

**SOUTHERN NATIONS, NATIONALITIES AND PEOPLE REGIONAL STATE
SODO WOREDA INSTITUTIONAL STRENGTHENING FOR FOREST
SECTOR DEVELOPMENT PROJECT OFFICE**

**MICRO ASSESSMENT COMMISSIONED BY UNDP
DATED 20 MARCH 2018**



**A.W. THOMAS L.P.
CHARTERED CERTIFIED ACCOUNTANTS**

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20 March 2018

UNDP
Ethiopia
Addis Ababa

Dear Sir,

Micro-Assessments
Southern Nations, Nationalities and People Regional State
Sodo Woreda Institutional Strengthening for Forest Sector
Development Project Office

We were instructed by UNDP on 22 September 2017 to perform a micro assessment of Sodo Woreda Institutional Strengthening for Forest Sector Development Project Office launched from 25 October 2017 to 27 October 2017 and we have reported as below.

Yours sincerely


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Chartered Certified Accountants



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1. Background, Scope and Methodology

1.1. 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 an IP.

1.2. 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; program 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.

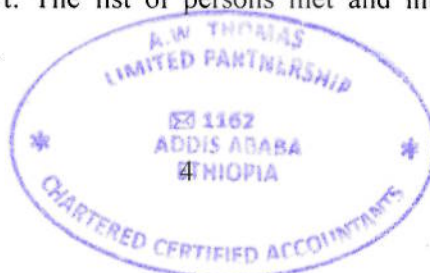
It takes into account results of any previous micro assessments conducted of the Implementing Partner.

1.3. Methodology

We performed the micro-assessment from 25 October 2017 to 27 October 2017 at the Office of Southern Nation nationalities people regional State Sodo Woreda Institutional Strengthening for Forest Sector Development Project Office 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.



2. Summary of Risk Assessment Results

2.1. Executive summary of the overall risk assessment

In accordance with our agreement dated 25 September 2017 and the related TOR of the engagement, we have assessed the financial management capacity of the SNNPRS Sodo Woreda Economic and Finance Office. Following the assessment, the overall financial management risk of the implementing partner for cash transfers is classified as low. It is the conclusion of the assessment team that the implementing partner is not capable of correctly recording all transactions and balances, the preparation of regular and reliable financial statements, safeguarding the entity's assets and it is not subject to acceptable auditing arrangements.

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 3 below.

Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
1. Implementing partner	Low	
2. Program Management	Low	
3. Organizational structure and staffing	Low	
4. Accounting policies and procedures	Low	
5. Fixed Assets and Inventory	Low	
6. Financial Reporting and Monitoring	Significant	The IP does not use a computerised system for maintaining financial records and generating financial reports. Further, we were not provided with external audit reports to verify any significant issues reported and actions taken to resolve any significant weaknesses.
7. Procurement	Low	
Overall Risk Assessment	Low	

*High, Significant, Moderate, Low



3. Detailed Internal Control Findings and Recommendations

No.	Description of Finding	Recommendation	Management Comment
1.	1.2) we have observed that the IP has received United Nations Funds in the past, but we have not seen an independent auditors report to verify whether significant issues were reported or not from the previous IP's financial activities.	.We recommend the IP should invite external auditors to perform an audit review and certified whether UN agency funded project financial statements were free from any misstatements and all supporting documents integrated with each accounts record were valid or not.	Independent auditor was conducted an audit and there was not any significant issue that was given as recommendation to the project office. However, the audit report is available at national office level.
2.	3.8) The IP does not have a documented internal control framework which is distributed and made available to staffs.	We recommend the Implementing partner should prepare internal control frame work and distributed to each internal audit staff members. Moreover, the frame work should be updated according to the entities economic substance and the compliance stated to undertake the program.	We have accepted the recommendation
3.	4.25) We noted that the project office does not have the trend of holding petty cash in order to meet daily small and routine expenses.	We recommend that the project office should establish petty cash replenishment system in order to cover routine daily expenses.	We have accepted the comment and we act accordingly.
4.	4.31) we noted that the IP's Financial activities were not incorporated in woreda internal audit work program. Due, to this the internal audit department was not conducted an audit review over the financial activities of the project.	We recommend the internal audit department should include the project office activities in its work program to give recommendations on revealed weaknesses to enhance and strengthening the internal control system of the project.	We have accepted the recommendation
5.	6.3) we have not seen independent auditors report to ascertain the financial performance of the IP was adhered with the national and international compliances or not.	We recommend the IP should invite external auditors to perform an audit review and certified the adoption of compliances regarding national and international.	The audit report is available at national office.
6.	6.6) we noted that the project office does not use computerized system to record it's financial transactions and to generate report.	We recommend the project office should use computerized recording and reporting system in order to create quality assurance over the project financial activities which is reliable and more acceptable than manual system.	Now IBEX software program has been downloaded on the project office accountant computer. We will use the software to administer and to manage future transactions the program activities.



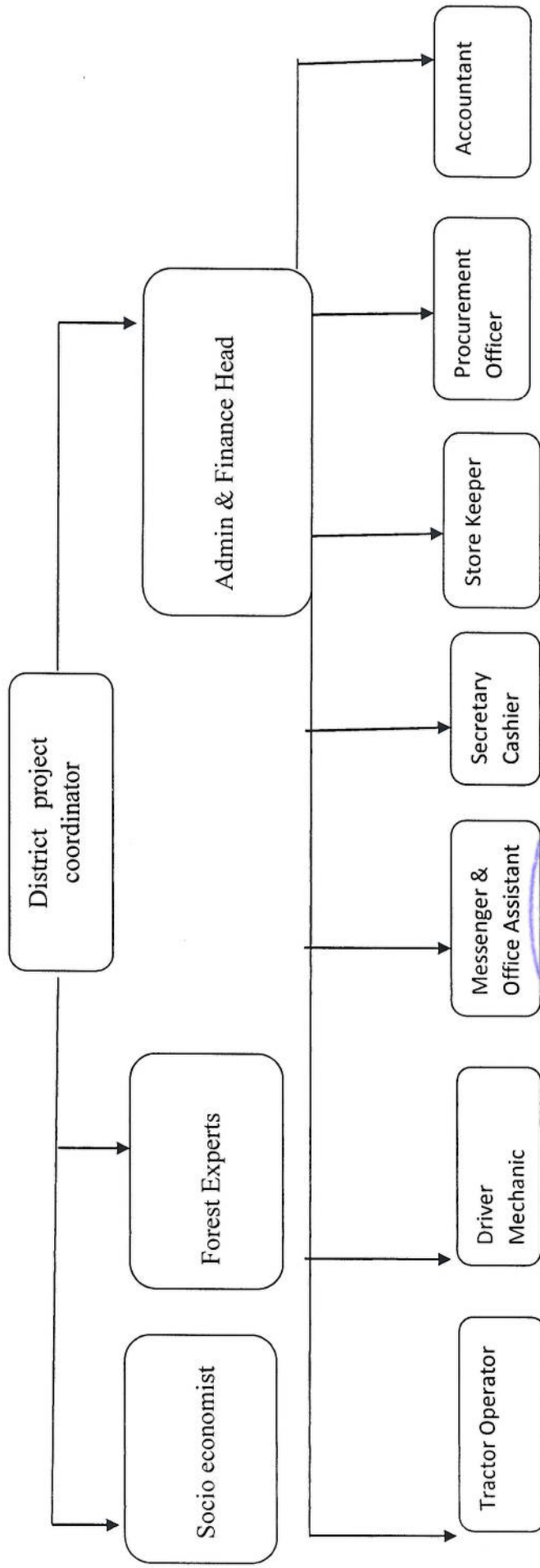
ANNEX I: IMPLEMENTING PARTNER IDENTIFICATION

Implementing partner name:	Sodo Woreda Institutional Strengthening for Forest Sector Development Project Office
Implementing partner code or ID in UNICEF, UNDP, UNFPA records (as applicable)	
Implementing partner contact details (contact name, email address and telephone number):	W/o Belaynesh Zewdie Mobile No. 0916822122
Main programmes implemented with the applicable UN Agency/ies:	Environment protection and Rehabilitation
Key Official in charge of the UN Agency/ies' programme(s):	Belaynesh Zewdie (project Coordinator)
Programme location(s):	SNNPR-SODO WOREDA
Location of records related to the UN Agency/ies' programme(s):	SNNPR-BOFED
Currency of records maintained:	Ethiopian Birr
Expenditures incurred/reported to UNICEF, UNDP and UNFPA (as applicable) during the most recent financial reporting period (in US\$);	
Cash transfer modality/ies used by the UN agency/ies to the IP	Direct Cash transfermodality /Direct payment
Intended start date of micro assessment:	25 th October 2017
Number of days to be spent for visit to IP:	Working days 3
Any special requests to be considered during the micro assessment:	None



ANNEX II – ORGANIZATIONAL STRUCTURE

SODO WEREDA INSTITUTIONAL STRENGTHENING FOR FOREST SECTOR DEVELOPMENT PROJECT OFFICE



Annex III. List of Persons Met

No.	Name	Position	Job description
1.	Belaynesh Zewde	Project coordinator	Assigning, Monitoring and reporting
2.	Degenet Cherinet	Socio Economic Expert	Running works relating with social and economic issues.
3.	Alemayehu Assefa	Forestry expert	Forestry and rehabilitation related activities.
4.	Mohammed Awel	Finance officer	Recording, Summarizing, and reporting
5.	Sefsilassie Begashaw	Store keeper	Receiving and issuing of goods and updating inventory movements.
6.	Belayneh Fantaye	Procurement case team coordinator	Coordination
7.	Bekele G/ Silassie	Internal audit department coordinator	Assigning, coordinating, monitoring and reporting.

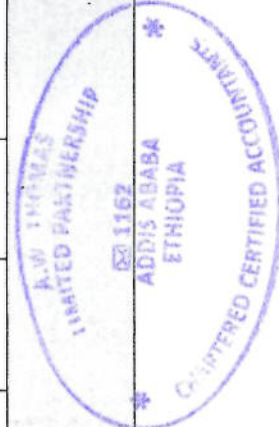


Annex IV. Micro Assessment Questionnaire
Micro-assessment workbook

Subject area <i>(key questions in bold)</i>	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 a government institution which was established in 2011 as per proclamation number 803. Sodo woreda project office was established under the umbrella of the ministry office.
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.	No			Significant	6	The IP has received United Nations Funds in the past. Representations from the IP's management were that an external audit of the IP's financial statements for the year ended 31 December 2016 was performed. However, we were not provided with the external auditor's report to enable us to verify whether the audit was performed and whether the auditors reported any significant issues.
1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements in the prior three fiscal years?	Yes			Low	1	The IP is required to comply with the financial reporting requirements of the woreda Finance and economic development office and the physical reporting requirements of the Ministry of Environment, Forest and Climate Change. To comply with these requirements, the IP makes use of certain reporting templates provided to them.
1.4 Does the governing body meet on a regular basis and perform oversight functions?	Yes			Low	1	The woreda steering committee which is chaired by the woreda administrator conducted a meeting every two weeks and technical committees have a meeting on monthly bases including field visit.
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			Low	1	The implementation manual requires the formation of steering and technical committees at woreda level. Steering committees monitor the day to day activities and are involved in daily decision making. They are also responsible for approving project operations. Technical committees are also responsible for monitoring operations.
1.6 Does the IP show basic financial stability in-country (core resources; funding trend) <i>Provide the amount of total assets, total liabilities, income and expenditure for the current and prior three fiscal years.</i>	Yes			Low	1	The IP prepares financial statements which include a balance sheet and statement of income and expenditure using the cash basis of accounting. However, the fixed assets of the IP were not recorded in the financial statements.
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	Representations from the IP's management were that funds were received through the Bureau of finance and Economic development timely.
1.8 Does the IP have any pending legal actions against it or outstanding material/significant disputes with vendors/contractors? <i>If so, provide details and actions taken by the IP to resolve the legal action.</i>	No			Low	1	Representations from the IP's management were that the IP has not had significant disputes with vendors/contractors or any legal actions against it.
1.9 Does the IP have an anti-fraud and corruption policy?	Yes			Low	1	The IP uses the proclamation prepared by the federal government which was provided to them through the anti corruption office.
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?	Yes			Low	1	All employees are aware of the government anti-corruption regulations. However, there is no evidence that employees were advised about whom they should report to if they suspect fraud, waste or misuse of agency resources or property.
1.11 Does the IP have any key financial or operational risks that are not covered by this questionnaire? If so, please describe. <i>Examples: foreign exchange risk; cash receipts.</i>	No			Low	1	Representations from the IP's management were that there are no additional key financial or operational risks that are not covered by this questionnaire. Our assessment did not identify any further risks.
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:	16					
Risk score	1.455					
Area risk rating	LOW					



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			Low	1	The IP uses a project implementation manual which was prepared by the ministry of environment and forest climate change. The IP also uses detailed activity plans which were prepared by the Institutional Strengthening for Forest Sector Office. These plans include checklist which are used to perform annual, quarterly, monthly and weekly reviews and to monitor the project and ensure that seasonal operations are in line with 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			Low	1	The work plan incorporates the expected results such as 1) rehabilitation of degraded areas 2) developing a cut and carry system by planting fodder trees and grass for cattle 3) creating ownership in societies among rehabilitated areas for sustainable conservation and utilization. 4) developing a short rotation forestry (to enhance the community in generate income to subsidize their families and to reduce the emission of carbon in the atmosphere. These are some targeted results that the government is aiming to achieve within the time frame documented in the plans and using the budgets as documented in the plans.
2.3. Does the IP identify the potential risks for programme delivery and mechanisms to mitigate them?	Yes			Low	1	Potential risks are 1) Free grazing area (Mitigation:- community awareness, optional grass delivery method) 2) Scarcity of water (Mitigation:- establishment of household and community pond) 3) Scarcity of labour. (Mitigation:- use of off seasonal advantages to secure labour scarcity).
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	There is no documented policy on how monitoring and evaluations should be carried out at project level. However, the IP has prepared checklist and templates that are used in monitoring and evaluating project performance.
2.5. Does the IP have M&E frameworks for its programmes, with indicators, baselines, and targets to monitor achievement of programme results?	Yes			Low	1	The IP's M&E frameworks have the following indicators: baselines and targets to monitor achievement of programme results: Indicators: 1. Survival rates of plants and seedlings 2. Soil depth, natural regeneration, return of disappeared wild animals in the area and climate change. Baseline: 1. Severely degraded areas 2. Risk of run-off. Target 1. Use of rehabilitated land for economical and environmental benefit.
2.6. Does the IP carry out and document regular monitoring activities such as review meetings, on-site project visits, etc.	Yes			Low	1	Review meetings are conducted regularly to assess the performance of the project activities. Documented evidence of monitoring is kept in form of videos, photographs and written records.
2.7. Does the IP systematically collect, monitor and evaluate data on the achievement of project results?	Yes			Low	1	The IP performs physical verification counts of nurseries and pits. The IP also uses GIS tools to measure rehabilitation and plantations sites and map areas to verify the size of areas which are isolated for afforestation.
2.8. Is it evident that the IP followed up on independent evaluation recommendations?	Yes			Low	1	The IP implemented the recommendations made by assessors from the sector offices and regional and national offices who visited the project office.
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:	2					
Total number of risk points:	8					
Risk score	1					
Area risk rating	Low					



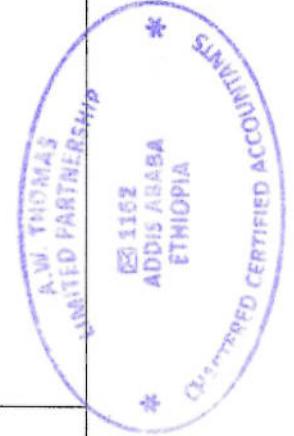
Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
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3. Organizational Structure and Staffing

3.1 Are the IP's recruitment, employment and personnel practices clearly defined and followed, and do they embrace transparency and competition?	Yes			Low	1	The recruitment process is initiated by the ministry of environment and forest climate change. The Ministry office announces the job in public media (news papers), obtain CVs and send them to the national office. The national office conducts the recruitment process from screening to selection. Finally the national office will send formal letters to introduce the successful candidates to all projects.
3.2 Does the IP have clearly defined job descriptions?	Yes			Low	1	All employees have clearly defined job descriptions which they are given upon signing their employment contracts.
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 recruitment procedure and criteria used to select the potential candidate helps to identify competent and qualified employee that can able to over come it's responsibility with regard qualification and experience to address the project objective.
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	Human resources are not scarce. The IP's accounting/finance function is staffed adequately. However, there is no procurement officer and recruitment is in process for this post.
3.5 Does the IP have training policies for accounting/finance/ programme management staff? Are necessary training activities undertaken?	Yes			Low	1	Training is provided for both accounting and program staff by the national office.
3.6 Does the IP perform background verification/checks on all new accounting/finance and management positions?	Yes			Low	1	The verification process is done at the national office level.
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		Low	1	There is no significant staff turn over at the project office level.
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			Low	1	There is an internal audit manual in which the internal controls are documented. All staff are aware of the internal controls documented in the audit manual.
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:	8					
Risk score	1					
Area risk rating	Low					

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?	No			Moderate	4	The IP uses a manual accounting system for recording financial transactions.



Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
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?	Yes			Low	1	Costs are allocated to two donor funds 1) MOFEC and UNDP Norway 2) UNDP sida. The project office and the Woreda steering and technical committees apportion the costs in accordance with established agreements.
4.3 Are all accounting and supporting documents retained in an organized system that allows authorized users easy access?	Yes			Low	1	All accounting documents are maintained filed according to the donor fund to which they pertain. All authorized individuals can obtain access to these documents.
4.4 Are the general ledger and subsidiary ledgers reconciled at least monthly? Are explanations provided for significant reconciling items?	Yes			Low	1	Reconciliations between the subsidiary ledgers and the general ledger are performed and there are no reconciling items.
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	Authorization is performed by finance and procurement process owner, recording of the transaction is performed by the accountant and the custodian of an assets is the project storekeeper.
4.6 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?	Yes			Low	1	The order comes from the project office expert and approved by the project coordinator and authorized by the woreda finance and procurement process owner, recorded by the project accountant and the payment is effected by the project secretary cashier.
4.7 Are bank reconciliations prepared by individuals other than those who make approve payments.	Yes			Low	1	Bank reconciliations are prepared by the project accountant and approved by the finance and procurement process owner.
<i>Via</i>						
4.8 Are budgets prepared for all activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?	Yes			Low	1	Information presented in budgets includes sufficient detail to monitor subsequent performance.
4.9 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget?	No			Moderate	4	The project does not compare actual expenditures with the budgeted ones on a regular interval. However, budget and actual costs were compared while reporting to UN Agencies.
4.10 Is prior approval sought for budget amendments in a timely way?	Yes			Low	1	There were no budget amendments made. However, budgets can be shifted from one activity to another and this does not require approval.



Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4.11 Are IP budgets approved formally at an appropriate level?	Yes			Low	1	The budgets are allocated and approved by the MEFC.
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			Low	1	The project account officer and the store keeper cross check invoices against purchase orders after obtaining the documents directly from the procurement unit.
4.13 Are payments authorized at an appropriate level? Does the IP have a table of payment approval thresholds?	Yes			Low	1	Payments are authorised by the finance and procurement process owner up to 150,000birr.
4.14 Are all invoices stamped 'PAID', approved, and marked with the project code and account code?	Yes			Low	1	Supporting documents are stamped "PAID". The stamp indicates the project and the account code.
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 accountant, authorized by the project coordinator and approved by the finance and economic process owner. All changes are approved by the national program unit who will notify the project office through formal letters.
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	The project office makes use of attendance sheets to monitor laborers' attendance. All field work visits are required to be supported by field work request documents.
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	Per diem and travel cost payments are only made after the occurrence of the activities has been confirmed through inspection of performance reports. The IP also has other means of confirming whether the need for the costs to exist is present.
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	As all other Government entities the IP uses the Modified cash basis of Accounting. However, for some capital expenditure items the IP uses accrual based 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 accounting, Procurement and human resource manual to operate accordingly. More over, these manuals are distributed to all relevant staff.



Subject area <i>(key questions in bold)</i> 4f. Cash and bank	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
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	There are 4 authorised signatories. Any two of them are required to approve bank transactions. The woreda finance and economic development office approves the signatories timely when signatories depart.
4.21 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes			Low	1	The main cashier is responsible for recording cheques issued to make payments. Other daily transactions are recorded by the project finance officer who keeps track of the daily account transactions.
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	-	
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	Bank reconciliations are prepared by the project accountant and approved by the finance and procurement process owner monthly. We did not identify any reconciling items.
4.24 Is substantial expenditure paid in cash? If so, does the IP have adequate controls over cash payments?	Yes			Low	1	Cash is paid to day labourers who are engaged in plantation and pit digging. Perdiems are also paid to these labourers when necessary. Payments are approved by the project coordinator and authorized by the woreda finance and coordination process owner. Controls over cash payments appear to be adequate.
4.25 Does the IP carry out a regular petty cash reconciliation?	No			Significant	3	The project does not operate a petty cash fund.
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	Cheques are kept in the custody of the woreda finance accountant and cash is kept by the project cashier. Cash is kept in a lock box. Bank accounts cannot be accessed remotely.
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	-	
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?	Yes			N/A	-	
4h. Internal audit 4.29 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?	Yes			Low	1	Our assessment did not reveal anything that could make us doubt the internal auditor's independence.



Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
4.30 Does the IP have stated qualifications and experience requirements for internal audit department staff?	Yes			Low	1	The regional civil service has stated that the internal audit department staff must have at least 3 years to 7 years experience depending on the post they are being hired for. I also states the minimum qualifications that potential candidates should possess such as BA degree in accounting, Banking and finance or management etc.
4.31 Are the activities financed by the agencies included in the internal audit department's work programme?	No			High	4	The activities was not included in the internal audit programme and the IP was not audited by the internal audit department.
4.32 Does the IP act on the internal auditor's recommendations?			N/A	N/A	-	We did not sight any evidence that internal auditors made recommendations to the IP.
Total number of questions in subject area:						
32						
Total number of applicable questions in subject area:						
28						
Total number of applicable key questions in subject area:						
18						
Total number of risk points:						
39						
Risk score						
1.393						
Area risk rating						
Low						

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	Fixed asset register was maintained. All fixed assets have given identification number and recorded in the fixed asset register. The IP does not hold inventory.
5.2 Are subsidiary records of fixed assets and inventory kept up to date and reconciled with control accounts?	Yes			Low	1	It is not applicable since the IP does not have a stock/ fixed asset ledger.
5.3 Are there periodic physical verification and/or count of fixed assets and inventory? If so, please describe?	Yes			Low	1	Fixed asset counts are performed annually.
5.4 Are fixed assets and inventory adequately covered by insurance policies?	Yes			Low	1	The major assets of the IP which include 1 land cruiser toyota and 1 tractor are adequately covered by insurance.
5b. Warehousing and inventory management						
5.5 Do warehouse facilities have adequate physical security?						
5.6 Is inventory stored so that it is identifiable, protected from damage, and countable?	Yes			Low	1	The project office uses one warehouse commonly with the agriculture office and does not have it's own warehouse. The project is planning to build it's own office and ware house in near future.
5.7 Does the IP have an inventory management system that enables monitoring of supply distribution?	Yes			Low	1	They are protected from damage and identifiable for count.
5.8 Is responsibility for receiving and issuing inventory segregated from that for updating the inventory records?	No			Moderate	2	Goods received notes are raised when goods are received and goods issue notes are raised when good are issued. The IP also makes use of goods requisition notes. All issues are approved by the project coordinator who issues an authorization letter before all goods inventory receiving, inventory issuing and inventory recording is performed by one person. The system is controlled and approved by the finance officer and project coordinator.
5.9 Are regular physical counts of inventory carried out?	Yes			Low	1	Annual counts are conducted.
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:						
10						
Risk score						
1.111						
Area risk rating						
Low						



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 is required to prepare financial reports on a quarterly basis and submit them to the regional red plus. The reports include a balance sheet, a statement of income and expenditure and a bank reconciliation statement.
6.2 Does the IP prepare overall financial statements?	Yes			Low	1	The financial statements include a balance sheet and a statement of income and expenditure.
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	Representations from the IP's management were that the IP's overall financial statements were audited by an external audit. However we did not sight any reports prepared by the auditors. We are therefore unable to confirm whether the audit was done according to international standards.
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 five years?	No			Significant	8	We have not seen the audit reports of external auditors regarding UN agency funds to verify whether the availability of significant issues or not.
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			Significant	3	We did not sight any reports prepared by the external auditors and were therefore unable to confirm whether they reported major issues relating to donor funds.
6.6 Is the financial management system computerized?	No			High	8	The IP records transactions manually.
6.7 Can the computerized financial management system produce the necessary financial reports?	No			Significant	3	The IP records transactions manually.
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	There is adequate control over supporting documents and records.
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:	31					
Risk score	3.875					
Area risk rating	Significant					



Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
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7. Procurement and Contract Administration

Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
7a. Procurement						
7.1 Does the IP have written procurement policies and procedures?	Yes			Low	1	The IP has implemented the policies and procedures documented in the regional government's procurement manual.
7.2 Are exceptions to procurement procedures approved by management and documented?	Yes			Low	1	Exceptions are approved by the woreda finance management committee and the woreda project office management. Approvals are done during meetings and documented in the minutes of the meetings.
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.	No			Low	1	The procurement system is not computerized. However, duties such as initiating purchase orders, receiving goods and approving issue of goods are well segregated. Purchases of all fixed assets are performed through the national office.
7.4 Are procurement reports generated and reviewed regularly? Describe reports generated, frequency and review & approvers.	Yes			Low	1	The procurement report is generated by case team leader on monthly bases and reported to the procurement and finance process owner.
7.5 Does the IP have a structured procurement unit with defined reporting lines that foster efficiency and accountability?	Yes			Low	1	The procurement officer will reports on procurement matters to the process owner.
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 a IP's procurement rules and regulations?	Yes			Low	1	There are 3 procurement officers. Two of them have BA degrees and one has a diploma. However, none of them is conversant with the UN / World Bank / European Union procurement requirements in addition to the a IP's procurement rules and regulations.
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			Low	1	We did not sight the audit reports and management letters and are therefore unable to confirm whether they made any significant recommendations related to procurement.
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 procurement and finance process owner approves purchases of items for amounts up to Birr 75,000. All payments for items above Birr 75,000 are approved by the purchase approvers committee and announced in public media.
7.9 Do the procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria?	Yes			Low	1	Policies and procedures adopted by the IP explicitly prohibit unethical procurement practices and make mention of exclusion and ineligibility criteria.
7.10 Does the IP obtain sufficient approvals before signing a contract?	Yes			Low	1	The woreda procurement and finance officer approves the signing of the contracts after confirming the reasonability of the terms of the contract.
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	There is the procedure to identify potential conflicts. The internal audit bureau observers take part in selection of suppliers to identify and prevent granting of tenders to individuals connected to the IP's staff.



Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
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	The process of sourcing suppliers includes advertising an invitation to tender in the local newspaper. When the potentials suppliers submit their quotations, the IP performs market assessments to confirm if their prices are reasonable before engaging them.
7.13 Does the IP keep track of past performance of suppliers? E.g. database of trusted suppliers.	Yes			Low	1	The regional zone office prepares and circulates a record of past performance of suppliers.
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	The tender committee evaluates all bids and submits its evaluations for review by the finance, procurement, payment and property administration head and the tender approval committee.
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	There are committees formed from all sector offices and their role is to approve the quality of purchased sample goods are fit for use or not.
7.16 If the IP is managing major contracts, does the IP have a policy on contracts management / administration?	Yes			Low	1	Procurement contracts for amounts above Birr 2 million are administered at zone level.
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?	Yes			Low	1	The development and planning office makes follow ups on capital projects.
7.18 Are there staff designated to monitor expiration of performance securities, warranties, liquidated damages and other risk management instruments?	No			Moderate	2	There is not designated staff who monitors the expiration of performance securities and warranties.
7.19 Does the IP have a policy on post-facto actions on contracts?				N/A	-	
7.20 How frequent do post-facto contract actions occur?				N/A	-	
Total number of questions in subject area:	20					
Total number of applicable questions in subject area:	18					
Total number of applicable key questions in subject area:	5					
Total number of risk points:	19					
Risk score	1,056					
Area risk rating	Low					

Totals	
Total number of questions:	96
Total number of applicable questions:	90
Total number of applicable key questions:	38
Total number of risk points:	131
Total risk score	1,456
Overall risk rating	Low

