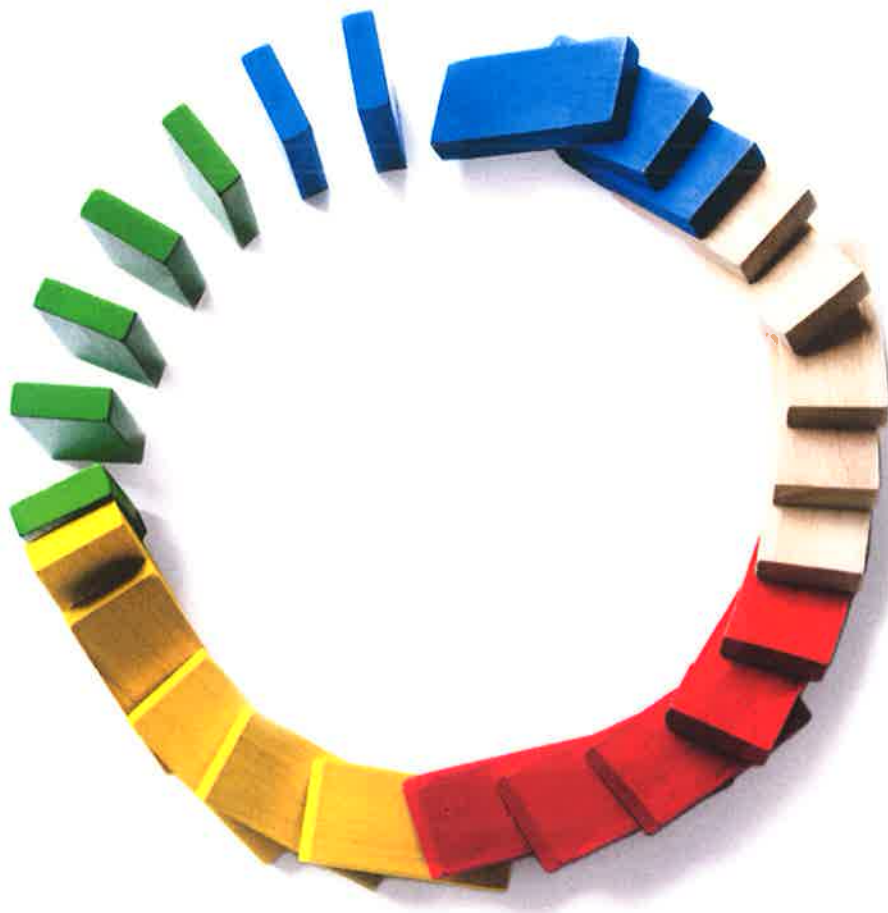




## **Providing Measured Assurance**

Efficiency Audit Report for Twaweza

Embassy of Sweden Tanzania | June 2017



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07 June 2017

Stephen Chimalo  
Program Officer  
Embassy of Sweden Tanzania  
Development Corporation Division  
P.O. Box 9274  
Dar es Salaam, Tanzania.

Dear Sir,

**RE: Efficiency Audit Report for Twaweza East Africa Limited**

We are pleased to submit to the Embassy of Sweden Tanzania and Management of Twaweza East Africa Limited (herein referred to as "Twaweza") our final report on the recently concluded Efficiency Audit for the period 1 January 2014 to December 2016.

The efficiency audit has been undertaken in accordance with the terms of reference and the respective contract for services. This report contains the key findings arising from the review, respective recommendations and management responses to the issues highlighted.

The report is intended solely for the information and use by the management of Twaweza, Swedish International Development Agency (SIDA) Tanzania and other current donors of Twaweza including Department for International Development (DFID Tanzania, Danish International Development Agency (DANIDA) Tanzania, William and Flora Hewlett Foundation, American Jewish World Services (AJWS) and the Ford Foundation and is not intended to be and should not be used by anyone other than these specified parties. The organization's external auditors and regulators may be provided with a copy of this report in connection with fulfilling their respective responsibilities subject to the restrictions on use as per our engagement contract.

We would like to thank the management and staff of Twaweza for their assistance and cooperation during the review. We would be pleased to provide any clarification that you may require on the issues raised in this report. If you require any clarification on this report, please do not hesitate to contact Julie Nyang'aya at [julnyangaya@deloitte.com](mailto:julnyangaya@deloitte.com) or Nasser Adam at [nadam@deloitte.com](mailto:nadam@deloitte.com)

Yours sincerely,

  
**Eshak Harunani**

Director | Deloitte

# Acknowledgement

Twaweza's management has reviewed this report on the Efficiency Audit of Twaweza for 2017 and discussed the findings with the auditors.

Our responses, as included in section 6 of this report, indicate our opinions and actions to be taken where applicable for each of the auditor's findings.

We would like to thank Sida for the continued support to Twaweza's initiatives.

Yours sincerely



**Aidan Eyakuze**

Executive Director

Twaweza East Africa Limited



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# 1 Introduction

The Embassy of Sweden Tanzania contracted Deloitte Consulting Limited ("Deloitte") to conduct an efficiency audit of Twaweza as part of grant support provided to Twaweza by the Swedish International Development Agency (Sida).

The grant support from Sida is a total of 48,000,000 SEK. The agreement period is from 01 January 2016 to 31 December 2018 with equal annual amounts of 16,000,000 for each of the three years. The full design and extent of the grant support is the subject of a grant application and resultant discussion between Sida and Twaweza.

This report sets out details of the work performed as well as our findings, recommendations and agreed management action following the efficiency audit of Twaweza undertaken by Deloitte in April 2017.

## 2 Scope and objectives

### 2.1 Scope of review

In accordance with the terms of reference, the following areas have been reviewed:

1. Organizational Structure
2. Management of Operations
3. Financial Management and Control

The review covered the period from 1 January 2014 to 31 December 2016.

### 2.2 Objective of the Efficiency Audit

The objective of the audit was to provide assurance that Twaweza's internal controls systems are sufficient to mitigate related risks. Specific tasks for this review are listed below:

1. Assess the reliability and relevance of the systems for operational and financial management and control of the organisation, and to assess to what extent these systems are adhered to and implemented at all levels of the organisation;
2. Assess if the organisation complies with Sida's terms and conditions as stipulated in the agreement between Sida and the organisation;
3. Assess whether the agreements used by the organisation when sub-granting funds contain all the conditions stipulated in the agreement between Sida and the organisation;
4. Assess whether the control systems of Twaweza ensure that partner organizations receiving sub-granted funds comply with the terms and conditions stipulated in the agreements between the organization and its partner organizations;
5. Assess Twaweza's system for assessing the capacity of partner organizations when funds are sub-granted;
6. Assess Twaweza's system for following up the identified weaknesses at partner organizations;
7. Provide recommendations to address the identified weaknesses

We have defined internal controls as financial and operational controls which have been established by management to ensure adherence to organizational policies, safeguard assets, and secure as far as possible, the completeness and accuracy of the organization's records.

## 2.3 Approach and Methodology

In order to ensure that we satisfactorily achieve the set objectives, we carried out the following:

- Reviewed background information on Twaweza including the strategic plan, annual business plans, policies and procedures, applicable laws and regulations and other relevant documentation;
- Held interviews with Sida's project liaisons and Twaweza's relevant staff, process owners and management with the objective of understanding Twaweza's processes;
- Using a consultative approach, sought to assess the control environment in scope;
- Data analytics on the financial system General Ledger (GL) to confirm that accurate financial reports are generated by the system;
- Discussed any identified areas of improvement with Twaweza management for validation and comments;

We interviewed the following individuals:

| Name            | Position                                             | Organization        |
|-----------------|------------------------------------------------------|---------------------|
| Stephen Chimalo | Programme Officer                                    | Sida                |
| Grace Bange     | Controller                                           | Sida                |
| Omar Gueye      | Controller                                           | Sida                |
| Aidan Eyakuze   | Executive Director                                   | Twaweza East Africa |
| Kees de Graaf   | Director of Programs and Services                    | Twaweza East Africa |
| Richard Modest  | Finance Manager                                      | Twaweza East Africa |
| Glory Saria     | Operations Manager                                   | Twaweza East Africa |
| Miriam Mwaibula | Assistant, Learning, Monitoring and Evaluation (LME) | Twaweza East Africa |
| Karim Manji     | Regional IT Officer                                  | Twaweza East Africa |

### 3 Abbreviations

| Abbreviation | Description                                 |
|--------------|---------------------------------------------|
| AJWS         | American Jewish World Service               |
| DANIDA       | Danish International Development Agency     |
| DFID         | Department for International Development    |
| DSA          | Daily Subsistence Allowances                |
| ED           | Executive Director                          |
| GL           | General Ledger                              |
| IFRS         | International Financial Reporting Standards |
| LME          | Learning, Monitoring and Evaluation         |
| PAYE         | Pay As You Earn                             |
| PPF          | Parastatal Pension Fund                     |
| PSPF         | Public Service Pension Fund                 |
| NSSF         | National Social Security Fund               |
| Sida         | Swedish International Development Agency    |
| TB           | Trial Balance                               |
| TRA          | Tanzania Revenue Authority                  |
| WWE          | What Works in Education                     |
| WWOG         | What Works in Open Government               |

## 4 Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below:

Efficiency audit and other practices related to review of internal controls are governed by accepted professional standards (such as Professional Standards issued by the Institute of Internal Auditors). Audit procedures generally include interviews as well as selected testing of relevant supporting documents. Performance of these procedures requires sound judgment and flexibility in order to complete the audit program, taking into account the organization's specific circumstances. The objective of the Efficiency Audit is to examine evidence and recommend improvements on the effectiveness and efficiency of the organization's policies and their implementation, with emphasis on identifying significant weaknesses in the internal control processes. The Efficiency Audit's role is to highlight the various risks to which Twaweza may be exposed to, by examining the appropriateness of the organization's internal control structure, its effectiveness, and the manner in which controls are performed. We wish to emphasize that an efficiency audit is not considered to be an investigative or forensic audit, and therefore it is not specifically directed to identify improprieties or fraud.

The matters raised in this report are only those which came to our attention during the course of the efficiency audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The performance of efficiency audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. It is emphasized that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by efficiency audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Efficiency audit procedures are designed to focus on areas as identified by management or the donor as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents.

# 5 Executive Summary

## 5.1 Organization rating guidelines on areas of improvement

The rating for each review area is arrived at based on the aggregate of the points assigned to each of the findings within the business area. The risk ratings are arrived at depending on the risk to the organization and points are allocated as follows:

- Each **high risk** finding - **3 points**
- Each **medium risk** finding - **2 points**
- Each **low risk** finding - **1 point**

Business Areas are then rated according to the table below:

|               |                            |
|---------------|----------------------------|
| <b>Low</b>    | Good (0 – 4 pts.)          |
| <b>Medium</b> | Average (5 – 8 pts.)       |
| <b>High</b>   | Poor (9+ pts.)             |
| <b>NR/NA</b>  | No Review / Not Applicable |

The Organization's overall rating is based on the average of the business area ratings and is also rated as per the table above.

The risk ratings above are based on criteria such as whether the weaknesses noted could lead to financial misstatement, pervasiveness of the control failure, acceptable response time, and whether the weaknesses noted could impact the achievement of the organization's objectives. Details of how we arrive at these ratings are outlined in the table on appendix 7.7.

## 5.2 Summary of Areas of Improvement

The table below presents a dashboard of the areas of improvement for all scope areas covered in this review:

| Business Area                           | High Risk Points (3) | Medium Risk Points (2) | Low Risk Points (1) | Total Risk Points |
|-----------------------------------------|----------------------|------------------------|---------------------|-------------------|
| <b>Organizational Structure</b>         | 3                    | 0                      | 2                   | <b>5</b>          |
| <b>Management of Operations</b>         | 0                    | 2                      | 0                   | <b>2</b>          |
| <b>Financial Management and Control</b> |                      |                        |                     |                   |
| • Financial Management and Systems      | 0                    | 2                      | 2                   | <b>4</b>          |
| • Procurement Systems and Practices     | 0                    | 0                      | 1                   | <b>1</b>          |
| • Information Technology Management     | 0                    | 2                      | 1                   | <b>3</b>          |
| • Human Resource Systems                | 0                    | 0                      | 1                   | <b>1</b>          |
| • Compliance Review                     | 3                    | 4                      | 0                   | <b>7</b>          |
| <b>Organization Rating (Average)</b>    |                      |                        |                     | <b>3.14</b>       |

The section below presents the key business areas that were assessed in this audit and a summary of Twaweza's key strengths and key improvement opportunities noted.

## 5.2.1 Organizational Structure

### Overall Objective

**Assessment: Medium**



The overall aim of the organizational structure review was to confirm that Twaweza has laid out adequate reporting relationships and governance structures that govern the workflow of the organization.

### Key Strengths

1. Twaweza has stipulated its vision, mission statement and strategic programs within its Strategic Plan 2015-2018 which has been uploaded on the public Twaweza's website for stakeholders to access.
2. Twaweza's strategic education and governance programs/thematic areas are aligned to its vision, mission and organizational values.
3. Annual work plans that include a detailed budget are prepared, approved by the board and submitted to donors annually.
4. Twaweza has a fundraising policy that has been included in the governance and management manual. The fundraising policy provides guidelines on who is responsible for sourcing of funds as well as the alignment of funding sought from donors to Twaweza's mandate, set of objectives, vision, mission and values.
5. Twaweza maintains a 'donor calendar' that is used to track donor funding as per grant agreements and to document key target donors for each region as well as initiatives to be taken with donors in convincing funding of Twaweza's programs.
6. Board meetings are held quarterly with appropriate quorum as per Twaweza's Memorandum of Articles of Association.
7. Board meeting minutes are properly maintained. The matters discussed during the meetings address key issues pertinent to the organization and in accordance to the Board's roles and responsibilities.
8. Key decisions are approved by the board as per the strategy and policies requirements Twaweza policies and procedures, program reports as well as financial statements are reviewed and approved by the board prior public release and/or implementation.

### Exceptions Noted/ Improvement Areas

1. Twaweza does not have a Board Charter that specifies minimum requirements of the board in terms of composition, skills and experience needed for individuals to be appointed to the board as well as board committees to be set up.
2. Terms of reference or committee charter specifying the roles and responsibilities of the audit and finance committee have not been established by the organization.
3. Three positions which have been indicated in the Twaweza Strategic Plan 2015 - 2018 were vacant as at time of the audit in April 2017.

9. The organizational structure at Twaweza consists of heads of departments (directors) for each key aspect of the project including Data and Voice and Learning, Monitoring and Evaluation as specified in the strategic plan.
10. The departments set up at Twaweza are well segregated and no conflicting roles have been noted. The organizational structure is made up of three levels including senior management/directors, middle management and low level staff.
11. Delineation of staff roles and responsibilities align to their respective job descriptions and as specified in Twaweza's Governance and Management manual, Finance and Administration manual, Human Resource manual and Programs policy manual.

## 5.2.2 Management of Operations

### Overall Objective

**Assessment: Low**



The overall aim of the review of management of operations was to confirm that systems and routines are in place at Twaweza for adequate operational planning and implementation as well as monitoring and evaluation.

### Key Strengths

1. Twaweza has implemented a program policy manual to guide Monitoring and Evaluation of different programs. The policies provide guidelines for Monitoring, Evaluation and Learning activities as well as guidelines to be followed while conducting Twaweza's programs.
2. Twaweza has a formal criteria in place for selection of project partners. These partners are evaluated and selected by the Twaweza tender committee.
3. Twaweza applies a fair competition model for parties interested in partnering with the project as per the procurement procedures under the finance and administration manual and partnership requirements under the programs policy manual.
4. Twaweza prepares annual project implementation plans that detail project activities to be executed within the year as well as a detailed budget for each planned activity.
5. Partners and sub-contractors have approved contracts with Twaweza indicating required

### Exceptions Noted/ Improvement Areas

1. Twaweza does not have a Risk Management Framework in place to formally guide the risk management process.
2. Key risks that may affect and/or hinder the organization in meeting its strategic objectives were not highlighted and assessed during the annual risk assessment process at Twaweza. These include risks in areas such as Human Resource/ People, Technology, Finance and Contract Compliance.

activities, measurable goals and milestones for achievement of these activities.

6. Output analysis is conducted by the learning, monitoring and evaluation unit to confirm completion and validity of work performed by sub-contractors and partners.
7. Twaweza prepares mid-year progress reports which are shared with donors in order to report on achievements, pending activities and challenges while implementing the annual plan. The mid-year progress reports include impact assessment of Twaweza's key program activities implemented against objectives.
8. Twaweza performed a strategic risk assessment that also included the two key thematic areas (education and open governance). The risk assessment results have been included within the 2015 to 2018 strategic plan.
9. In addition, Twaweza performs risk assessments annually per operating unit/country office, highlighting key risks that may impact the year's activities in the annual plan.

### 5.2.3 Financial Management and Control

In order to adequately achieve the audit objectives, the review of Financial Management and Control was broken down into 5 subsections whose review objectives, key strengths and key improvement areas have been summarised below:

#### 5.2.3.1 Financial Management and Systems

##### Overall Objective

**Assessment: Low**



The overall aim of the review of financial management and systems was to ascertain that adequate controls are in place at Twaweza to ensure appropriate maintenance of organization accounts and accurate financial reporting within the organization.

##### Key Strengths

1. Twaweza has a formally approved finance and accounting policy and procedures manual covering among others segregation of duties, review and approval processes for transactions, budgeting, monitoring and reporting.
2. Xero system, an accounting system currently used by Twaweza is properly structured to provide a means where expenses are allocated directly to budget lines defined within the approved chart of accounts.

##### Exceptions Noted/ Improvement Areas

1. Twaweza's finance and administration manual does not provide a specific time and frequency at which the petty cash counts are to be conducted.
2. Petty cash counts are conducted bi-annually which may not be sufficient to ensure that petty cash is appropriately maintained and not misused.
3. Quarterly fixed asset verifications are not done as required in the finance and administration manual.

3. Delegation of authority at Twaweza is done through a system called 'Salesforce' to ensure adequate segregation of duties on all tasks relating to full accounting cycle transactions.
4. Financial Reports including Trial Balances, statement of financial position and statement of profit or loss that are generated from the Xero system are complete and accurate.
5. All payment vouchers relating to bank pay-outs are verified by the accounting staff and approved according to the chart of authority.
6. Reconciliations for all bank accounts and mobile wallet accounts is conducted monthly by the banking accountant and reviewed and approved by management.
7. A detailed annual budget is prepared by management and reviewed and approved by the Board of Directors annually. The budget is then included in the Annual Plan shared with the donors.
8. Budget variance analysis reports are automatically generated by the Xero application system in real time.
9. Bi-annual review of the budget versus actual utilization is done by the Twaweza management team, reviewed by the board of directors and results are shared with stakeholders within the Mid-Year Progress report.
10. Twaweza's financial records were audited in accordance with IFRS by Ernst and Young for the year ended 31 December 2014 and 31 December 2015 and PricewaterhouseCoopers for the year ended 31 December 2016. Selection of the auditors was formally approved by the board.
11. For the past three (3) financial years, 2014, 2015 and 2016, the external auditors have concluded that the financial statements give a true and fair view of the financial position of Twaweza East Africa Limited.
12. Recommendations for issues raised by external auditors in their management letter are promptly implemented by management.
13. Twaweza contracted Auditax International to conduct an internal audit for the organization for the year 2015. The internal audit was conducted in three phases covering quarter periods ended 31
4. An internal audit of the Twaweza's controls was not conducted for the year 2016.

### 5.2.3.2 Procurement Systems and Practices

#### Overall Objective

**Assessment: Low** 

The overall aim of the review of procurement systems and practices was to confirm that Twaweza has formal and established procurement policy and guidelines and adequately follows these guidelines while procuring goods and services.

#### Key Strengths

1. Twaweza has in place a formal procurement policy and procedures that address all salient aspects related to procurement.
2. Procurements with value above USD 3,000 are subject to competitive bidding.
3. Authorisation levels as per the procurement policy are adhered to during the procurement process i.e. in selection of a supplier/ vendor.
4. Contracts are maintained between Twaweza and selected service providers.
5. Twaweza maintains a listing for suppliers of routine goods and services such as janitorial, security and catering/ lunch services. The suppliers are awarded one year contracts after which they are evaluated for contract renewal.
6. Twaweza makes payments to selected vendors/ suppliers for goods and services rendered upon confirmation of delivery or completion of goods or services by conducting output analysis for every procurement before payment.

#### Exceptions Noted/ Improvement Areas

1. The contract with one sampled service provider, African Power Machinery did not include clauses on:
  - i. Compliance with applicable legislation i.e. agreement to be governed by and construed by the laws of Tanzania.
  - ii. Dispute resolution.

### 5.2.3.3 Information Technology Management

#### Overall Objective

**Assessment: Medium** 

The overall aim of the review of information technology management was to assess whether information systems and applications at Twaweza meet the best practice IT security standards to protect Twaweza's information and resources.

#### Key Strengths

1. An Information Technology (IT) policy has been implemented at Twaweza to guide usage of information technology and related assets.

#### Exceptions Noted/ Improvement Areas

1. Password parameters currently defined in the Twaweza IT Policy and configured in the Windows Domain, Xero and Salesforce applications are not robust

2. Staff are trained on the IT Policy during induction process.
  3. Leavers are timely deactivated/deleted as users in information systems which includes Xero accounting system, Salesforce administration and authorization system and the domain.
  4. Twaweza uses cloud/ internet based solutions for its financial and business applications/systems thus ensuring offsite data backup.
  5. Twaweza has established a formal IT Continuity and Recovery Plan to ensure continuity of operations in case of disaster.
  6. Twaweza's key IT infrastructure and servers are located in a secure, restricted room that is well protected from rigors of nature.
  7. There is a change management policy in place that governs all change operations within the organization.
  8. Changes made to Twaweza's systems either by the vendors or Twaweza IT team are approved by management prior to implementation and tested in a test environment before implementation in the production environment.
2. Formal access request forms showing the nature of access rights to be assigned to new users in the information systems and applications are not in use during access rights approval.
  3. System Administrator rights to the Salesforce application are not restricted to IT Personnel. The Director for Programs and Services is also a system administrator in the Salesforce application.
  4. User access privileges to information systems are not periodically reviewed by management to confirm appropriate access rights allocation.

#### 5.2.3.4 Human Resource Systems

##### Overall

**Assessment: Low** 

The overall aim of the Human Resource systems review was to confirm that Twaweza follows appropriate human resource practices.

##### Key Strengths

1. A human resource manual has been implemented at Twaweza to guide human resource practices.
2. The human resource policy includes a section on conflict of interest. Employees are required to disclose any conflict of interest they may have with the organization annually.
3. A code of conduct policy has also been defined at Twaweza as part of the Governance and Management Manual.
4. The governance and management manual includes a section on zero tolerance to corruption. A dedicated email address (concerns@twaweza.org) for anonymous reporting of issues has been set up.
5. Employees recruited by Twaweza under the period of review met the minimum requirements set and that these were the

##### Exceptions Noted/ Improvement Areas

1. 6 sampled Travel imprests/advances during the period 2014-2016 were not timely retired within 5 working days upon completion of the purpose of the advance as required in the finance and administration manual.

best/recommended as per the recruitment process.

6. Staff performance appraisals are done annually and employees receive feedback of their performance from their respective managers/supervisors upon completion of the appraisal process.
7. Exit and termination procedures are in place and are adequately implemented during staff terminations and resignations.
8. The level of staff turnover has been on a reducing trend from 36% in 2014, 25% in 2015 and 19% in 2016.
9. Employees are paid salaries as per their approved contracts. Payroll calculations are accurate and duly approved by the Finance Manager and Executive Director for each payroll period.
10. Statutory deductions such as Taxes (PAYE) and pension contributions are accurately computed, deducted and paid on a timely basis to the Tanzania Revenue Authority (TRA), National Social Security Fund (NSSF), Parastatal Pension Fund (PPF), Public Service Pension Fund (PSPF) and LAPF Pensions Fund respectively.
11. Twaweza has included travel policies as part of the finance and administration manual to define travel procedures and benefits.
12. Travel advances are approved by management prior to issuance and follow applicable rates as per the finance and administration manual.

#### 5.2.3.5 Compliance review

##### Overall

**Assessment: Medium** 

The overall aim of the compliance review was to confirm that Twaweza adheres to all contractual requirements set out in the Grant Agreement with Sida.

##### Key Strengths

1. For Sida funding disbursed to Twaweza during the period of review, 2014 – 2016, Twaweza did not utilize the Sida funds for any expenditure beyond the allocated budget for Tanzania activities (Operations in Kenya and Uganda).
2. Twaweza has specific revenue accounts within the Chart of Accounts for each donor in which it records the income received from the respective donor.

##### Exceptions Noted/ Improvement Areas

1. Twaweza maintains donor funds on a non-interest bearing account with Stanbic Bank (USD account number 0240025676401) contrary to the Grant agreement with Sida which requires the organization to deposit funds donated by Sida in an interest bearing foreign exchange account.
2. Twaweza's annual reports do not include information on third Parties such

3. The finance department at Twaweza monitors the use of funds from donors whose funding is specifically for Tanzania. The donors include Sida, DFID and DANIDA.
  4. Twaweza has established procurement regulations and a financial and administration manual which are applied during procurement of goods, works and services financed by the Grant Agreement.
  5. Twaweza enters into written agreement with third parties before commencement of any activities and disbursements or payments to such parties.
  6. Twaweza follows-up on funds which are forwarded or paid to third parties and conducts assessments of capacity and capability of partners to execute project activities.
  7. Annual audited financial reports for the project are submitted to donors by 31 May every year.
  8. Twaweza prepares and submits annual narrative reports to donors. The reports are reviewed and endorsed by the board of directors and signed off by the Executive Director.
  9. Twaweza did not spend Sida funds for ineligible expenditure as specified in the grant agreement between Twaweza and Sida in the period under review.
- as partners that have received funds during the year.
3. The contracts between Twaweza and 2 sampled partners who received funds greater than SEK 500,000 did not include a condition for requirement of annual audits of the partner.

# 6 Detailed Findings

## 6.1 Organizational Structure

As part of the review of the organization structure at Twaweza, we assessed:

- Vision, mission statement, goals, policies and how these are aligned to the organization objectives.
- Annual work plans and procurement plans at Twaweza.
- Decision making mandate and delegation procedures and their practice throughout the organization chain.

### Key Strengths

1. Twaweza has stipulated its organization vision, mission statement and strategic programs within its Strategic Plan 2015-2018. Twaweza's strategic programs under Basic Learning and Open Government are aligned to its vision, mission, organization values as well as its strategic objectives. The annual strategic plan has been uploaded on Twaweza's website for stakeholders to access.  
Refer to appendix 7.1 for details of Twaweza's vision, mission and strategic objectives.
2. Annual work plans which comprise of a detailed budget per organization output/ activity are prepared, approved by the board and submitted to donors annually. Foreseen procurements are included among the budget lines with key partners or suppliers indicated within the budget.
3. Twaweza has a fundraising policy in place that has been included in the governance and management manual. Fundraising policy provides guidelines on who is responsible for sourcing of funds as well as the alignment of funding sought from donors with Twaweza's mandate, set of objectives, vision, mission and values.  
In addition, Twaweza maintains a 'donor calendar' that is used to track donor funding as per grant agreements and to document key target donors for each region as well as initiatives to be taken with donors in convincing funding of Twaweza's programs.
4. The Board meets regularly to exercise its oversight mandate. Board meetings are held quarterly with appropriate quorum as per Twaweza's Memorandum of Articles of Association.
5. Board meeting minutes are documented and maintained. Matters discussed during the meetings address key issues pertinent to the organization strategy and project in accordance to the Board's roles and responsibilities.
6. Key decisions are approved by the board as per the strategy and policies requirements Twaweza policies and procedures, program reports as well as financial statements are reviewed and approved by the board prior public release and/or implementation.

## Key Strengths

7. Formal documents that have so far been approved and established by the Board of Directors during the review period include:

- Strategic Plan 2015 – 2018
- Governance and Management Manual
- Finance and Administration Manual
- Program Policy Manual
- Human Resources Manual

Decisions for appointment of external auditors also rest with the Board.

8. The organizational structure at Twaweza consists of directors for all key aspects of the project as specified in the strategic plan including Data and Voice and Learning as well as Monitoring and Evaluation as specified in the strategic plan. The Directors (Heads of Departments) report to the Executive Director who in turn reports to the Board of Directors.

The organizational structure is made up of 3 levels, Senior Management/Directors and Mid Management and Low level staff. The departments set up at Twaweza are well segregated and no conflict in roles was noted.

9. Job descriptions at Twaweza are aligned to the segregation of duties and delegation of authority specified in Twaweza's Governance and Management manual, Finance and Administration manual, Human Resource manual and Programs policy.

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Comments from Twaweza Management                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Lack of a Board Charter</b></p> <p>Twaweza does not have a board charter which specifies the minimum requirements in terms of composition, skills and experience needed for individuals to be appointed to the board and definition of board committees to be set up.</p> <p>Terms of reference or committee charter specifying the roles and responsibilities of the audit and finance committee have not been established by the organization.</p> <p><b>Root Cause:</b> The organization relies on its Memorandum of Articles of Association drafted in 2015 as well as its Governance and Management Manual. However, the manual was found to be lacking some required best practices on corporate governance.</p> | <p>A board charter should be drafted and forwarded to the board for approval. The charter should include the terms of reference as included in the Articles of Association and other aspects not covered by the Articles of Association such as:</p> <ul style="list-style-type: none"> <li>• Establishment of board committees including the audit, finance and administration committee and executive committees as well as their roles and responsibilities;</li> <li>• Fund governance, accountability and audit;</li> <li>• Risk management; and</li> </ul> | <p>Twaweza agrees with auditors' recommendations. We will develop a board charter that will define the roles of board members and its committees.</p> |

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Comments from Twaweza Management                                                                                 |                     |                |                                                 |         |                   |                            |          |                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|---------------------|----------------|-------------------------------------------------|---------|-------------------|----------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Risk:</b> The Board of Directors and board committees may not have clear guidelines in execution of their duties and thus may not effectively perform their oversight role.</p>                                                                                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>Performance evaluation and the minimum qualifications in terms of education, skills and experience that an individual should possess before being appointed to the board.</li> </ul>                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                  |                     |                |                                                 |         |                   |                            |          |                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p><b>Quality of Board Meeting Minutes</b></p> <p>Follow up response in meeting minutes were not referenced to the issues raised and respective action plans reached in the previous meeting minutes to enable issue tracking.</p> <p><b>Root Cause:</b> Lack of guidelines on the best practice format for board minutes.</p> <p><b>Risk:</b> Corrective actions agreed may not be promptly followed up to implementation exposing the organization to possible risk of failure to meet its objectives.</p>                                                                 | <p>A follow-up section should be added to the board minutes to enable easier tracking of issues discussed. The section should include the following details:</p> <ul style="list-style-type: none"> <li>Previous board meeting date.</li> <li>Reference number (from previous minutes) and brief description of the minute/discussion point being followed up and respective action plans.</li> <li>Minutes of follow up responses in current meeting as well as person responsible for the action plan.</li> <li>Status of implementation of action plan (open/closed).</li> </ul> | <p>Twaweza agrees with auditors' recommendation. We will improve matters arising tracking system as advised.</p> |                     |                |                                                 |         |                   |                            |          |                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p><b>Unfilled positions in the Organization Structure</b></p> <p>Three positions which have been indicated in the Twaweza Strategic Plan 2015 - 2018 were vacant as at time of the audit in April 2017. These included:</p> <table border="1"> <thead> <tr> <th>Position</th><th>Department</th><th>Duration of Vacancy</th></tr> </thead> <tbody> <tr> <td>Senior Officer</td><td>Learning Monitoring &amp; Evaluation (LME) Tanzania</td><td>1 month</td></tr> <tr> <td>Senior Consultant</td><td>What Works Education (WWE)</td><td>6 months</td></tr> </tbody> </table> | Position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Department                                                                                                       | Duration of Vacancy | Senior Officer | Learning Monitoring & Evaluation (LME) Tanzania | 1 month | Senior Consultant | What Works Education (WWE) | 6 months | <p>In addition to the effort made by Twaweza management towards looking for resources to fill in the vacancies in the local market, management should further consider the following:</p> <ul style="list-style-type: none"> <li>Hiring human capital consultants from a reputable firm to assist in the search of the required resources and recruitment process.</li> </ul> | <p>As noted by the auditors, Twaweza currently has said vacant positions. For Twaweza to continue be able to deliver high quality work, adapt to changing environments and innovate, it is essential to have high caliber of staff in key positions.</p> <p>Twaweza has been facing difficulties filling positions which require a combination of different and high level skills sets. The few experts that</p> |
| Position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Department                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Duration of Vacancy                                                                                              |                     |                |                                                 |         |                   |                            |          |                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Senior Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Learning Monitoring & Evaluation (LME) Tanzania                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1 month                                                                                                          |                     |                |                                                 |         |                   |                            |          |                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Senior Consultant                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | What Works Education (WWE)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 6 months                                                                                                         |                     |                |                                                 |         |                   |                            |          |                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  | Recommendation                                                                                 | Comments from Twaweza Management                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Manager      What Works Open Government (WWOG)      2 years</p> <p><b>Root Cause:</b> Consultants had been hired to fill the positions in WWOE. However, their contracts ended in October 2016 and attained responsibility elsewhere.</p> <p>The LME position was introduced in December 2016 and a suitable candidate had not yet been obtained as at time of the audit.</p> <p><b>Risk:</b> Failure to meet organization objectives or effectiveness of programs due to lack of personnel to execute respective project/program roles.</p> |  | <ul style="list-style-type: none"> <li>Consider exploring the international market.</li> </ul> | <p>meet the required profiles are usually firmly positioned in international organizations or companies.</p> <p>We have tried all possible means to find and hire such experts with varying success. We agree with the auditor to once more contract a human capital search company and, if unsuccessful, to consider recruiting internationally.</p> |

## 6.2 Management of Operations

As part of the review of Twaweza's management of operations, we assessed:

- The tools and routines used by Twaweza to manage and steer operations.
- Criteria and procedures for selection and assessment of partners and their projects/ programmes.
- Systems at all levels of the organization chain, for reporting progress and results as well as reporting on deviation from plans.
- Twaweza's systems for managing, analyzing and acting on reports submitted by partner organizations.
- Systems for risk assessment, risk management and compliance to these systems.

### Key Strengths

1. Twaweza has implemented a program policy manual to guide Monitoring and Evaluation and assessment of different programs. The policies provide guidelines for monitoring, evaluation and learning activities as well as guidelines to be followed while conducting Twaweza's programs.
2. Twaweza has a formal criteria set out for selection of project partners. These partners are selected by the Twaweza tender committee once they meet the selection criteria designed by the organization. In addition, Twaweza applies a fair competition model for parties interested in partnering with the project as per the procurement policies under the finance and administration manual and partnership policy under the programs manual.
3. Partners and sub-contractors have approved contracts with Twaweza indicating required activities, measurable goals and milestones for achievement of these activities. These activities are monitored per milestone phase and Twaweza pegs percentages of contract payments to the achievement and Twaweza's satisfaction of milestone activities done.
4. Output analysis is done by the Learning, Monitoring and Evaluation unit to confirm completion and validity of work performed by sub-contractors and partners.
5. Twaweza prepares mid-year progress reports which are shared with donors in order to monitor and report on achievements, pending activities and challenges faced during the implementation of the annual plan. The mid-year progress reports include impact assessment of Twaweza's key program activities implemented.
6. Twaweza performed a strategic risk assessment for the project which it included within the strategic plan 2015-2018. The project risk assessment exercise undertaken identified risks attributable to the project, sources of the risk, likelihood of occurrence and mitigating strategies and controls in place to prevent the risks from occurring.
7. Risks relating to the project are periodically reviewed and mitigating actions identified. These are periodically reported in the Twaweza annual plan. These assessments are conducted annually per operating unit/country office, highlighting key risks that may impact the year's activities in the annual plan. Key risk categories assessed during the annual risk assessments include political risks and legal risks.

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Recommendation                                                                                                                                                                                                                                                                                                                   | Comments from Twaweza Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Deficiencies in the Risk Management Process</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p>1. The organization does not have a Risk Management Manual in place to guide the risk management process. Specifically, the manual would provide guidelines in:</p> <ul style="list-style-type: none"> <li>i. Risk identification;</li> <li>ii. Key risk areas of focus (strategic risks, operational risks, political risks, compliance risks, finance risks, human resource risks and technology risks among others);</li> <li>iii. Determining likelihood and impact of risks;</li> <li>iv. Frequency of follow up of risks; and</li> <li>v. Identification, monitoring and implementation of mitigating measures.</li> </ul>                                                                                                                                                                                             | <p>Risk Management policy/manual should be formally established and put to use in order to provide guidelines for the risk management process at Twaweza.</p> <p>The risk management process should highlight, assess and monitor majority of the key potential risks that may affect the programmes and Twaweza as a whole.</p> | <p>Twaweza is very aware of the variety of risks it is facing, and discussions on risks at various levels and their mitigation are common practice, laid down in different documents. In its final oversight assessment of October 2016, the Hivos oversight mission wrote: "The way the organization deals with risks serves the purpose of the organization and therefore does not require any urgent action. Nevertheless it should be noted that many donors attach value to the existence of a risk management system and this might be a reason to develop it." The report further recommends to embed such system into existing procedures and the annual plan rather than designing a completely separate system.</p> <p>Twaweza therefore shall develop an overall risk assessment guide which will explain the various procedures which Twaweza uses to identify and mitigate risk.</p> |
| <p>2. The annual risk assessments conducted are not comprehensive enough to address all key risks. Key risks that may affect/hinder Twaweza in meeting its strategic objectives have not been highlighted and assessed during the risk assessment process. These include key risks in the following risk areas among others:</p> <ul style="list-style-type: none"> <li>i. Compliance risk e.g. withdrawal of funding by donors due to non-compliance with contractual agreements.</li> <li>ii. Finance risk e.g. foreign exchange rate fluctuations.</li> <li>iii. Human Resource/ People Risk e.g. high staff turnover within a short period of time.</li> <li>iv. Technology Risk e.g. Operations continuity in case of system downtime.</li> <li>v. External risks e.g. Acts of Gods that may disrupt activities</li> </ul> |                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p><b>Root Cause:</b> A risk management manual has not been implemented to guide the risk management process.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Recommendation | Comments from Twaweza Management |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------------------|
| <p><b>Risk:</b> Inconsistent application of risk management procedures may impact the effectiveness of risk identification and implementation of mitigating measures which could in turn hinder the organization from meeting strategic and programmes' goals.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                |                                  |
| <h2>6.3 Financial Management and Control</h2> <p>As part of the review of the Financial Management and Control at Twaweza, we assessed:</p> <ul style="list-style-type: none"> <li>Financial management controls – including the financial reporting system in use, approval controls, segregation of duties, and safe guard over records and assets.</li> <li>Accounting procedures – including financial regulations and policies, project management systems and chart of accounts, petty cash management and transfer of funds and bank and cash holdings.</li> <li>Budgeting process and monitoring of expenditure.</li> <li>Systems and routines to ensure compliance with audit requirements and the routines at the organization for analyzing and acting on audit issues and suspected irregularities.</li> <li>Whether there are procurement policies in place at the organization and that these practices are adhered so as to attain best value from procurements.</li> <li>Existence of and adherence to travel policies and procedure e.g. decision mandate for travels, rules for per diems, travel reports etc.</li> </ul> <p>In order to adequately assess the above areas of scope, we conducted the review under five (5) sections as detailed below:</p> |                |                                  |
| <h3>6.3.1 Financial Management and Systems</h3>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |                                  |
| <h4>Key Strengths</h4> <ol style="list-style-type: none"> <li>The organization has adequately documented finance and accounting policies and procedures covering segregation of duties, review and approval processes for transactions, budgeting, monitoring and reporting.</li> <li>The accounting system in use (Xero system) is structured in a way that it provides a means where expenses are allocated directly to budget lines defined within the chart of accounts.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                |                                  |

## Key Strengths

3. Twaweza has a sound delegation of authority system (Salesforce) to ensure that no one person does all the work relating to a full accounting cycle transaction. An approval structure has been set up within the system for which each payment voucher is approved by the Budget Holder, Finance Manager, and Director (for amounts above USD 20,000) and Executive Director (for amounts between USD 50,000 and USD 300,000). The Salesforce system also requires system approval from the Country Accountant, Senior Accountant, Banking Accountant, first bank signatory and second bank signatory for every payment made. Approvals for contracts and payments above USD 300,000 are done by the Chairman, Board of Directors.  
All payment vouchers relating to bank pay-outs are verified by the accounting staff and approved according to the chart of authority.
4. Data analytics tests performed confirmed that financial reports including Trial Balance (TB), Statement of Financial Position and Statement of Profit or Loss generated from the financial system (Xero) are in line with the financial transactions recorded in the system.
5. Reconciliations for all bank accounts and mobile wallet accounts is conducted monthly by the banking accountant before the 14th of the following month, reviewed by the Finance Manager and approved by Director, Programs and Services before the 19th of the following month as stipulated in the finance and administration manual.
6. Detailed budgets are prepared by management and reviewed and approved by the Board of Directors. These are included in the Annual Plan shared with the donors.
7. Budget variance analysis reports are automatically generated by the financial application system (Xero) in real time and can be reviewed by any system user.
8. Bi-annual review of the budget versus actual utilization is done by the Twaweza management team, reviewed by the board of directors and results are shared with stakeholders within the Mid-Year Progress report. Refer to appendix 7.4 for an illustration of budget utilization by Twaweza for the years 2014, 2015 and 2016 and appendix 7.5 for an illustration of percentage of Twaweza's budget which is funded by donor disbursements.
9. There has been a gradual improvement in donor fund utilization by Twaweza from 77% fund utilization in 2014 to 103% and 93% in 2015 and 2016 respectively. Refer to appendix 7.4 for an illustration of donor fund utilization by Twaweza for the years 2014, 2015 and 2016.
10. Twaweza's financial statements were audited in accordance with International Financial Reporting Standards (IFRS) by a reputable audit firm. The selection of external auditors is done by the Board of Directors. Ernst & Young (EY) were the external auditors until the financial year ended 31 December 2015 after which PricewaterhouseCoopers (PwC) was appointed by board resolution on 21 December 2016. Selection of external auditors was formally approved by the board
11. For the past three (3) financial years, 2014, 2015 and 2016, the external auditors have concluded that the financial statements give a true and fair view of the financial position of Twaweza East Africa Limited.
12. Recommendations to issues raised by external auditors in their management letter are promptly implemented by management.

## Key Strengths

13. Twaweza contracted Auditax International to conduct an internal audit for the organization for the year 2015. The internal audit was conducted in three phases covering quarter periods ended 31 March 2015, 30 June 2015 and 30 September 2015.

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Recommendation                                                                                                                                                                                                                                       | Comments from Twaweza Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Deficiencies in Petty Cash Management Policies</b></p> <p>The finance and administration manual states that "the Manager responsible for Operations or other person designated by the Executive Director shall arrange to conduct periodic 'spot checks' of petty cash balances and document the spot check". However, the manual does not provide a specific time and frequency at which the petty cash counts are to be conducted.</p> <p>In addition, current practice is that petty cash counts are conducted bi-annually which may not be sufficient to ensure that petty cash is appropriately maintained and not misused.</p> <p><b>Root Cause:</b> The finance and administration manual in place does not specify the frequency for petty cash counts.</p> <p><b>Risk:</b> Misuse of petty cash for example unauthorized use of petty cash funds and subsequent replenishment after a period of time.</p> <p><b>Performance of Asset Stock Checks</b></p> <p>Quarterly fixed asset verifications are not done as required in the finance and administration manual.</p> <p>Twaweza's Finance and Administration Manual states that "the Finance Manager shall undertake a systematic check of fixed assets around the last day of each quarter for each of the first three quarters of the calendar year and the Executive Director shall assign any other suitable employee and/or external consultant to undertake a comprehensive annual asset check as well as spot checks from time to time."</p> | <p>The frequency of petty cash counts should be specified within the Finance and Administration Manual.</p> <p>The frequency of petty cash counts should be at least monthly in order to effectively monitor adherence to petty cash procedures.</p> | <p>Twaweza will implement a monthly petty cash count and will propose amendment of the petty cash policy in order to be consistent with the proposed practice.</p> <p>Note that in our effort to become a cashless organization, over the years we restricted petty cash use in favor of mobile and bank payments. Our current petty cash float has reduced from TZS 4,000,000 to TZS 2,000,000 and on average monthly petty cash expenditure is around to 1,000,000.</p> <p>Twaweza currently performs fixed asset verification annually. We agree with auditors' recommendation and we will seek to amend our policy to conduct quarterly spot checks instead of quarterly checks of all fixed assets.</p> <p>In order to reduce said risks, we already have put controls in place, such as the requirements at the time of payment of a new asset, to</p> |

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Recommendation                                                                                                                                                                                                                                                                                           | Comments from Twaweza Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Root Cause:</b> Evidence of results of quarterly fixed assets verifications not provided for review</p> <p><b>Risk:</b></p> <ol style="list-style-type: none"> <li>1. Incomplete or inaccurate details recorded in the fixed asset register.</li> <li>2. Inadequate planning for replacement and disposal of assets which are past their useful life.</li> </ol>                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                          | <p>submit evidence of recording in the fixed asset register and issuance of asset tags.</p> <p>Staff are also required to fill an asset movement form when moving assets between office spaces to ensure the fixed asset register stays updated.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p><b>Internal Audit for the year 2016</b></p> <p>An internal audit of the Twaweza's internal controls and processes was not conducted for the year 2016.</p> <p><b>Root Cause:</b> Tax audit and donor audit was carried out in the year 2016 thus Twaweza opted to not contract the internal auditor for the period. In addition, efficiency monitoring tools were implemented within the Salesforce application.</p> <p><b>Risk:</b> Deficiencies in the operating effectiveness of internal control processes established at the organization may not be timely reported/ highlighted which may in turn lead to financial loss or failure of the organization to meet its goals and objectives.</p> | <p>The operating effectiveness of internal controls should be subjected to periodic independent reviews and assessments. The organization should make an annual provision for the cost of an Internal Audit within its budget and ensure that funds are secured for implementation of this activity.</p> | <p>As noted by the auditors, in year 2016 we had Twaweza Statutory Audit, Hivos Tanzania consolidated audit for the years 2009 to 2014 (which took 4 months), Audit by Tanzania Revenue Authority (TRA), HIVOS oversight mission and DANIDA system audit.</p> <p>We decided to postpone the internal audit for 2016 considering the time taken to complete the above audits and to free time to implement the recommendations from the various audits.</p> <p>Moreover, some of deliverables that were required from Internal Auditor have been included in our ERP system and can now be generated from our Salesforce and Xero platforms e.g. Reports and dashboards on days taken to retire safari advances, imprests, PV and requisition processes.</p> |

### 6.3.2 Procurement Systems and Practices

#### Key Strengths

1. Twaweza has established formal procurement policies that address all salient aspects related to procurement. The procurement policies at Twaweza include the guiding principles for procurement (cost effectiveness, transparency and documentation, non-discrimination, zero tolerance to corruption, accountability and credibility), procurement authority levels, requirements for tenders and internal controls and risk management during the procurement process.
2. Procurement authority levels have been established at the organisation. Procurements with a value above USD 3,000 require independent quotations from no less than 3 independent suppliers and recommendation is made in relation to quality and reliability for the best price. Tenders are required for procurements with a value above USD 75,000 and bids must be sought from at least 5 suppliers. These authorization levels are adhered to by Twaweza while procuring goods and services.
3. Contracts are maintained between Twaweza and selected service providers.
4. Twaweza maintains a listing for suppliers of routine goods and services such as janitorial, security and catering/ lunch services. The suppliers are awarded one year contracts after which they are evaluated for contract renewal.
5. Twaweza makes payments to selected vendors/ suppliers for goods and services rendered upon confirmation of delivery or completion of goods or services by conducting output analysis for every procurement before payment.

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                   | Comments from Twaweza Management                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Missing clauses in supplier contracts</b></p> <p>1 (20%) out of 5 sampled contracts, contract number 00006499 between Twaweza and African Power Machinery for preventative maintenance of the generator did not include clauses on:</p> <ul style="list-style-type: none"> <li>i. Compliance with applicable legislation i.e. agreement to be governed by and construed by the laws of Tanzania.</li> <li>ii. Dispute resolution</li> </ul> <p><b>Root Cause:</b> The contract was initiated by the service provider and thus did not include Twaweza's standard terms and conditions for service contracts.</p> | <p>All contracts between Twaweza and service providers should include clauses on applicable legislation, force majeure, dispute resolution terms and conditions for contract termination.</p> <p>Terms and conditions in contracts initiated by the service provider should be reviewed by Twaweza. All terms and conditions within Twaweza's contract template should be included therein prior to signoff by both parties.</p> | <p>Twaweza agrees with auditors' comments. It should be noted that only 3% of all our contracts are generated by external service providers such as African Power Machinery. All other contracts are generated internally and automatically feature the clauses noted. We will ensure that external contracts are thoroughly reviewed by introducing a checklist in salesforce to ensure that all important clauses are included in the contracts.</p> |
| <b>Risk:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                               | Recommendation | Comments from Twaweza Management |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------------------|
| <ul style="list-style-type: none"> <li>i. Failure to take legal action against suppliers/ vendors who do not comply with applicable legislation.</li> <li>ii. The organization may not have a clear course of action in which to deal with the disputes should they occur with suppliers. As a result, dispute resolution may delay and become costly.</li> </ul> |                |                                  |

### 6.3.3 Information Technology Management

| Key Strengths                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| <ol style="list-style-type: none"> <li>1. An Information Technology (IT) Policy has been implemented at Twaweza to guide usage of Information Technology and related assets. Users are trained on the IT Policy during their induction.</li> <li>2. Leavers are timely deactivated/ deleted as users in information systems i.e. Xero accounting system, Salesforce administration and authorization system and the domain.</li> <li>3. Twaweza uses cloud/ internet based solutions for its financial and business applications/systems i.e. Xero and Salesforce thus ensuring offsite data backup.</li> <li>4. Twaweza has established a formal IT Continuity and Recovery Plan to ensure continuity of operations in case of disaster. A disaster recovery team has been defined within the IT Continuity and Recovery Plan and their respective roles and responsibilities specified.</li> <li>5. Twaweza's key IT infrastructure and servers are located in a secure, restricted room that is well protected from rigors of nature.</li> <li>6. There is a change management policy in place at Twaweza that governs all change operations within the organization. Changes made to Twaweza's systems either by the vendors or Twaweza IT team are approved by management prior to implementation and tested in a test environment before implementation in the production environment.</li> </ol> |

| Exceptions Noted/ Improvement Areas                                                                                                                                      | Recommendation                                                                                          | Comments from Twaweza Management                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| <b>Inadequate password parameters</b><br>The password parameters as currently defined in the Twaweza IT Policy and configured in the Windows Domain, Xero and Salesforce | Password controls should be reviewed and robust password parameters formally included in the policy and | Twaweza agrees with auditors' recommendations. We will update our |

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Comments from Twaweza Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>applications are not robust enough to adequately protect the company's information from unauthorized access and modification. Refer to appendix 7.2 for details of the deficiency.</p> <p><b>Root Cause:</b> The IT Policy in place at Twaweza is not updated to include and provide guidelines for the best practice password parameters.</p> <p><b>Risk:</b> Inadequate parameters for password security settings on the Windows domain and system applications could result into possible loss of financial data integrity.</p> <p><b>Deficiencies in Allocation of User Access</b></p> <p>The following deficiencies in the user access allocation process were noted:</p> <ol style="list-style-type: none"> <li>1. Formal access request forms showing the nature of access rights to be assigned to new user in the information systems and applications are not in use during access rights approval at Twaweza.</li> <li>2. System Administrator rights to the Salesforce system are not restricted to IT Personnel. The Director, Programs and Services is also a system administrator in the Salesforce application.</li> <li>3. User access rights/ privileges to information systems are not periodically reviewed by management to confirm appropriate access rights allocation.</li> </ol> <p><b>Root Cause:</b></p> <ol style="list-style-type: none"> <li>1. Formal access request forms are not in use at the organization.</li> <li>2. The Director, Programs and Services is the head of operations to which the IT Department reports and thus had the rights pertinent to the IT personnel.</li> <li>3. The requirement and guidelines for the user access rights reviews have not been specified in the IT Policy.</li> </ol> | <p>implemented to authenticate and authorize users' access to the information system resources and thus protect the integrity and validity of the information systems' data.</p> <ol style="list-style-type: none"> <li>1. The use of formal access request forms showing the nature of access rights to be assigned to new user in the information systems and applications should be implemented at Twaweza.</li> <li>2. Administrator access to systems and applications should be restricted to IT Personnel. The administrator access assigned to other users involved in the business operations should be assessed and revoked. Any exceptional users requiring administrator rights should obtain formal approval from the Board of Directors.</li> <li>3. The IT Policy should be updated to include guidelines on user access rights reviews. Users' access rights should be reviewed by business process owners on a regular basis</li> </ol> | <p>IT policy to be in line with the best practice on password parameters.</p> <p>We are planning to take measures even beyond these recommendations. For instance we have already introduced Two-Way-Verification to log in all our systems and are currently in the process to organize more rigorous ICT audit.</p> <p>Twaweza agrees with auditors' recommendations. We will implement all three suggestions proposed to ensure the continued appropriateness and alignment of users' access privileges, in the domain and applications systems, to their roles and responsibilities within the organization</p> |

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Recommendation                                                                                                                                                                                                                                                                                                                  | Comments from Twaweza Management |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| <p><b>Risk:</b></p> <ol style="list-style-type: none"> <li>Users may be allocated system access rights which are not pertinent to his/her roles and responsibilities. These access rights may be used to post unauthorized transactions thus exposing the company to the risk of financial loss as a result of fraud.</li> <li>Inappropriate users with administrative access may process unauthorized transactions or make system changes that may expose the organisation to risk of financial loss.</li> <li>Increased risk of excessive user privileges and conflicts in segregation of duties. This may result in unauthorized or inappropriate performance of transactions within the application systems.</li> </ol> | <p>e.g. bi-annually, to ensure the continued appropriateness and alignment of users' access privileges, in the domain and applications systems, to their roles and responsibilities within the organization. The results of such reviews should be communicated to ICT administrators so as to effect the required changes.</p> |                                  |

#### 6.3.4 Human Resource Systems

| Key Strengths                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>A Human Resource manual has been implemented at Twaweza to guide human resource practices.</li> <li>Twaweza has included conflict of interest policies as part of its Human Resource Policies. Employees disclose any conflict of interest they may have with the organization annually.</li> <li>A code of conduct policy has also been defined at Twaweza as part of the Governance and Management Manual.</li> <li>Employees recruited by Twaweza met the minimum requirements set for the position and that these were the best/recommended as per the recruitment process.</li> <li>Staff performance appraisals are done annually and employees receive feedback of the results following the process from their respective managers/ supervisors.</li> <li>Exit and termination procedures have been set up at Twaweza and these are implemented for staff terminations and resignations.</li> <li>Twaweza's key IT infrastructure and servers are located in a secure, restricted room that is well protected from rigors of nature.</li> </ol> |

## Key Strengths

8. The level of staff turnover has been on a reducing trend from 36% in 2014, 25% in 2015 and 19% in 2016. The overall average turnover rate for 3 years was 26% turnover per annum. Refer to appendix 7.6 for details of the trend of employee turnover at Twaweza.
9. Employees are paid salaries as per their approved contracts and pay calculation is accurate and duly approved by the Finance Manager and Executive Director for each payroll period.
10. Statutory deductions such as Taxes (PAYE) and pension contributions are accurately computed, deducted and paid on a timely basis to the Tanzania Revenue Authority (TRA) and National Social Security Fund (NSSF), Parastatal Pension Fund (PPF), Public Service Pension Fund (PSPF) or LAPF Pensions Fund respectively.
11. The organization has included travel policies as part of the finance and administration manual to define travel procedures and benefits.
12. Travel advances are approved by management prior to issuance and follow applicable rates as per the finance and administration manual.

## Exceptions Noted/ Improvement Areas

### Untimely Retirement of Travel Imprests

As per the finance and administration manual, imprests should be retired promptly (within five working days) upon the completion of the purpose for which the advance was granted and/or the concerned employee has returned to the office.

However, 6 (40%) out of 15 sampled travel imprests/advances during the period 2014-2016 were not timely retired within 5 working days upon completion of the purpose of the advance. Refer to appendix 7.3 for details of the travel imprests.

**Root Cause:** Activities may take longer than expected to finalize and thus expected activity end date and actual activity end date may vary.

**Risk:** Failure to retire advances in line with the company's policies would result in such amounts not being accounted for which could lead to their misuse.

## Recommendation

The timelines for retirement of travel advances should be strictly enforced to ensure all travel advances are retired within 5 days upon completion of the purpose for which advance was granted for as stipulated in the finance and administration manual.

## Comments from Twaweza Management

Twaweza agrees with auditors' recommendation. Delays in imprest retirement is mainly caused by delays in completion of activities. Controls are in place to ensure that no staff are not issued with new imprest if they have a previously unretired imprest.

### 6.3.5 Compliance Review

#### Key Strengths

1. Sida funds which were disbursed to Twaweza during the period of review, 2014 – 2016, were only used for Tanzania activities and operations. The funds were not utilized for expenses related to the Kenya and Uganda Offices. In addition, Sida funds were not used for salaries and benefits paid to/or for Twaweza employees belonging to salary grade 9 and above. Sida's funds are only be used for costs included in the approved annual plans and budgets.
2. Twaweza has respective revenue accounts within the Chart of Accounts for each donor in which it records the income received from each respective donor.
3. The Finance Department at Twaweza monitors the use of funds from donors whose funding is specifically to Tanzania for example Sida, DFID and DANIDA.
4. Twaweza enter into a written agreement with any 3rd party such as partners, subcontractors and service provider before commencement of any activities as stipulated in the Terms of Reference and disbursements or payments to such parties.
5. Twaweza follows-up on funds which are forwarded or paid to 3rd parties and conducts assessments of capacity and capability of partners to execute project activities as well as monitoring and evaluation of these activities.
6. Twaweza's utilizes its own procurement Regulations and its financial and administrative regulations manual during the procurement of goods, works and services financed by the Grant Agreement with Sida.
7. Annual audited financial reports for the project are submitted to donors before 31 May. This was evidenced by the Financial Statements for the financial years ended 31 December 2014 and 31 December 2015.
8. Twaweza prepares and submits annual narrative reports to donors. These annual reports are reviewed and endorsed by the board of directors and signed off by the Executive Director.
9. Twaweza did not spend Sida funds for ineligible expenditure such as:
  - Per diem and related travel costs for regular activities that should be carried out by staff in the normal office environment.
  - Sitting allowances or any compensations during internal meetings
  - Expenditure on questionable value-for-money, such as purchasing unnecessary advanced equipment for example vehicles etc.

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Recommendation                                                                                                                                                  | Comments from Twaweza Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Maintenance of an Interest Bearing Account</b></p> <p>Twaweza maintains donor funds on a non-interest bearing account with the Stanbic Bank (USD account number 0240025676401) contrary to the requirements of the Sida grant agreement. Article 3.7 of the grant agreement with the Sida states that <i>"the financing provided by SIDA shall be deposited by Twaweza in an interest bearing foreign exchange account."</i></p> <p><b>Root Cause:</b> Efforts to negotiate interest terms on Twaweza's main bank account with Stanbic bank had so far been unsuccessful.</p> <p><b>Risk:</b></p> <ol style="list-style-type: none"> <li>1. The organisation may not benefit from an increase in cash inflows from interest on bank deposits.</li> <li>2. Non compliance to donor requirements may adversely impact donor – recipient relationship that may, in the long run, lead to termination of the contract with Twaweza.</li> </ol> | <p>Management should consider opening an interest bearing account or obtain approval from Sida so as to maintain funds in the non-interest bearing account.</p> | <p>Twaweza has an interest bearing account maintained at Commercial Bank of Africa. However, low interest rates and high costs for cash transfers would result in a net loss. Our main account remains to be Stanbic Bank, considering its footprint across East Africa and their online banking and mobile money payments system has enabled us to reduce the volume of cash transactions and become a truly cashless organization.</p> <p>Stanbic has offered us interest on call deposits in shillings but so far we have not been able to persuade them to offer interest in USD.</p> <ol style="list-style-type: none"> <li>1. Management shall continue to negotiate a savings account in USD with Stanbic.</li> <li>2. Management shall request relevant donor partners to amend mentioned clauses in the donor agreements so that agreements not force us to use a savings account if this would lead to a net loss.</li> </ol> |
| <p><b>Lack of Third Party Information in Annual Report</b></p> <p>Twaweza's annual reports do not include information on third Parties such as partners that have received funds during the respective year.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>The annual reports submitted to donors should include information on partners that have received funds during the reporting period.</p>                      | <p>We agree with the auditor. It should be noted that in some years, the number of third parties receiving funds can go up to 500 or more.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Comments from Twaweza Management                                                                                                    |                 |                      |                |         |                                                  |                                                                                                                                     |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------|----------------|---------|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Article 5.2 of the Grant agreement with Sida states that, "the annual narrative reports shall include an appendix with information on the third parties which have received funds during the year."</p> <p><b>Root Cause:</b> Oversight by management.</p> <p><b>Risk:</b></p> <ol style="list-style-type: none"><li>1. Lack of visibility by the donors on the amount of funds disbursed to partners as well as the nature of implementing partners who Twaweza work with in the projects.</li><li>2. Non compliance to donor requirements may adversely impact donor – recipient relationship that may, in the long run, lead to termination of the contract with Twaweza.</li></ol> | <p><b>Requirement for Annual Audits of third Parties</b></p> <p>2 (100%) out of 2 sampled contracts between Twaweza and partner organizations with contract value above SEK 500,000 did not include a condition for requirement of annual audits of the partner.</p> <p>Article 7.9 of the Grant agreement with the Sida states that, "Twaweza shall in all agreements entered into with the third parties, include a condition that stipulates a requirement to carry out annual audits. This condition shall be included in all agreements entered into with third parties that exceed SEK 500,000. The selection of auditor and the terms of reference shall be approved in writing by Twaweza."</p> <p>Refer to table below for the contract details;</p> <table><tr><th>Contract Number</th><th>Partner</th><th>Contract Description</th><th>Contract Value</th></tr><tr><td>1508082</td><td>Mafinga Women and Youth Development Organisation</td><td>Organize and host three (3) days National Conference in Morogoro, which shall comprise of District Coordinators (DCs), Trainers and</td><td>TZS 127,540,000</td></tr></table> | Contract Number                                                                                                                     | Partner         | Contract Description | Contract Value | 1508082 | Mafinga Women and Youth Development Organisation | Organize and host three (3) days National Conference in Morogoro, which shall comprise of District Coordinators (DCs), Trainers and | TZS 127,540,000 | <p>Twaweza agrees with auditors' recommendation and we will add a clause requiring annual audits to be conducted by partners. Currently the audited financial statements are only a requirement before starting a partnership.</p> <ol style="list-style-type: none"><li>1. Third party contracts with Twaweza with funding that exceeds SEK 500,000 should include a clause requiring annual audits to be conducted by the partners as per the SIDA's grant agreement requirement.</li><li>2. Third Parties to whom significant funds are allocated should be required to share their annual audit reports with Twaweza. These reports should be reviewed and assessed by Twaweza to confirm that appropriate controls and financial management practices exist to safeguard Twaweza funds.</li></ol> |
| Contract Number                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Partner                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Contract Description                                                                                                                | Contract Value  |                      |                |         |                                                  |                                                                                                                                     |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 1508082                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mafinga Women and Youth Development Organisation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Organize and host three (3) days National Conference in Morogoro, which shall comprise of District Coordinators (DCs), Trainers and | TZS 127,540,000 |                      |                |         |                                                  |                                                                                                                                     |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

| Exceptions Noted/ Improvement Areas                                                                                                                                                                                                                             |                                                                                                                                                                                         | Recommendation | Comments from Twaweza Management |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------------------|
| 1507303                                                                                                                                                                                                                                                         | EDI Limited<br><br>Regional Coordinators.<br>Collaborate in preparing and implementing the interventions for Twaweza's KiuFunza randomized evaluation in 2015-16 education in Tanzania. | USD 580,639    |                                  |
| <b>Root Cause:</b> Oversight by management.                                                                                                                                                                                                                     |                                                                                                                                                                                         |                |                                  |
| <b>Risks:</b>                                                                                                                                                                                                                                                   |                                                                                                                                                                                         |                |                                  |
| 1. Control deficiencies may be not be timely detected at the partner organization which in turn may expose Twaweza to a potential risk of financial loss due to misappropriation of funds by partners and overall failure to achieve project goals /objectives. |                                                                                                                                                                                         |                |                                  |
| 2. Non compliance to donor requirements may adversely impact donor – recipient relationship that may, in the long run, lead to termination of the funding agreement with Twaweza.                                                                               |                                                                                                                                                                                         |                |                                  |

## 6.4 Other Observations with Notable Improvements

### 6.4.1 Delays in Submission of Annual Budgets

The final budget for the year 2014 was submitted to donors in March 2014 contrary to the requirements in the grant agreement (A0000360) with Sida that states "*budgets should be submitted by 15th January of the year for which the budget relates*".

#### **Recommendations**

There has been notable improvements in the year 2015 and 2016, we encourage Twaweza management to continue implementation of the corrective actions that are already in place going forward.

### 6.4.2 Budget under utilization

- i. Underspending of donor funds was noted in the year 2014. The actual expenditure (USD 14,383,655) was 77% of the available funds (USD 18,706,878) in 2014.
- ii. Budget underutilization was noted in the years 2014, 2015 and 2016. The actual expenditure met the annual budget by 77% in 2014 and 83% in 2015.

Refer to appendix 7.4 and 7.5 for budget versus actual trend analyses.

#### **Recommendations**

Since 2015, improvements have been noted in reduction of level of budget underutilization. In addition, formal mid-term budget reviews have been introduced.

For 2016, Twaweza budget utilization was at 85%, which was in line with the requirements of the governance and management manual that allows for over/under budget deviations of not greater than 15% margin.

We encourage Twaweza management to continue implementation of the corrective actions that have already been put in place going forward in ensuring budget deviations are in compliance to the governance and management manual.

# 7 Appendices

## 7.1 Background to Twaweza

### **About Twaweza**

Twaweza began operations as a “project” in 2009, under the supervision of Hivos and with the support of a number of donors for example Sida, DFID, DANIDA, American Jewish World Service (AJWS) and the Hewlett foundation USA. It was designed as an ambitious initiative dedicated to enhance citizen agency, through increasing access to compelling, evidence-based information, which would lead to action to improve service delivery in education, health and water, over a ten-year time frame (2009-2018). Twaweza’s headquarters are in Dar es Salaam and operating in Kenya, Uganda, and Tanzania.

Twaweza East Africa is a not for profit company limited by guarantee having no share capital and incorporated under the Tanzanian Companies Act 2002 on 15 December 2014. Twaweza obtained a certificate of compliance to operate in Kenya and Uganda as per the laws of each country. Prior to being an independent legal entity, this ten year initiative to promote citizen involvement and public accountability in East Africa was hosted by Hivos Tanzania Limited up to 31 December 2014. Thereafter, Twaweza signed an oversight and guidance agreement with the Hivos Netherlands which authorised them to monitor Twaweza activities until the end of 2016.

On 17 December 2014, the Board of Directors of Hivos Tanzania Limited resolved to transfer assets and liabilities of Twaweza and Uwezo initiatives previously hosted by Hivos Tanzania to Twaweza East Africa effective 1 January 2015.

From 2009 through 2014, the project conducted research and experimentation, brokered new partnerships with media and other significant actors, engaged policy makers across the three countries (Tanzania, Kenya and Uganda), and enhanced learning internally as well as contributed to the international body of knowledge. This 5 year project period formed the first phase of Twaweza’s mandate.

The second phase of the project’s ten year mandate began after Twaweza’s incorporation in 2015 guided by Twaweza’s strategic plan (2015-2018) whose strategic objectives have been highlighted in the following sections.

### **Twaweza’s mission statement**

We collect, curate, and transport evidence, ideas, and stories to inspire citizen action and stimulate responsiveness from authorities on basic learning and open government.

### **Twaweza’s vision statement**

We believe in an open society, built on the human impulse to make a difference; where information and ideas flow, citizens engage, and authorities are accountable to the people.

## **Twaweza's strategic objectives**

By the end of 2018, Twaweza wants to have made a measurable impact on the following four dimensions of community, national and regional life:

1. Children in school are learning as parents, teachers, school administrators and policy makers focus on measuring and improving the learning outcomes resulting from the large (social) investment in basic education.
2. Public authorities are responsive to public demand, and they promote and protect citizens' right to high quality, relevant and meaningful information.
3. Citizens and civil society are asking for, getting and using information to improve their situation and engage public officials to deepen accountability and improve the quality of public service delivery.
4. Public and policy actors are using evidence-based knowledge in transforming governance practice and the provision of basic education.

## 7.2 Password parameters configured in Information Systems

| Parameter               | Unit                               | Recommended Settings | IT Policy | Domain  | Xero            | Salesforce |
|-------------------------|------------------------------------|----------------------|-----------|---------|-----------------|------------|
| Password Age            | Day                                | 30 to 60             | 120*      | 90*     | 180*            | 180*       |
| Minimum Password Length | Character                          | 6 or greater         | **        | 8       | 8               | 8          |
| Lockout Threshold       | Attempts                           | 3                    | **        | **      | greater than 3* | 10*        |
| Password History        | Password                           | 6 or greater         | **        | 3*      | **              | 3*         |
| Lockout Duration        | Minute                             | Until Admin unlocks  | **        | **      | 15*             | 15*        |
| Password Complexity     | Alphanumeric and Special Character | Enabled              | **        | Enabled | Enabled         | Enabled    |

\* Weak Password Setting

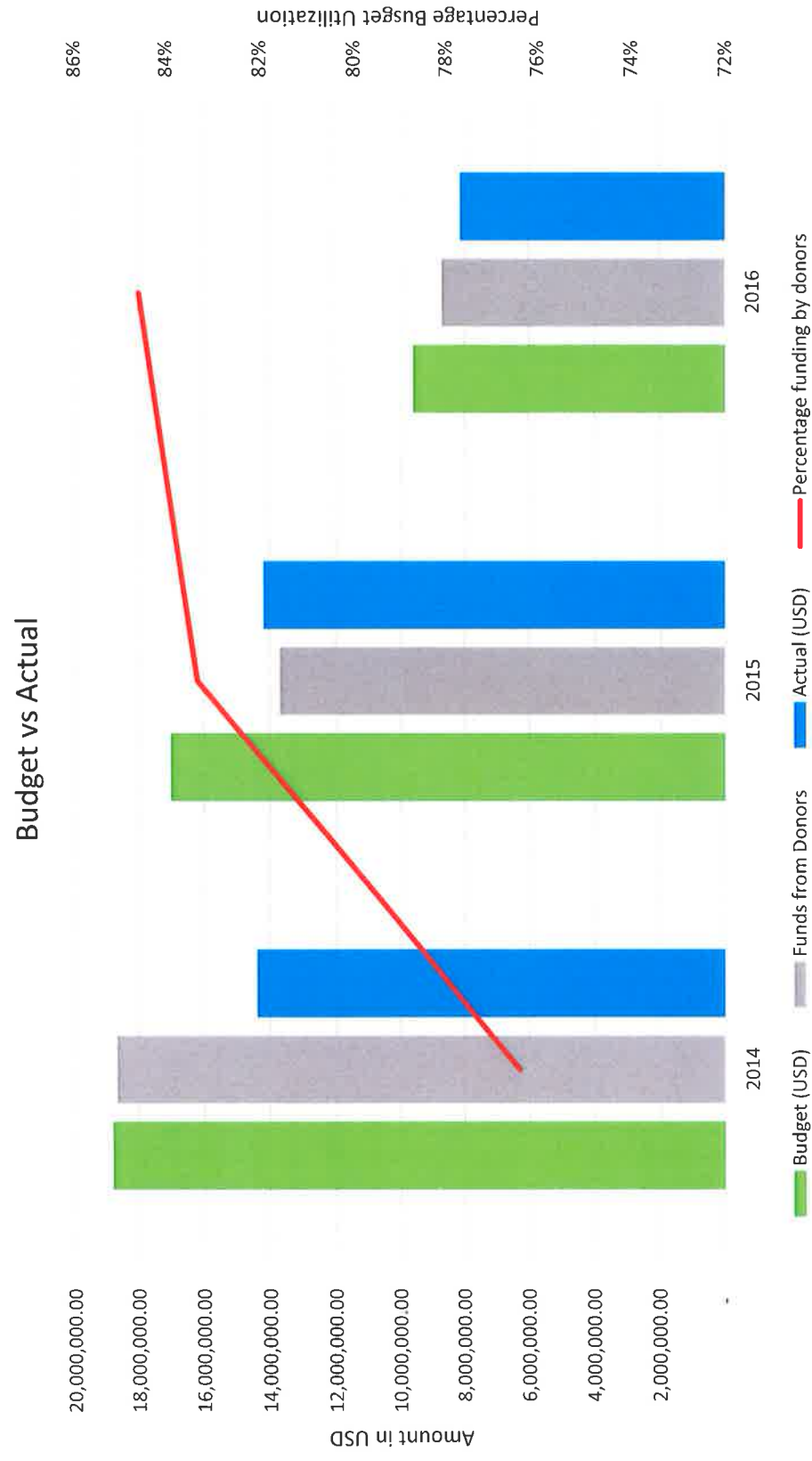
\*\* Not defined

## 7.3 Sample travel imprests which were retired more than 5 days from activity end date

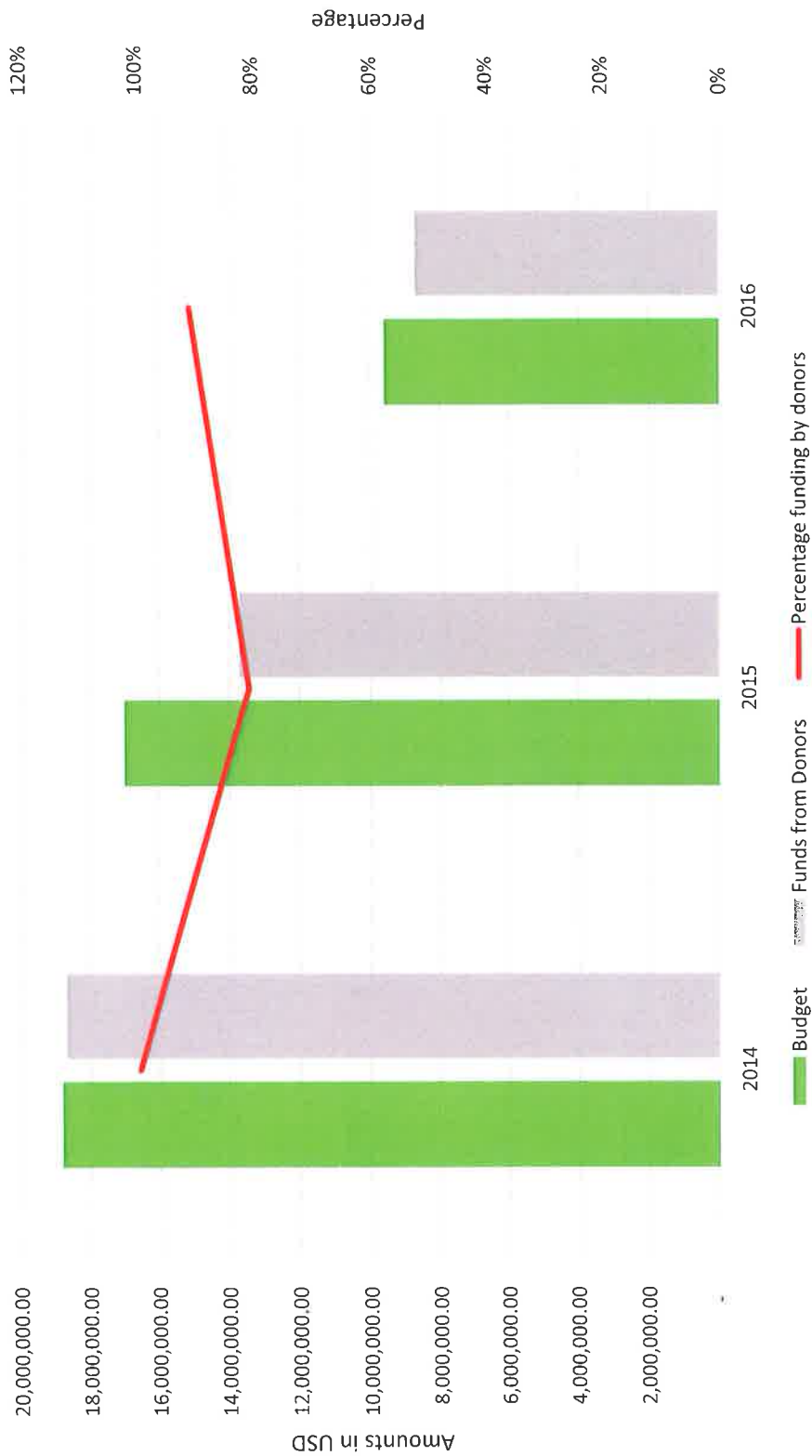
| Serial No. | Imprest Number | Imprest Holder        | Description                                                                                              | End of Activity Date | Imprest Retirement Due (B) | Actual Retirement date (A) | Difference (A-B) |
|------------|----------------|-----------------------|----------------------------------------------------------------------------------------------------------|----------------------|----------------------------|----------------------------|------------------|
| 1          | 000270         | Kitila Mkumbo         | DSA payments for the MP's and their drivers during the Twaweza Education conference from 23-24 June 2016 | 24 June 2016         | 01 July 2016               | 12 July 2016               | 11               |
| 2          | 000241         | Quinnina Nassei       | DSA for Twaweza staff - Daily subsistence allowance for Staff during the field days                      | 15 April 2016        | 20 April 2016              | 13 May 2016                | 23               |
| 3          | 000384         | Melania Akinyi Omengo | Need advanced cash for lunch, dinner, incidental and transport while in Paris                            | 11 December 2016     | 16 December 2016           | 11 January 2017            | 26               |
| 4          | 000192         | Kitila Mkumbo         | Concept note on joint analysis of effectiveness of curricula developed and shared-WE (E2S1T3-WE)         | 18 December 2015     | 8 January 2016             | 13 January 2016            | 5                |

| Serial No. | Imprest Number | Imprest Holder | Description                                                                                      | End of Activity Date | Imprest Retirement Due (B) | Actual Retirement date (A) | Difference (A-B) |
|------------|----------------|----------------|--------------------------------------------------------------------------------------------------|----------------------|----------------------------|----------------------------|------------------|
| 5          | 000156         | Zaida Mgalla   | Uwezo assessment internally monitored (E1S1T6-U)                                                 | 7 December 2015      | 1 December 2015            | 18 December 2015           | 17               |
| 6          | 000193         | Kitila Mkumbo  | Concept note on joint analysis of effectiveness of curricula developed and shared-WE (E2S1T3-WE) | 18 December 2015     | 8 December 2016            | 13 January 2016            | 5                |

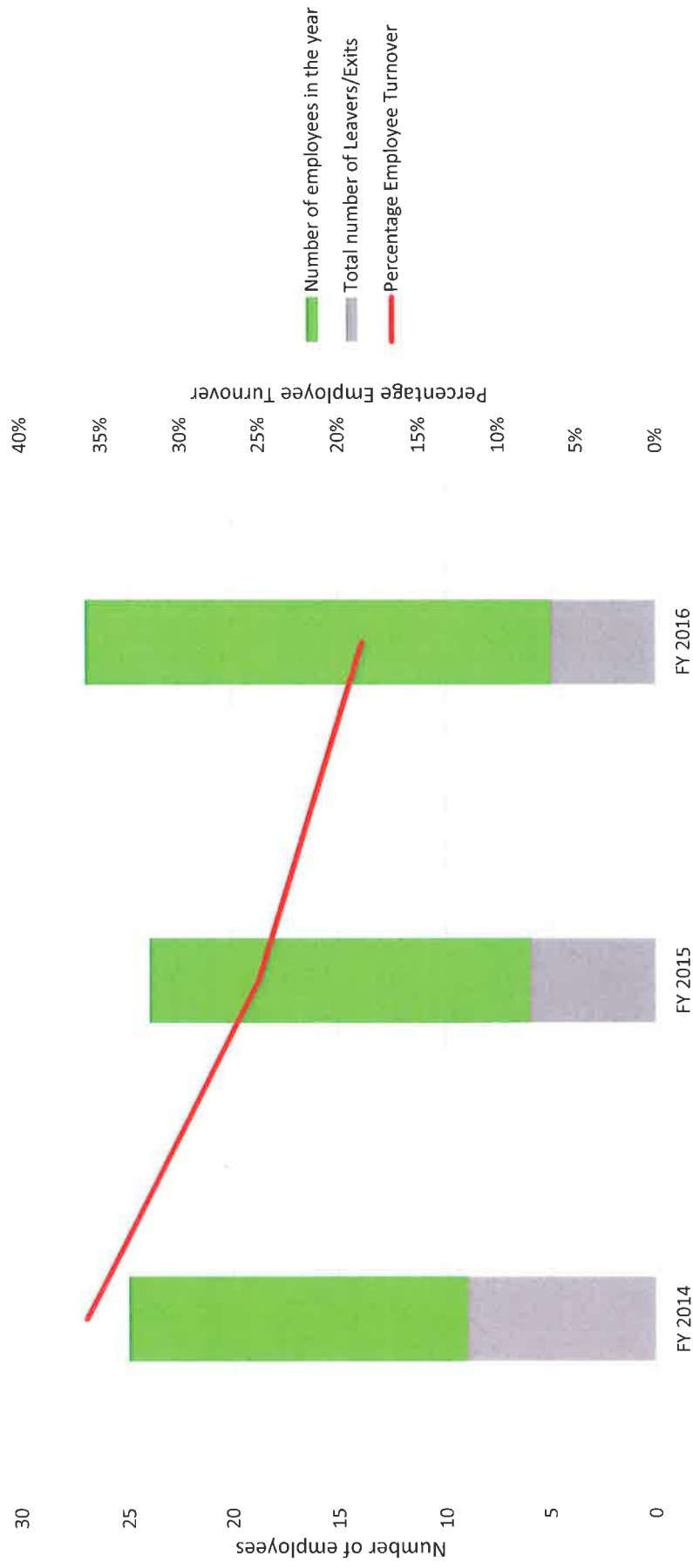
## 7.4 Graph showing budget utilization for the years 2014, 2015 and 2016



7.5 Graph showing budget versus donor funding for the years 2014, 2015 and 2016



7.6 Graph showing employee turnover for the years 2014, 2015 and 2016



## 7.7 Efficiency Audit Findings Rating Guidelines

The table below shows how we arrive at the ratings for the issues identified throughout the audit

| Finding rating | Pervasiveness                                                                                                                                                                                     | Importance of control failing                                                  | Acceptable response time                                  | POSSIBLE IMPACT                                                                                                                                                                                        |                                                                                                                                                                                                                       |                                                                                                                                                                     |                                 |                                                                                                                                                                                | Achievement of business objectives                                                                                                  |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
|                |                                                                                                                                                                                                   |                                                                                |                                                           | Financial misstatement/fraud                                                                                                                                                                           | Continuity of service delivery                                                                                                                                                                                        | Quality, Safety & Environmental                                                                                                                                     | Reputation                      | Human resources                                                                                                                                                                |                                                                                                                                     |
| HIGH           | <ul style="list-style-type: none"> <li>Based on sample selected, frequent incidences of controls failure, pervasive.</li> <li>Control is non-existent so would apply to the population</li> </ul> | Both key and secondary controls in the specific process.                       | Management needs to address urgently and immediately.     | <ul style="list-style-type: none"> <li>Significant cost to the organization, or potential for loss or fraud.</li> <li>Best practice controls not evident or significant "gaps".</li> </ul>             | <ul style="list-style-type: none"> <li>Risk event will result in a reduction of supply or a pro-longed or unacceptable reduction in continuity of service delivery to stakeholders of greater than 48 hrs.</li> </ul> | <ul style="list-style-type: none"> <li>Major environmental damage.</li> <li>Serious injury, loss of limb or death of personnel or members of the public.</li> </ul> | Major negative media coverage   | <ul style="list-style-type: none"> <li>Significant non-compliance with labour legislation.</li> <li>Widespread and prolonged unrest/strikes</li> <li>Loss of staff.</li> </ul> | Negative outcomes or missed opportunities that are of critical importance to the achievement of objectives.                         |
| MEDIUM         | <ul style="list-style-type: none"> <li>Based on sample selected, several incidences identified.</li> <li>Control is applied inconsistently.</li> </ul>                                            | Key control is failing but secondary controls are in place mitigating the risk | Management needs to address in the short- to medium-term. | <ul style="list-style-type: none"> <li>Moderate cost to the organization, or potential for loss or fraud.</li> <li>Best practice controls partially evident but not consistently applied.</li> </ul>   | <ul style="list-style-type: none"> <li>Reduction in supply or disruption for a period ranging between 12 and 48 hours.</li> </ul>                                                                                     | <ul style="list-style-type: none"> <li>Significant injury of personnel or public.</li> <li>Environmental damage.</li> </ul>                                         | Negative media coverage         | <ul style="list-style-type: none"> <li>Non-compliance with labour legislation.</li> <li>Localised and prolonged unrest/strikes.</li> </ul>                                     | Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives |
| LOW            | <ul style="list-style-type: none"> <li>Based on sample selected, isolated incidences identified.</li> <li>Control is applied inconsistently.</li> </ul>                                           | Secondary controls are failing but the key control is in place.                | Management needs to address in the medium- to long-term.  | <ul style="list-style-type: none"> <li>Minor impact cost to the organization, or potential for loss or fraud.</li> <li>Best practice controls mostly evident – isolated failures/incidents.</li> </ul> | <ul style="list-style-type: none"> <li>Reduction in supply or disruption causing inconvenience.</li> <li>Local inconvenience.</li> </ul>                                                                              | Lower level environmental, safety or health impacts                                                                                                                 | Limited negative media coverage | <ul style="list-style-type: none"> <li>Minimal non-compliance with labour legislation.</li> <li>Localised staff dissatisfaction and disruption.</li> </ul>                     | Negative outcomes or missed opportunities that are likely to have a moderate impact on the ability to meet objectives               |
|                |                                                                                                                                                                                                   |                                                                                |                                                           | Auditor Judgment                                                                                                                                                                                       |                                                                                                                                                                                                                       |                                                                                                                                                                     |                                 |                                                                                                                                                                                |                                                                                                                                     |

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