

**COORDINATION OF HUMANITARIAN
ASSISTANCE (CHA)
MANAGEMENT LETTER
FOR THE YEAR ENDED
DECEMBER 31, 2003**



A MEMBER OF

Morison International



SAJJAD AHMAD & CO.

CHARTERED ACCOUNTANTS



CHA/A-2579/2004
October 13, 2004

The Chairman General Assembly,
Coordination of Humanitarian Assistance.
Kabul, Afghanistan.

Dear Sir,

MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2003

We are pleased to inform you that we have completed the audit of accounts of the Coordination of Humanitarian Assistance (CHA) for the year ended December 31, 2003. Our audit work involved evaluating only those systems and internal controls of CHA upon which we rely for the purpose of determining our audit procedures. Accordingly our audit may not have identified and comments in this letter may not be a comprehensive record of all the weaknesses that may exist.

The responsibility of maintenance of an adequate system of internal control as well as for the presentation and detection of irregularities and fraud rests with the management, we are not required to search specifically for frauds and irregularities and therefore, our audit cannot be relied upon to disclose all such matters. However, our audit was planned so that we would have a reasonable presentation of detecting material misstatements in the financial statements resulting from irregularities or fraud.

Our comments and observations on some of the areas of internal control and accounts, which came to our notice during the course of the audit, are summarized in the ensuing paragraphs:

1 ADVANCES

- 1.1 No provision has been made in the accounts in respect of Hawalas amounting to Rs 96,000 (Qandhar Field office) and USD 10,500 (Ghore field office) which are doubtful of recovery.
- 1.2 We have observed that fresh advances have been extended without recovering/ adjusting the previous outstanding balance. Detail as per **Annexure A**.

Suggestion:

Fresh advances should only be extended once the previous outstanding balance is recovered or adjusted.

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- 1.3 During the course of our audit, we have observed that advances are outstanding against the employees since considerable period and no provision for the doubtful recovery has been provided in the accounts. A few instances are as per **Annexure B**.

Suggestion

The amount should either be recovered from the concerned staff or make provision in the accounts in case these are doubtful of recovery.

- 1.4 The following personal advances are outstanding since long, whereas as per CHA Administration Hand book all such advances should be recovered in two equal installments from the salaries of the employees.

Name	A/c Code	Currency	Amount	Outstanding Since
Asif Khurshed	220503	US \$ Rs.	597 10,000	Before 1999
Masoom	220511	US \$	100	Before 1999
Nadir Abdullah	220534	Rs.	7,540	Before 1999
Imtiaz	220536	US \$ Rs.	400 4,640	Before 1999
Eng. Abdul Haleem	220543	US \$	8,930	Jan01, 2000
Miraj-uddin	220545	US \$	4,000	Jan01, 2000
Wali Yousaf	220547	US \$ Rs.	2419 5060	Jan01, 2000
Dost Mohd.	220560	US \$ Rs.	302.93 6,625	Nov 20, 2000
Rona	220102	US \$	50	July, 2001
M.Sharif (cashier)	220117	Rs.	3,000	June, 2002

Suggestion

Long outstanding advances should be recovered from the salaries of the existing employees. In case of employees who have fired/left the organization their outstanding advances should either be adjusted against the Severance pay or written off if doubtful of recovery.

2. CASH

- 2.1 In order to assess the internal control on cash we carried out surprise physical cash count of Kabul Main office as on July 28th, 2004 and found out the following differences, for which no justification/explanations were provided to us.

Currency	Balance as per cash book	Balance as per physical cash count	Differences
Rs.	25,163	23,710	1,453
US \$	21,996.1	22,032	35.9

- 2.2 During our surprise cash count of the Kabul Main Office and Herat Field office as on July 28, 2004 & July 21, 2004 respectively we have observed that advances/expenses by the cashiers have not been recorded in cash book as well as AIS after a considerable lapse of time. Detail as per **Annexure D**.

Suggestion

To avoid any mishap regarding the extension of unrecorded advances and for proper evidence of these advances, the advances should be recorded in the books of accounts without considering the period for which they are extended. Moreover, advances should be recorded in the books of accounts for proper presentation of accounts and AIS system.

- 2.3 During our Herat Field office visit we have observed that cash in transit through Hawala amounting to US \$ 41,817 and Afg's 642,393 has been recorded as cash in hand on 21/07/04. Follows is the detail:

Hawala Receipt Number	Amount \$
1591	5,000
1197	36,817

Hawala Receipt Number	Amount Afghani
1565	642,393

Suggestions

Cash represented by Hawalas should be presented as Hawalas or cash in transit rather than Cash in hand for proper presentation and true and fair view of accounts.

- 2.3 Separate project-wise cash books have been introduced by the management from January 01, 2004. However, On July 21, 2004 we have observed negative cash balance of the following projects.

Project Code	Description	\$
00173	Basic Package of Health Services-Heart	(3,230)
00179	Assist Afghan Returnees from Iran	(184)

Project Code	Description	AFG's
00179	Assist Afghan Returnees from Iran	(5,216)

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- 2.4 We have observed difference in the balances as per cash books maintained at the field office and AIS. Detail as per **Annexure D**.

3. REVOLVING LOAN

- 3.1 During the year under review Receivable Against Revolving Loan amounting to US \$ 22,842 is appearing in accounts against Revolving Loan/ Credit Pool of US \$ 79,387 resulting in difference of US \$ 56,545 between available resources and its utilization. This shows lack of proper pool management and depriving the beneficiaries from their basic entitlement.

Suggestion

Available resources in the Revolving Loan/Credit Pool should be utilized at the optimum level for the benefit of the intended user.

- 3.2 We have observed that "Revolving Loan" amounting to US \$ 330 is appearing since 1999.

Suggestion

It should either be recovered from the beneficiaries or written-off against the pool, if doubtful of recovery.

- 3.3 Revolving Loan subsidiary record (i.e list of beneficiary, date of extension /recovery & closing balance) is lying at the field offices. Due to shortage of time we are unable to visit the field office, as a result, we are unable to verify the same.

4. CURRENT LIABILITY

- 4.1 We have observed that Medical Allowance payable (A/C code 320307) and Leave Encashment payable (A/C 320311) amounting to US \$ 2,678.68 and US \$ 4,858.86 respectively are appearing in the accounts since 1999.

Suggestion

It is suggested to either pay the amount to the concerned employees or realize the same as an income if contrary.

- 4.2 An amount of US \$ 23,525.82 and Afgs' 34,505 (equivalent to US \$ 709) is appearing in the accounts as Payable by the Logistics unit (A/c code 320319) & Mazar Field office (A/c code 320320) since 2002.

Suggestion

The above mentioned amounts should either be recovered or adjusted against the receivable balance of respective offices.

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- 4.3 During the course of our audit we have observed an amount of US \$ 34,076.22 is appearing as payable in the accounts for which no Severance pay policy has been formulated by the organization. In the absence of the severance pay policy the said amount remained unverified.

5. INCOME

Subsidiary record for income generated from the following outlets in field offices and Kabul was not provided to us for our verification, therefore the same remained unverified.

Description	A/c Code	Amount (USD)
MCH Farah (clinic)	410101	219

6. FUND MANAGEMENT

- 6.1 During the year under review we have observed that receivable/payables to donors are appearing in respect of various projects after a considerable lapse of project completion period. Detail as per **Annexure E**.

Suggestion:

Matter should be taken up with the donors to either receive or pay the Donor-wise projects receivable & payable balances or these should be adjusted against inter-project balances of the same donor.

- 6.2 Following amounts are receivable from different donors and field offices since the mentioned dates.

A/C code	Description	Amount \$	Outstanding since
220705	Reimbursable expense DEFOUND	95.42	2000
220705	Loan Receivable vocational Training	1,439.72	2000
220707	Reimbursable Expenses COAR NOVIB	291.91	2001
220708	Reimbursable Container Expense Feed the Children	2,301.13	2002
220714	Other Receivable Herat Field Office	492	2002

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Suggestion:

As the recovery of these amounts is doubtful, therefore, the amounts should either be written off or adjusted against the respective donors and field offices.

7. STOCK MANAGEMENT

Physical stock take are being carried out at field offices on monthly basis by the stock Manager and the figures are being reconciled with stock registers. The procedure represents a good control over stocks and stores. However, the physical stock count carried out by the concerned staff is not being documented and no report is sent to main office for record.

Suggestions

A physical stock take Performa should be designed for the documentation of stock take on monthly and quarterly basis. This document should present the reconciliation of physical stock and stock in books of accounts and specify the reasons for any deviation between the two figures. Moreover, a copy of this document should also be sent to main office for record to inventory section.

8. CASH MANAGEMENT

- 8.1 During the course of our audit we have examined that separate bank account for different donor funds receipts has not been maintained, as a result, donor-wise/project-wise availability of liquid resources cannot be ascertained.

Suggestion

With the expansion of CHA in the last two years it is required to implement proper donor-wise cash management to ascertain donor-wise liquid resources. In this respect separate donor-wise bank accounts if maintained will serve towards the purpose.

9. GENERAL

- 9.1 ✓ We have observed that employee's personal files have not been maintained properly in respect of employment contracts and documents specifying educational qualifications, resignation etc, as a result, we were unable to verify the contractual provisions of the employment contracts.
- 9.2 During our audit we have noted cuttings & overwriting on vouchers & field office cash books without the authorized personal initials/signatures.

Suggestion

Cutting & overwriting should duly be initialed/signed by the concerned staff to avoid any unauthorized entries.

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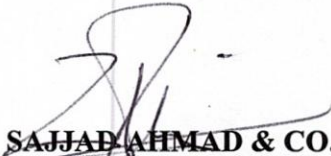
- 9.3 We have observed that most of the supporting documents attached with vouchers have not been properly arranged and referenced to the face of the voucher by specifying account codes.

Suggestion

Proper reference should be made on the supporting documents so that these can be easily identified.

At the end we wish to place on record our thanks and appreciation for the courtesy and cooperation extended to us during the course of our audit.

Yours Faithfully,



SAJJAD AHMAD & CO.
CHARTERED ACCOUNTANTS

Annexure A

A/c Code	Particulars	Previous balance	Fresh advances extended	Ref. #	Dated
220510	Adv to Juma Gul	5248.66	4000	KBU04083	20/4/03
-do-	-do-	9248.66	1200	KBU05037	14/5/03
-do-	-do-	11699.75	3000	KBU06043	25/6/03
-do-	-do-	7079.28	7000	KBA12039	12/16/03
220512	Adv to Shafiq	872	997	KBA03090	18/03/03
220533	Adv. To Mir Haidar	2,420.85	3,363.23	KBA01028	7/1/03
220533	Adv. Mir Haider	5,784.08	2000	KBU03049	16/3/2003
220542	Adv. Anisa	1824.13	2155.17	KBA01067	19/1/2003
-do-	-do-	2929.21	1208.98	KBR01064	23/01/03
220584	Adv Mujahed Ullah	9725.63	1077.58	KBA01066	16/1/2003
-do-	-do-	4394.5	20000	KBU03013	6/3/2003
-do-	-do-	24722.07	1830	KBU03044	12/3/2003
-do-	-do-	23856.07	1994.017	KBA03068	17/3/2003
220586	Adv.Nazifa Jalali Mof Log.Mem	2185.13	2500	KBU05001	1/5/2003
220586	Adv.Saifurahman Kbl Mof Log	4479.02	1024.17	KBA09157	25/9/2003
220587	Adv. Abdul Walid KBL Logistic Member	4553.77	4279.46	KBA12108	30/12/2003
-do-	-do-	8620.98	5000	KBU12081	31/12/2003

Signature

Annexure B

A/c code 220	Employee	Original currency	Outstanding balance	Outstanding since
101	Mr. Taj Mohammad	Rs.	18,240	25/01/02
104	Arman office	\$	17410.30	12/12/01
105	DHSA	Rs	396,254	01/01/00
108	Mr. Hamayun (DHSA)	Rs.	1,000	Before 1999
502	Mr. Aharary	\$	539	Before 1999
518	ACTED	Rs.	201,548	before 1999
521	Mr Basir Latifi	\$	212	01/01/00
529	Mr. A. Rahimi	Rs.	5,000	before 1999
536	Mr. Imtiaz	\$ Rs.	400 4,640	before 1999
538	Mr. Yousaf	Rs.	195,000	before 1999
546	NBSD office	\$ Rs	2,000 160,458.00	01/01/00
547	Mr. Abdul Wali	\$ Rs	2,419.00 5,060.00	01/01/00
550	Mr. Nabi Qadir	Rs.	12,000	01/01/00
552	Mr. Abdul Qadir	Rs.	15,420	before 1999
554	Mr. M. Qasim	Rs.	3,000	before 1999
556	Mr. Sadiq	Rs.	30,000	before 1999
563	Mr. Najeeb ullah	Rs.	21,365	before 1999
515	Mr. Nasir Rahimi	Rs	97,604	12/2002
533	Mr. mir Haider	Rs.	6,997	2000
531	IRFAN office	\$ Rs.	811 258,432	before 1999
543	Mr. Eng Abdul Haleem	\$	8,930	01/01/00
559	Mr. Wassi	Rs	3,200	Before 1999

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ANNEXURE C

Particulars	Date	Currency	Amount
KABUL MAIN OFFICE			
Salma	18/07/04	US \$	1,750
Dr. Fredoon	20/05/04	US \$	50
Commission	03/05/04	US \$	175
House rent	02/05/04	US \$	4,200
Malik Zamir	24/03/04	US \$	3,000
Salaries to various staff members	For the month of June	US \$	1,500
Salaries to various staff members	For the month of July		6,200
HERAT FIELD OFFICE			
Muhammad Ali	18/07/04	US \$	690
Muhammad Alam	15/07/04	US \$	200
Asmatullah	08/07/04	US \$	150
Muhammad (Shindand)	29/06/04	US \$	1,500
Tahir	15/07/04	US \$	750
TOTAL US\$			20,165
Tariq	20/07/04	AFGs	6,000
Haroon	20/07/04	AFG	20,000
Saeed	20/07/04	AFG	5,740
Ata Muhammad	20/07/04	AFG	90,000
Rita	19/07/04	AFG	7,000
Muhammad Ali	19/07/04	AFG	20,000
Muhammad Ali	18/07/04	AFG	17,000
Noor Ahmad	18/07/04	AFG	12,000
Muhammad Ali	17/07/04	AFG	10,000
Haroon	18/07/04	AFG	26,539
Muhammad Daud	15/07/04	AFG	8,000
Fazal	15/07/04	AFG	20,000
Sharif	11/07/04	AFG	2,000
Aziz	11/07/04	AFG	700
Fazal	11/07/04	AFG	6,906
Sayed Agha	11/07/04	AFG	33,900
Ata Muhammad	11/07/04	AFG	29,000
Abdul Muhammad	29/06/04	AFG	10,000
Hafiz	28/06/04	AFG	23,000
Zahir	28/06/04	AFG	11,249
Ata Muhammad	05/07/04	AFG	29,000
Khalil	16/06/04	AFG	5,000
Usman	15/06/04	AFG	25,818
Khudadad	14/06/04	AFG	5,000
Wali Muhammad	16/05/04	AFG	2,000
Syed Raz Muhammad	01/03/04	AFG	10,000
TOTAL AFG's			435,852

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Annexure D

Field office	Currency	Bal. as per AIS (C I)	Bal. as per Field office cash book (C II)	Difference (C I-C II)	Difference in balance
Qandhar	Rs	623,842	529,792	94,050	Opening
	Rs	64,995	64,545	450	Cl
Ghore	Rs	56,701	57,161.99	(461)	Op
	\$	22,233.12	22,263.124	(30)	Op
Farah	Rs	11,270.25	11,280.83	(10)	Op
	Rs	24,323.25	24,333.83	(10)	Cl
	Afg	2,378.70	2,491	(113)	Op
Herat	Afg	49358	? mil r thous		Op
	Rs	13889.21	133430	(119,541)	Op
	Rs	19,389.21	18,098	1,291	Cl
Shindand	\$	11,703.57	11,573.2560	130	Op
	\$	0	4,249.279 hrt not recd trnsd	(4,249)	Cl
	Afg	1702	0	1,720	Op
	Afg	0	16,715.868	(16,715)	Cl
Faryab	\$	14,441.25	14,435.26	6	Op
	\$	1,186	1,180	6	Cl

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Annexure E

Project name	Donor	Project code	Balance outstanding (receivable)/payable	Completion date
Miscellaneous projects	UNDP		(55)	1998
Relocation of education in Afghanistan	IOM	0069	281	December 2001
Priority section of the mass	IOM	105	(786)	June 16, 2002
Printing Production	IOM	00131	(10)	June 18, 2002
Capacity building	UNOCHA	0079	1,877	April 15, 2002
Relocation of IDP families to Shaki camp	UNOCHA		3,943	December 31, 2001
Shaki camp management	UNOCHA		7,549	July 01, 2002
Human right training project	UNOCHA	00115	(33,297)	Jan 01, 2003
SMI project Farah (1 st year)	UNICEF		(13,677)	December 31, 2002
Farah cold room	UNICEF		58	Before 1998
Sanitation	UNICEF		1,886	Before 1998
Carper weving	UNICEF		145	Before 1996
Food assistanc to Afghans	Care International	00068	(43,517)	July 31, 2001
Foodac distribution in Farah	Care International	00098	30,397	March 31, 2002
Food assistance to vulnerable families Ghore	DFID	00088	(818)	Jan 15, 2002
Emergency food assistance	DFID	00092	(35)	Dec 31, 2002
Rehabilitation in west Afghanistan	EU		(7,378)	Before 1999
Rural rehabilitation in Heart, Ghazni, Hazajat	EU		(6,893)	Before 1999
Construction related training to Afghans	IRC/GUP		3,150	?
Road rokaan	WFP		(570)	Before 1999
Foodac phase 1	WFP		1,200	Before 1999
Food assistance to valnerable families Ghore, Farah	WFP	00092	10,386	Dec 31, 2002
Rural rehabilitation for strengthen sustainable return	CRS	00130	1,195	July 31, 2003

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