

ARCS MANAGEMENT RESPONSE TO SWEDISH SIDA INTERNAL CONTROL COMMISSIONED AUDIT

Please find below our review comment on the above report which importantly have noted the specific aspects of the existing accountability process and system with areas suggested for further improvement in the pursuit of the ongoing development process of our financial management and other programming management systems.

The report has been taken in good faith by us to the extent that much of the commentary remains valid. However we will like to note and register our concerns at some less than professional aspects in the manner in which the assignment was conducted:

1. The draft report was never shared nor discussed or clarified with any of the management team or our IFRC partner in Kabul by SIDA.
2. This has led to inaccurate information being entered when it could easily have been corrected, and which inevitably colours a true and fair view of the situation on ground: errors of fact mislead, and commentary on identifiable individuals, on the basis of hearsay that might be malicious, risks being defamatory.
3. We request that in the spirit of good partnership and collaboration that some of the indicated issues/points being misrepresented should be corrected or expunged. We will avail the auditor the opportunity of discussing the report with us if desired with a view to satisfy their view and opinion as most of the information reported were copied from the external audit report of 2012 which have changed position, following the actions put in progress by management for further action which would happen over time as we pursue the challenging capacity issues and technical known how peculiar in our context.

In this regard, we will like to bring your attention on the following:

- A) The number of volunteers according to updated data base is 23,000.
- B) The operational plans of 2011 and 2012 were implemented successfully to a level of about 90% and 92% respectively.
- C) Original agreements are all kept primarily in International Relation Department and with Section of Logistics and Legal Department as custodians of secondary copies. However copies of contracts could be made available to relevant departments based on need and approved request.
- D) Point on job description is noted. However, complete and detailed job descriptions of staff are filed with the HR Section as well as the relevant department where the duties and responsibilities of each employee and reporting line is indicated.
- E) Co-bank signatories exist for large account especially those that are drawn from Current Accounts Deposits, while routine and regular operations exercised on daily basis are categorized for single signatories depending on the level of authority of each person bestowed with single signing authority.

- F) ARCS has an approved procurement and financial manual with which levels of authorities and amounts clearly indicated. Moreover the steps for processing documents is obvious and identifiable in the control system. Therefore, all documents and vouchers are accordingly and completely processed with due process.
- G) As contained in the report, ARCS has no such position as USG for Programme Services and should be corrected.
- H) As regards suspicious cases there is direct contact between IFRC/ARCS/ICRC for example, bilateral and trilateral monitoring cooperation exist. Besides there is now in place a monthly security meetings where such issues are discussed among all the three components of the movement. However, IFRC does not engage in direct and micromanagement of the NS but does exercise supportive roles where and when deemed necessary at the instance of the NS. This is done with the concept of due respect to independence of the NS and the exercise of confidentiality.

However, validation of working advances transfer and returns whilst notifying the NS on issues or arrears of non-conformity to generally acceptable standards is key.

- I) ARCS has a quarterly financial reporting system which is prepared by Finance Department for discussion with SG. Although there has been gap in doing this for the last few quarters of 2013 due to the changeover of the Quick book financial software to Navision financial software being implemented, as well as having to deal with the arrears of the 2011 and 2013 audited financial statement.