

Micro Assessment of Yerevan Municipality  
Commissioned by UNDP  
Name of the 3<sup>rd</sup> Party Service Provider: BDO Armenia CJSC  
Date: 20 October 2016

---

## TABLE OF CONTENTS

---

1.	Background, Scope and Methodology .....	3
2.	Summary of Risk Assessment Results .....	4
3.	Detailed Internal Control Findings and Recommendations .....	9
	Annex II-3A. IP and Programme Information .....	11
	Annex II-3B. Implementing Partner Organizational Chart .....	12
	Annex II-3C. List of Persons Met .....	13
	Annex II-3D. Micro Assessment Questionnaire .....	14

## 1. Background, Scope and Methodology

### Background

The micro assessment is part of the requirements under the HACT Framework. The HACT framework represents a common operational framework for UN agencies' transfer of cash to government and non-governmental implementing partners.

The micro-assessment assesses the IP's control framework. It results in a risk rating (low, moderate, significant or high). The overall risk rating is used by the UN agencies, along with other available information (e.g. history of engagement with the agency and previous assurance results), to determine the type and frequency of assurance activities as per each agency's guideline and can be taken into consideration when selecting the appropriate cash transfer modality for an IP.

### Scope

The micro-assessment provides an overall assessment of the Implementing Partner's programme, financial and operations management policies, procedures, systems and internal controls. It includes:

- A review of the IP legal status, governance structures and financial viability; programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement;
- A focus on compliance with policies, procedures, regulations and institutional arrangements that are issued both by the Government and the Implementing Partner.

It takes into account results of any previous micro assessments conducted of the Implementing Partner.

### Methodology

We performed the micro-assessment from 19/09/2016 to 24/09/2016 at Yerevan Municipality head office (1 Argishti St, 0015, Yerevan, Republic of Armenia).

Through discussion with management, observation and walk-through tests of transactions, we have assessed the Implementing Partner's and the related internal control system with emphasis on:

- The effectiveness of the systems in providing the Implementing Partner's management with accurate and timely information for management of funds and assets in accordance with work plans and agreements with the United Nations agencies;
- The general effectiveness of the internal control system in protecting the assets and resources of the Implementing Partner.

We discussed the results of the micro assessment with applicable UN agency personnel and the IP prior to finalization of the report. The list of persons met and interviewed during the micro-assessment is set out in Annex III.

## 2. Summary of Risk Assessment Results

### 2.1 Implementing Partner

Yerevan is the capital of the Republic of Armenia. It is the largest community in the Republic of Armenia and over a third of Armenia's population (1.1 million people) reside in the City. Yerevan city was established as a community after the enactment of the RA Law on Self-Government in the City of Yerevan at the end of 2008. Yerevan City's sub-national government consists of the Council of Aldermen and the Mayor of Yerevan first established after the elections of the Council of Aldermen in 2009.

Yerevan City is divided into 12 administrative districts, which are dedicated units of the Municipality. The position of the head of an administrative district is a discretionary position, and the head is appointed to and dismissed from office by the Mayor. The administrative district expenditure is to be shown separately in the budget of Yerevan City. In addition to administrative districts, Yerevan community has community non-commercial organizations (256), state non-commercial organizations (150) and commercial organizations (73) within its jurisdiction. These organizations are autonomous legal entities with a certain degree of financial and managerial independence, representing schools, kindergartens, music schools, sport schools, libraries, museums, theatres and cultural centers.

The Yerevan Municipality (YM) is the successor of the Yerevan City Council State Institution operating before Armenia gained independence in 1991.

The main objectives of the institution is developing and implementing Yerevan City investment and development projects, ensuring provision of adequate infrastructure services, preserving and enhancing the City natural features and historic character, fostering development of tourism in Yerevan.

Yerevan City is governed by the Council of Aldermen, the Mayor and the RA Ministry of Territorial Administration.

YM didn't have any problematic issues with the funds flow from state budget and resources of International organizations during its activities period, because all funds flows are initially planned and stipulated by the Law on Budget of RA annually and financial planning of each program financed by international organizations. Main funding is received from the State budget as per Annual Budget plan. It ensures the stable work of YM and implementation of development and investment programs.

### 2.2 Programme Management

YM has developed formal procedures for developing programmes and plans, which comprise of the following:

- The Mayor prepares and submits for approval to the Council Aldermen the work plans for one year, four years, as well as long-term development programs
- A time budget is established by the Mayor, according to which the Municipality departments and administrative districts develop project proposals and submit to the Development and Investment Programs Department
- The proposals then are submitted to the Development and Budget Board for approval
- The approved proposals are made a subject for public discussion

- The proposals undergo modifications based on public discussion results
- The modified proposals are again submitted to the Development and Budget Board for final approval
- The final approved proposals are submitted then to the Council of Aldermen
- The projects passed through the Council of Aldermen are published
- The YM prepares one year project progress report
- The Municipality departments and administrative districts submit quarterly and annual project progress reports
- The project progress reports undergo the same procedures as the project proposals ending up at submission to the Council Aldermen.

### 2.3 Organizational Structure and Staffing

The following key governing bodies and divisional units are involved in the management of YM:

Body/ unit	Key functions
The Council of Alderman	The Council of Alderman of the City of Yerevan is the highest body of local government in Yerevan.
The Mayor of Yerevan	The Mayor of Yerevan is the local government body managing the activities of Yerevan Municipality. The law specifies the legal acts adopted by the Mayor and the procedure for adopting them.
Finance Department	Supports the Mayor of Yerevan in exercising the powers in the area of finances reserved to the Mayor by law.
Revenue Recording and Collections Department	Supports the Mayor of Yerevan in fully and effectively exercising the powers in the area of revenue reserved to the Mayor of Yerevan by law.
Procurement Department	Serves as the structure for organizing and coordinating the process of purchasing goods, works and services under the Yerevan budget.
Internal Audit Department	This department is responsible for carrying out the internal audit in Yerevan Municipality (including administrative districts) and entities within its jurisdiction.
Trade and Services Department	The department organizes and coordinates public services
Health Department	The department regulates and analyzes the activities of the Health Care establishments, assists them with methodological directions, if necessary, submits proposals to the Mayor with the aim of elimination of defects.
Foreign Relations Department	The department ensures establishment and development of friendly relations with foreign cities
External Design and advertising Department	The department ensures that external advertising is done in accordance with the applicable regulations and is responsible for designing city activities
Real Estate Management Department	The department manages real estate property in the City
Nature Protection Department	The department is involved in process of nature inspections, develops legal acts called to enhance nature protection in the City
Development and Investment Programs Department	The department is responsible for coordinating and supervising the project development and implementation process done by the individual departments and administrative districts
Tourism Department	The department is responsible for taking actions to promote tourism in the City

Education Department	The department coordinates and controls activities of state non-commercial education organizations subordinated to the YM
Communal Services Department	The department supports and cooperates with organization of utility services sector: water supply and waste water collection, irrigation, gas supply, electric networks and communication, and other relevant specialized organizations of the city of Yerevan.
Culture Department	The department organizes and controls activities of cultural organizations subordinated to the Municipality
Construction and Improvement Department	The department organizes construction, maintenance and operation of roads of city-wide significance, bridges, new buildings and structures
Sport Department	The department organizes and control the activity of sport institutions subordinated to the municipality
Transport Department	coordinate operation of the urban passenger transportation irrespective to the departmental subordination and ownership type
Architecture and Urban Development Department	The department discusses and coordinates the construction projects of buildings and structures, ensures solving of problems related to external communication networks necessary for engineering servicing of land parcels, buildings and constructions
Administrative Districts	The staff of administrative districts represents dedicated units of Yerevan Municipality exercising the Municipality's powers in the territory of administrative districts of the City of Yerevan.

The organizational structure is appropriate for the work to be carried out under RA Government and international organizations funding programs. Organizational structures of Development and Investment Program is attached to our evaluation report as Annex II-3B.

The Council of Aldermen comprised of 65 members, who are elected by the City for four year period. The Mayor is elected by the Council of Aldermen. The YM staff is appointed by the Mayor.

The recruitment is done on competitive grounds. The competition procedures are stated by Government of RA. The procedures are designed in manner to embrace transparency and competition. For each position detailed responsibilities list is kept.

Key staff of YM includes the Mayor, Deputy Mayor, Head of Development and Investment Program Department, Head of Finance Department, Chief Accountant, Head of Legal Division, Head of Procurement Department, heads of operational departments (sport, culture, education, transport, etc.). Educational backgrounds and professional experience of the staff complied with the actual activities performed by staff.

YM doesn't have formal written training policy. However key staff members participate in trainings to have required skills and knowledge.

## 2.4 Accounting policies and procedures

The accounting department is responsible for keeping financial accounts of funds and expenditures of different projects under IP's implementation as well as expenditures financed from State Budget. The record-keeping is carried out by applying excel tool. The proceeds and disbursements of funds of each project are recorded in the accounting software (ArmSoft).

The IP does not have formal written accounting policy. However, in practice, cash basis of accounting is applied.

The IP' cash flows are done through special software, LS /Finance with established authorization controls, which look adequate.

The IP does not maintain general ledger, but maintains subsidiary ledgers in Excel spreadsheets (such as receivables and payables).

All payments are authorized by the Chief Accountant and the Deputy Mayor on Finance.

The IP does not maintain a petty cash.

## **2.5 Fixed Assets and Inventory**

The IP possesses significant assets representing mostly the community buildings and infrastructure. Currently the YM is in the process of taking inventory of its property, which is intended to be completed by the end of year of 2016. No complete inventory of tangible assets was taken in the past.

## **2.6 Financial Reporting and Monitoring**

The IP does not have adopted formal procedures for financial reporting that specify what reports are to be prepared, the source system for key reports, the frequency of preparation and the content.

The IP does not prepare full set of financial statements. However it plans to shift to newly established accounting standards for public sector entities and to prepare full set of financial statements in accordance with them starting the year of 2017. The only financial report prepared by the IP is the annual budget execution report, showing actual expenditure incurred against established budget.

The IP's aforementioned financial report is audited by an independent auditor.

## **2.7 Procurement and Contract Administration**

The IP doesn't have adopted written procurement policy, however as a governmental organization the procurement process is done according to RA Law on Procurements and Government decisions N 1370-N, 168-N, 1481-N.

Within the organizational structure the IP has Procurement Department, which coordinates the whole procurement process. The RA Law on Procurement is in place to insure in the organization of competitive, efficient, transparent, open and indiscriminate procurement process. The IP has to comply with these requirements.

The contracts have articles with references to ethical principles. The whole process is done via electronic system through armeps.am. YM doesn't have contract management policy. However the contracts are managed by the particular units responsible for implementation of those particular contracts.

The table below summarizes the results and main internal control gaps found during application of the micro-assessment questionnaire (in Annex IV). Detailed findings and recommendations are set out in section 3. below.

Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
1. Implementing partner	Low	Based on the risk rating assigned to the questions of part 1 presented in annex II-3D, the overall average risk of the section was calculated to be low. However, we presented finding and proposed recommendation related to the lack of written policies and procedures on certain functions in Part 3 "Detailed Internal Control Findings and Recommendations" of this report (Finding 1).
2. Programme Management	Low	Although based on the answers of the questions of part 2 presented in annex II-3D, the overall average risk of the section was assessed low, we presented finding and proposed recommendation related to the lack of written policies and procedures on certain functions and processes in Part 3 "Detailed Internal Control Findings and Recommendations" of this report (Finding 1).
3. Organizational structure and staffing	Low	The risks assigned to the questions of part 3 (annex II-3D) formulated the overall average risk of the section to be low. However, we presented finding and proposed recommendation related to the organizational chart Part 3 "Detailed Internal Control Findings and Recommendations" of this report (Finding 6).
4. Accounting policies and procedures	Low	The risks assigned to the questions of part 4 (annex II-3D) formulated the overall average risk of the section to be low. However, several internal control gaps were revealed related to the accounting function, which we presented in the form of findings in Part 3 "Detailed Internal Control Findings and Recommendations" of this report (Findings 2, 3, 4, 5).
5. Fixed Assets and Inventory	Moderate	The overall average risk rating of the section was assessed to be moderate for the following reasons: - The process of set up of adequate controls over the assets started this year and did not finish yet. - Subsidiary records system is in process of development; - No complete physical verifications of assets were taken in the past. - Property is not covered by insurance policies. (Finding 7)



Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
6. Financial Reporting and Monitoring	Low	Based on the answers of the questions of part 6 presented in annex II-3D the overall risk of the section was assessed to be moderate. Thus, we presented finding and proposed recommendation related to the improvement of financial reporting system in Part 3 "Detailed Internal Control Findings and Recommendations" of this report (Findings 2, 3, 4, 5).
7. Procurement	Low	The risks assigned to the questions of part 7 (annex II-3D) formulated the overall average risk of the section to be low. Though the IP does not have written procurement policy as described in Finding 2 of Part 3 "Detailed Internal Control Findings and Recommendations" of this report, the procurement is done according to RA Law on Procurements and Government decisions N 1370-N, 168-N, 1481-N by the separate procurement unit of the IP.
<b>Overall Risk Assessment</b>	Low	

\*High, Significant, Moderate, Low

### 3. Detailed Internal Control Findings and Recommendations

No.	Description of Finding	Recommendation
1	<i><b>Policies and procedures</b> We found that the IP doesn't have formal written policies and procedures on different processes and functions such as Monitoring and Evaluation, Anti-Fraud and Corruption, Contracts Management, Accounting, Internal Control Framework, post-facto actions on procurement contracts.</i>	<i>We recommend adopting written policies and procedures on key processes and functions and properly communicating it to appropriate staff members.</i>
2	<i>We found that the IP does not have accounting system, which would produce full set of financial statements. Besides, the IP does not have overall general ledger and journal of entries. Instead, the IP keeps records of debtors and creditors in Excel spreadsheets.</i>	<i>We recommend contacting software developer for developing adequate financial reporting system, which would allow proper recording of all financial transactions of the IP using sufficiently detailed chart of accounts.</i>
3	<i><b>Internal Audit independence</b> We found that the IP's internal audit function is not independent from the IP's management: it is accountable to the</i>	<i>We recommend revising the YM organizational structure so that the internal audit function would be</i>

No.	Description of Finding	Recommendation
	Mayor.	accountable to the governing body, i.e. the Council
4	<b>Internal Audit work plan</b> We found that the activities financed by the agencies are not included the internal audit work programme.	We recommend adding audits of the particular project activities to the annual internal audit plans.
5	<b>Invoices</b> We found that the invoices are not stamped 'PAID', and marked with the project code and account code.	We recommend stamping invoices "PAID" and marking with the appropriate project codes.
6	<b>Organizational chart</b> We found that the IP does not have formal organizational chart. Instead the list of departments is available on its website, www.yerevan.am	We recommend developing formal detailed (at divisional level) organizational chart with the outlined reporting responsibilities.
7	<b>Fixed assets and inventory</b> Municipality in the past conducted the inventory of its assets decentralized. In result of the recent re-organization (six administrative districts were combined with the Municipality) the volume of the assets held by the Municipality increased dramatically creating considerable capacity issues and the necessity to develop and apply new inventory practices. According to the Municipality officials, the IP started inventory count since the beginning of 2016. The process did not finish as of the reporting date.  Additionally we found that asset subsidiary ledgers are not maintained in the accounting software.	We recommend developing the adequate inventory count procedures, building capacity for conducting inventory count and complete the inventory count process using the capacity built.  Additionally we recommend establishing other controls over the tangible assets, such as assigning responsible persons to particular assets, set-up subsidiary ledgers for assets in the accounting software, etc.

"BDO Armenia" cjsc  
Managing Partner

Auditor  
Yerevan

20 October 2016



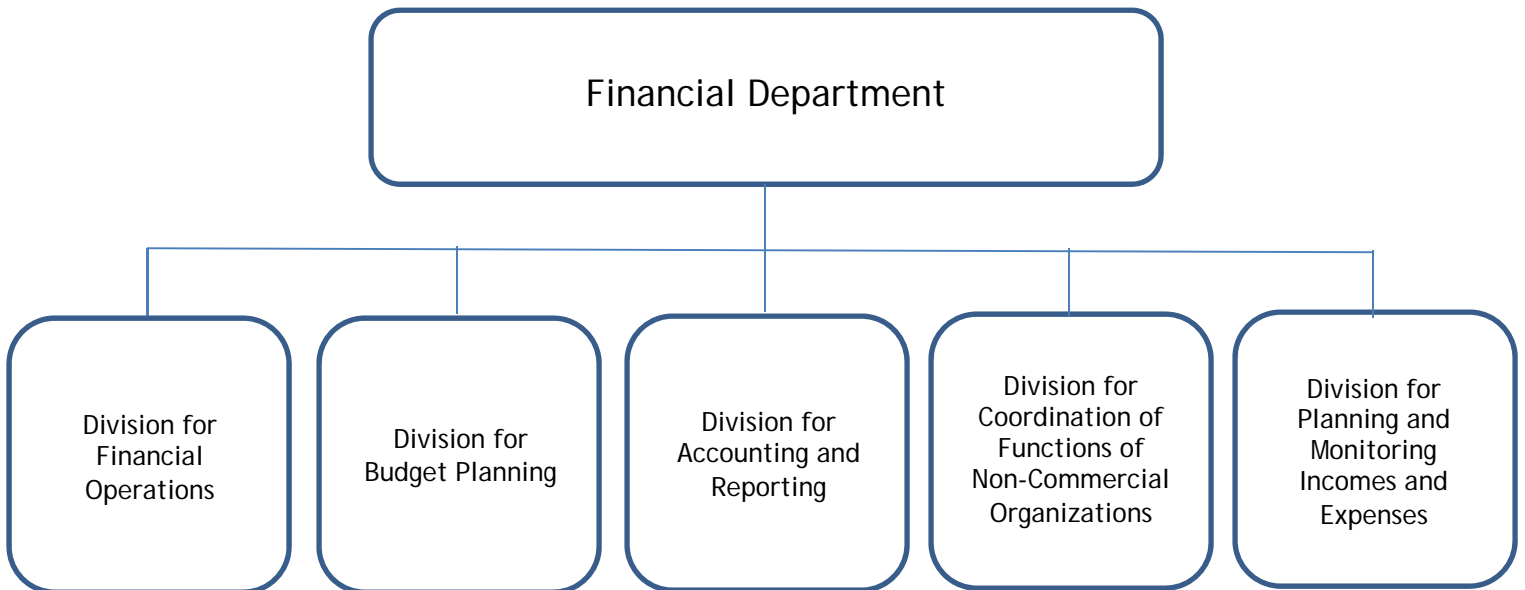
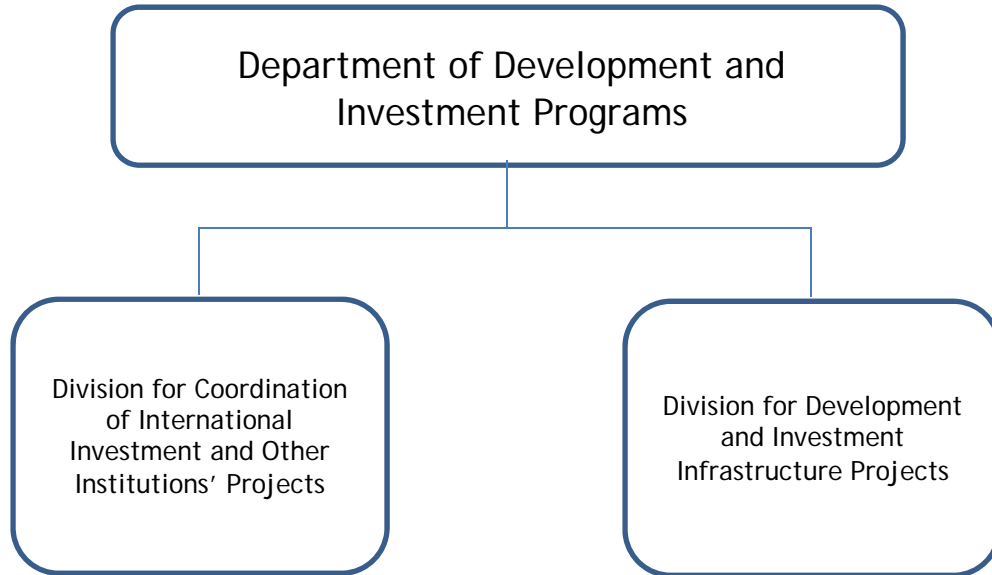
V. Sahakyan

A. Gevorgyan

### Annex II-3A. IP and Programme Information

Implementing partner name:	Yerevan Municipality
Implementing partner code or ID in UNICEF, UNDP, UNFPA records (as applicable)	N/A
Implementing partner contact details (contact name, email address and telephone number):	Mr. Tigran Sargsyan, Head of Development and Investment Programs Department Tel: +374 11 514 155
Main programmes implemented with the applicable UN Agency/ies:	-Beautiful Yerevan -Green Urban Lighting -Improving energy efficiency in buildings
Key Official in charge of the UN Agency/ies' programme(s):	Mr. Armen Martirosyan, Manager, Sustainable Growth and Resilience Portfolio
Programme location(s):	Yerevan City
Location of records related to the UN Agency/ies' programme(s):	1 Argishti St, 0015, Yerevan, Republic of Armenia
Currency of records maintained:	AMD
Expenditures incurred/reported to UNICEF, UNDP and UNFPA (as applicable) during the most recent financial reporting period (in US\$):	
Cash transfer modality/ies used by the UN agency/ies to the IP	Nex Advance
Intended start date of micro assessment:	30/08/2016
Number of days to be spent for visit to IP:	4 days
Any special requests to be considered during the micro assessment:	

Annex II-3B. Implementing Partner Organizational Chart (selected departments)



Annex II-3C. List of Persons Met

Name	Unit/organization	Position
Tigran Sargsyan	Department of Development and Investment Programs	Head of Department
Nune Sakanyan	Department of Development and Investment Programs, Division for Coordination of International Investment and Other Institutions' Projects	Head of Division
Vilen Arevshatyan	Financial Department	Head of Department
Geghanush Mkrtychyan	Financial Department	Chief Accountant
Grigor Chtryan	Procurement Department	Head of Department
Arthur Mkrtychyan	Secretariat	Head of Secretariat
Shoghik Matinyan	Human Resource Division	Head of Division
Armen Gevorgyan	Internal Audit Department	Head of Department

## Annex II-3D. Micro Assessment Questionnaire

Micro-assessment workbook						
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>1. Implementing Partner</b>						
<b>1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status and date of registration of the entity.</b>	Yes			Low	1	
<b>1.2 If the IP received United Nations resources in the past, were significant issues reported in managing the resources, including from previous assurance activities.</b>	Yes			Low	1	The IP implemented the following joint projects with UN agencies: -Beautiful Yerevan -Green Urban Lighting -Improving energy efficiency in buildings
<b>1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements in the prior three fiscal years?</b>	Yes			Low	1	The IP prepares city budget execution report showing actual expenditure against established budget, as well as individual income tax returns
<b>1.4 Does the governing body meet on a regular basis and perform oversight functions?</b>	Yes			Low	1	According to the City Council Guidelines (Decree No 1-N of the City Council dated 18/09/2009
<b>1.5 If any other offices/ external entities participate in implementation, does the IP have policies and process to ensure appropriate oversight and monitoring of implementation?</b>		No		Moderate	4	No such participation happened in the past. Hence, no formal guideline is developed by the IP.
<b>1.6 Does the IP show basic financial stability in-country (core resources; funding trend) Provide the amount of total assets, total liabilities, income and expenditure for the current and prior three fiscal years.</b>	Yes			Low	1	The IP does not prepare financial statements, which would present assets and liabilities, income and expenses. However, provided that the entity is not-for-profit organization mostly financed out of the RA state budget, it can be considered financially stable. The IP budget for the current and actual expenditure for prior three years are as follows: 2016 (budget) - AMD 78,369,530,500 2015 (actual) - AMD 77,078,437,460 2014 (actual) - AMD 69,094,291,200 2013 (actual) - AMD 62,161,662,300

Micro-assessment workbook						
Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>1. Implementing Partner</b>						
1.7 Can the IP easily receive funds? Have there been any major problems in the past in the receipt of funds, particularly where the funds flow from government ministries?	Yes			Low	1	As per management statement and our knowledge there have never been any problematic issues with the funds flow from state budget and resources of International organizations, because all funds flows are initially planned and stipulated by RA the Law on State Budget.
1.8 Does the IP have any pending legal actions against it or outstanding material/significant disputes with vendors/contractors? <i>If so, provide details and actions taken by the IP to resolve the legal action.</i>	Yes			Moderate	2	The ten lawsuits started against the IP with the total claim of 29.5 mn drams, which were pending as of 30/09/2016.
1.9 Does the IP have an anti-fraud and corruption policy?		No		Moderate	2	
1.10 Has the IP advised employees, beneficiaries and other recipients to whom they should report if they suspect fraud, waste or misuse of agency resources or property? If so, does the IP have a policy against retaliation relating to such reporting?		No		Moderate	2	The IP notifies new employees on set of rules for the City Hall employees, which is limited to working hours and absences.
1.11 Does the IP have any key financial or operational risks that are not covered by this questionnaire? If so, please describe. <i>Examples: foreign exchange risk; cash receipts.</i>	Yes			Low	1	We noted that IP is not exposed to foreign exchange risk, since the incomes and expenses are both in local currency.

Micro-assessment workbook						
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>1. Implementing Partner</b>						
Total number of questions in subject area:	11					
Total number of applicable questions in subject area:	11					
Total number of applicable key questions in subject area:	5					
Total number of risk points:	17					
Risk score	1.55					
Area risk rating	Low					

<b>2. Programme Management</b>						
2.1. Does the IP have and use sufficiently detailed written policies, procedures and other tools (e.g. project development checklist, work planning templates, work planning schedule) to develop programmes and plans?	Yes			Low	1	The IP has developed the project development procedures
2.2. Do work plans specify expected results and the activities to be carried out to achieve results, with a time frame and budget for the activities?	Yes			Low	1	
2.3 Does the IP identify the potential risks for programme delivery and mechanisms to mitigate them?	Yes			Low	1	The IP identifies potential risks for projects by reviewing quarterly progress reports and takes actions
2.4 Does the IP have and use sufficiently detailed policies, procedures, guidelines and other tools (checklists, templates) for monitoring and evaluation?		No		Moderate	2	No formal policy is developed. Nevertheless monitoring function is performed by the City Hall individual units responsible for implementation of the project.
2.5 Does the IP have M&E frameworks for its programmes, with indicators, baselines, and targets to monitor achievement of programme results?		No		Moderate	2	No such quantitative indicators or baselines are developed by the IP. Nevertheless actual results are compared with the criteria established for each particular project.



Micro-assessment workbook						
Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>2. Programme Management</b>						
2.6 Does the IP carry out and document regular monitoring activities such as review meetings, on-site project visits, etc.	Yes			Low	1	The monitoring activities are carried out for each particular project in accordance with the Project Document.
2.7 Does the IP systematically collect, monitor and evaluate data on the achievement of project results?	Yes			Low	1	
2.8 Is it evident that the IP followed up on independent evaluation recommendations?	Yes			Low	1	The Public Expenditure and Financial Accountability Performance Review was conducted in 2013. In result all City Hall operations were evaluated and scored. The City Hall took then actions to improve the areas with comparably low scores.
Total number of questions in subject area:	8					
Total number of applicable questions in subject area:	8					
Total number of applicable key questions in subject area:	2					
Total number of risk points:	10					
Risk score	1.25					
Area risk rating	Low					
<b>3. Organizational Structure and Staffing</b>						
3.1 Are the IP's recruitment, employment and personnel practices clearly defined and followed, and do they embrace transparency and competition?	Yes			Low	1	The recruitment is done on competitive grounds. The procedures are established by the RA Government. The procedures are designed in manner to embrace transparency and competition.
3.2 Does the IP have clearly defined job descriptions?	Yes			Low	1	Job description is part of the employment contract

Micro-assessment workbook						
Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>3. Organizational Structure and Staffing</b>						
<b>3.3 Is the organizational structure of the finance and programme management departments, and competency of staff, appropriate for the complexity of the IP and the scale of activities? Identify the key staff, including job titles, responsibilities, educational backgrounds and professional experience.</b>	Yes			Low	1	The organizational charts of the Department for Development and Investment Projects and the Financial Department are attached as Annex II-3B. The key staff of the Department for Development and Investment Projects: -Tigran Sargsyan, Head of Department -Nune Sakanyan, Head of Division for Coordination of International Investment and Other Institutions Projects The key staff of Accounting and Reporting Division: -Geghanush Mkrtychyan, Head of Division/Chief Accountant -Hasmik Aloyan, Chief Specialist -Hrachya Ghazaryan, Chief Specialist Educational backgrounds and professional experience of the above mentioned staff as per documentation obtained from the Division of Human Resource Management support the particular activities performed.
<b>3.4 Is the IP's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds?</b>	Yes			Low	1	
<b>3.5 Does the IP have training policies for accounting/finance/programme management staff? Are necessary training activities undertaken?</b>	Yes			Low	1	In accordance with the RA laws and regulations, all the City Hall staff members take trainings every three years
<b>3.6 Does the IP perform background verification/checks on all new accounting/finance and management positions?</b>	Yes			Low	1	

Micro-assessment workbook						
Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>3. Organizational Structure and Staffing</b>						
3.7 Has there been significant turnover in key finance positions the past five years? If so, has the rate improved or worsened and appears to be a problem?		No		Low	1	
3.8 Does the IP have a documented internal control framework? Is this framework distributed and made available to staff and updated periodically? If so, please describe.	Yes			Moderate	2	Although the IP has developed set of rules for the City Hall employees, it is limited to working hours and absences of employees only.
Total number of questions in subject area:	8					
Total number of applicable questions in subject area:	8					
Total number of applicable key questions in subject area:	3					
Total number of risk points:	9					
Risk score	1.125					
Area risk rating	Low					

<b>4. Accounting Policies and Procedures</b>						
<i>4a. General</i>						
4.1 Does the IP have an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds?	Yes			Low	1	ArmSoft, LS Finance, LS Budget
4.2 Does the IP have an appropriate cost allocation methodology that ensures accurate cost allocations to the various funding sources in accordance with established agreements?		No		Low	1	The IP does not allocate general costs. Instead it accounts them as a separate project.

Micro-assessment workbook						
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>4. Accounting Policies and Procedures</b>						
<i>4a. General</i>						
<b>4.3 Are all accounting and supporting documents retained in an organized system that allows authorized users easy access?</b>	Yes			Low	1	
<b>4.4 Are the general ledger and subsidiary ledgers reconciled at least monthly? Are explanations provided for significant reconciling items?</b>		No		Moderate	2	The IP does not maintain general ledger, but maintains subsidiary ledgers in Excel spreadsheets (such as receivables and payables).
<i>4b. Segregation of duties</i>						
<b>4.5 Are the following functional responsibilities performed by different units or individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction?</b>	Yes			Low	1	
<b>4.6 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?</b>	Yes			Low	1	
<b>4.7 Are bank reconciliations prepared by individuals other than those who make or approve payments?</b>	Yes			Low	1	Bank reconciliations are done by the Chief Accountant, the payments are approved by the Finance Deputy Mayor
<i>4c. Budgeting system</i>						
<b>4.8 Are budgets prepared for all activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?</b>	Yes			Low	1	A detailed annual budget is prepared for each year, available on website <a href="http://www.yerevan.am">www.yerevan.am</a>
<b>4.9 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget?</b>	Yes			Low	1	Expenditure execution reports are prepared and submitted to the RA Government
<b>4.10 Is prior approval sought for budget amendments in a timely way?</b>	Yes			Low	1	Such prior approval is mandatory

Micro-assessment workbook						
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>4. Accounting Policies and Procedures</b>						
<i>4c. Budgeting system</i>						
4.11 Are IP budgets approved formally at an appropriate level?	Yes			Low	1	
<i>4d. Payments</i>						
4.12 Do invoice processing procedures provide for: · Copies of purchase orders and receiving reports to be obtained directly from issuing departments? · Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods/services actually received? · Checking the accuracy of calculations?	Yes			Low	1	
4.13 Are payments authorized at an appropriate level? Does the IP have a table of payment approval thresholds?	Yes			Low	1	There are no such thresholds established: all the payments are authorized at the level of Deputy Mayor
4.14 Are all invoices stamped ' <i>PAID</i> ', approved, and marked with the project code and account code?		No		Moderate	4	The invoices paid are grouped together with the request document, payment document and other procurement documents (contract, acceptance act, etc.) in one folder
4.15 Do controls exist for preparation and approval of payroll expenditures? Are payroll changes properly authorized?	Yes			Low	1	All payroll changes are authorized by the City Council
4.16 Do controls exist to ensure that direct staff salary costs reflects the actual amount of staff time spent on a project?	Yes			Low	1	Time sheets are prepared for each staff member, approved by the head of respective department and the Secretary General
4.17 Do controls exist for expense categories that do not originate from invoice payments, such as DSAs, travel, and internal cost allocations?	Yes			Low	1	The DSAs and travel costs are paid in accordance with the RA laws and regulations. The IP does not do internal cost allocations.

Micro-assessment workbook						
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>4. Accounting Policies and Procedures</b>						
<i>4e. Policies and procedures</i>						
4.18 Does the IP have a stated basis of accounting (i.e. cash or accrual) and does it allow for compliance with the agency's requirement?	Yes			Low	1	Currently the IP maintains accounting records on cash basis. However, starting 2017 the IP intends to shift to accrual basis, when it is going to issue set of financial statements (statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows and notes to financial statements) based on the accounting standards for state enterprises
4.19 Does the IP have an adequate policies and procedures manual and is it distributed to relevant staff?	Yes			Moderate	2	The policies and procedures manual represent set of rules for employees limited to working hours and absences only.
<i>4f. Cash and bank</i>						
4.20 Does the IP require dual signatories / authorization for bank transactions? Are new signatories approved at an appropriate level and timely updates made when signatories depart?	Yes			Low	1	All bank transactions are signed by the Head of Financial Department and the Chief Accountant
4.21 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments?			N/A	N/A	-	All cash transactions are done through bank
4.22 If the partner is participating in micro-finance advances, do controls exist for the collection, timely deposit and recording of receipts at each collection location?			N/A	N/A	-	The IP is not involved in micro-financing activities
4.23 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for significant, unusual and aged reconciling items?	Yes			Low	1	Done by the Chief Accountant
4.24 Is substantial expenditure paid in cash? If so, does the IP have adequate controls over cash payments?			N/A	N/A	-	All cash transactions are done through bank

Micro-assessment workbook						
Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>4. Accounting Policies and Procedures</b>						
<b>4f. Cash and bank</b>						
4.25 Does the IP carry out regular petty cash reconciliation?			N/A	N/A	-	The IP does not maintain petty cash
4.26 Are cash and cheques maintained in a secure location with restricted access? Are bank accounts protected with appropriate remote access controls?	Yes			Low	1	All such documentation is kept in the premises of accounting division, which is properly locked and access is restricted to authorized employees only.
4.27 Are there adequate controls over submission of electronic payment files that ensure no unauthorized amendments once payments are approved and files are transmitted over secure/encrypted networks?	Yes			Low	1	The payments are effective once issued by the Senior Accountant, approved by the Chief Accountant with final approval by the Finance Deputy Mayor. If amended the process shall go through all the mentioned steps again.
<b>4g. Other offices or entities</b>						
4.28 Does the IP have a process to ensure expenditures of subsidiary offices/ external entities are in compliance with the work plan and/or contractual agreement?	Yes			Low	1	The control over budget execution is done by the Yerevan City Hall based on the RA Law on Local Administration in Yerevan City including activities done by the administrative districts acting as subsidiary offices of the City Hall.
<b>4h. Internal audit</b>						
4.29 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?		No		Significant	3	Internal audit function reports to the Mayor and therefore is not sufficiently independent when performing audits of operations done by the City Hall departments. However, it can be considered as independent when performing audits of the operations of the administrative districts and enterprises operating under the City Hall control, such as schools, kindergartens, etc.
4.30 Does the IP have stated qualifications and experience requirements for internal audit department staff?	Yes			Low	1	All the internal audit members are required to pass examination conducted by the RA Ministry of Finance, Audit and Accounting Department, as well as to take professional trainings.

Micro-assessment workbook						
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>4. Accounting Policies and Procedures</b>						
<b>4h. Internal audit</b>						
4.31 Are the activities financed by the agencies included in the internal audit department's work programme?		No		Moderate	4	When needed the project accounts may be audited by an external auditor.
4.32 Does the IP act on the internal auditor's recommendations?	Yes			Low	1	Implementation of recommendations is followed up by the Internal Audit Unit.
Total number of questions in subject area:	32					
Total number of applicable questions in subject area:	28					
Total number of applicable key questions in subject area:	17					
Total number of risk points:	38					
Risk score	1.36					
Area risk rating	Low					

<b>5. Fixed Assets and Inventory</b>						
<b>5a. Safeguards over assets</b>						
5.1 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?		No		Moderate	2	The process of set up of adequate controls over the assets is underway. It started in the beginning of 2016 and intended to complete by the end of the year. It includes assigning of responsible persons and attaching inventory tags. The existing controls are limited to (1) that the assets are currently kept in protected areas, (2) the head office entrance is watched by the guards, (3) Secretary General Department is responsible for goods on warehouse
5.2 Are subsidiary records of fixed assets and inventory kept up to date and reconciled with control accounts?		No		Moderate	2	Subsidiary records system is in process of development alongside with the set-up of control system to protect assets.



Micro-assessment workbook						
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>5. Fixed Assets and Inventory</b>						
<i>5a. Safeguards over assets</i>						
5.3 Are there periodic physical verification and/or count of fixed assets and inventory? If so, please describe?		No		Significant	3	No complete physical verifications of assets were taken in the past. A complete verification started in the beginning of 2016 and is not completed as of the report date (intended to complete by the end of 2016).
5.4 Are fixed assets and inventory adequately covered by insurance policies?		No		Significant	3	Only vehicles are covered by third liability insurance.
<i>5b. Warehousing and inventory management</i>						
5.5 Do warehouse facilities have adequate physical security?	Yes			Low	1	
5.6 Is inventory stored so that it is identifiable, protected from damage, and countable?	Yes			Low	1	
5.7 Does the IP have an inventory management system that enables monitoring of supply distribution?		No		Moderate	4	
5.8 Is responsibility for receiving and issuing inventory segregated from that for updating the inventory records?	Yes			Low	1	
5.9 Are regular physical counts of inventory carried out?	Yes			Low	1	
Total number of questions in subject area:	9					
Total number of applicable questions in subject area:	9					
Total number of applicable key questions in subject area:	2					
Total number of risk points:	18					
Risk score	2.00					
Area risk rating	Moderate					

Micro-assessment workbook						
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>6. Financial Reporting and Monitoring</b>						
6.1 Does the IP have established financial reporting procedures that specify what reports are to be prepared, the source system for key reports, the frequency of preparation, what they are to contain and how they are to be used?	Yes			Low	1	The reporting requirements are established by the law.
6.2 Does the IP prepare overall financial statements?	Yes			Low	2	The IP prepares and submits to the RA Ministry of Finance and other interested parties the city budget execution report in accordance with the RA legislation
6.3 Are the IP's overall financial statements audited regularly by an independent auditor in accordance with appropriate national or international auditing standards? If so, please describe the auditor.			N/A	N/A	-	Only the city budget execution report is audited by an external auditor
6.4 Were there any major issues related to ineligible expenditure involving donor funds reported in the audit reports of the IP over the past three years?		No		Low	1	
6.5 Have any significant recommendations made by auditors in the prior five audit reports and/or management letters over the past five years and have not yet been implemented?		No		Low	1	All the recommendations made by the external auditors were implemented, if considered feasible
6.6 Is the financial management system computerized?	Yes			Low	1	LS Finance, LS Budget software packages are used
6.7 Can the computerized financial management system produce the necessary financial reports?	Yes			Low	1	
6.8 Does the IP have appropriate safeguards to ensure the confidentiality, integrity and availability of the financial data? <i>E.g. password access controls; regular data back-up.</i>	Yes			Low	1	Accounting premises is locked, only accounting staff have access; particular software access is limited to the Senior Accountant, Chief Accountant, Head of Financial Department
<b>Total number of questions in subject area:</b>	<b>8</b>					

Micro-assessment workbook						
Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>6. Financial Reporting and Monitoring</b>						
Total number of applicable questions in subject area:	7					
Total number of applicable key questions in subject area:	2					
Total number of risk points:	8					
Risk score	1.14					
Area risk rating	Low					

7. Procurement and Contract Administration						
<i>7a. Procurement</i>						
7.1 Does the IP have written procurement policies and procedures?	Yes			Low	1	For procurement, the IP follows the requirements established by the RA laws on Procurement and Procurement Procedures, as well as the RA Government Decree No 168-N on establishment of procurement procedures.
7.2 Are exceptions to procurement procedures approved by management and documented?			N/A	N/A	-	No procurement is done, which falls out of normal procurement procedures.
7.3 Does the IP have a computerized procurement system with adequate access controls and segregation of duties between entering purchase orders, approval and receipting of goods? Provide a description of the procurement system.	Yes			Low	1	A new computerized system "armeps.am" is used by the City Hall since April 2015. The system allows planning and performing procurement through electronic automated steps in accordance with the procurement rules established by law.

Micro-assessment workbook						
Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>7. Procurement and Contract Administration</b>						
<b>7a. Procurement</b>						
7.4 Are procurement reports generated and reviewed regularly? Describe reports generated, frequency and review & approvers.	Yes			Low	1	The procurement reports are prepared in format established by the RA Ministry of Finance (comprises of the decision on signing procurement contract, announcement on signing a contract). Alongside with the procurement report a procurement procedure minutes is also prepared. The decisions on granting contract, the announcements to sign contract are published in the official bulletins of the RA Ministry of Finance and controlled by the Procurement Assistance Center and the RA Ministry of Finance. Additionally, the Internal Audit Unit audits procurements made by the City Hall.
7.5 Does the IP have a structured procurement unit with defined reporting lines that foster efficiency and accountability?	Yes			Low	1	A procurement department is established within the structure of the City Hall with the sufficient authority and functionality granted by its Charter.
7.6 Is the IP's procurement unit resourced with qualified staff who are trained and certified and considered experts in procurement and conversant with UN / World Bank / European Union procurement requirements in addition to the IP's procurement rules and regulations?	Yes			Low	1	The procurement department staff is familiar with the procurement requirements of the UN agencies, World Bank and European Union
7.7 Have any significant recommendations related to procurement made by auditors in the prior five audit reports and/or management letters over the past five years and have not yet been implemented?		No		Low	1	
7.8 Does the IP require written or system authorizations for purchases? If so, evaluate if the authorization thresholds are appropriate?	Yes			Low	1	

Micro-assessment workbook						
Subject area (key questions in bold)	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>7. Procurement and Contract Administration</b>						
<b>7a. Procurement</b>						
7.9 Do the procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria?	Yes			Low	1	The contract templates do not have clauses with respect to exclusion or ineligibility criteria. Those are established in the course of procurement process, before signing the contract.
7.10 Does the IP obtain sufficient approvals before signing a contract?		No		Moderate	4	
7.11 Does the IP have and apply formal guidelines and procedures to assist in identifying, monitoring and dealing with potential conflicts of interest with potential suppliers/procurement agents? If so, how does the IP proceed in cases of conflict of interest?	Yes			Low	1	The identification, monitoring and dealing with potential conflicts of interest with potential suppliers/procurement agents are done in accordance with the RA laws and regulations (referred to in 7.1)
7.12 Does the IP follow a well-defined process for sourcing suppliers? Do formal procurement methods include wide broadcasting of procurement opportunities?	Yes			Low	1	Procurement announcements are published in gnumner.am and azdarar.am websites. Invitation for bidding is placed with armeps.am and yerevan.am websites.
7.13 Does the IP keep track of past performance of suppliers? E.g. database of trusted suppliers.	Yes			Low	1	
7.14 Does the IP follow a well-defined process to ensure a secure and transparent bid and evaluation process? If so, describe the process.	Yes			Low	1	The IP places the invitation on armemps.am. Only upon passing of particular time (10 or 40 days) the electronic offers submitted by registered suppliers are opened by the Procurement committee and valued against criteria stated in the bid invitation. The best price for best value criteria is applied.
7.15 When a formal invitation to bid has been issued, does the IP award the contract on a pre-defined basis set out in the solicitation documentation taking into account technical responsiveness and price?	Yes			Low	1	

Micro-assessment workbook						
Subject area <i>(key questions in bold)</i>	Yes	No	N/A	Risk Assessment	Risk points	Remarks/comments
<b>7. Procurement and Contract Administration</b>						
<b>7a. Procurement</b>						
7.16 If the IP is managing major contracts, does the IP have a policy on contracts management / administration?		No		Moderate	2	
<b>7b. Contract Management - To be completed only for the IP's managing contracts as part of programme implementation. Otherwise select N/A for risk assessment</b>						
7.17 Are there personnel specifically designated to manage contracts or monitor contract expirations?	Yes			Low	1	The contracts are managed by the staff of the particular unit responsible for implementation of that specific contract.
7.18 Are there staff designated to monitor expiration of performance securities, warranties, liquidated damages and other risk management instruments?	Yes			Low	1	Done by the staff of the particular unit responsible for implementation of that specific contract.
7.19 Does the IP have a policy on post-facto actions on contracts?		No		Moderate	2	There is no formal policy established for post-facto actions, provided that no such actions are prescribed by the RA laws and regulations.
7.20 How frequent do post-facto contract actions occur?			N/A	N/A	-	
Total number of questions in subject area:	20					
Total number of applicable questions in subject area:	19					
Total number of applicable key questions in subject area:	5					
Total number of risk points:	23					
Risk score	1.21					
Area risk rating	Low					
<b>Totals</b>						
Total number of questions:	96					
Total number of applicable questions:	89					
Total number of applicable key questions:	36					
Total number of risk points:	123					
Total risk score	1.38					
Overall risk rating	Low					