

**Management Advisory Comments on Accounting
Procedures and Internal Controls**

Social Fund for Development

December 31, 2020



To: Mr. Abdullah Al-Dailami
Managing Director
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Dear Mr. Al-Dailami,

The accompanying Management Advisory Comments include suggestions for improvement the accounting procedures and internal accounting control that came to our attention as a result of our audit of the financial statement of **Social Fund for Development** for the year ended December 31, 2020 (Pages 1-18).

During the course of our audit, we performed a study and evaluation of existing internal control for providing a base for reliance thereon in determining the nature, timing and extent of the audit tests applied in connection with our audit of the SFD's financial statement for the year ended December 31, 2020.

While certain matters that came to our attention during the study are presented in the accompanying Management Advisory Comments for the consideration of management, the study was not designed for making detailed recommendations.

The accompanying Management Advisory Comments also include comments and suggestions with respect to other financial and administrative matters that came to our attention during the course of our audit of the financial statement. These matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting control, other financial and administrative practices and procedures.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of their work.

Very Truly Yours,

Grant Thornton Yemen



Talal Thabet

Sana'a - Republic of Yemen
June 30, 2021



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BOARD OF DIRECTORS MEETINGS

As per the Law No. (10) for the year 1997 concerning the establishment of the Social Fund for Development, we noted that article (9) stipulates that the BOD shall meet at least once every three months at the invitation of its Chairman, and it holds extraordinary meetings if he considers it necessary or based on a request submitted by at least one third of its members. However, the Board of Directors did not meet at all during 2020.

Risk / Benefit

Not holding BOD's meetings every three months as required by the SFD's establishing law might lead to a lack of supervision of the SFD activities and involvement in the important matters that need their prior approval.

Recommendation

We recommend that the Board of Directors should hold regular meetings as required by the law in order to supervise the SFD activities and take the necessary decisions on the important matters.

Management Response

Due to the state of war, Board of Directors did not hold meetings as to preserve the SFD neutrality from political tensions. SFD benefited from intensified meetings and reviews from with its donors. Meanwhile, SFD takes the approach of symmetrical communication and reporting to with various parties. Currently, SFD's activities enjoys the consent and blessing of the various parties. Note that all SFD operational activities are within the responsibility of the executive management as per its Manual of Operation.

ORGANIZATIONAL STRUCTURE

In the course of our audit to the SFD's accounts, we noted that:

1. The organizational structure does not show the main programs of SFD.
2. The organizational structure does not show clearly the administrative hierarchy of cash for work program and the nature of relation between this program and other units of SFD as it is observed that the program has an independence unlike other programs in the real practice.
3. The organizational structure does not show subordinated units of SFD (Small & Micro Enterprise Promotion Service, Loan Guarantee Program).

Risk / Benefit

1. Not detailing the main programs of SFD in the organizational structure leads to ambiguity in understanding relation between SFD's units and its main programs.
2. Due to not exposing administrative hierarchy of cash for work program that may lead to overlapping tasks and specifications between program as a unit or an independent department and tasks and specifications of other units of SFD in general.
3. Not identifying subordinated units of SFD in the organizational structure leads to ambiguity in understanding relation of SFD with these units, though the fact that these units affirmed their dependency to SFD in all their documents and official transactions.

Recommendation

We recommend that the SFD Management should do the following:

1. Update the organizational structure of SFD to contain all main programs are executed.
2. The organizational structure should include administrative hierarchy of cash for work program either as an independent unit or as a program performed by all executive units of SFD.
3. The organizational structure should identify relation between SFD and its subordinated units or separate these units completely to reflect that in the official documents and the transactions of these units.

Management Response

1. *Main programs are indicated in the Operations Manual and all main programs have detailed manuals.*
2. *It is a program according to the SFD operations manual, and its place in the organizational structure is as same as SFD units.*
3. *Small & Micro Enterprise Promotion Service, Loan Guarantee Program are financially and administratively independent having their own special manuals and management systems. Their relation to SFD is due to the fact that SFD established and supported them under its SFD establishment Law.*

MANUALS AND ADMINISTRATIVE CIRCULARS

In the course of our audit to the manuals and administrative circulars we noted that:

1. Instructions and circulars are issued repeatedly and no updating for related manuals takes place as a result.
2. Instructions and circulars are issued without an approval either from Executive Manager or by Policies Committee.

Risk / Benefit

1. Issuing instructions and circulars repeatedly without updating manuals may lead to disturbing officers who are responsible upon performing projects due to frequency of circulars that are issued of more than one unit of SFD's units.
2. Issuing circulars from different units without approving them by a superior authority make them less committed, in addition to the probability of conflict between some circulars issued by one unit with circulars issued by other units.

Recommendation

We recommend that the SFD Management should do the following:

1. Update the manuals periodically and circulate them to the SFD's branches to ensure that issuance of circulars is at a minimum.
2. Circulars and instructions that are issued by units should be approved either by Executive Manager or by Policies Committee.

Management Response

1. *Issuing new circulars is an operational requirement from time to time to deal with many developments or details or clarifying the content of the guidelines, or to address some matters that may appear during implementation, which is a natural situation in an institution such as SFD with multiple and renewable operations responding to the needs of various local communities. When necessary, the guidelines are updated by Polices and Projects Community.*
2. *Not all circulars require approval from Managing Director, or from the Policies Committee, because there are detailed technical and procedural matters that are within the responsibility of unit heads. As for those that involve a change in procedural policy or criteria for interventions, they are issued only after being approved by the Policies Committee and getting the approval of the Executive Manager.*

HUMAN RESOURCES

In the course of our audit to the SFD's accounts, we noted that:

1. A training plan is not prepared at the beginning of each year for the employees of the units in the SFD's head office and branches.
2. Heads of units and projects' officers are not trained on managing and planning projects.
3. Although management takes into account the suitability of specializations for new hires, some units need a comprehensive evaluation of the adequacy and appropriateness of the specializations per unit accurately, for example:
 - Evaluating the adequacy and appropriateness of specializations in the Monitoring and Evaluation Unit and the extent of their need for more specialized staff in the financial and accounting aspect.
 - Evaluating the adequacy and appropriateness of specializations in the education and health unit and the extent of their need for more specialized staff in the health and educational aspect.
4. There is no plan made in the beginning of the year for each SFD's units individually that determines planned tasks, activities and expected results and outputs of implementing the activities.
5. There is no automated system for calculating employees' salaries and wages, including calculating income tax and legal deductions, and this is done by using the Excel system.

Risk / Benefit

1. Preparing training plan and implementing this plan will lead employees to understand tasks assigned to them and will raise the level of performance in general.
2. Training on planning and managing projects will contribute in strengthen the capabilities of heads of units and projects' officers in time management and will help them in implementing projects efficiently and effectively.
3. Making a comprehensive evaluation for some units for knowing the extent of their need for more specialized staff will lead to specialization of jobs accurately and recycling some employees between units accordingly.
4. Absence of work plans prepared in the beginning of a year may lead to randomness in implementing activities or implementing them ineffectively due to unclear results and expected outputs.
5. Using the Excel system in calculating the salaries and wages of employees may result in mistakes in the calculating, in addition to wasting time and effort in the calculation process.

Recommendation

We recommend that the SFD Management should do the following:

1. Preparing a training plan and periodic updating to enhance employee's capabilities in understanding tasks assigned to them and implementing them efficiently and effectively.
2. Training heads of units and projects' officers on planning and managing projects and get benefit of modern programs in this aspect.
3. Making a comprehensive evaluation for the SFD units for knowing the extent of sufficiency and appropriateness specializations accurately from time to time by internal assignment or third-party assignment.
4. Making an annual plan by each SFD's units individually that determines planned tasks, activities that will be implemented and expected results and outputs from implementing these activates.

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5. Designing or acquiring an automated system for calculating employees' salaries and wages linking it to the SFD's financial system.

Management Response

1. *Training is based on need, and is not necessarily arranged in an annual plan (s). employees of SFD are in a continuous practical learning on projects management as the nature of SFD's projects requires*
2. *Due to the situation of financing and other factors since 2015 and inability to conduct training courses abroad, SFD has approved training mechanism within work, internal training, and limited external training.*
3. *The Monitoring and Evaluation Unit is not responsible for the financial and accounting aspects, to have an accounting and financial staff.
The volume and diversity of activities in the Education and Health Units is what determines the need for more staff.*
4. *There are periodical plans with specific goals distributed over each year, and at the level of sectors and programs, since the financing is mainly linked to the programs and each unit is responsible for achieving its own indicators within the framework of the general periodical plan.*
5. *We are currently working on testing an automated system for salaries that was prepared by a specialized consultant and will be implemented at the coming period, although the current system calculates income tax and legal deductions automatically according to the law and there are no problems or mistakes in that.*

FINANCIAL SYSTEM

In the course of our audit of SFD accounts, we noted that the administrative expenses accounts in the branches are recorded by using excel sheets until the end of the year 2020 and there is no an automated system synchronize to the accounting system of the head office.

Risk / Benefit

Maintaining the operating expenses accounts of the branches by using the excel sheets, making them vulnerable to delaying when transactions should be recorded and reviewed in head office.

Recommendation

We recommend that the SFD Management should design or acquire an automated system for the branches to record the operating expenses and synchronize to the accounting system of the head office.

Management Response

The automated system for branches accounts was applied from January 1, 2021.

CONSULTING SERVICES

During the course of our audit for samples of projects implemented by the SFD's branches, and our reviewing for contracting procedures with consultants and resident technicians, we noted the following:

1. Consultants' contracts are not stamped with the seal of the SFD.
2. By reviewing of a number of comparisons for the selection of consultants, it was noted that some consultants have the same rank and the same degrees of academic qualification and general experience, but that one of the consultants is promoted by the project officer without documenting the reason for that upgrade as the system allows that manually.
3. By reviewing of a number of comparisons for the selection of consultants, it was noted that there is no unified procedure related to the terms of the number of previous contracts, where some officers choose a consultant who has never worked with the SFD pursuant to the principle of providing an opportunity, while some officers choose the consultant who has more previous contracts.
4. The absence of a clear and unified mechanism to be followed when selecting resident technicians (test, differentiation, advertisement ... etc.) where it was noted that projects' officers or the project consultant engineer selects the resident technician without documenting the selection mechanism in the project file.

Risk/ Benefit

1. Stamping consultant contracts with the SFD seal, in addition to signing them reduces the risk of contract forgery.
2. Allowing to promote consultants of relevant expertise manually without documenting the reason for that upgrade may make the process of selecting consultants opaque and biased.
3. The absence of fixed rules for selecting consultants is a type of weakness that must be avoided to make the process of comparison more transparent and unbiased.
4. Failure to standardize contracting procedures with resident technicians leads to a difference in the contracting mechanism in the branches and thus the potential for conflict of interest in the contracting process.

Recommendation

We recommend that the SFD Management should do the following:

1. Consultants' contracts should be stamped by the seal of the SFD.
2. Automating all items of comparison between consultants so that the selection process will be transparent and unbiased.
3. Unifying the rules of selecting consultants and should be automatic and not controlled by projects officers.
4. Unifying procedures for contracting with resident technicians and not leaving the matter to the efforts of projects officers and consultant engineers.

Management Response

1. *Contracts are automated and SFD does not object stamping the contracts if requested by the second party (in the contract), though signature is sufficient as a procedure.*
2. *Comparison/ selection system is designed on the basis that the degree of relevant experience to be granted to any consultant only after inspecting his or her files profoundly in a manual mode. The concerned officer confirms that such steps have taken place upon referring to the consultants' files. In additional more automation will be sought.*
3. *SFD's activities are varied, including those using/targeting newly graduated consultants, and those which need more experienced consultants. The system is prepared to accept the two cases. The aim is to employ the largest number of consultants possible.*
4. *It has been decided that the selection process of the site supervision technicians will be automated as well.*

PAYING THE BENEFICIARIES' DUES

During the course of our audit for a sample of projects implemented by the SFD's branches, and reviewing for mechanism of paying beneficiaries' dues, especially cash-for-work recipients, we have noted the following:

1. A copy of the beneficiaries' cards are not preserved upon completion of the implementation of the project to document the registration of payments data on the beneficiaries' cards, which contain the stamp and signature of the teller.
2. There is no dual control on most of the payment transactions for the beneficiaries, as a single record of beneficiaries' fingerprint is delivered to the teller who deals with the bank and the consultant accountant did not attend all payments batches, and in some of the payments the consultant accountant attended for one day, though the payment continues for several days.
3. System of automatic fingerprint for beneficiaries in the field has not been developed, but rather the manual fingerprint is used.

Risk/ Benefit

1. Failure to keep a copy of the beneficiaries' cards upon completion of the implementation of the project represents a lack of documentation and makes it difficult to verify the beneficiaries' receipt of their dues at a later time after the completion of project's implementation.
2. The lack of dual control over the payment process in most of the batches leads to a weak internal control in this aspect since the payment process in the field has high risks, and as a result requiring strong control.
3. Developing an automated fingerprinting system for beneficiaries will help reduce the risks of manual fingerprint forgery and greatly will enhance control over the payment process.

Recommendation

We recommend that the SFD Management should do the following:

1. Keep a copy of the beneficiaries' cards upon completion of the implementation of the project as a documented evidence of the completion of disbursement process for beneficiaries to be referred to at the time of need.
2. Strengthen dual supervision of the disbursement process and ensure of tightening internal control over it to reduce payment risks to a minimum level.
3. Design or acquire an automated fingerprint system will strengthen internal control over the paying process and significantly will reduce risk.

Management Response

- 1. The automated system of the cash transfers program(s) include all the data of the beneficiaries from each project. In addition, the recently matched payments systems between SFD and the banks captures full details of each beneficiary payment record.*
- 2. There are multiple controls and at different layers. Firstly, as described in 1 above the automated bank pay system offers instant or near real time monitoring. Secondly, project staff are on site. Thirdly, each project has oversight from active community committees who are trained on grievance redress procedures. Fourth, beneficiaries receive awareness on SFD redress system and free hotline numbers. Finally, the consultant accountant is part of the control and is accessible to all beneficiaries.*
- 3. Paying the beneficiaries' dues is made through banks (the third party), which is obligated to verify the identity of the beneficiaries. Noted that a fingerprint program has been developed and tested with the beneficiaries of the Small Enterprises Unit, and due to the COVID-19 epidemic and security problems, it has been suspended.*

PROCEDURES FOR PURCHASING AND OBTAINING SERVICES

A. Paying suppliers and service providers dues in cash

During the course of our audit for a sample of projects, we noted that cheques are issued to suppliers and service providers in the name of the consulting accountant as a custody so that the amount can be delivered in cash to the supplier or service provider, for example the following:

Project No.	Project Name	Branch
200-13402	Project of cash for nutrition - Al-Rajm District - Al-Mahwit Governorate	Sana'a
600-13036	Project of supporting the educational process and training educational cadres in Mayfa'a District - Shabwah Governorate	Mukalla

Risk / Benefit

Failure to write cheques in the name of the final beneficiary exposes the project to cash payments risks.

Recommendation

We recommend that the SFD should issue cheques in the name of the final beneficiary and not issue them as custody to the concerned employee.

Management Response

Payment to vendors/suppliers is usually made directly by cheque. However, in remote areas vendors such as a small rural retailer of cement preferences are to receive cash to save time and cost of having to travel to the bank. As the mobile money system expands SFD will have more options available to pay vendors in rural areas.

(Note that operations are carried out in small amounts and with small service providers who do not have bank accounts and do not accept moving to receive small amounts of cheque, emphasizing the necessity of paying for services providers through the available means).

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B. Not writing the project's name on invoices and quotations

During the course of our audit for samples of projects, we noted that the name of the project was not written on some purchase invoices and quotations of some projects, and solely write the name of the Social Fund for Development, for example the following:

Project No.	Project Name	Branch
200-13096	Project of German Government/KFW Grant to Strengthen Resilience through the Labor Intensive Works Program	Sana'a
400-13595	Project of Supporting the educational process and training of educational cadres in Al-Jubeen District, Raymah Governorate	Al-Hodeidah
910-12950	Project of Supporting the learning process and training educational cadres in the Miswar District, Amran Governorate	Amran

Risk / Benefit

Not writing the project's name on invoices and quotations may lead to the possibility of using these invoices and quotations in more than one project, especially in light of the large number of projects implemented by SFD's branches.

Recommendation

We recommend that the SFD Management should write the name of the project on all purchase invoices and quotations, and it is not enough to write the name of the SFD solely in order to enhance the procedures of internal control.

Management Response

We acknowledge there have been rare discrepancies on confirming the name of the project on purchase invoices and quotations as per SFD's manuals and procedures. Moreover, internal instructions have been circulated to all branches to reinforce this procedure and its monitoring. Management would like to repeat these are rare cases, of individual error and SFD's management will take the necessary administrative actions and penalties to ensure compliance.

DELAY IN THE PROJECTS IMPLEMENTATION

During the course of our audit for samples of projects implemented in the branches, we noted that there is a considerable delay in implementing some projects comparing with what were planned without documentation of delay justifications, for instance:

Project No.	Project Name	Branch
400-13366	Project of Selection and training of coordinators and outreaches for the districts (Al-Liha, Al-Mughalaf, Al-Zaydiyah 'Jabal Ras, Al-Munira)	Al-Hodeidah
200-11344	Project of Al-Majd neighborhood sewer network/ Shu'ob / Sana'a	Sana'a
300-12131	Al Salam Elementary School - Al Salam District - Dar Saad City - Dar Saad District - Aden Governorate	Aden

Risk/ Benefit

The delay in projects implementation on the period specified for implementing may lead to their non-implementing in the future in case of happening of certain circumstances. In addition, the beneficiaries will not get the benefit from those projects in the suitable time.

Recommendation

We recommend that the SFD should study the reasons for the delaying in the implementation of the projects and take the necessary actions to reduce their impacts on implemented projects.

Management Response

The reasons for the delay of implementing the projects are generally linked to several factors including the security conditions in some areas, as well as the recurring crises in fuel, and the fluctuation of the local currency exchange rate which impacts the cost of transport, the prices of raw materials. The new and changing donor conditions on environmental and social safeguards studies which require several weeks of approvals.

As can be seen, there are elements of delay out of SFD's control. However, SFD is analyzing this and early findings show that due to the time required to undertake and receive approval of environment and social management plans there is case to increase the expected time to implement a project. In addition, early findings show that projects implemented by contractors rather than direct implementation are suffering more with delays. SFD has instructed all new contractors to provide detailed and well elaborated work plans that will support SFD in managing their contracts through the contract management system that is designed to track work plans and identify risk to delays. Other measures had been recently taken, which are expected to have a positive impact on the pace of implementation.

NUTRITION PROGRAM PROJECTS

a. The organizational structure and job description of the nutrition program projects

During the course of our audit for nutrition program projects and reviewing the organizational structure, we noted the following:

1. No unified organizational structure in all branches for nutrition program staff.
2. No job description for nutrition program staff that clarifies the essential and additional tasks and responsibilities of the nutrition team on the level of jobs as we noted that an overlapping in the tasks of the administrative officer, the technical operations officer, the monitoring evaluation officer and the communication officer.

Risk/ Benefit

1. The absence of a unified organizational structure and administrative hierarchy of a nutrition program staff has led the staff in some branches to undertake tasks are not of their responsibilities, which may lose them control over the projects implementation.
2. The absence of job description for the nutrition program projects staff result in an overlapping and duplication of duties by project officers and program staff in general.

Recommendation

We recommend that the SFD Management should do the following:

1. Unifying the organizational structure of the nutrition program in all branches of the SFD to ensure accurate and proper distribution of tasks between the nutrition team.
2. Design a job description that clarifies the essential and additional tasks to prevent overlap between the tasks of administrative officer, technical operations officer, the mentoring and evaluation officer and the communication officer.

Management Response

1. *Tasks and responsibilities are specified in the terms of reference for each officer, and there maybe overlaps in implementation of works if it is necessary.*
2. *Nutrition Program is managed by the branches of SFD and under the direct supervision of the Health and Social Protection Unit. A team of officers are hired to manage the program in each branch as needed, so that there is no standardized administrative structure/ volume for the program in each branch due to the big difference in the volume of investment.*

b. Survey procedures for beneficiaries

During the course of our audit for the Nutrition Program Projects and reviewing the survey procedures, we noted that the project management did not verify the validity and accuracy of the survey data after receiving the beneficiaries database from the third party (Interaction Company). The project management has directly paid the donations to the beneficiaries for three months (April, May and June), although there are some mistakes and duplications in beneficiary database, for the example the following projects.

Project No.	Project Name	Branch
400-13423	Cash for Nutrition - Al-Lihiya District - Al-Hodeidah Governorate	Al-Hodeidah
400-13422	Cash for Nutrition - Al Muneera District – Al-Hodeidah Governorate	Al-Hodeidah

Risk/ Benefit

Failure of the program management to verify the validity and accuracy of the beneficiaries' database before paying to the beneficiaries may result in duplicating in donations for some beneficiaries. In addition to the possibility of the existence of fake names or failure to meet the conditions of the program in the selecting of beneficiaries.

Recommendation

We recommend that the SFD Management should verify the correctness and accuracy of the data survey received from the third party before paying the donations to the beneficiaries.

Management Response

The payment was not carried out by the program management until the verification process of the validity and accuracy of the survey database was carried out, and it was verified on two levels:

First: Office review of the database, sorting and excluding duplicate and repetition names, verifying similar names, matching data of registered women with their husbands, children, place of residence, the relationship of the head of the family with the targeted woman using modern and advanced programs. Also, linking the targeted women and distribute them to the community outreach worker, taking into consideration linking similar names in the same villages for same community outreach worker to be verified and ensure non-repetition.

Second: Field verification of the targeted women by community outreach worker through visits to the targeted women's homes, reviewing the data contained in the project enrollment form, and correcting the wrong data if any and then issuing the settlement statements before the paying process for the first payment.

c. Procedures for implementing nutrition projects

During the course of our audit for a sample of nutrition projects, we have noted some weakness in the implementation of some projects, for example:

- There is no mechanism for determining the number of female community outreach worker, which has resulted to a tremendous disparity in the number of female beneficiaries per female community outreach worker, despite the fact that the guide to nutrition projects is set out in Part IV. (Para. 3) The community outreach worker should be responsible for 24 women in densely populated areas and only 10-15 women in rural areas. It was noted that the number exceeds significantly for every one community outreach worker, for example, the following projects

Project No.	Project Name	Branch
400-13423	Cash for Nutrition - Al-Lihiya District - Al-Hodeidah Governorate	Al-Hodeidah
900-13244	Cash for Nutrition in Al-Adeen District - Ibb Governorate	Ibb
500-13464	Cash for Nutrition Project in Aflah Al-Sham District - Hajjah Governorate.	Hajjah

- In some projects, donations of women beneficiaries have been paid three months at once time, which affects on the achievement of some project's objectives, such as the attendance of women beneficiaries at educational sessions, for example, the following projects:

Project No.	Project Name	Branch
400-13423	Cash for Nutrition - Al-Lihiya District - Al-Hodeidah Governorate	Al-Hodeidah
900-13243	Cash for Nutrition Project - Al Qafir District - Ibb	Ibb
500-13464	Cash for Nutrition Project in Aflah Al-Sham District - Hajjah Governorate.	Hajjah
200-13402	Project of cash for nutrition - Al-Rajm District - Al-Mahwit Governorate	Sana'a

- The identification cards were not distributed to the beneficiaries before the paying donations process to match the amount of the first payment, although the paying donations have been conducted for three months in this installment, for example, the following project:

Project No.	Project Name	Branch
400-13423	Cash for Nutrition - Al-Lihiya District - Al-Hodeidah Governorate	Al-Hodeidah

- The reporting statements of the cases that cannot reach to paying centers were not documented, and then the paying team should visit these cases to deliver their donations in accordance with the mechanism specified in the Nutrition Program Manual, part III, paragraph 9; for example, the following projects:

Project No.	Project Name	Branch
400-13423	Cash for Nutrition - Al-Lihiya District - Al-Hodeidah Governorate	Al-Hodeidah
900-13243	Cash for Nutrition Project - Al Qafir District - Ibb	Ibb

Risk/ Benefit

The existence of the above-mentioned weaknesses, despite the large number of nutrition projects that require strict and precise procedures when implementing the projects, leads to the failure of fully achieving the project's objectives, in addition to increasing the risks associated with the paying process for the beneficiaries of the project.

Recommendation

We recommend that the SFD management should adhere to the procedures set out in the Nutrition Project Manual, work on the preparation of pre-implementation plans and work on the unification of implementation and paying procedures in all branches.

Management Response

- *There may be confusion as a result of calculating the number of female beneficiaries in the outreach or payment center and not at the level of the community outreach worker, and we would like to emphasize that despite the expansion of the targeted area, and in an exceptional cases, the number of female beneficiaries per community outreach worker has been increased in some areas to a maximum of 56 women. Regarding Ibb project, the maximum standard was exceeded due to the small number of educational outputs in some areas and as a result of the expansion in the number of female beneficiaries.*
- *The payment for three months, including two months in advance, is an exceptional case to enable the most vulnerable population to face imminent outbreak of COVID-19 epidemic. This did not at all prejudice the attendance of health outreach sessions where sessions were held for all targeted women, whether through small groups or through a home visit. The payment was made according to the minutes of Policy Committee No. 10-2020.*
- *The first payment was paid to the beneficiaries' women under one of the following identification cards (personal card, family card, passport, election card, social security card...etc.) and women who do not have any of those mentioned cards received payment go through an identification investigation by the concerned project team and based on that an identification card is issued by the community outreach worker. Cards were provided to the beneficiary herself not to another person.*
- *All cases whose social or medical conditions prevented them from reaching the payment center are counted by the outreach worker and raise to the field coordinator, and then pay to them in their homes.*

EXCHANGE RATES

During the course of our audit for a sample of projects, we noted that there was no clear mechanism to deal with the differences exchange rate between the northern and southern governorates, which has reached 45% during the year 2020. The use of a single exchange rate in all governorates had been noted instead and there are no specific procedures to treatment this difference.

Risk/ Benefit

The lack of specific and clear procedures for dealing with the high exchange rate in the southern governorates leads to risks in exchange in these governorates.

Recommendation

We recommend that the SFD Management should implement specific procedures to deal with exchange rate variations in the southern governorates so as to reduce the risk of exchange in these governorates.

Management Response

In 2021, SFD's management decided to transfer the funds to sub-projects accounts with donor's currency in the governorates that deal with high cash liquidity (higher exchange rate), so the exchange there will be at the prevailing rate in each respective payment area.