New Consultancy and Relief Organization (NCRO)

Project: Provision of Solar Lights and Cooling Fans for IDPs (ERF/AFG/0473/050)

Funded by: UNOCHA

Audited Combined Delivery Report

For the Period From May 12, 2013 to October 12, 2013

Auditors:
Avais Hyder Liaquat Nauman;
Chartered Accountants

A Member Firm of RSM International

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Ref: AHLN/UNOCHA-Audit/ERF # 050

February 27, 2014

The UNOCHA Head of Office,
Kabul, Afghanistan

Subject: Transmittal Letter in respect of Audit of Combined Delivery Report of the Project: "Provision of Solar Lights and Cooling Fans for IDPs" - ERF/AFG/0473/050 for the period from May 12, 2013 to October 12, 2013

Sir,

With reference to the above subject, we are enclosing herewith the following documents:

1. Independent Auditor's Report on Combined Delivery Report
2. Audited Combined Delivery Report along with Annexure "A"
3. Final Financial Report of the Agency
4. Management Letter

Please don't hesitate to contact us in case of any query.

Thanking You.

Yours Truly,

Avais Hyder Liaquat Nauman
Chartered Accountants
AHLN

Avais Hyder Liaquat Nauman;
Chartered Accountants

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Auditor's Report To
The UNOCHA Head of Office

We have audited the accompanying Combined Delivery Report (here-in-after referred to as "CDR") of the Project: "Provision of Solar Lights and Cooling Fans for IDPs" - ERF/AFG/0473/050 (here-in-after referred to as "the Project"), funded by United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) and implemented by New Consultancy and Relief Organization (NCRO) (here-in-after referred to as "the Agency") for the period from May 12, 2013 to October 12, 2013.

It is the responsibility of the Project's management to establish and maintain a system of internal control, and prepare and present the CDR in conformity with cash receipts and disbursements basis of accounting as described in Note 2.2 to the CDR and as per UNOCHA accounting requirements. Our responsibility is to express an opinion on the CDR based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that, we plan and perform the audit to obtain reasonable assurance about whether the CDR is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the CDR. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the CDR. We believe our audit provides a reasonable basis for our opinion.

As described in Note 2.2 to the CDR, the CDR has been prepared on the cash receipts and disbursements basis of accounting which is a comprehensive basis of accounting other than the generally accepted accounting principles; and in conformity with UNOCHA accounting requirements.

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In our opinion, the CDR presents fairly, in all material respects, the cash expenditures of the Project amounting to USD 460,956/-, during the period from May 12, 2013 to October 12, 2013 in accordance with cash receipts and disbursements basis of accounting as described in Note 2.2 to the CDR and as per UNOCHA accounting requirements.

This report is intended solely for the information and use of UNOCHA.

Avais Hyder Liaquat Nauman;
Chartered Accountants

Muhammad Arif Saeed,
Engagement Partner

Kabul
Dated: February 27, 2014

New Consultancy and Relief Organization (NCRO)

Project: Provision of Solar Lights and Cooling Fans for IDPs (ERF/AFG/0473/050)

Combined Delivery Report

For the period from May 12, 2013 to October 12, 2013

	Note	USD
Opening balance		-
Receipts	3	368,755
Total available funds		368,755
Payments	4	460,956
Closing balance	5	(92,201)

AUDITOR'S REPORT ANNEXED

The annexed notes and annexure form an integral part of Combined Delivery Report.

Director

Finance Manager

New Consultancy and Relief Organization (NCRO)

Project: Provision of Solar Lights and Cooling Fans for IDPs (ERF/AFG/0473/050)

Notes to the Combined Delivery Report
For the period from May 12, 2013 to October 12, 2013

1 STATUS AND OPERATION

New Consultancy and Relief Organization (Here in after referred to as "NCRO") is a Non-Government and Non-profit Organization registered with Islamic Republic of Afghanistan Ministry of Economy NGOs Department bearing license # 2563. NCRO has its main office in Jalalabad Afghanistan.

OCHA is the part of the United Nations Secretariat responsible for bringing together humanitarian actors to ensure a coherent response to emergencies. OCHA also ensures there is a framework within which each actor can contribute to the overall response effort.
OCHA, being entrusted by its donors with certain resources, available under the Trust Fund for Disaster Relief (sub-account for Afghanistan Emergency Response Fund), entered into an agreement with NCRO in order to allocate the Resources for relief activities.

The overall goal of this project was to improved living condition of 410 IDPs (female headed household, widows, disabled and elderlies) by provision of solar powerd electricity, the project implemented by NCRO at Khas kunar, Sarkano, chauki districts of Kunar province.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

The Combined Delivery Report has been prepared under the historical cost convention and cash receipts and disbursements basis of accounting.

2.2 Basis of Accounting

The Combined Delivery Report has been prepared in accordance with 'receipts and disbursements basis of accounting', which is a comprehensive basis of accounting other than the generally accepted accounting principles. Under this basis revenue is recognized when received rather than when earned, and expenses are recognized when payments are made rather than when incurred.

2.3 Recognition Basis

The NCRO's policy is to recognize income and expenditure on cash receipts and payments basis, e.g., income is recognized when received rather than when earned, and expenditures are recognized when paid rather than when incurred.

2.4 Foreign Currency Conversion

Expenditure incurred in functional currency (i.e. Afghanis) has been converted into reporting currency (i.e. US Dollar) by applying the exchange rate prevailing on the date of transaction.

New Consultancy and Relief Organization (NCRO)

Project: Provision of Solar Lights and Cooling Fans for IDPs (ERF/AFG/0473/050)

Notes to the Combined Delivery Report

For the period from May 12, 2013 to October 12, 2013

		Annexure	USD
3 RECEIPTS			
First Installment	(26-05-2013)		368,755
			368,755
4 PAYMENTS			
Staff cost		A	54,100
Relief items		A	352,600
Operating cost		A	24,100
Administrative cost		A	30,156
			460,956

5 CLOSING BALANCE

This represents the remaining balance with UNOCHA / the Agency, to be reimbursed, subject to submission of audited Combined Delivery Report along with audit report.

Director

Finance Manager

New Consultancy and Relief Organization (NCRO)

Project: Provision of Solar Lights and Cooling Fans for IDPs (ERF/AFG/0473/050)

Budget Variance Analysis

For the period from May 12, 2013 to October 12, 2013

Item Description	Budget	Actual	Variance (Over)/Under	
	USD	USD	USD	% age
A. Staff (including allowances and perdiems/DSA)				
Logistic assistance	3,500	3,500	-	-
Field officer	8,000	8,000	-	-
Senior field officer	10,000	10,000	-	-
Community mobilizer	14,000	14,000	-	-
Drivers	4,000	4,000	-	-
Guard	5,000	5,000	-	-
Electrician	4,000	4,000	-	-
Monitor	5,600	5,600	-	-
Subtotal	**54,100**	**54,100**	-	-
B. Relief Items				
Solar panel 100 w, 5 A (pcs)	155,800	172,200	(16,400)	(10.53)
Battery 150 A (no)	90,200	94,300	(4,100)	(4.55)
DC Fan 12 V, 15 W, size 16 inch	20,500	14,350	6,150	30.00
LED lights DC 12 V, 5W (3 nos/family)	12,300	9,840	2,460	20.00
Battery wooden box (no)	8,200	10,250	(2,050)	(25.00)
Frame for solar panel (no)	20,500	12,300	8,200	40.00
Wires and Accessories	24,600	27,060	(2,460)	(10.00)
Charge controller (no)	20,500	12,300	8,200	40.00
Subtotal	**352,600**	**352,600**	-	-
C. Operating Cost				
Office running cost	4,000	4,000	-	-
Utilities	800	800	-	-
Communication (Internet , telephone)	600	600	-	-
Vehicle rental	10,000	10,000	-	-
Stationery	500	500	-	-
Transportation of material to project sites	8,200	8,200	-	-
Subtotal	**24,100**	**24,100**	-	-
Subtotal Direct Costs	**430,800**	**430,800**	-	-
D. Administrative cost (Max. 7% of Total Costs)	**30,156**	**30,156**	-	-
Grand Total	**460,956**	**460,956**	-	-

Director

New Consultancy & Relief Organization NCRO

Finance Manager

New Consultancy and Relief Organization (NCRO)

Project Name: Provision of Solar Lights and Cooling Fans for IDPs (ERF/AFG/0473/050)

Project Location: Kunar

Funded by: The UNITED NATIONS Office for the Coordination of Humanitarian Affairs (UNOCHA)

Final Financial Report

	Description	Number of units	Cost per unit (USD)	Duration	Time Unit	Amount Originally Approved by ERF (USD)	Expenditures	Outstanding balance
A	Staff Cost (including allowances and perdiems/DSA)							
1	Logistic assistance	1	700	5	Months	3,500	3,500	-
2	Field officer	2	800	5	Months	8,000	8,000	-
3	Senior field officer	2	1,000	5	Months	10,000	10,000	-
4	Community mobilizer	4	700	5	Months	14,000	14,000	-
5	Drivers	2	400	5	Months	4,000	4,000	-
6	Guard	4	250	5	Months	5,000	5,000	-
7	Electrician	2	500	4	Months	4,000	4,000	-
8	Monitor	2	700	4	Months	5,600	5,600	-
	Subtotal A					54,100	54,100	-
B	Relief Items							
1	Solar panel 100 w, 5 A (pcs)	820	190	1	Single payment	155,800	172,200	(16,400)
2	Battery 150 A (no)	410	220	1	Single payment	90,200	94,300	(4,100)
3	DC Fan 12 V, 15 W, size 16 inch	410	50	1	Single payment	20,500	14,350	6,150
4	LED lights DC 12 V, 5W (3 nos/family)	1,230	10	1	Single payment	12,300	9,840	2,460
5	Battery wooden box (no)	410	20	1	Single payment	8,200	10,250	(2,050)
6	Frame for solar panel (no)	410	50	1	Single payment	20,500	12,300	8,200
7	Wires and Accessories	410	60	1	Single payment	24,600	27,060	(2,460)

New Consultancy and Relief Organization (NCRO)

Project Name: Provision of Solar Lights and Cooling Fans for IDPs (ERF/AFG/0473/050)

Project Location: Kunar

Funded by: The UNITED NATIONS Office for the Coordination of Humanitarian Affairs (UNOCHA)

Final Financial Report

	Description	Number of units	Cost per unit (USD)	Duration	Time Unit	Amount Originally Approved by ERF (USD)	Expenditures	Outstanding balance
8	Charge controller (no)	410	50	1	Single payment	20,500	12,300	8,200
	Sub Total B					**352,600**	**352,600**	-
C	**Operating Cost**							
1	Office running cost	1	800	5	Months	4,000	4,000	-
2	Utilities	1	800	1	Single payment	800	800	-
3	Communication (Internet , telephone)	1	600	1	Single payment	600	600	-
4	Vehicle rental	2	1,000	5	Months	10,000	10,000	-
5	Stationery	1	100	5	Months	500	500	-
6	Transportation of material to project sites	410	20	1	Single payment	8,200	8,200	-
	Sub Total C					**24,100**	**24,100**	-
	Subtotal Direct Costs					**430,800**	**430,800**	-
D	**ADMINISTRATIVE COST (Maximum 7% of Total Costs)**					**30,156**	**30,156**	-
	Grand Total					**460,956**	**460,956**	-

Director

Finance Manager

New Consultancy and Relief Organization (NCRO)

Project: "Provision of Solar Lights and Cooling Fans for IDPs" (ERF/AFG/0473/050)

Funded by: UNOCHA

Management Letter

For the Period From May 12, 2013 to October 12, 2013

Auditors:
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Ref: AHLN/UNOCHA-Audit/ML/ERF#050

February 27, 2014

The Director
New Consultancy and Relief Organization (NCRO),
Jalalabad, Afghanistan

Subject: Management Letter in respect of Audit of Combined Delivery Report of the Project: "Provision of Solar Lights and Cooling Fans for IDPs" - ERF/AFG/0473/050 for the period from May 12, 2013 to October 12, 2013

Dear Sir,

In accordance with our firm's normal practice, we are reporting on certain matters, which arose during the course of the audit of the Combined Delivery Report of the Project: "Provision of Solar Lights and Cooling Fans for IDPs" - ERF/AFG/0473/050 (here-in-after referred to as "the Project"), funded by United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) and implemented by New Consultancy and Relief Organization (NCRO) (here-in-after referred to as "the Agency") for the period from May 12, 2013 to October 12, 2013.

Our review of the Agency's system of internal control is carried out to assist us in expressing an opinion on the Combined Delivery Report of the Project as a whole. This work is not primarily directed towards the discovery of weaknesses (other than those which influence us in forming that opinion) or the detection of frauds, and should not, therefore, be relied upon to show that no other weakness exists. Accordingly the comments, which follow, refer to only those matters which have come to our attention during the course of our normal audit work and do not attempt to include all possible improvements that a more exhaustive system review might develop.

We have divided this letter into three (03) sections which are:

A. Internal Controls
B. Compliance with Agreement Between UNOCHA and the Agency
C. Comments on Implementation of Recommendations Made in Previous Management Letter

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A. INTERNAL CONTROL

A-I EXPENDITURE:

1. ISSUE:

During verification we noted that no stamp of "PAID along with date and project number" or some other defacing mark was available on supporting documents.

CONSEQUENCE(S) / RISK(S):

It is an internal control weakness and may result in reuse of such supporting documents.

RECOMMENDATION(S):

After the payment has been made, stamp "PAID along with date and project number " or some other defacing mark on all documentation supporting the payment voucher to prevent its reuse.

MANAGEMENT RESPONSE:

We have noted the point and will consider it in the future.

A-II PROCUREMENT / CONTRACTING ACTIVITIES:

1. ISSUE:

As per Article 72 (1) of the Income Tax Law of Afghanistan "Persons who, without a business license or contrary to approved by- law, provide supplies, materials, construction and services under contract to government agencies, municipalities, state entities, private entities and other persons shall be subject to 7 percent fixed tax in lieu of income tax. This tax is withheld from the gross amount payable to the contractor".

As per Article 72 (2) of the Income Tax Law of Afghanistan "Persons who have a business license and provide the services and other activities mentioned in paragraph (1) of this Article to the specified entities shall be subject to 2 percent contractor tax. The tax levied by this paragraph is creditable against subsequent tax liabilities".

As per Article 72 (3) of the Income Tax Law of Afghanistan "The tax mentioned in paragraph (1) and (2) of this Article shall be withheld by the payer from payment and shall be transferred to the relevant account within ten days".

However, it was noted that no tax was deducted on payments made for following procurements:

Sr. #	Particulars	Supplier Name	Date of Payment	Vr. #	Amount (USD)	Tax deduction required (USD)	
						(2%)	(7%)
1.	Paid to Khalid solar power	Khalid Solar Power	06/06/2013	PV - 10	81,457	1,629.14	5,701.99
2.	Paid to Khalid solar power	Khalid Solar Power	27/06/2013	PV - 13	41,280	825.60	2,889.60
3.	Paid to Khalid solar power	Khalid Solar Power	14/07/2013	PV - 33	45,000	900.00	3,150.00
4.	Paid to Khalid solar power	Khalid Solar Power	03/08/2013	PV - 55	152,711	3,054.22	10,689.77
5.	Paid to Khalid solar power	Khalid Solar Power	10/12/2013	PV - 57	32,040	640.80	2,242.80
6.	Paid 2-car rent to SSCM	SSCM	5/6/2013	PV-04	1,308	26.16	91.56
7.	Paid 2-car rent to SSCM	SSCM	01/07/2013	PV-23	2,000	40.00	140.00
8.	Paid 2-car rent to SSCM	SSCM	01/08/2013	PV-32	2,000	40.00	140.00
9.	Paid 2-car rent to SSCM	SSCM	04/09/2013	PV-43	2,000	40.00	140.00
10.	Paid 2-car rent to SSCM	SSCM	30/09/2013	PV-51	2,000	40.00	140.00
11.	Paid 2-car rent to SSCM	SSCM	12/10/2013	PV-59	692	13.84	48.44
TOTAL						7,249.76	25,374.16

CONSEQUENCE(S) / RISK(S):

It is a non compliance of the provisions of Article 72(1), 72(2) and 72(3) of the Income Tax Law of Afghanistan.

RECOMMENDATION(S):

Above mentioned provisions of Article 72(1), 72(2) and 72(3) of the Income Tax Law of Afghanistan should be complied with.

MANAGEMENT RESPONSE:
We noted the point and will consider it in the future.

A-III ACCOUNTING RECORDS:

1. ISSUE:

It was noted that the Agency does not have practice of preparing pre-numbered payment vouchers. Instead vouchers are manually numbered at the time of preparation.

CONSEQUENCE(S) / RISK(S):

This practice shows weak controls over preparation of accounting records and increases risk of misappropriation of Project funds.

RECOMMENDATION(S):

Agency should ensure that all the payment vouchers that are generated to record payments, are pre-numbered.

MANAGEMENT RESPONSE:
We noted the point and will consider it in the future.

B. COMPLIANCE WITH AGREEMENT BETWEEN UNOCHA AND THE AGENCY

1. ISSUE:

As per Article VI(2) of Agreement between UN OCHA and the Agency, Agency should have provided and maintained all appropriate workmen's compensation insurance with respect to its Personnel to cover claims for personal injury or death in connection with the Agreement. But no insurance policy was obtained for personnel of the project.

CONSEQUENCE(S) / RISK(S):

It is a non compliance with above mentioned provisions of Article VI(2) of Agreement between UNOCHA and the Agency and donor may object such non compliance.

RECOMMENDATION(S):

All the provisions of the Agreement between UNOCHA and the Agency, including above mentioned provisions of Article VI(2) with respect to provision and maintenance of appropriate workmen's compensation insurance should be complied with.

MANAGEMENT RESPONSE:
There were no insurance companies available in the province to provide insurance to our staff. We will consider it in future.

2. ISSUE:

As per Article VI(3) of Agreement between UNOCHA and the Agency, the Agency was required to provide and maintain liability insurance in an adequate amount to cover third party claims for death or bodily injury, or loss or damage to the property, arising from or in connection with the provision of services under the Agreement. However, it was noted that no such liability insurance was provided and maintained by the Agency.

CONSEQUENCE(S) / RISK(S):

It is a non compliance with above mentioned provisions of Article VI(3) of Agreement between UNOCHA and the Agency and donor may object such non compliance.

RECOMMENDATION(S):

All the provisions of the Agreement between UNOCHA and the Agency, including above mentioned provisions of Article VI(3) with respect to provision and maintenance of liability insurance in an adequate amount to cover third party claims for death or bodily injury, or loss or damage to the property, arising from or in connection with the provision of services under the Agreement, should be complied with.

MANAGEMENT RESPONSE:

As we have mentioned in our contract with the supplier, it was responsibility of supplier to transport their material to the project site, after quality control the project staff has approved the receipt note. We considered it satisfactory for the Inventory Insurance.

C. COMMENTS ON IMPLEMENTATION OF RECOMMENDATIONS MADE IN PREVIOUS MANAGEMENT LETTER

This is first audit of the Project; therefore, no previous management letter was available

We would be pleased to provide further information or hold additional discussion on the matters mentioned in this letter should you so wish. We shall be glad if you inform us in due course what steps you decide to take in connection with the matters mentioned above.

In the end we would like to mention that we appreciate the best cooperation extended by the staff of the Agency.

Thanking you and assuring you our best professional services all the time.

Avais Hyder Liaquat Nauman;
Chartered Accountants

Muhammad Arif Saeed,
Engagement Partner

Avais Hyder Liaquat Nauman Chartered Accountants AHLN