



ቁጥር WASH-63/1094
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Date
11.12.2017 G.C

To: Embassy of Finland

Attn: Mrs Tiina Byring-Ilboudo

Addis Ababa

Subject: - Audit Mitigation Plan

It is well known that the assigned auditors from Finland government carried out the on the COWASH financial and physical performance. As a result of auditing work, some comments forwarded to SNNPRG, BoFED by e-mail from your good Embassy to request the corrective mitigation plan.

Therefore, some corrective action done before for some comments and here is the mitigation plan for others. We attached four pages mitigation plan for your consideration.

With regards,

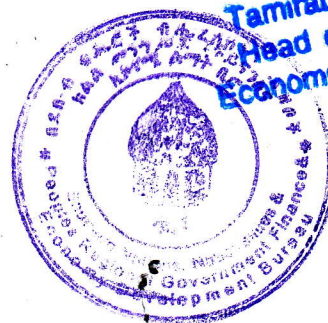
C.C.

- SNNPRS, Water and Irrigation Bureau
- SNNPRS, Bureau of Health
- SNNPRS, Bureau of Education

Hawassa

- Bureau Head Office
- Deputy Bureau Head and Pub/Fin/Adm
- SNNPRS, BoFED COWASH Account Unit

BOFED



Tamirat Dilla Iyassu
Head of Finance &
Economic Devt Bureau

1 ADMINISTRATION AND FINANCIAL MANAGEMENT IN SOUTHERN NATIONS, NATIONALITIES AND PEOPLES' REGIONAL STATE

1. Investment funds reconciliation (17)

Observation: The investment funds provided to WASHCOs have been reported based on the fund transfers from OMO HQ to OMO branch offices. The reconciliations of funds paid to WASHCOs have not been done and there are inconsistencies in financial reporting.

Risk: If fund reconciliations are not systematically done, there is a risk to fail cost monitoring. **Significant.**

Recommendation: The COWASH must provide further financial management training to woreda level and RSU Financial Specialist should give more hands-on training for financial management and reporting in woreda level. The MFI ledger must be regularly reconciled with the WASHCO accounting.

Clarification/Comment:

There is clear reconciliation system in COWASH and the reconciliation sheets were available at all levels, but only partially implementation by the woredas. The supervision from the RSU side has been weak.

Mitigation:

1. COWASH Federal revised the WASHCO settlement formats and MFI reconciliation sheets.
2. Refreshment training for the revised WASHCO settlement formats and MFI reconciliation sheets will be given to the CMP supervisors, woreda advisors and MFI staff.
3. Regional Financial specialist will continue providing usual financial management training to the woreda staff (on-the-job) and whenever there is turn-over formal training will be organized.

Time table:

1. Formats revision: November 2017
2. On-the-job training starting from December 2017
3. Refreshment training: January 2018

2. Correctness of financial accounting by BoFED (18)

Observation: Accounts are not held separately for COWASH project in Hawassa BoFED. The trial balances are manually prepared and the sum of credit and debit do not equal.

Risk: The correctness of the accounting is questionable. In addition, there is a risk of expenses for other projects being considered as COWASH expense. **Significant.**

Recommendation: A separate account have to be held for COWASH project in BoFED. Expenses need to be allocated to projects as per annual plans.

Clarification/Comment:

As soon as the draft Auditing report was sent to SNNP-RSU and BoFED for comments, separate account was opened for COWASH project in the BoFED.

Mitigation:



1. Separate accounts for COWASH project opened for each regional sector bureau (BoFED, Water, Health, and Education). See steering committee meeting minute Sep 20, 2017.
2. Separate COWASH project accounts opened are:
 - a. BoFED – GOV 1000223511604
 - b. Water – GOV 1000013657606
 - c. Health – GOV 1000109423681
 - d. Education- GOV 1000013550631

Time table:

Done at the beginning of September 2017

3. Inaccurate expense reporting (19)

Observation: In the EFY 2007 (2014/2015) BoFED financial reporting was inaccurate. In the EFY 2007 (2014/2015) BoFED reported expenses total ETB 171,601 (7,461 euro). In the accounting, expenses amounted ETB 165,928 (7,214 euro) since office furniture ETB 4,690 (204 euro) belonging to other donor for One Wash was mistakenly reported as COWASH expenses.

Risk: If the allocation of expenses is not clearly instructed and applied, there is a risk to duplicate reporting. **Significant.**

Recommendation: ETB 4,690 (204 euro) must be corrected in the following financial reporting.

Clarification/Comment:

As it was explained above, the exact amount to be reported must be birr ETB 165,928 (7,214 euro). Birr 4,690 was mistakenly added to the exact amount. This extra amount has been deducted and corrected accordingly in BOFED.

Mitigation:

Mistake has been corrected

Time table:

Correction of Birr 4,690 has been executed in September 2017.

4. Documenting of calculations (20)

Observation: Calculations for the expenses in SNNPR Annual Reports (GoF) expenses have not been adequately documented.

Risk: If calculations are not documented, there is a risk to errors in reporting. **Moderate.**

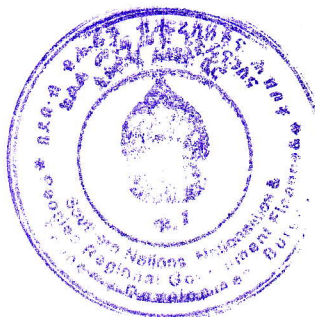
Recommendation: BoFED should prepare calculations to all reporting that is not directly derived from accounting.

Clarification/Comment:

Currently, the GoF accounting Peachtree software separated for COWASH account and the calculation carried out cautiously. Furthermore, the documentation has been done properly.

Mitigation:

Calculations have been corrected.



Time table:

Corrections have been done in September, 2017

5. Monitoring of timely submission of reports (21)

Observation: The BoFED in SNNPR compiles large amount of financial reports from beneficiaries on the GoF capacity building budget every quarter. There is no systematic mechanism to follow up submission and completeness of the reports from beneficiaries.

Risk: Follow-up mechanism of the quarterly reports is time consuming and inefficient.
Moderate.

Recommendation: The BoFED in SNNPR should establish a monitoring table in Excel to follow up timely submission of the reports from beneficiaries.

Clarification/Comment:

Currently, the monitoring system has been established and there is a continuous follow up in the BoFED.

Mitigation:

Financial Management Specialist of COWASH SNNP RSU will develop similar to BoFED monitoring system to follow up quarterly financial reports. The format which was developed indicates the date of submittal, date of returning and date of re-submittal as well as date of approval and relevant comments for returning the report or delay of the reporting. This format is kept in Financial Management Specialist Office.

Time table:

Follow-up table in use from the beginning of October 2017

6. Quality of documentation to ensure audit trails (22)

Observation: The general level of documentation was weak in Duna OMO branch, Hadiya ZoFED and in Misha and Duna WoFEDs, since supporting documentation was not organized adequately. Also, few documents in Duna OMO branch did not have information to identify that they were related to COWASH nor had authorization signatures for payment vouchers that weakened the transparency of the documentation.

Risk: The audit trail may not be ensured. **Moderate.**

Recommendation: All vouchers should have clear information how they are related to the COWASH, have adequate supporting documentation and be duly approved.

Clarification/Comment:

The documentation problem mentioned above was solved in joint supervision organized by RSU Financial Specialist and BoFED COWASH accountant in September 2017. COWASH project documentation lesson was expanded to Misha Woreda in Hadiya Zone and other COWASH woredas.

Mitigation:

To solve documentation problem, on job training was given to Duna and Misha woreda by both BoFED and RSU Financial Specialist.



Time table:

Training organized by BoFED was given in October 2017 to all stakeholders, region OMFI, Zonal & woreda OMFI, ZoFED and WoFED accountants and auditors to solve documentation, accounting and reporting problems.

7. Fixed assets monitoring in the woreda (23)

Observation: Fixed asset monitoring in WoFEDs and Woreda Water Offices have not been done systematically and the identification codes were not always attached to the physical assets in visited woredas. In many cases, the assets were without an identification code or only equipped with a CMP sticker.

Risk: If the fixed assets are not monitored and identified properly, there is a risk of misuse or fraud related to usage of the assets. **Moderate.**

Recommendation: The WoFEDs and Woreda Water Offices should be trained on systematic monitoring and identifying the Project's fixed assets appropriately.

Clarification/Comment:

The assets were registered in the bin card but the code of the assets were missed on the equipment. The bin card has a place where the asset provider name has been marked and can therefore easily be identified as the property of COWASH.

Mitigation:

In future the code from bin card has to be written clearly in the asset/property. The implementation of this practise will be ensured through the supportive supervision by the RSU staff.

This issue will be also raised in the financial management training in January 2018

Time table: January 2018

8. Aligning fund transfers with the utilization (24)

Observation: Funds have been transferred to Health Bureau according to annual plans although previous year's transfer had not been utilized and reported.

Risk: If fund transfers are not aligned with the actual progress, there is a risk to inefficient fund flow. **Minor.**

Recommendation: Annual Plans should be prepared based on reasonable and detailed information.

Clarification/Comment:

Currently, no additional funds are allocated without utilizing the previous year budget. This action was implemented with all regional bureaus in order to utilise the fund for the planned action in the budget year.

Mitigation:

RSU will ensure that budget will not be allocated or transferred if the previous year transfer has not been utilized for the planned activities.

Time table:

Implementation from July 2017

