

FY2019 Internal Assessment of the Internal Audit Committee of Asha for Education (AfE)

Internal Audit Committee Members:

- 1) Sudhi Gulur
- 2) Pradeep Jayaraman
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Submitted to: The Board of Directors, Asha for Education. [Cc to the coord team]

Summary:

The Internal Audit for the FY 2019 followed the 2018 audit within a few months and thus many recommendations for 2019 overlap our recommendations for the previous year. 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 risks below in the operations of the organization that the Board should consider mitigating:

Category	High urgency controls to be implemented	Lower urgency controls to be implemented
Category 1: Compliance with Laws and Regulations (US and India)	<p>Ensure that each NGO partner submits a letter annually stating they are in full legal compliance with local laws and regulation. Ensure a 'project partner agreement' is signed annually by each project partner.</p> <p>Collect all basic legal information about the project partner NGO (registration type of the organization, 12(A) certificate, 80(G) certificate, organization registration number etc.) in our database</p>	<p>Review the US <u>OFAC list</u> of organizations not permitted to receive funds annually to ensure none of them have an association with AfE.</p>
Category 2: Legal risk Mitigation Compliance	<p>Ensure that each NGO partner submits a letter annually stating they are not in any legal</p>	<p>Enhance internal processes and develop training materials to have project stewards review audit</p>

	<p>litigations and that all their funding partners are legal entities. This can be included as one of the sections / items in the “Project Partner agreement” that projects sign annually.</p> <p>Implement a good volunteer (project steward and chapter leadership) training system</p>	<p>reports from partners.</p> <p>Have a checkbox in the funding checklist that asks if the steward has reviewed the previous audit report or not.</p>
Category 3: Financial Compliance (Accounting, Tax, and External Audit)		<p>Evaluate and implement a donor management system.</p> <p>Draft and implement a policy regarding ‘acceptable’ expenses on behalf of AfE</p>
Category 4: AfE internal policies - Compliance & Implementation	<p>Ensure processes in place for compliance to our published <i>Document Retention Policy</i> and secure storage for all our key documents.</p>	<p>Establish conflict of interest and whistleblower training program for chapters (esp. stewards), site visitors and project partners</p>
Category 5: Governance	<p>None</p>	<p>Do a coverage/price check on the insurance policies we currently employ.</p> <p>Look into auditor rotation - for both cost/compliances. The current coord team looks especially strong in numbers to take this on now.</p> <p>Establish policy for keeping technology components up to date and review/implement at desired frequency.</p>
Category 6: Org. health	<p>None</p>	<p>None</p>
Category 7: Projects: Performance and Improvement	<p>Document and implement policy to ensure that project partners are given at least 6-month advance notice if we anticipate funding issues.</p>	<p>None</p>

Response from the Board of Directors:

We would like to use this opportunity to sincerely thank all members of the Internal Audit Team for the excellent partnership and thought leadership. You have helped build a stronger Asha. We acknowledge the recommendations and associated risks, and corresponding teams are looking at how to address these in a timely fashion. Please find our response to each of the recommendations in the table below.

Category	Internal Audit Team identified controls with assessed urgency	Board of Directors response
<p>Category 1: Compliance with Laws and Regulations (US and India)</p>	<p>a) [High] Ensure that each NGO partner submits a letter annually stating they are in full legal compliance with local laws and regulation. Ensure a ‘project partner agreement’ is signed annually by each project partner.</p> <p>b) [High] Collect all basic legal information about the project partner NGO (registration type of the organization, 12(A) certificate, 80(G) certificate, organization registration number etc.) in our database.</p> <p>c) [Low] Review the US <u>OFAC list</u> of organizations not permitted to receive funds annually to ensure none of them have an association with AfE</p>	<p>a) Asha has relied on local and federal authorities to ensure adherence and project partner to inform us if they are facing any investigation. With changing environment, it is prudent for us to bring this lightweight change to our process.</p> <p>b) We have always collected FCRA certificate which in turn ensures the other registration papers are in order. With changing environment, it is prudent for us to bring this lightweight change to our process.</p> <p>c) Our financial partner already does this check before fund transfers. If we ever change financial institution or they change their policy, then we may consider adopting additional internal validation.</p>
<p>Category 2: Legal risk Mitigation Compliance</p>	<p>a) [High] Ensure that each NGO partner submits a letter annually stating they are not in any legal litigations and that all their funding partners are legal entities. This can be included as</p>	<p>a) Asha has relied on local and federal authorities to ensure adherence and project partner to inform us if they are facing any investigation. With changing environment,</p>

	<p>one of the sections / items in the “Project Partner agreement” that projects sign annually.</p> <p>b) [High] Implement a good volunteer (project steward and chapter leadership) training system.</p> <p>c) [Low] Enhance internal processes and develop training materials to have project stewards review audit reports from partners.</p> <p>d) [Low] Have a checkbox in the funding checklist that asks if the steward has reviewed the previous audit report or not.</p>	<p>it is prudent for us to bring this lightweight change to our process.</p> <p>b) We have guidelines at Asha level and stringent checks through project checklist process from project and treasury team. Having said that, training can only further improve our adherence to guidelines and team will look at implementing it.</p> <p>c) We have leveraged audit reports to a limited degree as all volunteers are not good at studying financial reports and identifying red flags. Projects and treasury teams will investigate this to see if any basic checks can be included in training for project stewards.</p> <p>d) Based on the outcome of #c above, we will look at bringing a checkbox to validate the review.</p>
<p>Category 3: Financial Compliance (Accounting, Tax, and External Audit)</p>	<p>a) [Low] Evaluate and implement a donor management system.</p> <p>b) [Low] Draft and implement a policy regarding ‘acceptable’ expenses on behalf of AfE</p>	<p>a) This has been on our radar for some time. Our web team will pick it up as they clear up higher priority items.</p> <p>b) We always strived to get as close to zero overhead as possible and hence most of the expenses have been borne by volunteers themselves. But given our size and many expenses being reimbursed, we agree that there needs to be a broad policy.</p>

<p>Category 4: AfE internal policies - Compliance & Implementation</p>	<p>a) [High] Ensure processes in place for compliance to our published <i>Document Retention Policy</i> and secure storage for all our key documents.</p> <p>b) [Low] Establish conflict of interest and whistleblower training program for chapters (esp. stewards), site visitors and project partners</p>	<p>a) We have started working on it. We also feel that the document retention policy also needs some update to stay relevant and creates acceptable overheads.</p> <p>b) We already have guidelines for our volunteers covering conflict of interest and whistleblower policy. We will look at incorporating it in the training for project stewards as they are developing. We do not have any plan for such training for project partners currently.</p>
<p>Category 5: Governance</p>	<p>a) [Low] Do a coverage/price check on the insurance policies we currently employ.</p> <p>b) [Low] Look into auditor rotation - for both cost/compliances. The current coord team looks especially strong in numbers to take this on now.</p> <p>c) [Low] Establish policy for keeping technology components up to date and review/implement at desired frequency.</p>	<p>a) This is part of the plan for coming policy renewal.</p> <p>b) The current auditors have been working well for us but we do see a value of changing auditors after some time. We will investigate this recommendation.</p> <p>c) This may have a significant overhead and web team will look at how to best achieve this with limited bandwidth. We may make sure that all our software is supported but may not be latest.</p>
<p>Category 6: Org. health</p>	<p>None</p>	
<p>Category 7: Projects: Performance and Improvement</p>	<p>a) [High] Document and implement policy to ensure that project partners are given at least 6-month advance notice if we anticipate funding issues.</p>	<p>a) Currently we rely on chapters to ensure this 6-month requirement is followed. We will investigate if there is a better way to ensure it is being followed.</p>