

Appendix No. 1

Stage II Risk Assessment Report

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USAID AFGHANISTAN OFFICE OF FINANCIAL MANAGEMENT

Public Financial Management Risk Assessment Framework

GOVERNMENT OF THE ISLAMIC
REPUBLIC OF AFGHANISTAN
MINISTRY OF EDUCATION

STAGE II RISK ASSESSMENT
REPORT

January 28, 2013

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Background

Founded in 1747, Afghanistan has had a tumultuous existence. Rich with natural resources such as natural gas, petroleum, coal, copper, zinc, and iron, the country has all the necessary elements to jump start its economy. However, Afghanistan's economy has been plagued with instability, but is now recovering from decades of conflict. According to Public Expenditure Financial Accountability (PEFA) reports, the economy has improved significantly since the fall of the Taliban regime in 2001 largely because of the infusion of international assistance, the recovery of the agricultural sector, and service sector growth. While the international community remains committed to Afghanistan's development and has pledged significant resources, the Government of the Islamic Republic of Afghanistan (GIROA) will need to overcome a number of challenges, including low revenue collection, anemic job creation, and high levels of corruption, weak government capacity, and poor public infrastructure. According to a 2008 PEFA report, Afghanistan's public financial management (PFM) system achieved significant improvements between June 2005 and December 2007. However, capacity development in the line ministries needs strengthening. Compared with the progress in the Ministry of Finance (MoF), developments in most line ministries lag behind. For example, cash management and payment scheduling procedures in line ministries have not improved and the internal audit function does not meet recognized professional standards. While technical expertise in the line ministries has significantly improved in several areas, long-term fiscal planning remains uncertain.

In 2010, the Obama administration made a public strategic foreign-assistance decision announced at the January 2010 London conference and reaffirmed by Secretary of State Clinton and USAID Administrator Shah at the July 2010 Kabul conference, which committed the U.S. Government to provide at least 50 percent of U.S. Government assistance directly to GIROA, to be channeled through GIROA's core budget systems within two years (2012)¹. In June 2011, USAID/Afghanistan negotiated a scope of work with GIROA to undertake entity level risk assessments of GIROA line ministries. Contracts utilizing the negotiated scope of work were issued to Certified Public Accountant (CPA) firms to undertake the Ministerial engagements. The CPA firm finalized assessment report of the Ministry of Education (MoE) was issued in December 2011.

The United States is committed to improving the quality of its aid in order to maximize development in Afghanistan. U.S. military action in Afghanistan, including USAID's support of the USG counterinsurgency strategy is expected to come to an end around December 2014. USAID anticipates that FY 2015 will be the beginning of a transformational decade to a normal USAID longer-term development strategy. That transition to a more robust, traditional development strategy, will likely result in substantive changes in Government to Government (G2G) assistance.

The G2G commitment comes with the responsibility to ensure effective use of funds provided by U. S. taxpayers and appropriated by Congress, and the need to address fiduciary risk in the Partner Country PFM system being considered for direct G2G

¹ London Conference, January 2010 and the Kabul International Conference of Afghanistan, July 2010.

assistance. For that reason, the Agency developed the Public Financial Management Risk Assessment Framework (PFMRAF) Stage I Rapid Appraisal Assessment, the Democracy, Human Rights and Governance enhanced (DRG) review, and the PFMRAF Stage II Risk Assessment to enable it to meet that objective².

The PFMRAF is a multi-stage, risk-based methodology, through which USAID seeks to understand the fiduciary risk environment in targeted countries to inform decisions whether to use or to increase the use of partner country public financial management systems in delivering aid assistance. The enhanced DRG review, led by a USAID/W team, is undertaken prior to or in conjunction with the Mission-led Stage I Rapid Appraisal, and seeks to determine whether a G2G investment could empower a government at the expense of its people. Unless the macro-level Stage I Rapid Appraisal and enhanced DRG review determine that there is unacceptable or unmitigated country level fiduciary risk, political constraints, or other insurmountable barriers to the use of partner country systems, an in-depth PFMRAF Stage II risk assessment – which is an entity-level assessment – may be completed by the Mission. This Stage II assessment will establish the baseline level of Ministerial entity level risk corresponding to contemplated funding levels, and identify vulnerabilities of the partner country implementing entity. If the assessment reveals clear evidence of vulnerabilities to corruption and other high levels of control risks, and the partner country government fails to respond or agree to appropriate risk mitigation remedial measures, then the use of partner country systems must not be authorized.

USAID/Afghanistan has never conducted the macro-level enhanced DRG review and the PFMRAF Stage I assessment upon GIRoA as required under currently issued Agency Policy – ADS Chapter 220 issued in draft in August 2011 and substantially updated in March 2012. Given the history of G2G assistance in Afghanistan, this situation is understandable. The macro-level assessments serve to guide the decision process about whether G2G assistance should be considered as a bilateral assistance objective. In Afghanistan, that decision was made several years ago at the highest levels of the U.S. Government. The Obama administration's foreign policy decision in January 2010, which was reaffirmed by Secretary Clinton and Administrator Shah at the Kabul conference in July 2010, strongly reiterated the U.S. commitment to direct G2G assistance to GIRoA. This commitment was not made subject to review of macro-level risk in Afghanistan. Essentially, the foreign policy decision to engage in G2G assistance in Afghanistan has replaced the first two steps under the Agency ADS 220 policy – the enhanced DRG review and the PFMRAF Stage I assessment.

Scopes of work for the entity level Ministerial engagements undertaken by GIRoA and USAID may not have complied with every element of the detailed PFMRAF Stage II guidance as currently revised in July 2012, however, the Mission believes it has complied with the spirit and purpose of that guidance. In August 2012,

² In August 2011, the Agency issued a new draft policy - ADS Chapter 220 - pertaining to the use of reliable partner country systems for direct G2G assistance. That policy chapter was substantially updated in late March 2012 and continues to undergo modifications - the latest in July 2012, when risk assessment questionnaire guidelines were modified. This ADS chapter with its latest modifications now requires a three-stage approach in the process leading to a decision of whether USAID should consider use of a partner country's systems to implement direct assistance programs.

USAID/Afghanistan addressed an unofficial Stage I review by internally summarizing responses to assessment guidelines using collective information gathered from public expenditure and financial accountability (PEFA) reports, assessments undertaken by the CPA firms to date, and other informal information available to Mission staff. Using that informal process and the independent CPA firm assessment report of the MoE issued in December 2011, the Mission is documenting through this framework a Stage II equivalent report based upon the most recently updated ADS Chapter 220 guidance.

Objectives

The overall objective of this assessment is to determine whether the U.S. Government can rely on the Ministry of Education (MoE) systems operation and internal controls to manage donor funds. Specifically, the assessment will:

- Determine whether the MoE's financial management/accounting system is adequate to properly manage and account for donors' funds.
- Determine whether the MoE has the financial management capacity to manage the proposed activity.
- Determine whether the MoE's internal controls are adequate to manage donors' funding.
- Determine whether the MoE's procurement management units have sufficient systems and management capacity to implement activities and manage donors' funds.
- Determine whether the MoE complies, in all material respects, with applicable laws and regulations.

Executive Summary

The United States committed to improving the quality of its aid in order to maximize development benefits in Afghanistan and pledged to channel at least 50 percent of its development assistance through the national budget of the GIRoA³. This commitment comes with the responsibility to ensure effective use of funds provided by U. S. taxpayers and appropriated by Congress, and address fiduciary risk in the Partner Country Public Financial Management (PFM) systems being considered for direct implementation of USAID-funded assistance. For that reason, USAID developed the Public Financial Management Risk Assessment Stage II risk assessment to enable it to meet that objective. The Public Financial Management Risk Assessment Framework (PFMRAF) is a multi-stage, risk-based methodology, through which USAID seeks to understand the fiduciary risk environment in targeted countries to inform decisions whether to use or increase the use of partner country public financial management systems in delivering aid assistance. If the assessment reveals clear evidence of vulnerabilities to corruption, and the partner country government fails to respond, the use of partner country systems must not be authorized.

This Stage II assessment was conducted to determine whether USAID can rely on the Ministry of Education (MoE) system's operation and internal controls to manage donors' funds. The assessment basically determined that USAID cannot rely on the Ministry of Education (MoE) current system's operation and internal controls to manage donors' funds without substantive mitigation measures being incorporated into G2G agreements negotiated with MoE.

The assessment revealed several managerial and operational gaps including: 1) weak governance structure, mainly due to the lack of a comprehensive risk strategy requiring key processes and internal controls to be identified and documented, 2) inadequate financial management practices resulting from budgetary and financial system weaknesses, 3) deficiencies in personnel policies and procedures due to lack of procedures and inadequate payroll system, and 4) weakness in the procurement and purchasing system due mainly to lack of formal procedures. The assessment also found that the MoE lacked an effective mechanism for monitoring and evaluation. With respect to the governance structure, the assessment identified the need to strengthen the capacity of the Internal Audit Department, and to document the Terms of Reference (ToR) for senior management committees. These weaknesses are indication of weak accountability and commitment to enforce best practices.

Compared with normal circumstances, the results of this assessment would lead USAID not to engage in Government to Government (G2G) assistance with the Ministry. Since the determination has already been made to engage in G2G activity with the Ministry, approaching assistance with precaution and conditions, USAID can reasonably mitigate the identified risks. Appendix 1 details the identified risks and proposes possible mitigating measures to manage those risks.

³ London Conference on Afghanistan, January 2010 and the Kabul International Conference on Afghanistan, July 2010.

Assessment Conclusion & Results

The assessment found that the U.S. government cannot rely on the Ministry of Education's (MoE) systems of operation and internal controls to manage donors' funds.

- MoE's financial management/accounting system is not adequate to properly manage an account for donors' funds.
- MoE does not have the financial management capacity to manage proposed activities.
- MoE's internal controls are not adequate to manage donors' funding.
- MoE's procurement management units do not have sufficient systems and management capacity to implement activities and manage donors' funds.
- MoE did not fully comply with GIRoA procurement laws and regulations.

In addition, the internal control environment is not adequate to mitigate risk of fraud, waste, and abuse, as several key controls are not implemented and it is unclear if GIRoA, including the Ministry, has the capacity to combat corruption effectively. Nonetheless, with clear commitment to change on the part of GIRoA and the MoE, we believe the identified risks can reasonably be mitigated. (See Appendix 1)

Management and Governance Structure

One of management's responsibilities is to incorporate policies and procedures in mechanisms for implementation, to ensure the effective and efficient development of the organization, and the achievement of organizational strategic goals. Accountable management ensures that appropriate policies are developed and applied, code of government ethics are enforced, procurement integrity observed, and robust financial controls are in place. The assessment found a lack of management accountability as there was no formal mechanism in place to monitor the strategic plan formulated by senior management, and there was a lack of comprehensive risk strategy requiring key processes and controls to be identified and documented. Management's inability to focus and effectively guide the organization, may lead to the MoE not achieving its long term operational objectives. Furthermore, without formalized mapping of all key processes and associated controls, an effective risk profile cannot be established and therefore monitoring is not readily feasible or effective. Also, MoE governance structure is weak, as the leadership committee tasked with the responsibility of implementing the strategic plan did not have documented terms of reference defining its specific roles and responsibilities. Similarly, the internal audit department does not have a documented internal audit charter and conducts transaction and compliance-based audits without utilizing a risk-based audit plan. Weak governance structure impacts the organization's effectiveness to deter corruption and properly account for donors' funds. In addition, the assessment revealed that the internal audit staff did not systematically monitor and follow-up on recommendations, and lacked capacity and the required qualifications to perform their function effectively. The audit department was also functioning without a

formalized annual audit plan. Overall, the absence of basic internal audit practices renders the internal audit department ineffective.

Moreover, the MoE does not have the capacity to encourage and enforce code of government ethics, and/or to discourage potential corrupt acts. As an example, the Ministry does not have access to formal and reliable legal representation, it has instead a designated staff acting as a legal advisor. The absence of a formal legal department and inadequate legal capacity may not be in the best interest of the Ministry since it could undermine timely compliance with the applicable laws and regulations and potentially expose the MoE to undue legal and litigation risk. There is also a lack of effective leadership at the Ministry, as attention is not given to basic management controls. While the Ministry has a newly established Information and Communication Technology (ICT) department, the department is currently responsible for providing basic IT services only, and does not have any role in the management and maintenance of IT systems (including financial management and reporting system) being used by the MoE. The systems' administration rights or the ability to modify and override stored data are with the management of each department. Unrestricted access to the Ministry's data and line manager's ability to override system's information is a serious internal controls weakness which questions the reliability and integrity of the Ministry's data. In fact, unlicensed and pirated software were detected on the Ministry's operating systems. The overall lack of capacity of the ICT department and the lack of basic IT controls as demonstrated by the use of unlicensed software for the Ministry's operations exposes MoE to operational and programmatic risks as well as possible litigation. The identified weaknesses raise concerns regarding the Ministry's long term commitment to effective governance, standards of conduct and discipline towards internal control activities. These concerns highlight significant risk implications and raise doubt as to whether the Ministry has the capacity to manage donors' funds without substantial involvement by the donors.

Financial Management and Accounting Systems

To achieve success in program or project implementation, reliable financial management and accounting systems are vital. While the MoE has a financial management and accounting system, the systems need improvement. The Ministry has developed a Budget Program and Expenditure Tracking database (BPET) to record and track both operational and programmatic budgets, but the system is not being fully utilized. For example, revenue transactions remain a manual process and transactions from the provinces are not updated in a timely manner because the provinces submit their information late, resulting in unreliable BPET reports. Further, data maintained in the BPET database does not match the data in the Afghanistan Management Information System (AMIS) which is updated regularly and is utilized by the Ministry of Finance (MoF) for the national budget formulation. The assessment indicates other financial management weaknesses as well. For instance, M-3 requisition request forms used for small procurement payments are not sequentially numbered to ensure completeness of records, and to prevent duplicate payments. These internal control weaknesses undermine the reliability of financial information and diminish the effectiveness of existing policies and procedures, resulting in increased operational and programmatic risk as well as risk associated with misappropriation of resources. Also, these weaknesses inhibit the MoE from adequately managing and safeguarding donors' funds against potential loss and/or misappropriation.

Personnel Policies and Procedures

Recruiting, training and retaining qualified staff is a vital part of any organization's going concern. Management's attitude toward recruitment, human resources (HR) policy development, and investment in staff affects all level of an organization. The auditor's assessment found the HR function at MoE is susceptible to manipulation and unfair practices. For example, there is no formal employment agreement documented in the employees' files, and job descriptions are not acknowledged by MoE and the employees. The lack of a formal work agreement with specific terms of employment can create operational vulnerability and increase the Ministry legal risk. Also, personnel files are maintained in different departments within the HR Directorate and are not centralized. There is no standard checklist for maintaining the personnel files nor is there a log maintained for tracking the movement of employee's documents. These weaknesses can lead to access control issues as well as operational inefficiencies, and ultimately result in unauthorized changes to personnel records, payroll irregularities, and or errors. In addition, management's attitude toward recruitment and human resources policy development needs to be improved. The MoE HR has no method for recording and monitoring of staff attendances, code of conduct and conflict of interest forms are not read and signed by all MoE employees, and there are no procedures in place to help improve staff capacity building and staff retention. Also, the assessment found a lack of notable investment in staff development. For example, employee performance is not considered in the preparation of training and development plans, and there is no procedure or a checklist for formally conducting and documenting exit interviews. MoE's HR department needs fundamental improvements to address the above identified weaknesses, reduce operational vulnerabilities, and the risks of nepotism and cronyism. The implementation of fundamental changes will lessen the risk of hiring unqualified staff, reduce the risk conflicts of interest occurrences, and improve management accountability. In conclusion, the overall lack of attention to basic employment documentation and practices undermines operational and programmatic goals and puts donors' fund at risk.

Procurement and Purchasing System

Procurement is a critical organizational function, as the MoE spends a significant amount of money annually on procurement of goods and services. Procurement irregularities and fraud wastes scarce resources and can detrimentally impact operational and programmatic goals. The assessment found that the MoE had a well-defined procurement process based on the Afghanistan Procurement Law, but the Procurement Directorate lacked a formal procurement manual documenting actual internal procedures and processes. The lack of a documented internal procurement procedures and processes exposes the Ministry to inconsistent procurement practices as well as operational vulnerabilities and inefficiencies. Although MoE complied with the spirit of the Afghanistan Procurement Law, the assessment raises concerns regarding current procurement management practices. Current procurement practices at MoE is that management does not have a documented, pre-approved list of vendors for small procurements below AFS 500,000 (\$10,000), and management approves vendors at its discretion without properly documenting the basis for the vendor selection. In addition, the Procurement Directorate does not have a formal and independent complaint process, and vendor evaluation and approval criteria are not documented. These inconsistent and inefficient practices could result in unintended consequences or irregularities, and could put both GfR0A and donors' fund at risk. Considering the low qualification of the procurement department's staff, the risks to donors' funds are probable. Ultimately, the lack of documented procurement procedures and the

procurement weaknesses identified above hinders compliance with intended procurement policies, resulting in increased operational and programmatic risk for the entity and donors' funds.

Program Management and Monitoring

Monitoring and evaluation (M&E) are essential and distinct management tools for ensuring program success throughout implementation. Proper program management and monitoring reveals whether the desired results are occurring and whether outcomes are on track. At the MoE, the M&E function is under the General Directorate of Planning and Evaluation which is also responsible for the preparation of the five-year strategic plan, along with the annual and operational plans. The assessment found that in spite of this enormous responsibility, the Directorate is not fully operational due to lack of capacity. Consequently, the Budget Execution Committee is performing the M&E function and is monitoring the progress of the projects, but only in terms of its budget utilization under each program. While programmatic progress and budget utilization data are captured in the Directorate of Planning and Evaluation database, financial progress data are captured in the BPET database maintained by the Finance and Accounting Directorate. Although data for critical decision making are kept in the two separate databases, the assessment found that there is no process to link the programmatic and financial progress of the projects. While there is ongoing discrete programmatic and financial monitoring of projects, there is no systematic and independent mechanism in place to conduct overall M&E of the projects under each program within the Ministry. The inability to develop and implement an independent and systematic M&E plan is a risk that could lead to funds being used for unintended purposes and lead to programmatic inefficiencies, causing goals and objectives not to be met.

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Risk Assessment Measurement

USAID guidance states that, once a risk has been identified, the impact and probability of that risk must be determined. The impact measures the severity of an adverse event associated with the risk and is measured as Negligible, Marginal, Serious, and Catastrophic. Conversely, probability measures the likelihood of the occurrence of the adverse event associated with the risk and is expressed as Remote, Occasional, Probable, and Frequent. Combining impact and probability factors categorize risks in clusters of Critical, High, Medium and Low categories. Although subjective, it is nonetheless the basis for the Risk Mitigation plan in USAID.

USAID's PFM Risk Matrix

| | | | | | |
|--------|--------------|-------------|------------|----------|----------|
| Impact | Catastrophic | High | Critical | Critical | Critical |
| | Serious | High | High | Critical | Critical |
| | Marginal | Medium | Medium | High | High |
| | Negligible | Low | Low | Medium | Medium |
| | | Remote | Occasional | Probable | Frequent |
| | | Probability | | | |

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Scope and Methodology

The independently contracted auditors conducted the 2011 assessment under a scope of work which focused on five main areas. 1) Governance 2) Accounting and Internal Controls, 3) Human Resources, 4) Procurement, and 5) Program Management and Monitoring. While the auditors conducted an in-depth assessment on the five areas mentioned above, they did not use the Agency's approved Public Financial Management Risk Assessment Framework (PFMRAF) checklist, and did not conform in many ways to the Agency's PFMRAF guidance on risk treatment and risk assessment measurements as that guidance (ADS Chapter 220) was issued subsequent to the negotiation of the scopes of work with GfR&A. However, to ensure the Mission complies with the Agency's guidance and performs required due diligence, we reviewed the auditors' report and we met with the auditors who conducted the assessment to gain a general understanding of the nature of their work. We met and discussed with our internal financial analysts, who had an understanding of the Ministry's systems. Based on the auditors' work, our reviews, meetings and research, we completed the PFMRAF checklist and risk mitigation plan and we summarized our findings and understanding in this report.

At the time of the assessment it was not clear if the auditors understood that they had to define their findings in terms of risks so that appropriate risk mitigation measures could be developed to address the identified risks. Because our review was conducted after the auditors had completed the assessment, and we could not go back to determine the impact and probability, we relied on the understanding that we have gained over the years of collaboration with the government. Based on that understanding, we defined the potential risks. We took a conservative approach and considered most risks to be serious and probable unless the contrary was clearly evident.

Risk Schedule:

| | Risk of | Impact | Probability | Score | Suggested Mitigation Measures |
|--|--|---------|-------------|-------|---|
| Management and governance structure | | | | | |
| 1. | Diverting government resources for unintended purposes Public officials are not accountable | Serious | Probable | High | <ol style="list-style-type: none"> 1. Develop policy and procedures or mechanisms which require the Ministry to monitor its strategic plan and compare the actual results to strategic plan 2. Set terms of reference for leadership committee 3. Submit quarterly reports to the Senior Management of the Ministry to compare actual results to planned activities 4. Clearly defined policies and procedures need to be implemented to ensure effective internal controls 5. Document the control procedures implemented to enable the department to monitor its control activities and provide clear reports for reporting purposes |

| | Risk of | Impact | Probability | Score | Suggested Mitigation Measures |
|----|---|---------|-------------|-------|---|
| 2. | Fraud, waste, and system abuse going undetected due to lack of a viable internal audit function | Serious | Probable | High | <ol style="list-style-type: none"> 1. Establish an Audit Committee with oversight responsibility over the Internal Audit Department 2. Clearly define key performance indicators to assess the Internal Audit department's effectiveness 3. Conduct risk-based audits on various divisions with the Ministry 4. Audit all USAID on-budget projects annually 5. Monitor and follow-up on the implementation of prior year recommendations given by auditors in their assessment report 6. Submit interim risk-based audit reports to USAID |
| 3. | Violations of laws and regulations going undetected | Serious | Probable | High | <ol style="list-style-type: none"> 1. Establish a formal Legal Department and allocate appropriate qualified staff to the Department 2. Document the roles and responsibilities of the legal advisor and legal department, including a thorough review of ministerial procurement of goods and services 3. Review of all contracts entered into with the Ministry to safeguard the MoE against any potential legal risk |

| | Risk of | Impact | Probability | Score | Suggested Mitigation Measures |
|---|---|---------|-------------|-------|---|
| 4. | Manipulation of data due to weak information technology controls | Serious | Probable | High | <ol style="list-style-type: none"> 1. Clearly define system access and implement controls to restrict access to key functions 2. Segregate the management and maintenance of all the systems from the system users and transfer to the Information Technology division |
| Financial management and accounting system | | | | | |
| 5. | Misappropriation / misuse of cash resulting in fraud, waste or abuse of resources | Serious | Probable | High | <ol style="list-style-type: none"> 1. Use bank accounts for the collection of revenues 2. Implement policies and procedures to limit the amount of cash being utilized by the Ministry 3. Implement proper reconciliation mechanisms to control cash operations |
| 6. | Inconsistent and inaccurate reporting | Serious | Probable | High | <ol style="list-style-type: none"> 1. Provide Budget Program and Expenditure Tracking (BPET) system input access at the provincial level to remain consistent with information in the Afghanistan Management Information System (AFMIS) 2. Reconcile the BPET system with the data available in AFMIS system on monthly basis 3. Develop a proper procedure for numbering and recording of all M-3 forms in order to ensure the completeness of record and to prevent duplicate payments |

| | Risk of | Impact | Probability | Score | Suggested Mitigation Measures |
|---|---|----------|-------------|--------|---|
| Personnel policies and procedures | | | | | |
| 7. | Nepotism and cronyism Hiring of unqualified staff | Marginal | Probable | Medium | <ol style="list-style-type: none"> 1. Request signed statements from management certifying that USAID funds will not be used for supporting nepotism and cronyism 2. Prepare formal agreements between the Ministry and its employees which must be signed and kept in the employee files |
| 8. | Employees engaging in activities resulting in conflict of interest Nepotism and cronyism | Serious | Probable | High | <ol style="list-style-type: none"> 1. Update employees' code of conduct and distribute it to all staff 2. Conduct ethics training for all employees |
| 9. | Ineffective or poor performance and lack of accountability of public officials | Serious | Probable | High | <ol style="list-style-type: none"> 1. Ensure newly hired staff signs his/her job description and deliver the copy of all policies, procedures and job description to the new employee 2. Develop annual work objectives for all employees and conduct performance evaluations on all employees on an annual basis 3. Conduct trainings for all staff for necessary skills development and productivity enhancement |
| Procurement and purchasing systems | | | | | |
| 10. | Procurement process not being transparent | Serious | Probable | High | <ol style="list-style-type: none"> 1. Develop written policies and procedures for the procurement processes |

| | Risk of | Impact | Probability | Score | Suggested Mitigation Measures |
|--|---|---------|-------------|-------|---|
| | Kickback and bribery resulting from inconsistent practices and operational inefficiencies | | | | <ol style="list-style-type: none"> 2. Request USAID/Afghanistan OAA's involvement in all critical USAID-funded procurements 3. Obtain signed conflict of interest forms from personnel who are involved in the procurement processes 4. Develop a plan to introduce procurement reforms within the Ministry |
| 11. | <p>Kickback and bribery</p> <p>Preferential treatment due to lack of transparency and procurement standards</p> | Serious | Probable | High | <ol style="list-style-type: none"> 1. Develop procedures for all procurements, including procurements below AFS 500,000 2. Develop written approval thresholds for clear identification for approval authority and disseminate these thresholds to all procurement personnel 3. Develop formal procedures to handle Procurement-related disputes |
| Program management and monitoring | | | | | |
| 12. | Inadequate monitoring and evaluation information for proper management decision making | Serious | Probable | High | <ol style="list-style-type: none"> 1. Develop written policies and procedures for Monitoring and Evaluation 2. Disseminate submission of Monitoring and Evaluation reports to senior ministerial officials for approval and corrective actions 3. Submit quarterly Monitoring and Evaluation reports to USAID |

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