

## FY2018 Internal Assessment report of the Internal Audit Committee of Asha for Education (AfE)

### Internal Audit Committee Members:

- 1) Pradeep Jayaraman
- 2) Rajeew Annaluru
- 3) Sudhi Gulur

**Submitted to:** The Board of Directors, Asha for Education. Binay Pathak (President), Snetu Karania (Secretary), Uttaraa Diwan Talwar (Treasurer), Anuradha Bulusu (Project), Prema Grandhi (Web), Anish Mukherjee (Fundraising).

### Summary:

The Internal Audit Committee for the FY 2018 was constituted after the external auditor had completed the audit for the organization. Hence, the new committee could not consult with the external auditors on any findings that were not reported in their submissions to the Board. In addition, the new IA committee decided to reuse a large part of the questionnaire from the prior team (thanks!) with some modifications. Overall, the IA committee is satisfied with the financial statements and processes of the organization. The committee is also satisfied with the non-financial processes, but identified the below risks in the operations of the organization that the Board should consider mitigating:

Risk	Severity	Recommendations
Lack of visibility into compliance of local laws and regulations that project partners are subject to in India.	High (Compliance Risk)	<p>(a) have the project partners sign an indemnity agreement on an annual basis and upload in the database for each funding transaction (similar to the FCRA document now) and</p> <p>(b) receive a signed declaration from the project partner and/or their chartered accountant on an annual cycle that the NGO being funded is in full compliance with all local laws and regulations signed. This form can either be combined with item (a) or kept separate. .</p> <p>The IA also recommends</p> <ol style="list-style-type: none"> <li>1) preparing a list of compliance items for various possible registrations of non-profits to share with project partners.</li> <li>2) Ask all project partners to submit their organization registration document, 12(A) approval as well as 80G approval documents.</li> </ol>
Liability for events at chapters that are not reported – and hence not covered by the Asha-wide insurance.	Medium (Legal Risk)	<p>Short-term: Drive communication to each chapter educating about the insurance.</p> <p>Long-term: Enforce all high-liability chapter events are reported and tracked.</p>
Lack of process to ensure all volunteers are familiar with at-least basic organizational policies for financial and legal compliance in US and India (for projects)	Low	<ol style="list-style-type: none"> <li>(a) Create structured training modules that informs all volunteers about the organizational policies and compliance requirements.</li> <li>(b) Create awareness campaigns to educate all volunteers</li> <li>(c) Mandate an annual refresher and/or policy update ‘course’ for every active volunteer</li> </ol>
Lack of process to review audit reports of project partners and make sure they treat the funds of AfE as	Low	<p>Short Term: Request project partners to submit their annual audit report along with next year’s proposal document.</p> <p>Long-term: Request project partner to produce audited</p>

Risk	Severity	Recommendations
funds restricted for an approved purpose		financial reports that specifically show usage of funds given by AfE.
Awareness of student chapters of their 'dual-status' and their obligations towards AfE and funds raised on behalf of AfE	Low (Financial Risk)	Short-term: 1) Drive communication to each student chapter

**Response from the Board of Directors:**

We would like to express our sincere appreciation for thoughtful analysis and recommendations shared by the team. We acknowledge the risk and agree with the recommendations shared by our Internal Audit Team. We are in the planning phase on how to implement the required improvements. Please find our response to each recommendation in the table below.

Risk	Internal Audit Team Recommendations	Board of Directors Response
Lack of visibility into compliance of local laws and regulations that project partners are subject to in India.	<p>(a) have the project partners sign an indemnity agreement on an annual basis and upload in the database for each funding transaction (similar to the FCRA document now) and</p> <p>(b) receive a signed declaration from the project partner and/or their chartered accountant on an annual cycle that the NGO being funded is in full compliance with all local laws and regulations signed. This form can either be combined with item (a) or kept separate. .</p> <p>The IA also recommends</p> <ol style="list-style-type: none"> <li>preparing a list of compliance items for various possible registrations of non-profits to share with project partners.</li> <li>Ask all project partners to submit their organization registration document, 12(A) approval as well as 80G approval documents.</li> </ol>	<p>We have historically relied on local authorities to ensure the compliance and assumed that our project partners will notify if they are being investigated for any violation Also, we trusted that the stringent requirement of FCRA renewal also provides good checks and balance.</p> <p>Having said that, we do agree that it is prudent for Asha to go couple steps further and leverage indemnity agreement, annual local law adherence declaration and keep capture copy of latest 12A and 80G documents.</p>
Liability for events at chapters that are not reported – and hence not covered by the Asha-wide insurance.	<p>Short-term: Drive communication to each chapter educating about the insurance.</p> <p>Long-term: Enforce all high-liability chapter events are reported and tracked.</p>	<p>We are already pushing hard for all chapters to leverage our Asha wide insurance at no cost to them. Most of the big events are already getting covered. But we agree that we should make it mandatory soon.</p>

Risk	Internal Audit Team Recommendations	Board of Directors Response
<p>Lack of process to ensure all volunteers are familiar with at-least basic organizational policies for financial and legal compliance in US and India (for projects)</p>	<ol style="list-style-type: none"> <li>1. Create structured training modules that informs all volunteers about the organizational policies and compliance requirements.</li> <li>2. Create awareness campaigns to educate all volunteers</li> <li>3. Mandate an annual refresher and/or policy update 'course' for every active volunteer</li> </ol>	<p>Our policies are captured and readily available to all volunteers. But we understand that many may not be reading them. We are forming a new volunteer coordinator team that is looking into volunteer training and will pick these topics as part of it.</p>
<p>Lack of process to review audit reports of project partners and make sure they treat the funds of AfE as funds restricted for an approved purpose</p>	<p>Short Term: Request project partners to submit their annual audit report along with next year's proposal document.          Long-term: Request project partner to produce audited financial reports that specifically show usage of funds given by AfE.</p>	<p>Most of our volunteers don't understand financial documents like audit report that well. This has been a reason that it has been considered as an optional document.          But we are thinking of adding training for our volunteers to understand relevant part of audit report soon. Thereafter we will make it part of our checks of our recurring project evaluation process.</p>
<p>Awareness of student chapters of their 'dual-status' and their obligations towards AfE and funds raised on behalf of AfE</p>	<p>Short-term:</p> <ol style="list-style-type: none"> <li>1. Drive communication to each student chapter</li> </ol>	<p>We have communicated this to our student chapters a few times. But we understand that this can be repeated more often for better awareness.</p>