

AUDIT MANAGEMENT LETTER

**PROJECT: KINGDOM OF THAILAND'S READINESS PREPARATION
PROPOSAL READINESS FUND OF THE FCPF GRANT NO. TF 0A0984**

IMPLEMENTED BY DEPARTMENT OF NATIONAL PARKS,
WILDLIFE AND PLANT CONSERVATION (DNP)
FOR THE YEAR ENDED 30 SEPTEMBER 2020



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D I A INTERNATIONAL AUDIT CO., LTD.

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International Limited

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Client: Department of National Parks, Wildlife and Plant Conservation

Engagement: Financial Audit for Kingdom of Thailand's Readiness Preparation Proposal, Readiness Fund of the FCPF
Grant No. TF 0A0984, the Department of National Parks, Wildlife and Plant Conservation

Audit Management Letter

16 February 2021

To Director General, Department of National Parks, Wildlife and Plant Conservation

Dear Director General,

Engagement

Referring to Department of National Parks, Wildlife and Plant Conservation (DNP) hiring contract document 0957/27 (R-PP)/2563 dated 13 January 2020 for audit services relating to financial statements of the project - Kingdom of Thailand's Readiness Preparation Proposal, Readiness Fund of the FCPF Grant No. TF 0A0984 (the Project), implemented by DNP for the year ended on 30 September 2020, the Project and its funding support have been under the Agreement between the World Bank and DNP for the period 17 June 2016 – 30 November 2019, dated 17 June 2016, and the extension to 30 December 2021, DIA has accordingly completed the audit works with their corresponding audit reports submitted separately

During the course of our audit of the Project, we have met members of DNP management and staff. This has included observing the control environment, systems and procedures, how management controls business risk and other financial aspects as pertinent to the aforementioned Project.

Our observations might not have been comprehensive and other audit procedures were performed on a sampling test basis. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses or fraud.

Major Findings Relating to the Audit

The observation and procedures performed have the advantage of independence, and process improvement recommendations are provided along with each finding issue. For each finding reported, we have indicated a priority rating being high, medium, or low. These are intended as guidance from our external viewpoint and may not correspond with management priorities. Where appropriate, we have included management responses to the matters raised. Detailed findings are summarized within Appendix 1

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Classification of issues may be interpreted from the perspective of time period required for rectification depicted in the exhibit below:

Risk Level	Description
High	A very important issue needs to be rectified immediately within 1-3 months
Medium	An important issue needs to be rectified within 3-6 months
Low	An issue of little importance, rectification of which should improve efficiency of internal control, may require rectification within 6-12 months

We would like to extend our gratitude to the Department of National Parks, Wildlife and Plant Conservation management and its team for the assistance provided to us in the course of the audit.

Yours Sincerely



Mr. Sompoch Panjawatanakul

Partner

Client: Department of National Parks, Wildlife and Plant Conservation

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Annex 1: Summary Control Finding

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Item	Audit Finding	Improvement Recommendation	Risk Level	Status	Timing	Management Response																																								
1	Conversion of Baht into USD has been based on actual remittance rates by order of receipt on a first-in first-out basis. The procedure differed from the Thailand Account Standard that would apply closing rate for fund balance, and average rate for expenses within the accounting period as reported in Note to Financial Statement, and exhibit below:	FIFO conversion may be beneficial for budgetary control but it cannot report fair value in accordance with accounting standards. The latter should prevail for transactional recording.	L	Current period review found the entity withdrew fund from USD account as needed for Baht expenditure even though transaction might not have occurred all on the date of withdrawal, on average around 1 week from withdrawal date, resulted in low discrepancy amount between FIFO, and average rate conversion		DNP follows the Financial Management Manual for Thailand Forest Carbon Partnership Facility, which was endorsed by the World Bank, related to article no. 20, under 1.1.2 Accounting Policies and Procedure.																																								
	<table><tr><th>Period</th><th>Financial Report</th><th>Accounting Standards</th><th>Difference</th></tr><tr><td>FY 1 October 17 – 30 September 18</td><td></td><td></td><td></td></tr><tr><td>Fund Balance</td><td>\$272,815.71</td><td>\$272,787.38</td><td>\$28.33</td></tr><tr><td>Expenditure</td><td>\$264,312.88</td><td>\$262,751.91</td><td>\$1,560.97</td></tr><tr><td>FY 1 October 18 – 30 September 19</td><td></td><td></td><td></td></tr><tr><td>Fund Balance</td><td>\$248,156.07</td><td>\$248,126.31</td><td>\$29.76</td></tr><tr><td>Expenditure</td><td>\$853,718.20</td><td>\$854,797.69</td><td>(\$1,079.49)</td></tr><tr><td>FY 1 October 19 – 30 September 20</td><td></td><td></td><td></td></tr><tr><td>Fund Balance</td><td>\$199,867.38</td><td>\$199,865.62</td><td>\$1.76</td></tr><tr><td>Expenditure</td><td>\$612,029.66</td><td>\$612,021.56</td><td>\$8.10</td></tr></table>		Period	Financial Report	Accounting Standards	Difference	FY 1 October 17 – 30 September 18				Fund Balance	\$272,815.71	\$272,787.38	\$28.33	Expenditure	\$264,312.88	\$262,751.91	\$1,560.97	FY 1 October 18 – 30 September 19				Fund Balance	\$248,156.07	\$248,126.31	\$29.76	Expenditure	\$853,718.20	\$854,797.69	(\$1,079.49)	FY 1 October 19 – 30 September 20				Fund Balance	\$199,867.38	\$199,865.62	\$1.76	Expenditure	\$612,029.66	\$612,021.56	\$8.10				
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2	The Project under DNP applied the Financial Management Manual dated 31 August 2016, which include material contradiction of accounting policies i.e. article 13, 1.1.2 applies the international accounting standards, but article 16, 1.1.2 applies cash basis of accounting which is inconsistent with accrual accounting in IAS.	The financial statements should be prepared on the basis of accrual to be consistent with the International Accounting Standards (IAS). The entity may consider modification of its manual under article 16.1.1.2 to apply accrual as its main policy to be consistent with international standards, and add supplementary exception clause, to apply cash basis for special purpose financial report preparation for reporting in compliance with project doner requirement	L	Pending		DNP follows the Financial Management Manual for Thailand Forest Carbon Partnership Facility, which was endorsed by the World Bank.