigation</b>	<b>Risk Management Measures</b>	<b>Risk level With Mitigation</b>
<b>(vi) External Audit</b> <ul style="list-style-type: none"> <li>Provides a thorough review of compliance with accounting regulations and financial covenants</li> <li>Timely provision to ADB of audited annual project accounts</li> </ul>	<b>Low</b>	<ul style="list-style-type: none"> <li>Independent external auditors acceptable to ADB and the Government will be appointed by the National Audit Office to audit project accounts and compliance with financial covenants on an annual basis.</li> <li>Such project financial statements and audit reports will be submitted to ADB, who will retain a right to question the auditors.</li> </ul>	<b>Low</b>
<b>(vii) Reporting and Monitoring:</b> <ul style="list-style-type: none"> <li>Regular financial reports are produced that are suitable for user needs</li> </ul>	<b>Medium</b>	<ul style="list-style-type: none"> <li>The EA must make comprehensive progress reports (including financial progress) to ADB on a quarterly basis.</li> <li>Financial project reporting must comply with Chinese MOF requirements. ZCFD will oversee compliance with these requirements.</li> <li>Loan consultants will advise on improving financial management reports at the sub-project level.</li> </ul>	<b>Low</b>
<b>(viii) Information systems:</b> <ul style="list-style-type: none"> <li>Information system is secure and back up of financial data is done on a regular and timely basis.</li> </ul>	<b>Low</b>	The financial management assessment concludes that existing arrangements are adequate.	<b>Low</b>
<b>Overall Control Risk Assessment</b>			<b>Low</b>

39. Therefore, the overall FM risk assessment of the project at appraisal stage is low. The identified risks in financial management should be closely monitored during project implementation. Besides the above-mentioned risks, no other significant weaknesses were identified.

## 5 Action Plan

40. This section summarizes the necessary actions identified as a result of the financial management assessment for managing the risks associated with the proposed project investments.

41. The following are the proposed actions:

**(a) To be undertaken in advance of loan effectiveness**

- (i) Training on ADB disbursement procedure and ADB project accounting and financial reporting requirements to be provided to EA and IA;

**(b) To be undertaken during the implementation of the proposed Project:**

- (i) Regular liaison between the EA, IA and the ADB to ensure that ADB guidelines are followed;

- (ii) Regular training on ADB disbursement procedures and ADB project accounting and financial reporting requirements to be provided;
- (iii) Regular inter-agency coordination at all levels to be put in place to discuss the portfolio performance of the loan;
- (iv) Separate accounts to be maintained for all project outputs financed by ADB and the Government, and to be audited by an independent external auditor;
- (v) Annual project accounts and underlying working papers prepared on a timely basis in preparation for the annual financial statement audit;
- (vi) Prompt reporting to project stakeholders after the end of each accounting period;
- (vii) Quarter-annual progress reports on project implementation and operations prepared;
- (viii) Compliance with loan covenants monitored, including submission of audited project accounts;
- (ix) Regular backup of all accounting systems and appropriate security measures over backup data to be put in place; and
- (x) Annual training plans for accounting staff developed.

**Attachment 1: Financial Management Assessment Questionnaires**  
**Prepared by ZCFD and ZIFC**

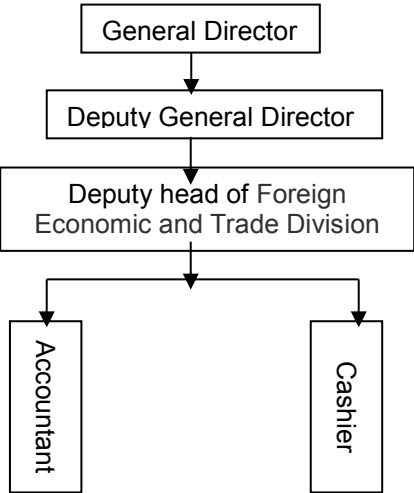
**Financial Management Assessment Questionnaire**  
**—Zixing City Finance Department**

Name of agency	Zixing City Financial Department (ZCFD)
Project component that agency is responsible for	On behalf of Zixing City Government to be responsible for financial management of all subcomponents
Name of person responsible for filling this form	Linxiang Cao
Position and title of person responsible for filling this form	Foreign Economic and Trade Division Deputy head
Mark the chosen item by <input checked="" type="checkbox"/>	
Nature of agency's responsibility for the Project (check all that apply)	<input checked="" type="checkbox"/> Provide counterpart funding <input checked="" type="checkbox"/> Sign a follow on loan contract for ADB funds <input type="checkbox"/> Management of project construction <input checked="" type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input checked="" type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe
<b>Topic</b>	<b>Response</b>
<b>1 Implementing Agency/ Executing Agency</b>	
1.0 What is your agency's legal status and registration?	Administrative units
1.1 What is your agency's governing body?	Zixing City Government
1.2 What is the governing body's relationship to the Government?	Belong to Zixing City Government
1.3 Can the governing body make decisions independently of Government? If NO, please explain what decisions need government approval.	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO → explain: to implement government decision. The investment budget and government repayment shall subject to government decisions.
1.4 Has your agency implemented an externally-financed project in the past? If yes, please provide details?	<input checked="" type="checkbox"/> YES → briefly describe: projects that have been finished include: WB financed Second Red Soil Development Project, WB financed national forestation project; projects under construction include: WB loaned Infectious diseases and endemic diseases control, WB forest restoration and development project; projects under the beginning of the implementation include ADB financed Hunan Vocational Education Project. <input type="checkbox"/> NO
1.5 What are the statutory reporting requirements for your agency with respect to finance?	To follow up administrative unit accounting regulation and prepare financial reports accordingly.
1.6 Describe your agency's organizational structure? (please attach an organization chart)	<input checked="" type="checkbox"/> Organization chart attached <input type="checkbox"/> Organization chart not attached

1.7	Is the organizational structure appropriate for the needs of the Project?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO → briefly describe
1.8	Has or will your agency established a project management office?	<input type="checkbox"/> YES, already have project office <input type="checkbox"/> YES, will set up project office <input checked="" type="checkbox"/> NO NOTE: NO NEED TO ESTABLISH PROJECT OFFICE. ALL FOREIGN LOAN PROJECT ARE IN THE CHARGE OF FOREIGN ECONOMIC AND TRADE DIVISION.
1.9	If the ADB loan is approved, what staffing changes will you make to assist with project implementation?	The current institutional staffing can fulfill the requirements of project implementation and no rearrangement is needed.
1.10	Does the Project have written job descriptions that define duties, responsibilities, lines of supervision, and limits of authority for staff?	<input checked="" type="checkbox"/> YES – have already prepared these (attach job descriptions for the top two positions) <input type="checkbox"/> Written job descriptions are being or will be prepared <input type="checkbox"/> NO
<b>2 Funds Flow Arrangements</b>		
2.0	Describe proposed project funds flow arrangements. Include a chart and explanation of the flow of funds from ADB, government and other financiers to each lower level that will receive funds.	<pre> graph TD     A[ADB loan] --&gt; B[Provincial Financial Bureau]     B --&gt; C[Zixing City Finance Bureau]     C --&gt; D[ZIFC]     D --&gt; E[Supplier]     D --&gt; F[Contractor]     D --&gt; G[Consultant] </pre>
2.1	Are the (proposed) arrangements to transfer the proceeds of the loan from the government to the implementing agency satisfactory?	<input type="checkbox"/> YES <input type="checkbox"/> NO → briefly explain why not <input checked="" type="checkbox"/> Not applicable → briefly explain why: provincial financial bureau on-lends to the Zixing City Financial Department, but the ZCFD doesn't on-lend to ZIFC
2.2	Describe any past problems experienced in receiving investment funds from funding sources?	Process of withdrawal and application is complicated and it takes long time to be in place.
2.3	Describe proposed on-lending arrangements from the Government to your agency, including on-lending terms and conditions.	The ZCFD, on behalf of the government, signs the on-lending agreement with HPFD.
2.4	Will your agency use an imprest account to manage ADB funds? If YES, in which bank will the Imprest Account be opened?	<input type="checkbox"/> YES → name of bank <input checked="" type="checkbox"/> NO → briefly explain why ADB imprest account is only set up in HPFD. It is suggested that HPFD to entrust opening up the account in HPFD.



2.5	Does your agency have experience in the management of disbursements from ADB?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
2.6	Does your agency have experience managing foreign exchange risks?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
2.7	Will your agency need to develop capacity to manage foreign exchange risks? If yes, what arrangements have been made to develop this capacity?	<input checked="" type="checkbox"/> YES. → Explain capacity building arrangements: Suggest ADB to arrange trainings for financial staff <input type="checkbox"/> NO
2.8	Is your agency is responsible for providing counterpart funds? If YES answer the next 3 questions.	<input checked="" type="checkbox"/> YES → answer questions 2.8.1 to 2.8.3 <input type="checkbox"/> NO
2.8.1	What is the source of the counterpart funds: revenues generated by your business activity, government tax funds, other?	Government taxes and duties and others
2.8.2	How will you access the counterpart funds? Are they drawn from revenues coming directly to you or do you obtain them as government transfers?	Government allocation
2.8.3	How are payments made from the counterpart funds?	The ADB project fund will be provided in accordance with project implementation requirements.
2.9	Will user charges that you receive as revenue be used to generate counterpart funds?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
2.10	Will user charges that you receive as revenue be used to help finance the ADB loan?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
2.11	Is part of the Project implemented by communities, project beneficiaries or NGOs under your direction? If YES, describe reporting and monitoring arrangements that you have in place to track the use of project funds used by these groups?	<input type="checkbox"/> YES → describe system of monitoring and reporting( internal control arrangements inside project fund management) <input checked="" type="checkbox"/> NO
2.12	Are project beneficiaries under your direction required to contribute in the form of labor to project costs? If YES, briefly describe guidelines and arrangements formulated to record and value the labor contribution?	<input type="checkbox"/> YES → describe guidelines of labor input record and off-set.( calculated by labor man-days ad local actual wages) <input checked="" type="checkbox"/> NO
<b>3</b>	<b>Staffing</b>	

<p>3.0 What is your agency's organizational structure for accounting and finance? Please attach an organization chart.</p>	 <pre> graph TD     GD[General Director] --&gt; DGD[Deputy General Director]     DGD --&gt; DFD[Deputy head of Foreign Economic and Trade Division]     DFD --&gt; Acc[Accountant]     DFD --&gt; Cas[Cashier]           </pre>
<p>3.1 Identify key finance and accounting staffs including job title, responsibilities, educational background and professional certification.</p>	
<p>3.1.1 Job title</p>	<p>Director of ZCFD</p>
<p>3.1.1.1 Staff</p>	<p>Fan Yu</p>
<p>3.1.1.2 Main responsibilities</p>	<p>Overall fiscal management and mainly responsible for managing treasury budget</p>
<p>3.1.1.3 Training and Certification</p>	<p>Had been director of Audit Department for 3 years; Bachelor degree in finance and accounting.</p>
<p>3.1.2 Job title</p>	<p>Deputy Director of ZCFD</p>
<p>3.1.2.1 Staff</p>	<p>Wu Dongchun</p>
<p>3.1.2.2 Main responsibilities</p>	<p>In charge of foreign economic works</p>
<p>3.1.2.3 Training and Certification</p>	<p>Accountant, 5 years of working experience as deputy director. Bachelor in finance and accounting.</p>
<p>3.1.3 Job title</p>	<p>Deputy chief of foreign economic division</p>
<p>3.1.3.1 Staff</p>	<p>Cao Linxiang</p>
<p>3.1.3.2 Main responsibilities</p>	<p>Financial management of Foreign Economic and Trade Division</p>
<p>3.1.3.3 Training and Certification</p>	<p>Accountant for 13 years, bachelor degree in finance and accounting</p>
<p>3.1.4 Job title</p>	<p>Accountant of Foreign Economic and Trade Division</p>
<p>3.1.4.1 Staff</p>	<p>Tian Ge</p>
<p>3.1.4.2 Main responsibilities</p>	<p>Financial management of foreign economics and lending in Foreign Economic and Trade Division</p>
<p>3.1.4.3 Training and Certification</p>	<p>Accountant for 5 years, bachelor degree in finance and accounting.</p>
<p>3.1.5 Job title</p>	<p>Cashier of of Foreign Economic and Trade Division</p>
<p>3.1.5.1 Staff</p>	<p>Yuan Zaixiong</p>
<p>3.1.5.2 Main responsibilities</p>	<p>Debt management of Foreign Economic and Trade Division</p>
<p>3.1.5.3 Training and Certification</p>	<p>Cashier, working experience of 28 years. Associate degree in finance and accounting.</p>
<p>3.2 Attach job descriptions and CVs of key accounting staff .</p>	<p><input checked="" type="checkbox"/> Job descriptions, CVs of main accounts attached  <input type="checkbox"/> job descriptions, CVs of main accounts not attached</p>
<p>3.3 Is the project finance and accounting function staffed adequately?</p>	<p><input checked="" type="checkbox"/> YES  <input type="checkbox"/> NO→briefly describe arrangement</p>

3.4	Is the finance and accounts staff adequately qualified and experienced?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO → briefly describe arrangement
3.5	Is the project accounts and finance staff trained in ADB procedures? If NO, what arrangements will be made for training?	<input checked="" type="checkbox"/> YES, Join the training held by ADB in Beijing in March 2013. Join the financial management training of PPTA in September 2014. <input type="checkbox"/> NO → describe training arrangements
3.6	What is the duration of the work contract for project finance and accounts staff?	Long-term
3.7	Indicate key project finance and accounts staff positions not filled yet, and the estimated date of appointment.	No. All the staff are in place.
3.8	Does the Project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
3.9	At what frequency are personnel transferred?	No
3.10	What is training policy for the finance and accounting staff?	Attend the accounting staff continued education organized by ZCFD, and also trainings of new accounting system.
<b>4 Accounting Policies and Procedures</b>		
<b>4.0 General</b>		
4.0.1	Will the Project use your agency accounting system?	Yes. Follow up Accounting Methods for Projects Financed by the World Bank <i>issued by MOF [(2000)No. 13]</i>
4.0.2	Describe how your agency accounting system will record project financial transactions.	Based on historical cost and actual situation of the project, record in the financial current account of the project.
4.0.3	Describe how your agency accounting system will allocate project expenditures in accordance with the respective components, disbursement categories, and sources of funds?	Project content detail account, disbursement categories detail account, sources of funds detail account set in the account. Record in different detail account with reference to business nature and types. Split the cost based on investment of subproject.
4.0.4	Describe controls in place to ensure that all transactions are correctly made, adequately explained, prepared and approved.	Project implementation plan, project implementation budget, government procurement system, contract management system, project supervision system are established. All original files are stored timely for future reference. Besides, checking the current accounts timely and confirming at site regularly.
4.0.5	Will you have to change your chart of accounts to properly account for and report on project activities and disbursement categories? If YES, describe the changes?	<input type="checkbox"/> YES → describe how to adjust <input checked="" type="checkbox"/> NO

4.0.6	Describe arrangements in place to ensure that cost allocations to the various funding sources will be made accurately and in accordance with established agreements.	Under the process of developing ADB financial management manual and preparing financial management manual.
4.0.7	Are the General Ledger and subsidiary ledgers reconciled and in balance?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.0.8	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.0.9	Describe the system for storing and accessing accounting documents and materials?	Based on <i>Accounting Archives Management Method</i> and relevant regulations issued by MOF and State Archives Bureau, keep the financial accounting archives and materials for future reference. To check archives requires going through relevant procedures and reporting to leaders for approval.
<b>4.1</b>	<b>Segregation of Duties</b>	
4.1.1	Who is responsible for the following duties (give name and title):	
4.1.1.1	<i>authorize execution of transactions</i>	Wu Dongchun, deputy director
4.1.1.2	<i>record transactions</i>	Cao Linxiang, accountant
4.1.1.3	<i>maintain custody of assets involved in transaction</i>	Fang Yonghong, Deputy director of general office, File clerk
4.1.2	Are responsibilities for ordering, receiving, accounting for, and paying for goods and services separated? If NO, briefly describe how they are not separated.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO → describe
4.1.3	Are bank reconciliations prepared by someone other than those who make or approve payments?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
<b>4.2</b>	<b>Budgeting System</b>	
4.2.1	Are annual budgets based on physical and financial targets?	<input type="checkbox"/> YES – with financial targets only <input checked="" type="checkbox"/> YES – with actual operating indicators and financial targets <input type="checkbox"/> NO
4.2.2	Are multiple year budgets and financing plans prepared for capital expenditures?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.3	Are separate budgets prepared for:	
4.2.3.1	<i>Individual departments?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.3.2	<i>Individual work units?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

4.2.3.3 <i>Distinct and significant functional activities (e.g. maintenance)?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.3.4 <i>All major capital projects?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.4 Is there sufficient detail in annual budgets to provide a meaningful tool for performance monitoring?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.5 Are budgets used to monitor and control the performance of individual departments and units?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.6 How frequently are actual expenditures compared to the budget?	<input checked="" type="checkbox"/> at least once every month <input type="checkbox"/> once every 2 to 3 months <input type="checkbox"/> once every 4 to 6 months <input type="checkbox"/> once every 6 to 12 months <input type="checkbox"/> never
4.2.7 What happens if there are significant variations from the budget? Are explanations required?	Yes, the significant variations with explanation and solutions will be submitted to the Government and people's congress for approval
4.2.8 Are approvals for variations from the budget required in advance or are they obtained after the fact?	Yes
4.2.9 Who is responsible for preparation and approval of budgets?	Each government department is responsible for itself budget preparation. Finally, ZCFD summarizes and reports the budgets to the municipal government for review and finally to the people's congress for approval.
4.2.10 How are budgets prepared and approved?	Follow up <i>Budget Law</i> issued by PRC.
4.2.11 Describe procedures used to plan project activities, collect information from units in charge of project components, and prepare budgets?	Collect information from ZIFC and relevant departments. Based on requirements of project activities, prepare budget and report to the leaders for review. Finally submit to the Government for approval.
4.2.12 What due diligence measures are there to assure that project plans and budgets are based on valid assumptions, are developed by knowledgeable individuals and are realistic?	Yes. Relevant agency and staff prepare the planning and budget to ensure consistency with actual conditions.
<b>4.3 Payments</b>	
4.3.1 During invoice-processing procedures are:	
4.3.1.1 <i>Copies of purchase orders and receiving reports obtained directly from issuing departments?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

4.3.1.2	Comparison made of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.1.3	Comparison of invoice quantities with those indicated on the receiving reports?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.1.4	The accuracy of calculations checked?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.2	Are all invoices:	
4.3.2.1	dated, reviewed and approved	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.2.2	stamped PAID upon payment	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.2.3	marked for account code assignment?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
4.3.3	What controls exist for the preparation of the payroll?	Prepare payroll in accordance with regulations issued by Human Resource and Social Assurance Department. After being reviewed and approved by Human Resource and Social Assurance Department, the Wage Issued ZIFC will arrange the payment.
4.3.4	How are changes to the payroll authorized?	Based on the documents issued by the Government, fill in the wage change sheet and get the approval of the director. Then submit to Human Resource and Social Assurance Department for approval and finally the Wage Issued ZIFC will arrange the payment.
<b>4.4</b>	<b>Policies And Procedure</b>	
4.4.1	What is the basis of accounting (e.g., cash, accrual)?	Administrative units, cash basis.
4.4.2	What accounting standards are followed (PRC, ISA, other)?	Accounting standard of PRC
4.4.3	Does the Project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.4.4	Does the accounting policy and procedure manual need to be updated for the project activities? If YES, explain how this will this be done?	<input type="checkbox"/> YES → explain how? <input checked="" type="checkbox"/> NO
4.4.5	Are there written policies and procedures covering all routine financial management and related administrative activities?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

4.4.6	How are new accounting principles, policies or procedures implemented within your agency?	
4.4.7	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by your agency?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO COLLECTIVE DECISION
4.4.8	Do policies and procedures define conflict of interest and provide safeguards to protect the organization from them?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.4.9	Do policies and procedures define related party transactions (real and apparent)?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.4.10	What safeguards are there to protect the organization from conflict of interest and related party transactions?	In accordance with accounting policies and system, prepare security precautions to get rid of conflicts. Such as setting up accountant and cashier separately, separate file management, etc.
4.4.11	Who has a copy of the policies and procedures manual?	All staff.
<b>4.5 Cash and Bank</b>		
4.5.1	Indicate names and positions of authorized signatories in the bank accounts.	
4.5.1.1		<i>Name: Wu Dongchun</i> <i>Position: Deputy director</i>
4.5.1.2		<i>Name: Cao Linxiang</i> <i>Position: Accountant</i>
4.5.1.3		<i>Name: Tian Ge</i> <i>Position: Cashier</i>
4.5.2	Does the organization maintain an up-to-date cashbook, recording receipts and payments?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.5.3	What are the controls for the following activities:	
4.5.3.1	<i>collection of revenues</i>	Timely record based on cash management method.
4.5.3.2	<i>timely deposit of receipts</i>	On the day.
4.5.3.3	<i>recording of receipts</i>	Daily settlement
4.5.4	How frequently are bank and cash reconciled on a monthly basis?	<input type="checkbox"/> more frequently than monthly <input checked="" type="checkbox"/> every month <input type="checkbox"/> every quarter <input type="checkbox"/> less frequently than every quarter
4.5.5	Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.5.6	How quickly are receipts deposited?	On that day

<b>4.6 Safeguard over Assets</b>	
4.6.1 Describe the system to record assets and protect them from fraud, waste and abuse?	Based on <i>Fixed Asset Management Measures</i>
4.6.2 Are subsidiary records of fixed assets and stocks kept up to date?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.6.3 Are subsidiary records of fixed assets and stocks reconciled with control accounts?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.6.4 How often are physical inventories completed of fixed assets and stocks?	<input checked="" type="checkbox"/> at least once a year <input type="checkbox"/> every 2 to 3 years <input type="checkbox"/> every 3 to 5 years <input type="checkbox"/> less frequently <input type="checkbox"/> never
4.6.5 Are assets sufficiently covered by insurance policies?	<input checked="" type="checkbox"/> YES, but only part <input type="checkbox"/> NO
<b>4.7 Other Offices and Implementing Entities</b>	
4.7.1 Identify other offices or implementing agencies or units under your supervision or control that are responsible for project implementation or finance?	Each agency in the whole city.
4.7.2 In relation to these other agencies, has the Project established controls and procedures for:	
4.7.2.1 flow of funds	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.2 financial information	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.3 accountability	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.4 audits	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.7.3 How long does it take for project information to reach your agency from other offices or implementing agencies or units?	In accordance with the project features and capital source nature, it depends on specific circumstances. In principle, it takes 5 working days.
4.7.4 What checks are there to ensure the accuracy of project information that your agency receives from other offices or implementing agencies or units.	In accordance with the national and provincial relevant policies to make sure the project information correct. Such as supervision system, contract management system, open tendering and bidding system as well as project finance review, auditing system, etc.
4.7.5 Are periodic reconciliations performed among the different offices and implementing agencies?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO



<b>4.8 Other</b>	
4.8.1 Describe the options available to employees, beneficiaries and others for reporting suspected fraud, waste or misuse of project resources or property?	Financial supervision bureau is responsible for the internal affairs. Municipal bureau for complaints is responsible for the external affairs. The discipline inspection department is responsible for supervision. Also mayor's hotline is available.
4.8.2 Will representatives of the municipal discipline investigation bureau be involved in project bidding and construction activities?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.8.3 Do contracts let by your agency for civil works and other large procurements include anticorruption clauses and safeguards.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
<b>5 Reporting and Monitoring</b>	
5.0 Are financial statements prepared for your agency? If YES, what accounting standards are they based on?	<input checked="" type="checkbox"/> YES → accounting standards: In accordance with accounting system of administrative agency and Accounting Methods for Projects Financed by the World Bank <input type="checkbox"/> NO
5.1 How often are financial statements prepared?	Monthly report, quarterly report, semi-annual report and yearly report, etc.
5.2 How quickly are the financial statements prepared at year end?	1 month.
5.3 Are separate financial statements prepared for the office or unit in your agency that will implement the Project?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
5.4 Will the financial reporting system need to be adapted to report on the project components?	<input type="checkbox"/> YES → briefly describe arrangement : <input checked="" type="checkbox"/> NO
5.5 Does the reporting system have the capacity to link financial information with information on the physical progress of engineering project's?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
5.6 Describe procedures and controls used to insure that the physical project data can be compared and coordinated with the financial data?	In accordance with the project requirements, prepare project detail account and make sure the operating data consistent with financial data.
5.7 Are there financial management reporting requirements for existing engineering projects that specify:	Yes. To prepare it for each engineering project.
5.8 What information do the financial management reports for engineering projects contain? (check all that apply)	<input checked="" type="checkbox"/> Total project expenditures to date <input checked="" type="checkbox"/> Comparison of actual expenditures with budgets <input checked="" type="checkbox"/> Comparison of actual expenditures with work completed <input checked="" type="checkbox"/> Expenditures by project component <input checked="" type="checkbox"/> Explanations of significant variances of expenditures from budgets

5.9	Are financial management reports used by management?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
5.10	Describe a recent action taken by management in response to information provided in a financial management report?	
5.11	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other manual method?	<input checked="" type="checkbox"/> prepared by an automated accounting system <input type="checkbox"/> prepared by spreadsheets or other method <input type="checkbox"/> both ways used
<b>6 Internal Audit</b>		
6.0	Is there an internal auditor or audit department in your agency?	<input checked="" type="checkbox"/> YES → answer questions 6.1 to 6.5 <input type="checkbox"/> NO → go to section 7
6.1	What are the qualifications and experience of audit department staff?	Accountant for 20 years with deeply experience.
6.2	To whom does the internal auditor report?	Director
6.3	Will the internal audit department include the Project in its work program?	Yes, it is included.
6.4	Are actions taken on the internal audit findings?	Conduct rectification if any problem occurs. If necessary, revise relevant regulations.
6.5	Describe the most recent actions taken in response to the internal audit findings?	Enhance study, improve business qualifications and strengthen project management.
<b>7 External Audit</b>		
7.0	Is your agency financial statement audited each year by an independent non-government auditor? If YES, who is the auditor?	<input type="checkbox"/> YES → Who: The name of auditing unit. <input checked="" type="checkbox"/> NO ZIXING AUDITING OFFICE
7.1	How soon following the financial yearend are audit reports issued?	2 to 3 months.
7.2	Is the audit of your agency conducted according to International Standards on Auditing?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
7.3	Were any major accountability issues identified in audit reports over the past three years?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
7.4	Will your agency auditor audit the Project financial statements and accounts or will another auditor be appointed?	<input type="checkbox"/> agency auditor <input checked="" type="checkbox"/> another auditor
7.5	Has your agency implemented all recommendations made by the auditors in audit reports or management letters over the past three years? If NO, please explain.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO → explain

7.6	Is the Project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit? If YES, who is the independent entity?	<input type="checkbox"/> YES → Who: <input checked="" type="checkbox"/> NO
7.7	Does your agency have separate terms of reference for annual audits of major projects?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
7.8	Please provide the audit reports for the past three years.	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided – please give reason
<b>8 Information Systems</b>		
8.0	Is the financial management system computerized?	<input checked="" type="checkbox"/> YES → Software Name: Newgrand Financial management software <input type="checkbox"/> NO
8.1	Can the system produce the necessary project financial reports?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
8.2	What training has the staff received to operate the system?	Trainings from software company
8.3	What controls are there to safeguard the confidentiality, integrity and availability of data in the information system?	Set up passwords and permissions by different levels and file the data timely.

**Financial Management Assessment Questionnaire**  
**—Zixing Urban and Rural Environmental Protection Investment and Financing Center**

Name of agency	Zixing City Urban and Rural Environmental Protection Investment and Financing Center (ZIFC)
Project component that agency is responsible for	All subcomponents
Name of person responsible for filling this form	Xie Chunhua
Position and title of person responsible for filling this form	Cashier, Financial Department
Mark the chosen item by <input checked="" type="checkbox"/>	
Nature of agency's responsibility for the Project (check all that apply)	<input type="checkbox"/> Provide counterpart funding <input type="checkbox"/> Sign a follow on loan contract for ADB funds <input checked="" type="checkbox"/> Management of project construction <input checked="" type="checkbox"/> Management of contributions from NGOs or project beneficiaries <input checked="" type="checkbox"/> Project operation and maintenance <input checked="" type="checkbox"/> Financial management of project <input type="checkbox"/> Generate funds from tariffs, taxes or other sources to service the ADB loan <input type="checkbox"/> Other – describe
<b>Topic</b>	<b>Response</b>
<b>1 Implementing Agency/ Executing Agency</b>	
1.0 What is your agency's legal status and registration?	institution legal person No. 143108100632, PRC Organization Code Certificate: Code: 39584608-5, register number: 431081-005261
1.1 What is your agency's governing body?	Zixing City People's Government
1.2 What is the governing body's relationship to the Government?	Subordination
1.3 Can the governing body make decisions independently of Government? If NO, please explain what decisions need government approval.	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO → explain: Implement decisions of government
1.4 Has your agency implemented an externally-financed project in the past? If yes, please provide details?	<input type="checkbox"/> YES → briefly describe <input checked="" type="checkbox"/> NO
1.5 What are the statutory reporting requirements for your agency with respect to finance?	At present, follow up institutional accounting system and state-owned construction enterprise accounting regulations. For ADB project, to follow up accounting methods for projects financed by the World Bank
1.6 Describe your agency's organizational structure? (please attach an organization chart)	<input checked="" type="checkbox"/> Organization chart attached <input type="checkbox"/> Organization chart not attached
1.7 Is the organizational structure appropriate for the needs of the Project?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO → briefly describe

1.8	Has or will your agency established a project management office?	<input checked="" type="checkbox"/> YES, already have project office <input type="checkbox"/> YES, will set up project office <input type="checkbox"/> NO
1.9	If the ADB loan is approved, what staffing changes will you make to assist with project implementation?	Institutional arrangement and professional staff have be in place based on the project requirement
1.10	Does the Project have written job descriptions that define duties, responsibilities, lines of supervision, and limits of authority for staff?	<input checked="" type="checkbox"/> YES – have already prepared these (attach job descriptions for the top two positions) <input type="checkbox"/> Written job descriptions are being or will be prepared <input type="checkbox"/> NO(ZIFC DIRECTOR AND FINANICE MANAGER)
<b>2 Funds Flow Arrangements</b>		
2.0	Describe proposed project funds flow arrangements. Include a chart and explanation of the flow of funds from ADB, government and other financiers to each lower level that will receive funds.	ADB → HPFD → ZCFD → ZIFC suppliers, contractors, consultant etc.
2.1	Are the (proposed) arrangements to transfer the proceeds of the loan from the government to the implementing agency satisfactory?	<input type="checkbox"/> YES <input type="checkbox"/> NO → briefly explain why not <input checked="" type="checkbox"/> Not applicable → Zixing city Government wil not transfer ADB loan to ZIFC
2.2	Describe any past problems experienced in receiving investment funds from funding sources?	No.
2.3	Describe proposed on-lending arrangements from the Government to your agency, including on-lending terms and conditions.	Not applicable, the loan will not be transferred to ZIFC.
2.4	Will your agency use an imprest account to manage ADB funds? If YES, in which bank will the Imprest Account be opened?	<input type="checkbox"/> YES → name of bank <input checked="" type="checkbox"/> NO → ADB imprest account is only set up in HPFD. It is suggested that HPFD to entrust opening up the account in HPFD.
2.5	Does your agency have experience in the management of disbursements from ADB?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
2.6	Does your agency have experience managing foreign exchange risks?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
2.7	Will your agency need to develop capacity to manage foreign exchange risks? If yes, what arrangements have been made to develop this capacity?	<input checked="" type="checkbox"/> YES. → it is suggested to attend relevant training. <input type="checkbox"/> NO
2.8	Is your agency is responsible for providing counterpart funds? If YES answer the next 3 questions.	<input type="checkbox"/> YES → answer questions 2.8.1 to 2.8.3 <input checked="" type="checkbox"/> NO

2.8.1	What is the source of the counterpart funds: revenues generated by your business activity, government tax funds, other?	
2.8.2	How will you access the counterpart funds? Are they drawn from revenues coming directly to you or do you obtain them as government transfers?	
2.8.3	How are payments made from the counterpart funds?	
2.9	Will user charges that you receive as revenue be used to generate counterpart funds?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
2.10	Will user charges that you receive as revenue be used to help finance the ADB loan?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
2.11	Is part of the Project implemented by communities, project beneficiaries or NGOs under your direction? If YES, describe reporting and monitoring arrangements that you have in place to track the use of project funds used by these groups?	<input type="checkbox"/> YES → describe monitoring and reporting systems. <input checked="" type="checkbox"/> NO
2.12	Are project beneficiaries under your direction required to contribute in the form of labor to project costs? If YES, briefly describe guidelines and arrangements formulated to record and value the labor contribution?	<input type="checkbox"/> YES → describe guidelines of Labor input record and off-set. <input checked="" type="checkbox"/> NO
<b>3 Staffing</b>		
3.0	What is your agency's organizational structure for accounting and finance? Please attach an organization chart.	Diagram attached: Director → finance manager accountant and cashier
3.1	Identify key finance and accounting staffs including job title, responsibilities, educational background and professional certification.	
3.1.1	Job title	
3.1.1.1	Staff	Yang Shuming
3.1.1.2	Main responsibilities	Director of ZIFC
3.1.1.3	Training and Certification	Bachelor degree, working experience with 30 years, representative of Zixing People's Congress and Chenzhou People's Congress
3.1.2	Job title	
3.1.2.1	Staff	Liu Lianghong

3.1.2.2 <i>Main responsibilities</i>	accountant
3.1.2.3 <i>Training and Certification</i>	Accountant for 13 years, work in overseas economic cooperation office of provincial finance bureau for 1 year and in international division WB office of MOF for 1 year and a half, mainly responsible for foreign funded project management.
3.1.3 Job title	
3.1.3.1 <i>Staff</i>	He Manzhi
3.1.3.2 <i>Main responsibilities</i>	Accountant assistant
3.1.3.3 <i>Training and Certification</i>	Engaged in accounting works for 20 years, with the title of assistant accountant for 15 years.
3.1.4 Job title	
3.1.4.1 <i>Staff</i>	Xie Chunhua
3.1.4.2 <i>Main responsibilities</i>	Cashier
3.1.4.3 <i>Training and Certification</i>	Certificate of Accounting Professional
3.2 Attach job descriptions and CVs of key accounting staff .	<input checked="" type="checkbox"/> Job descriptions, CVs of accountants attached <input type="checkbox"/> job descriptions, CVs of accountants not attached
3.3 Is the project finance and accounting function staffed adequately?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO→briefly describe arrangement
3.4 Is the finance and accounts staff adequately qualified and experienced?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO→briefly describe arrangement
3.5 Is the project accounts and finance staff trained in ADB procedures? If NO, what arrangements will be made for training?	<input checked="" type="checkbox"/> YES. Hope to get financial knowledge training and external aid. <input type="checkbox"/> NO →
3.6 What is the duration of the work contract for project finance and accounts staff?	Long-term
3.7 Indicate key project finance and accounts staff positions not filled yet, and the estimated date of appointment.	Date: Position:  Date: Position:
3.8 Does the Project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
3.9 At what frequency are personnel transferred?	No
3.10 What is training policy for the finance and accounting staff?	Continuing education training and non-scheduled training organized by finance bureau.
<b>4 Accounting Policies and Procedures</b>	
<b>4.0 General</b>	

4.0.1	Will the Project use your agency accounting system?	Yes. The project will follow up Accounting Methods for Projects Financed by the World Bank, which is similar with State-owned Construction Enterprise Accounting Regulations.
4.0.2	Describe how your agency accounting system will record project financial transactions.	With reference to historical cost principles and actual situation of the project, record it in financial transaction account.
4.0.3	Describe how your agency accounting system will allocate project expenditures in accordance with the respective components, disbursement categories, and sources of funds?	Split the cost based on project types and total amount of subproject investment.
4.0.4	Describe controls in place to ensure that all transactions are correctly made, adequately explained, prepared and approved.	1. The financial department checks the reconciliation monthly based on current accounts. 2. Check and confirm current accounts with current-account unit.
4.0.5	Will you have to change your chart of accounts to properly account for and report on project activities and disbursement categories? If YES, describe the changes?	<input type="checkbox"/> YES → describe how to adjust <input checked="" type="checkbox"/> NO
4.0.6	Describe arrangements in place to ensure that cost allocations to the various funding sources will be made accurately and in accordance with established agreements.	On preparing <i>Financial Management Manual</i>
4.0.7	Are the General Ledger and subsidiary ledgers reconciled and in balance?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.0.8	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.0.9	Describe the system for storing and accessing accounting documents and materials?	With reference to <i>Management Methods for Accounting Files which is set up</i> by MOF and State Archives Bureau, follow instructions of accounting data archive and references and fulfill registration procedures. Right of access is permitted after the approval of leaders, but taking away is not allowed.
<b>4.1</b>	<b>Segregation of Duties</b>	
4.1.1	Who is responsible for the following duties (give name and title):	
4.1.1.1	authorize execution of transactions	Yang Shuming, director of ZIFC.
4.1.1.2	record transactions	Liu Lianghong, accountant



4.1.1.3 <i>maintain custody of assets involved in transaction</i>	Office director
4.1.2 Are responsibilities for ordering, receiving, accounting for, and paying for goods and services separated? If NO, briefly describe how they are not separated.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO → describe the reasons
4.1.3 Are bank reconciliations prepared by someone other than those who make or approve payments?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
<b>4.2 Budgeting System</b>	
4.2.1 Are annual budgets based on physical and financial targets?	<input checked="" type="checkbox"/> YES – with financial targets only <input type="checkbox"/> YES – with actual operating indicators and financial targets <input type="checkbox"/> NO
4.2.2 Are multiple year budgets and financing plans prepared for capital expenditures?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.3 Are separate budgets prepared for:	
4.2.3.1 <i>Individual departments?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.3.2 <i>Individual work units?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.3.3 <i>Distinct and significant functional activities (e.g. maintenance)?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.3.4 <i>All major capital projects?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.4 Is there sufficient detail in annual budgets to provide a meaningful tool for performance monitoring?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.5 Are budgets used to monitor and control the performance of individual departments and units?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.2.6 How frequently are actual expenditures compared to the budget?	<input checked="" type="checkbox"/> at least once every month <input type="checkbox"/> once every 2 to 3 months <input type="checkbox"/> once every 4 to 6 months <input type="checkbox"/> once every 6 to 12 months <input type="checkbox"/> never
4.2.7 What happens if there are significant variations from the budget? Are explanations required?	Yes, analyze difference between actual expenditure and budget, and report to the competent department.
4.2.8 Are approvals for variations from the budget required in advance or are they obtained after the fact?	Yes

4.2.9	Who is responsible for preparation and approval of budgets?	The central financial department is responsible for budgeting preparation. Report to the ZCFD after the approval of director of ZIFC.
4.2.10	How are budgets prepared and approved?	Each subproject is responsible of reporting departmental budget to the financial department. After the approval of central director, the financial department summarizes and reports these budgets to the ZCFD. Then the ZCFD conducts budget approval based on budget elements.
4.2.11	Describe procedures used to plan project activities, collect information from units in charge of project components, and prepare budgets?	Each subproject is responsible for delivering its budget to the central finance department. The central finance department summarizes these budgets and reports to the central director for review.
4.2.12	What due diligence measures are there to assure that project plans and budgets are based on valid assumptions, are developed by knowledgeable individuals and are realistic?	The technical professional is specifically in charge.
<b>4.3 Payments</b>		
4.3.1	During invoice-processing procedures are:	
4.3.1.1	<i>Copies of purchase orders and receiving reports obtained directly from issuing departments?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.1.2	<i>Comparison made of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.1.3	<i>Comparison of invoice quantities with those indicated on the receiving reports?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.1.4	<i>The accuracy of calculations checked?</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.2	Are all invoices:	
4.3.2.1	<i>dated, reviewed and approved</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.2.2	<i>stamped PAID upon payment</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.2.3	<i>marked for account code assignment?</i>	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
4.3.3	What controls exist for the preparation of the payroll?	1. Permanent staff shall obey wage approval sheet by the Humane Resource and Social Assurance Department. 2. Temporary staff shall obey relevant regulations by the Zixing city government.
4.3.4	How are changes to the payroll authorized?	Submit the wage changes to the ZCFD and Human Resource and Social Assurance Department for approval.

<b>4.4 Policies And Procedure</b>	
4.4.1 What is the basis of accounting (e.g., cash, accrual)?	The basis of accounting is cash basis. Adopt accrual basis for specific economic business.
4.4.2 What accounting standards are followed (PRC, ISA, other)?	Accounting standards of PRC
4.4.3 Does the Project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.4.4 Does the accounting policy and procedure manual need to be updated for the project activities? If YES, explain how this will this be done?	<input type="checkbox"/> YES → explain how? <input checked="" type="checkbox"/> NO
4.4.5 Are there written policies and procedures covering all routine financial management and related administrative activities?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.4.6 How are new accounting principles, policies or procedures implemented within your agency?	Follow the updated <i>Accounting System for Public Institutions</i> in May 2014.
4.4.7 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by your agency?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO CAN'T BE CHANGED BY INDIVIDUAL
4.4.8 Do policies and procedures define conflict of interest and provide safeguards to protect the organization from them?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.4.9 Do policies and procedures define related party transactions (real and apparent)?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.4.10 What safeguards are there to protect the organization from conflict of interest and related party transactions?	Establish separation system in financial post, set up operator permissions and stakeholder avoidance system.
4.4.11 Who has a copy of the policies and procedures manual?	Department heads and financial staff.
<b>4.5 Cash and Bank</b>	
4.5.1 Indicate names and positions of authorized signatories in the bank accounts.	
4.5.1.1	Name: Yang Shuming Position: Director of ZIFC

4.5.1.2	Name: Liu Lianghong Position: Accountant
4.5.1.3	Name: Xie Chunhua Position: Cashier
4.5.2 Does the organization maintain an up-to-date cashbook, recording receipts and payments?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.5.3 What are the controls for the following activities:	
4.5.3.1 collection of revenues	On that day.
4.5.3.2 timely deposit of receipts	Execute cash management method, daily settlement.
4.5.3.3 recording of receipts	Cashier keeps account on registration cash day.
4.5.4 How frequently are bank and cash reconciled on a monthly basis?	<input type="checkbox"/> more frequently than monthly <input checked="" type="checkbox"/> every month <input type="checkbox"/> every quarter <input type="checkbox"/> less frequently than every quarter
4.5.5 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.5.6 How quickly are receipts deposited?	On that day
<b>4.6 Safeguard over Assets</b>	
4.6.1 Describe the system to record assets and protect them from fraud, waste and abuse?	Establish fixed assets card account and strictly follow the requirements of <i>Financial Management Manual</i> to make use of the fixed assets in a safe manner.
4.6.2 Are subsidiary records of fixed assets and stocks kept up to date?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.6.3 Are subsidiary records of fixed assets and stocks reconciled with control accounts?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.6.4 How often are physical inventories completed of fixed assets and stocks?	<input checked="" type="checkbox"/> at least once a year <input type="checkbox"/> every 2 to 3 years <input type="checkbox"/> every 3 to 5 years <input type="checkbox"/> less frequently <input type="checkbox"/> never
4.6.5 Are assets sufficiently covered by insurance policies?	<input checked="" type="checkbox"/> YES, but only part <input type="checkbox"/> NO
<b>4.7 Other Offices and Implementing Entities</b>	
4.7.1 Identify other offices or implementing agencies or units under your supervision or control that are responsible for project implementation or finance?	ZIXING URBAN AND RURAL HOUSE AND CONSTRUCTION BUREAU, ZIXING ENVIRONMENTAL PROTECTION BUREAU, ZIXING ENVIRONMENTAL SANITATION DEPARTMENT, ZIXING AGRICULTURE BUREAU, ZIXING WATER CONSERVANCY BUREAU, DONGJIANG LAKE RESERVIOR MANAGEMENT CENTER AND ZIXING FORESTRY BUREAU, SUPPLIERS, CONTRACTORS, CONSULTANT ETC.

4.7.2	In relation to these other agencies, has the Project established controls and procedures for:	
4.7.2.1	<i>flow of funds</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.2	<i>financial information</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.3	<i>accountability</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.4	<i>audits</i>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.7.3	How long does it take for project information to reach your agency from other offices or implementing agencies or units?	One week
4.7.4	What checks are there to ensure the accuracy of project information that your agency receives from other offices or implementing agencies or units.	Financial investment review, employing engineering supervision, site supervision of the proprietor, engineering acceptance, and auditing by the Auditing Office.
4.7.5	Are periodic reconciliations performed among the different offices and implementing agencies?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
<b>4.8</b>	<b>Other</b>	
4.8.1	Describe the options available to employees, beneficiaries and others for reporting suspected fraud, waste or misuse of project resources or property?	Municipal Bureau for Complaints, mayor hotline, discipline inspection departments, etc.
4.8.2	Will representatives of the municipal discipline investigation bureau be involved in project bidding and construction activities?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.8.3	Do contracts let by your agency for civil works and other large procurements include anticorruption clauses and safeguards.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
<b>5</b>	<b>Reporting and Monitoring</b>	
5.0	Are financial statements prepared for your agency? If YES, what accounting standards are they based on?	<input checked="" type="checkbox"/> YES → <i>Accounting Law, Accounting System for Institutional Organization and Accounting Standard for Institutional Organizations.</i> <input type="checkbox"/> NO
5.1	How often are financial statements prepared?	Monthly report, quarterly report and yearly report.
5.2	How quickly are the financial statements prepared at year end?	Half a month to 1 month.

5.3	Are separate financial statements prepared for the office or unit in your agency that will implement the Project?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
5.4	Will the financial reporting system need to be adapted to report on the project components?	<input type="checkbox"/> YES → briefly describe arrangement : <input checked="" type="checkbox"/> NO
5.5	Does the reporting system have the capacity to link financial information with information on the physical progress of engineering project's?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
5.6	Describe procedures and controls used to insure that the physical project data can be compared and coordinated with the financial data?	Prepare project subsidiary ledger and make sure the operating data are consistent with the financial data.
5.7	Are there financial management reporting requirements for existing engineering projects that specify:	Yes
5.8	What information do the financial management reports for engineering projects contain? (check all that apply)	<input checked="" type="checkbox"/> Total project expenditures to date <input checked="" type="checkbox"/> Comparison of actual expenditures with budgets <input checked="" type="checkbox"/> Comparison of actual expenditures with work completed <input checked="" type="checkbox"/> Expenditures by project component <input checked="" type="checkbox"/> Explanations of significant variances of expenditures from budgets
5.9	Are financial management reports used by management?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
5.10	Describe a recent action taken by management in response to information provided in a financial management report?	
5.11	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other manual method?	<input checked="" type="checkbox"/> prepared by an automated accounting system <input type="checkbox"/> prepared by spreadsheets or other method <input type="checkbox"/> both ways used
<b>6 Internal Audit</b>		
6.0	Is there an internal auditor or audit department in your agency?	<input checked="" type="checkbox"/> YES → answer questions 6.1 to 6.5 <input type="checkbox"/> NO → go to section 7
6.1	What are the qualifications and experience of audit department staff?	Years of working experience in auditing office and discipline inspection and supervision departments
6.2	To whom does the internal auditor report?	City government leaders, central director.
6.3	Will the internal audit department include the Project in its work program?	Yes, it is included.
6.4	Are actions taken on the internal audit findings?	Conduct rectification if any problem occurs. If necessary, revise relevant rules and regulations.
6.5	Describe the most recent actions taken in response to the internal audit findings?	The project has not started to audit. No auditing conclusions appear yet.

<b>7 External Audit</b>	
7.0 Is your agency financial statement audited each year by an independent non-government auditor? If YES, who is the auditor?	<input type="checkbox"/> YES → <input checked="" type="checkbox"/> NO
7.1 How soon following the financial yearend are audit reports issued?	2 to 3 months.
7.2 Is the audit of your agency conducted according to International Standards on Auditing?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
7.3 Were any major accountability issues identified in audit reports over the past three years?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
7.4 Will your agency auditor audit the Project financial statements and accounts or will another auditor be appointed?	<input type="checkbox"/> agency auditor <input checked="" type="checkbox"/> another auditor
7.5 Has your agency implemented all recommendations made by the auditors in audit reports or management letters over the past three years? If NO, please explain.	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO → explain: NEWLY ESTABLISHED UNITS
7.6 Is the Project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit? If YES, who is the independent entity?	<input type="checkbox"/> YES → Who: please provide the name of auditing agency <input checked="" type="checkbox"/> NO
7.7 Does your agency have separate terms of reference for annual audits of major projects?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
7.8 Please provide the audit reports for the past three years.	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided – please give reason: It is a newly established unit.
<b>8 Information Systems</b>	
8.0 Is the financial management system computerized?	<input checked="" type="checkbox"/> YES → Software Name: Newgrand financial software <input type="checkbox"/> NO
8.1 Can the system produce the necessary project financial reports?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
8.2 What training has the staff received to operate the system?	Training for staff in the software company.
8.3 What controls are there to safeguard the confidentiality, integrity and availability of data in the information system?	1. Establish reliable identification and access control to the E-files operator. 2. Establish electronic data collection and accumulation systems, efficient management system, and adopt corresponding technical methods. 3. The processing and storage of E-files shall be in accordance with national confidentiality provisions

## Attachment 2: Historical Financial Statements of ZIFC

## Balance Sheet of ZIFC

31 December, 2014

Unit: yuan

Asset	This Year	Last Year	Liabilities and Net Assets	This Year	Last Year
<b>Current asset:</b>			<b>current liabilities:</b>		
monetary capital	93,334,321.69		short-term borrowing		
including: 0-balance account			tax payable		
short-term investment			treasury payable		
fiscal payable limit	12,517.00		fiscal special account payable		
notes receivable			employee pay payable		
accounts receivable			notes receivable		
advance payment			accounts receivable		
other receivables	720,000.00		advance payment		
Inventory			other receivables	1,352,006.00	
other current asset			other current liability		
<b>Total Current Assets</b>	<b>94,066,838.69</b>		<b>Total of Current Liabilities</b>	<b>1,352,006.00</b>	
<b>Non-Current Asset:</b>			<b>Non-Current Liabilities:</b>		
long-term investment			long-term loans		
fixed asset	119,300.00		long-term payable		
original value of fixed assets	119,300.00		<b>Total of Non-current Liabilities</b>		
minus: accumulated depreciation			<b>Total of Liabilities</b>	<b>1,352,006.00</b>	
construction in process	7,017,489.39		<b>Net asset:</b>		
intangible assets			enterprise fund		
original value of intangible assets			non-current assets	7,017,489.39	
minus: accumulated amortization			special fund		
assets loss to be disposed			fiscal subsidy carry-over	12,517.00	
<b>Total of non-current assets</b>	<b>7,136,789.39</b>		fiscal subsidy balance	92,821,615.69	
			non-fiscal subsidy carry-over		
			non-fiscal subsidy balance		
			1、enterprise balance		
			2、operating balance		
			<b>Total of Net Asset</b>	<b>99,851,622.08</b>	
<b>Total of Assets</b>	<b>101,203,628.08</b>		<b>Total of Liabilities</b>	<b>101,203,628.08</b>	



# Revenue and Expenditure of ZIFC

31 December, 2014

Unit: yuan

Item	this year	item	this year
<b>I. fiscal subsidy carry-over and balance for this term</b>	<b>92,834,132.69</b>	<b>III、 operating balance of this term</b>	
fiscal subsidy revenue	101,431,472.00	operating revenue	
minus: public spending (fiscal subsidy expenditure)	8,597,339.31	minus: operating expenditure	
<b>II. enterprise carry-over and balance for this term</b>		<b>IV、 to make up for the operating balance of loss in previous year</b>	
(一) enterprise revenue			
1、 enterprise income		<b>V、 non-fiscal subsidy carry-over and balance for this year</b>	
2、 subsidy revenue of upper level		minus: non-fiscal subsidy carry-over	
3、 payment by affiliated units			
4、 other revenue		<b>VI.non-fiscal subsidy balance for this year</b>	
including: denation		minus: enterprise income tax payable	
minus:(II)enterprise expenditure		minus: special fund withdrawal	
1. enterprise expenditure(non-fiscal subsidy expenditure)			
2、 expenditure to higher level		<b>VII. transferred to enterprise fund</b>	
3、 subsidy expenditure to the affiliated units			
4、 other expenditure			