



## Office of the Auditor General of Thailand

### **Best Practices for Financial Report Preparation & AAC's concerns about Incomplete Project/ Completion Report and Financial Report**

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## Content



- **AAC's concerns about Incomplete Project/Completion Report and Financial Report**
- **Best Practices for Financial Report Preparation**



## AAC's concerns about Incomplete Project/Completion Report and Financial Report

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## Consideration of Auditor's Report

### Considerable challenges

in recognition of project proponent's expenditure in accordance with the accrual based accounting due to;

- No submission completion/ progress report and financial report,
- Submission completion/ progress report only without financial report, and
- Submission completion/ progress report and financial report without supporting documents (receipts).

### Current ASEC's accounting policy

- ASEC financial statements have been prepared on the accrual basis of accounting, except for project proponent's expenditure.
- Such expenditure shall be recognized upon receipt of project report regardless when the transactions occur,
- This practice is unable to make fully informed decisions about the allocation and use of resources since it cannot provide complete, accurate and reliable financial information.

### IPSAS 5

Consolidated financial statements shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances

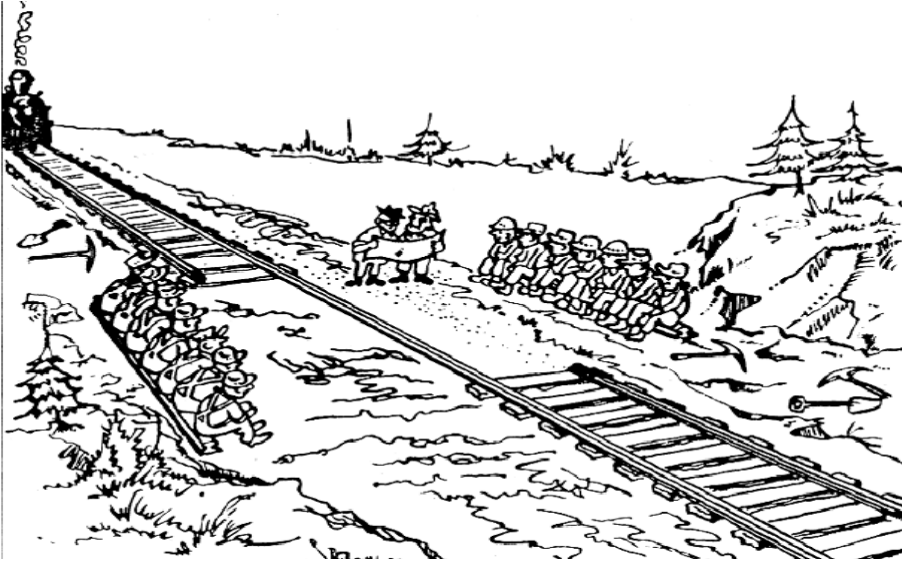
### Qualified opinion on

ASEC's financial statement has effect on the credibility of ASEAN

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## Leave on the way

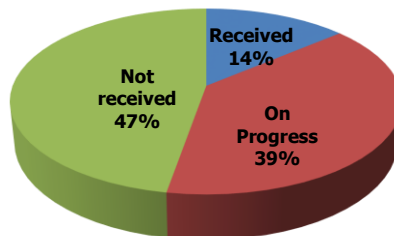


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## SUMMARY OF INSUBMISSION PROJECT REPORT AS OF DECEMBER 2014

Total		Reporting			
Project Value	Project No.	Received	On Progress	Not received	Value unreported
126,438,629.76	419	58	163	198	56,824,854.75
		13.84%	38.90%	47.26%	44.94%

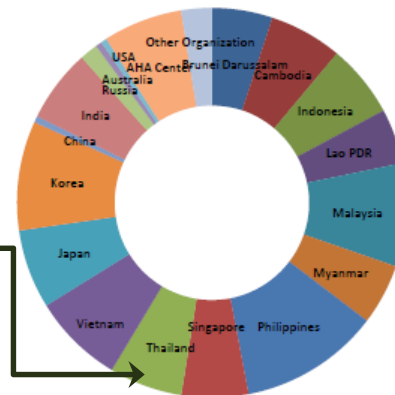


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## Insubmission Project report by Country As of December 2014



No	Country	Total project	Value	Report submission*
1	Brunei Darussalam	10	918,561	N
2	Cambodia	12	1,002,060	N
3	Indonesia	12	1,112,080	N
4	Lao PDR	9	2,557,727	N
5	Malaysia	17	309,450	N
6	Myanmar	10	1,717,569	N
7	Philippines	23	924,958	N
8	Singapore	11	3,711,307	N
9	Thailand	12	532,252	N
10	Vietnam	15	500,918	N
11	Japan	13	35,553,222	N
12	Korea	18	2,612,503	N
13	China	1	56,592	N
14	India	12	1,430,278	N
15	Russia	3	340,221	N
16	Australia	1	20,000	N
17	USA	1	85,334	N
18	AHA Center	13	1,116,350	N
19	Other Organization	5	2,323,472	N
Total		198	56,824,855	



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## Way Forward



**The Standard Operating Procedures (SOP) on Project Financial Disbursement and Reporting (PFDR)** establishes the requirements and procedures for financial disbursement, oversight, and accountability of approved projects funded by ASEC – TPF under the ASEC's custody.

☒ **PFDR** introduces the utilization of the disbursement letter as a tool to communicate the reporting requirements that shall be agreed by duly parties prior to the transfer of fund. The letter is also outlining the term and conditions of the funds as well as ASEAN financial rules.

☒ **SOP** introduces tranches disbursement and interim reporting requirements.

**Refer to timelines of project report**, the AAC recommended to implement the SOP PFDR which contains the following provisions for:

- ☒ Management to strengthen the project management framework to include monitoring of the projects;
- ☒ Management to impose a sound financial reporting mechanisms and policy for project reporting and to ensure strict adherence to it by the project proponent/implementing agency;
- ☒ Management to consider imposing a penalty for project proponent/implementing agency that does not submit completion report.

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## Best Practices for Financial Report Preparation

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### ASEAN SECRETARIAT FINANCIAL RULES AND PROCEDURES (AFRP)



The monthly financial statements shall be approved by the Secretary-General of ASEAN or the DSG-CCA and submitted to the Committee of Permanent Representatives (CPR) by the 10<sup>th</sup> of the following month.

The annual financial statements shall be prepared & submitted to the CPR within 2 months after the end of each FY.



The monthly and year-end financial statements of ASEC comprising of the AOB, Trust Fund, Project Funds and EBI shall include Balance Sheet, Income Statement, Statement of Cash Flow, Notes to the Financial Statements, and other financial reports as deemed necessary by the SG.

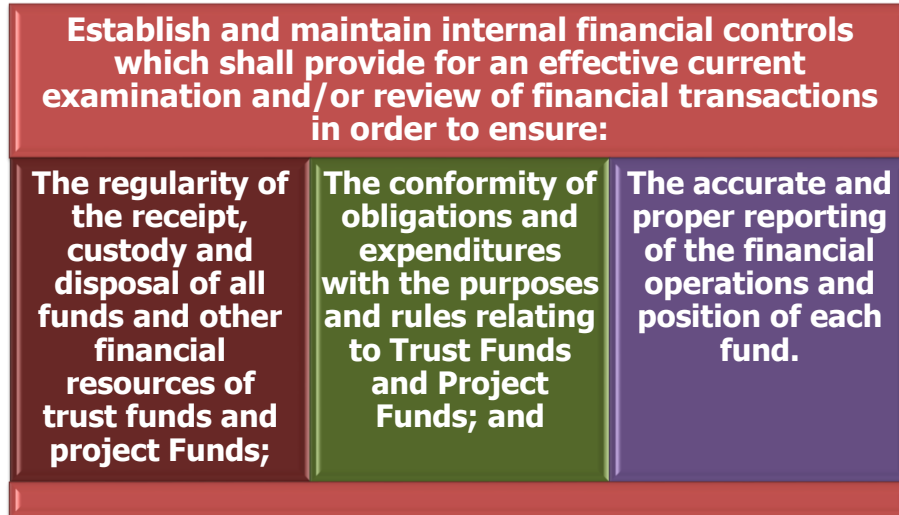


Receipts of contributions under trust funds and project funds shall be recorded and accounted for under the individual Trust Fund and Project Fund accounts.

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## Effect of AFRP on Trust Funds and Project Funds



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## What could go wrong?

- **The accounting system is inadequate when it does not allow reconciliation with relevant sub-ledgers and supporting documents.**
- **All occurred transactions have not registered in the accounting system.**
- **Accounting records do not comply with generally accepted accounting standards.**
- **Accounting records and supporting documents are not kept according to the usual accounting practices.**
- **The currency conversion method or exchange rates used are incorrect.**

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## Best Practices for Financial Report Preparation



**Be part of normal operation routine.**

**Comply with all legislative provisions and project requirements.**

**Be supported by robust systems for collecting, storing and analysis financial and non-financial information to convey an accurate and reliable of information and provide information in a timely manner.**

- **Set out standard documentation that supports and validates the financial information.**
- **Gather full supporting documentation and related evidence.**
- **Define deadlines for submission of information.**

**Be reviewed regularly.**

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## Road to Better Accounting



**"Reliable accounting is vital for sound financial management and reporting"**

**Listing out all the tasks and sub-tasks to complete financial report.**

**It is more simple by creating standard templates, forms and spreadsheets to track tasks.**

**Jot down the time period and person responsible for each task/ sub-task.**

- **Up-to-date**
- **Accurate and reliable**
- **Drawn up according to proper accounting standards, methods, policies and rules.**

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## Basic tips for documentation, filing & record keeping



**"Not documented, not eligible!"**

Keeping originals is compulsory.

An official, formal document is more reliable.

Project documentation shall prove the expenditure were occurred and met the conditions of project agreements.

Use a simple referencing and numbering system that people unfamiliar with the project can follow easily. Make sure the system allows documents to be found easily and quickly.

Collect documents during the implementation of the project and not at the end of the project or once it has been completed.

File physical documents in an orderly way.

Make sure documents are physically protected and cannot deteriorate while in storage or transit.

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