



REQUEST FOR QUOTATION (RFQ)

Provision of Intergovernmental Audit Training for Afghan Gov Official at India

NAME & ADDRESS OF FIRM: _____ _____ _____	DATE: 06 th January , 2010 REFERENCE: AFG-ASGP-9600-2010
---------------------------------------------------------------	----------------------------------------------------------------------------------------------------------

Dear Sir / Madam:

You are kindly requested to submit your quotation for the Provision of Intergovernmental Audit Training for Afghan Gov Official at India.

Your quotation along with your training implementation plan should be submitted to UNDP ASGP before 13th January /2010, 16:00:00 hrs Kabul local time.

Item	Description of Goods/Services Required	QTY
1	Provision of Intergovernmental Audit Training for 15 Afghan Gov Official at India as per Annex A	2 Weeks

CONDITIONS

Description of Goods/Price Schedule	See Appendix A
General Terms and Conditions	See Appendix B
Concept note for the International study Tour for the Internal Auditors & other officials of IDLG to India	See Appendix C
Administrative requirements	Your quotations will be considered upon the provision with this RFQ the following, failure in providing the requested documents may constitute grounds for disqualification of the quotations: <ol style="list-style-type: none"> 1. Company's valid trade license 2. Fact sheet to indicate implementation of such trainings in the past.
Evaluation Criteria	<ol style="list-style-type: none"> 1. Completeness of Administrative documents 2. Technical Compliance 3. Price quotation

Performance Guarantee	Upon receipt of PO an amount of 5% total value of Contract should be provided by winning bidder in the form of Bank Guarantee, which will be refunded after completion of contract.	
Reception of the quotations	<p>Sealed envelopes to : United Nations Development Programme (UNDP) Procurement Unit ASGP Project</p> <p>Share Now – Haji Yaqoob Square, Charahi Shaeed Street 3rd block, Next to MTN Branch Office – Kabul , AFG</p> <p>RFQ # 9600/2010 Provision of Intergovernmental Audit Training for Afghan Government officials in India.</p> <p>Quote to be submitted in a sealed envelope marked clearly with Tender Reference /Tender Name/Closing Date or by Email to the following email address: bids.asgp.af@undp.org</p>	
TAX	Exclusive of all Local and National Taxes	
Submission Closing Date: Closing Time:	13 /January/2010 04.00PM (1600hrs) Kabul Time	
Details on any warranty/guarantee conditions	N/A	
Delivery Term (INCOTERMS 2000) & Place	■ Refer Annex A	
Partial Bids	Partial Bids are not permitted	
Payment Terms	Within 30 days after reception of the invoice & acceptance of Services by UNDP ASGP.	
Validity of Quotation	■ 60 DAYS	
Mode of Transport	<u>Please refer to Annex A</u>	
Delivery Time	In February 2010	
Language: All documentation, including installation and operating manuals shall be in:		
<input checked="" type="checkbox"/> English <input type="checkbox"/> French <input type="checkbox"/> Spanish <input type="checkbox"/> Others		

A: TOR of the Services.

Terms of Reference (TOR)

UNDP AFGHANISTAN

TERMS OF REFERENCE

INTERNATIONAL TRAINING AND STUDY PROGRAM ON INTERGOVERNMENTAL AUDIT SYSTEMS FOR AFGHAN GOVERNMENT OFFICIALS IN ORDER TO BUILD THEIR CAPACITY FOR BUILDING AND OPERATING AN INTERGOVERNMENTAL AUDIT SYSTEM IN AFGHANISTAN

Afghanistan Sub-national Governance Programme (ASGP)

UNDP Project Title:	Afghanistan Sub-national Governance Programme (ASGP)
Type of Service to be provided:	Provision of international training and study in intergovernmental Audit Systems
Location:	India
Duration:	Two-week (14 nights) international training and study tour to be organized through February 2010
Training Provider Responsibilities:	To organize a two-week international training and study tour (for 15 participants) in February 2010 at a public Audit institution in India that has a high degree of credibility and experience in designing, developing, conducting and evaluating required courses and suggesting follow up activities to transfer skills and knowledge to home environment

Background

The Afghanistan Sub-national Governance Programme (ASGP) of UNDP is playing a key role in developing capacity and systems to ensure effective implementation of the governance strategies outlined in the Afghan National Development Strategy and the Afghanistan Compact, and to meet the challenges identified for sub-national governance. The programme has three major components and one support component:

- i) Support to Central government agencies responsible for formulating and implementing sub-national governance policy and developing the legal, regulatory and institutional framework. This support is focused on developing awareness on the functions of the Central government, facilitating national dialogue on sub-national governance, and technical support to key ministries at Central level and to their sub national governing units in developing sub national governance policy and laws for Afghanistan those meets the aspirations of the people of Afghanistan.
- ii) Support to the government's public administration reform strategy to build institutional and administrative capacities in provincial and district administrations to manage basic service delivery through reforming organizational structures, streamlining management processes, developing essential skills and knowledge of civil servants and improving management of public service delivery.
- iii) Support for the development of representation and participation in sub-national governance by strengthening the capacity of provincial councils, supporting knowledge sharing and exchange among provincial councils and conducting awareness-raising and civic education campaigns to help citizens participate in conflict-sensitive governance.
- iv) Provide support on strengthening national capacities in programming, administrative management, financial management, systems design to enable GOA counterparts in transition to full national implementation of the programme within three years.

The programme has assisted the government in developing a comprehensive Sub-National Governance (SNG) Policy that is mandated by a presidential decree issued in May 2008. In this policy, a transparent, efficient and equitable intergovernmental fiscal transfer system is proposed to address the efficiency and equity challenges that exist in the current subnational planning and finance system. Under the policy, each concerned sectoral ministry will develop a formula to decide the allocations amongst provinces, which will

provide a budget envelop for provincial planning in that specific sector. (In Afghanistan, all revenues go to the central government, and provinces do not have revenues.) Developing the capacities of concerned sectoral ministries to design and implement sector-specific transfer formulae remains a big challenge for the implementation of the SNG Policy.

TRAINING DETAILS

Participants

Fifteen participants will be selected for the tour by the Independent Directorate of Local Governance (IDLG) , which has the mandate from the Government of Afghanistan to develop a comprehensive legal and regulatory framework for sub national governance in Afghanistan. As an apex organization IDLG seeks to strengthen its different work processes at all layers of sub national governance by way of institutionalizing the management audit, data audit and financial audit. The proposed India Tour for the IDLG officials will enhance the knowledge and competence of IDLG audit and related finance officials to full fill their public service responsibilities in more responsible and transparent way. Consequent to the study tour the audit department of IDLG will undertake structural changes for improved efficiency.

Participants would include staff from IDLG Audit Unit, Admin/Finance and Budget Unit and other concerned officials of IDLG, who will be heavily involved in the development and administration of an intergovernmental Audit system in Afghanistan.

The participants may not know English. Hence, ASGP will provide one translator and one coordinator. The training institution must consider this aspect so that adequate time is provided for translation and assimilation of the training inputs.

Training Objectives

The primary objective of the international training and study tour is to build the capacity in the concerned central authorities to design, develop and administer an intergovernmental audit system that will help improve the efficiency and equity in the use of public resources in Afghanistan.

Training Strategy

Program consists of two-week classroom training and field visits to concerned entities that regulate audit systems in India such as Audit Institutions, Finance Commission and Planning Commission. There will be fifteen participants in the tour including one translator and one coordinator.

At the end of the program, participants will have a considerable level of understanding of the generally accepted guidelines and criteria for a good intergovernmental audit system as well as theoretical and practical considerations in designing and operating such a system, have ideas to take back and apply in the design and operation of such a system in Afghanistan, and have a list of network partners, with whom they can keep in touch with for future interaction.

Key Outcomes Expected

1. A broad-based understanding of the theories, principles and criteria regarding the design of good intergovernmental audit systems.
2. Program participants from concerned central authorities equipped to design and administer an intergovernmental audit system.

Training Approach and Methodology

- Prepare a detailed training and study program in line with the objectives and areas of enquiry and strategy outlined above, in draft format for discussion, in course of time to be followed by a detailed (hour-to-hour) itinerary
- Include study visits to authorities governing audit systems in India such as Audit Entities, Finance Commission and Planning Commission, and discussions and exchanges with policy makers at these authorities.
- Class room training should constitute 60% of the time in the host country
- Manage and facilitate the procedures for obtaining visas for participants

- Ensure that English-speaking senior staff of the training institution accompanies the participants during the site visits
- Organize all in-country transport, meetings, accommodations, meals and other logistics

A suggested 14 day schedule for the training should be provided by the bidders as per below annex concept note.

Training Provider

The training provider will:

- Provide single accommodation (in four-star hotel or above) that is proximate to the training facility, and accessible to *Halal* food;
- Provide lunch for participants during the training and field visits;
- Provide transport to and from the airport and for study visits;
- Coordinate with the Sr.Budget Advisor working on sub national budgeting and finance in the ASGP on all aspects of the proposed training and study, procedures and support services;
- Facilitate processing of participants’ visas;
- Provide pre-departure briefing materials for participants. This will cover details of the training and study program, country brief, lodging, boarding and travel arrangements, and other pertinent information;
- Implement all required pre-training activities so as to ensure smooth conduct of the training program;
- Ensure that the training institution appoints a full-time Course Director at a senior level who will be responsible for the integrity, continuity, quality and relevance of the training contents, and taking care of the day-to-day concerns of course implementation;
- Ensure that the training institution appoints at least one Course Coordinator who will take care of the administrative support services;
- Ensure that the training institution evaluates participants’ performance throughout the training and adjusts the contents as required;
- Ensure that the training institution evaluates participants’ performance at the end of the training to measure the effectiveness of the methods, materials and sessions, the competence of the resource persons and the overall course management;
- Ensure that the training institution makes the program relevant to the realities with regard to sub national finance and audit systems in Afghanistan; and,
- Ensure that the training institution awards participants with certificates after they successfully complete all course requirements.

Client

The client will provide:

- Resume and copies of participants’ passports;
- Confirm the schedule with at least three-week lead-time; and,
- An ASGP translator-interpreter and an ASGP coordinator to assist participants during the course.

Summary

<p>Expected outcome and Expected indicators</p>	<p>Expected outcome: Capacity of internal audit unit staff and other IDLG concerned central authorities to design, develop and implement a formula-based intergovernmental audit systems.</p> <p>Outcome indicators, baseline and target:</p> <p>The outcome indicators are: Program participants from concerned Afghan central authorities fully equipped to design and implement audit systems as per the sub national governance policy.</p> <p>The baselines are: The capacity of concerned central authorities in Afghanistan to develop an efficient and equitable intergovernmental audit system at present is low.</p> <p>The target is building of capacity within concerned central authorities in Afghanistan to develop efficient and equitable intergovernmental audit systems.</p>
<p>Expected outputs and indicators</p>	<ol style="list-style-type: none"> 1. A considerable level of understanding of basic theories, principles and international practices concerning intergovernmental audit systems by relevant Afghan government officials. 2. The represented IDLG officials capable to plan assignment of expenditure responsibilities between the center and the provinces. 3. The concerned government authorities capable to develop and operate a

	formula-based audit system.
Implementing agency	The Independent Directorate of Local Governance (IDLG)
Implementing partners	ASGP/UNDP

Prince Schedule:

No	Descriptions	Amount in USD
Fixed Cost for Whole Programme		
Program Operations		
1.1	Faculty & Staff	\$ -
1.2	Supplies and Stationery	\$ -
1.3	Training Venue and Services	\$ -
1.4	Reception/Lunch/Refreshments	\$ -
Subtotal		\$ -
2.1	Program & Management Fee	\$ -
Subtotal		\$ -
Reimbursable Cost for Whole Programme		
3.1	Out Station Travel Expenses i.e Airfare..	\$ -
3.2	Hotel/Accommodation Expenses	\$ -
3.3	Others/Contingency	\$ -
Sub Total		\$ -
Grand Total		\$ -

Please confirm hereafter:

Name of the company: _____

Address of company: _____

Name of authorised Representative : _____

Phone number : _____

Email address : _____

Date and signature: _____

Please sign and stamp all pages

For any inquiry: Please write to procurement.asgp.af@undp.org

B: GENERAL TERMS AND CONDITIONS

- 1. GOODS AND SERVICES DEFINED:** Goods are hereinafter deemed to include, without limitation, equipment, spare parts, commodities, raw materials, components, intermediate products and products which the Supplier is required to supply under this Purchase Order. Services are hereinafter deemed to include services ancillary to the supply of the goods including, without limitation, installation, training, transportation and such other obligations as required under this Purchase Order.
- 2. ACCEPTANCE OF THE PURCHASE ORDER:** This Purchase Order may only be accepted by the Supplier's signing and returning an acknowledgement copy of it or by timely delivery of the goods in accordance with the terms of this Purchase Order, as herein specified. Acceptance of this Purchase Order shall effect a contract between the Parties under which the rights and obligations of the Parties shall be governed solely by the terms and conditions of this Purchase Order, including these General Conditions. No additional or inconsistent provisions proposed by the Supplier shall bind UNDP unless agreed to in writing by a duly authorized official of UNDP.
- 3. TAX EXEMPTION:** Section 7 of the Convention on the Privileges and Immunities of the United Nations provides, inter alia, that the United Nations, including its subsidiary organs, is exempt from all direct taxes, except charges for utilities services, and is exempt from customs duties and charges of a similar nature in respect of articles imported or exported for its official use. In the event any governmental authority refuses to recognize UNDP exemption from such taxes, duties or charges, the Supplier shall immediately consult with UNDP to determine a mutually acceptable procedure.
Accordingly, the Supplier authorizes UNDP to deduct from the Supplier's invoice any amount representing such taxes, duties or charges, unless the Supplier has consulted with UNDP before the payment thereof and UNDP has, in each instance, specifically authorized the Supplier to pay such taxes, duties or charges under protest. In that event, the Supplier shall provide UNDP with written evidence that payment of such taxes, duties or charges has been made and appropriately authorized.
- 4. TRADE TERMS:** Whenever an INCOTERM is used in this Order it shall be interpreted in accordance with the INCOTERMS 2000.
 - 5. EXPORT LICENSES:** Notwithstanding any INCOTERM 2000 used in this Purchase Order, the Supplier shall obtain any export license(s) required for the goods.
 - 6. PAYMENT:** Payment by UNDP does not imply acceptance of goods nor of any related work or services under this Order. UNDP shall, on fulfilment of the Delivery Terms, unless otherwise provided in this Purchase Order, make payment within 30 days of receipt of commercial invoice, proof of dispatch and other supporting documents specified in this Purchase Order. Payment against the invoice referred to above will reflect any discount shown under the payment terms of this Purchase Order, provided payment is made within the period required by such payment terms. Unless authorised by UNDP, the Supplier shall submit one invoice in respect of this Purchase Order, and such invoice must indicate the Purchase Order's identification number. The prices shown in this Purchase Order may not be increased except by express written agreement of UNDP.
 - 7. INSPECTION AND ACCEPTANCE:** All goods shall be subject to inspection and testing by UNDP or its designated representatives, to the extent practicable, at all times and places, including the period of manufacture and, in any event, prior to final acceptance by UNDP.
If any inspection or test is made on the premises of the Supplier or its supplier, the Supplier, without additional charge, shall provide all reasonable facilities and assistance for the safety and convenience of the inspectors in the performance of their duties. All inspection and tests on the premises of the Supplier or its supplier shall be performed in such a manner as not to unduly delay or disrupt the ordinary business activities of the Supplier. Final acceptance or rejection of the goods shall be made as soon as practicable after delivery, but failure to inspect and accept or reject goods shall neither relieve the Supplier from responsibility for non-conforming goods nor impose liabilities on UNDP therefore. The Supplier shall provide and maintain an inspection, quality, and manufacturing process control system covering the goods which is acceptable to UNDP. Records of all inspection work by the Supplier shall be kept complete and made available to be specified in this Order. Copies of all material certifications and test results are to be submitted to UNDP upon request.
 - 8. FITNESS OF GOODS INCLUDING PACKAGING:** Supplier warrants that the goods conform to the specifications and are fit for the purposes for which such goods are ordinarily used, as well as for purposes, in locations and under circumstances made known to the Supplier by UNDP. Supplier warrants that the goods are new, of current manufacture and free from defects in design, workmanship and materials. The Supplier also warrants that the goods are securely contained, packaged and marked, taking into consideration the mode(s) of shipment, in a manner so as to protect the goods during delivery to their ultimate destination. Unless specified otherwise in this Order, the Supplier warrants and certifies that it will repair or replace without expense to UNDP or its clients any goods or components which prove to be defective in design, material, or workmanship within a period of twelve (12) months from the date such goods are delivered to and accepted at the final destination indicated in the Purchase Order, or for eighteen (18) months after the date of shipment from the port or place of loading in the source country, whichever period concludes earlier.
 - 9. AFTER SALES SERVICE:** The Supplier shall maintain or provide a service organization reasonably constituted to handle requests from UNDP or its clients for technical assistance, maintenance, service, repairs and overhaul of the goods.
 - 10. INDEMNIFICATION:** The Supplier shall indemnify, hold and save harmless and defend at its own expense UNDP, its personnel and its clients from and against all suits, claims, demands, and liability of any nature or kind, including costs and expenses arising out of acts or omissions of the Supplier or its personnel or others responsible to the Supplier in the performance pursuant to this Order.
 - 11. INTELLECTUAL PROPERTY INFRINGEMENT:** The Supplier warrants that the use or supply by UNDP the goods sold under this Purchase Order does not infringe any patent, design, trade-name or trade-mark. In addition, the Supplier shall, pursuant to this warranty, indemnify, defend and hold UNDP and the United Nations harmless from any actions or claims brought against UNDP or the United Nations pertaining to the alleged infringement of a patent, design, trade-name or trade-mark arising in connection with the goods sold under this Purchase Order.
 - 12. FIRE AND EXTENDED COVERAGE INSURANCE:** At all times prior to delivery, the Supplier shall effect and maintain continuous fire, hazard and extended coverage insurance upon any goods subject to this Order in an amount equal to the sound insurable value of such goods and labour incorporated therein with loss payable to the Supplier and UNDP as their interests may appear.
 - 13. VARIATION IN QUANTITIES:** The quantities specified in this Order must not be exceeded or decreased without the prior written authorization of UNDP.
 - 14. CHANGES:** UNDP may at any time by written instruction make changes within the general scope of this Order. If any such change causes an increase or decrease in the price of or the time required for performance pursuant to this Order, an equitable adjustment shall be made in the order price, or delivery schedule, or both and the Order shall either be amended or terminated or reissued accordingly. Any claim for adjustment under this paragraph must be asserted within thirty (30) days from the date of receipt by the Supplier of the notification of change: providing, however, that UNDP may, at its sole discretion, receive and act upon any such claim asserted at any time prior to final payment under this Order. Failure to agree to any adjustments shall be a controversy within the meaning of Clause 23. However, nothing in this Clause shall excuse the Supplier from

proceeding with the Order as changed. No modification of or change in the terms of this Order shall be valid or enforceable against UNDP unless it is in writing and signed by a duly authorised representative of UNDP.

15. TERMINATION FOR CONVENIENCE: UNDP may terminate this Order, in whole or in part, upon notice to the Supplier. Upon receipt of notice of termination, the Supplier shall take immediate steps to bring the work and services to a close in a prompt and orderly manner, shall reduce expenses to a minimum and shall not undertake any forward commitment from the date of receipt of notice of termination. In the event of Termination for Convenience, no payment shall be due from UNDP to the Supplier except for work and services satisfactorily performed prior to termination, for expenses necessary for the prompt and orderly termination of the work and for the cost of such necessary work as UNDP may request the Supplier to complete. To the extent that the computation of such payment due from UNDP may not make the Supplier whole in respect of termination under this provision, the Supplier may claim an equitable adjustment in accordance with the procedures for equitable adjustment referred to in Clause 13 above.

16. REMEDIES FOR DEFAULT: In case of failure by the Supplier to perform according to this Order, including but not limited to failure to obtain necessary export licenses or to make delivery of all of the goods by the agreed delivery date, UNDP may, after giving the Supplier reasonable notice to perform and without prejudice to any other rights or remedies, exercise one or more of the following rights: (1) procure all or part of the goods from other sources, in which event UNDP may hold Supplier responsible for any excess costs occasioned thereby; (2) refuse to accept delivery of all or part of the goods; (3) terminate this Order; (4) require Supplier to ship via premium means, at Supplier's expense, to meet the delivery schedule; (5) impose liquidated damages.

17. LIQUIDATED DAMAGES FOR DELAY: Subject to Clause 18, if the Supplier fails to deliver any or all of the goods or perform any of the services within the time period specified in the Order, UNDP may, without prejudice to any other rights and remedies deduct from the total price stipulated in this Order an amount of five-tenths percent (0.5) percent per week of delay up to a maximum of ten (10) percent of the value of this Purchase Order.

18. FORCE MAJEURE: Notwithstanding the provisions of Clauses 16 and 17, the Supplier shall not be liable for default or liquidated damages, if and to the extent that its failure to perform its obligations under this Order is the result of and event of Force Majeure. For purposes of this Order, Force Majeure is defined as an event beyond the control of the Supplier, not involving the Supplier's fault or negligence and not foreseeable and includes acts of God, natural disasters, war (whether or not declared) and other events of a similar nature or force.

19. SOURCE OF INSTRUCTION: The Supplier shall neither seek nor accept instructions from any authority external to UNDP in connection with the performance pursuant to this Order. The Supplier shall refrain from any action which may adversely affect UNDP.

20. OFFICIALS NOT TO BENEFIT: The Supplier warrants that no official of UNDP has received or will be offered by the Supplier any direct or indirect benefit of any kind, or any gift, payment or other consideration in connection with or arising from this Order or the award thereof. The Supplier agrees that breach of this provision is a breach of an essential term of this Order.

21. USE OF NAME, EMBLEM OR OFFICIAL SEAL OF UNDP: Unless authorised in writing, the Supplier shall not advertise or otherwise make public the fact that it is performing, or has performed, services for UNDP or use the name (or any abbreviation thereof), emblem or official seal of UNDP for advertising or for any other purpose.

22. ASSIGNMENT AND INSOLVENCY: The Supplier shall not, except after obtaining the prior written approval of UNDP, assign, transfer, pledge or make other disposition of this Order or any part hereof or any of the Supplier's rights or obligations under this Order. Should the Supplier become insolvent or should control of the Supplier change by the virtue of insolvency, UNDP may, without prejudice to any other right or remedy, terminate this Order by giving the Supplier written notice of such termination.

23. SETTLEMENT OF DISPUTES:

• Amicable Settlement: The Parties shall use their best efforts to settle amicably any dispute, controversy or claim arising out of, or relating to this Purchase Order or the breach, termination or invalidity thereof. Where the Parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with the UNCITRAL Conciliation

Rules then obtaining, or according to such other procedure as may be agreed between the Parties. • Arbitration: Unless, any such dispute, controversy or claim between the Parties arising out of or relating to this Purchase

Order or the breach, termination or invalidity thereof is settled amicably under the preceding paragraph of this Section within sixty (60) days after receipt by one Party of the other Party's request for such amicable settlement, such dispute, controversy or claim shall be referred by either Party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining, including its provisions on applicable law. The arbitral tribunal shall have no authority to award punitive damages. The Parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy, claim or dispute.

24. PRIVILEGES AND IMMUNITIES: Nothing in or relating to this Order shall be deemed a waiver of any of the privileges and immunities of UNDP.

25. CHILD LABOUR: The Supplier represents and warrants that neither it nor any of its affiliates is engaged in a practice inconsistent with the rights set forth in the Convention on the Rights of the Child, including Article 32 thereof, which, inter alia, requires that a child shall be protected from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development. Any breach of this representation and warranty shall entitle UNDP to terminate this Purchase Order immediately upon notice to the Supplier, without any liability for termination charges or any other liability of any kind of UNDP.

26. MINES: The Supplier represents and warrants that neither it nor any of its affiliates is actively and directly engaged in patent activities, development, assembly, production, trade or manufacture of mines or in such activities in respect of components primarily utilised in the manufacture of Mines. The term "Mines" means those devices defined in Article 2, Paragraphs 1, 4 and

5 of Protocol II annexed to the Convention on Prohibitions and Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects of 1980. Any breach of this representation and warranty shall entitle UNDP to terminate this Purchase Order immediately upon notice to the Supplier, without any liability for termination charges or any other liability of any kind of UNDP.

4. GOODS AND SERVICES DEFINED: Goods are hereinafter deemed to include, without limitation, equipment, spare parts, commodities, raw materials, components, intermediate products and products which the Supplier is required to supply under this Purchase Order. Services are hereinafter deemed to include services ancillary to the supply of the goods including, without limitation, installation, training, transportation and such other obligations as required under this Purchase Order.

5. ACCEPTANCE OF THE PURCHASE ORDER: This Purchase Order may only be accepted by the Supplier's signing and returning an acknowledgement copy of it or by timely delivery of the goods in accordance with the terms of this Purchase Order, as herein specified. Acceptance of this Purchase Order shall effect a contract between the Parties under which the rights and obligations of the Parties shall be governed solely by the terms and conditions of this Purchase Order, including these General Conditions. No additional or inconsistent provisions proposed by the Supplier shall bind UNDP unless agreed to in writing by a duly authorized official of UNDP.

- 6. TAX EXEMPTION:** Section 7 of the Convention on the Privileges and Immunities of the United Nations provides, inter alia, that the United Nations, including its subsidiary organs, is exempt from all direct taxes, except charges for utilities services, and is exempt from customs duties and charges of a similar nature in respect of articles imported or exported for its official use. In the event any governmental authority refuses to recognize UNDP exemption from such taxes, duties or charges, the Supplier shall immediately consult with UNDP to determine a mutually acceptable procedure. Accordingly, the Supplier authorizes UNDP to deduct from the Supplier's invoice any amount representing such taxes, duties or charges, unless the Supplier has consulted with UNDP before the payment thereof and UNDP has, in each instance, specifically authorized the Supplier to pay such taxes, duties or charges under protest. In that event, the Supplier shall provide UNDP with written evidence that payment of such taxes, duties or charges has been made and appropriately authorized.
- 4. TRADE TERMS:** Whenever an INCOTERM is used in this Order it shall be interpreted in accordance with the INCOTERMS 2000.
- 5. EXPORT LICENSES:** Notwithstanding any INCOTERM 2000 used in this Purchase Order, the Supplier shall obtain any export license(s) required for the goods.
- 6. PAYMENT:** Payment by UNDP does not imply acceptance of goods nor of any related work or services under this Order. UNDP shall, on fulfilment of the Delivery Terms, unless otherwise provided in this Purchase Order, make payment within 30 days of receipt of commercial invoice, proof of dispatch and other supporting documents specified in this Purchase Order. Payment against the invoice referred to above will reflect any discount shown under the payment terms of this Purchase Order, provided payment is made within the period required by such payment terms. Unless authorised by UNDP, the Supplier shall submit one invoice in respect of this Purchase Order, and such invoice must indicate the Purchase Order's identification number. The prices shown in this Purchase Order may not be increased except by express written agreement of UNDP.
- 7. INSPECTION AND ACCEPTANCE:** All goods shall be subject to inspection and testing by UNDP or its designated representatives, to the extent practicable, at all times and places, including the period of manufacture and, in any event, prior to final acceptance by UNDP. If any inspection or test is made on the premises of the Supplier or its supplier, the Supplier, without additional charge, shall provide all reasonable facilities and assistance for the safety and convenience of the inspectors in the performance of their duties. All inspection and tests on the premises of the Supplier or its supplier shall be performed in such a manner as not to unduly delay or disrupt the ordinary business activities of the Supplier. Final acceptance or rejection of the goods shall be made as soon as practicable after delivery, but failure to inspect and accept or reject goods shall neither relieve the Supplier from responsibility for non-conforming goods nor impose liabilities on UNDP therefore. The Supplier shall provide and maintain an inspection, quality, and manufacturing process control system covering the goods which is acceptable to UNDP. Records of all inspection work by the Supplier shall be kept complete and made available to be specified in this Order. Copies of all material certifications and test results are to be submitted to UNDP upon request.
- 8. FITNESS OF GOODS INCLUDING PACKAGING:** Supplier warrants that the goods conform to the specifications and are fit for the purposes for which such goods are ordinarily used, as well as for purposes, in locations and under circumstances made known to the Supplier by UNDP. Supplier warrants that the goods are new, of current manufacture and free from defects in design, workmanship and materials. The Supplier also warrants that the goods are securely contained, packaged and marked, taking into consideration the mode(s) of shipment, in a manner so as to protect the goods during delivery to their ultimate destination. Unless specified otherwise in this Order, the Supplier warrants and certifies that it will repair or replace without expense to UNDP or its clients any goods or components which prove to be defective in design, material, or workmanship within a period of twelve (12) months from the date such goods are delivered to and accepted at the final destination indicated in the Purchase Order, or for eighteen (18) months after the date of shipment from the port or place of loading in the source country, whichever period concludes earlier.
- 9. AFTER SALES SERVICE:** The Supplier shall maintain or provide a service organization reasonably constituted to handle requests from UNDP or its clients for technical assistance, maintenance, service, repairs and overhaul of the goods.
- 10. INDEMNIFICATION:** The Supplier shall indemnify, hold and save harmless and defend at its own expense UNDP, its personnel and its clients from and against all suits, claims, demands, and liability of any nature or kind, including costs and expenses arising out of acts or omissions of the Supplier or its personnel or others responsible to the Supplier in the performance pursuant to this Order.
- 11. INTELLECTUAL PROPERTY INFRINGEMENT:** The Supplier warrants that the use or supply by UNDP the goods sold under this Purchase Order does not infringe any patent, design, trade-name or trade-mark. In addition, the Supplier shall, pursuant to this warranty, indemnify, defend and hold UNDP and the United Nations harmless from any actions or claims brought against UNDP or the United Nations pertaining to the alleged infringement of a patent, design, trade-name or trade-mark arising in connection with the goods sold under this Purchase Order.
- 12. FIRE AND EXTENDED COVERAGE INSURANCE:** At all times prior to delivery, the Supplier shall effect and maintain continuous fire, hazard and extended coverage insurance upon any goods subject to this Order in an amount equal to the sound insurable value of such goods and labour incorporated therein with loss payable to the Supplier and UNDP as their interests may appear.
- 13. VARIATION IN QUANTITIES:** The quantities specified in this Order must not be exceeded or decreased without the prior written authorization of UNDP.
- 14. CHANGES:** UNDP may at any time by written instruction make changes within the general scope of this Order. If any such change causes an increase or decrease in the price of or the time required for performance pursuant to this Order, an equitable adjustment shall be made in the order price, or delivery schedule, or both and the Order shall either be amended or terminated or reissued accordingly. Any claim for adjustment under this paragraph must be asserted within thirty (30) days from the date of receipt by the Supplier of the notification of change: providing, however, that UNDP may, at its sole discretion, receive and act upon any such claim asserted at any time prior to final payment under this Order. Failure to agree to any adjustments shall be a controversy within the meaning of Clause 23. However, nothing in this Clause shall excuse the Supplier from proceeding with the Order as changed. No modification of or change in the terms of this Order shall be valid or enforceable against UNDP unless it is in writing and signed by a duly authorised representative of UNDP.
- 15. TERMINATION FOR CONVENIENCE:** UNDP may terminate this Order, in whole or in part, upon notice to the Supplier. Upon receipt of notice of termination, the Supplier shall take immediate steps to bring the work and services to a close in a prompt and orderly manner, shall reduce expenses to a minimum and shall not undertake any forward commitment from the date of receipt of notice of termination. In the event of Termination for Convenience, no payment shall be due from UNDP to the Supplier except for work and services satisfactorily performed prior to termination, for expenses necessary for the prompt and orderly termination of the work and for the cost of such necessary work as UNDP may request the Supplier to complete. To the extent that the computation of such payment due from UNDP may not make the Supplier whole in respect of termination under this provision, the Supplier may claim an equitable adjustment in accordance with the procedures for equitable adjustment referred to in Clause 13 above.
- 16. REMEDIES FOR DEFAULT:** In case of failure by the Supplier to perform according to this Order, including but not limited to failure to obtain necessary export licenses or to make delivery of all of the goods by the agreed delivery date, UNDP may, after giving the Supplier reasonable notice to perform and without prejudice to any other rights or remedies, exercise one or more of the following rights: (1) procure all or part of the

goods from other sources, in which event UNDP may hold Supplier responsible for any excess costs occasioned thereby; (2) refuse to accept delivery of all or part of the goods; (3) terminate this Order; (4) require Supplier to ship via premium means, at Supplier's expense, to meet the delivery schedule; (5) impose liquidated damages.

17. LIQUIDATED DAMAGES FOR DELAY: Subject to Clause 18, if the Supplier fails to deliver any or all of the goods or perform any of the services within the time period specified in the Order, UNDP may, without prejudice to any other rights and remedies deduct from the total price stipulated in this Order an amount of five-tenths percent (0.5) percent per week of delay up to a maximum of ten (10) percent of the value of this Purchase Order.

18. FORCE MAJEURE: Notwithstanding the provisions of Clauses 16 and 17, the Supplier shall not be liable for default or liquidated damages, if and to the extent that its failure to perform its obligations under this Order is the result of and event of Force Majeure. For purposes of this Order, Force Majeure is defined as an event beyond the control of the Supplier, not involving the Supplier's fault or negligence and not foreseeable and includes acts of God, natural disasters, war (whether or not declared) and other events of a similar nature or force.

19. SOURCE OF INSTRUCTION: The Supplier shall neither seek nor accept instructions from any authority external to UNDP in connection with the performance pursuant to this Order. The Supplier shall refrain from any action which may adversely affect UNDP.

20. OFFICIALS NOT TO BENEFIT: The Supplier warrants that no official of UNDP has received or will be offered by the Supplier any direct or indirect benefit of any kind, or any gift, payment or other consideration in connection with or arising from this Order or the award thereof. The Supplier agrees that breach of this provision is a breach of an essential term of this Order.

21. USE OF NAME, EMBLEM OR OFFICIAL SEAL OF UNDP: Unless authorised in writing, the Supplier shall not advertise or otherwise make public the fact that it is performing, or has performed, services for UNDP or use the name (or any abbreviation thereof), emblem or official seal of UNDP for advertising or for any other purpose.

22. ASSIGNMENT AND INSOLVENCY: The Supplier shall not, except after obtaining the prior written approval of UNDP, assign, transfer, pledge or make other disposition of this Order or any part hereof or any of the Supplier's rights or obligations under this Order. Should the Supplier become insolvent or should control of the Supplier change by the virtue of insolvency, UNDP may, without prejudice to any other right or remedy, terminate this Order by giving the Supplier written notice of such termination.

23. SETTLEMENT OF DISPUTES:

• Amicable Settlement: The Parties shall use their best efforts to settle amicably any dispute, controversy or claim arising out of, or relating to this Purchase Order or the breach, termination or invalidity thereof. Where the Parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with the UNCITRAL Conciliation

Rules then obtaining, or according to such other procedure as may be agreed between the Parties. • Arbitration: Unless, any such dispute, controversy or claim between the Parties arising out of or relating to this Purchase

Order or the breach, termination or invalidity thereof is settled amicably under the preceding paragraph of this Section within sixty (60) days after receipt by one Party of the other Party's request for such amicable settlement, such dispute, controversy or claim shall be referred by either Party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining, including its provisions on applicable law. The arbitral tribunal shall have no authority to award punitive damages. The Parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy, claim or dispute.

24. PRIVILEGES AND IMMUNITIES: Nothing in or relating to this Order shall be deemed a waiver of any of the privileges and immunities of UNDP.

25. CHILD LABOUR: The Supplier represents and warrants that neither it nor any of its affiliates is engaged in a practice inconsistent with the rights set forth in the Convention on the Rights of the Child, including Article 32 thereof, which, inter alia, requires that a child shall be protected from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development. Any breach of this representation and warranty shall entitle UNDP to terminate this Purchase Order immediately upon notice to the Supplier, without any liability for termination charges or any other liability of any kind of UNDP.

26. MINES: The Supplier represents and warrants that neither it nor any of its affiliates is actively and directly engaged in patent activities, development, assembly, production, trade or manufacture of mines or in such activities in respect of components primarily utilised in the manufacture of Mines. The term "Mines" means those devices defined in Article 2, Paragraphs 1, 4 and

5 of Protocol II annexed to the Convention on Prohibitions and Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects of 1980. Any breach of this representation and warranty shall entitle UNDP to terminate this Purchase Order immediately upon notice to the Supplier, without any liability for termination charges or any other liability of any kind of UNDP



**GOVERNMENT OF AFGHANISTAN
INDEPENDENT DIRECTORATE FOR LOCAL GOVERNANCE**

IDLG

**(Draft) Concept note for the International study Tour for the Internal
Auditors & other officials of IDLG to India**

UNDP-ASGP-IDLG

September, 2009

Table of content:	Page No.
1. Executive Summary.....	2---5
2. Background on ASGP-IDLG support.....	5---7
3. Mandate of Internal Audit in IDLG.....	7---8
4. Organizational Structure of IAD at IDLG.....	8---9
5. Objectives and Scope of Internal Audit at IDLG.....	9---13
6. Types of Internal Audit in IDLG.....	13---14
7. Methodology for Internal Audit at IDLG.....	14---16
8. External Audit System in Afghanistan.....	17---18
9. Transparency, Accountability and Delegation –IAD.....	18---19
10. Internal control framework in IAD.....	20---21
11. Status of Internal Audit Department at IDLG.....	21---22
12. Control Framework for IAD at IDLG.....	22---23
13. Internal Audit Department at Central Office of IDLG.....	24---25
14. Maintenance of audit compliance standards.....	25---26
15. Local Government structure & need for internal audit.....	26---28
16. Responsibilities under IAD.....	28--31
17. Auditing Standards.....	31---33
18. IAD for sub national governance.....	33--34
19. Terminology for auditing.....	34--35
20. Work plan framework for IAD-IDLG.....	36--37
21. Conclusion.....	37—39
22. Reference.....	39

1. Executive Summary:

ASGP initiated several steps during 2008 to stabilize the financial management practices including Internal Audit System at IDLG for its national and sub national governance units. These efforts have started showing incremental changes in the management of the financial and accounting transactions at the National and Sub national governance units of IDLG in more accountable and transparent manner. It is presumed that all the government officials deployed in 364 district governors' office, 157 municipal offices, 34 provincial governors' office and 34 provincial council offices will be exposed to the internal control especially through an effective internal audit system in place. There will be significant progress in the area of national budget planning and policy based budget formulation duly supported by an effective financial and management accounting process.

There is an approved Task Order dedicated to stabilize the internal audit system at IDLG, which seeks to initiate important steps to be taken to realize the stated objectives of context & purpose of setting up the Internal Audit System at IDLG. The following are the salient features under the task order signed between IDLG & ASGP:

- The main Objective of this task order is to support the Internal Audit Unit of IDLG in their programme of hiring experts for Audit Management.
- The aim of such hiring is to build the capacity of Audit Unit with expertise of external knowledge
- The objective of Internal Audit is to audit the offices of IDLG across the country & help administration have transparency and accountability in dealing with public services and spending money.
- For technical Support and monitoring , the IAU will work with ASGP advisors
- The ASGP support is limited to the building capacity of audit staff through transfer of external expert knowledge with the engagement of experts
- The key supervisory roles will however remain with the Head and Regional Directors of IDLG
- Deployment of identified key personnel & essential works being performed there under at national and sub national level.
- Continued oversight & supervision on performance of the audit cell & ASGP to be informed on every single issue.
- IDLG needs to inform to ASGP in writing , giving details on difficulty on performance requirements

- Becomes aware of circumstances that may increase the anticipated costs under this agreement and/or any task order.
- One of the important functions under the task order is to undertake a study cum exposure trip for all the key audit staff and other management staff of IDLG.

Owing to the similar work culture environment and fully functional audit system in India the proposed study tour is to coordinate the exposure through the office of Comptroller & Auditor General of India. ASGP aims to retrain over 85 audit staff during 2010 working at National/Sub National Offices of IDLG on systems and processes of audit management system and expenditure management governed by the laws of GoA. The financial reporting will significantly improve and features of integrated audit and financial management system will be introduced during 2010 in IDLG. The guidelines, handbooks and other instruments on Audit Management have been distributed in the operational entities at Sub National Governance level.

The internal audit department at IDLG will be able to provide independent structure under the guidelines of Control & Audit office, and in accordance with international auditing standards. All the staff members of audit department at IDLG will be trained and exposed to modern system of audit planning. The Internal Audit Department will be able to carry out quality audit in 34 provinces by the end of 2010. The expenditure management will be more transparent with better accountability of public resources. The proposed study tour will enhance the outcome of financial reforms in line with the existing rules and guidelines. This effort of international study tour will provide an enabling environment, improved scope and better usability of financial governance within IDLG. The performance indicators in the Public Financial Management system will improve significantly within IDLG owing to stabilizing a robust audit system. The financial management practices will deepen the link between the national budget and sector strategy of IDLG as outlined in the ANDS through a comprehensive internal audit mechanism. Programme budget will enhance the outturn in terms of outputs and outcomes thereby will enhance the service delivery, which will form a significant part of Internal Audit System. Overall 2010 would provide better stability to the Financial Governance system in Afghanistan and the proposed study tour will be very timely and purposeful.

2. Background on ASGP-IDLG support:

The Independent Directorate for Local Governance (IDLG) requires independent information on the performance of various activities, programs and projects carried out by the local bodies. This independent information is required for formulating appropriate and effective policies for the organization and implementation thereof in efficient and effective way. Further, the organization management needs to know whether and how the policies are implemented and deviation in its implementation if any. Given the size and scope of operations, the senior management cannot find that information by engaging themselves. Therefore, management requires the Internal Audit Department of IDLG, which is an independent appraisal function to provide reliable, accurate and timely information on the performance of various activities, programs and projects undertaken by the local bodies.

The Afghanistan Sub-national Governance Programme (ASGP) plays a key role in developing capacity and systems to ensure effective implementation of the governance strategies outlined in the Afghan National Development Strategy and the Afghanistan Compact addressing the

challenges identified for sub-national governance. The programme has three substantive objectives and one support objective:

- i) Support to central government agencies responsible for formulating and implementing sub-national governance policy and developing the legal and regulatory framework. This support will focus on developing awareness on the functions of the central government, facilitating national dialogue on sub-national governance, and technical support to key ministries.
- ii) Support to the government's public administration reform strategy to build institutional and administrative capacities in provincial and district administrations to manage basic service delivery through reforming organizational structures, streamlining management processes, developing essential skills and knowledge of civil servants and improving management of public service delivery.
- iii) Support for the advancement of representation and participation in sub-national governance by strengthening the capacity of provincial councils, supporting knowledge sharing and exchange among provincial councils and conducting awareness-raising and civic education campaigns to help citizens participate in conflict-sensitive governance.
- iv) Strengthening national capacities in programming, administrative management, financial management, systems design to enable GOA counterparts in transition to full national implementation of the programme within three years.

The new draft policy paper on sub national governance under consideration has also included a paragraph "On Performance Audit in Sub National Governance". Audit arrangement with regular oversight for management as well as policy / lawmakers is pivotal for effective and efficient management of public resources and to enhance transparency, accountability and good governance. This draft is, therefore, proposed to consider matters related to audit while finalizing the policy paper based on the exiting operational procedure in the audit system.

3. Mandate of Internal Audit in IDLG:

Since, there is no clear provision for the Internal Audit in prevailing Laws; the Internal Audit will be carried out by an executive decision from the Chief of the IDLG. Article 61 of the Public Finance and Expenditure Management (PFEM) Law states that the Ministry of Finance (MoF) shall establish an internal audit administration and appoint auditors to audit the financial and accounting affairs of all state administrations. . This article has been temporarily suspended. However, during the last two years, the Internal Audit Department of MOF has considerably enhanced the capabilities of its auditors by (a) recruiting freshly qualified graduates from the universities, (b) providing them four months of full day class room training in basic accounting and

auditing followed by examination and certification and (c) providing them intensive On-the-Job Training (OJT) in internal auditing under international audit experts.

As in other Ministries, the Internal Audits of IDLG will be carried out by the auditors of IDLG. However, it is felt that the present capacity of IA Department of IDLG is low and it will be advisable to request for technical support from MOF in order to enhance the capacity of the auditors of IDLG. This will help them to conduct audits in accordance with international standards.

In conclusion, the mandate for Internal Audit of all Provinces, Municipalities, Councils and other Local Bodies in Provinces will be issued by the Head of IDLG by an Executive Order to the Chief Audit Executive of the Internal Audit Department of IDLG and the Chief Audit Executive may delegate the authority and responsibilities for conducting internal audits to the Directors of Regional Audit Offices.

4. Organizational Structure of IAD at IDLG:

The Internal Audit Department in the IDLG at the central level will be headed by a Chief Audit Executive (Grade 1). There will be four or/and up to six Regional Audit Offices, headed by Regional Directors (Grade 2). Area of work will be allocated on the basis of both geographical as well as work load of the provinces. Each RAO will establish its audit wings and carry out the audit works in field level. The RAO will have adequate qualified Auditors and other staff required to implement the annual audit work plan approved by the IAD in IDLG. All the RAOs will be responsible to carry out internal audit of all local provinces, district councils, municipalities and villages under IDLG of the Government of Afghanistan and report to IAD. Whereas the Chief Audit Executive will be responsible for supervision, monitoring and reporting the works carried out by IAD of IDLG and its RAOs. Size of RAO, number of auditors and supporting staff will be determined and approved depending upon definite number of provinces, districts and municipalities to be covered by the Regional Audit Offices.

The Audit Cell in IDLG is created with a view to helping the center and provincial offices of local administration function effectively and efficiently and guide them through the administrative and financial processes that are required for service delivery. The Audit Cell neither is a fact-finding mechanism nor is a vigilance mechanisms but an advisory service within IDLG that guides offices in their financial discipline, procedure adoption, and budgetary prudence. It is an internal control mechanism or in broader sense, it an adjunct to an internal control mechanism at a higher level, a management tool to detect intentional and unintentional operational errors and suggest remedial measures.

However, it is important to note that internal control and audit are not necessarily stand-alone management tools; they can be effective only to the extent that accounting and governance systems operate. Internal control and audit functions should be established and aligned with broader governance reforms such as strategic planning, accounting, budgeting, medium-term expenditure framework, procurement, reporting, external audit, public debt, and asset management. The internal control and audit framework aims at improving financial and administrative management capacity by limiting fiscal behaviors that result in waste, misallocation, and corruption. While

common in both the public and the private sector, these financial management tools require wide implementation in the context of decentralization and delegation in local governance.

The Audit Cell dealing with Audit and Internal Controls thus enlightens the busy executive on operational issues and enables a transparent and accountable administrative environment within IDLG at center and provincial administrative units through periodical audit and guidance on conduct of office business. Thus, the Audit Cell functions as an independent directorate within the IDLG to ensure autonomy in their audit and guidance functions. Accordingly, the Audit Cell will have its own organization structure with support regional directorates across the country for administrative convenience.

Specific roles of IAU (Internal Audit Unit);

- Establishes Audit Directorate at National Office & also set up regional Directorates
- Appoints Audit teams for Regional Directors & facilitate carrying out regular audit provincial , District, & Municipal Offices as to ensuring the achievement of IDLG objectives and outcomes
- Assess reliability and integrity of information provided in project reports and the completeness of supporting documents provided in the project reports and completeness of supporting documents compiled audit observations are brought to the notice of DG IDLG
- Training & development of National Staff capacities through proper coaching, guidance and on the job training
- Audit comments redressal mechanism & process to track the deficiencies in systems & procedure
- Designing & introducing systems to get Audit Report Systems
- Consolidating all the reports received from different sub national entities
- Prepare & help National staff with an operational manual
- Suggests special training/capacity building for offices where grave operational mistakes have been identified.
- Exercise discretion to audit any office & audit any region
- Organize interregional audit seminars at any selected region for sharing information among regional directors
- Advise the Central audit office management about any suspected misconduct in operations or in project.
- The methodology suggests :
 1. Head of Audit Division for National Office, provincial Offices, Districts, Municipalities
 2. Team leader for 4 regions @ 2X4 = 8
 3. Auditors @3 per region = 3x4= 12
- IAU will work under the supervision of the Head of the Audit Unit, IDLG

Support from International Advisor & from the international exposure tour:

- Assist in setting up the systems & procedures to ensure all the outputs from the task orders are delivered.
- Ensure that lessons learnt from project management are recorded properly for the use of the unit and for the use of staff and the management for future utility and revision of approaches if required
- Build the capacity of the staff in Audit Directorate/ Internal Audit Unit of IDLG by involving experts recruited under this task order in coaching of the permanently recruited government staff for audit & involving in regular audit method of learning by doing and coach the staff in all aspects of audit and record management
- Ensure efficient delivery services within IAU office, by streamlining systems, procedure of audit, ensuring audit plans are prepared in accordance with standard guidelines, and conducting audits on time as per plans and schedules

The task order further elaborates on the Implementation procedure in detail & also on working pattern of Audit Cell. Any sizeable organization requires a functional Internal Audit Department (IAD) providing audit services. There will be a functional IAD within Independent Directorate for Local Governance (IDLG). As per the need assessed carefully, regional audit centers will be established under the IAD. IAD will be operating as per International standards for Professional Practices on Internal Auditing. Independency of the Department is a basic attribute in this regard. Chief of the IAD will be reporting to the head of the organization. The Department shall be free from any interference in determining its scope of work, implementing the audit work and reporting its findings.

Under the task order of ASGP there is provision of \$80,000 towards the international study tour and that is why based on the background of the proposed concept note a request for proposal has to be sought for from the appropriate agencies. The study tour will constitute of key officials of audit department and the topics during the exposure trip will cover all operational aspects for development of comparison matrix.

5. Objectives and Scope of Internal Audit at IDLG:

The main objective of the internal audit is to assist all wings of management in effective discharge of their responsibilities by providing them with reliable and independent information on the performance of the organization as a whole. The internal audit is mainly concerned with examination and evaluation of internal controls and quality of performance. This involves the review of activities, programs and projects to:

- ensure reliability and integrity of financial and operating information;
- ensure and report the compliance with those policies, plans, procedures, laws and regulations ,which could have significant impact on the operations of local governments;
- ensure means of safeguarding inventories and assets and verify the existence of such assets physically and in the ownership of the audited entities;
- review the activities and program to ascertain whether results are consistent with established objectives and goals and whether the activities or programs are being carried out as planned;

- Ensure that the operations and programs are being carried out in economic and efficient manner and to confirm the effectiveness of those programs in delivering the services to the public at large.

Key learning objectives from the study tour:

- Learning by experiential sharing, exchange of knowledge and contacts
- Align the workforce planning with vibrant audit processes
- Appreciate the link between the internal and the external audit management system
- Internal audit management competency development strategies & tools
- Setting up transparent internal audit performance management system
- Contributing towards comprehensive organizational development systems and processes
- Development of audit information data management and reporting mechanism.

6. Types of Internal Audit in IDLG:

These are the important audit types as per the international standards being practiced in Afghanistan will provide opportunity to develop a comparative matrix:

i. Financial Audit- Financial audit has main concern on the quality of accounting information and financial reporting. Financial audit include accounting of revenue and expenditure, reporting the state of affairs and the result of financial operation and other related issues. Adoption of national accounting and economic codes, record and report as per budget allocation and reconciliation with the bank and treasury records are main activities of normal accounting procedures. The audit, therefore, reviews the internal controls in place and its effectiveness in regard with preparation and presentation of financial statements.

ii. Compliance Audit- Public sector organizations are to be transparent in their activities and comply with legal procedure in their performance. Law, regulations, procedures and manuals are the guiding standards for organizations in their operation. What, why and how something has to be done, and by whom are the some of the questions which are to be answered by the legal framework of the country. Further the internal controls and procedures adopted by the organization are vital in better performance. Compliance audit in simple term is to confirm if those legal and internal control procedures are followed with. It evaluates how well the organization complies with and gives adherences to relevant policies, laws, directives, plans and procedure.

iii. Performance Audit- under the Performance audit, the auditor examines the extent to which government programs or activities have achieved expected performance. The performance audit will examine economy, efficiency and effectiveness in the operations of local government entities.

Since the main objective of internal audit is to review the internal control system and to support governance, internal audit work should be planned, executed, supervised and documented in order to determine priorities, establish and achieve objectives. Therefore, it will ensure the effective and efficient use of resources through examination, evaluation, and report on the adequacy and effectiveness of internal control system in place.

7. Methodology for Internal Audit at IDLG:

The Audit procedure will be in place which could guide auditors to complete all phases of audit-Planning, field work, reporting and follow-up as per international best practices. Adequate and effective supervision will be in place for planning and executing audit work, reporting its finding and follow up of the previous audit reports.

The Internal Audit Department in the Ministry of Finance has a good set up and practice on internal audit. It has already developed Audit Manuals, Tool Kits and some check lists, and these have been applied previously for conducting the audit as per acceptable international standards. The IAD/IDLG will use those Manuals (with relevant modifications) and the Tool Kits on internal audit of IDLG and the offices under its umbrella. The IAD/MoF will be requested to assist in establishing audit methodology and provide those tools and technical assistance to arrange class room and on-the-job training needed for further enhancement of professional internal audit in IDLG. However, the IDLG will arrange for required resources for the sustainable development of capacity building of the IAD.

8. External Audit System in Afghanistan:

Audit from the independent institution is a main pillar of public financial management. Control and Audit Office (CAO) is the authority to carry out external or final audit. The IDLG will provide all support and access including internal audit report to that authority so that a fruitful audit could be possible. A mechanism will also be in place to address the issues raised in the report of CAO.

Control and Audit Office of Afghanistan:

The Control and Audit Office of Afghanistan (CAO) is the Supreme Audit Institution of the Islamic Republic of Afghanistan and functions according to the Audit Law in force, from time to time. The Head of the CAO is Auditor General of Afghanistan. The Organization Chart of the Control and Audit Office is provided in

Functions of CAO:

The CAO discharges the audit and assurance function as enshrined in the Audit Law. The new Audit Law of the country is in process of getting legislated and will add new audit scope and coverage for the CAO. In general, CAO conducts the audit of accounts of Central Government, Provincial Governments, Local Authorities, other independent bodies, public enterprises, projects and programs financed and / or implemented by Government and other entities as contemplated in the law. The AG is required to attest the financial statements of the above referred bodies for which CAO has conducted audit.

External Aid:

Since Afghanistan lacks, sufficient financial / technical resources for funding its Government activities due to prolonged war and civil disturbances, the international community has been providing financial, technical, and managerial assistance to Afghanistan in support of its budget expenditures. The assistance is provided directly by various nations as well as through international agencies such as World Bank, Asian Development Bank, United Nations Development Program (UNDP), USAID, DANIDA, and various NGOs.

Forms of Aid:

The assistance provided by the international community takes any of the following forms:

- Grants and credits for financing specific projects such as infrastructure, community development, micro finance etc.
- Grants for providing budgetary support to Central Government, Provincial Governments, Local Authorities, and independent bodies.
- Grants for financing public expenditure.
- Grants for police related expenditure funded by UNDP under LOTFA.
- Grants for project executed through NGO's, Facilitating Partners or Implementing Partners.

9. Transparency, Accountability and Delegation -IAD:

The Independent Directorate for Local Governance (IDLG) has assumed the charge of strengthening administration of local Governance. The Local Administration at Provincial, Municipality and District level report to IDLG. Among other things, IDLG addresses issues of Fiscal decentralization relating to, budgetary processes, and financial arrangements underlying the central-provincial relationship in the country. Although there is no full decentralization in Afghanistan, with the current level of implementation of a decentralization program, the authority to plan projects, make decisions and manage public functions is delegated to provincial administration. Although the motivation behind decentralization is different in each country, the underlying concern for decentralization has always been to improve the quality of public services and the effectiveness of the public administration system. The Audit and Internal Control framework will ensure smooth functioning of local administration with fiscal discipline.

An internal control and audit framework is a set of organizational policies and procedures to ensure reliable record keeping, to safeguard assets, to promote operational efficiency, and to monitor adherence to policies and directives. The functional and broader definition of internal control and audit includes such actions as:

- Supervising management to ensure that they have an adequate level of funding to deliver services;
- Transaction compliance with legal frameworks; and consistent practices with stated policies, organizational objectives, internal work processes, and performance criteria.
- Internal control is about establishing a system where all actions are monitored proactively, irregularities are corrected, and deficiencies are reported to the top management.

According to the International Organization of Supreme Audit Institutions (INTOSAI), the lack of these internal controls may result in:

- unethical, uneconomic, inefficient, and ineffective operations;
- weak accountability links;
- unlawful actions; and
- Lack of safeguarding measures against waste, abuse, mismanagement, errors, fraud and irregularities.

Further, the contemporary definition of internal control includes a broader context, which not only refers to the traditional role of financial expenditure controls, but also provides management with the

capability to supervise service delivery effectiveness. Therefore, contemporary internal control is a management tool to ensure that an institution's leadership is

- functioning in accordance with stated policies and procedures;
- delivering services efficiently and effectively;
- protecting assets and properties from improper use;
- keeping timely and precise accounts; and
- Producing fiscal and non-fiscal information accurately.

The Sub-National Governance in Afghanistan needs such systems to be established at the beginning of the reform process and achieve the goals of audit and internal controls.

10. Internal control framework in IAD:

The goal of an internal control framework is to ensure that resources are managed properly and accountability is maintained. In this framework, the tools that management can employ range from *expenditure* controls to compliance checks, inventory controls, recordkeeping, reporting, and monitoring. However, a contemporary internal control framework is more than a set of traditional financial and compliance controls. It is based upon a system of management information, financial regulations; and administrative procedures for assessing such activities as: revenue collection, accounting, and procurement practices; policy and decision making processes; expenditure effectiveness; and human resource management. It suggests a variety of tools for ensuring that policies and procedures are compliant with the legal framework, as well as for ensuring effective and efficient service delivery.

Internal Control Processes

Audit looks at the performance of internal control processes. The Internal Control processes include a wide range of activities like approvals, verifications, and reviews of operating performance. These control activities can be organized as:

- ***Accounting controls*** that are aimed at covering the procedures and documentation concerned with safeguarding assets and the reliability of financial records. A strong internal control system with coherent *accounting checks* enables the accountants and managers to check for errors and misuse of public resources.
- ***Administrative controls*** that are applied in covering the procedures and records concerning the decision-making processes that lead employees to carry out authorized activities in achieving the organization's objectives. For example, physical check is an important administrative tool by which staff that are in charge of control processes undertake regular checks on the goods and removable items owned by the entity. Physical checks help to ensure that the organization's property is used appropriately. This also included procurement processes adopted for procurement of goods and services and any deviation from the standard procedure.
- ***Management controls*** that are used to cover all the plans, policies, procedures, and practices

needed employees to achieve the entity's objectives. In this context, for example, hierarchical checks provide a powerful tool to make sure that responsibilities are handled in accordance with policies and procedures. These controls help to build a bottom-to-top trust with functioning communication among managerial levels while it diminishes the opportunity for corruption and misuse. These controls answer the question: Who does what? And whether the person doing the things is procedurally and legally authorized to do that?

Examination and evaluation of compliance with these controls may be understood as Audit.

TOOLS FOR INTERNAL CONTROL:

Expenditure Controls; Ensuring sound and legally compliant decisions; Physical Controls and Accounting Checks; Keeping good track of records; Financial Reporting; Audits..

OUTPUTS

Guidance to Management; Improvement of Systems; Development of strategy; Minimized operational errors

OUTCOMES:

Reduced Corruption; Reduced Waste; Service delivery improved; Effective Management policies; Efficient Structures

11. Status of Internal Audit Department at IDLG:

Review the control system currently in place at IDLG suggested several functional and operational gaps related to audit planning and processes. A detailed analysis of what does and does not work within the existing administrative and financial (budgetary and accounting) processes would provide useful hints for the next steps. The systems in place in IDLG may not work unless it is reengineered. At the same time, we may not revise all the systems at once. Instead, we build on old systems and gradually phase-out non-working systems. In brief, some of the typical problems that we face are:

- (1) lack of clear objectives and organizational goals;
- (2) lack of, or ambiguous, legal framework governing the control structure;
- (3) lack of ethical integrity rules and professionalism;
- (4) pervasive individual misconducts;
- (5) high risk of fraud, misuse, and waste;
- (6) inefficient accounting and cash management;
- (7) lack of existing accountability systems, which lead to clutter and delay in major projects; and
- (8) Inertia and lack of motivation. Perceived risks and monitoring procedures also need to be included in the assessment.

12. Control Framework for IAD at IDLG:

Based on the weaknesses and strengths found within the preliminary analysis, an appropriate control framework needs to be designed. Improvising a proper structure is certainly challenging and requires advanced knowledge of financial management. However, IDLG can adopt a ready-made control

assessment design by making minor adjustments to the generally accepted internal control guidelines, which shall have a better appreciation consequent to the study tour. The internationally accepted guidelines provide a clear-cut framework consisting of five interrelated components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

Control environment, the foundation for all other components of internal control, provides discipline and structure. It incorporates ethical values, management's tone (willingness) and operating style, and the hierarchy of authority (the level of interaction among the managerial layers).

Risk assessment refers to the ability of an organization to address relevant risks in order to achieve stated objectives.

Control activities are the policies and procedures that help to ensure that management directives are performed properly. They include a wide range of activities like approvals, verifications, and reviews of operating performance. The information must be identified, captured, and communicated in a certain form that enables staff to perform their responsibilities on a timely basis. An effective communication stream with internal and external parties also is a key factor.

Monitoring is a way of assessing the quality of the system's performance over time. It requires that the flaws in internal control should be reported upward to the top management. This responsibility is partly addressed by the internal auditors. However, after decisions are made, the management must perform ongoing monitoring.

IDLG at the center can play a role in setting the standards of internal control and monitoring the implementation by provinces and districts. This achieves a certain level of standardization for local governments; and makes easier for external oversight to evaluate the effectiveness and efficiency of internal control systems.

13. Internal Audit Department at Central Office of IDLG:

The central office of the Audit Cell has specific functions. It plays the role of national audit policy maker for IDLG and keeps liaison with other partners in civil administration and with Ministry of Finance and Auditor General, Government of Afghanistan.

- a. It is a control office for all the Regional Directorates
- b. Drafts Audit Policy for IDLG
- c. Develop and coordinate the annual work plan of the Regions in consultation with the Regional Directors, and facilitate carrying out regular audit of provincial, District and Municipal offices as to ensuring the achievement of IDLG objectives and outcomes; assess reliability and integrity of information provided in project reports, and the completeness of supporting documents
- d. Receives Audit Reports from Regional Directors
- e. Consolidates all the reports and puts up for the DG IDLG for his perusal; Prepares and submits action plans for addressing weaknesses identified in through control systems and processes including those identified in audit reports;
- f. Train and develop national staff capacities through proper coaching, guidance and on the job training;

- g. Seeks rectification reports from Audited Offices
- h. Prepares guidelines on operational requirements
- i. Maintains records of Audit
- j. Suggests special training / Capacity building for offices where grave operational mistakes have been identified
- k. Has discretion to join any audit party of any region for any audit
- l. Conduct interregional audit seminars at any selected region for sharing information among regional directors
- m. Advise the Central audit office management about any suspected misconduct in operations, or in projects

Regional Directorates

Regional Directors head the designated regional offices covering a definite number of provincial and district offices. Audit teams in the regional office will support the regional directors in carrying out annual audit plans. In addition, a team of office staff will also support the regional directorates.

Functions of Regional Directorates

Regional Directorates are actual auditing offices. They have the responsibility of carrying audit as per audit calendar circulated by the central audit cell. Further, the Regional Audit Directorates:

- a. Design Regional Audit Plans
- b. Conduct the audit of the provinces and district offices through their audit teams
- c. Receive Audit Reports, Review the reports and send them to Central Office
- d. Receive feedback from central office and send them to the audited offices
- e. Monitor rectification of errors found during audit
- f. Organize capacity building programmes on audit for the provinces and districts
- g. Organize inter regional audit seminars with the support of central office
- h. Advise the audited offices on procedural lapses
- i. Report on severe errors in conduct of business by the audited offices for further probe from vigilance angle.
- j. Consolidate regional audit report and publish every year
- k. Classify and codify the common procedural and operational errors for the guidance of Provincial and District administration
- l. Capacity build regional audit parties on regular basis
- m. Preserve record of audited offices.
- n. Preserve copies of all rules regulations and office procedures for the purpose of use
- o. Conducts periodical meetings of audit teams

Audit Teams

Audit teams are group of audit specialists. The selected teams from the audit staff pool staff of IDLG who have specific bent of mind for audit and have been trained in conduct of audit, all the provincial, and district and municipal entities.

Functions of Audit Teams

Audit teams are the teams of experts actually conducting the audit of the selected offices.

- a. They are always on the move countrywide as per the specific defined job description
- b. They conduct audit of the specific number of offices as per the audit plan and audit calendar in the region

- c. Prepare comprehensive audit reports of the audited offices
- d. Send the report to the Regional Director, before proceeding to another office for the audit.
- e. Participate in the interregional audit conferences
- f. Follow up with audited offices on the audit paragraphs before next audit is conducted.

14. Maintenance of audit compliance standards:

Development of systems are into process to foster improvements in the application of internal control systems and in the maintenance of compliance standards; In consultation with the senior management, conduct analytical reviews and assess risk areas and work with provincial, district and municipal staff to minimize risk exposure levels;

- Advise IDLG management, provincial, district and municipal staff regarding control systems, assess their effectiveness and general operational compliance with IDLG rules, regulations and policies; assess work processes and office structures as to ensuring that tasks are carried out with maximum efficiency;
- Strengthen transparency and accountability in service delivery, programme management and carry out performance reviews to ensure targets are met; and make appropriate recommendations for improvement.
- Develop a follow-up system which will provide assurance that all audit recommendations, and the outcomes of performance and management review recommendations are complied with;
- Advise the Central audit office management about any suspected misconduct in operations, or in projects.
- Send Regular Reports to the Regional office on the audits conducted in the Region and seek opinions and guidance

15. Local Government structure & need for internal audit:

Offices of Provincial Governors, District Governors, Municipalities, Village Administrative units, Provincial Councils form part of local governance in Afghanistan. Afghanistan constitution recognizes existence of provincial governments with limited delegation of authority, and administers the country through predominant centralism.

The Independent Directorate for Local Governance (IDLG) is the apex organization under the administrative control of the president, and headed by a Director General, responsible to show policy, administrative, HR, finance, budgetary leadership to the local governance at all levels. IDLG is mandates to develop viable and vibrant local governance entities in the country that deliver services to the population. Putting in place modern management systems, developing capacity of the human and institutional resources, standardization of business processes, putting in place internal control mechanisms that guide the management etc are part of the leadership responsibility of IDLG. Audit is a part of effective administrative support to the busy executive. Thus IDLG will maintain an internal audit program as one means of providing the Audit support to the Director General IDLG and Provincial Governors (“IDLG”) and Senior Management (“Management”) with information to:

- (i) meet their duties for oversight responsibility;
- (ii) foster continuous improvement in efficiency and effectiveness of systems and processes; and,
- (iii) Safeguard assets.

The Audit program of local governance shall constitute at various levels:

1. Development of internal audit mechanisms at all levels of government under IDLG in accordance with the provisions of Audit and Control Office of Afghanistan (ACO)
2. Establishment of National level Audit Department at the center level
3. Capacity building audit institutions at all levels under IDLG
4. Enhance capacity of Human Resources at all levels through regular capacity building programmes
5. Coordinate with ACO for the audit responsibilities and
6. Associate with HR Department and Capacity building Unit to disseminate information on work procedures and decision making systems, and required checks and balances from audit point of view.

In accordance with the audit program, an Internal Audit Department (“Audit Cell”) will be established with a mission to provide independent, objective assurance and consulting services by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Through its Program, the objective of the Audit cell is to determine whether Management’s network of risk management and internal controls is effective to ensure that:

- (i) risks are appropriately identified and managed;
- (ii) interaction of the various governance groups occurs as needed;
- (iii) significant financial, managerial and operating information is accurate, reliable and timely;
- (iv) employees' conduct are in compliance with policies, applicable laws and regulations;
- (v) resources are acquired economically, used efficiently and adequately safeguarded;
- (vi) quality and continuous improvement are fostered; and,
- (vii) Significant regulatory issues are recognized and addressed appropriately.

16. Responsibilities under IAD:

The Audit Cell is responsible to the Director General IDLG to:

- (I) provide assessments on the adequacy and effectiveness of processes;
- (II) report significant process-related issues including recommendations for improvements, and information concerning their resolution;
- (III) provide information on the status of the program and the sufficiency of department resources; and,
- (IV) Coordinate with other control functions (i.e., risk management, security, and external audit).

In conducting its Program, the Chief Internal Auditor (The Director of the Audit Cell) has responsibility to:

- develop a flexible audit plan (“Plan”) using an appropriate risk-based methodology and submit the Plan to the DG IDLG for review and approval;
- incorporate any (i) risks or control concerns identified by Management and the Committee, and (ii) any requested special tasks or projects, into the Plan;
- maintain an audit staff with sufficient knowledge and professional certifications;
- evaluate and assess significant new or changing services, processes and operations coincident with their development, implementation, and/or expansion;
- issue Findings Reports to the DG IDLG and Management of the results of the Program;
- keep the IDLG informed of emerging trends and practices;
- maintain the IDLG’s *Statement of Policy pertaining to Dishonest or Fraudulent Activities* which provides a framework for administering the process in dealing with reported non compliance, dishonest and fraudulent behavior;
- consider the scope of the external auditors’ work for attaining appropriate audit coverage;
- maintain an appropriate professional development program to ensure staff meet the minimum training credit requirements;
- attend at, and participate in, various IDLG meetings as deemed appropriate;

Independence

To provide for its independence, the Audit Cell’s functional authority is conveyed by the DG IDLG while maintaining administrative coordination of its activities with the Deputy (Administration).

Fraudulent Activities

The Audit Cell shall be notified in all cases where the discovery of circumstances suggests a reasonable possibility that funds and/or physical assets have or are thought to have, been lost through defalcation or other security breaches.

Employees are responsible for notifying the Department of irregular circumstances. The Director, Audit Cell will ensure that the proper steps are taken, in accordance with the *Statement of Policy Pertaining to Dishonest or Fraudulent Activities Related to Funds or Property Owned by or in the Care of IDLG*.

The Audit Cell will perform sufficient tests to identify the weaknesses which permitted the irregularity and evaluate their potential impact on the IDLG activities. The Audit Cell will recommend improvements to correct these weaknesses and incorporate appropriate tests in future audits to detect the existence of similar weaknesses in other areas.

Errors and Irregularities

The Audit Cell conducts its reviews with an attitude of professional skepticism and neutrality as to Management’s good faith, recognizing that the application of internal auditing procedures may produce evidential matter including the possibility of errors or irregularities. However, the Department cannot be solely responsible for the detection and prevention of all errors and irregularities that may occur. All members of Management and staff share that responsibility in the execution of his/her duties

The Director, Audit Cell shall be notified at once if a Audit Cell staff member believes that a significant error or irregularity (“errors”) may exist in an area under review or any other area. Where

errors involve the conduct of Senior Executives, the Director, and Audit Cell will (i) consider the extent and implications of such errors and (ii) adopt the appropriate protocol under Section 4.2 herein including consultation with the President, as appropriate. Following further consideration and discussions with the President, if the matter has not been resolved to the satisfaction of the Director, it will be referred to the respective officers who will provide direction to the Director Audit cell

Authority

The Director, Audit Cell will have full and free access to the all IDLG offices. Through delegation by the director, internal audit staff is authorized to:

- (i) have unrestricted access to all functions, records, property and personnel;
- (ii) allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish the program; and,

Internal audit staff is not authorized to:

- perform any operational duties for the IDLG or its offices;
- initiate or approve accounting transactions external to the Department;
- direct the activities of non-Department employees except to the extent such employees have been assigned to assist the Department;

17. Auditing Standards

Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor that helps determine the extent of auditing steps and procedures that should be applied in the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI) have been suitably adapted with due consideration of the Constitution of Afghanistan , relevant Statutes and rules for the auditing standards for the Supreme Audit Institution of Afghanistan (SAI).

The auditing standards consist of four parts:

- (a) Basic postulates
- (b) General Standards
- (c) Field Standards
- (d) Reporting Standards **Basic Postulates**

The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and reports, particularly in cases where no specific standards apply.

The basic postulates are:

- (a) The SAI should comply with the INTOSAI auditing standards in all matters that are deemed material.
- (b) The SAI should apply its own judgments to the diverse situations that arise in the course of Government auditing.
- (c) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.
- (d) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process; Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.
- (e) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.
- (f) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.
- (g) The existence of an adequate system of internal control minimizes the risk of errors and irregularities.
- (h) Legislative enactment's would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.
- (i) All audit activities should be within the SAI's audit mandate.
- (j) SAIs should work towards improving techniques for auditing the validity of performance measures.
- (k) SAIs should avoid conflict of interest between the auditor and the entity under audit.

4. The following paragraphs elaborate on the above basic postulates for auditing standards.

The foregoing standard guidelines of Audit by the supreme audit authority of Afghanistan require that government ministries and bodies establish their own internal control mechanisms and internal audit systems. Accordingly, the Independent Directorate for Local Governance (IDLG) seeks to draft an internal audit policy for the sub-national governance and put in place systems and procedures to institutionalize audit policy within sub-national governance to ensure financial and accounting health, guarantee transparency and accountability in public expenditure, and help the administrator focus more on development administration.

18. IAD FOR SUB-NATIONAL GOVERNANCE

In accordance with the provisions in the policy statement, an Audit Cell in IDLG will be created with a view to helping the center and provincial offices of local administration function effectively and efficiently and guide them through the administrative and financial processes that are required for service delivery. The Audit Cell neither is a fact-finding mechanism nor is a vigilance mechanism but an advisory service within IDLG that guides offices in their financial discipline, procedure adoption, and budgetary prudence. It is an internal control mechanism or in broader sense, it is an adjunct to an internal control mechanism at a higher level, a management tool to detect intentional and unintentional operational errors and suggest remedial measures.

However, it is important to note that internal control and audit are not necessarily stand-alone management tools; they can be effective only to the extent that accounting and governance systems operate. Internal control and audit functions should be established and aligned with broader governance reforms such as strategic planning, accounting, budgeting, medium-term expenditure framework, procurement, reporting, external audit, public debt, and asset management.

The internal control and audit framework aims at improving financial and administrative management capacity by limiting fiscal behaviors that result in waste, misallocation, and corruption. While common in both the public and the private sector, these financial management tools require wide implementation in the context of decentralization and delegation in local governance.

The Audit Cell dealing with Audit and Internal Controls thus enlightens the busy executive on operational issues and enables a transparent and accountable administrative environment within IDLG at center and provincial administrative units through periodical audit and guidance on conduct of office business. Thus, the Audit Cell functions as an independent directorate within the IDLG to ensure autonomy in their audit and guidance functions. Accordingly, the Audit Cell will have its own organization structure with support regional directorates across the country for administrative convenience.

19. TERMINOLOGY OF AUDITING:

In order to be consistent in our application of auditing techniques, the use of audit programs, working papers, and that reports may be clearly understood, the following general auditing terms are defined.

However, there may be some variation peculiar to a specific office or situation

FOOTING The process of proving totals of vertical columns of figures.

CROSSFOOTING The proving of totals of figures appearing in horizontal rows.

VOUCHING
The process of establishing the accuracy and authenticity of entries in accounts, funds, or other records by examining such supporting evidence of the transactions as invoices, paid checks, and other original papers.

VOUCHER A term used to describe any document supporting a transaction.

TESTING
The selecting and examining of a representative sample from a large number of similar items.

ANALYZE	The process of identifying and classifying, for further study the debit and credit entries contained in a fund or ledger account. Funds or accounts are analyzed in order to ascertain the nature of all the elements compromising the balance.
CONFIRM	The process of proving the authenticity and accuracy of account balance by direct communication with the debtor, creditor, or other party to a transaction.
RECONCILE	To establish agreement between two sets of independently maintained, but related, records.
VERIFY	To prove the validity and accuracy of records, or to establish the existence and ownership of assets.
COMPARE	The process of observing the similarity or variations of particular items in financial statements from one period to the next. The term can also be used to mean ascertaining the agreement, or lack of agreement, between related documents such as a purchase order and an invoice.
RECEIPT	Acknowledgement of money or goods received by a person or office. It should contain the details/description of the transaction, serial number, date and signature of the recipient.
RECEIPTS	Money or goods received into budgets or into the inventory. While looking into budgets, you may come across terms like annual receipts, yearly receipts, anticipated receipts etc.
RECEIPTS LEDGER	It is a ledger where are receipts are posted and their receipt and dates, sources amounts are monitored.

20. Work plan framework for IAD-IDLG:

The outline of the study tour will be through development of a matrix and based on the key indicators that are applicable as per the standard procedure. A comparative detailed study shall be made during the study tour, however following points will be also observed during the exposure trip:

- Develop comparative audit systems between the two countries.
- Methodology for the risk based prioritization of audit work
- Impact assessment due to training, communication and other OD interventions
- Comparison of strategies for the national a, sub national and municipal audit system
- Identify measures for staff and process development mechanism
- People's strategies and staff management issues through systematic monitoring and evaluation
- Correlate and suggest measures on critical success factors (CSF) for improving the audit functions.

S.No	Work area	Action	Remarks
1.	Development of concept note on establishment of an Audit cell <ul style="list-style-type: none"> • <i>Work procedures</i> • <i>Guidelines to auditors</i> • <i>Auditing requirements</i> 		
2.	Drafting Organizational structure for audit cell <ul style="list-style-type: none"> • <i>Tashkeel(organ gram)</i> • <i>Regional establishments</i> • <i>Staff composition</i> 		
3.	Drafting job descriptions for auditors and other staff in the audit cell <ul style="list-style-type: none"> • <i>Details of jobs</i> • <i>Responsibilities</i> • <i>Qualifications</i> 		
4.	Orientation training on audit for the existing staff in the audit <ul style="list-style-type: none"> • <i>Concepts of audit</i> • <i>Audit procedures</i> • <i>Audit planning</i> • <i>Audit report writing</i> <i>Audit monitoring and planning (What, Why, When, Who, Where and How audit have been covered)</i>		
5.	Establishment of Audit cell with internal staff		
6.	Task order to hire experts for Audit		
7.	Audit work plan for the year		
8.	Capacity building of Audit cell		

21. Conclusion:

IDLG seeks to align its audit process in line with the five year strategic work plan and the budget cycle management for five years. The study of operational processes practiced at IDLG, needs improvement in order to bring it in line with the guidelines of MOF and international best practices .There is also the need to critically examine the expenditure management under operational and development budget within the available budget ceilings for 1387 under different cost elements and cost centers as over \$56.00 million would have been spent by the end of 1388.

The organizational and functional structure of different sub- entities of IDLG such as National Office, Provincial Governors Office, Provincial Councils' Office and District Governors' office,

including Municipalities call for urgent audit intervention. It is also pertinent to mention that outside these Governance units, the Municipal Audit procedure is in it is of great importance. The following areas of concern between India and Afghanistan needs to be seen during the study tour which should be further reflected in the implementation plan for streamlining the internal Audit System at IDLG.

- **Purpose for setting up of IAS at IDLG:** State the purpose of the Internal Audit Plan for IDLG and its Sub National Governance Units.
- **Scope:** Define the scope of the Internal Audit Plan and relate it to different ongoing activities and future planned Programmes of IDLG as per the strategic framework and ANDS priorities.
- **Process Overview:** The brief description of system overview on work flow of different financial and non financial operations within the IDLG set up at National and Sub National level.
- **Assign tasks:** Indicate the responsible departments, process name or title, system code, budget category, expenditure chart of details being practiced at the National and Sub National level that will be addressed through new IAS.
- **Review d indicate document References:** Provide the list of the references/ books /records that are examined within IDLG which formed the basis for “AS IS” study. List the types of forms, registers, documents and other such material information that are used in preparing the situation analysis document.
- **Need for Coordination:** List out the different performing departments at different layers of governance responsible for the Accounting and Finance functions within IDLG and available level of coordination. Indicate the types of MIS being generated for monitoring and control.
- **Explain available Internal Control mechanism:** Analyze and define the existing control and oversight mechanism in IDLG and reasons for setting up of a well defined IAS at IDLG.
- **Need statement for setting up the Internal Audit Subject:** In the light of above facts, identify the systems/processes that need to be audited. Indicate different guidelines, manuals, forms and reports that will be adopted at different layers of Governance at IDLG under the new IAS (Internal Audit System).
- **Roles and Responsibilities:** Define the roles and responsibilities for each unit and its key personnel at different levels of governance. Define the TOR and management issues for each department of IDLG that will oversee the Internal Audit work of IDLG
- **Method and procedure of Internal Audit:** Explain the Internal Audit Processes for each department and each governance units within IDLG.
- **Schedule:** Explain all activities and events associated with the Internal Audit. List all deliverables under IAS for all the units of IDLG and its periodicity -monthly, quarterly, half yearly or annual.
- **Evaluation technique:** Explain the strategy and metrics of measurement of key business performance areas of IDLG, consequent to operational zing the IAS.

IDLG has further identified many such indicators that will allow it to make a comprehensive implementation plan for streamlining the Internal Audit System at IDLG. ASGP through a

dedicated task order has been assisting and the study tour to India will contribute in a great learning experience.
