

Micro-Assessment Report
United Nations Children's Fund (UNICEF)
Bangladesh Country Office

1. Name and Address of Implementing Partner

Aid Organization (AO)

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2. Brief Description of Aid Organization (AO)

Aid Organization is a Non-Govt. Non-profit, Voluntary and Social Welfare organization working in Bangladesh. It is established in 1997 with the initiative of some social workers for promoting the life status of poor and disadvantaged people of Bangladesh especially for women, children and disabled person. Aid Organization believes in non-directive, bottom up, integrated and participatory development framework and acts as a catalyst with its concerned. At present Aid Organization is implementing different development activities through financial and technical support of Govt. and various donors.

Major Objectives of Aid Organization:

- *To identify and organize the disadvantaged people in group for the Improvement of their living standard.*
- *To establish human right especially for the women and children and reduce violence and discrimination.*
- *To facilitate organized group members in raising their social awareness and enable them to find out root causes of poverty and hunger.*
- *To make a safety communication and sustainable environment.*
- *To eradicate the literacy by formal and non-formal education.*
- *To ensure HIV/AIDS free society.*
- *To aware the Gender development and their rights establishment.*
- *To promote planned families, reducing maternal, child mortality and morbidity.*
- *To improve the awareness of the poor about their deprivation and exploitation through Legal Aid training.*
- *To promote sustainable agriculture, crops production and nursery development.*
- *To ensure Water & Sanitation facilities to the target people.*
- *To improve the socio-Economic status of the target groups by developing the habit of saving, providing skill training and Micro-Credit Support.*
- *To provide relief and rehabilitation supports to the disaster people during natural Calamities.*

For implementing the programs necessary funds are managed through foreign donation, community contribution, etc. For the year ended 31 December 2012, AO has incurred Tk. 8,701,382 for implementing the programs.

3. Executive Summary of Assessment

3.1 Financial Management

AO is registered with Department Social Service, NGO Affairs Bureau and Family Planning Department. Standard statutory reporting system is in place. Governing body of AO is independent. Its structure is appropriate for the work to be carried out under UN Cooperation. AO has the capacity to receive and transfer funds for implementing its development program. There is a standard procedure for transferring funds, which is apparently found satisfactory. Standard system of counterpart fund management is in place. AO organizational structure of accounting department is appropriate. Staff level and competency of accounts staff are found relatively Significant. The assessment team found that project finance and account function is adequately staffed. Finance and accounts staff is highly experienced.

AO developed an accounting system that covers allocation of expenditure as per project component, disbursement categories sources etc. for proper recording of all transaction, for own and other Agencies. The approving authority approves transactions supported with vouchers. Separate rules of accounts, general ledger and other related documents were maintained in manual system, vouchers are preserved on standard way. The organization is National with moderate manpower. Segregation of three duties [authorization recording, custody] is not much necessary. Bank reconciliation is done by the organization. Budget is prepared by budget team and approved by Executive Committee.

They have standard written policies and procedures covering routine financial management activities which are accessible. Policy and procedures of AO are clearly define conflict of interest and provision of safeguarding it. The IP has system of adequate safeguards to protect assets from fraud, waste and abuse. Subsidiary records of stocks are up to date. The organization has control account to reconcile the fixed assets and stocks with the subsidiary records. Physical inventory of fixed assets and of stocks is conducted periodically.

The entity have internal audit department and it has and internal auditing services. AO's financial statements are audited regularly by an independent auditor. AO financial statements are audited regularly by an independent auditor. Financial statements of the entity are audited by the external auditors. By going through the audit report and other documents we felt that external audit was conducted maintaining adequate level of standard. Management letter has been issued by the IP.

Receipt Payment statements are prepared by the external auditor on yearly basis. Project wise monthly Receipt and Payment is prepared by the entity. Monitoring system is in place. The Financial Management is computerized.

3.2 Procurement Management

The procurement principle is to 'procure qualitative goods or services'. The Implementing Partner does have written procurement procedures. The organization does have a written specific anti-fraud and corruption AO has established internal control mechanism through financial guidelines and procurement policy. The organization conducts internal audit which is one of the important elements of internal control. The organization has an established segregation of duties regarding purchasing. AO have formal guideline and procedure regarding conflict of interest.

In the procurement policy the process for pre qualification of suppliers is well defined. Physical verification of new supplier is conducted. AO checks market prices

for goods and services on need basis. Database is maintained by the organization. Open tender and procurement policy assure transparency. The organization does prepare reports for procurement. Fully Automated information system is not in place. However, automation is not required for the organization at this stage.

3.3 Recommendations

Overall Risk Assessment for Financial Management Capacity: ‘Significant’

Overall Risk Assessment for Procurement Management Capacity: ‘Significant’

4. Methodology

For conducting the assessment Checklist-B was considered as the main guide to bring out facts regarding the financial management capacity of the implementing partner. While furnishing the questionnaire Checklist B, the assessment team has assessed the IP’s control system with equal emphasis on the effectiveness of the system in providing the partners management with useful and timely information for the proper management by the IP and the general effectiveness of the internal control system in protecting the assets and resources of the entity. The team reviewed relevant records and documents, books of accounts, legal agreements, and minutes of meetings, bank statements, invoices, contracts, and personal files of employees of the IP.

Checklist-C was the guideline to make out the information about the procurement management system of the IP. Some procurement was examined for compliance of the policy of the organization so that a conclusion may be made.

The Assessment Team was concerned with the systematic verification of organization, management, operation, performance and financial aspects of the NGO. The Team tried to determine the accuracy and dependability of management, monitoring, accounting statements, reports, etc. Initially, the team talked with the program people to have clear idea about all the activities of the organization.

The team reviewed relevant organizational and financial documents. Cashbooks, ledgers and financial reports were also checked for accuracy and correctness. Timely maintenance of books of accounts and status of auditing were reviewed.

The following personnel of AO were contacted while reviewing management capability:

Md. Moniruzzaman, Chairperson;

Md. Nasir Uddin, Secretary General;

5. **Risk Assessment Chart (H, S, M, L) and description of Financial Management Capacity in each area:**

Sl. No.	Subject Areas	Risk Assessment			
		H (High)	S (Significant)	M (Moderate)	L (Low)
1.	Implementing Partner		●		
2.	Funds Flow		●		
3.	Staffing		●		
4.	Accounting Policies and Procedures		●		
5.	Internal Audit		●		
6.	External Audit		●		
7.	Reporting & Monitoring		●		
8.	Information System			●	
	Overall Risk Assessment		●		

5.1 Implementing partner

AO is registered with Department Social Service NGO Affairs Bureau and Family Planning Department. Standard statutory reporting system is in place. The subscription from the members is collected by the organization. EC has been running as per constitution. Its structure is appropriate for the work to be carried out under UN Cooperation.

5.2 Funds Flow

AO has the capacity to receive and transfer funds for implementing its development program. There is a standard procedure for transferring funds, which is apparently found satisfactory. Standard system of counterpart fund management is in place.

5.3 Staffing

AO organizational structure of accounting department is appropriate. AO staff level and competency are found relatively significant. The assessment team found that project finance and account function is adequately staffed. Finance and accounts staffs are moderately experienced. AO finance and account staffs are employed on regular basis.

5.4 Accounting Policies and Procedures

AO developed an accounting system that covers allocation of expenditure as per project component, disbursement categories sources etc. for proper recording of all transaction, for own and other Agencies. The approving authority approves transactions supported with vouchers. Separate books of accounts, general ledger and other related documents were maintained in manual system, vouchers are preserved on standard way. The organization is a national NGO with sufficient manpower. Segregation of authorization recording, custody- these three duties is not much necessary. Bank reconciliation is done by the organization. Budget is prepared by budget team and approved by Executive Committee. They have standard written policies and procedures covering routine financial management activities. Policy and procedures of AO are clearly define conflict of interest and provision of safeguarding it. The IP has system of adequate safeguards to protect assets from fraud, waste and abuse. Subsidiary records of stocks are up to date. The organization has control account to reconcile the fixed assets and stocks with the subsidiary records. Physical inventory of fixed assets and of stocks is conducted.

5.5 Internal Audit

The organization has internal audit department and have mechanism of internal audit.

5.6 External Audit

AO financial statements are audited regularly by an independent auditor. Financial statements of the entity are audited by the external auditors. By going through the audit report and other documents we felt that external audit was conducted maintaining adequate level of standard.

5.7 Reporting and Monitoring

Project wise monthly Receipt and Payment Statement is prepared by the entity. Monitoring system is in place.

5.8 Information system

The Financial Management is computerized.

6. Risk Areas in Financial Management

There is no Risk Areas in financial Management

7. Recommendations for Financial Management

There is no Recommendation for Financial Management

8. **Risk Assessment Chart (H, S, M, L) and description of Procurement Management Capacity in each area:**

Sl. No.	Subject Areas	Risk Assessment			
		H (High)	S (Significant)	M (Moderate)	L (Low)
1	Implementing Partner		●		
2	Procurement Principles, Policies, Procedures		●		
3	Internal Control System		●		
4	Procurement Process		●		
5	Reporting & Monitoring		●		
6	Information System		●		
	Overall Risk Assessment		●		

8.1 Implementing Partner

AO is registered with Department of Social Service, NGO Affairs Bureau and Family Planning Department. The AO organizational structure is appropriate for the work to be carried out under UN cooperation.

8.2 Procurement Principles, Policies, Procedures

The procurement principle is to 'procure qualitative goods or services'. The Implementing Partner does have written procurement procedures .It emphasizes not only on price, it also gives importance on quality of goods, warranty and experience of suppliers while procuring the products. The organization does have a written specific anti-fraud and corruption policy but the organization follow the country's law when any kind of corruption occurs.

Procurement Procedure:

Some precaution should be taken for purchase, otherwise money may be wasted. So the organization follows some procedure.

- 1) *For any purchase above Tk 10000 a 3/5 member committee comprising Executive Director, one from EC and one responsible officer, is to be formed. The committee will be formed with the approval of EC.*
- 2) *For any purchase, a demand paper should be prepared and signed by the project manager or program coordinator.*
- 3) *Three spot quotations are to be collected for purchase of tk 5,000 to 20,000 and approval by the purchase committee is required.*
- 4) *For purchase of above tk 20000, three quotations are to collected though open tender and that has to be approved by the purchase committee. A comparative statement showing high and low price, has to be prepared and that has to be approved.*

All purchase related papers with signature should be enclosed with the bill.

8.3 Internal Control System

AO has established internal control mechanism through financial guidelines and procurement policy. The organization conducts internal audit periodically. The organization has an established segregation of duties regarding purchasing. AO have formal guideline and procedure regarding conflict of interest.

8.4 Procurement Process

Process for sourcing/pre-qualification methodology for the assessment of suppliers is defined in the policy. AO checks market prices for goods and services on need basis. Database is maintained by the organization. Open tender and procurement policy assure transparency. The chairman of the procurement committee holds the key of tender box, in presence of other members, he opens the tender box. The committee members evaluate the tenders combinedly.

8.5 Reporting & Monitoring

The organization prepares reports for procurement.

8.6 Information System

Fully Automated information system is in place. However, automation is not required for the organization at this stage.

9. Risk Areas in procurement Management

There is no Risk in procurement Management

10. Recommendations for Procurement Management

There is no Recommendation for Procurement Management

11. Acknowledgement

We would like to express our thanks and gratitude to the management of the AO for providing us necessary cooperation and assistance in performing our assignment.

Enclosed: Checklist-B & C as Annexure I & II