

MICRO ASSESSMENT REPORT

ORGANISATION FOR WELFARE AND HUMANITARIAN (OWH)

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COMMISSIONED BY: UNICEF Afghanistan

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MICRO ASSESSMENT FINDINGS

1.1. BACKGROUND, SCOPE AND METHODOLOGY

Background

The micro assessment is part of the requirements under the Harmonized Approach to Cash Transfers (HACT) Framework. The HACT framework represents a common operational framework for UN agencies' transfer of cash to government and non-governmental implementing partners.

The micro assessment assesses the implementing partner's control framework. It results in a risk rating (low, moderate, significant or high). The overall risk rating is used by the UN agencies, along with other available information (e.g. history of engagement with the agency and previous assurance results), to determine the type and frequency of assurance activities as per each agency's guideline and can be taken into consideration when selecting the appropriate cash transfer modality for an implementing partner.

Scope

The micro assessment provides an overall assessment of the implementing partner's programme, financial and operations management policies, procedures, systems and internal controls. It includes:

- A review of the implementing partner legal status, governance structures and financial viability; programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement.
- A focus on compliance with policies, procedures, regulations and institutional arrangements that are issued both by the Government and the implementing partner.

It takes into account results of any previous micro assessments conducted of the implementing partner.

Methodology

We performed the micro assessment at the locations and on the dates set out in Annex I.

Through discussion with management, observation and walk-through tests of transactions, we have assessed the implementing partner's internal control system with emphasis on:

- The effectiveness of the systems in providing the implementing partner's management with accurate and timely information for management of funds and assets in accordance with work plans and agreements with the United Nations agencies.
- The general effectiveness of the internal control system in protecting the assets and resources of the implementing partner.

We discussed the results of the micro assessment with applicable UN agency personnel and the implementing partner prior to finalization of the report. The list of persons met and interviewed during the micro assessment is set out in Annex III.

Results

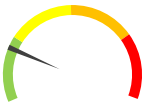
The results of our micro assessment are set out in section 1.2 below, and our detailed internal control findings and recommendations in section 1.3.

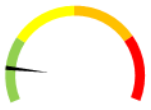


Robert Waters
Partner
BDO LLP
30 March 2023

1.2. SUMMARY OF RISK ASSESSMENT RESULTS

The table below summarizes the results and main internal control gaps found during application of the micro assessment questionnaire (in Annex IV). Detailed findings and recommendations are set out in section 1.3 below.

Tested subject area	Risk assessment*	Comments
1. Implementing partner	Moderate 	The IP is registered under the NGO law in Afghanistan. Currently it has three active projects with UN agencies. It had to refund AFN 388,454 due to cut-off issue on pone project. As per the article 27 "Law on NGOs", NGOs must prepare and audit its complete financial statements, however, only income statement is prepared and audited, it has not prepared its statement of financial position. Moreover, being in deficit for consecutive two years exposes it to the risk of not being able to continue as a going concern. Lastly, the IP has fraud and anti-corruption policy, but it has not identified communication channels for the reporting of fraudulent activities.
2. Programme management	Moderate 	The IP has developed M&E policies and Work Planning templates to monitor the project objectives. Field visits are also arranged, and supervision checklist is prepared for supervision of activities. However, the IP's risk register is simple, it should include all the departments and activities that contribute to the project objectives and assign risks to them for better analyses.
3. Organisational structure and staffing	Low 	The IP has HR policies in place and are implemented. The department heads are qualified and have sufficient relevant experience. Finance department is sufficiently staffed relative to the organization staff.

4. Accounting policies and procedures	Low 	The IP uses QuickBooks software to record transaction. Entry is made into the system by the finance department after transaction is approved by the relevant approver. The IP should allocate costs relating to shared activities to projects on pro rata basis, not on budget availability. General and subsidiary ledgers should be reconciled on at least on monthly basis. It must ensure that invoices are stamped "PAID" with account and/or project code. The IP must ensure that significant transactions, especially salaries, are paid through bank as the banking sector in Afghanistan has seen significant improvements recently. Finally, it must ensure that cash count is done by staff other than the one responsible for the custody of cash.
5. Fixed assets and inventory	Moderate 	Fixed assets are purchased on need basis. Fixed asset register is maintained, and physical verification is carried out on bi-annual basis, as per the client. However, verification sheet does not include date, the verifier, the reviewer and the approver. Also, the subsidiary and control ledgers of fixed assets are not reconciled. Similarly, no proof could be provided regarding the stock count.
6. Financial reporting and monitoring	Moderate 	The IP dose not fully comply with the relevant law, as it has prepared and audited the income and expenditure account only, and not the statement of financial position. Moreover, it is in deficit for the consecutive two years, which increases both financial and operational risk. The IP had to refund the ineligible expenditure identified during the sport-check due to cut-off issue, this was refunded to the donor.
7. Procurement and contract administration	Low 	The IP has procurement policies in place and are implemented. Approval thresholds are also defined in the finance policies. There has been no significant recommendation relating to procurement in prior audits. However, the IP does not integrate references to ethical considerations in the procurement contracts.

Overall risk assessment	Moderate 	

** High, Significant, Moderate, Low*

1.3. DETAILED INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

No.	Description of finding	Recommendation	Partner comments
1	**Financial Statements**		
	As per Article 27 "Law on NGOs", NGOs must prepare its annual financial statements and audit them as per the international standards, however, the IP has only prepared and audited its Income and Expenditure account. It has not prepared and audited its Statement of Financial Position. Preparing full financial statements is a requirement of its donors. Moreover, only the 2020 and 2021 Income and Expenditure accounts have been prepared and audited. As per the management, the IP did not have any projects prior to 2020 but the audited Income and Expenditure accounts for 2020 includes 2019 comparative Income and Expenditure account.	We recommend that the IP prepare and audit its financial statements, including the statement of financial position, to comply with the law and donor requirements.	During the spot check of the project, AFG/PCA2021220/HPD2021291, the IP had to refund AFN 388,454 due to cut-off issue.

2	**Financial Stability**		
	We noted that the IP had a deficit of USD 122,435 and USD 22,099 in 2021 and 2020, respectively. As per Finding 1, the IP has not prepared and audited the statement of financial position during these two years. This has meant we were unable to sufficiently gauge the financial stability of the IP in the absence of statement of financial position especially when the IP is experiencing deficit for the consecutive two years. Further auditor comments: Being in deficit for the consecutive two years exposes both financial and operational risk, as the IP may fail to achieve active project objectives, and that two when the IP does not have or has limited reserves to finance its operations.	We recommend that the IP prepares its statement of financial position to enable external evaluators to evaluate its financial stability and also not run into deficit consistently to ensure it is able to continue its operations for the foreseeable future.	The deficit means that the funds are yet not transferred to us, this is a normal procedure where the funds are sometime transferred after the year end. Secondly the going concern for the NGO is solely related to the projects, we were having one project in Jan 2021 and in June 2022 we were having 4 projects thus the delay in the receipt of the funds could solely not defined the going concern issues. If we are having projects, we are moving and if not, we may downsize the organization and regarding the components of the financial statements we have already accepted the above observation.

3	**Absence of reporting channels in reporting of fraud and corruption.**		
	As per the IP, cases of fraud and corruption should be reported to line manager, Internal Audit Department, Executive Director and General Director. However, the reporting channels were not included in the Anti-corruption policy. The reporting channels must be clearly identified and should include a complaint hotline, complaint email address or complaint/suggestion box etc. Also, there are no policies and procedures on how to spread awareness relating to fraud and corruption among beneficiaries regarding identification of fraudulent activities and reporting them. Moreover, a complaints database is not maintained to address them in timely manner. Absence of awareness and reporting channels might result in instances of fraud and corruption go unnoticed and undetected. Further auditor comments: There is neither mention of the complaints sheet nor the complaint box in the policy. There is no database of the complaints maintained. There is no responsible person for maintaining the complaint database. Finally, banners and informative materials are not mentioned in the policy as well.	We recommend that the must be identify the reporting channels for reporting instances of fraud and corruption. Ways to inform must be identified in the fraud and corruption policies and circulated to all the employees. Awareness regarding fraud and corruption must also be spread among beneficiaries regarding identification of fraudulent activities and report them through periodical awareness sessions and/or posters etc. Moreover, a complaints database must also be maintained to address them in timely manner.	We have complaint boxes in all our offices and sites of project implementation, we have a complaint mechanism template. For your consideration we are sharing the picture and complaint management template. Regarding the awareness of the wider population, we have banners and informative material which is distributed wrong the population. For the reporting we will modify the policy in 2 weeks and will share the updated version as well.

4	**Risk Register**		
	The IP makes use of a "Risk Register" to identify potential risks to programme delivery and specify mechanisms to mitigate them. However, the "Risk Register" is neither reviewed nor approved by a senior staff. Moreover, the "Risk Register" is simple, and does not include departments and activities and the risks they face in achieving project objectives. Further auditor comments: The risk register must incorporate all departments and activities in it, and which contribute to the achievement of project objectives and then, identify the risks to which they are exposed to and assign them ratings.	We recommend that a detailed risk register should be maintained which would identify every department and its activities and then the risks related to those activities must be identified and ratings given.	If we analyse the risk register, there are all the said observation incorporated in it. We have the risk ratings, control procedures, ranking for retained risk and also we have the responsible person column where specific person responsible for the task is to be identified. Department wise responsibility is a wider concept and to be more precise and accurate we have to identify the person who is solely responsible for the risk. Thus, we request you to re consider this point.
5	**Lack of Cost Allocation Policy**		
	The IP does not have a cost allocation methodology. Costs arising from activities that are directly relevant to a project are allocated to that specific project. Costs arising from activities that are shared among different projects are allocated to projects based on budget availability. Further auditor comments: There is no cost allocation policy. The cost of shared activities must be on pro rata basis. As per your responses during the field work, there is no cost allocation policy, and the costs are allocated to projects based on budget availability.	We recommend that the IP must allocate costs of shared activities based on its usage and not only on budget availability.	As per OWH finance policy Section E.2 "Expenditures such as salaries, rental of premises, vehicle costs, communication costs etc. often need to be split between two or more projects. This ensures a comprehensive and correct picture of project expenditures on the involved projects. The splitting of support costs must be based on the principle in the time, value or quantity. Practical guidance on analysing support costs and techniques of allocation, provides guidance on the type of costs covered by the policy. The basis of cost allocation could be Budget of the Project, time used for the implementation of the project, Number of employees working, Office space consumed etc." So, we do not solely share the cost on budgetary basis but we do on whatever base is applicable in the circumstances.

6	**General and subsidiary ledger reconciliation**		
	During the course of audit, we noted that the IP does not reconcile the general and subsidiary ledger reconciliation. Reconciliation of general and subsidiary accounts is a control procedure that allows for the identification of errors in the accounts in a timely manner. Further auditor comments: The observation is about general and subsidiary accounts reconciliation. We have asked about this during the field work and based on your response, you do not reconcile general and subsidiary accounts reconciliation.	We recommend that the IP reconciles its general and subsidiary ledgers, at least monthly to identify errors in a timely manner.	As per our consideration the mentioned reconciliation is between the breakdown of the main ledger budget lines, and we do our reconciliation online to line basis for every project. We receive the monthly reports and then reconcile it with the line to basis.
7	**Absence of "PAID" stamp**		
	During our assessment we noted one voucher where the invoice was not stamped 'PAID' and is not marked with project code. Absence of "PAID" stamp and project code raises the risk of duplicate payments.	We recommend that the IP stamps "PAID" and project code on invoices to mitigate the risk of duplicate payments.	OWH affixes the paid and project related stamp on al the invoices may be this specific voucher was missed due to clerical mistake and we will consider that such events are not reported henceforth.
8	**Excessive use of cash**		
	During of our assessment, we noted that significant cash payments being made including staff salaries. As per the IP, this is due to the banking limitations, however, we believe that significant improvements have occurred to the banking process in recent months and the number of cash transactions could be mitigated, accordingly. Cash transactions are prone to vulnerabilities including misappropriation and fraud.	We recommend that the IP must pay transactions through bank especially large amounts. This would enhance transparency.	OWH finance and internal control policy also do not allow cash payment above certain limits, and we understand the issues related to cash payments. But as you better know that bank payments are not feasible in current situations, our main payments are staff salaries and staff by no means accepts bank payment these days, even our funds were transferred to us on cash basis. Thus, you are requested to reconsider this observation.

9	**Petty cash reconciliation**		
	During our assessment, we performed a walkthrough on petty cash reconciliation performed on 13-Feb-23 and noted that Finance Officer is responsible for the custody of cash, and he also performs the cash count.	We recommend that another staff must carry out the cash count and petty cash reconciliation for control purposes.	The point is well noted and is considered for future.
10	**Fixed asset verification**		
	During our assessment, we were informed that fixed assets were being physically verified, however, there is no mention of the date and the person who performed the verification. Moreover, the verification is neither reviewed nor approved by a senior member of staff.	We recommend that complete records of fixed assets verification should be maintained including the date and the responsible person and also the reviewer and approver.	The point is well noted and is considered for future.
11	**Fixed asset insurance**		
	During our assessment, we noted that the IP has not insured its fixed assets.	We recommend that the IP ensures its fixed assets to mitigate the risk of loss or theft.	OWH is implementing donor funded projects and as all the assets are the property of the donor and their insurance is also their responsibility. Also, our main assets are IT and furniture whose useful life is also very short thus the cost efficiency is also to be considered for the assets which may not be feasible for assets with low value. If we are provided with the budget, we will able to insure these assets on the other hand you are requested to discuss this observation with UNICEF team as it solely related to them.

12	**Lack of stock count**		
	During our assessment, we noted that the IP does not carry out stock count. As per the IP, it carries out stock count on bi-annual basis, however, only stock register was provided, stock count sheet was not provided.	We recommend that the IP carries out stock count. It reduces the risk of loss or theft and improves stock management.	Thanks for your consideration. The observation is noted, and we do conduct the stock counts but the documentation we make were not as per the requested benchmarks, OWH will henceforth consider the documentation as required and will follow up the process on regularly basis.
13	**Ineligible costs**		
	We reviewed the spot-check of the project; AFG/PCA2021220/HPD2021291, the IP had incurred expenditures of AFN 388,454 which were considered ineligible as they fell outside the project period. The money was refunded to the donor. Further Auditor comments: We have already mentioned in our comments that the funds have been refunded by the IP. The question only asks if there was any observation relevant to ineligible expenditure during any previous assurance reports.	We recommend that only expenditures which are incurred during the project duration must be allocated to the project expenditures. We agree that the expenditures were duly refunded be the IP.	As I discussed this with BDO colleague, this cost was related with the implementation of the contract. We were in the communication with the donor regarding the project and there were some costs that were incurred. As the contract was signed with a bit of delay and we were asked to refund the said amount by the donor and that is what we did. As the issue is already resolved and we have known the implications, we suggest this observation is not relevant and you are requested to re consider this one.

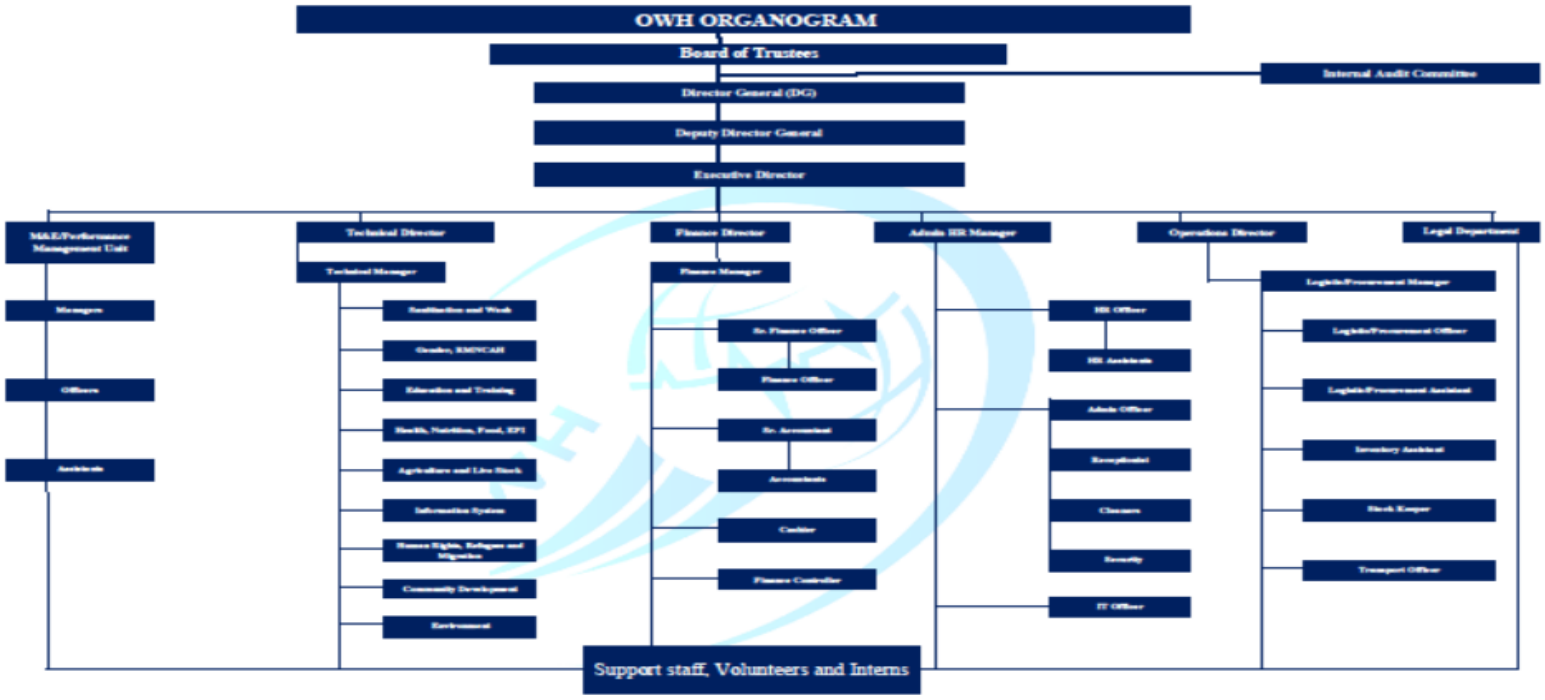
14	**Ethical consideration in contracts**		
	We reviewed the house and vehicle contracts and noticed that contracts do not include references to ethical principles. Further Auditor comments: Ethical considerations must be integrated in the contract it is not a separate document. As you know, we have reviewed the house and rental contract and it did not have any ethical considerations in it.	We recommend that ethical principles must be integrated in the contracts.	We are already having this practice; thus you are requested to remove this observation. OWH maintains a separate code of conduct for every contract and that is a detailed version including every possible causes related to effective implementation of the contract. We are sharing the said document with you for your consideration. Having a separate code of conduct declaration enhances the need to comply and as we were not asked about this document during the days your colleagues visited us thus was not provided to them.

ANNEXES

ANNEX I: IMPLEMENTING PARTNER AND PROGRAMME INFORMATION

Implementing partner name:	Organization for Welfare and Humanitarian (OWH)
Implementing partner code or ID in UNICEF, UNDP, UNFPA records (as applicable)	
Implementing partner contact details (contact name, email address and telephone number)	Fakhar-ul-Islam Khan
Main programmes implemented with the applicable UN agency/ies	Deputy General Director
Key official in charge of the UN agency/ies' programme(s)	fakhar@owh.org.af
Programme location(s)	+93 (0) 749 011 399
Location of records related to the UN Agency/ies' programme(s)	Health and Nutrition/ UNICEF
Currency of records maintained	Fakhar-ul-Islam Khan
Expenditures incurred/reported to UNICEF, UNDP and UNFPA (as applicable) during the most recent financial reporting period (in US$)	Nanagarhar, Kunar, Laghman, Uruzgan, Laghman, Herat and Kabul.
Cash transfer modality/ies used by the UN agency/ies to the implementing partner	Kabul, Afghanistan
Intended start date of micro assessment	USD, AFN
Number of days to be spent for visit to implementing partner	Provision of essential and live saving nutrition services for women, children (boys and girls) and their care givers in need affected by the emergency in Afghanistan through urban nutrition programme
Any special requests to be considered during the micro assessment	Expenditure incurred: AFN 147,856,549

ANNEX II: IMPLEMENTING PARTNER ORGANISATIONAL CHART



ANNEX III: LIST OF PERSONS MET

Name	Unit / organisation	Position
Dr. Shekib Falah	OWH	General Director
Fakhar-ul-Islam	OWH	Deputy General Director
Syed Mukhtar Hashimi	OWH	Admin/HR Manager
Dr. Mashooq Hamdard	OWH	Technical Manager
Zamarai Abid	OWH	Finance Manager
Muhammad Waheed Azeem	OWH	Technical Director
Sharifullah Safi	OWH	Operations Director

ANNEX IV: MICRO ASSESSMENT QUESTIONNAIRE

Subject area *(key questions in **bold**)*	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
1. Implementing partner						
1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status and date of registration of the entity.	Yes			Low	1	The IP is registered with the Ministry of Economy, Directorate of NGOs, in September 2017. The registration no. is 4261.
1.2 If the IP received United Nations resources in the past, were significant issues reported in managing the resources, including from previous assurance activities.	Yes			Significant	6	Yes, the IP is currently implementing the below projects funded by UN. 1) MHNTs project funded by UNICEF in Kabul, Laghman and Uruzgan provinces 2) Urban Nutrition Project funded by UNICEF in Laghman, Kunar, Nangarhar and Uruzgan provinces 3) TSFP Project funded by WFP in Laghman, Uruzgan and Kabul provinces. During the spot check of the project, AFG/PCA2021220/HPD2021291, the IP had to refund AFN 388,454 due to cut-off issues **Refer to internal control finding 13.**

1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements in the prior three fiscal years?		No		High	8	As per Article 27 "Law on NGOs", NGOs must prepare its annual financial statements and audit them as per the international standards. However, the IP have only prepared and audited its Income and Expenditure account. It has not prepared and audited its Statement of Financial Position. Moreover, only 2020 and 2021 Income and Expenditure accounts have been prepared and audited. As per the management, the IP did not have any projects prior to 2020 but the audited Income and Expenditure accounts for 2020 includes 2019 comparative Income and Expenditure account. **Refer to internal control finding 1.**
1.4 Does the governing body meet on a regular basis and perform oversight functions?	Yes			Low	1	The Board of Trustees have five members, including the chairman, The Board of Trustees meet twice in a year.
1.5 If any other offices/ external entities participate in implementation, does the IP have policies and process to ensure appropriate oversight and monitoring of implementation?	Yes			Moderate	4	The IP is implementing all their projects individually. It uses a "Sub-Awardee Assessment Policy" which describes the polices they should adhere to, to efficiently monitor the activities of the sub-partner.

1.6 Does the IP show basic financial stability in-country (core resources; funding trend) ***Provide the amount of total assets, total liabilities, income and expenditure for the current and prior three fiscal years.***		No		High	8	The IP has audited financial statements for the year ending 2020 and 2021, however, only income and expenditure account has been prepared and audited, balance sheet is not audited. Moreover, in 2020 the IP has a deficit of USD 122,435 and in 2021 the deficit is USD 22,099. As per the management, the IP did not have any projects before 2020, however, the comparatives are presented in financial statements for the year ended 2020. **Refer to internal control finding 2.**
1.7 Can the IP easily receive funds? Have there been any major problems in the past in the receipt of funds, particularly where the funds flow from government ministries?	Yes			Low	1	The IP can easily receive funds and has not faced any major issue in the past in the receipt of funds. Note, it has not received any funds from the government.
1.8 Does the IP have any pending legal actions against it or outstanding material/significant disputes with vendors/contractors? *If so, provide details and actions taken by the IP to resolve the legal action.*		No		Moderate	2	The IP neither have any pending legal actions against it nor does it have any material disputes with vendors or contractors. However, the client does not have a legal department.
1.9 Does the IP have an anti-fraud and corruption policy?	Yes			Low	1	The IP has developed an anti-corruption policy.

1.10 Has the IP advised employees, beneficiaries and other recipients to whom they should report if they suspect fraud, waste or misuse of agency resources or property? If so, does the IP have a policy against retaliation relating to such reporting?		No		Significant	3	As per the IP, cases of fraud and corruption should be reported to line manager, Internal Audit Department, Executive Director and General Director, however, the reporting channels are not identified in the Anti-corruption policy. The reporting channel must be identified, it should include, complaint hotline, complaint email or complaint/suggestion box. Ways to lodge complaint must be identified in the fraud and corruption policies and circulated to all the employees. Awareness regarding fraud and corruption must also be spread among beneficiaries regarding identification of fraudulent activities and report them through periodical awareness sessions and/or posters etc. Moreover, a complaints database must also be maintained to address them in timely manner. **Refer to internal control finding 3.**
1.11 Does the IP have any key financial or operational risks that are not covered by this questionnaire? If so, please describe. *Examples: foreign exchange risk; cash receipts.*		No		Moderate	2	Except for the above mentioned, operational and financial risks are not evident within the organization.
Total number of questions in subject area:	**11**					
Total number of applicable questions in subject area:	**11**					
Total number of applicable key questions in subject area:	**5**					
Total number of risk points:	**37**					
Risk score	**3.36**					
Area risk rating	**Moderate**					

Subject area *(key questions in **bold**)*	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
2. Programme management						
2.1. Does the IP have and use sufficiently detailed written policies, procedures and other tools (e.g. project development checklist, work planning templates, work planning schedule) to develop programmes and plans?	Yes			Moderate	2	The IP has a detailed "Monitoring and Evaluation (M&E) Manual", they have also developed work planning templates to develop programmes and plans.
2.2. Do work plans specify expected results and the activities to be carried out to achieve results, with a time frame and budget for the activities?	Yes			Moderate	4	The IP builds work plans which would specify expected results and the activities to be carried out to achieve results, with a time frame and budget for the activities.
2.3 Does the IP identify the potential risks for programme delivery and mechanisms to mitigate them?	Yes			Significant	3	The IP makes use of a "Risk Register" to identify potential risks to programme delivery and specify mechanisms to mitigate them. However, the "Risk Register" is neither approved by a senior staff nor there is a mention of the preparer. Moreover, the "Risk Register" is very simple, it should be a more detailed document which would identify every department and its activities and then the risks related to those activities must be identified and ratings provided. **Refer to internal control finding 4.**
2.4 Does the IP have and use sufficiently detailed policies, procedures, guidelines and other tools (checklists, templates) for monitoring and evaluation?	Yes			Low	1	The IP has detailed policies and procedures for monitoring and evaluation, including, checklists and templates.
2.5 Does the IP have M&E frameworks for its programmes, with indicators, baselines, and targets to monitor achievement of programme results?	Yes			Moderate	2	The IP does have M&E frameworks for its programmes which would include indicators, baselines and targets to monitor achievement of programme results.

2.6 Does the IP carry out and document regular monitoring activities such as review meetings, on-site project visits, etc.	Yes			Moderate	4	The IP carry's out and document regular monitoring activities and on-site project visits.
2.7 Does the IP systematically collect, monitor and evaluate data on the achievement of project results?	Yes			Moderate	2	The IP collects data through field visits and uses them to monitor the project results.
2.8 Is it evident that the IP followed up on independent evaluation recommendations?			N/A	N/A	-	
Total number of questions in subject area:	**8**					
Total number of applicable questions in subject area:	**7**					
Total number of applicable key questions in subject area:	**2**					
Total number of risk points:	**18**					
Risk score	**2.57**					
Area risk rating	**Moderate**					

Subject area *(key questions in **bold**)*	**Yes**	**No**	**N/A**	**Risk Assessment**	**Risk points**	**Remarks/comments**
3. Organizational structure and staffing						
3.1 Are the IP's recruitment, employment and personnel practices clearly defined and followed, and do they embrace transparency and competition?	Yes			Moderate	4	Yes, the IP's recruitment, employment and personnel practices are clearly defined and followed, and they embrace transparency and competition. Vacancy is advertised online, and eligible candidates are longlisted. Shortlisted candidates are then invited for a written test and interview and the most competent individual is selected. Contract is signed after the guaranteed letter is obtained. However, there Dr. Arif Durani was not searched in the UN Sanction list website.
3.2 Does the IP have clearly defined job descriptions?	Yes			Low	1	The IP has clearly defined job descriptions.

3.3 Is the organizational structure of the finance and programme management departments, and competency of staff, appropriate for the complexity of the IP and the scale of activities? Identify the key staff, including job titles, responsibilities, educational backgrounds and professional experience.	Yes			Low	1	The IP's organizational structure of the finance and programme management departments, and competency of staff are appropriate for the complexity of the IP and the scale of activities. We reviewed the CVs of the senior management: 1. Mohammad Wahid Azim, Technical Director, is Medical Doctor graduated from Kabul Medical University and has more than 20 years of experience. 2. Mohammad Mashooq Hamdard, Technical Coordinator, is a graduate in master's in public health from Kabul Medical University and has more than 12 years of experience. 3. Mohammad Arif Durani, Kabul Provincial Manager, hold a master's degree in public health and has more than 17 years of experience. 4. Sayed Mukhtar Hashimi, Admin/HR Manager, holds bachelor in in Business Administration and has more than 18 years of experience.
3.4 Is the IP's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds?	Yes			Low	1	The IP has only 3 active projects at the moment and has 2 finance staff in Kabul, Main Office. The finance manager reports to the Executive Director. The staff is sufficient to manage 3 projects.
3.5 Does the IP have training policies for accounting/finance/ programme management staff? Are necessary training activities undertaken?	Yes			Moderate	2	The IP has established training policies. During the year training related to 'QuickBooks' software was provided to finance staff, however, attendance sheet was not attached with training voucher, only the training completion report was attached.

3.6 Does the IP perform background verification/checks on all new accounting/finance and management positions?	Yes			Moderate	2	The IP obtains guarantee letters from the incoming employees' guarantors and also contact the referees. The IP must also check the employee in the UN Sanctions list.
3.7 Has there been significant turnover in key finance positions the past five years? If so, has the rate improved or worsened and appears to be a problem?		No		Moderate	2	There was significant turnover after the regime change but the vacancy was filled in quickly. However, there has been no significant impact on the IP.
3.8 Does the IP have a documented internal control framework? Is this framework distributed and made available to staff and updated periodically? If so, please describe.	Yes			Moderate	2	The IP has policies and procedures in place as a guidance for implementing control environment, risk assessment is done for every project to identify the risk faced by the IP in achieving the project objectives and identifies control procedures to mitigate the risks faced. Information is fed back through bottom up approach and issues are resolved as they arise.
Total number of questions in subject area:	**8**					
Total number of applicable questions in subject area:	**8**					
Total number of applicable key questions in subject area:	**3**					
Total number of risk points:	**15**					
Risk score	**1.87**					
Area risk rating	**Low**					

Subject area *(key questions in **bold**)*	Yes	No	N/ A	Risk Assessment	Risk points	Remarks/comments
4. Accounting policies and procedures						
4a. General						
4.1 Does the IP have an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds?	Yes			Low	1	The IP uses QuickBook accounting software for recording financial transactions.
4.2 Does the IP have an appropriate cost allocation methodology that ensures accurate cost allocations to the various funding sources in accordance with established agreements?		No		High	8	The IP does not have a cost allocation methodology in place. Costs arising from activities that are directly relevant to a project are allocated to that specific project. Costs arising from activities that are shared among different projects are allocated to projects based on budget availability. The IP must allocate costs of shared activities based on its usage and not only on budget availability. **Refer to internal control finding 5.**
4.3 Are all accounting and supporting documents retained in an organized system that allows authorized users easy access?	Yes			Low	1	Yes, each transaction has a voucher number assigned. Documents can be accessed through the voucher numbers.
4.4 Are the general ledger and subsidiary ledgers reconciled at least monthly? Are explanations provided for significant reconciling items?		No		High	4	No, reconciliations of the general and subsidiary ledgers are not performed. **Refer to internal control finding 6.**

4b. Segregation of duties						
4.5 Are the following functional responsibilities performed by different units or individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction?	Yes			Low	1	We performed a walkthrough on a voucher. Transaction is verified by Operation Director and approved by the Executive Director. Transaction is recorded by the finance department and custody is taken by the requester.
4.6 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?	Yes			Low	1	Each function has been performed by the relevant departments and each department has their own staff. Purchase request form is filled by the requirer and approved by the logistic and finance department. Logistics department executes the process for the procurement of required goods and sends RFQs to suppliers. PO is approved by the appropriate authority and issued to the winning vendor. Invoice is received by the logistic department and checked against PO and GRN is raised. All the supporting documents are presented to the Finance department and transaction is entered in the quickbook and payment is approved by the relevant authority. Cashier pays through cheque or cash. Dual signatures are required for cheque payments and the payee acknowledges receipts when paid in cash.
4.7 Are bank reconciliations prepared by individuals other than those who make or approve payments?	Yes			Moderate	4	The bank reconciliation is prepared by the finance officer, Abdul Hasib Safai, and reviewed and approved by the finance manager, Zamarai Abid. It should also be approved by a senior staff member i.e. Finance Director.

4c. Budgeting system						
4.8 Are budgets prepared for all activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?	Yes			Low	1	Each activity is defined in a budget and costs are allocated to the projects based on the budgeted activity.
4.9 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget?	Yes			Moderate	4	Budgeted expenditure is compared to the actual expenditure when report is submitted to the donor and explanations for significant variations are provided through email. We consider that the review of the variances could be more detailed.
4.10 Is prior approval sought for budget amendments in a timely way?	Yes			Low	1	Yes, prior approval is sought for budget amendments in a timely manner.
4.11 Are IP budgets approved formally at an appropriate level?	Yes			Low	1	Budgets are approved by the Executive Director and sent to the donor for review and final approval.
4d. Payments						
4.12 Do invoice processing procedures provide for: **· Copies of purchase orders and receiving reports to be obtained directly from issuing departments?** **· Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods/services actually received?** **· Checking the accuracy of calculations?**	Yes			Moderate	4	1. Purchase order is issued to the vendor after the selection process is complete. 2. Purchase order is prepared by the logistics department; however, it is not approved by senior personnel. 3. Goods are received and checked against invoice and PO 4. GRN is raised and all the supporting documents are sent to the finance department for approval of payment.

4.13 Are payments authorized at an appropriate level? Does the IP have a table of payment approval thresholds?	Yes			Low	1	The payments are authorized at an appropriate level. The approval thresholds are defined in the finance manual. USD - AFN 1 General Director 0 - ∞ - 0 - ∞ 2 Executive Director 0 – 50,000 - 0 – 5,000,000 3 Deputy General Director 0 – 20,000 - 0 – 2,000,000 4 Head of Finance 0 – 5,000 - 0 – 500,000 5 Head of Operations 0 – 5,000 - 0-500,000 6 Regional Director/Manager 0 – 5,000 - 0 – 500,000 7 Provincial Manager 0 – 5,000 - 0 – 500,000 8 Project Managers 0 – 2,500 - 0 – 250,000
4.14 Are all invoices stamped '*PAID*', approved, and marked with the project code and account code?		No		Significant	6	We reviewed the transaction selected for sample; CPV-11-85, the invoice is not stamped 'PAID' and is not marked with project code. **Refer to internal control finding 7.**
4.15 Do controls exist for preparation and approval of payroll expenditures? Are payroll changes properly authorized?	Yes			Low	1	Payroll is prepared by the HR department, verified by the finance department and approved by the Executive Director.
4.16 Do controls exist to ensure that direct staff salary costs reflects the actual amount of staff time spent on a project?	Yes			Low	1	Timesheets are required to be filled by the employees and approved by the line managers to reflect the actual amount of time spent on the project.

4.17 Do controls exist for expense categories that do not originate from invoice payments, such as DSAs, travel, and internal cost allocations?	Yes			Low	1	DSAs are given to staff based on the approved UN rates. Travel request forms are used to authorise travel. Travel form is filled by the employee and approved by the line manager.
4e. Policies and procedures						
4.18 Does the IP have a stated basis of accounting (i.e. cash or accrual) and does it allow for compliance with the agency's requirement?	Yes			Low	1	The IP uses accrual basis of accounting.
4.19 Does the IP have an adequate policies and procedures manual and is it distributed to relevant staff?	Yes			Low	1	The IP has adequate policies and manual and is distributed to all the staff upon recruitment.
4f. Cash and bank						
4.20 Does the IP require dual signatories / authorization for bank transactions? Are new signatories approved at an appropriate level and timely updates made when signatories depart?	Yes			Low	1	The IP requires dual signatories for bank transactions: 1. Dr. Ahmad Shekib Falah- General Director 2. Fakhar Ul Islam- Deputy General Director. New signatories and departing signatories are added and deleted through an official letter to the bank.
4.21 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes			Low	1	The IP uses QuickBook accounting software for cashbook. Payment is made by the finance assistant after appropriate approvals and transaction is entered into the cashbook software. The transaction is authorized by the finance manager for entry in the software. Monthly reconciliation is done by the finance officer.
4.22 If the partner is participating in micro-finance advances, do controls exist for the collection, timely deposit and recording of receipts at each collection location?			N/A	N/A	-	

4.23 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for significant, unusual and aged reconciling items?	Yes			Moderate	4	Bank reconciliations are done by the finance officer and reviewed and approved by the finance manager. There is no approver on the bank reconciliation for the month of Dec-22. There were no significant reconciling items in the bank reconciliation.
4.24 Is substantial expenditure paid in cash? If so, does the IP have adequate controls over cash payments?	Yes			Significant	6	As per the finance manager, due to banking issue in Afghanistan, significant transactions are paid through cash. Staff salaries are also paid in cash. **Refer to internal control finding 8.**
4.25 Does the IP carry out a regular petty cash reconciliation?	Yes			Significant	3	The IP carries out cash count on a daily basis. Cash is being counted by the finance assistant, verified by the finance manager and approved by the Executive Director. Finance assistant is responsible for the cash and cheque payments and receipts, and he also does the cash count. Cash count must be done by at least two employees and be independent of the cashier responsibilities. **Refer to internal control finding 9.**
4.26 Are cash and cheques maintained in a secure location with restricted access? Are bank accounts protected with appropriate remote access controls?	Yes			Low	1	Cash and cheques are maintained in a safe, access is restricted to the finance officer and executive director.
4.27 Are their adequate controls over submission of electronic payment files that ensure no unauthorized amendments once payments are approved and files are transmitted over secure / encrypted networks?			N/A	N/A	-	The IP does not have electronic payment system in place.

4g. Other offices or entities						
4.28 Does the IP have a process to ensure expenditures of subsidiary offices/ external entities are in compliance with the work plan and/or contractual agreement?			N/A	N/A	-	The IP has developed Sub-Awardee Policies; however, the IP is a sole implementer of projects all the projects.
4h. Internal audit						
4.29 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?			N/A	N/A	-	The size of the organization does not justify the existence of an internal auditor
4.30 Does the IP have stated qualifications and experience requirements for internal audit department staff?			N/A	N/A	-	The size of the organization does not justify the existence of an internal auditor
4.31 Are the activities financed by the agencies included in the internal audit department's work programme?			N/A	N/A	-	The size of the organization does not justify the existence of an internal auditor
4.32 Does the IP act on the internal auditor's recommendations?			N/A	N/A	-	The size of the organization does not justify the existence of an internal auditor
Total number of questions in subject area:	**32**					
Total number of applicable questions in subject area:	**25**					
Total number of applicable key questions in subject area:	**18**					
Total number of risk points:	**59**					
Risk score	**2.36**					
Area risk rating	**Low**					

Subject area *(key questions in **bold**)*	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
5. Fixed assets and inventory						
5a. Safeguards over assets						
5.1 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Yes			Low	1	Assets are purchased on a needs basis and assigned to the staff via Asset register. The majority of assets consist of laptops. Access is only restricted to the responsible staff through passwords. Assets are kept by the staff with themselves after the office hours and are handed over to the organization upon resignation.
5.2 Are subsidiary records of fixed assets and inventory kept up to date and reconciled with control accounts?		No		Significant	3	The subsidiary accounts and records of fixed assets and inventory are not reconciled with control accounts. **Refer to internal control finding 6.**
5.3 Are there periodic physical verification and/or count of fixed assets and inventory? If so, please describe?	Yes			Significant	3	Physical verification is done on bi-annual basis; however, fixed asset verification sheet does not mention who carried out the physical verification and who approved it. Moreover, it does not mention the date of the verification. **Refer to internal control finding 10.**

5.4 Are fixed assets and inventory adequately covered by insurance policies?		No		Significant	3	Fixed assets are not insured by the IP. **Refer to internal control finding 11.**
5b. Warehousing and inventory management						
5.5 Do warehouse facilities have adequate physical security?	Yes			Low	1	The warehouse is in the office building and has security cameras installed and are always locked. We were only provided with pictures as evidence however for the provinces.
5.6 Is inventory stored so that it is identifiable, protected from damage, and countable?	Yes			Low	1	Each item of inventory is given a tag number, placed on specific shelves. It is stored in the warehouse.
5.7 Does the IP have an inventory management system that enables monitoring of supply distribution?	Yes			Moderate	4	The IP has a manual stock management system. The logistics officer is responsible for the dispatch of stock. The stock release forms, which also mentions the driver's name and the receiving person. Stocks records are maintained on a stock card.
5.8 Is responsibility for receiving and issuing inventory segregated from that for updating the inventory records?	Yes			Low	1	Yes, the responsibility for receiving and issuing inventory is segregated from that of updating the inventory records. The logistics officer dispatches the stock and admin assistant update the inventory records.

5.9 Are regular physical counts of inventory carried out?		No		Significant	3	As per the IP, stock counts are done on a quarterly basis, but no proof was provided to confirm this. The IP has only provided the stock register and stock register. **Refer to internal control finding 12.**
Total number of questions in subject area:	**9**					
Total number of applicable questions in subject area:	**9**					
Total number of applicable key questions in subject area:	**2**					
Total number of risk points:	**20**					
Risk score	**2.22**					
Area risk rating	**Moderate**					

Subject area *(key questions in **bold**)*	**Yes**	**No**	**N/A**	**Risk Assessment**	**Risk points**	**Remarks/comments**
6. Financial reporting and monitoring						
6.1 Does the IP have established financial reporting procedures that specify what reports are to be prepared, the source system for key reports, the frequency of preparation, what they are to contain and how they are to be used?	Yes			Low	1	The IP prepares and submits quarterly reports or as per the requirement of the donor of each project. The reporting frequency will be defined in the project agreement. QuickBooks accounting software is used to generate the required reports.
6.2 Does the IP prepare overall financial statements?		No		Significant	3	As per Article 27 "Law on NGOs", NGOs must prepare its annual financial statements and audit them as per the international standards. However, the IP have only prepared and audited its Income and Expenditure account, it has not prepared and audited its Statement of Financial Position. Moreover, only 2020 and 2021 Income and Expenditure accounts have been prepared and audited. As per the management, the IP did not have any projects prior to 2020 but the audited Income and Expenditure accounts for 2020 includes 2019 comparative Income and Expenditure account. **Refer to internal control finding 1.**

6.3 Are the IP's overall financial statements audited regularly by an independent auditor in accordance with appropriate national or international auditing standards? If so, please describe the auditor.		No		Significant	6	The IP has only audited its income and expenditure account. As per law, it must audit its financial statements, including Statement of Financial Position. Moreover, the IP has only audited its income and expenditure accounts for the years 2020 and 2021. As per management, the IP did not have any projects prior to 2020 but the audited Income and Expenditure accounts for 2020 includes 2019 comparative Income and Expenditure account. **Refer to internal control finding 1.**
6.4 Were there any major issues related to ineligible expenditure involving donor funds reported in the audit reports of the IP over the past three years?	Yes			Significant	6	During the spot check of the project, AFG/PCA2021220/HPD2021291, the IP had to refund AFN 388,454 due to cut-off issue. **Refer to internal control finding 13.**
6.5 Have any significant recommendations made by auditors in the prior five audit reports and/or management letters over the past five years and have not yet been implemented?		No		Moderate	2	There were no major recommendations made by auditors except for the Question No. 6.4.
6.6 Is the financial management system computerized?	Yes			Low	1	The IP uses QuickBooks accounting software.
6.7 Can the computerized financial management system produce the necessary financial reports?	Yes			Low	1	QuickBooks can generate the necessary financial reports. Each project and each activity code is pre-determined.
6.8 Does the IP have appropriate safeguards to ensure the confidentiality, integrity and availability of the financial data? *E.g. password access controls; regular data back-up.*	Yes			Low	1	Access is restricted to the authorized personnel; password access controls are in place. Data is backed-up on bi-monthly basis.

Total number of questions in subject area:	**8**
Total number of applicable questions in subject area:	**8**
Total number of applicable key questions in subject area:	**3**
Total number of risk points:	**21**
Risk score	**2.63**
Area risk rating	**Moderate**

Subject area *(key questions in **bold**)*	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
7. Procurement and contract administration						
7a. Procurement						
7.1 Does the IP have written procurement policies and procedures?	Yes			Low	1	The IP has established written procurement policies and procedures regarding procurement.
7.2 Are exceptions to procurement procedures approved by management and documented?	Yes			Low	1	Exception to procurement procedures is approved by the Operations Director and are documented. Ministry of Public Health had requested the IP for emergency services for Musahi district, Kabul, when it was hit by floods.
7.3 Does the IP have a computerized procurement system with adequate access controls and segregation of duties between entering purchase orders, approval and receipting of goods? Provide a description of the procurement system.			N/A	N/A	-	N/A - it has a manual system.
7.4 Are procurement reports generated and reviewed regularly? Describe reports generated, frequency and review & approvers.			N/A	N/A	-	N/A - it has a manual system.
7.5 Does the IP have a structured procurement unit with defined reporting lines that foster efficiency and accountability?	Yes			Low	1	The Operations Officer reports to the Operations Director, Sharifullah Safi who reports to Executive Director.

7.6 Is the IP's procurement unit resourced with qualified staff who are trained and certified and considered experts in procurement and conversant with UN / World Bank / European Union procurement requirements in addition to the IP's procurement rules and regulations?	Yes			Moderate	2	The Operations Director has an LLB (Administration and Diplomacy) from Kabul University and has 4 years of experience in the relevant field which we consider to be limited relative to the role.
7.7 Have any significant recommendations related to procurement made by auditors in the prior five audit reports and/or management letters over the past five years and have not yet been implemented?		No		Moderate	2	There have been no significant recommendations related to the procurement made by the auditors.
7.8 Does the IP require written or system authorizations for purchases? If so, evaluate if the authorization thresholds are appropriate?	Yes			Low	1	The IP authorization threshold is defined in the finance policy. The authorization threshold is appropriate. Below mentioned are the approval thresholds. USD - AFN 1 General Director 0 - ∞ - 0 - ∞ 2 Executive Director 0 – 50,000 - 0 – 5,000,000 3 Deputy General Director 0 – 20,000 - 0 – 2,000,000 4 Head of Finance 0 – 5,000 - 0 – 500,000 5 Head of Operations 0 – 5,000 - 0-500,000 6 Regional Director/Manager 0 – 5,000 - 0 – 500,000 7 Provincial Manager 0 – 5,000 - 0 – 500,000 8 Project Managers 0 – 2,500 - 0 – 250,000

7.9 Do the procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria?		No		Significant	3	The contracts do not integrate references to ethical procurement principles and exclusion. **Refer to internal control finding 14.**
7.10 Does the IP obtain sufficient approvals before signing a contract?	Yes			Moderate	4	Contract is entered with the party after the bidding process is complete and winner is selected after the bid analysis. However, there is no bid opening ceremony and procurement committee.
7.11 Does the IP have and apply formal guidelines and procedures to assist in identifying, monitoring and dealing with potential conflicts of interest with potential suppliers/procurement agents? If so, how does the IP proceed in cases of conflict of interest?	Yes			Low	1	Staff are required to sign code of conduct at recruitment and are required to avoid conflict of interest situations. Staff must make declaration to the General Director, if any situation of conflict of interest arises. There has been no situation of conflict of interest arisen as yet.
7.12 Does the IP follow a well-defined process for sourcing suppliers? Do formal procurement methods include wide broadcasting of procurement opportunities?	Yes			Low	1	Request for Proposals are sent to the proposed vendors. Quotations are received and the most suitable vendor is selected. Open tender is used for purchases of above AFN 1,000,000.
7.13 Does the IP keep track of past performance of suppliers? E.g. database of trusted suppliers.	Yes			Low	1	Database of suppliers are maintained by the operations department. The performance of the suppliers are evaluated based quality, price and on-time delivery.
7.14 Does the IP follow a well-defined process to ensure a secure and transparent bid and evaluation process? If so, describe the process.	Yes			Low	1	Bids are received from vendors after the RFQ is sent to the suppliers. Bids are evaluated through competitive bid analysis. Supplier is selected based on price and quality.

7.15 When a formal invitation to bid has been issued, does the IP award the contract on a pre-defined basis set out in the solicitation documentation taking into account technical responsiveness and price?	Yes			Low	1	Supplier is selected through competitive bid analysis based on price and quality and technical specifications, if applicable.
7.16 If the IP is managing major contracts, does the IP have a policy on contracts management / administration?			N/A	N/A	-	
7b. Contract Management - To be completed only for the IPs managing contracts as part of programme implementation. Otherwise select N/A for risk assessment						
7.17 Are there personnel specifically designated to manage contracts or monitor contract expirations?			N/A	N/A	-	
7.18 Are there staff designated to monitor expiration of performance securities, warranties, liquidated damages and other risk management instruments?			N/A	N/A	-	
7.19 Does the IP have a policy on post-facto actions on contracts?			N/A	N/A	-	
7.20 How frequent do post-facto contract actions occur?			N/A	N/A	-	
Total number of questions in subject area:	**20**					
Total number of applicable questions in subject area:	**13**					
Total number of applicable key questions in subject area:	**5**					
Total number of risk points:	**20**					
Risk score	**1.54**					
Area risk rating	**Low**					

Totals	
Total number of questions:	96
Total number of applicable questions:	81
Total number of applicable key questions:	38
Total number of risk points:	190
Total risk score	2.35
Overall risk rating	Moderate