

**FINANCIAL MANAGEMENT CAPACITY  
ASSESSMENT REPORT**

**FOR**

**UNIVERSAL INTERVENTION  
DEVELOPMENT ORGANISATION**

**A UNDP SOUTH SUDAN OFFICE  
ASSIGNMENT**

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**ABBREVIATIONS AND ACRONYMS:**

BoD	: Board of Director
CV	: Curriculum Vitae
GAAP	: Generally Accepted Accounting Principles
GoSS	: Government of South Sudan
GRN	: Goods Received Note
HACT	: Harmonised Approach to Cash Transfers
IOM	: International Organisation for Migrants
IP	: Implementation Partner
NGO	: Non-Government Organisation
PCA	: Programme Cooperation Agreement
RRC	: Relief and Rehabilitation Commission
SSP	: South Sudanese Pound
UN	: United Nations
UNDP	: United Nations Development Programme
UNFPA	: United Nations Population Fund
UNICEF	: United Nations Children Fund
UNIDO	: Universal Intervention Development Organisation
USD	: United States Dollar
WHT	: Withholding Tax
WFP	: World Food Programme

## **1.0 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 OF THE REVIEW**

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.

This report contains the consultant's findings and makes recommendations for improvements in financial management practices within the Implementing Agency.

### **1.3 METHODOLOGY**

We performed the micro-assessment from 20<sup>th</sup> June 2016 to 21<sup>st</sup> June 2016 at Universal Intervention Development Organisation head office premises in Juba-South Sudan.

Through discussion with management, observation and walk-through tests of transactions, we have assessed the Implementing Partner's programme management 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.

## 2.0 SUMMARY OF THE RISK ASSESSMENT RESULTS

### OVERALL RISK RATING

**The overall risk rating for the IP is Moderate.**

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.

No.	Tested subject area	Risk rating	Justification for the rating
1	Implementing partner	Moderate	Failure by the IP to renew its registration and NGO operations certificates as required by the law; absence of board minutes; and, existence of ineligible expenditures in the IP's project audit reports.
2	Programme management	Low	Absence of written procedures for development of programme work plans.
3	Organisational structure and staffing	Moderate	Absence of performance appraisal for the IP's staff; absence of background verification's for IP's new staff; and, inaccessible policy manuals.
4	Accounting policies and procedures	Moderate	Absence of subsidiary ledgers; inadequate segregation of duties regarding approval of bank reconciliation statements; none availability of budget variance reports; absence of timesheets to allocate time spent on a specific assignment for staff; lack of documented defined per diem and DSAs for staff; absence of petty cash reconciliation statements and cash counts; existence of cash payments; and, none availability of the internal auditor's work plan.
5	Fixed Assets and Inventory	Significant	Existence of an incomplete asset register; existence of discrepancies between the stock cards and the physical counts; the IP's assets are not insured; poor storage facility; and, inadequate segregation of duties regarding issuance of items and updating of records.
6	Financial Reporting and Monitoring	Moderate	Absence of audited financial statements for the period ended 31 <sup>st</sup> December 2015; existence of ineligible expenditure in the project audit report of 2014; inability of the IP to implement all of the auditor's recommendations; and, inadequate back up

No.	Tested subject area	Risk rating	Justification for the rating
7	Procurement and Contract Administration	Significant	of the IP's financial data. Absence of a comprehensive procurement manual; lack of a computerised procurement system; inadequate staffing in the IP's procurement unit; absence of documented formal procedures and guidelines for assisting in identifying, monitoring and dealing with potential conflict of interest with potential suppliers/procurement agents; absence of a well-defined process for sourcing suppliers; absence of a well-defined process to ensure a secure and transparent bid and evaluation process; and, the IP does not keep track of past performance of suppliers.

### 3.0 DETAILED INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

The following specific internal control issues were noted during the assessment:

No.	Description of the finding	Recommendation
1	<p><b>Failure by the IP to renew its registration certificate as required by the law</b>  <i>The IP has not renewed both its registration and NGO operations certificates. Its registration certificate expired on 05<sup>th</sup> March 2015 and its NGO operation certificate on 26<sup>th</sup> November 2015. Since then they have not been renewed.</i>  <i>According to the NGO Act of 2003 for new southern Sudan, a Non-Government Organization is supposed to submit its request for renewal of the registration certificate two months to the expiry of the existing one and if it does not submit the renewal documents and application, the IP is deemed to have discontinued its activities in South Sudan according to chapter 5 section 15 (5) of the Act.</i></p>	<p><i>Management should ensure that the registration and NGO operations certificates are renewed as soon as possible.</i></p>
2	<p><b>Absence of board minutes</b>  <i>We noted that the Board of Directors (BoD) do not meet regularly to carry out their oversight role. We were only provided minutes of the board meeting that took place on 11<sup>th</sup> June 2016.</i>  <i>In the absence of the board minutes, we were unable to verify whether the board undertakes regular and adequate oversight role to ensure financial and staff accountability.</i></p>	<p><i>The Board should ensure that they meet regularly as stated in the IP's constitution, and that minutes of such meetings are documented and safely kept.</i></p>
3	<p><b>Existence of ineligible expenditures in the IP's project audit reports</b>  <i>In the project audit for UNDP disbursed funds, the IP had ineligible expenditures amounting to USD 39,135.</i>  <i>This is being none compliant to section 8.6 of the IP's financial policies and procedures manual which requires all the donor's funds to be adequately accounted for and used for the intended purposes as stipulated in the funding agreement.</i></p>	<p><i>Management should ensure that they adhere to all sections of its policies and procedural manual.</i></p>
4	<p><b>Absence of project development tools</b>  <i>We noted that the IP does not have project development tools like the project development checklist, work planning templates, etc.</i></p>	<p><i>Management should ensure that project development tools are developed.</i></p>

No.	Description of the finding	Recommendation
	<i>In the absence of such tools, proposal writing and monitoring of the implementation of activities becomes difficult.</i>	
5	<p><b>Absence of performance appraisals</b>  <i>The IP has training policies for its staff. Of recent the IP sponsored its finance officer to go for training in computerised accounting. We were informed that the basis for the selection of the staff for training is on the staff's performance; however, there was no evidence of performance evaluation being done.</i>  <i>Identification of training gaps in staff becomes difficult if no appraisals are carried out.</i></p>	<i>The human resource officer should ensure that staff performance appraisals are carried out periodically, preferably at every end of a year.</i>
6	<p><b>Absence of background verification's for IP's new staff</b>  <i>There was no evidence that the IP performs background verification on its new staff.</i>  <i>Not performing background verifications/ checks can lead to recruitment of incompetent staff or staff with forged academic qualifications and criminal behaviour.</i></p>	<i>Management should ensure that background verification is carried out whenever the IP is recruiting new staff.</i>
7	<p><b>Inaccessible policy manuals</b>  <i>The IP has the financial, human resource and procurement policy manuals. However, the policy manuals are not distributed to all staff. When interviewed, the finance assistant did not have any copy of the above mentioned policy manuals.</i>  <i>This can lead to none compliance with the IP's policies and procedures.</i></p>	<i>Management should ensure that the policy manuals are distributed to all staff.</i>
8	<p><b>Absence of subsidiary ledgers</b>  <i>We noted that the IP does not maintain subsidiary ledgers.</i>  <i>In the absence of the subsidiary ledgers, preparation of financial reports becomes difficult.</i></p>	<i>The finance manager should ensure that the subsidiary ledgers are maintained.</i>
9	<p><b>Inadequate segregation of duties regarding approval of bank reconciliation statements</b>  <i>The bank reconciliation statements are prepared by the accountant/assistant finance officer and approved by the executive director. However, the executive director approves payments and he is the principal signatory to the bank accounts.</i>  <i>Lack of segregation of duties may lead to errors or fraud not being detected resulting into misappropriation of the agency funds.</i></p>	<i>Management should ensure that duties are adequately segregated.</i>
10	<p><b>None availability of budget variance reports</b>  <i>Except the FACE form which includes the actual expenditure and the budgeted amounts for that particular quarter, no copy of the budget variance report was availed to us for verification despite</i></p>	<i>The finance manager should ensure that periodical reports that compare budgets with the actual expenditure amounts</i>

No.	Description of the finding	Recommendation
	<p><i>several requests for them.</i>  <i>In absence of such reports, it becomes difficult for the management to ascertain the budget utilisation for formal decisions to be made. Also budget compliancy becomes difficult.</i></p>	<p><i>are prepared, say monthly.</i></p>
11	<p><b>Absence of timesheets to allocate time spent on a specific assignment for staff</b>  <i>The IP does not have controls to ensure that direct staff salary costs reflect actual amount of staff time spent on a project.</i>  <i>Allocation of time of spent by the staff on a particular project becomes difficult if there are no time sheets maintained.</i></p>	<p><i>The finance manager should ensure that time sheets are maintained for all staff to ascertain the time the staff has spent on a particular project.</i></p>
12	<p><b>Absence of petty cash reconciliation statements and cash counts</b>  <i>We noted that the IP does not prepare petty cash reconciliation statements and periodical cash counts.</i>  <i>Ascertaining of the cash position at a point in time becomes difficult.</i></p>	<p><i>The finance manager should ensure that petty cash reconciliation statements are performed and cash counts are periodically carried out - preferably at the end of each month.</i></p>
13	<p><b>Cash payments</b>  <i>The IP stated it that major payments are paid by cheque; however, there some payments that we reviewed with big amounts that were carried out in cash e.g. a payment to Flex Air charter; dated 23/11/2014; USD 4,500.</i>  <i>This puts the cash to a risk of being mismanaged and loss, puts the life of the person handling it at risk and it contravenes section 8.5 of the IP's financial policies and procedures manual which requires all payments above SSP500 be paid by cheque.</i></p>	<p><i>Management should ensure that they minimise the risk of handling cash by paying all vendors / suppliers by means of cheques.</i></p>
14	<p><b>None availability of the IP's internal audit work programme</b>  <i>The IP has an internal audit department which carries out checks and balances; however, we were not availed with a copy of the work plan for the department.</i>  <i>We were therefore unable to verify whether the agency's resources will be audited by the IP's internal auditor.</i></p>	<p><i>The internal auditor should always ensure that a work programme is developed and shared with other third parties whenever required.</i></p>
15	<p><b>Existence of an incomplete asset register</b>  <i>The asset register that was availed for verification did not include the cost values of the assets and the dates of acquisition.</i>  <i>The IP does not have a proper inventory of its assets. Inventory and monitoring of the asset becomes</i></p>	<p><i>The logistics manager should ensure that the asset register is up-to-date, including details of the acquisition date and the invoice values of the assets. If the cost values of the assets</i></p>

No.	Description of the finding	Recommendation
	<i>difficult in the absence of such requisite information.</i>	<i>cannot be obtained, the IP should consider revaluing them to establish the actual values.</i>
16	<p><b>Existence of discrepancies between stock cards and the physical counts</b></p> <p><i>We noted that the physical verification/ count which was carried out on 30th May 2016 did not reconcile with the stock cards that are maintained. For instance in the physical count report, the number of t-shirts was 40 while the stock cards were reading 158; blankets were 13 in the report while the stock cards are reading 60.</i></p> <p><i>The stock cards are not periodically up-dated. The IP does not have a proper inventory of its inventories.</i></p>	<i>The logistics assistant in charge of inventory should ensure that the inventory register and/ or stock cards are accurately and timely up-dated. They should always be reconciled to the physical counts.</i>
17	<p><b>The IP's assets are not insured</b></p> <p><i>Except the motor vehicle and motorcycles which are the only items insured by third party, all the IP's assets are not comprehensively insured.</i></p> <p><i>The IP is at the risk of losing all its assets in case of a theft or burglary.</i></p>	<i>Management should ensure that all the organisational assets are comprehensively insured.</i>
18	<p><b>Poor storage facility</b></p> <p><i>At the time of assessment, the IP had a lot of inventories in the tent and some in its court yard. The IP does not has a warehouse for its items.</i></p> <p><i>This exposes the IP's assets and inventories to the risk of damage, misuse and waste.</i></p>	<i>Management should arrange for a warehouse for its inventories.</i>
19	<p><b>Inadequate segregation of duties regarding up-dating of inventory records and issuance of items</b></p> <p><i>The inventories are received by the logistics officer who signs on the GRN and issued by the store keeper/logistics assistant. However, the logistics assistant is also responsible for updating of the stock cards.</i></p> <p><i>Lack of segregation of duties may lead to errors or fraud not being detected resulting into misallocation of the agency resources.</i></p>	<i>Management should ensure that duties are adequately segregated.</i>
20	<p><b>Inability of the IP to implement all the auditor's recommendations in the past audit reports</b></p> <p><i>We noted that the auditor recommended the IP to constantly back-up its financial data which the IP had not implemented at the time of the assessment. We were informed that the IP is going to install a server for its data.</i></p> <p><i>No value for money is achieved from the audit if the audited entity does not implement the</i></p>	<i>The finance manager should ensure that all the recommendations in the auditor's reports are implemented.</i>

No.	Description of the finding	Recommendation
	<i>auditor's recommendations.</i>	
21	<p><b>Inadequate back up of the IP's financial data</b>  <i>We noted that the financial data is not backed-up.  The IP is at risk of losing all its important information/data in case of loss or crash of the computer.</i></p>	<p><i>Management should ensure that the information/data is regularly backed up, say weekly on an external disk. Arrangements should be made for the organisation to benefit from offsite data storage facilities.</i></p>
22	<p><b>Lack of a computerised procurement system</b>  <i>The IP's procurement system is not computerised.  Not computerising the procurement system makes both the reporting and monitoring of the performance of suppliers difficult.</i></p>	<p><i>Management should consider computerising the procurement system.</i></p>
23	<p><b>Absence of documented formal procedures and guidelines for assisting in identifying, monitoring and dealing with potential conflict of interest with potential suppliers/procurement agents</b>  <i>The IP does not have formal guidelines and procedures in place to assist in identifying, monitoring and dealing with potential conflict of interest with potential suppliers / procurement agents.  Absence of such guidelines and procedures exposes the agency resources to the risk of being mismanaged.</i></p>	<p><i>The board should ensure that a policy on 'conflict of interest' is formed.</i></p>
24	<p><b>Absence of a well-defined process for sourcing suppliers</b>  <i>The IP does not have a well-defined process for sourcing / pre-qualifying suppliers.  In the absence of such procedures, it is difficult to pre-qualify service providers.</i></p>	<p><i>The board should include a well-defined process of pre-qualifying suppliers in the IP's procurement manual.</i></p>
25	<p><b>The procurement procedures do not integrate references to ethical procurement principles and exclusion and ineligibility criteria</b>  <i>This can lead to procurement protests and procurement cases in the courts of law thereby increasing the programme implementation costs.</i></p>	<p><i>The board should include procurement procedures that integrate references to ethical procurement principles and exclusion and ineligibility criteria in its procurement manual.</i></p>
26	<p><b>Absence of a well-defined process to ensure a secure and transparent bid and evaluation process</b>  <i>The IP does not have a well-defined process to ensure a secure and transparent bid and evaluation process.  This can lead to procurement protests and procurement cases in the courts of law thereby increasing</i></p>	<p><i>The board should ensure that a well-defined process to ensure a secure and transparent bid and evaluation process.</i></p>

<b>No.</b>	<b>Description of the finding</b>	<b>Recommendation</b>
	<i>the programme implementation costs.</i>	
27	<p><b>Inability of the IP's procurement unit to keep track of past performance of its suppliers</b></p> <p><i>The IP does not keep track of past performance of its suppliers.</i></p> <p><i>In the absence of the procurement staff, the new management might use a supplier who did shoddy work or supplied substandard items.</i></p>	<p><i>The logistics manager should ensure that past performance of the IP's suppliers is maintained.</i></p>
28	<p><b>Lack of a comprehensive procurement policy and procedural manual</b></p> <p><i>The IP has a twelve paged procurement policy and procedures manual. The manual does not have adequate procedures that cover areas such as the pre-qualification of suppliers, the tendering process, a clear defined evaluation process, etc.</i></p> <p><i>Absence of a comprehensive procurement policies and procedures manual can lead to a procurement process which is not transparent.</i></p>	<p><i>The board should formulate comprehensive policies and procedures to guide the procurement process.</i></p>

## **4.0 APPENDIX**

## **ANNEX I: KEY IMPLEMENTING PARTNER'S INFORMATION**

<b>Implementing partner name:</b>	Universal Intervention Development Organisation (UNIDO)
<b>Implementing partner code or ID in UNDP records</b>	SSD-16/HSS10/SA1/H/NGO/766
<b>Implementing partner contact details (contact name, email address and telephone number):</b>	Name: James Ninrew Keah Position: Executive Director E-mail: <a href="mailto:ed@unidosouthsudan.org">ed@unidosouthsudan.org</a> Tel: +211(0)955 118 160
<b>Main programmes implemented with the applicable UN Agency:</b>	Nutrition, WASH, Health, Education and Child Protection
<b>Key Official in charge of the UN Agency programme:</b>	
<b>Programme location:</b>	Unity State
<b>Location of records related to the UN Agency programme:</b>	Tongping; Kololo Road; Juba-South Sudan
<b>Currency of records maintained:</b>	USD
<b>Expenditures incurred/reported to UNDP during the most recent financial reporting period (in US\$);</b>	US\$235,340.
<b>Cash transfer modality used by the UN agency to the IP</b>	HACT
<b>Intended start date of micro assessment:</b>	20 <sup>th</sup> June 2016
<b>Number of days to be spent for visit to IP:</b>	Two days
<b>Any special requests to be considered during the micro assessment:</b>	IP received an adverse opinion in 2015 audit.

**ANNEX II: ORGANISATIONAL CHART**

### **ANNEX III: INTERVIEWED PERSONS**

<b>Name</b>	<b>Unit / Department</b>	<b>Position</b>	<b>Telephone contact</b>	<b>E-mail address</b>
Thomas Manyol Riek	Programs	Program Coordinator	+211(0)95 5 060 734 +211(0)92 8 978 032	<a href="mailto:riekthomasmanyol@gmail.com">riekthomasmanyol@gmail.com</a> <a href="mailto:pc@unidosouthsudan.org">pc@unidosouthsudan.org</a>
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Wuor Tut Bath	Finance	Assistant Finance Officer	+211(0)95 6 120 035 +211(0)91 5 483 848	<a href="mailto:duopdeng95@gmail.com">duopdeng95@gmail.com</a>
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**ANNEX IV: MICRO ASSESSMENT QUESTIONNAIRE**