



# MANAGEMENT LETTER

OF

**“AGENCY COORDINATING BODY FOR AFGHAN RELIEF AND DEVELOPMENT”  
(ACBAR)**

**FOR THE YEAR  
JANUARY 01, 2014 To DECEMBER 31, 2014**

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Submitted to

**AGENCY COORDINATING BODY FOR AFGHAN RELIEF AND DEVELOPMENT  
(ACBAR)**

Undertaken by:

**ZIA MASOOD & Co.**

*Chartered Accountants*

KABUL

March 09, 2015

PARTNERING FOR SUCCESS

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# **AGENCY COORDINATING BODY FOR AFGHAN RELIEF AND DEVELOPMENT (ACBAR)**

Management Letter – Year From January 01, 2014 to December 31, 2014

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<b>TABLE OF CONTENTS</b>	<b>PAGE NO.</b>
<b>1. ASSESSMENT OF INTERNAL CONTROL SYSTEM</b>	<b>3</b>
Overall Organisation and staffing	3
Programme Management	3
Human Resource	4
Finance	4
Procurement	5
Asset Management	5
Cash Management	6
Information System	6
General Administration	6
Compliance with Funding Agreement	6
<b>2. DETAILED AUDIT OBSERVATIONS</b>	<b>7</b>

### 1. ASSESSMENT OF INTERNAL CONTROL SYSTEMS

Our assessment for adequacy of operational and internal control systems implemented by ACBAR is based on the following areas:

- Overall Organization and Staffing
- Program Management
- Human Resources
- Finance
- Procurement
- Asset Management
- Cash Management
- Information Systems
- General Administration
- Compliance with the Program /project funding agreement

Results of our assessment of operational and internal control systems in the areas as mentioned earlier, were found **Satisfactory**.

#### A. Overall Organization and Staffing

We assessed the organizational structure adopted by the ACBAR Afghanistan in terms of its overall effectiveness and efficiency, taking into account the framework of authorities, work flows, staffing levels and necessary internal controls including the level of delegated authority for operational functions and appropriate segregation of duties in general to minimize risks.

Based on our assessment, our comment on rating for this area is **Satisfactory**.

#### B. Program Management

We reviewed the management aspects in terms of Project approvals, budget plan, Project resources, monitoring and evaluation of implementation towards achievement of the Project objectives and periodic progress reporting against work plans and Objectives.

Based on our assessment, our comment on rating for this area is **Satisfactory**.

#### C. Human Resources

Our review in this particular area covered the internal controls to ensure the competitiveness, transparency and effectiveness of the recruitment Policies and procedures and further controls relating to performance appraisal, attendance, calculation

of salaries and entitlements, payroll preparation and payment and management of personnel records.

Specific procedures included review of the recruitment process for project staff and consultants to assess whether it was transparent and competitive.

Detailed description of our findings in this area and other internal control weaknesses identified in the system which may be adopted by the entity as a best/better practice to strengthen the control on overall management and maintenance of HR record is included in the “**Detailed Audit Observation**” section of the report.

Based on our assessment, our comment on rating for this area is **Satisfactory**.

#### D. Finance

We evaluated the adequacy of accounting, financial operations and reporting systems. These include review of controls relating to budget control, cash management, certification and approving authority, receipt of funds, disbursement of funds, recording of all financial transactions.

- Review the expenditure details submitted by ACBAR on interim basis in terms of their accounting records and assessed their adequacy for maintaining accurate and complete records of receipts and disbursements of cash;
- Review expenditures made by ACBAR and assessed whether these are in accordance with the project documents, annual work plan and budgets; and are in compliance with the Project Funding Agreement.

Detailed description of our findings in this area and other internal control weaknesses identified in the system which may be adopted by the entity as a best/better practice to strengthen the control on overall management and maintenance of financial record is included in the “**Detailed Audit Observation**” section of the report.

Based on our assessment, our comment on rating for this area is **Satisfactory**.

#### E. Procurement

We evaluated the competitiveness, transparency and effectiveness of the procurement activities of the entity in order to ensure that the community support products & equipment and other services purchased meet the requirement of the entity’s policies and review the internal controls including:

- Delegations of authorities, procurement thresholds, call for bids and proposals, evaluation of bids and proposals and approval/signature of contracts and purchase orders;
- Evaluation of the procedures established to mitigate the risk of purchasing items that do not meet specifications or is later proven to be defective;
- Management and control over the variation in orders;
- Comparison of actual procurement in respect of community support products/items with approved work plan.

Specific procedures included review of the process for procurement/contracting activities and assessment whether it was transparent and competitive.

Detail description of our findings in this area and other internal control weaknesses identified in the system which may be adopted by the Entity as a good practice to strengthen the control on overall management and maintenance of financial record in this respect is included in “**Detailed Audit Observation**” section of the report.

Based on our assessment our comment on rating for this area is **Satisfactory**.

#### F. Asset Management

We reviewed the adequacy of the procedures for receipt, issue, storage, and disposal of the items/equipment purchased for the use of the Project. Specific procedures included review of the use, control and disposal of non-expendable equipment (if applicable) and assess whether it is in compliance with Project Funding Agreements.

Based on our assessment our comment on rating for this area is **Satisfactory**.

#### G. Cash Management

We reviewed the adequacy of the operational and internal controls relating to cash funds held by the ACBAR and review procedures for safeguarding of cash.

Based on our assessment our comment on rating for this area is **Satisfactory**.

#### H. General Administration

We reviewed the operational and internal controls relating to travelling & transportation, vehicle management, office communications, and records maintenance.

Based on our assessment our comment on rating for this area is **Satisfactory**.

### I. Information Systems

We assessed the adequacy, efficiency and security of the information systems, particularly those established and maintained from core as well as project funds to meet the management and reporting requirements of the Projects.

Based on our assessment, our comment on rating for this area is **Satisfactory**.

### J. Compliance with the Program Funding Agreement

We have assessed the compliance with the Program Funding Agreement in accordance with the term of reference agreed with the entity.

Based on our assessment, our comment on rating for this area is **Satisfactory**.

**DETAILED AUDIT OBSERVATIONS****1) Invoices not stamped as “PAID”**

As per Finance & Admin Manual, which states that “Cashier stamps as "PAID" all the bills at the time of payment” however; in certain instances we noted that bills/invoices attached with vouchers were not stamped as “PAID”. The details of few vouchers are given as under:

Voucher No.	Date	Amount (USD)
KCP\$-14	06/15/2014	200.00/-
KCP\$-16	08/12/2014	180.00/-
KCP\$-18	10/27/2014	180.00/-
KCP\$-15	07/01/2014	500.00/-

**Risk**

Non-compliance with ACBAR financial manual indicate inappropriate internal control over cash payment and further this may results in reuse of the invoice already paid.

**Recommendation**

We recommend that management should ensure that invoices are stamped as “PAID” after making of payment.

**Management response**

It is 4 invoices forgotten so not so bad and we will continue to process our guidelines

**2) Lack of documents in staff personal files**

While examining the personal files of staff on sample basis (test check), it has been observed that personal files of remote managers have not been update for the leaves, lack the some important documents, as required under ACBAR policy.

**Risk**

Human resource is the most important resource of an organization and such instances weaken the control over human resource thus giving rise to inefficient human resource management.

**Our Suggestion for improvement**

We recommend that management should ensure the completeness of all the personnel files in accordance with ACBAR policies of maintenance of leaves files in the personnel files.

**Management response**

ACBAR will update on monthly basis the leaves file for the remote managers. For leave record we will reconsider

We take this opportunity to express our appreciation for the courtesy and cooperation extended to us during the course of our audit by the management of the Agency Coordinating Body for Afghan Relief (ACBAR) – Afghanistan

Yours Truly

**Zia Masood & Co.,**  
Chartered Accountants