

UNDP, Pakistan

Report on Micro Assessment of
Pakistan National PolioPlus
Committee

3rd October, 2018



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1.1 Background, scope, 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 IP'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 IP.

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 IP 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 from 24 September to 28 September 2018 at 10 Shahrah-e-Iran, Clifton Karachi, Pakistan.

Through discussion with management, observation and walk-through tests of transactions, we have assessed the Implementing Partner's and the related 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 IP prior to finalization of the report. The list of persons met and interviewed during the micro-assessment is set out in Annex III.

1.2 Summary of risk assessment results

Sr. no.	Subject area	Risk assessment	Brief description of the issues
1	Implementing Partner	Moderate	<ul style="list-style-type: none"> a) We were not provided with relevant evidence to ascertain/ validate certain responses provided by the management b) PNPPC does not have a detailed anti-fraud and corruption policy. c) No formal communication has been made to staff, to whom to report, if they suspect fraud, waste or misuse of assets / resources.
2	Programme Management	Significant	<ul style="list-style-type: none"> a) PNPPC has not defined policies and procedures pertaining to certain project development aspects. b) PNPPCC doesnot have a formal practice to identify the potential risk for each programme and controls to mitigate the risks. c) PNPPC does not have any approved monitoring plan
3	Organizational structure and staffing	Moderate	<ul style="list-style-type: none"> a) PNPPC does not have a formally detailed and documented HR policies and procedures. b) Trainings have not been provided to the Finance & Accounts staff regarding UN agencies' procedures relating to cash transfers and no formal training plan has been prepared. c) There is no practice in placed to perform background verification check for newly hired staff. d) There is no documented internal control framework.
4	Accounting policies and procedures	Moderate	<ul style="list-style-type: none"> a) No formally documented policy regarding Finance and retention of all accounting and supporting documents. b) Designated bank signatory is also involved in approval of payment process. c) Reasons for variances between budgeted and actual expenditures are not explained. d) Invoices were not stamped "PAID", dated, reviewed and approved.

Sr. no.	Subject area	Risk assessment	Brief description of the issues
			<ul style="list-style-type: none"> e) PNPPC does not follow the practice to maintain detailed timesheets. f) There is no formal internal audit function.
5	Fixed Assets and Inventory	High	<ul style="list-style-type: none"> a) There is no insurance cover for PNPPC's assets. b) No practice to perform physical verification of fixed assets. c) Inventory management system is not automated. d) There is lack of segregation of duties in inventory management.
6	Financial Reporting and Monitoring	Moderate	<ul style="list-style-type: none"> a) Financial Management System is not fully automated.
7	Procurement	Significant	<ul style="list-style-type: none"> a) The procurement management system is not automated. b) PNPPC does not follow the practice of preparing procurement report. c) PNPPC does not have a separate procurement department. d) PNPPC does not follow the process for vendor pre-qualification.
Overall risk assessment			Significant

1.3 Detailed internal control findings and recommendations

Ref*	Issue	Recommendation
Subject Area: Implementing Partner		
1.4 1.6	<p>During our review, we were not provided with any control evidence to ascertain / validate the management responses in certain cases such as:</p> <ul style="list-style-type: none"> ▶ ToRs of BoT; ▶ ToRs of Procurement Committee; and ▶ Financial Statements for year 2015, 2016; 	We recommend that the management shall ensure that it maintains all the records related to its operations and shall make the records available to auditors/donors.
1.9	During our review, we noted that PNPPC has not defined any formally documented anti-fraud and corruption policy to mitigate the risk of fraudulent activities.	We recommend that PNPPC shall define a detailed anti-fraud policy, which shall be communicated to the employees, to mitigate the risk of any fraudulent activity not getting reported in timely manner.
1.10 5.1	We noted that there is no documented / implemented whistle blowing policy for the employees to timely report the fraud, waste, or misuse of agency resources in case they identify any such instance.	We recommend that management shall formally notify and circulate the policy to enhance the chances of any fraudulent transactions getting reported in a timely manner.
Subject Area: Programme Management		
2.1 2.4 2.5	<p>As per our discussion with the management, we noted that the PNPPC does not have formally documented policies and procedures regarding:</p> <ul style="list-style-type: none"> ▶ Programm Development; ▶ Monitoring and Evaluation; ▶ M&E Framework; 	We recommend that the PNPPC shall define formal policy and procedures for effective program management and project development including project development checklist and templates. Further, the policies and procedures shall be approved by the relevant authority.
2.3	As per discussion with management we were informed that PNPPCC doesnot have a formal practice to identify the potential risk for each programme. However, we were informed that no document process/ controls to mitigate these risks are maintained.	We recommend that the PNPPC shall a formal practice to identify the potential risk for each programme and controls to mitigate these risks.
2.6	As per discussion with management,we were informed that the PNPPC does not have any approved monitoring plan. However, as a better practice monitoring of	We recommend that the management of PNPPC shall have a formal monitoring plan approved by appropriate authority.

Ref*	Issue	Recommendation
	the project carried out by the Project Manager on ad hoc basis.	
Subject Area: Organizational Structure and Staffing		
3.1	During our review, we noted that PNPPC does not have a formally detailed and documented HR policies and procedures.	We recommend that the PNPPC shall define formal policy and procedures. Further, the policies and procedures shall be approved by the relevant authority.
3.5	During our review, we noted that Finance & Accounts staff has not received any formal training on material / UN guidelines related to cash transfers. Moreover, no annual plans are made for training to be provided with staff.	We recommend that the PNPPC finance personnel shall be provided with trainings to get awareness regarding UN agencies procedures relating to cash transfers. We further recommend that management shall design a training strategy / plan and carry out Training Need Assessment (TNA) of its key personnel and develop a training schedule / plan on the basis of such TNA.
3.6	As per discussion with the management of PNPPC we were informed that no background verification takes place of the newly recruited staff.	We recommend that management of PNPPC shall take measures to perform background verification check of the newly recruited staff.
3.8	During our review, we noted that PNPPC does not have a defined and documented internal control framework consistent with international standards	We recommend that PNPPC shall establish detailed internal control framework that is consistent with the international standards to enhance the control environment.
Subject Area: Accounting Policies and Procedures		
4.3	We have been informed that there is no defined policy for <ul style="list-style-type: none"> ▶ Finance; ▶ guidelines to protect assets from fraud , waste and abuse; ▶ Retention of documents; ▶ Fixed asset management; and ▶ Procurement. 	We recommend that the PNPPC shall define formal policy and procedures. Further, the policies and procedures shall be approved by the relevant authority.

Ref*	Issue	Recommendation
4.5 4.7 4.12 4.20 4.23	During our review, we noted that Chairman PNPPC is involved in the approval of payments and also a designated signatory of bank account. We consider such conflicting roles as lack of segregation of duties.	We recommend that the payments shall be approved by individuals not involved in the payment process in order to ensure objectivity and transparency.
4.9	We noted that the PNPPC prepares actual vs. budgeted expenditure statements, however it does not formally document reasons for variances.	We recommend that detailed reasons shall be provided to support the variance analysis activity performed by the PNPPC in relation to its budgets to avoid budget over runs and ensure proper accountability of funds.
4.14	We noted that the PNPPC does not follow the practice to stamp all the invoices as "PAID".	We recommend all invoices shall be stamped as "PAID" to prevent duplicate payments. Also account codes shall be mentioned on the invoices for accurate allocation of costs.
4.16	We were informed that PNPPC does not follow the practice to maintain detailed timesheets with employee name/ ID, project code, time allocated to the respective project.	We recommend that management shall follow the practice to maintain detailed timesheets with employee name/ ID, project code, time allocated to the respective project.
4.29	During our review, we noted that PNPPC does not have any formal internal audit function.	We recommend that internal audit function shall be established by the PNPPC to add value to the existing operations, control procedures and overall control environment of the PNPPC
Subject Area: Fixed Assets and Inventory		
5.4	During our review, we were informed by the management that the PNPPC has not provided insurance cover for any of its assets except vehicles.	We recommend that management shall obtain insurance cover at least for all its significant assets to avoid the risk of any major losses in case of manmade or natural disaster.
5.3	Based on our discussion with management, we were informed that physical verification of Fixed Assets are not carried out.	We recommend that the management shall follow the practice to perform physical verification of Fixed Assets on regular basis.
5.7	We noted that inventory management system of PNPPC is not automated. Manual list is maintained by Warehouse In-charge in excel to track receipt and issuance of inventory. However, no detailed and	We recommend that PNPPC shall automate its inventory management system.

Ref*	Issue	Recommendation
	documented policies and procedures and standard templates are not in place for inventory management.	
5.8	We noted that inventory management of PNPPC is not well structured and lack key controls over receipt and issuance of inventory. Warehouse In charge is responsible for receipt and issuance of inventory at warehouse.	We recommend that management shall formally structure its inventory management and implement key controls over receipt and issuance of inventory.
Subject Area: Financial Reporting and Monitoring		
6.6	We noted that the Financial Management System is not fully automated. The Financial Management Statements are not generated from the system and prepared in MS Excel.	We recommend that management shall automate its Financial Management System. Further, it shall use an accounting system that can link physical progress with the financial information that can enhance the efficiency of ongoing project.
Subject Area: Procurement and Contract Administration		
7.3	During our review, we noted that procurement management system is not automated and manual forms are used during procurement process.	We recommend that procurement management system shall be automated to ensure transparency within the entity for procurement exercises and to maintain audit trail.
7.4	During our review, we noted that procurement reports are not prepared by the PNPPC.	We recommend that PNPPC shall prepare procurement reports which shall provide details about the procurement activities conducted in the given period.
7.6	During our review, we noted that PNPPC has constituted a Procurement Committee to maintain a fair and transparent procurement system. However, the PNPPC does not have any documented terms of reference for the Procurement Committee.	We recommend that PNPPC shall devise detailed terms of reference for the Procurement Committee to clarify the roles and responsibilities, and the authority of the Procurement Committee.
7.5	We noted that PNPPC does not have a separate procurement department to cater its procurement needs.	We recommend that management shall establish a separate procurement department. Further, conflicting activities of procurement and finance shall be completely segregated to mitigate the related risk and management shall form proper procurement department staffed

Ref*	Issue	Recommendation
		with fully competent individuals with relevant qualifications and experience.
7.12	During our review, we noted that PNPPC does not have a well-defined process for sourcing / pre-qualification of suppliers.	<p>We recommend that PNPPC shall follow pre-qualification process comprising of two components for an efficient and transparent procurement process:</p> <ul style="list-style-type: none"> ▶ Develop an approved supplier list and update supplier database ▶ Allow for a shortlist of vendors to tender for supplies leading to framework agreements

1.4 Report annexure

Annexure I – IP and Programme Information

Implementing Partner name	Pakistan National PolioPlus Committee Trust (PNPPC)		
Implementing Partner code or ID in UNICEF, UNDP, UNFPA records (as applicable)	N/A		
Implementing Partner contact details (contact name, email address and telephone number)	Mr. Asher Ali (Project Manager)	Tel: 0300-2178435	Email: ali.asher801@gmail.com
Main programmes implemented with the applicable UN Agency/ies	N/A		
Key Official in charge of the UN Agency/ies' programme(s)	Mr. Asher Ali (Project Manager)		
Programme location(s)	Karachi		
Location of records related to the UN Agency/ies' programme(s)	Karachi		
Currency of records maintained	PKR		
Expenditures incurred/reported to UNICEF, UNDP and UNFPA (as applicable) during the most recent financial reporting period (in US\$)	As per our review of the list of donors funding and discussion with management, we were informed that PNPPC has received more than USD 500,000 from various donors including UNDP, Rotary International other donors.		
Cash transfer modality/ies used by the UN agency/ies to the IP	Direct Bank Transfer		
Intended start date of micro assessment	24 September 2018		
Number of days to be spent for visit to IP	05		
Any special requests to be considered during the micro assessment	N/A		

Annexure II – Organisational chart of the implementing partner

We were not provided with organisational chart of PNPPC for our review.

Annexure III – List of persons met

Name	Unit/Organization	Position
Mr. Asher Ali	Pakistan National PolioPlus Committee Trust (PNPPC)	Project Manager
Mrs. Anum Farrukh	Pakistan National PolioPlus Committee Trust (PNPPC)	Finance Manager
Ms. Alina Visram	Pakistan National PolioPlus Committee Trust (PNPPC)	Manager

Annexure IV

Micro-assessment workbook

Subject area (key questions)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
1. Government Counterpart						
1.1 Is the CSO legally registered? If so, is it in compliance with registration requirements? Please note the legal status and date of registration of the entity.	Yes			Moderate	4	Based on our review of the Trust Deed, we noted that Pakistan National PolioPlus Charitable Trust has been registered under the Deed of Trust (Trust Deed) on the 6th of January 2016 with registration number 18.
1.2 If the CSO received United Nations resources in the past, were significant issues reported in managing the resources, including from previous assurance activities.	Yes			Low	1	As per our review of the list of donors funding and financial statements for the year 2017, we noted that PNPPC has received more than USD 500,000 from various donors including UNDP, Rotary International and other donors.
1.3 Does the CSO have statutory reporting requirements? If so, are they in compliance with such requirements in the prior three fiscal years?	Yes			Low	1	As per review of the registration documents "Trust Deed" we noted that the PNPPC has statutory reporting requirements such as PNPP is required to conduct audit of financial statements on annual basis. As per the review of the Audited Financial Statements for the FY 2017 we noted that PNPPC has prepared the financial statements in accordance applicable regulations. These financial statements have been audited by Deloitte Yusuf Adil.
1.4 Does the governing body meet on a regular basis and perform oversight functions?	Yes			Significant	3	As per the discussion with management and based on review of the Trust Deed, the Board of Trustees (BoT) consists of three members which are as follows: 1- Abdul Aziz Memon - Chairman and Managing Trustee 2- Iqbal Ali Alavi - Trustee 3- Masood Ahmed - Trustee However, we were not provided with Composition/ToRs of BoT to ascertain the frequency of meetings of BoT. Further, we noted that all BoT members are also the authorised signatories for the designated bank account.
1.5 If any other offices/ external entities participate in implementation, does the CSO have policies and process to ensure appropriate oversight and monitoring of implementation?			N/A	N/A	-	As per discussion with management, PNPPC does not have any regional offices. Further, PNPPC has not been assigned activities to be implemented by communities and/or NGOs.
1.6 Does the CSO 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.	Yes			Moderate	4	As per our review of the prior year's audited financial statements, the ratio of total assets to total liabilities are as follows: 1) FY 2017 Total assets: Rs. 6,362,388 Total liabilities are Rs. 6,286,582 Ratio: 1.01 Total Income: Rs. 100,703,915 Total Expenditure: Rs. 100,703,915 Profit/(Deficit): NIL However, we were not provided with financial statements for the year 2016 and 2015
1.7 Can the CSO 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?			N/A	N/A	-	PNPPC has not received any funds to date from Government Ministries.
1.8 Does the CSO have any pending legal actions against it or outstanding material/significant disputes with vendors/contractors? If so, provide details and actions taken by the CSO to resolve the legal action.	Yes			Low	1	As per our review of audited financial statements for the FY 2017 and discussion with the management, we noted that there were no pending legal cases against Pakistan National PolioPlus Committee (PNPPC).
1.9 Does the CSO have an anti-fraud and corruption policy?		No		High	4	As per discussion with management, we were informed that PNPPC does not have defined anti-fraud and corruption policy.
1.10 Has the CSO 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 CSO have a policy against retaliation relating to such reporting?		No		High	4	As per discussion with management we were informed that PNPPC has not developed any whistleblowing policy which would advise employees, beneficiaries and other recipients to whom they should report if they suspect fraud, waste or misuse of agency resources and property.
1.11 Does the CSO have any key financial or operational risks that are not covered by this questionnaire? If so, please describe. Examples: foreign exchange risk: cash receipts.				N/A	-	As per discussion with the management, PNPPC does not have any foreign currency account, as all bank accounts are in local currency of PKR rupees.
Total number of questions in subject area:	11					
Total number of applicable questions in subject area:	8					
Total number of applicable key questions in subject area:	4					
Total number of risk points:	22					
Risk score	2.75					
Area risk rating	Moderate					
2. Programme Management						
2.1 Does the CSO 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?		No		High	4	As per discussion with the management of PNPPC, we were informed that PNPPC does not have any documented policies for programme development
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			Low	1	As per our discussion with management and review of donor agreements with reference UNDP /ECCU/ 2018/ RPA-02 Project ID 00087334 Climate Change Adaptation & Mitigation (Activity "Zindagi"), we noted that the work plans are detailed and comprehensive and are made part of the signed contract with UNDP. The key targets are defined and shared with donor prior to commencement of project. Further the work plans are approved by UNDP representative and Chairman of Pakistan National PolioPlus Committee PNPPC. The Programme Outputs have Performance indicators, against which targets are assigned that need to be achieved. PNPPC shares progress report with UNDP which contains cumulative progress to date for presenting the overall status of the program.
2.3 Does the CSO identify the potential risks for programme delivery and mechanisms to mitigate them?		No		High	4	As per discussion with management we were informed that PNPPC does not have a formal practice to identify the potential risk for each programme. However, we were informed that no document process/ controls to mitigate these risks are maintained.
2.4 Does the CSO have and use sufficiently detailed policies, procedures, guidelines and other tools (checklists, templates) for monitoring and evaluation?		No		High	4	As per discussion with management, PNPPC does not have any policies relating to monitoring and evaluation.
2.5 Does the CSO have M&E frameworks for its programmes, with indicators, baselines, and targets to monitor achievement of programme results?		No		High	4	As per discussion with the management of PNPPC, we were informed that no M&E Framework has been developed for the project.
2.6 Does the CSO carry out and document regular monitoring activities such as review meetings, on-site project visits, etc.		No		Significant	6	As per discussion with management of PNPPC, we were informed that the CSO does not have any approved monitoring plan. However, monitoring of the project is carried out by the Project Manager on ad hoc basis. Furthermore, monitoring visit reports are prepared by the Project Manager and sent to UNDP.

Subject area (key questions)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
2.7 Does the CSO systematically collect, monitor and evaluate data on the achievement of project results?	Yes			Low	1	As per our discussion with the management, we were informed that Project Manager carries out site visits to monitor and evaluate the progress of the projects. Observation/ findings of monitoring visits are documented formally in the form of Monitoring Visit Report as per review of the Monitoring Visit Report on 7th February 2018 by the Project Manager. As per review of the Final Report of Project ID 00079881 Climate Change Adaptation & Mitigation (Activity "Zindagi") Final Report 2017, we noted that the report consists of the summary of the results achieved during the project against the targets showing a comparison of the effects after the implementation.
2.8 Is it evident that the CSO followed up on independent evaluation recommendations?			N/A	N/A	-	As per our discussion with the management of PNPPC we were informed that no independent evaluation has been conducted in the past.
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:	24					
Risk score	3.43					
Area risk rating	Significant					
3. Organizational Structure and Staffing						
3.1 Are the CSO's recruitment, employment and personnel practices clearly defined and followed, and do they embrace transparency and competition?		No		High	8	As per discussion with the management of PNPPC, we were informed that HR policies and procedures have not been developed.
3.2 Does the CSO have clearly defined job descriptions?	Yes			Low	1	As per review of the job description of the following staff: -Finance Manager -Project Manager we noted that the CSO has clearly defined job descriptions and have been signed by the employees.
3.3 Is organizational structure of finance & programme management departments & competency of staff, appropriate for complexity & scale of activities? Identify key staff & job titles, responsibilities, educational backgrounds & professional experience.	Yes			Low	1	Based on our review of personal file of employees, we noted that currently three person are assigned to the Finance Department of PNPPC. The details of finance staff are: -Finance Manager (MBA + M.Phil in Finance) -Finance Officer (Intermediate + ACCA in progress) -Cashier (B.Com)
3.4 Is the CSO's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds?	Yes			Low	1	Based on our review of BPV 569, we noted that different personnel are involved in preparation, review and approval of vouchers as follows: 1) Prepared by: Finance Officer 2) Reviewed/Verified by: Finance Manager 3) Approved by: Chairman
3.5 Does the CSO have training policies for accounting/finance/ programme management staff? Are necessary training activities undertaken?		No		High	4	As per discussion with management, we were informed that no training are provided to employees and neither do they develop any training plan
3.6 Does the CSO perform background verification/checks on all new accounting/finance and management positions?		No		Significant	3	As per discussion with the management of PNPPC we were informed that no background verification takes place of the newly recruited staff.
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		Significant	3	As per our discussion with management list of leavers and joiners have not been maintained. Therefore, we could not calculate the staff turnover ratio.
3.8 Does the CSO have a documented internal control framework? Is this framework distributed and made available to staff and updated periodically? If so, please describe.		No		High	4	As per discussion with management, we were informed that PNPPC does not have defined internal control framework.
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:	25					
Risk score	3.125					
Area risk rating	Moderate					
4. Accounting Policies and Procedures						
4a. General						
4.1 Does CSO have accounting system that allows for recording of financial transactions from United Nations agencies, including allocation of expenditures in accordance with respective components, disbursement categories and sources of funds?	Yes			Significant	6	As per walkthrough of the system at PNPPC, we observed that the management maintains the accounts on an Excel sheet. Separate books are not maintained for each project / donors to facilitate reporting.
4.2 Does the CSO have an appropriate cost allocation methodology that ensures accurate cost allocations to the various funding sources in accordance with established agreements?	Yes			Low	1	As per our discussion with management, we noted that costs allocations to various funding sources are made accurately and in accordance with the established donor agreements and different bank accounts are used for different projects. Further, the review of Audited Financial Statements for the FY 2017 we noted that auditors have not reported any major issues.
4.3 Are all accounting and supporting documents retained in an organized system that allows authorized users easy access?		No		Significant	6	Based on our discussion with management, we were informed that PNPPC has not developed any policies for retention of supporting documents. However, we were informed that record is maintained for 3 years.
4.4 Are the general ledger and subsidiary ledgers reconciled at least monthly? Are explanations provided for significant reconciling items?		No		High	4	As per our review and discussion with management, general ledgers are not reconciled with subsidiary ledger.
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			Significant	6	Based on our review of BPV no 569 and discussion with management Finance Manager is responsible for review of the voucher we observed that these functions are performed by different personnel as follows: 1) Prepared by: Finance Officer 2) Reviewed/Verified by: Finance Manager 3) Approved by: Chairman Any two signatories can approve the payment. The list of signatories is as under: -Chairman -Member of BoT -Member of BoT Further, we noted that Chairman PNPP is involved in the approval of payments and also a signatory. We consider such conflicting roles as lack of segregation of duties.

Subject area (key questions)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4.6 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?	Yes			Low	1	As per our walkthrough of BPV no 569, we noted that Project Manager raises a work order and calls for quotations and evaluation of the quotations is done by Purchase Committee and comparative statements are prepared. Warehouse Incharge is incharge to receives the goods, compares invoice quantities, prices and terms of procurement with work order, quotations and invoice. Payment for invoice is made through cross cheque. Finance Officer prepares cheque and voucher which is approved by Finance Manager.
4.7 Are bank reconciliations prepared by individuals other than those who make or approve payments?	Yes			High	8	As per our discussion with the management and review of bank reconciliation statements for the month of December 2017, February 2018 and April 2018, we noted that it is prepared on monthly basis by Finance Officer and approved by Finance Manager. Further, we noted that Finance Manager is also involved in payment process. We consider this conflicting role as lack of segregation of duties.
4c. Budgeting system						
4.8 Are budgets prepared for all activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?	Yes			Moderate	4	As per our discussion with management, we were informed that Finance Manager prepares the entity budget which is then presented to the Chairman for final approval. Further, budgets for individual projects are prepared by Project Manager and presented to the Chairman for approval on email and the same is further approved by the donor.
4.9 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget?	Yes			Moderate	4	As per review of the budget for the year 2016-17, we noted that comparison are made between budget and actual expenditure and variances are also calculated. However, no reasoning/ explanation is provided for adverse / favourable variances.
4.10 Is prior approval sought for budget amendments in a timely way?		No		High	4	As per discussion with management, we were informed that PNPPC has not developed any policy relating to preparation of budget and amendment of budgets. Furthermore, based on the discussion with management we were informed that budget amendment are carried out over emails. If a budget is amendment the correspondence is carried out by the Project Manager to the Chairman and approvals are received over emails.
4.11 Are CSO budgets approved formally at an appropriate level?	Yes			Low	1	As per review of the Budget for the year 2016-17, we noted that the budget is approved from the Board members and minutes of meetings are maintained. Furthermore, for project based budgets, approval are obtained from the Chairman of PNPPC and approved from the representative of UNDP.
4d. Payments						
4.12 Does invoice processing provide: Copies of purchase orders&receiving reports obtained from issuing departments? Comparison of invoice quantities, prices & terms on purchase order& records of goods/services received? Accuracy of calculations?	Yes			Low	1	As per our walkthrough of BPV no 569, we noted that Project Manager raises a work order and calls for quotations and evaluation of the quotations is done by Purchase Committee and comparative statements are prepared. Warehouse incharge is authorised to receives the goods, compares invoice quantities, prices and terms of procurement with work order, quotations and invoice. Payment for invoice is made through cross cheque. Finance Officer prepares cheque and voucher which is approved by Finance Manager.
4.13 Are payments authorized at an appropriate level? Does the CSO have a table of payment approval thresholds?		No		High	8	Based on our discussion with management we were informed that, there is no separate department for procurement. No procurement policies have been developed therefore no threshold are developed for payment approvals. Currently procurement is being approved by Manager PNPPC.
4.14 Are all invoices stamped 'PAID', approved, and marked with the project code and account code?		No		Significant	6	As per review of BPV no 569, we noted that invoice is not marked as 'PAID' and neither any account code is assigned.
4.15 Do controls exist for preparation and approval of payroll expenditures? Are payroll changes properly authorized?	Yes			Moderate	4	As per walkthrough of the attendance system, we noted that each individual has a separate punch card which is punched into the system at the entrance. At the end of the month the Finance Manager prepares the payroll and obtains approval of the Chairman. Then individual cheques are prepared for each employee and signed by the Chairman. However, we were not provided with any evidence to verify the payroll's approval from the chairman.
4.16 Do controls exist to ensure that direct staff salary costs reflects the actual amount of staff time spent on a project?		No		High	8	As per discussion with the management, we were informed that timesheets are not maintained and neither do employees have a separate id.
4.17 Do controls exist for expense categories that do not originate from invoice payments, such as DSAs, travel, and internal cost allocations?		No		Significant	6	As per discussion with management, non invoice base expenses are reimbursed on actual basis. However, PNPPC doesnot have a documented policy for this. Approval of reimbursement are given by Manager PNPPC.
4e. Policies and procedures						
4.18 Does the CSO 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	Based on review of audited financial statements for the year 2017 we noted that the PNPPC uses accrual basis of accounting.
4.19 Does the CSO have an adequate policies and procedures manual and is it distributed to relevant staff?		No		High	4	Based on discussion with management, we were informed that PNPPC has not developed any manuals.
4f. Cash and bank						
4.20 Does the CSO require dual signatories / authorization for bank transactions? Are new signatories approved at an appropriate level and timely updates made when signatories depart?	Yes			Moderate	4	As per our discussion, the following officials are authorized as signatories (out of which at least two signatories are required to approve payment): - Chairman - Member of BoT - Member of BoT The new signatories are approved by the Board of Trustees during the Board of Trustees meetings and communicated to the bank on a timely basis.
4.21 Does the CSO maintain an adequate, up-to-date cashbook, recording receipts and payments?		No		Moderate	4	As per discussion with the management we were informed that no cash book is maintained.
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	Low	1	As per discussion with the management, we were informed that the PNPPC is not involved in any kind of micro-finance advances as per the entity's nature of operations.
4.23 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for significant, unusual and aged reconciling items?	Yes			Low	1	As per our discussion with the management and review of bank reconciliation statements for the month of December 2017, February 2018 and April 2018, we noted that it is prepared on monthly basis by Finance Officer and approved by Finance Manager. Further, we were informed that no cash book is maintained by PNPPC.
4.24 Is substantial expenditure paid in cash? If so, does the CSO have adequate controls over cash payments?	Yes			Low	1	Based on our discussion with management we were informed that PNPPC does not carry out any cash transaction.
4.25 Does the CSO carry out a regular petty cash reconciliation?			N/A	N/A	-	As per discussion with management, we were informed that petty cash is not maintained at PNPPC.
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	As per our walkthrough, we noted that cheque books are kept in secured locations (i.e. lockers) access to which is only available with the Cashier.
4.27 Are there 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	-	As per our discussion with the management we were informed that PNPPC does not use any electronic Payment mechanism.
4g. Other offices or entities						
4.28 Does the CSO 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	-	As per our discussion with the management we were informed that PNPPC does not have any other subsidiary/ external office and all the implementation is carried out by head office.

Subject area (key questions)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4h. Internal audit						
4.29 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?		No		High	4	As discussed with the management, PNPPC has not established an internal audit function.
4.30 Does the CSO have stated qualifications and experience requirements for internal audit department staff?			N/A	N/A	-	As discussed with the management, PNPPC has not established an internal audit function.
4.31 Are the activities financed by the agencies included in the internal audit department's work programme?			N/A	N/A	-	As discussed with the management, PNPPC has not established an internal audit function.
4.32 Does the CSO act on the internal auditor's recommendations?			N/A	N/A	-	As discussed with the management, PNPPC has not established an internal audit function.
Total number of questions in subject area:	32					
Total number of applicable questions in subject area:	26					
Total number of applicable key questions in subject area:	18					
Total number of risk points:	99					
Risk score	3.81					
Area risk rating	Moderate					
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?		No		Significant	3	Based on our discussion with management, we were informed that there are no policies /guidelines to protect assets from fraud, waste and abuse.
5.2 Are subsidiary records of fixed assets and inventory kept up to date and reconciled with control accounts?		No		Significant	3	Based on our discussion with management of PNPPC, we were informed that subsidiary records of fixed assets are not reconciled with control accounts.
5.3 Are there periodic physical verification and/or count of fixed assets and inventory? If so, please describe?		No		Significant	3	Based on our discussion with management, we were informed that physical verification of Fixed Assets are not carried out
5.4 Are fixed assets and inventory adequately covered by insurance policies?		No		Moderate	2	Based on discussion with management of PNPPC, there is no insurance for the entity's assets
5b. Warehousing and inventory management						
5.5 Do warehouse facilities have adequate physical security?		No		High	8	Based on our discussion with management, we were informed that PNPPC has a warehouse located at Boat Basin having inventory such as promotion items for polio campaign. There is no CCTV surveillance, no barriers and access controls. The warehouse is guarded by the Warehouse Incharge and a lock is used for security purpose. However, we were not allowed by the management to walkthrough the warehouse.
5.6 Is inventory stored so that it is identifiable, protected from damage, and countable?		No		High	4	Based on our discussion with management we were informed that PNPPC has a warehouse but the inventory is not stored in a way allowing identifiability, protection and countability.
5.7 Does the CSO have an inventory management system that enables monitoring of supply distribution?		No		High	8	The inventory management system is manual. There is a list maintained on Excel and its updated on regular basis by the Communication Officer.
5.8 Is responsibility for receiving and issuing inventory segregated from that for updating the inventory records?	Yes			High	4	As per discussion with management, when goods are received at the warehouse of PNPPC, the Warehouse incharge is responsible for receiving and issuing of goods.
5.9 Are regular physical counts of inventory carried out?		No		Significant	3	Based on our discussion with management, we were informed that physical verification of Fixed Assets are not carried out
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:	38					
Risk score	4.22222					
Area risk rating	High					
6. Financial Reporting and Monitoring						
6.1 Does the CSO 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	As per the Trust Deed, PNPPC is required to maintain/develop the financial statements and must be audited annually. The following reports are also developed: - Statement of financial position, - Statement of income and expenditure, - Statement of cash flow, - Statement of changes in accumulated funds - Monthly bank reconciliation statement - Variance analysis report (Budget vs. actual expenditure)
6.2 Does the CSO prepare overall financial statements?	Yes			Low	1	Based on our review of the audited financial statements we noted that the PNPPC prepares the following sets of financial statements: - Statement of financial position (Balance sheet); - Statement of comprehensive income (Statement of income and expenditure); - Statement of cash flow; - Statement of changes in the fund; and - Notes to the account. These financial statements are audited by Deloitte Yousuf Adil a OCR rated Chartered Accountant firm, rated as category A firm by the SBP.
6.3 Are the CSO'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.	Yes			Low	1	As described above in Section 6.2, the PNPPC prepares financial statements on annual basis which are audited by Deloitte, a OCR rated firm (rating given by the Institute of Chartered Accountants of Pakistan - ICAP) and it come under category A firm by the State Bank of Pakistan (SBP).
6.4 Were there any major issues related to ineligible expenditure involving donor funds reported in the audit reports of the CSO over the past three years?	Yes			Moderate	4	Based on our review of the audited financial statements for year 2017, we noted that no major issues related to ineligible expenditure involving donor funds reported in the audit report of PNPPC over the past one year as evidenced by the audit report. However, we were not provided with audited financial statements and management letters for year 2015 and 2016.
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?	Yes			Low	1	Based on our review of the audited financial statements for year 2017, we noted that no major issues related to ineligible expenditure involving donor funds reported in the audit report of PNPPC over the past one year as evidenced by the audit report. However, we were not provided with audited financial statements and management letters for year 2015 and 2016.
6.6 Is the financial management system computerized?		No		High	8	During our review, we observed that the accounts are maintained on an Excel sheet. Therefore, at PNPPC there is no automated Financial Management System.
6.7 Can the computerized financial management system produce the necessary financial reports?			N/A	N/A	-	During our review, we observed that the accounts are maintained on an Excel sheet. Therefore, at PNPPC there is no automated Financial Management System.
6.8 Does the CSO have appropriate safeguards to ensure the confidentiality, integrity and availability of the financial data? E.g. password access controls; regular data back-up.		No		Significant	3	As per discussion with management we were informed that PNPPC does not have policies and procedures to safeguard the confidentiality, integrity and availability of data
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:	3					
Total number of risk points:	19					
Risk score	2.71429					

Subject area (key questions)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
Area risk rating	Moderate					
7. Procurement and Contract Administration						
7a. Procurement						
7.1 Does the CSO have written procurement policies and procedures?		No		High	4	Based on our discussion with management we were informed that PNPPC has not developed any procurement policies and procedures. Therefore, no threshold limits are defined for procurement categories.
7.2 Are exceptions to procurement procedures approved by management and documented?		No		High	4	Based on our discussion with management we were informed that PNPPC has not developed any procurement policies and procedures. Therefore, exception to procedures cannot arise as policies do not exist.
7.3 Does the CSO 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.		No		Significant	3	As per our discussion with management of PNPPC, the procurement management system is not automated. Manual forms are used during procurement process and are signed by Chairman
7.4 Are procurement reports generated and reviewed regularly? Describe reports generated, frequency and review & approves.		No		Moderate	2	As per discussion with management, were informed that there is no practice to prepare any procurement report.
7.5 Does the CSO have a structured procurement unit with defined reporting lines that foster efficiency and accountability?		No		High	4	As per our discussion with management PNPPC does not have a separate procurement department. However, based on our review of the Purchase committee meeting minutes - 28th August 2017 we noted that the procurement at PNPPC is carried out by the Purchase Committee Further, the PNPPC has defined the following composition for the purchase committee: 1-Chairman 2-Trustee 3- Trustee 4- Project Manager 5- Finance Manager
7.6 Is CSO's procurement unit resourced with qualified staff who are trained & certified & considered experts in procurement & conversant with UN/World Bank/European Union procurement requirements in addition to CSO's procurement rules & regulations?		No		High	4	As per our discussion with management PNPPC does not have a separate procurement department. However, based on our review of the Purchase committee meeting minutes - 28th August 2017 we noted that the procurement at PNPPC is carried out by the Purchase Committee Further, the PNPPC has defined the following composition for the purchase committee: 1-Chairman 2-Trustee 3- Trustee 4- Project Manager 5- Finance Manager
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?	Yes			Low	1	Based on our review of the Audited Financial Statement for the year ended 30th June 2017 we noted that no significant recommendations related to procurement activities were made.
7.8 Does the CSO require written or system authorizations for purchases? If so, evaluate if the authorization thresholds are appropriate?		No		High	8	Based on our discussion with the management of PNPPC we were informed that PNPPC has not developed any policies and procedures relating procurement. Therefore, delegation matrix is not developed too. However, currently procurement activities are carried out by the Manager PNPPC.
7.9 Do the procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria?		No		Moderate	2	Based on our review of procurement of generator BPV no 569 we noted that the contracts did not include reference to ethical procurement principles and exclusion and ineligibility criteria.
7.10 Does the CSO obtain sufficient approvals before signing a contract?		No		High	8	Based on our discussion with the management of PNPPC we were informed that PNPPC has not developed any policies and procedures relating procurement. Therefore, delegation matrix is not developed too. However, currently procurement activities are carried out by the Manager PNPPC.
7.11 Does CSO have & apply formal guidelines & procedures to assist in identifying, monitoring & dealing with potential conflicts of interest with potential suppliers/procurement agents? If so, how does the CSO proceed in cases of conflict of interest?		No		Significant	3	As per our discussion with management of PNPPC we were informed that PNPPC has not developed any formal guidelines and procedures to assist in identifying, monitoring and dealing with potential conflicts of interest with potential suppliers/ procurement agents.
7.12 Does the CSO follow a well-defined process for sourcing suppliers? Do formal procurement methods include wide broadcasting of procurement opportunities?		No		Significant	6	Based on our discussion with management, we were informed that PNPPC does not follow process for vendor pre-qualification.
7.13 Does the CSO keep track of past performance of suppliers? E.g. database of trusted suppliers.		No		Significant	3	Based on our discussion with management PNPPC has not developed policies and procedures for evaluating performance of vendors and to maintain the supplier list. Furthermore, we were not provided with any evidence related to this.
7.14 Does the CSO follow a well-defined process to ensure a secure and transparent bid and evaluation process? If so, describe the process.		No		High	8	Based on our discussion with management we were informed that no such procurement has taken place till date that requires tendering process. However, there is no documented policy.
7.15 When a formal invitation to bid has been issued, does the CSO award the contract on a pre-defined basis set out in the solicitation documentation taking into account technical responsiveness and price?		No		High	8	Based on our discussion with management, we were informed that there is no formal invitation to bid as management of PNPPC does not follow tender process for procurement.
7.16 If the CSO is managing major contracts, does the CSO have a policy on contracts management / administration?			N/A	N/A	-	As per discussion with the management, we were informed that the CSO does not carry out major contracts.
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	-	As per discussion with the management, we were informed that the CSO does not carry out major contracts.
7.18 Are there staff designated to monitor expiration of performance securities, warranties, liquidated damages and other risk management instruments?			N/A	N/A	-	As per discussion with the management, we were informed that the CSO does not carry out major contracts.
7.19 Does the CSO have a policy on post-facto actions on contracts?			N/A	N/A	-	As per discussion with the management, we were informed that the CSO does not carry out major contracts.
7.20 How frequent do post-facto contract actions occur?			N/A	N/A	-	As per discussion with the management, we were informed that the CSO does not carry out major contracts.
Total number of questions in subject area:	20					
Total number of applicable questions in subject area:	20					
Total number of applicable key questions in subject area:	5					
Total number of risk points:	68					
Risk score	3.4					
Area risk rating	Significant					

Subject area (key questions)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
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Totals						
Total number of questions:	96					
Total number of applicable questions:	80					
Total number of applicable key questions:	37					
Total number of risk points:	295					
Total risk score	3.69					
Overall risk rating	Significant					