



cutting through complexity

Performance Audit of the International Solidarity Foundation (ISF)

Ministry for Foreign Affairs of Finland

2017-01-11

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Abbreviations and Acronyms

ADO	Agriculture Development Organisation
BoD	Board of Directors
CLHE	Candlelight for Environment, Education and Health
EUR	Euro
FGM	Female Genital Mutilation
GBV	Gender Based Violation
ISF	International Solidarity Foundation
KSH	Kenyan Shilling
MFA	Ministry for Foreign Affairs of Finland
NAFIS	Network Against FGM in Somaliland
NGO	non-governmental-organisation
SOYDAVO	Somaliland Youth Development and Voluntary Organisation
SYS	Somaliland Youth Society
TOR	Terms of Reference
USD	United States Dollar

1 Introduction

1.1 Scope and Execution of the Assignment

The Assignment is based on the Framework Agreement between the Ministry for Foreign Affairs of Finland and KPMG Oy Ab as well as Terms of Reference (TOR). The objective of the Assignment is to review that the International Solidarity Foundation's (ISF) has managed the funds received from the MFA according to the MFA regulations and legislation.

The main objective of the assignment is to review whether the International Solidarity Foundation (ISF), and its partners have managed and reported the funding from the Ministry for Foreign Affairs of Finland (MFA) according to the funding agreement and according to the applicable rules and legislation. As a part of this assignment we have reviewed the accounting, auditing, reporting and management procedures of the development cooperation Programme of the ISF.

The Assignment reviews the application of the internal monitoring and risk management in the development cooperation activities. The complete Assignment is conducted through reviews of the ISF headquarter in Finland, as well as through the audits of three partner organisations and visiting their field activities.

The objective is also to get an overall picture of the control mechanisms, bookkeeping, audits, reporting and management throughout the chain from implementing partners to headquarter. During the Assignment three individual projects of the ISF's Development Programme were reviewed in Somaliland. The emphasis is to assess the project implementers' capacity, controls, accounting and the reliability of the reporting.

The Assignment covered the period of January 2013 to December 2015 and the year 2016, when applicable. The audit was conducted in October-December 2016 and a field trip to Somaliland was performed in November 2016.

The Assignment was conducted by KPMG Finland. Anders Lundin, APA, and Lauri Tuomaala, APA were responsible for the overall Assignment. The Assignment was performed in good co-operation with the parties involved. We would like to express our appreciation for all parties involved.

The report presents the main observations and risks identified during the assignment as well as recommendations to improve the management procedures. We have given all the findings a risk classification and recommendation on the basis of the prioritisation. Risks have been classified into four categories:

Critical risk	<i>Corrective actions are required immediately</i>
Significant risk	<i>Corrective actions are required as soon as possible</i>
Moderate risk	<i>Correcting measures are to be carried out within a reasonable time</i>
Minor risk	<i>Corrective actions are to be taken simultaneously with other relevant measures</i>

According to the agreement between MFA and KPMG, the performance audit report is for MFA's internal use only.

1.2 List of Interviewed Persons

Name	Position	Organisation
Folke Sundman	Chairman of the Board	ISF
Miia Nuikka	Executive Director	ISF
Tuija Vesterinen	Finance Manager	ISF

Robert Salin	Program Director	ISF
Airi Kähärä	Regional Director	ISF
Siru Aura	Communication Manager	ISF
Jenna Kettunen	Adviser on Sustainable Livelihoods and Entrepreneurship	ISF
Samuli Tarvainen	Fund Raising Manager	ISF
Ulla Hiitiö	Desk Officer	KEO-30, MFA
Abdirahman O. Gaas	Executive Director	NAFIS Network
Ahmed Irahim Awale	Chairmen	CLHE
Firdus Awil Jama	Executive Director	CLHE
Samira Jama Elmi	Finance Coordinator	CLHE
Mohammed Said Adad	Former FGM Project Manager	CLHE
Amour Adan Ismail	Planning & Monitoring Officer	CLHE
Abdirisak Bashir Libah	Program Manager	CLHE
Matengo Me Shack	Certified Public Accountant, External Auditor	Matengo & Associates
Mohammed Hussein	Chairman of the Board	SOYDAVO
Mohammed Giuleid	Executive Director	SOYDAVO
Hamze Ismail	Finance Officer	SOYDAVO
Farah Abdi Mataan	Project Accountant	ADO
Rooble Ahmed Omer	Chief Accountant	ADO
Dahabo Jama Adei	Executive Director	ADO
Khalid Sahid	Project Manager	ADO

2 Executive Summary

Background

The International Solidarity Foundation (ISF) is a Finnish non-governmental organisation founded in 1970 by the Social Democratic Party of Finland. The Ministry for Foreign Affairs of Finland (MFA) has supported ISF since 1976 and the funding has been channelled through a Framework Agreement Scheme since 2001 and through a Partnership Agreement Scheme since 2003.

Currently the MFA has granted funding to ISF Development Cooperation Programme for the years 2016-2017 and the next programme document for the four year period 2018-2021 will be prepared in spring 2017. ISF's main goals in development cooperation are to reduce poverty by increased equality between sexes and improved livelihoods in communities and to support civic society and democracy by encouraging the poorest women and men to participate and influence the development of their own community

ISF currently carries out development co-operation projects in Nicaragua, Kenya and Somalia. During years 2013-2015 projects were implemented also in Uganda. The number of projects has in the recent years varied from 14 to 19 annually. The ISF does not currently have any other development cooperation activities apart from those included in the MFA funded Programme. In practice, development co-operation work is executed through two objectives. The first objective lays focus on improving livelihoods and the second focuses on women's rights and women's physical integrity. Additionally ISF supports capacity improvement of the local partner organisations.

Governance Structure

The highest decision making body of ISF is the Council, of which members are elected by the Social Democratic Party of Finland. The Council elects the Board of Directors which in turn elects the Executive Director. The ISF has in total 9 staff members in its Helsinki headquarters. Additionally ISF has one regional director based in Kenya and Somaliland and one country director based in Nicaragua as well as some local personnel in the project countries. There has been some changes to the staff members recently and the new Programme Director has started in August 2016.

Funding

The financial position of the ISF has been stable during the last few years. The MFA funding was 2.6 million euro and ISF own income was 555 thousand euro in 2015.

ISF has previously not been able to fully utilise the granted MFA funding. During the programme period 2013-2015 the euro currency rate was strong in comparison to the rate used in the budgeting. This led to a surplus of euro and an increase in unused funding. In 2015 a significant part of the unused funding from previous years was utilised.

During years 2013-2015 the self-financing of ISF has come from private donations. ISF has been able to cover 15 % of the MFA funded Programme with self-financing. In 2016 self-finance share of the budget has increased to 34% due to the MFA budget cut-offs and since ISF has increased fund raising income.

Performance

The 2013-2015 program total budget was 8.9 million euro with annual budgets ranging between 2.6 – 3.2 million euro. Country activities totalled 6.4 million euro with the Somaliland budget being the highest with 2.6 million euro and the Kenya budget lowest with 317 thousand euro. The projects portfolio varies in the countries. In Nicaragua, ISF focuses mainly on livelihood projects through cooperatives whereas in Somaliland, focus is both on gender-based violence (GBV) and livelihood projects. In Kenya, projects were started with new partners in 2015. The programme was mainly implemented without deviations from the program plan. In gender and anti-FGM work, drought caused some challenges in Somaliland since the beneficiaries were struggling with food production, making significant efforts to get food and water. Drought had also caused challenges in livelihood and agriculture projects and thus the focus is changed to support dry land cultivation and irrigation solutions even more.

The program 2016-2017 is implemented with less funding and to adapt the decrease in funding, ISF left from Uganda. Due to increased self-financing, ISF is financing more in the current program comparing to

the previous program. Currently the MFA share of the total funding is approximately 66 % and the ISF share 34%. The budgets for Somaliland and Nicaragua has been decreased while in Kenya the 2016 budget has been increased by 50% comparing to 2015 since the implementation was started in 2016. The total Program annual budget 2016 is 2.4 million euro.

KPMG observed that simultaneously when implementing the Programme 2013-2015, ISF had focused on supporting the local NGO's capacities in Somaliland. According to the KPMG review, the capacity has been strengthened by providing financial management training and monitoring training. Due to the trainings, the financial management capacity has strengthened in the three reviewed organisations and is currently on an adequate level.

A majority of the Programme costs are incurred on the project level by the local partners (53 %). The Programme staff salaries including the Programme Director and programme thematic experts in Finland and country coordinators salaries abroad have been allocated to the project costs during 2013-2015 in relation to the project size. Other Programme level costs are related to the administration (10% of Programme level costs), planning, monitoring and capacity building costs (9%) and communication (10%). The administration costs cover most of ISF other costs, mainly salaries and rental expenses, external accounting, IT- and audit services.

Monitoring and Progress Reporting

The program monitoring is implemented parallel with the implementation of the projects and based on the reporting of the projects. The Country Director is located in Nicaragua and Regional Director in Kenya and Somaliland and they are closely involved in implementation of projects and in the cooperation with the partner organisations. Projects are also monitored by external consultants. The monitoring data is collected based on the same form that the baseline surveys were done and progress is reported against the indicators set in the log frame. The information is analysed and progress is reported against the indicators set from the baseline.

The reporting to the MFA is prepared in ISF headquarters in Finland. The Programme reporting is prepared using the approved annual reports received from the implementing partners. In program level, results are reported based on each country with some program level indicators.

According to the KPMG review, the monitoring process in program level is systematic, monitoring processes are in place and reporting is reliable. However KPMG noted a few minor discrepancies in program reporting and monitoring at the project level. In the 2015 Program Annual Report the crop and production increase in the Somaliland agriculture livelihood projects were overoptimistically reported due to inaccurate data analyses conducted by the consultant. Also the reported number of beneficiaries at the project level has not always been based the actual amount of beneficiaries but were reported based on the plan.

Financial Management and Financial Reporting

The financial administration of ISF and the Partnership Programme is handled by the Finance Manager. The accounting of ISF including the Partnership Programme is prepared in the Netvisor accounting software. Additionally ISF uses a reporting software for budget follow-up.

The local partners are responsible for project level progress and financial reporting prepared quarterly. According to the KPMG review, the financial reporting of the local partners is reliable. We however recognize that the financial administration capacity of the local partners had some weaknesses, ISF has been active in supporting the improvement of local organisations financial management capacity.

Despite the fact that the local partners apply single-entry accounting and proper accounting software is not always used, the accounting records were properly maintained and sufficient supporting documentation were attached. Based on the KPMG procedures the financial reporting process is appropriately organised and audit trail exists from the ISF program level annual reporting to the local organisations bookkeeping.

Risk Management

ISF has assessed risks systematically and risks are regularly reported to the ISF Board. ISF has recognised risks well and managed them adequately. However, a few significant risks have been materialised during 2012 – 2016. One was the MFA budget cut-off that affected the whole program and

activities in all cooperating countries. In Uganda, a fraud case was revealed in 2012. When it was investigated it was revealed that the project accountant had embezzled funds during 2009-2012. The fraud was conducted in cooperation with the auditor and local bank officer. ISF has returned money to MFA but has not been able to collect refunding. According to the report on the fraud case, ISF will take more carefully and intensively part in the follow-up of the audit company activities and audit recommendations and intensify the follow up of the financial management by the Country Coordinator with the support of the Finance Manager. According to the KPMG review, ISF has not provided additional resources to financial management and accounting to enable closer follow-up of the project audit processes.

ISF has however, mitigated the capacity risk by supporting partner organisations capacity development systematically.

Field visit to Somaliland

During the assignment, KPMG visited Somaliland and reviewed three partner organisations, Candlelight for Health and Education (CLHE), Somaliland Youth Development and Voluntary Organisation (SOYDAVO) and Agriculture Development Organisation (ADO). All reviewed organisations have sufficient capacity to implement and report the project properly. Some minor issues were, however observed.

KPMG noted that in CLHE training activity costs incurred as planned and there were no deviation in actual costs comparing to the budget. The drives for the above mentioned trainings could not be verified from the vehicle logbooks. KPMG also noted that participants of trainings did not sign the attendance sheet and per diem receipt list but the participation was documented with the finger prints made by one person on behalf of all the participants.

KPMG noted that SOYDAVO had reported the amount of beneficiaries based on the plan and not based on the actual amount of beneficiaries. Also ADO had significant fuel expenses for which clear clarification about the activities taken place was not provided. The visited organisations are described more in detail in the chapter 7.

3 ISF as a Partnership Organisation

3.1 Background and Organisation Structure

The International Solidarity Foundation (ISF) is a Finnish non-governmental organisation founded in 1970 by the Social Democratic Party of Finland. The Ministry for Foreign Affairs of Finland (MFA) has supported the ISF since 1976 and the funding has been channelled through a Framework Agreement Scheme since 2001. The Framework Agreement Scheme was changed to a Partnership Agreement Scheme in 2003. The support is provided in accordance with the Act on Discretionary Government Transfers and its use is subject to Finnish laws and the guidelines are set by the MFA. The MFA's current instructions concerning the Partnership Agreement Scheme became operative from the beginning of 2011, and were updated on 19 July 2013.

Strategies and Principles of the ISF

The main objective of the ISF is to support democracy, equality and human rights. The aim is to improve the life conditions with human dignity and happiness for those women and men living in the project areas. The core values present in all ISF operations are solidarity, equality, fairness and participation.

ISF is in the process of renewing its strategy. The current strategy period is 2012-2016. ISF's main goals in development cooperation are:

- to reduce poverty by increased equality between sexes and improved livelihoods in communities
- to support civic society and democracy by encouraging the poorest women and men to participate and influence the development of their own community

ISF currently carries out development co-operation projects in Nicaragua, Kenya and Somalia, all included in the MFA funded Development Cooperation Programme. The previous three-year programme period finished in the end of 2015 and the new programme period was originally 2016-2018. However MFA granted funding only for years 2016-2017 and the next programme period will be four years 2018-2021. During the years from 2013-2015 projects were implemented also in Uganda. The number of projects have varied annually from 14 to 19 the recent years. The ISF does not currently have any other development cooperation activities apart from those included in the MFA funded Programme.

The ISF projects are based on the needs of the communities in which they are carried out and the people who benefit from them always take part in the planning process. The ISF aims to improve the efficiency of its work in partner countries by means of training and implementing projects that increase self-sufficiency of the communities. In practice, development co-operation work is executed through two programs. The first one lays focus on improving livelihoods and the second one focuses on women's rights and women's physical integrity.

The principles according to which the ISF implements its projects include a long-term commitment and partnership with the beneficiaries. The ISF is an active member in many different development cooperation organisations participating in the European development policy discussion and keeping close contact with Finnish decision-makers in matters related to development policy.

Organisational Structure of ISF

The highest decision making body of the ISF is the Council (=valtuuskunta). The members of the Council are nominated by the Board of the Social Democratic Party of Finland. The Council has 12 members and 12 deputy members and council meetings are held twice per year. Each member is elected for a three-year-term which can be renewed without limitations. According to the information received, the Council is a stakeholder forum where administrative issues are secondary to discussion related to operations and future plans of the ISF. The Council is also used to increase contact with individual donors. Apart from the nominations, the ISF is an independent organisation.

The Council of the ISF elects the board of directors (BoD). The BoD consists of 10 members, with three-year-terms renewable without limitations. In the recent years, there has been some changes in the board

members, currently it is a balanced combination of veterans (4 active pensioners) and younger NGO-activists. Most of the members have long-term experience of NGO's and development cooperation. The BoD meets approximately once a month. Additionally the board has established different working groups for example related to strategy revision. The Board is not involved at the operational level, but its role is to make decisions on the definition of policy of development co-operation and strategy.

Currently the ISF is making changes to the statutes of the foundation due to the renewed Foundation Act which came into effect on 1.12.2015. The statutes will be updated to clarify the role and responsibilities of the BoD in comparison with the Council. The new statutes are planned to be approved by the Council in the autumn meeting. The BoD will in the future be the highest decision-making body and approve annual plans, budgets and reports. The role of the Council will decrease as they will no longer make decisions, however the Council will be kept due to its significant role as a stakeholder forum. The role of the executive director will be left to be decided by the BoD, though the new statutes would enable the BoD to increase the decision-power of the executive director and change the title to Chief Executive Officer.

The ISF has 7 staff members in its Helsinki headquarters. Additionally ISF has one regional director based in Kenya and Somaliland and one country director based in Nicaragua as well as some local personnel in the project countries.

3.2 Financial Capacity

ISF's annual income was about 3.1 million euro in year 2015 from which MFA support was 2.6 million euro. The financial position of the ISF has been stable during the last few years.

Income Statement (thousand euro)	2015	2014	2013
ORDINARY OPERATIONS			
Income	2 570	2 395	2 007
Expenses	-3 288	-2 927	-2 433
Deficit of ordinary operations	-718	-532	-427
Fundraising	522	420	350
Investments activities and extraordinary income and expenses	33	33	11
Result for the financial period	-163	-87	-65
Transfer of unused self-financing	165	85	84
Deficit/surplus for the Financial Period	2	-2	19

Balance Sheet (thousand euro)	2015	2014	2013
Assets			
Fixed Assets	1 117	1 289	1 389
Other receivables	200	105	100
Cash and cash equivalents	260	524	432
Total current assets	460	629	529
Total assets	1 576	1 918	1 921
Equity and Liabilities			
Total own capital	1 173	1 336	1 422
Total liabilities	404	582	498
Total Equity and Liabilities	1 576	1 918	1 921

The overall utilisation of the MFA funding from 2013 to 2015 is presented in the table below. Unused funds from the prior programme period of 2010-2012 were utilised in 2014. The usage of funds has been 92 % in 2014 and 90 % in 2013. The euro currency rate was strong in 2013-2014 in comparison to the rate in the budgeting. This led to a surplus of euro and an increase in unused funding. ISF attempted to use the surplus during the same year by for instance trying to find new investments within the projects. The transferred appropriation of MFA funding in year-end 2015 level amounted to 95 thousand euro. The ISF estimates that all MFA funding including the transferred appropriation will be used in 2016 and no funding will be left to transfer to coming years.

Unused MFA Funding (thousand euro)	2015	2014	2013
Transferred from earlier years	216	2 33	18
MFA funding received	2 450	2 378	2 222
MFA funding used	2 570	2 395	2 007
Transferred to following years	95	216	233

The MFA has granted ISF 7.1 million euro in support over the period of 2013-2015 and 2.94 million euro over the current period of 2016-2017. During the period 2013-2015 the annual disbursement was 2.4 million euro and it decreased to 1.5 million euro for the current period. The Development co-operation Programme incomes and costs are presented in the table below. Programme level expenses consist of administration, communication, programme support and other costs. The administrative costs are approximately 10% of total costs. The project costs in Finland consist of the allocated share of the ISF regional director, country manager and programme coordinators salaries, travel costs and bank charges. Bank charges in particular in Somaliland, are high due to the use of Dahabshiil money transfer service. The salaries of the ISF administrative headquarter staff are all related to the Development Cooperation Programme and are included in the administrative costs. Project level activities form approximately 71 % of the total Programme costs. Government funding has been 85 % of total funding and rest 15 % is funded by ISF until 2015 after which the self-financing part has increased as according to the 2016 budget.

Development Cooperation Programme (thousand euro)	Budget 2016	%	2015	%	2014	%	2013	%
Incomes from Government	1 570	66 %	2 570	83 %	2395	85 %	2007	85 %
ISF funding	822	34 %	526	17 %	423	15 %	354	15 %
Total funding	2 392	100 %	3 096	100 %	2818	100 %	2 361	100 %
Programme costs	1 615	68 %	2 282	74 %	1 967	70 %	1 701	72 %
Planning, monitoring and capacity building	290	12 %	198	6 %	270	10 %	186	8 %
Communication	248	10 %	316	10 %	299	11 %	238	10 %
Administration	239	10 %	300	10 %	282	10 %	236	10 %
Total expenses	2 392	100 %	3 096	100 %	2 818	100 %	2 361	100 %

The ISF's objective was not to lay off staff though MFA funding decreased by 45 % in 2015. ISF made an action plan and prepared to fund 34 % of the Programme costs by increasing fundraising activities and using investments. All projects could not be kept however, and ISF decided to run down all activities in Uganda. Additionally, other projects and operations were downsized and the contracts of fixed-term employees were not renewed and some positions were converted to part-time. The plan is to sell part of ISF investments in 2016-2017 and thus meet the needed self-financing, but have sufficient self-financing in 2018 via fundraising activities. According to information received, these changes were not temporary reactions to the MFA cuts, but a strategic move to increase ISF's own funding base in relation to public funding. ISF targets to grow in the future with the help of MFA and other funding.

4 Development Cooperation

4.1 Programme Management

4.1.1 Programme Structure

Development Cooperation and the development programs form almost the entire functions of the ISF. The fund raising has been separated from the program, however it is also an integral function for the development work.

ISF is implementing the development program through individual projects implemented by several local partners. During the Programme period 2013-2015, ISF implemented projects in Nicaragua, Kenya, Uganda and Somaliland in cooperation with the local partners. After the budgetary cut-offs of MFA, ISF left Uganda and is currently working in Kenya, Somaliland and Nicaragua. ISF emphasises partnership and has aimed to form long-time partnerships with the local organisations. ISF has had long-time cooperation with most of its partners but some are new. For example with SOYDAVO in Somaliland, ISF started the cooperation in 2014. ISF focuses determinately on the capacity strengthening of the local partners and has provided and organised several trainings to the local partners. The trainings have related to for example financial management and accounting, monitoring and media training.

ISF has also own staff in Kenya, Somaliland and Nicaragua. One Regional Director is situated in Kenya and Somaliland and works for both countries, and one Country Director is situated in Nicaragua. ISF has also local staff assisting in the program management and they are also working in cooperation with the local partners. Reporting from the local partners goes through the Regional and Country Directors to Finland.

The ISF Headquarter in Finland is responsible for the strategic guidance, planning and fund raising. The Programme Director is based in Finland and his responsibility is to work with the country teams and provide them support. The program team has also an Adviser on Sustainable Livelihoods and Entrepreneurship, a Gender Advisor and Assistant. Other employees in home office in Finland are also to some extent assisting local partners directly. For example ISF communication staff has assisted local partners in their communication skills and strategy.

4.2 Development Programme 2013 - 2015

4.2.1 Program 2013 - 2015

Through the development program from 2013 – 2015, ISF supported local partner organisations in Nicaragua, Somaliland, Uganda and Kenya to improve men and women’s livelihood and to fight against gender-based violence and female circumcision. The goals for the program are in line with ISF’s vision to support livelihood through decent work, support gender equality and strengthen civil society on local level.

According to the development cooperation programme 2013 – 2015, the overall goal was that preconditions for men and women to live decent and happy lives have improved. Program contributed through three purposes;

- 1 Women and Men livelihood have improved
- 2 The realisation of women’s right to self-determination has been advanced
- 3 The partner organisations’ position as integrant of local civil society has been strengthened

Each purpose is given indicators in the Program Document. Indicators for the purpose relates to improvements in families housing conditions, food security, women’s and men’s income improvement and increase in new products and increase in new livelihoods. For the first purpose, eleven indicators are described in the Program Document.

For the second purpose, 20 indicators have been described in the program document. Most of the indicators are related to women's self-determination reflecting changes in women's rights and empowerment. For the third purpose, fourteen indicators are described in the program document and the strengthening of the local partner's capacity is integrated in the projects. For the first, second and third purposes, indicators and baseline has been described in more detail and indicators are allocated in project level implemented by the local partners.

In 2015, ISF prepared a program plan for 2016-2018. The current program budget was significantly decreased due to budgetary cut-offs related to the MFA funding. As a consequence of the budgetary cut-offs, activities in Uganda were stopped rapidly and ISF operated in Uganda only in the beginning of the program phase 2016-2018.

In 2016, ISF continues in three countries to develop agriculture livelihood projects and women's rights. Women's rights are strongly supported in Kenya and Somaliland. In Nicaragua, focus is more on supporting small businesses and cooperatives and the projects in Nicaragua are closer to become financially sustainable. In Somaliland and Kenya, ISF is emphasising the gender based violence and anti-FGM work but has also projects aiming to support livelihood development.

2013 – 2015 Programme Budget

MFA approved to support ISF with 7,050,000 euro to implement the program in 2013-2015. Annual disbursements were 2.2 million in 2013, 2.4 million euro in 2014 and 2.5 million euro in 2015. The total Program budget amounts to 8.9 million euro of which MFA support is approximately 79%. 6.4 million euro are for the project activities in Nicaragua, Uganda, Somaliland and Kenya. Somaliland budget is highest 2.6 million euro and Kenya lowest with 317,550 euro. The country budgets include funding to the local partners, ISF Country Coordinator's expenses and local ISF staff expenses. Program Planning and Capacity Building includes capacity building trainings provided to the partner organisations and planning costs for the new projects and next phases for the ongoing projects. Communication costs consist of communication and informing costs for example personnel expenses and costs related to the development of new ways to inform and communicate with the private donors. Administrative costs consist of administration salaries, office expenses, fund raising management and phone and internet expenses.

Program Budget 2013-2015						
		Budget 2015	Budget 2014	Budget 2013	Total Budget	%
Activities						
	Nicaragua	602 811	606 207	593 251	1 802 269	20,2 %
	Uganda	556 924	616 345	561 256	1 734 525	19,4 %
	Somaliland	954 743	849 552	754 350	2 558 645	28,7 %
	Kenya	214 550	103 000		317 550	3,6 %
	Activities	2 329 028	2 175 104	1 908 857	6 412 989	71,8 %
	Program Planning and Capacity Building	257 711	273 980	202 139	733 830	8,2 %
	Communication	324 000	315 417	260 646	900 063	10,1 %
	Administration	309 000	307 001	263 516	879 517	9,9 %
	Total	3 219 739	3 071 502	2 635 158	8 926 399	100,0 %

Development Program 2016 – 2017

For the program period of 2016 – 2018, ISF initially applied for funding amounting to 5.0 million euro for the total program budget of 7.2 million euro. However, due to the budget cut-offs, MFA granted 2.9 million euro for two year of period 2016 – 2017. Annual disbursements are 1.47 million euro for both years. The decrease in MFA support was significant. Comparing to 2015, where disbursement was 2.45 million euro, the decrease was one million euro, equalling 40 %. The planning of the 2016 – 2017 period was done mainly during 2015. To adapt the budgetary cut-offs, ISF did not continue projects in Uganda.

In the Development Program 2016 - 2017, ISF deepens the focus to support small private entrepreneurship and strengthen the value chain development in Nicaragua and continues the work for women rights and against FGM in Somaliland and in Kenya. Anti FGM work is also mainstreamed in livelihood projects since during the previous program period, there were challenges to go to the targeted villages only with FGM theme when people were facing drought and producing food and getting water was the primary concern. Anti FGM activities are included in the livelihood activities.

The climate change resilience is built as a cross cutting issue in all livelihood projects. In Somaliland, projects will focus on dry land cultivation since there are currently severe droughts and overall it has become more common that rains have been late in the season. The aim is to build sustainable irrigation systems and rainwater collection systems and storage. New varieties of dry resistant crops will be studied and introduced.

The ISF continues the work without significant staff changes. Another person will be recruited for the operations in Somaliland. During the KPMG field visit, the recruitment was ongoing.

During the program period ISF is aiming to grow own finance to sustain the financial resources on sufficient level. Even if the budgetary cut-offs cannot be replaced in a short period of time, ISF has been able to increase its own income for 2016 to be 34% of the program costs.

Budget 2016

The budget for 2016 amounts to 2.4 million euro. ISF share is 34% and MFA share is 66%. Somaliland remains the key country for activities when cooperation in Uganda has ended.

Program Budget 2016					
		ISF Share	MFA Share	Total Budget	%
Activities					
	Nicaragua	154 885	296 214	451 099	18,9 %
	Uganda	29 989	57 290	87 279	3,6 %
	Somaliland	258 651	494 117	752 768	31,5 %
	Kenya	111 258	212 542	323 800	13,5 %
Activities		554 783	1 060 163	1 614 946	67,5 %
Program Planning and Capacity Building		99 562	190 200	289 762	12,1 %
Communication		85 140	162 649	247 789	10,4 %
Administration		82 177	156 988	239 165	10,0 %
Total		821 662	1 570 000	2 391 662	100,0 %

4.3 Implementation and Performance

4.3.1 Performance 2013 - 2015

During 2013, ISF and its partners were implementing six livelihood projects. In Nicaragua three livelihoods projects aimed to support the established cooperatives in value chain development. One project in Nicaragua was finalised in 2013 and the project succeeded to increase the production and quality of the products. In Somaliland, two livelihood projects were implemented. In Uganda, the project supported cooperative aiming to increase standard of living.

In 2014 ISF continued projects in Somaliland, Nicaragua and Uganda and started working in western Kenya in Kisii county. In 2014, ISF had 14 ongoing livelihood projects and three gender/equality projects. The FGM project in Somaliland was evaluated by an external consultant. According to the evaluation, results have been good. The program had approximately 150,000 beneficiaries in 2014. The program was implemented in Somaliland and Nicaragua without deviations from the plan. In Uganda, ISF had challenges which affected the budget utilisation. In Uganda, one of the three partners was able to start

activities whereas one partner MACE was not able to implement the project and ISF decided to stop cooperation with the organisation.

In 2015, MFA informed the budgetary cut-offs and ISF started to amend the following years program planning taken into account the decreased funding. In 2015, ISF had 8 ongoing livelihood projects and six gender/equality projects. Due to challenges in Uganda and the budget cut-offs, ISF started bringing down the activities in Uganda both by terminating projects and finalising them rapidly. In Somaliland, Nicaragua and Kenya, projects were implemented as planned. In Somaliland ISF started a new GBV project with SOYDAVO.

Budget and Actual						
	Budget 2015	Actual 2015	Budget 2014	Actual 2014	Budget 2013	Actual 2013
Activities						
Nicaragua	602 811	603 753	606 207	626 768	593 251	568 458
Uganda	556 924	513 223	616 345	390 992	561 256	423 415
Somaliland	954 743	918 470	849 552	887 926	754 350	709 181
Kenya	214 550	246 988	103 000	61 325		
Activities	2 329 028	2 282 434	2 175 104	1 967 011	1 908 857	1 701 054
Program Planning and Capacity Building						
	257 711	197 965	273 980	270 038	202 139	186 156
Communication	324 000	316 060	315 417	298 911	260 646	237 645
Administration	309 000	300 473	307 001	281 773	263 516	236 095
Total	3 219 739	3 096 932	3 071 502	2 817 733	2 635 158	2 360 950

4.3.2 Local Partners

ISF started to implement the 2013 – 2015 program with existing partners and new partners were also identified during the period.

As part of the selection process of a new local partner, ISF undertakes a due diligence or capacity assessment of the potential new partner organisation to determine the effectiveness of its system in responding to the intended funding objectives. KPMG reviewed the assessment report made of SOYDAVO and ADO. The report lists the organisation's status in different aspects and gives recommendations.

According to the KPMG review, ISF evaluates the new partners adequately but is also conscious that the capacities can be weak in the beginning. Thus ISF is systematically building the partner organisations capacities during the implementation of the projects. Based on the KPMG review, ISF has systematically provided capacity building in order to strengthening the partner organisations in several areas such as management, monitoring, project management, media and accounting.

During Program 2013 –2015, ISF had a total 15 partners. Some were implanting the projects whereas some were in planning phase.

Projects in 2013 - 2015	
Project	Partner
Nicaragua Project	
Development of Value Chains in Agriculture	COMCAVEM
Strengthening of Value Chains and Trade Relations	COPRODEC
Strengthening of Value Chain in Honey Production	Tierra Nueva
Women Social and Economic Empowerment	Las Abejas ja COPRODEC
Somaliland Projects	
Youth Empowerment Through Vocational Training	CLHE

Strengthening the anti FGM in Somaliland	NAFIS
Improvement of Food Security	ADO and CLHE
Young Men and Women Livelihood in Burao	SYS
Support on Community Education on FGM	CLHE
Reduction and Mitigation of Gender Based Violence	SOYDAVO
Uganda Projects	
Support to Small Farmers on Production and Marketing	IRDI
Development of Regional Cooperatives	MACE
Development of New Livelihoods in Northern Uganda	FOWAC
Sexual Health Education to Families in Wakison	COFCAWE
Prevention of Domestic Violence in Wakison and Kyankwanzin Regions, 2. Phase	UMWA
Kenya Projects	
FGM Project in Nyanza County	THUMP and Manga Heart
GBV Project in Nyanza County	CECOME

4.3.3 Communication

ISF has focused on communication and it is a strategic objective of the organisation to further develop this area. Communication is closely related to all activities and communication role in fund raising is important. With focused communication, individual donors are committed to ISF work and ISF is aiming to move toward partnership instead of one way communication from ISF to clients and donors. Currently three persons are working in the communication department, a Communication Manager, Digital Communications Developer and Communications Service Designer. According to the KPMG review, communication is well resourced. Total communication costs included in the Partnership Programme expenditure have been approximately 10 % during 2013-2015. The communication activities are divided into the partnership program communication and general development cooperation communication. The costs related to the informing the program have been 5 % as required by MFA guidance.

ISF publishes the Solidarity magazine twice a year and it is distributed to approximately 26,000 persons while news letters are provided to approximately 3000 persons. ISF communication is also providing information related to project activities in Kenya, Somaliland and Nicaragua. According to information received 75% of the Solidarity magazine content is related to development cooperation communication and 25% to program communication. The costs related to the magazine are allocated to the MFA funded program costs based on these percentages.

The visual outlook including logos, presentation materials and promotional materials and the organisation website were renewed in 2015. The objective was to simplify online donations and improve the usability of the webpages.

Due to the focused communication and presence in social media, ISF has multiplied visitors in its web pages, in Facebook ISF has approximately 8,000 followers, in twitter 2,000 follower and in Instagram approximately 500 follower.

4.4 Monitoring and Reporting

Monitoring

The program level monitoring is done ongoing throughout the implementation and through project reporting and project evaluations. ISF is present in the program countries and strongly involved in the local partner's project implementation. According to the interviews of the local partners, they see it very important that ISF is not just present physically in the country but has a transparent relationship with the partners and is also openly communicating and supporting partners in a growing their capacity.

Objectives and program level indicators are defined in the Program Document. Indicators are taken to the project level and program level reporting is based on the indicators. In the beginning of each project,

a baseline study is conducted. In the project annual reporting, achievements are reported and they are consolidated into the program level reporting. Projects are evaluated in the end of the project phase and information is collected with the same format that the baseline study had been conducted. Information is normally analysed by the consultants conducting the evaluations or by the project staff.

Narrative Reporting

ISF reports on the program achievements the MFA on annual basis. The achievements on the three given purposes are described in the report. Analyses are given on country and project levels. The program level reporting is based on the project reports provided by the projects. The annual project reports in Somaliland are finalised in a year end workshop in cooperation with the local partner, ISF Country Coordinator and a representative from the respective ministry.

Progress in respect of women's right to self-determination is reported narratively against program level indicators. Progress is compared to the baseline survey values conducted for the projects. Results are reported comparing the change in attitudes, increase in women's income and the amount of women participating in the trainings.

In respect of livelihood projects, the progress against indicators are also reported and compared against the baseline studies. Key areas such as increase in crop cultivation (increase in production of milk, sorghum, maize etc.) are described in the program report. Also other areas such as increase in new jobs, amount of women and men who has accessed to work and increased ability to access the markets and new production developed (sisal) are described.

According to the 2015 Program Report, the partner organisations capacities have been strengthened in terms of human resource management, financial management and mainstreaming anti-FGM in organization culture.

Results for each project are presented in attachments to the Program Reports.. For each project the progress against the baseline study values per indicator is reported.

According to KPMG review, the consolidated Program level reporting is in line with the individual projects progress reporting. However KPMG observed that in Annual Report 2015 provided to the MFA, information related to food security projects implemented by ADO and CLHE, had several discrepancies. The evaluator had several errors in data analyses that caused errors and too optimistic results were reported related to crop increase in production of sorghum, maize, sesame and cowpeas. This was noticed by the ADO Project Manager when he went through the report and saw that the analysis of the evaluation had errors. However the 2015 Program Annual Report was based on this evaluation although the corrections to the data analyse was done later.

Observation, risk and recommendation

Observation	The 2015 Program Annual Report had wrong information relating to the crop increase in the Enhancing Food Security in Togheer Region project (ADO) and in Improving Food Security project (CLHE).
Risk & Significance	If the information of the results reported is not verified, there is a risk that program reporting is inaccurate - Moderate
Recommendation	<i>The reported information needs to be reviewed by the particular project personnel to ensure that errors are detected.</i>

4.5 Sustainability

Sustainability of the program funding

ISF faced challenges when Finnish Government funding was rapidly decreased and significant adjustments in program volume became necessary. Due to the budget cut-offs, ISF left Uganda without having the possibility to implement a planned exit strategy. ISF has worked successfully to increase its own funding sources but could not meet the gap in such a short period of time.

Local partners activities are relative sustainable and their capacity has been supported in several themes and areas that has enabled them to find also other donors and forms of cooperation. According to the KPMG, review, ISF has worked systematically and successfully in developing partner's capacity. The fact that ISF cooperates based on long term partnerships, has also improved the sustainability of the partner organisations. However the partners' capacities are on different levels and for example in Nicaragua, ISF partners are closer to financial sustainability than in Kenya.

Sustainability of the activities

KPMG reviewed three projects in Somaliland, one was agriculture livelihood project and two projects works with gender equality aiming to decrease gender based violence and decrease girls and women circumcision, anti-FGM project.

In the agriculture livelihood project, the activities have mainly been implemented according to the project plan, however long lasting drought has caused challenges to the sustainability. Since there is lack of water, irrigation is difficult and food production even for households own consumption is challenging. This has hindered the farmers to access markets and also development of the cooperatives has been challenging and based on the interviews, the cooperatives have not become financially profitable.

In the FGM and GBV projects, drought has also caused challenges since the villages and farmers are struggling with the daily food production and lack of water. The participation to the trainings has suffered to some extent because of the drought. Farmers have asked to get first support to get food and water and when this is secured, they have better possibilities and willingness to the anti-FGM/GBV adaptation. Thus ISF has aligned to mainstream the anti FGM and GBV work in the livelihood projects.

The local organisations have faced resistance in GBV and anti-FGM work since the habits are strongly attached to the culture and project objectives have also be seen as invasion of the western culture. According to the interviews, CLHE and SOYDAVO are committed to the objectives and there are also examples of the change in the attitudes. To reinforce the FGM awareness among its personnel, the CLHE had a consultant to study the attitudes of the personnel and how to attach anti-FGM perspective throughout the personnel. Later consultant had a training where results were discussed together and tools were given to the staff. Anti-FGM is also in line with ISF strategy and ISF is committed to the work.

5 Financial Management

5.1 Organisation and Systems of Financial Administration

The financial administration of all ISF operations is handled by the Finance Manager in line with the ISF administration and finance regulations (dated 1.5.2013). The accounting has been prepared in the Netvisor online accounting software since 2011. Rantalainen Accounting Services Ltd. Provides support and expertise when needed to the Finance Manager. In addition to accounting also payroll, accounts payable, travel claims, payments and work-time follow-up are handled in Netvisor. ISF accounting is accrual based and cost centres are used. ISF also uses Talgraf-software for budget follow-up and financial reporting.

The ISF accounting is divided into three parts: 1) the MFA partnership program, 2) fundraising and 3) ISF own expenses. The accounting for the partnership program is further divided in geographical areas and projects. Each project has its own sub-cost centres which are based on the budget.

The funds received from MFA are directly recorded as income. The MFA funding is not allocated separately to each project. At year-end an accrual is recorded of the unused MFA funding. The funding transferred to projects is booked as an advance given under a project-specific sub-account in ISF bookkeeping. ISF books expenses quarterly to projects in ISF bookkeeping based on received reporting. Under the partnership program ISF has separate cost centres for ISF costs. These are allocated to the projects at year-end in relation to actual costs incurred in the projects. This allocation is only made in the financial reporting, not in Netvisor.

In cooperation agreements with local partners ISF states the obligatory procurement regulation that must be followed. Basic requirements on financial management, budgeting and reporting are stated in the agreements. Additionally ISF has a Programme Manual dated 2011 that is given to all local partners to guide the implementation of ISF funded projects. The manual covers also more detailed ISF requirements related to financial administration and procurements of projects.

Financial Reporting

ISF reports program expenses annually to MFA. KPMG reviewed the reported expenses at the program level and noted that local partner's expenses are based on their reporting. ISF expenses are based on costs incurred in Finland.

KPMG performed a sample review of vouchers in ISF. Most costs recorded to the projects in ISF were travel costs, daily allowances and administration costs. Based on our voucher review in ISF the recorded costs are appropriate.

KPMG reviewed that local partners' bookkeeping, local annual financial report, local auditor's report and ISF bookkeeping and MFA reported ISF programme costs reconcile with each other for the three audited projects. There were some minor differences between the different reports, however based on the KPMG procedures, the financial records of ISF are adequate and the reporting received from the local partners implementing the development cooperation projects reconcile with the ISF project accounting.

The procurements were handled locally in Somaliland for the specific audited projects and findings related to procurements are discussed in chapter 7.

5.2 Fund Flow and Financial Administration

The ISF submits annually a fund request to the MFA. The MFA transfers funds to the ISF in four instalments during the year. The ISF has several different bank accounts, but most of the bank accounts are for receiving donations. One main account is used for receiving MFA funding and for all the payments. There is no petty cash related to the partnership programme in Finland.

ISF distributes funding to the projects four times in year. Funds are transferred based on quarterly requests from the local partners. In Nicaragua, the funds are transferred directly to the local partners. In

Somaliland, Kenya (and previously Uganda) the funds are first transferred to the local ISF account in the field and booked as advance payments under the country in question in the balance sheet. When the funds have been transferred by the Regional Director /Country Coordinator to the local partner, the advance payments are moved to the specific local partner advances in the balance sheet. The funds recorded in the advance payments also include the funds of the Regional Director /Country Coordinator.

At the end of each quarter, a financial report as well as a narrative report are sent to ISF by the local partners for each project separately. The reports circulate through the Regional Directors /Country Coordinators who checks them. The financial information in the report is thereafter entered in the ISF bookkeeping and the expenses are booked against the advance given. The financial report shows the expenses of each month separately in comparison to the budget. No cumulative realization for the whole year nor total budget is presented in this report. After the prior quarter financial report has been received and approved, the advance payment for the next quarter can be made.

The funds are paid in USD in Somaliland and Nicaragua. In Kenia, the funds are paid to the partners on their KSH bank account. The funds to Somaliland are sent through the Dahabshiil fund transfer company due to the challenges related to strict foreign exchange controls in Somaliland. In Uganda both direct bank account transfers and Dahabshiil has been used.

The funds are transferred to the Dahabshiil account of IFS in the field. The Regional Director further sends the funds to the bank accounts of the partners. The remaining funds will be used to the Regional Directors expenses such as travel and housing expenses. The Regional Director can choose to transfer the money to the local partners in smaller parts if deemed necessary.

At the end of the fiscal year, account statements (including also Dahabshiil accounts) are requested from the local partners in order to reconcile the balance with ISF bookkeeping.

Based on our review, the controls related to fund flow are on an appropriate level.

5.3 Approval Policies and Segregation of Duties

The ISF is a small organisation where adequate segregation of duties is difficult to achieve. According to the ISF administration and finance regulations (dated 1.5.2013) the Executive Director approves all the payments. In most cases the invoices are approved by the Executive Director electronically in Netvisor software. However the Finance Manager has the main user rights for Netvisor in order for her to approve and process payments in exceptional cases or urgent matters. In these cases the Executive Director approves the payment afterwards manually.

5.4 Administrative Expenses

According to our review, ISF has allocated maximum 10 percent of administrative costs to the Programme. During years 2013-2015 the administrative costs did not in total exceed the maximum allowed percentage. Prior to year 2013 and also for the year 2016 the administrative costs will exceed the maximum allowed percentage and ISF covers the exceeding amount from their own funds. Administrative costs are not as such allocated to the Programme, as almost everything is related to the Programme, but rather specific administrative costs are separately recorded to ISF own expenses (expenses related to the rental activities). Administrative costs are mainly salaries and rental expenses, external accounting services, IT-services, cleaning and audit fees. IT-costs are allocated to the Programme administrative expenses based on management estimated percentages.

Based on the KPMG procedures, the approval policies and documentation are adequate in the ISF.

5.5 Self-financing

During the years 2013-2015 the self-financing of ISF has come from private donations. ISF has been able to cover 15 % of the MFA funded Programme with self-financing and also been able to transfer unused funding to next years. In 2016 and 2017 self-financing will be covered partially by selling investments,

but the objective is that in 2018 again the fundraising revenues would be sufficient to cover the self-financing needs. Self-financing percentage of ISF will increase due to the decrease of MFA funding.

ISF has a separate fundraising strategy. Systematic fundraising activities were started already in 2012 and ISF's objective was to increase its self-financing already prior to the MFA cuts. Revenues are collected via fundraising campaigns and via monthly and occasional donations by private persons and companies. In line with the strategy, ISF has increased its face-to-face fundraising activities. In summer 2016, ISF had 80 face-to-face fundraising employees. The fundraising in 2016 has according to interviews been successful and the budgeted revenues will be exceeded. In the year 2015 the fundraising revenues amounted to 522 thousand euro, increasing from the prior year by 24 %. The number of regular donors was approximately two thousand in 2015 and is estimated at four thousand in 2016. ISF's objective is to have 10 thousand active regular donors.

Most of the fundraising revenues are non-ear-marked apart from the Red Nose Day. Costs related to fundraising are deducted from the fundraising revenues and the net is used for the Programme or transferred to the next year. Fundraising activities are currently implemented by Fundraising Manager and Face-to-Face Coordinator. ISF participates in the Red Nose Day –fundraising event annually with specified projects. For those projects the self-financing exceeds the 15 %, but the total self-financing of the Programme is balanced out so that the total self-financing does not exceed 15 % of the project total costs. The Red Nose Day –fundraising revenue is always used the following year and the payments to ISF are made in parts.

ISF has also some rental income which is not included in the Programme self-financing and some funding from Tradeka which is partially restricted. The revenues and expenses related to the restricted part are booked separately.

ISF is also seeking for widening its donor-base and company co-operation. ISF also wants to target different foundations as potential donors. ISF has made project proposals to EU but has not been successful so far. Currently ISF is looking to establish consortiums and scale up its activities in Somaliland with ADO.

Private donors are informed both annually and biannually of the use of their donations as part of other communication activities. ISF also makes regular private donor surveys and tries to increase interaction with private donors. This is done in order to increase and lengthen the commitment of the private individual donors.

5.6 Human Resource Management

ISF does not have a separate HR department, but the Executive Director and supervisor level employees handle all employment related issues. The Finance Manager calculates the payrolls using Excel. The executive Director approves the salary calculation. Rantalainen Accounting Services provides monthly assistance putting the payroll calculations to Netvisor and payroll related declarations to the authorities.

All 9 staff members of IFS have permanent contracts of employment. Prior to 2015 there were only Country Coordinators, one for each operating country. After the MFA funding cuts, when activities in Uganda were finished and Kenya had just started, the Country Coordinator for Somaliland became the Regional Director for Somaliland and Kenya. The salaries of the Programme Coordinators based in Helsinki and the Country Coordinators were allocated to each project in 2013-2015 in relation to actual costs incurred in the projects. Since 2016, the salary of the Programme Coordinator is included in Programme development costs while the Regional Director's and Country Manager's salary is allocated to the projects. There has been some changes in the personnel of ISF headquarter, the new Programme Director started in August 2016 after four months gap since the prior Programme Director resigned. The country coordinator in Nicaragua and the regional director of Kenya and Somaliland are not in close contact as the situation of the countries and the current activities and challenges are rather different.

ISF has local staff in Somaliland and Kenya. Previously ISF also had local staff in Uganda. There are no local staff in Nicaragua. The local ISF staff have a fixed-term contract of one year which can be renewed. The salaries of the local staff are paid within their country on the field. The salary payments are made by the Regional Director or the Country Manager.

The Executive Director signs the employment contracts. The contracts are archived by the Finance Manager. The staff has no other working tasks outside the MFA funded Partnership Programme. The collective agreement used is the one agreed between the Finnish Social Democratic Party ry and Järjestötoimitsijain Liitto JTL ry. The work time is monitored in Netvisor. There is no proper work time reporting regarding time spent on different tasks and projects, only total working hours and overtime is followed. KPMG noted that the Regional Director has plenty of overtime hours and ISF management should pay attention to the resource allocation.

ISF started in 2015 to employ also Face-to-Face fund-raisers. In 2016 ISF had 80 temporary face-to-face fundraisers in total. They are paid hourly wages. The working hours are verified by the fundraising coordinators, approved by the Fundraising Manager and payments are authorised by the Executive Director.

Travel expenses

Travel invoices are prepared and approved in Netvisor software. The Finance Manager inserts the travel claims of the staff that travels only occasionally. The staff that travels regularly inserts their own travel expense claims directly in Netvisor. The approval was made in writing until an electronic approval system was implemented in 2016. The travel expenses of the Finance Manager are approved by the Executive Director. The travel expenses of the Executive Director are approved by the Chairman of the Board.

Daily allowances are no longer paid to the Regional Director for working days in Nairobi or Hargeisa. Daily allowances are only paid for fieldwork.

5.7 Foreign Exchange Rates

The ISF uses the weighted average exchange rates in the project accounting. Exchange rates are calculated by using amount of Euro sent and actual local currency received in the ISF account in the field. For each country there is a follow-up in excel of the calculated weighted exchange rates. At year-end the exchange rates are corrected in Netvisor to match the follow-up excel. Forex exchange difference is recorded as expense in the bookkeeping under bank charges. For Somaliland, the exchange rates are taken from Dahabshiil transaction receipts.

KPMG observed that calculation of weighted average exchange rate has been appropriate. The Dahabshiil bank has expensive services in comparison to a European commercial bank. Dahabshiil charges 1% banking fees for the total transferred amount. The advantage of Dahabshiil is that the funds are guaranteed to be transferred within a day. The total banking fees are agreed in advance and ISF in Finland covers the total banking charges. Based on our review, foreign exchange rates are calculated properly.

5.8 Project Planning and Budgeting and Cost Monitoring

ISF Programme Manual describes the Partnership Programme planning as well as individual project planning procedures. It introduces various documents to be used in planning and presents also the logical framework approach as well as a project evaluation practice. In conclusion, the existing guidance is relevant and sufficient, since key responsibilities of the stakeholders are defined and documentation requirements are specified. Project planning in ISF takes usually from six months to over one year and includes many different studies and analysis such as feasibility study, problem analysis, stakeholder analysis, baseline study. Often also external consultants are used in the planning phase.

ISF prepares an annual budget in form of an income statement to the foundation and in form of a report to MFA. There are also separate budgets for communications and fundraising. The budget of the projects are made annually and quarterly. The regional director and country manager in the field are highly involved in project budgeting as well as in controlling and monitoring the actual project expenditure. According to budgeting guidelines the partner can transfer expenses between budgeting lines for up to 10%. In other cases approval from regional director or country manager is required. Exceeding the budgets are not permitted unless there is a reason for an exception.

ISF Finance Manager uses Talgraf which is a tool for visualizing accounting numbers in reporting. The tool has been in use since 2014. Previously the reports were made with Excel. Talgraf collects data directly from the Netvisor accounting software and creates representable reports that are easy to read. Talgraf has a budget follow-up function which allows the user to see the budgets of the whole partnership program or the separate projects. The project budgets are followed-up quarterly against actual expenses. The project financial reports do not include cumulative budget and cumulative actual expenditure. After the second quarter, a thorough review is done and discussed within the project teams. The purpose of the review after the second quarter is to estimate the outcome for the whole year. The budget follow-up, program activities and fundraising are regularly reviewed also by the Board of Directors.

The ISF budget and project planning process are systematic and well organised.

5.9 Internal and External Audit

5.9.1 Internal Audits

ISF BoD chooses annually one of the board members to do an internal audit. Prior to year 2013, the internal audit was focused on voucher checks, but the recent years it has been more focused on operations and internal controls. The internal audit does not include visits to the field. KPMG has reviewed the internal audit reports of years 2013-2015. The internal audit reports covered for example the efficiency of internal controls, documentation of contracts and procurements and work time follow-up of staff. The reports included recommendations to improve systematic archiving of agreements and increased control over large balances of accumulated overtime of staff, in particular those based in the field.

Some of ISF local partners also have internal audit function. SOYDAVO in Somaliland has an internal audit annually made by one of the board members. The Auditor is a member of board of directors and met with finance department and program staff, cross-checking documentation against manual and policies. KPMG reviewed the approved and signed internal audit reports for the years 2012-2015. Recommendations were related to the use of accounting software, update of fixed asset register, improved budget follow-up and sufficient supporting documentation.

5.9.2 External Audits

ISF Audits

External audits of the ISF have been carried out annually by the EY. KPMG reviewed the audit reports of ISF for the years 2013-2015 and noted that the auditor's opinions are unqualified. For the audits of the MFA funded Programme expenses for the years 2013-2015, auditor has also issued unqualified opinion. Also management letters have been issued for both organisational and program audits.

According to information received the auditors have issued management letters for the MFA funded Programme audits. We have received the management letters for 2013-2015. In 2014 EY issued also a management letter regarding the audit of the ISF as a foundation. The findings and recommendations in the management letters are given for each implementation country separately based on the local audit reports. Based on KPMG review, the external audits in Finland are properly conducted.

Project Audits

All ISF funded projects are audited separately and based on KPMG review the project audits have been properly conducted. In Uganda the project audits were done by Ernst & Young (EY). In Somaliland and Kenya the current external auditor is Matengo & Associates, a certified public accountant based in Nairobi, Kenya. In Nicaragua the two ISF local partners are cooperative associations that have their own contracts with an external auditor.

The external auditor in Somaliland was tendered in 2013, but the auditor did not change. ISF is planning to redo the tendering in 2017. Currently it is being planned that the field visits to Somaliland as part of

the local audits could be done only once a year. In this case the audit from the first six months would be carried out based on copies and received reports. This would decrease the audit costs.

Management letters are included in the external audit reports. In Somaliland according to the project audit management letters, there has been mistakes in voucher numbering, lack of daily attendance sheets and sufficient details in fixed asset registers, confusion related to income tax payments of part-time employees and consultants and also the vehicle log book has not included fuel cost monitoring. In 2015 a summarized main report regarding findings related to all Somaliland ISF partners was also prepared separately by the external auditor. Findings of the report were related to attendance sheets and vehicle maintenance. It seems that though the management letters are issued, not all significant findings related to the Somaliland local partners and ISF funded projects have been included in them. In most of the local partners the accounting software has not been properly used and in some periods it has not been in use at all.

The audit fees of Uganda, Somaliland and Kenya project audits are entered as expenses under "Planning, Monitoring and Capacity Building" costs of the Partnership Programme as part of the financial administration capacity building together with financial administration training.

According to interview with Matengo, the external auditor of the projects ISF funds in Somaliland, the local partners are complying with ISF requirements adequately. However there is a need to remind on appropriate procedures as the level of consistency is not so high. The ISF local partners' financial administration is on a good level, compared with other organisations in Somaliland and Kenya in general. However, there are some variation between the partners. When using the accounting software, the Peachtree, double-entry bookkeeping is not applied to. Despite the fact that single-entry accounting is applied, the accounting records were properly maintained and sufficient supporting documentation were attached. Expenses were also properly recorded and audit trail exists.

Audits of local partners

KPMG reviewed the annual audits of the three partner organisations in Somaliland. Candlelight is annually audited by Peter Githae & Associates, a Certified Public Accountant company located in Nairobi, Kenya. The financial statements include all Candlelight revenues and expenses covering all different donor funded projects. KPMG reviewed the audited financial statements for the years 2013-2015 and the auditor's reports were all unqualified. Additionally the auditor has issued management letters annually including more detailed findings and recommendations regarding finance and other procedures. The audited financial statements and audit reports are shared with the donors.

SOYDAVO is currently biannually audited by an external audit company. KPMG reviewed the 2013 and 2014 audit reports. The next external audit is scheduled for 2016. The external audit is biannual due to budget restraints. In 2013 the external auditor was Dool Consultancy and Auditing Group from Burao-Somaliland. In 2014 the external auditor was Matengo & Associates, certified public accountant, from Nairobi Kenya. Matengo is also auditing the ISF funded project. No management letter was issued.

In SOYDAVO 2013 audit, auditor noted several findings such as inadequate cash book reference to bank accounts, lack of accounting program, lack of sufficient supporting documentation on fuel and personnel costs and inadequate procurement policy. Balance sheet was not prepared.

ADO is annually audited by an external auditor Elite Yukay Certified Public Accountants since 2012, who are UK registered but based in Hargeisa, Somaliland. KPMG reviewed the 2013-2014 audit reports, both unqualified. 2015 audit report had not yet been finalized and was not available for review.

6 Risk Management

ISF has assessed risks from both an organisational point of view and for the Development Program areas. In 2013, 2014 and 2016 ISF has prepared risk maps that have been approved by the Board. The risk maps are included in a memo where risks are categorised and narrative explanation is given.

Risk Plan 2013

According to the risk plan prepared in 2013, ISF will hire a financial assistant to mitigate the risk related to resourcing of financial management and to segregate the duties related to the fact that financial and accounting processes are managed only by one person. ISF's limited personnel in the cooperating countries has seen as a risk since the workload is high with the expatriate staff in Somaliland and in Kenya. To mitigate the risk, local coordinators will be hired to assist. MFA funding is also mentioned and ISF will prepare by strengthening fund raising and by seeking other donors. Image risk will be mitigated by comprehensive communication toward the private donors as well as ensuring that local partner organisations has capacity to implement the projects with quality. To ensure the capacity of the local organisations, their capacity building is an ongoing process and is supported simultaneously when projects are implemented. Especially the fraud case in Uganda has led to pay more attention on projects management and controls.

Risk Plan 2014

In 2014, identified risks were very much the same as described in 2013 Risk Plan. According to the plan, segregation of duties in financial management will be mitigated by using an external accounting office as a controller to strengthen internal monitoring and to assist the Finance Manager. Risk related to the personnel heavy work load in the cooperation countries is still seen as a risk and the possibility that personnel exhausts is valid. Local coordinators have been recruited but this has not yet helped the work load. ISF continues to prepare to the possibility that MFA funding will be decreased and aims to increase own fund raising. However, according to the risk plan 2014, there has not been significant progress in developing new fund raising methods. Funding through donation letters and amount of occasional individual donors had decreased during 2011 – 2013.

Risk Plan 2016

Due to the MFA budgetary cut-offs, ISF had invested considerably in increasing fundraising and has managed to increase own income for example by hiring face to face staff. Also other fund raising methods had been developed and ISF increased its share in the Development Program significantly. Own fundraising has increased significantly comparing to previous year. To enlarge and widen the source of funding became a strategic objective. The workload of the ISF country coordinators in the cooperation countries was still a risk in 2016. In Kenya and in Somaliland ISF had recruited local coordinators to assist the Regional Director, however KPMG noted that the Regional Director has significant amount of over time worked.

Development Program Risk Management

ISF has assessed program related risks separately. For each development program document, risk assessment is attached. According to the Risk Assessment for the 2013 -2015 program, political and economic changes in the cooperation countries might cause challenges to the local NGO's to operate. In the post-conflict countries is a risk for the security of the employees and to the partner organisations. ISF follows situations and communicate with other INGO's (UN organisations) about the security and ISF has crisis communication plan. To mitigate corruption and fraud, ISF projects are audited yearly and semi-annually. Also low fundraising is seen as a risk and ISF will develop it during the programme period. Workload of the expatriate staff is also seen to be heavy. Also workload in financial management in Finland will be prevented by sourcing an external accounting office. In the risk analysis for the 2016 – 2018 program period, decrease in funding was assessed most likely risk and also effect as high.

Accrued risks

The significant risk was accrued when MFA decreased funding significantly. ISF had already seen this as a risk in the previous years and had started to invest in increasing other sources of income. However,

the cut-offs came suddenly and were significant and ISF was not able to meet the gap in funding in short period of time. Thus also program activities were decreased in 2016 – 2017 program period.

In Uganda, ISF's partner COFCAWE faced a fraud when the organization accountant embezzled organisation's funds during 2009-2012. The fraud was discovered by the organization. The fraud was serious and according to the interviews also the organisation's auditor was either deliberately involved or was incompetent since it issued unqualified audit reports during the period. Later it became apparent that the auditor did not meet international audit standards. Local bank was also involved in the fraud by accepting forged cheques by purpose. ISF contracted an international audit company to conduct a forensic audit of COFCAWE in 2012. According to the forensic audit, 168 million UGS (55,000 euro) had been embezzled based on forged cheques and forged signatures in 2012. The forensic audit was extended to the period when the local auditor had been contracted and it was found that during 2009-2011 the embezzlement amounted to 121 thousand euro. The case has been communicated with the MFA and ISF has returned the funding that was embezzled.

According to the clarification provided to MFA on January 2013, ISF will take more carefully and intensively part in the follow-up of the audit company activities and audit recommendations and ISF Financial Manager will follow closely the project audits and go through the audit reports with the auditor. Also ISF acknowledged the need to intensify the follow-up of the actual implementation of the financial manual by ISF Country Coordinator, with the support of Finance Manager and Programme Team in ISF Helsinki office.

According to KPMG review, ISF has risk management properly organised for the organization and risks are regularly reported to the Board. ISF has been able to react efficiently to budgetary cut-offs. Also security risks in the cooperation countries have been properly managed. ISF has also recruited local assistance to the expatriate ISF staff.

According to the KPMG review, resources allocated to the financial management in ISF head office has not been as comprehensive as analysed in the annual risk plans. ISF has one person working with the financial management. However, further support for the financial management and follow-up of the project audits is needed in the in the cooperation countries.

KPMG also noted that ISF has two risk management processes and these are parallel to some extent. Similar risks are described in both the organization risk management and in the program risk analysis.

Observation, risk and recommendation

Observation	ISF has limited staff capacity in financial management, accounting and follow-up of the project audits.
Risk & Significance	There is a risk that Country Managers are not sufficiently supported by ISF headquarter related to financial management processes and to secure sufficient quality of the auditors. - Moderate
Recommendation	<i>ISF should strengthen the financial management resources to decrease the dependency from only one employee and to enable sufficient support to the Regional and Country Directors.</i>
Observation	ISF has two parallel risk processes.
Risk & Significance	There is a risk that both risks plans are not properly followed and reported to the Board. - Low
Recommendation	<i>ISF should have one risk management process that is followed and regularly reported to the Board.</i>

7 Activities in Somaliland

ISF started implementing projects in Somaliland already in 2000 and it has had a permanent office and Finnish country coordinator in Hargeisa since 2001. Since the beginning the equality of women and the awareness raising against female genital mutilation (FGM) have been on focus.

During the years 2013-2016 ISF has implemented eight different projects in Somaliland with five different local partners. Most of the local partners are implementing only one project each, but Candlelight (CLHE) has implemented four different projects covering livelihood, professional education for youth and FGM projects. Of these eight projects KPMG reviewed three projects in detail during the field visit:

- 1 Somaliland Youth Development and Volunteer Organisation (SOYDAVO) - Reduction & Mitigation of Gender Based Violence (GBV)
- 2 ADO - Enhancing the food security of Pastoral and Agro Pastoral Community in Somaliland
- 3 Candlelight (CLHE) - Community Education on FGM Project

The findings related to the field visit are presented in the below chapters (7.1-7.3) for each project separately.

ISF is currently increasing its own staff in Hargeisa and has hired a local Program Officer. Since one year ISF already employs a Monitoring Officer in Hargeisa that is relocated in Burao in the end of 2016. ISF's objective is to find new funding and start implement more projects in Somaliland. ISF made an external assessment of the financial administration of all the local partners in 2014.

ISF office in Hargeisa is located in CLHE headquarters, where it rents one room. ISF also has procured a vehicle for its own use in 2015. The vehicle was not working for the first six months due to battery issues and has only recently been taken into use. Log book has been ordered locally and was received only during the field visit.

Supporting documentation for the expenditure related to ISF's own costs in Somaliland were sent to Finland by post until end of 2015. In 2016 the supporting documentation is kept in Somaliland and the accounting is done in QuickBooks. The same external auditor used by ISF for the project audits will audit the ISF expenditure separately.

7.1 Somaliland Youth Development and Voluntary Organisation

Somaliland Youth Development and Voluntary Organisation (SOYDAVO) became the ISF's partner in 2013. The project Reduction & Mitigation of Gender Based Violence started officially in August 2013. The first year of the project was spent planning and the project activity implementation started in July 2014. Implementation is planned to end after first quarter of 2017 after which final evaluation will be done. ISF and SOYDAVO signed the cooperation agreement of the project first in 1 April 2014 for the planning phase 21 March till 30 June 2014. The planning phase was originally planned to end in March 2014 but was prolonged for three months due to delays in finalising some of the planning activities. In 2014 also a separate agreement was signed for additional activities and related budget increase between ISF and SOYDAVO.

Implementing organization

SOYDAVO was established in 2003, but it took its current name officially in 2006. SOYDAVO is a national non-governmental and non-profit organisation based in Burao, Somaliland. SOYDAVO's vision is to acquire a society, whose children, women and youth are peaceful, have their rights safeguarded, and are socially, healthily, mentally, wealthily, psychologically and educationally well according to world standards. SOYDAVO is committed to work with human dignity, self-development, and to make people promoters of their own growth for women, youth and children through the mobilisation, training of their potential, and by implementing projects that meet their needs for education, health, skill training, income generation, sports and self-empowerment. In practise SOYDAVO rehabilitate youth and improves employment opportunities for youth.

The highest decision-making body of SOYDAVO is the general assembly. The general assembly meetings are held every two years and consist of about 50 youth members. The general assembly appoints the board of directors, which consists of 5 members. Board meetings are held 2-3 times per year. The operations and staff is headed by Executive Director who has recently changed. The prior ISF funded project manager is now the new Executive Director.

SOYDAVO is currently funded by IOM, ISF, Care International, Norwegian Refugee Council, Amplify Change (UK), UN Office of Drug and Crime. The biggest donors are IOM and ISF, the others don't fund activities on a regular and continuous basis. In early 2013 ISF advertised call for a concept note in Somaliland newspapers. SOYDAVO applied and after interview by ISF, was shortlisted, assessed by the external auditor and finally chosen by ISF.

SOYDAVO implements its projects mainly in the Togheer region, where it has its headquarter. SOYDAVO also has sub offices in Erigavo, Sool and most recently in Hargeisa. SOYDAVO has currently 23 employees and 7 volunteers. SOYDAVO has also a youth centre in Burao, where it organises skills training on electricity, plumbing, tailoring and carpentry. Previously the youth centre was funded by external donors, but currently it is sustained by SOYDAVO and the students who pay a small fee to cover the expenses.

SOYDAVO's strategy is updated every 5 years and currently the 2017 new strategy is being prepared. SOYDAVO plans to focus more on long-lasting projects and youth development, instead of survival level activities. SOYDAVO also plans to expand its operational area, increase the amount of interventions and even expand to Kenya in future.

SOYDAVO has prepared many different policies to use in its operations covering governance, finance, HR, procurements, risk management. Some of the manuals have been prepared by an external consultant and the preparation has been funded by Oxfam. Most recently SOYDAVO has developed guidance and policies for conflict of interest, volunteers, gender, whistle-blowing and anti-corruption.

According to the risk management policy, and according to information received the most important risks are related to safety and security of SOYDAVO employees when implementing the project activities.

Financial status

SOYDAVO operations are depending on external donor funding. Most funding is ear-marked for specific projects and only donations from Somali diaspora are unrestricted funding.

- In 2013 SOYDAVO total revenues were USD 204 thousand and total expenditure was 197 thousand USD.
- 2014 total revenues were 312 thousand USD (+23 thousand USD of fixed asset investments funded by donors), and total expenditure was 316 thousand USD.
- 2015 total expenditure 304tUSD according to internal audit report.

SOYDAVO had a capital reserve of 101 thousand USD at year-end 2014 which equals the amount of fixed assets activated. Fixed assets are reported to the donors as expense and activated to SOYDAVO balance sheet. In practice the fixed asset additions of each year are deducted from the total revenue and booked to capital reserve. The depreciations are booked as expense and also as other income and credited from the assets and capital reserve.

Reduction & Mitigation of Gender Based Violence Project

The Reduction & Mitigation of Gender Based Violence (GBV) project's objective is to increase the wellbeing of the targeted communities in Togheer region and increase the capacity of those communities in reducing the violence the local women face. Main activities of the project are trainings and capacity building programs that increase the level of knowledge of the community on harmful effects of GBV. Currently the project team at the local partner consists of project manager, project officer, finance officer and two community volunteers. In 2015 the staff included also social workers, but these were changed to volunteers due to the MFA budget cuts. Volunteers work part-time for the project and are paid a small incentive.

The project activities are implemented in 20 villages of which 17 are in Burao city and three outside of the city. Villages were elected during the project planning phase. The project targets parents, teachers, village committees and traditional tribunals of clan elders. In each village a specific village agent was chosen to participate in the regular trainings, workshops and meetings. Village agents are 14 female and 6 male and collect systematically data of female violence. Additionally the project cooperates with 11 local schools.

Below the budgets and actual expenditure of the project in 2013-2016.

	Budget 2016 (Jan - Jun)	Actual Jan-Jun 2016	Budget 2015	Actual 2015	Budget 2014	Actual 2014	Budget 2013	Actual 2013
Costs								
Personnel Costs	12 300	12 090	52 804	53 170	36 331	34 656	5 742	5 742
Activity costs	51 194	49 899	91 336	93 540	78 641	74 785	0	0
Investment costs	0	0	1 480	1 480	26 516	26 458	28 560	28 292
Operation and Maintenance	6 058	5 980	11 968	12 175	5 968	5 533	0	0
Planning, Monitoring and Evaluation	520	460	4 909	6 224	27 009	14 967	11 571	4 530
Peach Tree training costs	0	0	0	0	6 849	11 473	0	0
ISF monitoring visits	0	0	0	0	2 693	4 029	0	0
Total costs (USD)	70 072	68 429	162 497	166 589	184 007	171 901	45 873	38 564

The planning phase of the project started in August 2013 and ended in July 2014. The planning phase activities included workshops, assessments and several different analysis with different stakeholders of the project. Local government officials and the community and its village committees were informed of the project and mobilised. Communities were consulted about the root causes and problem solving and the community profiles were prepared. During the planning phase SOYDAVO finalised the project document with log frame and result indicators and it was officially approved by ISF. A vehicle was also procured for the use of the project activities.

During 2014 the gender analysis, staff capacity assessment and baseline survey were done. There were several difficulties with the work done by the external consultants and some of the baseline data results have been concluded to be partly incorrect. Computers were provided to the chosen schools to collect data on GBV cases. The teachers were also trained on GBV aiming to build them a sense of responsibility. Parents and teachers have also been trained about how to declare a case at a police station and from where to get assistance.

In 2015 the project implementation continued with regular meetings, trainings and thematic workshops for the targeted 20 village agents. Short films on GBV were produced and shown to different target groups. Also a Human Rights Education Training program was started for youth with violent background or who had dropped out of school. SOYDAVO staff were also trained in monitoring and the same survey as in the baseline was redone in the targeted project area.

The project has faced several different challenges during its implementation. In the very beginning two chosen communities has to be changed to other neighbouring villages as the villages originally chosen refused to work with SOYDAVO and instead of planned activities had different expectations of the project and wanted cash. For some people of the target communities the activities of the ISF funded project represented the western culture and SOYDAVO has had to deal with reluctant and sometimes even hostile attitudes. Some community members have gone as far as to falsely claim that it is due to the

project activities that the GBV has increased in the communities. Lack of participation in the trainings and workshops has also been a challenge for project implementation. The school cooperation was initially difficult as the schools didn't want to input and report data on GBV as they were worried SOYDAVO would reveal the sensitive data to other schools and harm their reputation. SOYDAVO solved the situation by promising the schools anonymity.

Despite the challenges, according to the interviews the ISF funded project has been one of the most impactful project SOYDAVO has implemented due to its interlinked and community driven activities. In the next phase the project activities are planned to be further expanded including also elements of livelihood and income-generation. The current locations are planned to be changed and FGM element is also planned to be included in the activities.

Financial administration

In SOYDAVO, four persons are working with the finances and accounting including a Finance Manager, Finance Officer, Finance Assistant and Cashier. There is no project accounting or cash book of the 2013 project costs. However as the cost in 2013 were only minor, KPMG has been able to review the costs against the financial reporting submitted to ISF and the project audit report. SOYDAVO participated in finance management and accounting trainings in 2013 organised by ISF. After the trainings, in 2014, the Peachtree accounting system was introduced but since 2015 the system has not used since there has been changes in the finance staff and currently there is no competence to use Peachtree. The cash ledgers in 2015 and 2016 has been prepared in Excel.

According to KPMG review, the segregation of duties is properly implemented in financial management processes. The reported expenses were derived from the project accounting and audit trail exists. However, KPMG noted that references in the accounting did not match with the voucher numbers but vouchers could be found based on the date and amount. KPMG noted that salaries were recorded as gross salary in the project accounting and income tax was not accounted separately. Salaries were based on the employment agreements and salary rates are reasonable. KPMG noted also that some supporting documentation was missing from the vouchers, in some cases participant lists or activity reports were not attached.

For travels, SOYDAVO pays 15 USD per diems and for accommodation 10 USD.

Fixed Assets and Procurements

SOYDAVO has a fixed asset register. The latest update was made in January 2015 as part of the annual audit. The procurement processes is guided in SOYDAVO Procurement Manual. The processes, responsibilities and thresholds for procurement methods are comprehensively described in the manual. According to KPMG review, procurements were properly documented.

Performance, Monitoring and Reporting

The project started by conducting a baseline survey. The survey was conducted by an external consultant from Nairobi, Kenya. The outcome of the survey was not, however, what was expected and there seemed to be errors and results indicating the occurrence of violence cases were too low. Due to the inaccuracies in the baseline survey, annual monitoring was later conducted by the project staff with properly trained enumerators. During the first project year 2014, project target groups in the villages were mobilised, question tool to assess Gender Based Violence (GBV) was developed and different Government Officials and Offices along including Ministry of Religious Affairs, Ministry of Social Affairs, Ministry of Justice, Courts, Ministry of Interiors Including Police, and prosecution office were met. With the support of external consultant, baseline survey was conducted in August 2014.

In 2015, community awareness events were organised where families' roles were discussed and trained and awareness related to GBV was distributed. Monthly village agents meetings were also held and incurred GBV cases were followed. SOYDAVO Project staff conducted first Village Committees Capacity building Trainings in 2015. The village committees were trained by the Project Manager on the areas of Overview of Gender Based Violence, Its forms, types and the prevention and mitigation strategies. Also Youth were mobilized in 22 human rights awareness event.

The annual reporting is based on the monitoring data collected by the project staff and end year monitoring survey. In 2015, SOYDAVO staff collected the monitoring survey because there had been errors in the baseline survey. Monitoring survey is conducted based on same form of information collected in the baseline survey. The errors in the baseline survey were because the topic is very sensitive and this effects on the answers.

KPMG noted that the beneficiary amounts (Mobilization meetings with the project stakeholders and the villages, IDPs' Committees and representatives) reported in the 2014 Annual Report was not based on actual amount, but an estimate that was used for planning.

Monitoring documentation for significant activities such as Human Rights Education Training could be better documented (reports).

Observation, Risk and Recommendation

Observation	SOYDAVO staff was trained to use Peachtree Accounting system, the system was taken into use in 2013, and however it is no longer in use.
Risk & Significance	If Peachtree accounting software is not used and the accounting is done in Excel, the risk of manual errors is higher. There is also a risk that the training provided has been wasted. -Moderate
Recommendation	<i>SOYDAVO should introduce Peachtree accounting and the processes that were trained.</i>
Observation	According to the 2014 Annual Report provided by SOYDAVO to ISF, 600 stakeholders participated in mobilisation meetings, however the amount is not actual but based on the estimates.
Risk & Significance	If reporting is not based on the actual amounts and progress, there is a risk that reporting is inaccurate. - Moderate
Recommendation	<i>Reporting must be based on actual outputs.</i>
Observation	Monitoring of the Human Rights Education documentation was not comprehensive.
Risk & Significance	If the activities are not properly documented, there is a risk that reporting is not accurate. - Low
Recommendation	<i>Monitoring documentation for significant activities such as Human Rights Education Training should be better documented (reports).</i>
Observation	Income tax is not separately recorded but is accounted as gross salary
Risk & Significance	Accounting does not give true picture of the expenses incurred - Low
Recommendation	<i>Income tax should be accounted separately.</i>

7.2 Network against FGM in Somaliland

Network against FGM in Somaliland (NAFIS) organised a one day workshop in Hargeisa on 16 November 2016. The workshop was part of the ISF funded project NAFIS is currently implementing. The topic of the workshop was the validation of the work plan of the advocacy group of NAFIS for anti-FGM policy adoption. Participant organisations were from several local NGO's who also works against FGM practises in Somaliland. Ministry of Health was also represented. The NAFIS work against FGM is done through the Advocacy Working Group (AWG) and main activities are communicating and lobbying about FGM issues. Seven local organisations are members of the Advocacy Working Group, all present in the workshop: Candlelight (CLHE), Somaliland National Youth Organisation (SONYO), Somaliland Family Health Association (SOFHA), and Comprehensive Community Based Rehabilitation in Somaliland (CCBRS), Somaliland Women Lawyers Association (SWLA), Somaliland National Human Rights Commission (SNHRC) and Women Action for Advocacy and Progress Organisation (WAAPO).

The AWG aims to get in the force the anti-FGM policy and FGM Law and show that FGM contravenes the Constitution Article 36 (1 & 2) and that FGM conflicts with UN Declaration/Convention CEDAW. In the beginning, Candlelight (CLHE) presented the objectives and current status of anti-FGM work. During the workshop the strategy was discussed. Discussion was lively and several representatives participated. The participants were for example concerned about that the lobbying needs more concrete targets and to include in the negative impacts more psychological affects it causes women. Participants also raised the issue of funding; Somaliland Government is not allocating any funds to FGM work and all funding comes from the donors. It was also seen important that all doctors and nurses would be included in FGM work target groups to enable mainstreaming of the anti-FGM work to their work.

Based on the KPMG review of the workshop, the discussion was lively and all participants were actively involved.

7.3 Agriculture Development Organisation

Implementing organization

Agriculture Development Organisation (ADO) was established in 1993 in Burao with a focus at the time on relief and rehabilitation in order to assist the returnee population who had their homes and livelihoods destroyed during the civil war in the 1980s. The head office is currently situated in the capital, Hargeisa. Branch offices are in Burao and in Erigavo. ADO employs 22 persons from which 19 in Burao and three in Erigavo office. ADO partnerships with several international organisations who mainly finance ADO's projects. Currently ADO works with UNHCR, UNDP, WFP, ISF and OCHA/CHF.

The highest decision making body is the General Assembly and it has meetings once a year. Board of Directors consists of five persons and it meets quarterly. Executive Director is in charge of the daily management. Under the Executive Director works Program Coordinator and Administration & Finance Coordinator. The program Coordinator is responsible for the donor funded projects and monitoring and evaluation. Five persons are working with managing the projects. One Project Manager is responsible for the ISF project. Five persons are working in the administration department of the headquarter. The ISF project manager and the project accountant are working in the Burao office. Current Executive Director started in October 2016 and worked previously as Admin & Finance Coordinator in ADO.

ADO became a partner with the ISF in 2011. ISF seeked partners through a consultant who assessed local NGO's against ISF values and strategy.

Financial status

ADO operations are depending on external donor funding. Most funding is ear-marked for specific projects and only donations from Somali diaspora are unrestricted funding. The annual income in 2016 is estimated to amount to USD 900 thousand. 2015 audited financial statements were not available during KPMG field visit, but in 2014 the total revenue was USD 550 thousand and the total expenditure was USD 540 thousand. In 2013, the total revenue was USD 800 thousand and the total expenditure was USD 710 thousand.

ADO has also some minor income generating activities such as rental income from one tractor in the Burao district. Furthermore ADO has plans to open seed multiplication centres in the coming two years to fulfil the demand for pure seeds. ADO also plans to offer technical services as well as consultation.

ADO has prepared many different policies to use in its operations covering governance, finance, HR, procurements, monitoring & evaluation and risk management. Some of the manuals have been prepared by an external consultant and the preparation has been funded by Oxfam.

Enhancing Food Security in Togheer Region Project

The Enhancing Food Security in Togheer Region project was implemented in 2012-2015. In 2011 need assessment, stakeholder analysis and feasibility study was conducted. Planning team consisted of ADO staff, ISF staff and agriculture coordinator from the Ministry of Agriculture.

The project implementation started in January 2012 and had six result areas; 1) to increase crop production capacity, 2) enhance alternative livelihoods in target communities, 3) Establish two cooperatives and improve their capacities, 4) develop value adding chains in agriculture businesses in target villages, 5) improve livestock productivity in the target villages and 6) increase the capacity of ADO in project management.

Below the budgets and actual expenditure of the project in 2013-2016.

	Budget 2016 (full year)	Actual Jan-Jun 2016	Budget 2015	Actual 2015	Budget 2014	Actual 2014	Budget 2013	Actual 2013
Costs								
Personnel Costs	19 050	19 250	49 825	51 275	52 825	52 225	38 917	38 793
Activity costs	83 177	20 537	99 824	88 429	265 691	221 137	124 460	99 306
Investment costs	2 130	2 130	5 400	5 400	2 720	2 720	0	580
Operation and Maintenance	8 090	8 100	13 950	13 683	13 680	13 745	11 520	11 557
Planning, Monitoring and Evaluation	1 600	0	9 053	3 713	2 580	1 090	1 110	997
ISF expenses	0	0	0	0	0	0	0	783
EU Expenditure	0	0	0	0	0	4159	0	0
Diaspora study	0	0	0	0	3000	3255	0	0
Total costs (USD)	114 047	50 017		162 500	340 496	298 331		152 016

The project started with mobilising the villages and organising the project structure. Main outputs were spate irrigation canal in Beerato village. During the constructions, several labourers were contracted. Also sesame seeds were provided to the villages, cooperatives were provided several trainings i.e. management training, training in using grinding machine, sowing, conservative agriculture, tillage, harvesting, and weeding and pest protection. Beekeeping was introduced and tractors to Beer and Beerato villages were provided. In 2013, gender component was incorporated in the project and additional funding 20,427 USD was issued to gender work within the project. Gender Officer started in Q2 2013 and had meetings with women groups in Beer and Beerato villages during her stay in the villages. The selected women groups were provided seeds and training in tillage aiming to increase crop. Separate offices were established for women in both target villages that enabled the Gender Officer and women groups to held meetings better. During the project period literacy and numeracy classes were assigned for women in both villages.

The cooperatives were provided quality seeds, equipment and were assisted to build irrigation systems and link farmers to markets. The level of farming skills was low in the beginning, thus providing irrigation and teaching proper cultivation increased the competence of the farmers.

For capacity support, ADO was provided several trainings i.e. training on how to develop organizational media and communication, monitoring and financial management trainings.

According to the interviews, the project was implemented without significant changes from the plan. However, drought has caused several challenges both in achieving the objectives and also to the activities. For example, during long drought period, crops are smaller and this influences to cooperatives possibilities to sell products to the market. It is also difficult for the villagers to attend trainings since to get food for own purposes need constant efforts. Also the cooperatives have not been able to produce and sell product as planned due to long lasting drought

Financial administration

The ADO financial administration is handled by the headquarter finance team managed by the Administration and Finance Coordinator. The Finance Policy guides the organisation's financial administration procedures. The financial administration of project has been handled by the project accountant in Burao since the start of the project in 2012. The accounting of ADO and the project is made in US dollars. During the first two years, the cash ledger for the project was prepared in Excel. ISF provided the project accountant training in the Peachtree accounting software in 2013 and again 2015 as part of the project activities. Since 2014 the accounting of the project has been prepared in Peachtree. However the bookkeeping system in use is not fully utilized, the system is only used on single-entry basis to generate the cash ledger. Some of the large procurements related to the ISF funded project have been handled from Hargeisa headquarter, the cash book for those costs is separate from the costs accounted in Burao.

ISF funding is first transferred to the ADO project account in Hargeisa, from where the funding is further transferred to project account in Burao. The transfers to Burao office are booked as expense in the Hargeisa cash ledger. The Branch office submits monthly plans and fund payment requests to Hargeisa. The monthly plans and payment requests are checked by the Chief Accountant, who's cross checking them with the budget and the activity plan. The Administration and Finance Coordinator approves the payments from Hargeisa. The cash books are sent on a monthly basis from Burao to Hargeisa while all vouchers and financial reports are sent quarterly. The cash books, vouchers and financial reports are being checked in the headquarters and approved by the Administration and Finance Coordinator.

For the transfer of funding to Burao, ADO uses the banking services of Dahabshiil and has a separate account both in Hargeisa and Burao for the ISF funded project. All payments are made by cheque. In the Burao branch office, the ISF funded Project Manager and Project Accountant both approve the payment vouchers. In Hargeisa both ED and Chief Accountant approve the payment vouchers. If the Chief Accountant is not available, the Administration and Finance Coordinator has also rights to approve payment vouchers. The cheques are made in US dollars but sometimes later converted to the local currency.

Salaries are paid by cheque. Salary advances are sometimes given to staff. Advances are deducted from the next month's salary. The salary of all staff members working for the ISF funded project is allocated 100 % to the project. For projects funded by other donors, ADO does separate salary allocations. Per Diem for staff members is USD 15 per day and USD 10 for accommodation.

KPMG performed voucher sample testing and noted that expenses are approved in a documented manner and supporting documents are attached. The reconciliation of the cash books to the financial reporting and project audit report was complicated due to the separate cash books kept in Burao and Hargeisa. However after clarifications and corrections the cash ledgers for 2013- 2016 were received and reconciled. The voucher check findings were:

- Salary booking in September 2015 and June 2014 does not match the voucher and its supporting documentation. Income tax payment made does not reconcile with the salary booking.
- Contracts of external consultants were not always attached as supporting documentation.
- Daily attendance sheets were sometimes missing. Participants did not sign that they participated the trainings for each day separately and received their per diem for the training day but according to the interview of the CLHE staff, one person marked finger prints for all.
- Handover documentation and completion letters were not always attached for the big procurements.

- Significant fuel expenses for which clear clarification about the activities taken place was not provided (September 2014, voucher 1477 USD 1100).
- Vehicle log books were not attached to fuel expense vouchers always to provide clarification of the fuel cost basis.
- The exchange rates used for the 2014 expenses related to Ethiopia were not documented in the voucher attachments.

Fixed Assets and Procurements

Both in Burao and Hargeisa, ADO has a fixed asset register. The fixed asset register is updated by the Logistic Officer. The register in Burao was reviewed only until September 2013 since very little investments have been done after that.

Documents related to the procurements are first checked by the Administration and Finance Coordinator and then approved by ED. Above 500 dollars minimum three quotations. Above 15 thousand dollars, public tendering.

There were several procurements conducted during the project. KPMG reviewed a sample of procurements and noted that procurements were properly conducted and documented.

Reporting and Monitoring

The Project Manager prepares quarterly narrative reports and Annual Reports to the ISF. Information is reported against six result areas based on the log frame. In the Annual Reports, actuals are reported against the indicators set in the project log frame. Information for the annual report is collected based on the questioners and data is entered in excel and analysed by the Project Manager. The monitoring data for each year is collected by the Project Manager, the Project Officer and Gender Officer. KPMG reviewed the monitoring data and data analysis for Annual Report 2014 and noted that the reporting provided to ISF were derived from project monitoring data.

Additional to project annual reporting, final evaluation was conducted in the end of 2015. For 2015, a consultant conducted the Final Project Evaluation for both Enhancing Food Security of Pastoral and Agro-Pastoral Communities in Somaliland implemented by ADO and CLHE food security project. The consultant was first trained the surveyors in Hargeisa and after analysed the information. The information in the evaluation report was not correct, according to the ISF and ADO Project Manager, the data analysis had severe errors. ADO asked the data from the Evaluation Consultant and contracted with another consultant to conduct re-analyses of the data. The results were different and closer to reality. For example, in the initial evaluation report, sorghum crop had increased in the area where sorghum was not cultivated. KPMG noted that ISF had reported in 2015 Annual Report results based on the Evaluation Report that had errors.

Observation, Risk and Recommendation

Observation	There were significant fuel costs that could not be directly linked to the project activities. The fuel receipts did not indicate vehicles that were filled and there was no information about the drives. Also project vehicle logbook was not available to check the project drives in September 2015.
Risk & Significance	If the fuel expenses are not included the register number of the vehicle and reasoning for the drives are not documented, there is a risk that fuel expenses do not belong to the project. - Significant
Recommendation	<i>ADO should document the vehicle information in the fuel vouchers, indicate the activity for which the fuel was purchased and write fuel fillings to the vehicle logbook.</i>
Observation	In several trainings, participants had not signed per diems. Participant lists have been marked with fingerprint by one person. Thus it cannot be verified that each person had participated the training and received the per diem.
Risk & Significance	If the fingerprints for all participants are done by one person, there is a risk that per diems have not been paid to persons that are entitled to them - Moderate
Recommendation	<i>All per diems should primarily be signed and if a person cannot write, then by giving fingerprint.</i>

7.4 Candlelight for Environment, Education and Health

Candlelight for Environment, Education and Health (CLHE) became the IFS's local partner in Somaliland almost 15 years ago. Since then ISF and CLHE have been collaborating in different projects. ISF and CLHE have cooperated in anti-FGM work from 2007. The first project period of Support for Community Education on FGM in Somaliland project was 2007-2010. Second project phase was 2011-2014 and the third phase from 2015-2017 is currently is ongoing. The final evaluation of the second project phase was in October 2014 and simultaneously the planning phase of the third phase was started. The planning phase was originally planned to last until September 2015, but was further prolonged till year-end 2015. The implementation of third phase activities has started from the beginning of 2016.

Implementing organization

Candlelight for Environment, Education and Health (CLHE) was founded in 1995 as a national non-governmental and non-profit organisation based in Hargeisa, Somaliland. CLHE's original aim was to work to alleviate suffering faced by the people in the civil war in 1988. Target areas for CLHE were conservative agriculture and reproductive health. Later CLHE has strongly focused an anti-FGM work in Somaliland.

CLHE headquarter is in Hargeisa and it has branch offices in Burao, Erigavo and Sheikh. CLHE has also a liaison office in Nairobi and is registered in Puntland and Somalia, Mogadishu, though it does not yet have any operations there. Total staff is approximately 80-90 depending on the project cycles. CLHE operates in four sectors: environment, education, health and income generation. During the cooperation with ISF, CLHE has shifted focus towards anti-FGM work throughout its operations and FGM is mainstreamed to also other activities such as livelihood projects.

CLHE operates currently with 12 external donor organisations. Biggest supporters are OXFAM, Finnish Church Aid, Kinder Not Hilfe, Care International, USAID and FAO. CLHE is also active in policy making and is currently working on the anti-FGM policy and FGM legislation through NAFIS network.

The highest decision-making body of CLHE is the general assembly. The general assembly appoints the board of directors, which consists of 7 members. The operations and staff is headed by Executive Director and the management committee.

Financial status

Financial situation of Candlelight is good despite the fact that funding is declining every year. Candlelight operations are depending on external donor funding and most funding is ear-marked for specific projects. According to the audited financial statements of 2015 total revenue of Candlelight amounted to USD 2.5 million (in 2014 USD 2.1 million).

Candlelight has a capital reserve of USD 1.1 million in year-end 2015. Based on KPMG review the capital reserve refers to the fixed assets activated. Fixed assets are reported to the donors as expense and activated to Candlelight balance sheet. In practice the fixed asset additions of each year are deducted from the total revenue and booked to capital reserve. The depreciations are booked as expense and also as other income and credited from the assets and capital reserve. Cash balance of Candlelight in the end of 2015 was USD 240 thousand.

Support for Community Education on FGM in Somaliland Project

The main objective of the Support for Community Education on FGM in Somaliland project for the 2010-2014 project period was to influence the attitudes, beliefs and cultural habits aiming to decrease female genital mutilation (FGM). CLHE aimed to influence the attitudes of community member committees, students, village committees and religious leaders who sees that FGM is part of their culture. Project was implemented in 10 villages in Burao and in 25 villages in Erigavo. In CLHE, project manager, 2 social workers and literature teachers were implementing the project based on annual plans.

Below the budgets and actual expenditure of the project in 2013-2016.

	Budget 2016 (full year)	Actual Jan- Jun 2016	Budget 2015	Actual 2015	Budget 2014	Actual 2014	Budget 2013	Actual 2013
Costs								
Personnel Costs	12 000	12 000	19 725	20 175	64 381	66 360	64 630	62 855
Activity costs	95 115	48 254	0	0	57 319	62 544	84 812	57 652
Investment costs	0	0	17 500	0	14 449	16 249	10 450	14 320
Operation and Maintenance	2 700	5 265	0	0	13 115	14 040	19 120	18 528
Planning, Monitoring and Evaluation	0	0	99 755	60 177	9 475	5 241	4 430	1 224
Total costs (USD)	109 815	65 519	136 980	80 352	158 739	164 434	183 442	154 579

CLHE works towards the objective by targeting various groupings of persons in the community, which constituted females and males. Since the topic is very sensitive and information about the actual decrease of circumcision is difficult to obtain, the project indicators reflect the awareness and change in attitudes among project target groups. According to the program annual report 2014, the attitude and awareness has improved in several indicators.

However, according to the evaluation in 2014, the project staff did not unambiguously emphasise zero tolerance for FGM but were partly communicating that less harmful methods of circumcision were approvable. This indicates that attitudes toward zero tolerance is not clear even among the CLHE. Later CLHE had a study among its staff attitude about FGM followed by training where staff was trained by an expert about the importance of zero tolerance.

During the third phase the project team was made smaller and the planning phase was done by the project coordinator, one communication officer and one health and gender coordinator. In 2016 when the project implementation started the project team included the project accountant, driver, communication officer and planning and monitoring officer. The project coordinator is still working for CLHE, but as the Burao branch office manager and he is not involved in the current ISF funded project

implementation. The communication officer resigned early spring 2016 and the new one was hired only in November 2016. After the 2015 planning phase the third phase project activities shifted to Hargeisa region from Burao and to specific five villages. Activities include cooperation with media in Hargeisa and awareness outreach engaging religious leaders, community elders, parents and youth about FGM in the villages.

According to information received the project Planning and Monitoring Officer has been implementing the trainings and due to the lack of communication officer the media cooperation and monitoring activities have not been fully implemented. According to interviews the focus of FGM work should be in rural areas and not in the capital city, but this would need more funding.

Challenges have also been caused due to the fact that FGM is not illegal in Somaliland and there is no law on FGM. FGM is culturally very strongly adopted and justified in Somaliland. Especially among religious leaders and village elders, the resistance of anti FGM work is continuing strong.

Long lasting drought in Somaliland has also affected the project implementation and FGM awareness have been resisted since the drought has caused more immediate challenges for the villagers in terms of water and food security.

Financial administration

The finance team of Candlelight consists of 13 persons working in all four different Candlelight offices. The Finance Coordinator of Candlelight has been working for the organisation since 2007. Each Candlelight project has a separate project accountant defined. The same accountant can work for several projects, but in that case salary is allocated accordingly. The current Project Accountant of the ISF funded FGM project is newly recruited and she needs more training in the Peachtree software.

Candlelight financial administration is prepared in Peachtree accounting software since 2009. ISF funded projects have a separate file in Peachtree for each project. In 2016 ISF funded had only two projects of Candlelight, earlier years there were 3 projects. All other donor funded projects and all other Candlelight activities and administration costs are in one file in Peachtree as the other donors have different guidelines and their reporting is done in Excel. In Peachtree the only currency that is being used is the US dollar. A few receipts are, however, in Somali Shillings (SOS) and the exchange rate is taken from Dahabshiil.

Candlelight has several documented policies and procedures covering accounting, human resource & administration, procurement, management practices (including strategic planning, program design and vehicle management) and governance policy (including board and fundraising, code of ethics and conduct, gender equality). The manuals are clearly detailed, officially approved by the board and to be adhered to. All policies have been revised in 2016, though final approval of Accounting Manual is however still pending. According to information, there will be very little changes to the Accounting Manual. The prior Accounting policy was approved in August 2012. External consultant was used the first time the policies were drafted, with funding from Oxfam, but in 2012 and 2016 the policy revision was done by the Candlelight. Accounting of the organisation is accrual based.

Each project has a separate bank account in Dahabshiil and bank balance reconciliations are done monthly. Dahabshiil is used for money transfers between the headquarter and the branch offices. All payments are done by cheque. Petty cash is not used in every project, but only in Candlelight's own activities. KPMG counted the petty cash and found that the petty cash ledger is kept appropriately.

Separate letter of authorities are prepared and approved specifying the approval rights. The Executive Director (ED) approves all payment vouchers. Cheques are signed by two persons, the ED and the Chairperson or the Programme Director. On the regional level, regional representatives act on behalf of the ED and they have separate procuration for the bank.

Candlelight headquarter in Hargeisa sends money quarterly to regional accounts and many payments are made directly in Hargeisa. Regional offices do sub-accounting in their own regions. Combined accounting report from all regional offices as well as vouchers and receipts are sent to Hargeisa.

A specific template is used for reporting advances and travel costs. Per Diem for CLHE staff is USD 20 per day and accommodation USD 10 per night. On the village level, the per diem is slightly lower, USD

5 for accommodation and USD 10 for meals. When traveling abroad, expenses are paid based on receipts for accommodation and travel costs, meals and per diem is USD 50.

A cost sharing report is made based on salary allocations. FGM project accountant until 2014 was allocated 100 % to the project, but 2015 and 2016 only part is allocated to FGM project. Other administrative expenses are also presented in the cost sharing report. The cost sharing has been challenging to CLHE to document.

KPMG performed voucher sample testing and noted that expenses are approved in a documented manner and supporting documents are attached. The voucher check findings were:

- According to information received the Peachtree system crashed in 2016 and due to this the voucher numbers in paper documentation differ from Peachtree numbering. There were numerous inaccuracies in the accounting in 2016. The external audit of the project from the year 2016 has not been carried out completely and according to information received the accounting will be corrected before year-end.
- Salary allocations were not always clearly documented. Projects funded different external donors start and end in different times and the salary allocation schedule is made only on annual basis. The salary allocation schedule is not approved separately.
- Employees are paid gross salary of which they return to the CLHE the part that is then further paid to income tax officials. Only the gross salary amounts are recorded in the bookkeeping.
- Budget versus actual expenses – the actual expenses match the budget in most trainings, it seems that the budgeted amount is always used.

Fixed Assets and Procurements

CLHE procurement processes is guided in their Procurement Policy & Procedures Manual. The manual was revised in June 2016. In the manual is comprehensively described the processes, responsibilities and thresholds for procurement methods. According to KPMG review, procurements were properly documented, however the project vehicle was purchased by using direct purchase method.

CLHE keeps a fixed assets register where each project is separately presented.

A log book for the project vehicle is kept, but it has empty rows, the cumulative kilometres do not run continuously and it does not reconcile with the vehicle kilometres. KPMG observed that project vehicle logbook leaped from 103 844 km to 105 719 km. The fuel expenses are budgeted and expenses with a fixed rate of fuel multiplied with the average consumption rate and total kilometres of each trip. The actual expenses match due to this the budgeted expenses always.

Monitoring and Reporting

CLHE provides ISF quarterly and annual narrative reports and quarterly financial reports. In the quarterly narrative reports, activities that have been implemented during the particular quarter are described. In the annual reports is reported the progress against the project log frame and the indicators. The Annual Reports are based on the surveys conducted in the end of the particular year. In the surveys, the data is collected by the project team with questionnaires where indicators are described. Since the topic is very sensitive, the achievement was followed by following the changes in attitude of the target people.

The quarterly financial reporting includes only the budget and actual expenses of the quarter in question, but does not include the annual cumulative project budget nor cumulative actual expenditures of the year.

For the particular activities, training reports are prepared and they are attached to the payment vouchers for the particular trainings. KPMG noted that in the payment vouchers for the trainings held in April, May and June, same training report was attached to all vouchers. Later KPMG was provided the reports but they had still very similar content and text. Also participants did not sign that they participated the trainings and received their per diem for the training day but according to the interview of the CLHE staff,

one person marked finger prints for all. In 2013-2014 participants signed each one separately, but fingerprints were started to use in 2015.

In CLHE, the project activities are not reported to the Program Manager and according to the interview, the Program Manager was not very well aware of the trainings that were held for religious leaders, youth groups and parents in April, May and June 2016. KPMG also noted that there were no drives in the project vehicle logbook during the trainings although each training costs were included USD 480 for fuel.

Observation, risk and recommendation

Observation	CLHE had procured the project vehicle through direct purchase.
Risk & Significance	If procurements are done without asking quotations, there is a risk that procurement is not objectively conducted. - Moderate
Recommendation	<i>CLHE should follow procurement guideline and request at least three quotations for the procurements that exceed USD 5,000.</i>
Observation	The log book for the project vehicle has empty rows, the cumulative kilometres do not run continuously and the log book does not reconcile with the vehicle kilometres. KPMG observed that project vehicle logbook leaped from 103 844 km to 105 719 km.
Risk & Significance	If the log book is not continuously kept, there is a risk that the project vehicle is used to activities outside the project scope and the costs allocated to the project are incorrect - Moderate
Recommendation	<i>The log book for the vehicle should be properly kept.</i>
Observation	In several trainings, participants had not signed per diems. Participant lists have been marked with fingerprint by one person. Thus it cannot be verified that each person had participated the training and received the per diem.
Risk & Significance	If the fingerprints for all participants are done by one person, there is a risk that per diems have not been paid to persons that are entitled to them - Moderate
Recommendation	<i>All per diems should primarily be signed and if a person cannot write, then by giving fingerprint.</i>

Observation	The Training expenses for the religious leaders, parents and youth groups were exactly as budgeted with fuel expenses 480 USD per training and the fuel vouchers did not have vehicle information.
Risk & Significance	If the payment vouchers do not indicate the vehicle, it is not possible to monitor the expenses. - Moderate
Recommendation	<i>CLHE should document the vehicle information in the fuel vouchers and indicate the activity for which the fuel was purchased.</i>
Observation	In the payment vouchers for three separate trainings from April, May and June was attached same training report.
Risk & Significance	If the particular training reports are not properly attached to the particular training costs, it cannot be verified that trainings took place. - Moderate
Recommendation	<i>To all training expenses, a comprehensive report from the training must be attached.</i>

8 ISF's Progression as a Partner Organisation

According to our audit, ISF is working continuously on improving their operations to fulfil the MFA Partner Organisation criteria even better than in the past. Based on our audit procedures, ISF is currently fulfilling the criteria and adheres to the key conditions and requirements of the Partnership Agreement Scheme and related regulations and instructions. We identified and assessed the compliance with the following key conditions:

<i>Criteria</i>	<i>Fulfilled</i>	<i>Partly Fulfilled</i>	<i>Needs Improvement</i>	<i>Observations</i>
Financial Management	x			The ISF manages the financial administration of the Development Cooperation Programme well and has comprehensive monitoring and reporting procedures in place.
Financial Balance	x			The ISF has reported annually by the end of August on the materialization of the programme and the use of the funds during the previous calendar year, in accordance with the specific guidelines. The Auditor's Report has been appended to the annual report. Administrative costs have not exceeded 10% of the total costs.
Partners in Development Countries		x		The ISF is engaged in a long-term and functional cooperation with the local partners, which are responsible for the actual implementation of the project. The roles and responsibilities of the ISF and the local partner organisations are determined at a sufficient level in the project contract. Partners in development countries have partly limited capacity in financial management and administration, however ISF has actively supported the management capacity building.
Networks in Finland	x			Cooperation enables the development of professionalism and financial management.
Internal Controls and Risk Management	x			ISF has adequate risk management process.
Fundraising	x			Fundraising criteria is fulfilled for ISF.
Legality, legitimacy	x			ISF and the visited local partner organisations fulfil the legitimacy criteria.

9 Follow-up of previous audit

On behalf of the MFA, KPMG conducted a performance audit on the ISF's development cooperation in 2009. Observations requiring corrective measures focused on the areas of self-financing, bookkeeping, exchange rates, administration costs and salaries, risk management and anti-corruption, communication, internal controls and guidance. According to our observations, administrative practices have been improved and the amendments implemented strengthen the overall reliability of the financial management and reporting. Below are listed the audit recommendations of the previous report which have not yet been fully implemented:

Audit finding November 2009	Recommendation November 2009	Follow-up
<p>Salary costs</p> <p>In our opinion, the country coordinators' salary does not belong to the development co-operation projects.</p>	<p>Based on the job descriptions of the country coordinators and also work time reporting, we considered that the salary costs were to be reported in the Annual Report in the section B as planning, evaluations, monitoring, and development resources and as administration costs when it comes to administrative work.</p>	<p>Same situation still.</p>
<p>Every country coordinator had not kept a proper work time reporting. The program coordinators had also other tasks than monitoring and evaluation of the projects. In our opinion the country coordinators' salary costs cannot be stated in the projects' costs.</p>	<p>We recommended that ISF ensures that every employee maintains a proper work time reporting in use. Also all salary costs should be recorded for each cost pools according to the work time reports. A proper work time reporting should be maintained including in the partner organizations. According to the Development Cooperation Manual (2005, Part II, 24) project support may be used to cover salary costs and related costs that are necessary for the implementation of the project. If a proper work time reporting does not exist, it cannot be proven that the reported salary costs relate to the project or support them and are necessary. Also, the work that has been done cannot be confirmed and checked afterwards, if there is no proper work time reporting in use.</p>	<p>Not done. Regional Director's salary is allocated 50 - 50 between Kenya and Somaliland. Currently ISF has only one donor and thus the added value of proper work time reporting is little. However as efforts are made to increase donor base, proper work-time reporting would clearly indicate the time used for MFA funded projects versus other activities.</p>

Helsinki, 11 January, 2017



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