

Financial Management Assessment (Draft)

Project number: 48274
July 2017

PRC: Shanxi Urban–Rural Water Source Protection and Environmental Demonstration Project

Prepared by the project preparatory technical assistance consultants in coordination with the Zuoquan County People's Government for the Asian Development Bank

CURRENCY EQUIVALENTS

(as of 24 July 2017)

Currency unit	–	yuan (CNY)
CNY1.00	=	\$0.1482
\$1.00	=	CNY6.7457

ABBREVIATIONS

ADB	–	Asian Development Bank
CPS	–	country partnership strategy
EA	–	executing agency
FMA	–	financial management assessment
FMAQ	–	financial management assessment questionnaire
IA	–	implementing agency
MOF	–	Ministry of Finance
PIO	–	project implementation office
PLG	–	project leading group
PMO	–	project management office
PRC	–	People's Republic of China
SPFD	–	Shanxi Provincial Finance Department
ZCFB	–	Zuoquan County Finance Bureau
ZCG	–	Zuoquan County Government
ZHCB	–	Zuoquan Housing Security, and Urban and Rural Construction and Management Bureau
ZSRMO	–	Zuoquan Shixia Reservoir Management Office
ZWRB	–	Zuoquan Water Resource Bureau

NOTE

In this report, "\$" refers to US dollars.

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**PRC: Shanxi Urban–Rural Water Source
Protection and Environmental Demonstration
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EXECUTIVE SUMMARY

1. The financial management assessment (FMA) was conducted in accordance with the Asian Development Bank's (ADB) Guidelines for the Financial Management and Analysis of Projects, the Financial Due Diligence: A Methodology Note, and the Technical Guidance Note: Financial Management Assessment. The instrument used for the assessment was ADB's FMA questionnaire (FMAQ). The FMA considered the financial management capacity of the Zuoquan County Finance Bureau (ZCFB) and the three implementing agencies (IAs). The assessment covered funds flow arrangements, staffing, accounting and financial reporting systems, internal and external auditing arrangements, and financial information systems.

2. The assessment identified the main financial management risks as (i) implementation risk—lack of familiarity with ADB's disbursement procedures and requirements which could delay project implementation; (ii) compliance risk—lack of familiarity with ADB's financial management requirements, particularly relating to accounting, reporting, and auditing which may delay project reporting and the identification of issues on the use of loan proceeds; (iii) financing risk—delays in provision of or inadequate counterpart funding which could delay project implementation; and (iv) construction and operational risk—inadequate experience in construction and operating management which will impact project progress and quality of the services to be provided after project completion. The overall financial management risk-rating of the project before considering mitigating measures is moderate. The identified financial management risks and the implementation of agreed mitigation measures need to be closely monitored during project implementation. The proposed financial management action plan is shown in Table 1, and this should be made in the relevant project documents—notably the loan and project agreements, and the project administration manual.

Table 1: Proposed Action Plan for Financial Management

Action	Responsibility	Timing
1. Covenants to be included in the legal agreements to ensure adequate counterpart funds to support capital, operation and maintenance, and debt repayment requirements.	ADB	Loan negotiation
2. Training on ADB's disbursement procedures and requirements	ZCFB/PMO with consulting support as needed	1 month before first disbursement and any other time as needed
3. Training on ADB's financial management requirements, specifically accounting, reporting, and auditing	ZCFB/PMO with consulting support as needed	3 months before loan effectiveness and any other time as needed
4. Close monitoring to quickly identify potential issues in counterpart funding	ZCFB and PMO	At least once a quarter during project implementation
5. A financial expert requirement and some professional engineers to be included in the capacity building package in output 4 of the project. They will provide professional financial management and engineering support and training for the finance and related staff in the project entities, including financial management manual development.	ZCFB/ PMO	As soon as possible after loan effectiveness

ADB = Asian Development Bank, PMO = Zuoquan County project management office, ZCFB = Zuoquan County Finance Bureau.

Source: Asian Development Bank.

3. With appropriate mitigation measures, the project's financial management arrangements are considered satisfactory.

I. Introduction

4. The FMA was conducted in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects, the Financial Due Diligence: A Methodology Note, and the Technical Guidance Note: Financial Management Assessment. The instrument used for the assessment was ADB's FMAQ. The FMA was performed on (i) ZCFB who is overseeing the subproject preparations and implementation on behalf of the Zuoquan County Government (ZCG), and the project IAs: (ii) the Zuoquan Water Resource Bureau (ZWRB); the Zuoquan Housing Security, and Urban and Rural Construction and Management Bureau (ZHCB); and the Zuoquan Shixia Reservoir Management Office (ZSRMO).

5. This assessment was carried out by project preparatory technical assistance consultants during project preparation. The FMA considered the results of financial management due diligence carried out during the preparation of ADB's country partnership strategy (CPS), 2016–2020 for the People's Republic of China (PRC), and the results of the FMAQs completed in respect of the executing agency (EA) and the IAs.¹ The due diligence activities of the project preparatory technical assistance also included reviewing relevant financial management regulations, interviewing financial staff from ZCFB and the IAs, and discussions with the Zuoquan County project management office (PMO).

II. Project Description

6. The project will include four major outputs: (i) watershed management enhanced, (ii) Qingzhang River and Binhe Road rehabilitated, (iii) inclusive water supply and wastewater collection services achieved, and (iv) institutional capacity strengthened.

III. Risk Analysis

7. The risk assessment considered the staffing, internal control, accounting and reporting policies and procedures, and auditing standards and arrangements of the EA and the IAs. Based on the assessment, the overall project financial management risk before mitigation is considered to be moderate.

A. Inherent Risk

8. Inherent risk is the susceptibility of the project financial management system to factors arising from the environment in which it operates, such as country rules and regulations; and entity working environments (assuming the absence of any supplementary counter-checks or internal controls). Table 2 summarizes the main inherent financial management risks relevant to the project.

¹ ADB. 2016. *Country Partnership Strategy: Transforming Partnership: People's Republic of China and Asian Development Bank, 2016–2020*. Manila.

Table 2: Inherent Risk Assessment

Risk Type	Risk Assessment	Risk Description	Mitigation Measures
1. Country-specific risks	M	Lack of adequate skills to implement the updated Accounting and Budget Law	In line with ADB's CPS findings, output 4 of the project will encourage the consistent use of IFRS through skills training (accounting and reporting) and knowledge sharing (accrual accounting and risk based internal control).
2. Entity and project-specific risks	M	Delays or inadequate provision of counterpart funding	Counterpart funding requirements will be included in the Zuoquan County's annual budget.
	M	Inadequate resources exist to ensure that the project investments are sustainable.	Based on national policy announcements, the counties are expected to receive increased transfer payments from the central government during the Thirteenth Five-Year Plan to reach national poverty reduction goals by 2020. Based on the low interest rate on bonds, ZCG is expected to be able to use more bond financing for the project investment.
Overall Assessment of Inherent Risk	M		

ADB = Asian Development Bank, CPS = country partnership strategy, IFRS = international financial reporting standards, M = moderate, ZCG = Zuoquan County Government.

Source: Asian Development Bank.

B. Control Risk

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

Table 3: Control Risk Assessment

Risk Type	Risk Assessment	Risk Description	Risk Mitigation Measures
1. Implementing entity	M	The project financial management policies and procedures are not in place.	The project will adopt the generally accepted accounting principles in the PRC, specifically the "Accounting Methods for Projects Financed by the World Bank" issued by the Ministry of Finance. ^a Each IA will set up project accounts.
2. Fund flow	M	Lack of familiarity with ADB's disbursement requirements and procedures	Training will be conducted before loan effectiveness to ensure that the staff of ZCFB and the IAs will acquire the required knowledge.

Risk Type	Risk Assessment	Risk Description	Risk Mitigation Measures
3. Staffing	M	Insufficient IA staff to perform financial management functions, and staff unfamiliar with capital construction and foreign project financial management requirement	Two finance staff in each IA have been designated to be responsible for the ADB project. They will be trained in ADB's policies and procedures. Consultants will provide financial management support to the finance staff of the IAs.
4. Accounting and reporting	M	Lack of familiarity with ADB's financial management requirements on accounting and reporting	Training will be conducted before loan effectiveness to ensure that the EA and IA staff will acquire the required knowledge. Subsequent training will be based on requirements.
5. Internal audit	M	Lack of internal audit inspection and supervision	There are internal audit staff in ZCFB. The IAs do not have internal audit capacity.
6. External audit	L	Audit requirements are not fully complied with due to external auditor's limited understanding of ADB's requirements	Audit responsibility will be delegated to the Shanxi Provincial Audit Department which has many years of experience with ADB-funded projects.
7. Reporting and monitoring	M	Delayed submission of audited project financial statements	The IAs will prepare financial statements and reports in accordance with the Accounting Methods for Projects Financed by the World Bank issued by the Ministry of Finance. ^a The Zuoquan County PMO is responsible for the consolidation of project financial statements. A consultant with financial expertise will assist in the preparation of financial statements and reports.
8. Information systems	M	Lack of accounting system to allow proper recording and reporting of project expenditures	The IAs use stand-alone computerized accounting systems which automatically produce financial statements. These appear to operate well, and the staff were well trained in their use.
Overall Control Risk	M		

ADB = Asian Development Bank, EA = executing agency, IA = implementing agency, L = low, M = moderate, PMO = project management office, PRC = People's Republic of China, ZCFB = Zuoquan County Finance Bureau.

^a The guidelines were issued by the Ministry of Finance for all foreign aid-financed projects.

Source: Asian Development Bank.

IV. The Project Financial Management System

10. **Public financial management system.** ZCFB, ZHCB, and ZWRB are government agencies. ZSRMO is a government institutional unit. They adopt the PRC's public financial management system. Its strengths and weaknesses have been described in ADB's CPS, 2016–2020 for the PRC (footnote 1).

11. **Public financial management risks.** Overall, the PRC has strong financial management legislation, structures, and systems in place, which have been further reinforced in recent years and aligned with international standards. Major risks remain only where subprovincial levels lag behind in the implementation of reforms in core functional areas of financial management, i.e., accounting and reporting, accrual accounting and risk-based control, and internal audit. The CPS concludes the lack of capacity at subprovincial level may both hamper effective financial control and constrain the shift of focus from controlling inputs to managing results. This assessment concurs with that conclusion (footnote 1).

12. **Strengthen public financial management capacity at subprovincial levels.** The CPS recommends that ADB should reinforce ongoing support in assessing and strengthening public financial management capacity at subprovincial levels, e.g., through promoting skills training (accounting and reporting), knowledge sharing (accrual accounting and risk-based internal control), and organizational reviews (internal audit), (footnote 1). ADB should provide technical assistance and support training activities to finance staff in local authorities and project offices; and extend support to strengthen the use, quantity, and quality of management through policy advice and technical assistance.

C. Strengths

13. The project potentially benefits from an adequate financial management system and staffing as follows:

- (i) The PRC has strong financial management legislation, structures, and systems in place, which have been further reinforced in recent years and aligned with international standards. The project will adopt the “State-Owned Construction Unit Accounting Regulation” and the “Accounting Methods for Projects Financed by the World Bank” issued by the Ministry of Finance (MOF), and will use computerized accounting systems at IA levels to automatically generate financial statements.² All transactions will be reviewed by the accountant, and approved by the IA’s Head; and
- (ii) All finance staff in ZCFB, the three IAs, and the Zuoquan County PMO are familiar with the PRC’s public financial management system. There are at least two finance persons in each IA who are familiar with the local project construction management and capital construction project accounting. The Shanxi Provincial Finance Department (SPFD) is also responsible for the overall supervision of the project financial management and is familiar with the financial management of ADB and World Bank projects.

D. Weaknesses

14. The project is susceptible to the following weaknesses at the IA level:

- (i) An absence of internal audit and;
- (ii) A lack of familiarity with ADB’s requirements and procedures;

15. These weaknesses will be mitigated by (i) requiring the IAs to expedite the appointment of staff required for project implementation, and (ii) providing the IA finance and other related staff training in ADB’s procedures and financial management on capital construction.

² The guidelines on the generally accepted accounting principles in the PRC, specifically the “Accounting Methods for Projects Financed by the World Bank”, were issued by the Ministry of Finance for all foreign aid-financed projects.

E. The Executing and Implementing Entities

16. ZCG, the EA who is responsible for overall planning and implementation of the project, does not have experience in the preparation, implementation, and management of projects funded by ADB. A project leading group (PLG) and the Zuoquan County PMO have been established in ZCG. The PLG, which was established in 2014, is headed by Zhao Hongzhong, the Mayor of Zuoquan County; and includes representatives from relevant government departments. The main responsibilities of the PLG are to (i) provide overall coordination of project preparation; (ii) coordinate the ADB missions, and supervise other departments on this project; (iii) manage the Zuoquan County PMO; and (iv) report to the Zuoquan Party Committee and ZCG on the preparation and implementation of the project.

17. The Zuoquan County PMO has been established to account to the PLG and is headed by the Vice Mayor of Zuoquan County. There is 1 executive deputy director, 4 deputy directors from different government agencies, and 7 staff at working level. The Zuoquan County PMO is responsible for (i) implementation of detailed work for project preparation; (ii) overall coordination; (iii) regular reporting to the leaders of the project progress and issues; (iv) coordination of the IAs; and (v) organization of the ADB missions, and supervision of other departments on this project. The existing persons in the Zuoquan County PMO are unfamiliar with financial management regulation of foreign projects, with one person being responsible for project financial management and; will assist ZCFB in managing financial activities under the project.

18. ZCFB, on behalf of ZCG, will be responsible for financial management of the project, including the ADB loan withdrawal applications, payment and overseeing the ADB loan repayment, assuring counterpart funds are in place for the project, and so on. There are three persons in ZCFB's Financing Division who are responsible for project supervision and management, withdrawal applications, payment approvals, and so on. ZCFB has adequate finance staff, accounting policies and procedures, internal and external controls, audit arrangements, and reporting systems.

19. The Zuoquan County PMO and ZCFB do not have experience on ADB-funded projects. Significant training and support will be required on ADB's policies and procedures, including project management, procurement, safeguards, disbursement, financial management, and so on.

20. SPFD will operate and administer the imprest account of the project and will be responsible for applications and withdrawals of the ADB loan. SPFD has many years of experience in these activities and in the general financial oversight of ADB- and World Bank-funded projects.

21. The IAs will be ZHCB, ZSRMO, and ZWRB, which are agencies of ZCG. They have experience on implementation of similar projects and are familiar with domestic procedures. They have established the project implementation offices (PIOs) which will be responsible for day-to-day implementation, organization, and management of project components. Also, the PIOs are responsible for daily financial management of subprojects, including project accounting, financial statements preparation, the ADB loan withdrawal and payment, counterpart fund withdrawal and payment, and so on.

F. Fund Flow Mechanism

22. SPFD will operate and administer an imprest account for the project. The imprest account is to be used exclusively for ADB's share of eligible expenditures; and will be established,

managed, and liquidated in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time), and detailed arrangements agreed upon between the ADB and the government. Pursuant to ADB's Safeguard Policy Statement (2009), the ADB funds may not be applied to the activities identified on the ADB Prohibited Investment Activities List set forth at Appendix 5 of ADB's Safeguard Policy Statement (2009). The EA and the IAs of the project will ensure that their investments comply 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. The external auditors will verify compliance based on their detailed annual project audit work.

23. ZCG, through ZCFB, will maintain separate accounts for the project where the ADB loan and counterpart funds will be channeled. The three IAs will review project progress reports and supporting documents prepared by the contractor or supplier and consultant. Then IAs will prepare withdrawal applications which will be reviewed by the Zuoquan County PMO before submission to SPFD and ZCFB.

24. The project will probably use a combination of ADB's disbursement procedures, especially the imprest account, the direct payment, and the reimbursement procedure. Under the direct payment procedure, the ADB loan proceeds will be directly credited to a nominated bank account of a contractor, supplier, or consultant. The minimum size of a withdrawal application shall be \$100,000. All claims shall be processed and consolidated by SPFD prior to submission of the withdrawal application to ensure efficient disbursement administration. All withdrawal applications will be reviewed and signed by the leaders of the IAs. Proper records and books are maintained for audit and verification.

25. Counterpart funds will flow through the treasury payment system of each county.

26. The proposed onlending and fund flow arrangement is shown in a fund flow chart as follows:

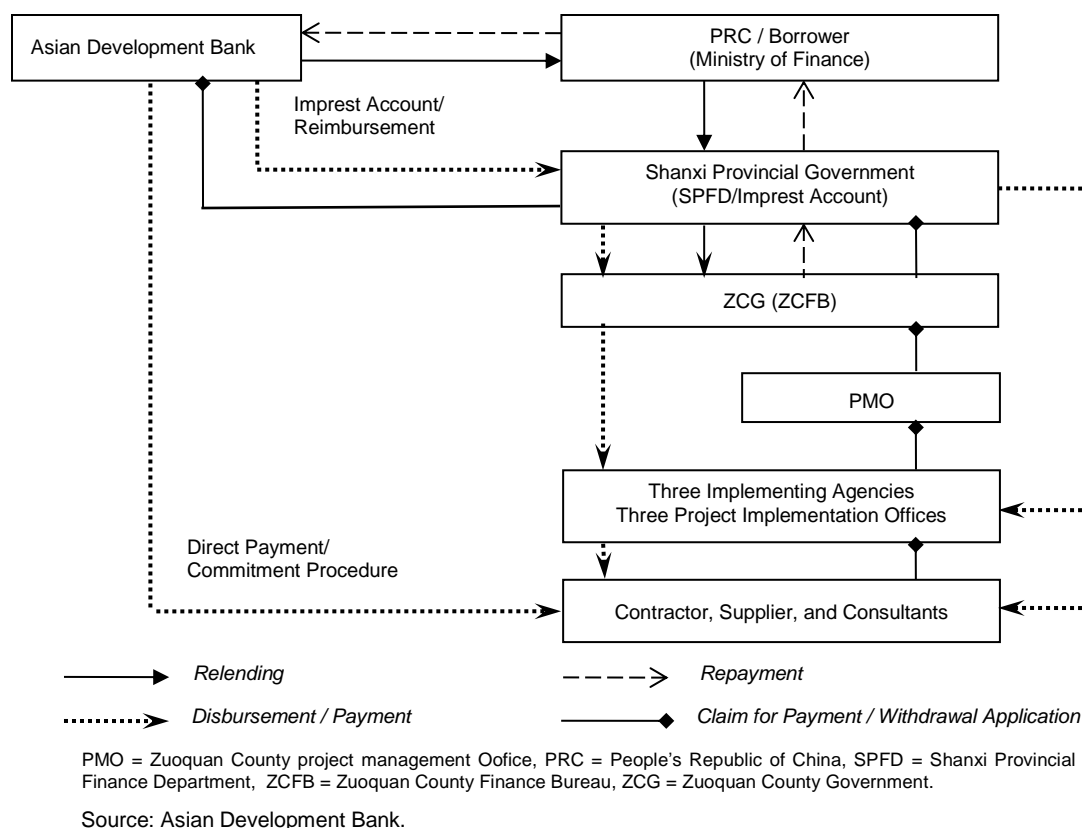


Figure 1: Onlending Agreement and Fund Flow Diagram

G. Personnel

27. The current organization structure of ZCFB, the three IAs, and their PIOs can meet project management requirements. The three IAs have assigned highly qualified and experienced persons to be involved in the PIOs to implement the ADB project, but the capacity of the Zuoquan County PMO needs to be further strengthened.

28. There are three persons in the Financing Division of ZCFB. They have financing management experience but do not have experience on financial management with locally funded large capital projects and foreign-funded projects.

29. There is one finance person in the Zuoquan County PMO with large-scale project management experience, but does not have experience on foreign-funded projects.

30. The two existing finance staff in each IA have been designated as responsible for the ADB project. They have sound financial management skills, and their practices comply with ADB's minimum standards for project accounting and financial management. They have experience with the financial management of large capital projects but do not have experience on foreign-funded projects.

31. The finance and technical staff who have been assigned to the project should be trained on ADB's disbursement guidelines and procedures, project accounting requirements, financial

monitoring and report preparation, project and contract management, procurement management, and so on. A financial management expert should be involved in the loan consulting services to provide financial management support to the staff of ZCFB, the Zuoquan County PMO, and the three IAs and their respective PIOs.

32. The finance staff of the IAs appointed to be responsible for the project are shown in Table 4.

Table 4: Finance Staff of the Implementing Agencies Appointed to the Project

Name	Sex	Title	Education	Working Experience
Zuoquan Housing Security, and Urban and Rural Construction and Management Bureau (ZHCB)				
Fan Junhua	Female	Accountant	Accounting graduate	More than 10 years financial working experience
Yang Zhongqing	Female	Accountant	Accounting graduate and senior accountant	More than 15 years financial working experience
Zuoquan Shixia Reservoir Management Office (ZSRMO)				
Li Shuping	Female	Accountant	Accounting graduate	More than 10 years financial working experience
Zhang Guoyan	Female	Accountant	Accounting graduate	More than 10 years financial working experience
Zuoquan Water Resource Bureau (ZWRB)				
Zhao Fengyan	Female	Accountant	Accounting graduate	More than 10 years financial working experience
Han Min	Female	Accountant	Accounting graduate	More than 3 years financial working experience

Source: *Asian Development Bank*.

H. Accounting Policies and Procedures

33. Practices of the three IAs comply with financial rules and regulations issued by MOF, SPFD and ZCFB. At present for local capital construction project, the IAs adopt the State-Owned Construction Unit Accounting Regulation which stipulates an accrual basis to prepare project accounts and financial statements.

34. There is a special regulation for the foreign loan project issued by MOF. The Accounting Methods for Projects Financed by the World Bank (reference No. 2000 [13]) will be followed to set up the project accounts and records by funding source for all expenditures incurred on the project (footnote 3). Subsidiary ledgers will also be maintained to facilitate reconciliation of accounts with the general ledger and bank records. All reports and supporting documents on all transactions will be stored and retained in accordance with relevant financial regulations, will be accessible by authorized users, and made available for audit inspection. The IAs will prepare individual project financial statements and submit to the Zuoquan County PMO for consolidation. Annual project financial statements will be prepared using the accrual basis of accounting.

35. The IAs have established a clear segregation of duties with respect to review and approval of payments. Processing of the project payment invoices involves comparison of quantities, prices, and terms in purchase orders and those reported in the receipts. Controls are in place for the preparation of payroll, while changes to the payroll are approved by the government personnel department. Almost all payments are made using 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.

I. Budgeting System

36. All IAs will follow ZCG's budgeting process. The ADB project budgets will be prepared annually by the responsible project persons, and will include physical and financial targets. Then, it will be integrated into the whole budget of the IA. The IA's budget will be provided to ZCFB for review. Through the "two up and two down" process, the IA's budget will be integrated into the whole budget of the Zuoquan County for final approval of the Zuoquan County People's Congress. Budget monitoring reports present a comparison between budgeted and actual amounts, and highlight budget variances.

J. Safeguarding Assets

37. Subsidiary records of fixed assets and stocks are kept up-to-date and periodically reconciled with control accounts according to the fixed asset management regulation. The IAs will conduct an annual physical inventory of all assets. Normally, only transport vehicles are covered by commercial insurance, covering loss, fire, and others. During construction, insurance shall be the responsibility of contractors; and shall cover worker compensation for losses due to accidents apart from compensation for property.

K. Internal Audit and External Audit

38. There is an internal audit department in ZCFB, which directly reports to the Party Committee of ZCFB. Internal audit staff usually have many years of accounting background.

39. None of the IAs has an internal audit department. All accounts are audited annually by an independent external auditor or the Government Audit Department. The audit is carried out in accordance with the auditing standards and requirements of the PRC. The various external audit and inspection arrangements will make up for the lack of internal audit.

40. The National Audit Office of the PRC will authorize the Shanxi Provincial 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 Zuoquan County PMO and/or the Shanxi Provincial 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.

L. Reporting and Monitoring

41. The project financial reports will be prepared using an accounting software system and 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 IAs and/or the PIOs will prepare and submit to ADB (via the Zuoquan County 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. The IAs and/or the PIOs will also prepare and submit to ADB (via Zuoquan County PMO) a project completion report within 3 months of the completion of each subproject, and an investment project completion report after completion of all outputs under the proposed project.

M. Information System

42. The Newgrand or Jindie financial software is used by the IAs for accounting and financial statements, and both software packages are amongst the most reputable and well used in the PRC. The existing automated accounting software systems of the IAs are capable of generating the project reports required for both external and internal use. In addition, all relevant staff have been trained and should be familiar with the systems, 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.

V. Proposed Time-Bound Action Plan

43. The assessment identified the main financial management risks as (i) implementation risk—lack of familiarity with ADB’s disbursement procedures and requirements which could delay project implementation; (ii) compliance risk—lack of familiarity with ADB’s financial management requirements, particularly relating to accounting, reporting, and auditing, which may delay project reporting and the identification of issues on the use of loan proceeds; (iii) financing risk—delays in provision of or inadequate counterpart funding which could delay project implementation; and (iv) construction and operational risk—inadequate experience in construction and operating management, which will impact project progress and quality of the services to be provided after project completion. The overall financial management risk rating of the project before considering mitigating measures is moderate. The identified financial management risks and the implementation of agreed mitigation measures need to be closely monitored during project implementation. The proposed financial management action plan is shown in Table 1, and this should be made in the relevant project documents—notably the loan and project agreements, and the project administration manual.

VI. Conclusion

44. The overall financial management risk rating of the project before considering mitigating measures is moderate. The identified financial management risks will be closely monitored during project implementation. It was agreed that the EA and the IAs will further enhance their capabilities by undertaking more training, particularly on ADB’s policies and procedures. Therefore, the project’s financial management arrangements with appropriate mitigation measures are considered satisfactory.

ATTACHMENT 1: FINANCIAL MANAGEMENT ASSESSMENT QUESTIONNAIRES

A. Financial Management Assessment Questionnaire—Zuoquan County Finance Bureau (ZCFB)

Name of agency	Zuoquan County Finance Bureau (ZCFB)
Project component that agency is responsible for	Manage and supervise all components
Name of person responsible for filling this form	
Position, title and telephone of person responsible for filling this form	
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 checked="" type="checkbox"/> Management of project construction <input 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
Topic	Response
1 Implementing Agency/ Executing Agency	
1.0 What is your agency's legal status and registration?	Administrative agency
1.1 What is your agency's governing body?	County government
1.2 What is the governing body's relationship to the Government?	Department of the 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: Participate in government's decision-making, have no right of decision-making.
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?	Financial standards of administrative institutes
1.6 Describe your agency's organizational structure? (please attach an organization chart)	<input 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, Project will be managed by the current division
1.9 If the ADB loan is approved, what staffing changes will you make to assist with project implementation?	No need
1.10 Does the Project have written job descriptions that define duties, responsibilities, lines of supervision, and limits of authority for staff?	<input 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 checked="" type="checkbox"/> NO

2 Funds Flow Arrangements	
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.	Provincial department—County Financial bureau-Contractor
2.1 Are the (proposed) arrangements to transfer the proceeds of the loan from the government to the implementing agency satisfactory?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO → briefly explain why not <input type="checkbox"/> Not applicable → briefly explain why
2.2 Describe any past problems experienced in receiving investment funds from funding sources?	None
2.3 Describe proposed on-lending arrangements from the Government to your agency, including on-lending terms and conditions.	
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 checked="" type="checkbox"/> YES → name of bank <input type="checkbox"/> NO → briefly explain why
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. → Explain capacity building arrangements: <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 tax 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?	Allocated by the government
2.8.3 How are payments made from the counterpart funds?	Based on the work progress and relative supporting documents
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 arrangements <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 <input checked="" type="checkbox"/> NO
3 Staffing	

3.0 What is your agency's organizational structure for accounting and finance? Please attach an organization chart.	Buget Division and Treasury Division will be involved into the project financial management. Meanwhile Financing Department is responsible for ADB project management
3.1 Identify key finance and accounting staffs including job title, responsibilities, educational background and professional certification.	The person who will be involved into the project will be decided after loan effectiveness. Currently budget division and treasury division responsibility is clear.
3.1.1 Job title	
3.1.1.1 Staff	
3.1.1.2 Main responsibilities	
3.1.1.3 Training and Certification	
3.1.2 Job title	
3.1.2.1 Staff	
3.1.2.2 Main responsibilities	
3.1.2.3 Training and Certification	
3.1.3 Job title	
3.1.3.1 Staff	
3.1.3.2 Main responsibilities	
3.1.3.3 Training and Certification	
3.1.4 Job title	
3.1.4.1 Staff	
3.1.4.2 Main responsibilities	
3.1.4.3 Training and Certification	
3.2 Attach job descriptions and CVs of key accounting staff.	<input type="checkbox"/> Job descriptions, CVs attached <input checked="" type="checkbox"/> job descriptions, CVs 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 type="checkbox"/> YES <input checked="" type="checkbox"/> NO → describe training arrangements
3.6 What is the duration of the work contract for project finance and accounts staff?	Permanent
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 type="checkbox"/> YES <input checked="" type="checkbox"/> NO
3.9 At what frequency are personnel transferred?	Not frequently
3.10 What is training policy for the finance and accounting staff?	Continuing education and training
4 Accounting Policies and Procedures	
4.0 General	
4.0.1 Will the Project use your agency accounting system?	Accounting standards of administrative institutes

4.0.2 Describe how your agency accounting system will record project financial transactions.	Accounting standards of administrative institutes
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?	There is subsidiary accounting account to record project revenue and expenditure according to <i>Project Agreement and Loan Agreement</i>
4.0.4 Describe controls in place to ensure that all transactions are correctly made, adequately explained, prepared and approved.	There is clear regulation in accounting regulations and rules.
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 changes <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.	To build subsidiary accounting account according to Project Agreement and Loan Agreement Requirement
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?	The accounting documents are stored for 15 years; the materials are stored for 5 years.
4.1 Segregation of Duties	
4.1.1 Who is responsible for the following duties (give name and title):	
4.1.1.1 authorize execution of transactions	
4.1.1.2 record transactions	
4.1.1.3 maintain custody of assets involved in transaction	
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
4.2 Budgeting System	
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 physical 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 Individual departments?	<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?	Need explanations
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 budget department
4.2.10 How are budgets prepared and approved?	Submitted for approval
4.2.11 Describe procedures used to plan project activities, collect information from units in charge of project components, and prepare budgets?	3 PIOs to prepare proposed project detail information.
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
4.3 Payments	
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 stamped PAID upon payment	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.2.3 marked for account code assignment?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.3What controls exist for the preparation of the payroll?	Reviewed and approved by the personnel bureau
4.3.4How are changes to the payroll authorized?	Reviewed and approved by the personnel bureau
4.4 Policies And Procedure	
4.4.1What is the basis of accounting (e.g., cash, accrual)?	Cash-basis standards
4.4.2What accounting standards are followed (PRC, ISA, other)?	PRC Accounting Standards
4.4.3Does 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
4.4.4Does 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
4.4.5Are there written policies and procedures covering all routine financial management and related administrative activities?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.4.6How are new accounting principles, policies or procedures implemented within your agency?	Implement after being approved by the leaders
4.4.7Do 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 checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.4.8Do 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
4.4.9Do 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?	Avoidance System
4.4.11 Who has a copy of the policies and procedures manual?	Accountant
4.5 Cash and Bank	
4.5.1Indicate names and positions of authorized signatories in the bank accounts.	
4.5.1.1	Name: Position:
4.5.1.2	Name: Position:
4.5.1.3	Position
4.5.2Does the organization maintain an up-to-date cashbook, recording receipts and payments?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.5.3What are the controls for the following activities:	
4.5.3.1 collection of revenues	
4.5.3.2 timely deposit of receipts	

<i>4.5.3.3 recording of receipts</i>	
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 the same day
4.6 Safeguard over Assets	
4.6.1 Describe the system to record assets and protect them from fraud, waste and abuse?	
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
4.7 Other Offices and Implementing Entities	
4.7.1 Identify other offices or implementing agencies or units under your supervision or control that are responsible for project implementation or finance?	Construction Bureau, Water Resources Bureau, Reservoir
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?	
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.	
4.7.5 Are periodic reconciliations performed among the different offices and implementing agencies?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.8 Other	

4.8.1 Describe the options available to employees, beneficiaries and others for reporting suspected fraud, waste or misuse of project resources or property?	
4.8.2 Will representatives of the municipal discipline investigation bureau be involved in project bidding and construction activities?	<input type="checkbox"/> YES <input checked="" 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
5 Reporting and Monitoring	
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: <input type="checkbox"/> NO
5.1 How often are financial statements prepared?	Quarter and year.
5.2 How quickly are the financial statements prepared at year end?	Half month later
5.3 Are separate financial statements prepared for the office or unit in your agency that will implement the Project?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
5.4 Will the financial reporting system need to be adapted to report on the project components?	<input checked="" type="checkbox"/> YES → briefly describe arrangement : <input 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?	
5.7 Are there financial management reporting requirements for existing engineering projects that specify:	Requirements of special engineering
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 type="checkbox"/> prepared by an automated accounting system <input type="checkbox"/> prepared by spreadsheets or other method <input checked="" type="checkbox"/> both ways used
6 Internal Audit	

6.0 Is there an internal auditor or audit department in your agency?	<input type="checkbox"/> YES → answer questions 6.1 to 6.5 <input checked="" type="checkbox"/> NO → go to section 7
6.1 What are the qualifications and experience of audit department staff?	
6.2 To whom does the internal auditor report?	
6.3 Will the internal audit department include the Project in its work program?	
6.4 Are actions taken on the internal audit findings?	<input type="checkbox"/> YES <input type="checkbox"/> NO
6.5 Describe the most recent actions taken in response to the internal audit findings?	
7 External Audit	
7.0 Is your agency financial statement audited each year by an independent non-government auditor? If YES, who is the auditor?	<input checked="" type="checkbox"/> YES → Who: Audited by the county <input type="checkbox"/> NO
7.1 How soon following the financial yearend are audit reports issued?	According to the requiremetns of auditing department
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 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 type="checkbox"/> Not provided – please give reason
8 Information Systems	
8.0 Is the financial management system computerized?	<input checked="" type="checkbox"/> YES → Software Name: <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 of software operations
8.3 What controls are there to safeguard the confidentiality, integrity and availability of data in the information system?	Set passwords
9 Documents	
9.0 Please provide copies of the following documents:	
9.0.1 Job descriptions and CVs of key accounting staff.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided

9.0.2 Organization chart for your agency.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.3 Organization chart for accounting and finance.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.4 Document establishing the legal status of your agency.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.5 Chart of Accounts	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.6 The last 3 financial statements produced for the agency	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.7 Sample financial statement produced for an engineering project.	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.8 The last 3 external audit reports.	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.9 Legal documents or agreements confirming counterpart funding	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.10 Sample of recent financial management reports	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided

B. Financial Management Assessment Questionnaire—Zuoquan Housing Security, and Urban and Rural Construction and Management Bureau (ZHCB)

Name of agency	Zuoquan Housing Security and Urban and Rural Construction and Management Bureau (ZHCB)
Project component that agency is responsible for	Central Avenue Qingzhang River Wetland Park
Name of person responsible for filling this form	Fan Junhua
Position, title and telephone of person responsible for filling this form	Accountant of Finance Unit 13903546063
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 type="checkbox"/> Sign a follow on loan contract for ADB funds <input checked="" type="checkbox"/> Management of project construction <input 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
Topic	Response
1 Implementing Agency/ Executing Agency	
1.0 What is your agency's legal status and registration?	01273067-6
1.1 What is your agency's governing body?	Zuoquan County Government
1.2 What is the governing body's relationship to the Government?	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:
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?	State-owned construction enterprise accounting regulations
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?	No staffing changes, use the existing staff and equipment
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
2 Funds Flow Arrangements		
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 loan → Provincial Finance Department → County Financial Bureau → ZHURB → Contractor/supplier
2.1	Are the (proposed) arrangements to transfer the proceeds of the loan from the government to the implementing agency satisfactory?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO → briefly explain why not <input type="checkbox"/> Not applicable → briefly explain why
2.2	Describe any past problems experienced in receiving investment funds from funding sources?	None
2.3	Describe proposed on-lending arrangements from the Government to your agency, including on-lending terms and conditions.	
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 Directly disbursed by the financial bureau
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 type="checkbox"/> YES. → Explain capacity building arrangements: <input checked="" type="checkbox"/> NO
2.8	Is your agency 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?	None
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?	None
2.8.3	How are payments made from the counterpart funds?	None
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 arrangements <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 <input checked="" type="checkbox"/> NO
3 Staffing		
3.0	What is your agency's organizational structure for accounting and finance? Please attach an organization chart.	
3.1	Identify key finance and accounting staffs including job title, responsibilities, educational background and professional certification.	Fan Junhua, Female, Associate Degree, Accountant of Finance Unit Yang Junqing, Female, High School Degree, Accountant of Finance Unit
3.1.1	Job title	
3.1.1.1	Staff	Fan Junhua

3.1.1.2 Main responsibilities	Responsible for the preparation and implementation of financial system, coordinate with the higher authorities and national audit department to audit, review and supervise the project; Responsible for construction financing and support competent authorities and relevant departments to make full use of funds; Responsible for standardize basic accounting and process, ensuring the accounting materials are sound, legal and complete; Responsible for reviewing all items of expenditures and avoid unreasonable expenses; Responsible for preparing project funding plan, managing the project construction fund in accordance with the principle of earmarking and fund safety; Responsible for project resettlement, preparing resettlement statements;
	Assist the competent authorities to manage the construction fund.
3.1.1.3 Training and Certification	
3.1.2 Job title	
3.1.2.1 Staff	Yang Zhongqing
3.1.2.2 Main responsibilities	Responsible for cash payment and settlement services, cash registration and bank deposit account, custody of cash and various securities, relevant seals, blank receipts and cheques
3.1.2.3 Training and Certification	
3.1.3 Job title	
3.1.3.1 Staff	
3.1.3.2 Main responsibilities	
3.1.3.3 Training and Certification	
3.1.4 Job title	
3.1.4.1 Staff	
3.1.4.2 Main responsibilities	
3.1.4.3 Training and Certification	
3.2 Attach job descriptions and CVs of key accounting staff .	<input checked="" type="checkbox"/> Job descriptions, CVs attached <input type="checkbox"/> job descriptions, CVs 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 type="checkbox"/> YES <input checked="" type="checkbox"/> NO → describe training arrangements Arrangements trainings on ADB procedure and ADB financial management
3.6 What is the duration of the work contract for project finance and accounts staff?	None
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 of Accountant
4 Accounting Policies and Procedures		
4.0 General		
4.0.1	Will the Project use your agency accounting system?	Yes, state-owned construction unit accounting regulation
4.0.2	Describe how your agency accounting system will record project financial transactions.	In accordance with state-owned construction unit accounting regulation to record the project financial transactions correctly.
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?	In accordance with the state-owned construction unit accounting regulation to allocate project expenditures
4.0.4	Describe controls in place to ensure that all transactions are correctly made, adequately explained, prepared and approved.	Project statements
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 changes <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.	
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?	In accordance with the requirement of storing, accounting documents and materials will be stored and bounded into books by the financial departments, which will store them after the fiscal year is ended. Any staff requesting for accessing the documents in the bureau shall be approved by the principal of financial department; As for the staff from other agencies, a formal introduction letter and approval of leaders of the bureau are required, as well as registration procedure. Any painting, unpacking or replacing of the accounting documents are strictly forbidden for anyone who review or duplicate the accounting documents.
4.1 Segregation of Duties		

4.1.1	Who is responsible for the following duties (give name and title):	
4.1.1.1	<i>authorize execution of transactions</i>	Ren Wenhua
4.1.1.2	<i>record transactions</i>	Fan Junhua
4.1.1.3	<i>maintain custody of assets involved in transaction</i>	
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 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
4.2	Budgeting System	
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 physical and financial targets <input type="checkbox"/> NO
4.2.2	Are multiple year budgets and financing plans prepared for capital expenditures?	<input type="checkbox"/> YES <input checked="" 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 type="checkbox"/> at least once every month <input checked="" 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?	It will be explained.
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?	Financial staff

4.2.10	How are budgets prepared and approved?	Each department participates in preparing budget. The financial department summarizes the budgets and report to the director for review, then report to the county financial bureau. The county financial bureau reviews the budget with "Two Ups and Two Downs", and then releases the budget approval after the approval of County People's Congress.
4.2.11	Describe procedures used to plan project activities, collect information from units in charge of project components, and prepare budgets?	
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?	
4.3	Payments	
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 checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.3	What controls exist for the preparation of the payroll?	
4.3.4	How are changes to the payroll authorized?	The changes to the payroll have to be approved by the Personnel Bureau
4.4	Policies And Procedure	
4.4.1	What is the basis of accounting (e.g., cash, accrual)?	State-owned construction unit accounting regulation, accrual standards
4.4.2	What accounting standards are followed (PRC, ISA, other)?	PRC Accounting Standards
4.4.3	Does the Project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	<input 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 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 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 checked="" type="checkbox"/> YES <input type="checkbox"/> NO
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?	
4.4.11	Who has a copy of the policies and procedures manual?	Financial staff, main leaders
4.5 Cash and Bank		
4.5.1	Indicate names and positions of authorized signatories in the bank accounts.	
4.5.1.1		Name: Ren Wenhua Position: Principal of the unit
4.5.1.2		Name: Cheng Hongfei Position: Principal of finance
4.5.1.3		Name: Fan Junhua Position: Accountant
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	Financial centralized payment system
4.5.3.2	timely deposit of receipts	Financial centralized payment system, no cash revenue
4.5.3.3	recording of receipts	Financial centralized payment system, no cash revenue
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 the same day
4.6 Safeguard over Assets		
4.6.1	Describe the system to record assets and protect them from fraud, waste and abuse?	

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 type="checkbox"/> YES, but only part <input checked="" type="checkbox"/> NO
4.7 Other Offices and Implementing Entities		
4.7.1	Identify other offices or implementing agencies or units under your supervision or control that are responsible for project implementation or finance?	
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 type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.2	<i>financial information</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.3	<i>accountability</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.4	<i>audits</i>	<input 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?	
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.	
4.7.5	Are periodic reconciliations performed among the different offices and implementing agencies?	<input type="checkbox"/> YES <input type="checkbox"/> NO
4.8 Other		
4.8.1	Describe the options available to employees, beneficiaries and others for reporting suspected fraud, waste or misuse of project resources or property?	
4.8.2	Will representatives of the municipal discipline investigation bureau be involved in project bidding and construction activities?	<input 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
5 Reporting and Monitoring		

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: State-owned Construction Unit Accounting regulation. <input type="checkbox"/> NO
5.1	How often are financial statements prepared?	Monthly Report
5.2	How quickly are the financial statements prepared at year end?	15 days
5.3	Are separate financial statements prepared for the office or unit in your agency that will implement the Project?	<input checked="" type="checkbox"/> YES <input 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?	
5.7	Are there financial management reporting requirements for existing engineering projects that specify:	
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
6 Internal Audit		
6.0	Is there an internal auditor or audit department in your agency?	<input type="checkbox"/> YES → answer questions 6.1 to 6.5 <input checked="" type="checkbox"/> NO → go to section 7
6.1	What are the qualifications and experience of audit department staff?	
6.2	To whom does the internal auditor report?	
6.3	Will the internal audit department include the Project in its work program?	
6.4	Are actions taken on the internal audit findings?	<input type="checkbox"/> YES <input type="checkbox"/> NO
6.5	Describe the most recent actions taken in response to the internal audit findings?	
7 External Audit		

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: <input checked="" type="checkbox"/> NO
7.1	How soon following the financial yearend are audit reports issued?	To be determined by the auditing department
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 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 type="checkbox"/> NO
7.7	Does your agency have separate terms of reference for annual audits of major projects?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
7.8	Please provide the audit reports for the past three years.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided – please give reason
8 Information Systems		
8.0	Is the financial management system computerized?	<input checked="" type="checkbox"/> YES → Software Name: Jindie 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 provided by the software vendors
8.3	What controls are there to safeguard the confidentiality, integrity and availability of data in the information system?	
9 Documents		
9.0	Please provide copies of the following documents:	
9.0.1	Job descriptions and CVs of key accounting staff.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.2	Organization chart for your agency.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.3	Organization chart for accounting and finance.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.4	Document establishing the legal status of your agency.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.5	Chart of Accounts	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.6	The last 3 financial statements produced for the agency	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided

9.0.7	Sample financial statement produced for an engineering project.	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.8	The last 3 external audit reports.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.9	Legal documents or agreements confirming counterpart funding	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.10	Sample of recent financial management reports	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided

C. Financial Management Assessment Questionnaire—Zuoquan Shixia Reservoir Management Office (ZSRMO)

Name of agency	Zuoquan Shixia Reservoir Management Office (ZSRMO)
Project component that agency is responsible for	Water Source Protection of Qingzhang River
Name of person responsible for filling this form	Zhao Lianhu
Position, title and telephone of person responsible for filling this form	Director of Shixia Reservoir Management Division 13111012599
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
Topic	Response
1 Implementing Agency/ Executing Agency	
1.0 What is your agency's legal status and registration?	The Collective Enterprise 140722016000104
1.1 What is your agency's governing body?	Zuoquan County Water Resources Bureau
1.2 What is the governing body's relationship to the Government?	Department of the government
1.3 Can the governing body make decisions independently of Government? If NO, please explain what decisions need government approval.	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO → explain:
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 North-South Main Canal Improvement Project <input type="checkbox"/> NO
1.5 What are the statutory reporting requirements for your agency with respect to finance?	The principal of the unit is responsible for the financial report, in accordance with small-enterprise accounting system, to reflect the annual economic activities of the enterprise in a sound, complete and integrated way.

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 Established 9 units, stations and offices, namely: general office, finance unit, water supply station, operation and management unit, security unit, Hydropower Station, general affairs unit, Fisheries Station, Engineering Technology Unit(project department), etc.
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?	If lack of qualified professional staff, will employ one from external (including leaders)
1.10	Does the Project have written job descriptions that define duties, responsibilities, lines of supervision, and limits of authority for staff?	<input type="checkbox"/> YES – have already prepared these (attach job descriptions for the top two positions) <input checked="" type="checkbox"/> Written job descriptions are being or will be prepared <input type="checkbox"/> NO
2 Funds Flow Arrangements		
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 loan → Provincial Finance Department → County Financial Bureau → SRMO → Contractor/supplier
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 Reasons: Unified loan and unified repayment by the financial bureau
2.2	Describe any past problems experienced in receiving investment funds from funding sources?	None
2.3	Describe proposed on-lending arrangements from the Government to your agency, including on-lending terms and conditions.	Unified loan and unified repayment by the financial bureau
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 Reasons: determined by the financial bureau
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: external specialists <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: As a water protection, rehabilitation and flood control project for public welfare, the financial department shall provide funding.
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 arrangements <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 <input checked="" type="checkbox"/> NO
3 Staffing		
3.0	What is your agency's organizational structure for accounting and finance? Please attach an organization chart.	Apart from the existing staff, the project shall employ more external staff.
3.1	Identify key finance and accounting staffs including job title, responsibilities, educational background and professional certification.	
3.1.1	Job title	Chief of Finance unit of Shixia Reservoir, for 22 years
3.1.1.1	Staff	Li Shuping
3.1.1.2	Main responsibilities	Accountant of Shixia Reservoir, for 22 years
3.1.1.3	Training and Certification	Assistant Accountant
3.1.2	Job title	Cashier of Shixia Reservoir, for 12 years
3.1.2.1	Staff	Zhang Guoyan
3.1.2.2	Main responsibilities	Cashier of Shixia Reservoir, for 12 years
3.1.2.3	Training and Certification	Engineer
3.1.3	Job title	
3.1.3.1	Staff	
3.1.3.2	Main responsibilities	
3.1.3.3	Training and Certification	
3.1.4	Job title	
3.1.4.1	Staff	
3.1.4.2	Main responsibilities	

3.1.4.3 Training and Certification	
3.2 Attach job descriptions and CVs of key accounting staff .	<input checked="" type="checkbox"/> Job descriptions, CVs attached <input type="checkbox"/> job descriptions, CVs not attached
3.3 Is the project finance and accounting function staffed adequately?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO → briefly describe arrangement: Need strengthening
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 type="checkbox"/> YES <input checked="" type="checkbox"/> NO → describe training arrangements: Targeted trainings, procedures and financial management
3.6 What is the duration of the work contract for project finance and accounts staff?	See to the project duration: about 3 years.
3.7 Indicate key project finance and accounts staff positions not filled yet, and the estimated date of appointment.	Date: Position: TBD Date: Position: TBD
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?	Not frequently
3.10 What is training policy for the finance and accounting staff?	Targeted and professional trainings on finance, continuing education, workshops
4 Accounting Policies and Procedures	
4.0 General	
4.0.1 Will the Project use your agency accounting system?	Yes: separate infrastructure account, state-owned construction unit accounting standards, auditing and accounting
4.0.2 Describe how your agency accounting system will record project financial transactions.	
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?	
4.0.4 Describe controls in place to ensure that all transactions are correctly made, adequately explained, prepared and approved.	Implement the laws and regulations such as accounting law, accurate transactions and internal control
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 checked="" type="checkbox"/> YES → describe changes Deal with and adjust the finances in accordance with ongoing water resources project <input 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.	

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?	
4.1	Segregation of Duties	
4.1.1	Who is responsible for the following duties (give name and title):	
	4.1.1.1 <i>authorize execution of transactions</i>	
	4.1.1.2 <i>record transactions</i>	
	4.1.1.3 <i>maintain custody of assets involved in transaction</i>	
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: Separate with dam management <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
4.2	Budgeting System	
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 physical 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:	Yes
	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 type="checkbox"/> at least once every month <input checked="" 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

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?	Finance unit, engineering department, general office and manager office prepare the budgets; the leaders approve; then submit the budgets to the financial bureau for approval.
4.2.10	How are budgets prepared and approved?	Prepare and approve in accordance with actual physical and financial targets
4.2.11	Describe procedures used to plan project activities, collect information from units in charge of project components, and prepare budgets?	
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?	All participate, open and transparent
4.3 Payments		
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 checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.3	What controls exist for the preparation of the payroll?	Approval by the personnel department
4.3.4	How are changes to the payroll authorized?	Approval by the personnel department
4.4 Policies And Procedure		
4.4.1	What is the basis of accounting (e.g., cash, accrual)?	Accrual accounting
4.4.2	What accounting standards are followed (PRC, ISA, other)?	PRC Accounting Standards
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 be done?	<input checked="" type="checkbox"/> YES → explain how? Adjust in accordance with ADB's requirements <input 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?	All financial and accounting activities shall follow laws and regulations; organize trainings in accordance with the requirements of the project after approval by the leaders.
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 checked="" type="checkbox"/> YES <input type="checkbox"/> NO
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?	Relevant transaction party: physical auditing, financial auditing
4.4.11	Who has a copy of the policies and procedures manual?	Financial staff, participants of director meeting, principals of each department
4.5	Cash and Bank	
4.5.1	Indicate names and positions of authorized signatories in the bank accounts.	Zhang Guoyan Cashier
4.5.1.1		Name: Zhang Guoyan Position: Cashier
4.5.1.2		Name: Position:
4.5.1.3		Position
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	Yes
4.5.3.2	timely deposit of receipts	Yes
4.5.3.3	recording of receipts	Yes
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: Timely settlement <input type="checkbox"/> NO
4.5.6	How quickly are receipts deposited?	
4.6	Safeguard over Assets	
4.6.1	Describe the system to record assets and protect them from fraud, waste and abuse?	

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 type="checkbox"/> at least once a year <input checked="" 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
4.7 Other Offices and Implementing Entities		
4.7.1	Identify other offices or implementing agencies or units under your supervision or control that are responsible for project implementation or finance?	
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 type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.2	<i>financial information</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.3	<i>accountability</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.4	<i>audits</i>	<input 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?	
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.	
4.7.5	Are periodic reconciliations performed among the different offices and implementing agencies?	<input type="checkbox"/> YES <input type="checkbox"/> NO
4.8 Other		
4.8.1	Describe the options available to employees, beneficiaries and others for reporting suspected fraud, waste or misuse of project resources or property?	Anti-corruption and safety supervision, interest and liability, discipline inspection, letters and visits, primary principal
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
5 Reporting and Monitoring		

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: Small Enterprise accounting standards <input type="checkbox"/> NO
5.1	How often are financial statements prepared?	One year
5.2	How quickly are the financial statements prepared at year end?	15 days
5.3	Are separate financial statements prepared for the office or unit in your agency that will implement the Project?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
5.4	Will the financial reporting system need to be adapted to report on the project components?	<input checked="" type="checkbox"/> YES → briefly describe arrangement : <input 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?	Yes
5.7	Are there financial management reporting requirements for existing engineering projects that specify:	Only to the special projects
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 type="checkbox"/> prepared by an automated accounting system <input checked="" type="checkbox"/> prepared by spreadsheets or other method <input type="checkbox"/> both ways used
6 Internal Audit		
6.0	Is there an internal auditor or audit department in your agency?	<input type="checkbox"/> YES → answer questions 6.1 to 6.5 <input checked="" type="checkbox"/> NO → go to section 7
6.1	What are the qualifications and experience of audit department staff?	
6.2	To whom does the internal auditor report?	
6.3	Will the internal audit department include the Project in its work program?	
6.4	Are actions taken on the internal audit findings?	<input type="checkbox"/> YES <input type="checkbox"/> NO
6.5	Describe the most recent actions taken in response to the internal audit findings?	Hiring qualified and experienced independent third-party cost departments by economic responsibilities system, for mutual constraint auditing
7 External Audit		

7.0	Is your agency financial statement audited each year by an independent non-government auditor? If YES, who is the auditor?	<input checked="" type="checkbox"/> YES → Who: Zuoquan County Audit Bureau <input type="checkbox"/> NO
7.1	How soon following the financial yearend are audit reports issued?	
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 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 checked="" type="checkbox"/> YES → Who: Zuoquan County Auditing Bureau <input 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 checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided – please give reason
8 Information Systems		
8.0	Is the financial management system computerized?	<input checked="" type="checkbox"/> YES → Software Name: User Friend <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 for software
8.3	What controls are there to safeguard the confidentiality, integrity and availability of data in the information system?	Enhance financial staff's business quality and accountability, set up different passwords
9 Documents		
9.0	Please provide copies of the following documents:	
9.0.1	Job descriptions and CVs of key accounting staff.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.2	Organization chart for your agency.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.3	Organization chart for accounting and finance.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.4	Document establishing the legal status of your agency.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.5	Chart of Accounts	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.6	The last 3 financial statements produced for the agency	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.7	Sample financial statement produced for an engineering project.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided

9.0.8	The last 3 external audit reports.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.9	Legal documents or agreements confirming counterpart funding	<input type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.10	Sample of recent financial management reports	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided

D. Financial Management Assessment Questionnaire—Zuoquan Water Resource Bureau (ZWRB)

Name of agency	Zuoquan Water Resource Bureau (ZWRB)
Project component that agency is responsible for	
Name of person responsible for filling this form	Zhao Fengyan
Position, title and telephone of person responsible for filling this form	Zuoquan County Water Resources Bureau, Accountant, 13753411969
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 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
Topic	Response
1 Implementing Agency/ Executing Agency	
1.0 What is your agency's legal status and registration?	
1.1 What is your agency's governing body?	County government
1.2 What is the governing body's relationship to the Government?	The governing body is one department of the 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: accept the unified leadership of the 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?	Legal person responsibility system, the financial report shall be sound and complete, in accordance with legal accounting standards
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: No organizations
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?	Employ specialized technical staff and qualified specialists to assist the implementation of the project
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
2 Funds Flow Arrangements		
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.	See the main text
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 checked="" type="checkbox"/> NO → briefly explain why not: The government transfers the proceeds of the loan. <input type="checkbox"/> Not applicable → briefly explain why
2.2	Describe any past problems experienced in receiving investment funds from funding sources?	None
2.3	Describe proposed on-lending arrangements from the Government to your agency, including on-lending terms and conditions.	None
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 checked="" type="checkbox"/> YES → name of bank: Zuoquan Branch, China Construction Bank <input type="checkbox"/> NO → briefly explain why
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. → Explain capacity building arrangements: Prepare professional training <input type="checkbox"/> NO
2.8	Is your agency 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 arrangements <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 <input checked="" type="checkbox"/> NO
3 Staffing		
3.0	What is your agency's organizational structure for accounting and finance? Please attach an organization chart.	Principal of the unit—Principal of Finance—Undertaker
3.1	Identify key finance and accounting staffs including job title, responsibilities, educational background and professional certification.	
3.1.1	Job title	Legal person of the project
3.1.1.1	Staff	Han Lijun
3.1.1.2	Main responsibilities	
3.1.1.3	Training and Certification	
3.1.2	Job title	Director
3.1.2.1	Staff	Zhao Fengyan
3.1.2.2	Main responsibilities	
3.1.2.3	Training and Certification	
3.1.3	Job title	
3.1.3.1	Staff	Han Min
3.1.3.2	Main responsibilities	
3.1.3.3	Training and Certification	
3.1.4	Job title	
3.1.4.1	Staff	
3.1.4.2	Main responsibilities	
3.1.4.3	Training and Certification	
3.2	Attach job descriptions and CVs of key accounting staff .	<input checked="" type="checkbox"/> Job descriptions, CVs attached <input type="checkbox"/> job descriptions, CVs not attached
3.3	Is the project finance and accounting function staffed adequately?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO → briefly describe arrangement: Need to add qualified financial and accounting staff.
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 type="checkbox"/> YES <input checked="" type="checkbox"/> NO → describe training arrangements :Professional training for the financial staff, ADB project financial training
3.6	What is the duration of the work contract for project finance and accounts staff?	
3.7	Indicate key project finance and accounts staff positions not filled yet, and the estimated date of appointment.	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?	Accounting Law
4 Accounting Policies and Procedures		
4.0 General		
4.0.1	Will the Project use your agency accounting system?	No, set up separate infrastructure account to proceed with loan management
4.0.2	Describe how your agency accounting system will record project financial transactions.	
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?	
4.0.4	Describe controls in place to ensure that all transactions are correctly made, adequately explained, prepared and approved.	
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 changes <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.	
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?	Accounting documents and materials would be stored in finance unit for three years, and then handed to the Archives Office. Anyone accessing the documents shall get the approval of the legal person.
4.1 Segregation of Duties		
4.1.1	Who is responsible for the following duties (give name and title):	
4.1.1.1	<i>authorize execution of transactions</i>	Legal person of the unit
4.1.1.2	<i>record transactions</i>	Accountant
4.1.1.3	<i>maintain custody of assets involved in transaction</i>	Cashier
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
4.2	Budgeting System	
4.2.1	Are annual budgets based on physical and financial targets?	<input checked="" type="checkbox"/> YES – with financial targets only: Only based on financial targets <input type="checkbox"/> YES – with physical and financial targets <input type="checkbox"/> NO
4.2.2	Are multiple year budgets and financing plans prepared for capital expenditures?	<input type="checkbox"/> YES <input checked="" 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 type="checkbox"/> at least once every month <input checked="" 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?	Variations are strictly forbidden
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?	Finance department and relevant units: Report to the county financial bureau for approval.
4.2.10	How are budgets prepared and approved?	Two Ups and Two Downs
4.2.11	Describe procedures used to plan project activities, collect information from units in charge of project components, and prepare budgets?	
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?	
4.3	Payments	
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 checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4.3.3 What controls exist for the preparation of the payroll?	The payroll standards of personnel bureau is prepared by the financial department of the unit, reviewed by the legal person and approved by the Financial Bureau.
4.3.4 How are changes to the payroll authorized?	The payroll is filled by the financial staff, approved by the legal person and Financial Bureau.
4.4 Policies And Procedure	
4.4.1 What is the basis of accounting (e.g., cash, accrual)?	The basis of accounting is to set up accounting books based on transaction needs and cash-basis accounting
4.4.2 What accounting standards are followed (PRC, ISA, other)?	PRC Accounting Standards
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 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
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?	

4.4.11	Who has a copy of the policies and procedures manual?	Legal person of the unit, relevant staff in the finance unit.
4.5	Cash and Bank	
4.5.1	Indicate names and positions of authorized signatories in the bank accounts.	
4.5.1.1		Name: Zhao Fengyan Position: Accountant
4.5.1.2		Name: Position:
4.5.1.3		Position
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	
4.5.3.2	timely deposit of receipts	
4.5.3.3	recording of receipts	
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 the same day
4.6	Safeguard over Assets	
4.6.1	Describe the system to record assets and protect them from fraud, waste and abuse?	The assets would be recorded with the purchase price, managed by the professional staff.
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 type="checkbox"/> YES, but only part <input checked="" type="checkbox"/> NO
4.7	Other Offices and Implementing Entities	
4.7.1	Identify other offices or implementing agencies or units under your supervision or control that are responsible for project implementation or finance?	
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 type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.2	financial information	<input type="checkbox"/> YES <input type="checkbox"/> NO
4.7.2.3	accountability	<input type="checkbox"/> YES <input type="checkbox"/> NO

4.7.2.4 audits		<input 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?	
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.	
4.7.5	Are periodic reconciliations performed among the different offices and implementing agencies?	<input type="checkbox"/> YES <input type="checkbox"/> NO
4.8 Other		
4.8.1	Describe the options available to employees, beneficiaries and others for reporting suspected fraud, waste or misuse of project resources or property?	The primary principal, interest liability, visits and letters
4.8.2	Will representatives of the municipal discipline investigation bureau be involved in project bidding and construction activities?	<input type="checkbox"/> YES <input checked="" 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
5 Reporting and Monitoring		
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: Accounting Law <input type="checkbox"/> NO
5.1	How often are financial statements prepared?	One month
5.2	How quickly are the financial statements prepared at year end?	Half a month
5.3	Are separate financial statements prepared for the office or unit in your agency that will implement the Project?	<input checked="" type="checkbox"/> YES <input 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?	Compare the approval and financial data between project budget and resettlement, in compliance.
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 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
6 Internal Audit		
6.0	Is there an internal auditor or audit department in your agency?	<input type="checkbox"/> YES → answer questions 6.1 to 6.5 <input checked="" type="checkbox"/> NO → go to section 7
6.1	What are the qualifications and experience of audit department staff?	
6.2	To whom does the internal auditor report?	
6.3	Will the internal audit department include the Project in its work program?	
6.4	Are actions taken on the internal audit findings?	<input type="checkbox"/> YES <input type="checkbox"/> NO
6.5	Describe the most recent actions taken in response to the internal audit findings?	
7 External Audit		
7.0	Is your agency financial statement audited each year by an independent non-government auditor? If YES, who is the auditor?	<input checked="" type="checkbox"/> YES → Who: Zuoquan County Auditing Bureau <input type="checkbox"/> NO
7.1	How soon following the financial yearend are audit reports issued?	One quarter in advance
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 checked="" type="checkbox"/> YES <input 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 type="checkbox"/> YES <input checked="" 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: The auditing department hasn't issued the auditing report
8 Information Systems		
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?	Professional training
8.3	What controls are there to safeguard the confidentiality, integrity and availability of data in the information system?	Set passwords, record relevant information timely and accurately.
9 Documents		
9.0	Please provide copies of the following documents:	
9.0.1	Job descriptions and CVs of key accounting staff.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.2	Organization chart for your agency.	<input checked="" type="checkbox"/> Provided <input type="checkbox"/> Not provided
9.0.3	Organization chart for accounting and finance.	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.4	Document establishing the legal status of your agency.	<input checked="" type="checkbox"/> Provided: The document of establishing Water Resources Bureau <input type="checkbox"/> Not provided
9.0.5	Chart of Accounts	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.6	The last 3 financial statements produced for the agency	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.7	Sample financial statement produced for an engineering project.	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.8	The last 3 external audit reports.	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.9	Legal documents or agreements confirming counterpart funding	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided
9.0.10	Sample of recent financial management reports	<input type="checkbox"/> Provided <input checked="" type="checkbox"/> Not provided