

Internal Control Framework of Strengthening Women’s Ability for New Productive Opportunities (SWAPNO)

Background

The purpose of this Internal Control Framework (ICF) for Strengthening Women’s Ability for Productive New Opportunities (SWAPNO) is to ensure that fund disbursement and expenditures of the project is done in an effective, efficient and transparent manner and in full compliance with GoB and UNDP rules and regulations for financial transaction. In order to ensure GoB and UNDP compliances, this Internal Control Framework of SWAPNO Project is developed in line with UNDP corporate Internal Control Framework and the National Execution (NEX) modalities of 2004.

This framework describes roles in Atlas and other control mechanisms for SWAPNO project, which includes various components of internal control, including planning, monitoring, communication, segregation of duties, individual authorities and accountabilities at different levels. The National Project Director (NPD) and the National Project Manager (NPM) of SWAPNO have the overall responsibility to ensure proper implementation and documentation of SWAPNO internal control procedures.

Rationale

SWAPNO has multi-facet financial control mechanisms, which are based on the ICF followed in REOPA and successful implementation experiences of REOPA Project. The draft SWAPNO -ICF is also updated in close coordination and collaboration with Poverty Reduction Cluster of the Country Office (CO) and considering the UNDP rules and regulations, in order to ensure UNDP’s transparency and accountability mandate. The mechanisms of ICF have also been included and described in the SWAPNO Operational Manual.

SWAPNO receives grants contributions specifically for poor women beneficiaries from the GoB, Corporate sector and UNDP -TRAC funds. The wage is transferred to beneficiary account through G2P digital modality, the operation cost is channelled through the UNDP Atlas system. Transfer of funds is done on the basis an action plan, developed in consultation with the National Government counterparts, entails how and when to transfer required grants to the “District SWAPNO Accounts” for ensuring timely payment of the women beneficiaries.

Based on the action plan and subsequent fund request from the District Managers, SWAPNO Project, through the UNDP system, issues Electronic Fund Transfer (EFT)/Demand Drafts of the amount agreed and transfer/deposit them initially in the District SWAPNO Accounts and subsequently transferred to beneficiary account.

Upon receiving demand drafts from the District Manger- SWAPNO, UP deposits them in the respective Bank account in accordance with the instructions stipulated in the SWAPNO Operational Manual (2014).

Controls

SWAPNO has established and put in place specific mechanisms to ensure the Internal Control Framework and its accountability once the funds reach the UP accounts. These mechanisms of different activities undertaken can be clustered under three broad categories:

1. Preventive controls that protect against risks before they happen;
2. Detective controls that identify risk incidences soon after they occur;
3. Certain controls that deter risks of non-compliance and misconduct.

SWAPNO staff as well as Project Management Unit (PMU), UP Chairman and UP Secretary, Standing Committees (SC) and other members' duties and accountabilities are described in the SWAPNO Operational Manual. Moreover, the Partner NGOs (PNGOs) who are not involved in handling any fund in the process, as per their Terms of References (TOR), will ensure that the UP spends in accordance with the instructions and maintains required books and records of all payments. They will also ensure community monitoring through Social Audit. In the interest of simplicity, this document describes only the roles of those who are considered the most significant from an internal control perspective.

An understanding of specific roles and responsibilities is essential to conceptualise the internal control framework described in this document.

1. Preventive Controls:

Since preventing incidents of wrongdoing is always preferable to having to correct them, an array of preventive controls has been put in place. This will relieve the onus of detective control, so that detection measures can largely focus on areas of relatively higher risk.

There is a bookkeeping and reporting system in place in SWAPNO to prevent financial risks and irregularities, particularly for crew wage disbursement and utilization of block grants. Union Parishads must maintain separate cashbooks for SWAPNO accounts, which are reflected in the UP mother cashbook. In support of the transactions recorded in cashbook, UP will keep all bills and vouchers of the project expenditure in a separate file. UP will also maintain quittance registers for public work, muster rolls of casual labour and register for project materials procured with SWAPNO funding.

Based on the record of all cashbooks and registers, UPs will furnish different reports as per prescribed formats incorporated in SWAPNO - Operational Manual (OM). The reporting formats have provisions for cross checking; a person prepares the report, which is approved by a higher positioned person, upon full satisfaction of correctness of information of the report. This cross checking mechanism helps to prevent risk of misuse and corruption of fund and project assets.

As per article 3.2 of SWAPNO OM, district account of the project is jointly operated by the Deputy Director Local Government (DDLG) and SWAPNO District Manager, while as per article 3.3 of the OM, all three accounts maintained at the UP is operated under joint signature.

Since the UP Secretaries maintain books and prepare reports on behalf of UP and SC, they will be given classroom training and hands-on coaching on bookkeeping and reporting by

SWAPNO. The knowledge and skills gained from the training will help secretaries to do bookkeeping and reporting properly. Besides, during the training session UP Secretaries will interact with each other, which creates peer pressure to improve performance for UP Secretaries who don't know how to do bookkeeping and reporting properly or are reluctant to do so. As there is standard bookkeeping and reporting system in place, auditing and spot checking can also be undertaken easily and objectively, to take corrective measures and foster self-driven preventive control.

The system of bookkeeping and reporting combined with training (including regular refresher training) and certain/detective controls like auditing and spot checking, will contribute to prevention of financial risks and irregularities.

Moreover, the Financial Monitoring Associates of SWAPNO project and the PNGO will ensure full compliance of the rules and regulations delineated in OM throughout the project period.

2. Detective Controls:

Surveillance mechanisms do exist in SWAPNO. Surveillance is both broad-sweeping taking in the whole spectrum of UPs and focused on trouble spots through 'management by exception'. From grassroots to headquarters level every responsible officer monitors financial transactions at regular intervals at different levels. When they identify any risk or irregularities, they will immediately bring it to the notice of concerned authority for taking corrective measure in order to ensure integrity of the financial system.

At UP level Secretary and Chairperson of SC will take stock of project accounts at regular intervals and reconcile the accounts through quarterly progress and financial reporting. The Scheme Implementation Committees (SICs) for block grants will prepare scheme implementation reports, including financial statements, which help to reconcile the accounts of block grants.

The PNGOs will crosscheck the passbooks of project accounts and reference them with bank ledgers on behalf of UPs at regular intervals. At first District Offices of SWAPNO together with PNGOs will take stock of status of project accounts of all UPs under their jurisdiction, then monitor UP project accounts regularly. Besides, SWAPNO District Managers (DMs), Financial Monitoring Associates (FMAs) and PNGOs will provide focused follow-up of UP project accounts with deficiencies identified against checklist.

3. Certain Controls:

In order to take stock of accounting practice in the field, Staff members from CO, Project staff with certain authority from SWAPNO project office, like NPM, Finance and Administrative Officer, Subject Matter Specialists as well as responsible deputed government officers from PMU, will carry out spot checks of project accounts in random selected UPs. Whenever they come across any irregularities, they will take corrective measures on the spot, involving Deputy Commissioner/Upazilla Nirbahi Officer/Bank Manager as required.

SWAPNO will also be subjected to the spot checks on operational compliance for projects selected by the senior management of the UNDP Country Office.

Audit of UP accounts is carried out within Local Governance Support Project (LGSP) through C/A firms contracted by LGD. LGD will facilitate that LGSP audit reports for Union Parishads covered by SWAPNO are shared with the project. Comptroller & Auditor General (C&AG) office of the Government also check UP accounts, but only one third of the UPs are normally covered by C&AG every year.

UNDP auditors (internal and external) will spot check randomly selected UPs during their general annual UNDP-Bangladesh audit.

For serious accounts negligence and non-compliance with project procedures, PMU will be involved to resolve problems through inter-departmental administrative action.

Segregation of Duties

There is a reasonable segregation of duties to minimise the risk of fraud and to promptly detect fraud.

At SWAPNO, the Project Manager has one Atlas Profile (i.e. one of general user, manager level 1, project manager) who will approve all e-requisition (unlimited amount). In addition, PM is also authorized for Non PO payment below US\$ 5,000.

At UNDP, staff members have also one Atlas profile, which is consistent with their role.

ACD and Programme Analysts of Resilience & Inclusive Growth (RIG) Cluster have Delegation of Authority (DOA) upto US \$ 30,000 for PO and Non PO payments (manager level 2). This practice is as per the UNDP Internal Control Framework and will enforce, through Atlas, the following segregation of duties:

- Staff who approves non Purchase Order (PO) payment vouchers (approving managers) cannot create non PO payment vouchers
- Staff who creates POs (buyers) cannot create E-requisitions and cannot approve POs (approving managers)

To ensure that unauthorised modifications of pending disbursements are detected, the Programme Analyst, Poverty Reduction Cluster, must review and approve the pending disbursements. Depending on the assessment of the risk of unauthorised disbursements, this review will include spot checks against supporting documentation. Any irregular case will be brought to the attention of UNDP Deputy County Director for his/her advice and action.

Demand Drafts and Electronic Fund Transfer are restricted to the UNDP Finance Unit and can only be approved by UNDP Senior Management.

PO Creation: Purchase Orders should be created the “Buyer” in Atlas. The Buyer should not create a PO in Atlas unless the UNDP rules and regulations have been followed in carrying out the relevant process and prior approval of the Programme Analyst, Poverty Reduction Cluster is given. Authorized persons from Operation unit will create a Buyer profile who will be responsible to raise the POs related to the payments of the women beneficiaries to be paid in Demand Drafts only after receiving the proper approval of the UNDP Senior Management. The Buyer will then be responsible to follow up on the raised

POs including ensuring the PO approval, dispatch, and clean up to ensure that the UNDP dash board is green in the cases related to SWAPNO project.

This will enhance SWAPNO delivery by expediting the processing time required to create the Demand Drafts as well as the quarterly payments of the PNGOs per year as per the signed contracts, which will reduce the interactions with the Procurement Unit staff to create/raise those specific POs and clear them at the end; as well as ensuring UNDP accountability by making one focal person responsible for SWAPNO POs which means relieving the Procurement Unit staff from those responsibilities.

At the UP level there is a reasonable segregation of duties to minimise the risk of fraud and to promptly detect fraud and as mentioned above, as per Article 3.3 of the SWAPNO Operational Manual, all SWAPNO accounts of the UP will be operated under joint signature – in case of the WCG wage account, the UP Chairman, the UP Secretary and the UP SC Chairperson; in case of the two block grant accounts, the Chairman and Secretary of respective UP with the most senior (aged) UP member acting as third signatory. This will create check and balance on unauthorized withdrawal. In addition, daily monitoring by PNGOs and SWAPNO District Managers and their interaction with the Women Crew Groups, Standing Committees and SICs gives another strong layer of reporting the proper use of funds and actual disbursement to the SWAPNO Project beneficiaries.

Sanctions and Rewards

It is beyond the jurisdiction of SWAPNO or UNDP to impose sanction/s upon UPs that are found to be involved in financial irregularities. Subject to the seriousness of the offence, PMU and LGD will have to initiate any kind of sanction. As a general rule, administrative action (including suspension of UP Secretaries and/or their salary, suspension of UP Chairmen followed by investigation, punishment transfer, etc.) will be preferred over legal action. Any kind of administrative action will be closely coordinated with District and Upazila administration. Care will be taken so that direct project beneficiaries – the WCG women and the UP community – do not suffer from any disciplinary action taken against a UP.

Well performing UPs will be upheld and publicised as role models for others to follow.

Amendment of the Framework

This framework is a live document and will be revised and amended from time to time as and when needed.

Summary of SWAPNO Financial Control Activities for funds deposited with UPs

Sl.	Control Activities	Frequency	Responsible	Category of Control
1	Financial Reporting	Quarterly	Bank	Preventive
2	Accounts Statement	Quarterly	UZP	Preventive
3	Progress Report including Financial Report	Quarterly	UP/SC	Preventive
4	Scheme Implementation Report	Once per block grant scheme	SIC	Preventive
5	Joint signatories of all UP accounts	Continuous	UP	Preventive
6	PNGO Report	Monthly & Quarterly	PNGO	Preventive
7	Accounts and Bookkeeping Training of UP Secretaries	As required	Project Staff (Training & M&E Specialists, Finance & Admin Officer, Financial Monitoring Associates) & peer trainers	Preventive
8	Hands-on coaching of UP Secretary, SC and SIC	Continuous	(DM and FMA)	Preventive
9	Monitoring of Project Accounts, Cashbooks, Passbooks and Registers	Continuous	DM/FMA	Detective
10	Spot checks of bank ledger and passbook of project accounts	Continuous	PNGO/UP	Detective
11	Focused follow-up of UP project accounts with identified deficiencies	Continuous	DM, FMA and PNGO	Detective
12	Spot check visits to random selected UPs	At least 12 visits in a year	SWAPNO (PM, UNDP CO Staff, F&A Officer and PMU)	Certain
13	Country Office spot checks on operational compliance	As decided by UNDP SM	Team nominated by DCD	Certain
14	Audit of UP Accounts by C&AG and LGSP	Once a year	GoB and PMU	Certain
15	Spot check of randomly selected UPs by UNDP Auditors	Once a year	UNDP	Certain

Key Functions of Financial Monitoring Associates

SWAPNO internal Financial Monitoring Associates (one per district) will have an overall responsibility for the total of control activities listed above. The field based Financial Monitoring Associates will work under the overall guidance of the National Project Manager and in close cooperation with SWAPNO senior officials, under the immediate supervision of the Finance & Admin Officer, with the following key functions:

- ❑ Implementation of operational strategies
- ❑ Management of approved project budgets at Union Parishad level
- ❑ Control of Union Parishad SWAPNO accounts and fund management
- ❑ Facilitation of knowledge building and knowledge sharing

More specifically, scope of work of Financial Monitoring Associates under their key functions will entail the following:

<p>1. Ensures implementation of operational strategies and adapts processes and procedures, focusing on achievement of the following results:</p> <ul style="list-style-type: none">❑ Full compliance with UNDP rules, regulations, and policies of financial activities, financial recording/reporting system and follow-up on audit recommendations.❑ Implementation of adequate and effective internal controls and proper functioning of a client-oriented financial resources management system.❑ Providing both project management and CO with an opinion on the functioning of the internal financial control framework of the project.
<p>2. Ensures the proper management of approved project budgets at Union Parishad level, focusing on achievement of the following results:</p> <ul style="list-style-type: none">❑ Implementation of the financial control mechanism for SWAPNO.❑ Recommendations on the systems and procedures being reviewed, reports on findings and recommendations and monitoring of implementation as per project management's response.❑ Reviews and reports on the accuracy, timeliness and relevance of the financial reports and other information that is provided by Unions and Upazilas for project management.❑ Assistance to Union Parishads in the preparation of cost estimates for block grant schemes, soliciting guidance from relevant subject matter Upazila officers as required.❑ Monitoring and control of expenditure status versus authorized spending limits of the block grant scheme cost estimates and surveillance of actual cost performance supported by vouchers.❑ Reviews or tasks pertaining to financial control requested by project management, CO or the donor.
<p>3. Ensures proper control of Union Parishad SWAPNO accounts and fund management, focusing on achievement of the following results:</p> <ul style="list-style-type: none">❑ Ensuring that a system is in place which makes certain that all major risks of irregularity are identified and analyzed.❑ Ensuring that SWAPNO fund management by the Union Parishad is fully in line with provisions of the SWAPNO Operational Manual and general accounting requirements of the Government of Bangladesh.❑ Ascertaining that bank interest accrued on SWAPNO accounts is properly accounted for and utilized/retained as stipulated by the donor.❑ Timely corrective actions on irregular accounting and improper fund utilization.❑ Documents and reports on significant findings and areas requiring action.
<p>4. Ensures facilitation of knowledge building and sharing, focusing on achievement of the following results:</p>

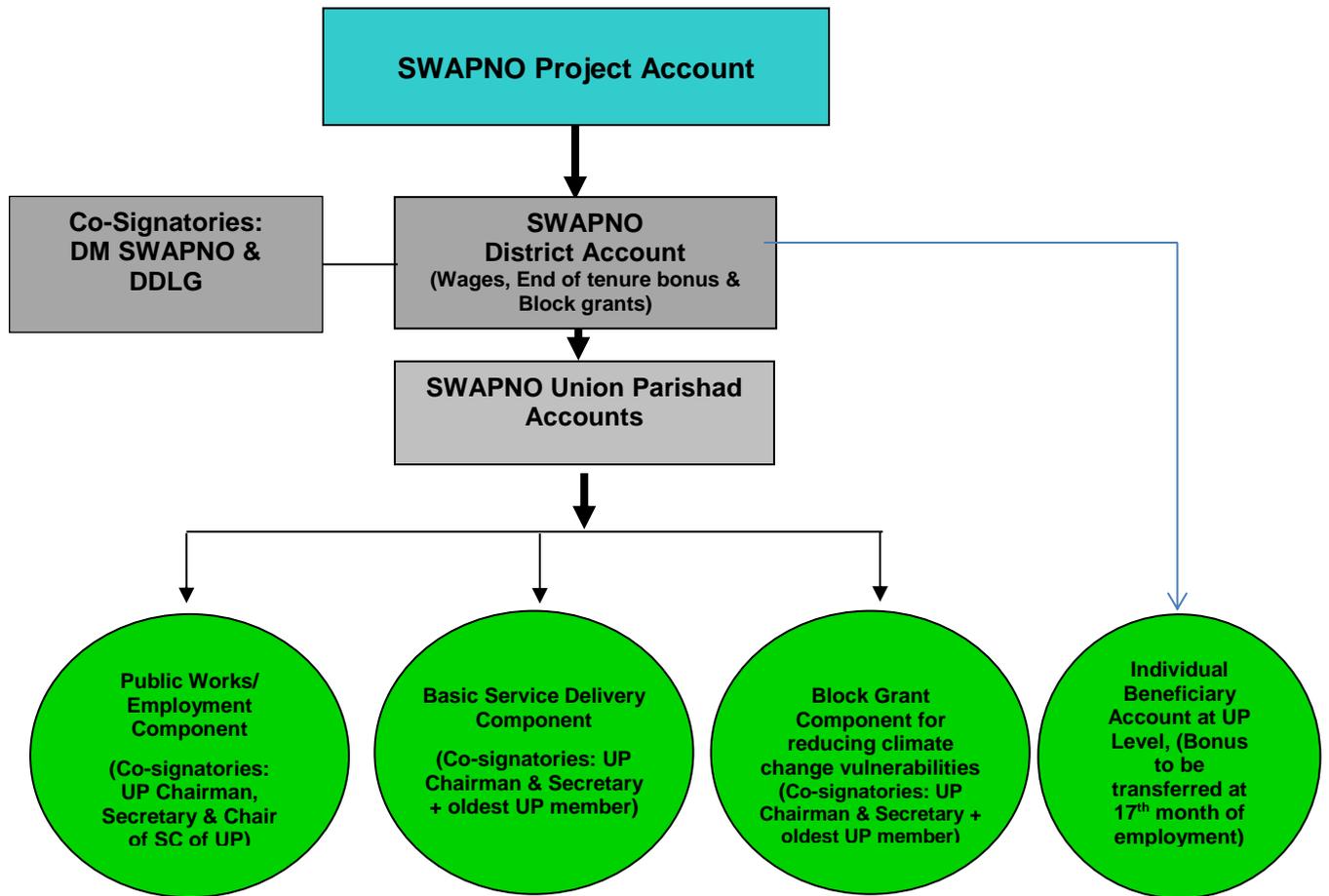
- ❑ Organization and conduct of accounts related training for UP Secretaries and other UP staff handling money, with emphasis on on-the-job coaching.
- ❑ Synthesis of lessons learned and best practices in fund management.
- ❑ Sound contributions to knowledge networks and communities of practice.

Summary of responsibilities at various levels

Levels	Tasks	Bank Account Operation	Remarks
Project (at Central/Dhaka level)	<ul style="list-style-type: none"> • Ensuring overall compliance of ICF and implementation of instructions stipulated in Operational Manual; • Operate NEX Bank Account 	<ul style="list-style-type: none"> • National Project Director (NPD) and National Project Manager (NPM); • Jointly by NPD and NPM 	
District	<ul style="list-style-type: none"> • District SWAPNO account operation and fund transfer to UP Accounts after receiving instruction from NPD 	<ul style="list-style-type: none"> • Jointly by DDLG of LGD and District Manager (DM) SWAPNO 	<ul style="list-style-type: none"> • Will be supported by SWAPNO Project Staff, DC, Upazila Chair, UNO and PNGO
UP Level 1. Public Works/ Employment Account 2. Block Grants for Basic Service Delivery	<ul style="list-style-type: none"> • Receive Demand Draft, deposit to the bank; • Issue cheque in favour of Women Beneficiary Group Leader for wage payment <ul style="list-style-type: none"> • Sign contract/s with Scheme Implementation Committee (SIC); • Release fund in accordance with the contract; • Supervise progress; • Keep Bills, Vouchers, Muster Roll, Stock Register 	<ul style="list-style-type: none"> • Jointly operated by the UP Chair, UP Secretary and Chairperson of SC <ul style="list-style-type: none"> • Jointly operated by the UP Chair, UP Secretary and the most senior Member of UP 	<ul style="list-style-type: none"> • Union Worker, Project Officer and Project Coordinator of PNGO to ensure compliance: payments, reports and progress; • Overall monitoring by FMA, DM, Specialists on visits; • Government Audit and UNDP Audit

Levels	Tasks	Bank Account Operation	Remarks
3. Block Grants for Reducing Climate Change Vulnerabilities	<ul style="list-style-type: none"> • Sign contract/s with Scheme Implementation Committee (SIC); • Release fund in accordance with the contract; • Supervise progress; • Keep Bills, Vouchers, Muster Roll, Stock Register 	<ul style="list-style-type: none"> • Jointly operated by the UP Chair, UP Secretary and the most senior Member of UP 	<ul style="list-style-type: none"> • Government Audit and UNDP Audit

FLOW OF FUNDS



RISK LOG of SWAPNO (for Financial Risk), with break-down of Risk Assessment and Management

Risk Description	Date Identified	Type	Impact & Probability	Countermeasures / Management response
Mismanagement of funds by UPs	Oct. 2013	Financial	<p>Breach of trust vis-à-vis poor project beneficiaries. Project will fail to attain optimum result. UNDP credibility in use of financial resources will suffer.</p> <p>Impact: 4 Probability: 2</p>	<p>Internal Control Framework including prevention, detection and deterrence instruments to be executed by a UNDP financial monitoring team. Three bank account signatories at UP. Awareness raising and empowerment of beneficiary women. Encouraging and protecting whistle blowers. Electronic payments directly to beneficiaries' accounts.</p>

Detailed specification of risks

Description	Impact	Probability	Consequences for UNDP as risk owner	Proposed countermeasures
Eligible women forced to pay UPs in order to be considered for Women Crew Group (WCG) selection	2	2	<ul style="list-style-type: none"> ▪ UNDP credibility will suffer ▪ Possible mistargeting, resulting in leakage 	<ul style="list-style-type: none"> ▪ Constant involvement and surveillance by PNGOs in the selection process
Advance withdrawal from the wage account with no or short payment to WCG women	4	2	<ul style="list-style-type: none"> ▪ SWAPNO will fail to attain optimum project result through leakage ▪ Breach of trust vis-à-vis poor project beneficiaries ▪ UNDP credibility in use of financial resources will suffer 	<ul style="list-style-type: none"> ▪ Three bank account signatories ▪ Vigilance in ensuring that WCG quittance registers are signed by WCG women when, and only when, they are paid, signing off for amount actually paid ▪ Frequent reconciliation of bank statements vis-à-vis quittance register ▪ Awareness raising and empowerment of WCG women ▪ Instructions to banks to allow withdrawal of maximum 14 days' wages for 36 women at a time
UPs involved in mischievous action to get kick-backs on wages paid to WCG women	2	2	<ul style="list-style-type: none"> ▪ Breach of trust vis-à-vis poor project beneficiaries ▪ SWAPNO will fail to attain optimum project result through leakage ▪ UNDP credibility will suffer 	<ul style="list-style-type: none"> ▪ Awareness raising and empowerment of WCG women ▪ Encouraging and protecting whistle blowers
Block grant funds are withdrawn, but not used for any scheme or used for ineligible unapproved scheme	3	2	<ul style="list-style-type: none"> ▪ SWAPNO will fail to attain optimum project result 	<ul style="list-style-type: none"> ▪ Three bank account signatories

Description	Impact	Probability	Consequences for UNDP as risk owner	Proposed countermeasures
			<ul style="list-style-type: none"> ▪ UNDP credibility in use of financial resources will suffer 	<ul style="list-style-type: none"> ▪ Instructions to banks to allow withdrawal of a maximum amount at a time, in accordance with Operational Manual provisions ▪ Frequent reconciliation of bank statements vis-à-vis UP cash book and scheme site inspection
Block grant funds used for appropriate schemes are used partly for kinds of expenditure not included in cost estimate or cash book cost entries do not correspond to actually incurred cost	1	5	<ul style="list-style-type: none"> ▪ Lack of transparency in UNDP cost reporting, with implications for future credibility ▪ SWAPNO will fail to attain optimum project result 	<ul style="list-style-type: none"> ▪ Assistance to UPs in preparing realistic cost estimates for block grant schemes ▪ Checking of cost vouchers during and right after scheme implementation
UP cash books and/or supporting registers not properly maintained by UP	2	2	<ul style="list-style-type: none"> ▪ SWAPNO will fail to attain project results related to LGI capacity strengthening ▪ UNDP credibility in use of financial resources will suffer 	<ul style="list-style-type: none"> ▪ SWAPNO to impart continuous on-the-job coaching of UP Secretaries, as well as classroom training as required ▪ Peer training of weaker UPs by outstanding UP Secretaries (best practitioners)