June 11, 2015

The Honorable Alfonso E. Lenhardt
Acting Administrator
U.S. Agency for International Development

Dear Acting Administrator Lenhardt:

I am writing to request information regarding the reliability of data used by USAID to oversee and fund its education programs in Afghanistan, and to measure the effectiveness of those programs. USAID has claimed previously that the Afghan education sector is an area in which USAID programs "have contributed to measurable positive impacts on Afghanistan's development and stability."[1] However, according to reports in the Afghan news media, the new Afghan Minister of Education and the Minister of Higher Education recently told the Afghan legislature that former ministry officials who served under President Hamid Karzai provided false data to the government and to international donors claiming that far more schools around the country were active than was actually the case, in order to obtain more funding. The Ministers reported that there are no active schools in insecure parts of the country, and that former officials doctored statistics, embezzled money, and interfered with university entrance exams.[2] These allegations suggest that U.S. and other donors may have paid for schools that students do not attend and for the salaries of teachers who do not teach.

As you know, the United States has made significant investments in Afghanistan's education sector since the fall of the Taliban. As of March 31, 2015, USAID reported disbursing $769 million in support of Afghanistan's education sector.[3] This includes $599 million in off-budget assistance, $24 million in direct on-budget assistance, and $146 million in so-called "preferenced" funding to the World Bank's Afghanistan Reconstruction Trust Fund (ARTF) to support education programs.[4] In addition, the U.S. has also contributed millions of dollars in general purpose funds to the ARTF that have been used to pay teachers' salaries, among other things.[5]

As noted above, USAID has often pointed to its education programs as being among its most successful programs in Afghanistan. For example, USAID has cited a jump in students enrolled in schools—from an estimated 900,000 in 2002 to more than 8 million in 2013—as a clear indicator of progress.[6] However, the data USAID uses to measure this progress came from the MOE's Education Management Information System (EMIS), which USAID has said it cannot verify, and which it now appears that officials from the Karzai Administration may have falsified.[7]

---

[1] USAID, Response to SIGAR Letter to the Department of State, USAID, and Department of Defense Requesting Top Most Successful and Least Successful Projects, May 9, 2013.

[2] Saleha Soadat, "Education Minister Says Predecessor Falsified Data on Active Schools," Tolo News, May 27, 2015, http://www.tolonews.com/en/afghanistan/19727-education-minister-says-predecessor-falsified-data-on-active-schools; and Afghanistan Times, "Education minister uncovers 'ghost schools' in restive provinces," May 27, 2015, http://afghanistantimes.af/education-minister-uncovers-ghost-schools-in-restive-provinces/.

[3] SIGAR, Quarterly Report to the United States Congress, April 30, 2015.

[4] The United States and other donors can "preference," i.e., earmark, a portion of their contributions to fund specific development programs implemented under the ARTF.

[5] The United States provided this as "unpreferenced" funding to the ARTF, meaning that the World Bank can allocate the funds, at its discretion, to different elements of the ARTF, such as the Afghan government's operating costs.

[6] Ibid.

[7] SIGAR, Quarterly Report to the United States Congress, April 30, 2014.

Accurate data is essential for gauging progress in USAID's education programs and for making future funding decisions. Although SIGAR has an ongoing audit of U.S. government efforts supporting primary and secondary education in Afghanistan, SIGAR believes the allegations about ghost schools, ghost students, and ghost teachers call for immediate attention. To assist SIGAR in assessing the extent to which USAID is taking reasonable steps to safeguard U.S. funding in support of the Afghan education sector, please provide responses to the following questions:

1. What actions is USAID taking to investigate the allegations of falsified education data?

2. Does USAID have an estimate of how much U.S. money may have been spent on ghost schools, ghost teachers, and ghost administrators?

3. How has USAID sought to validate education and related expenditure data provided by the MOE and the World Bank?

4. Given the increasing evidence of problematic data related to whether schools are open or closed, and whether teachers and students attend, what steps is USAID taking—independently or in coordination with the World Bank and other donors—to verify the accuracy of education data prior to providing funding and to ensure a more accurate understanding of the state of education in Afghanistan?

5. To what extent will USAID adjust its approach to on-budget assistance or the type of education activities that it supports in Afghanistan in light of questions about the reliability of EMIS and other MOE education data?

Please provide the requested information by June 30, 2015. Should you or your staff have any questions about this request, please contact Jack Mitchell, Director of Special Projects, at ▮▮▮▮▮▮ or ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮. Thank you in advance for your cooperation in this matter. We look forward to your response.

Sincerely,

John F. Sopko
Special Inspector General
   for Afghanistan Reconstruction

cc:

The Honorable P. Michael McKinley
U.S. Ambassador to Afghanistan

Mr. William Hammink
Mission Director for Afghanistan
U.S. Agency for International Development

MEMORANDUM

June 30, 2015

TO: John F. Sopko
              Special Inspector General for
              Afghanistan Reconstruction (SIGAR)

FROM: Donald L. "Larry" Sampler
              Assistant to the Administrator for
              Afghanistan and Pakistan Affairs (OAPA)

SUBJECT: Response to the Inquiry Letter on Afghanistan Education Data Reliability
              (SIGAR Inquiry Letter-15-62-SP)

REF: SIGAR-15-62-SP Inquiry Letter on Afghanistan Education Data
              Reliability dated June 11, 2015

USAID appreciates the Special Inspector General for Afghanistan Reconstruction (SIGAR)'s attention to the important issue of education and data maintained by the Afghanistan Ministry of Education. USAID takes very seriously reports of fraud, waste, or abuse. However, as detailed below, the Afghan media reports upon which SIGAR's inquiry is based are not accurate. Moreover, there is no specific evidence or allegation in this regard that the U.S. assistance funds have been misappropriated, and we remain confident that education programs are among our most successful programs in Afghanistan.

There is no doubt that since 2001, millions more Afghan girls and boys have been provided with an education. Numerous independent observers have noted a dramatic improvement in the Afghan education system and the improvement has been documented in broad surveys of the Afghan people including the annual survey conducted by The Asia Foundation.[1]

USAID is committed to helping the Afghans maintain that progress. We are working with the new Government of Afghanistan to help build a comprehensive, nationwide education system that will endure. USAID is continuing programs to train teachers, develop community-based education, support institutions of higher learning, and strengthen the ability of the Ministry of Education to deliver and monitor high-quality education throughout Afghanistan.

---

[1] The Asia Foundation, A Survey of the Afghan People, 2014, pages 71 and 77, http://asiafoundation.org/country/afghanistan/2014-poll.php (Among respondents, education is the highest ranked basic service with 70.8 percent reporting access to education services.)

Please find a full response to each of your questions below.

1. What actions is USAID taking to investigate the allegations of falsified education data?

The media reports that SIGAR cites at footnote 2 in Inquiry Letter-15-62-SP regarding falsification of education data do not appear to be accurate. USAID followed up directly with Minister of Education Dr. Asadullah Hanif Balkhi on the media reports and he provided clarification. Based on a transcript of the hearing provided by the United Nations, we do not believe the media reports accurately relayed Minister Balkhi's remarks to the Wolesi Jirga (parliament). USAID takes seriously any allegations of fraud or misreporting. There is no specific evidence or allegation at this point that the U.S. assistance funds have been misappropriated. If SIGAR's own inquiries have disclosed any such evidence, we would appreciate receiving it so that we can take appropriate measures as part of our fiduciary responsibility to safeguard taxpayer funds.

Following the media reports on Minister Balkhi's May 27, 2015 testimony to the Wolesi Jirga, both the Minister and his spokesperson responded with clarifications and stated that the media reports misrepresented the Minister's statements. A summary transcript of the Wolesi Jirga remarks made by the Minister of Education also does not indicate that any statements were made regarding falsified data. *(Attachment # 1).*

The Mission met[2] with Minister and received a written response to the Mission Director's letter *(Attachment # 2).* The Minister's letter clarifies his Wolesi Jirga remarks:

> "We are aware that some media outlets have misinterpreted the minister's speech in the Parliament, and in some cases, rendered different analysis thereof. At the Parliament, I was referring to figures provided to the media by the former leadership of the Ministry, which were different from the statistical data of the Ministry. The questions raised by SIGAR may be based on the misconception and reports published by the media." *(Attachments # 3.a and # 3.b)*

The Minister's comments on May 27, 2015 to the Wolesi Jirga, as translated and summarized by the United Nations Assistance Mission to Afghanistan (UNAMA), do not include statements about falsified data. The Minister stated that inaccuracies existed in the data reported by the previous administration and did not allege fraud. The Minister stated:

---

[2] Meeting on June 21, 2015 of Minister of Education Balkhi with Mission Director William Hammink. In the meeting, the Minister said his remarks were meant to clarify that the school enrollment data reported in the media *differ from* the official school enrollment figures from the Education Management Information System (EMIS). He explained that the previous Minister, in an event on National School Opening Day in 2014, was reported in the media as saying that 11.5 million students were enrolled in school, whereas the 2014 EMIS reports approximately 9 million children in school, and the larger figure included those students who are enrolled but not attending. The Ministry spokesperson, in a meeting on June 17, 2015, with USAID, said that the Minister was misquoted by journalists when they attributed the claim of "data fabrication" to his Wolesi Jirga testimony.

"The current figures that I got from the database of the ministry about the number of functioning schools are not precise and I have assigned missions to visit schools in all provinces and provide updated figures of the number of schools and other related detailed information to the ministry and then it will be shared it with you also. This is true that in some insecure provinces there are some closed schools but budget has been allocated but as I said the missions have been assigned to check all these issues." *(Attachment # 1)*.

USAID has been working with the Ministry of Education for over a decade, has a good understanding of the challenges of working in Afghanistan, and has developed monitoring procedures, in compliance with standard USAID practices, for our projects that do not rely solely on data from the MoE. There is no specific evidence or allegation at this point that the U.S. assistance funds have been misappropriated.

2. **Does USAID have an estimate of how much U.S. money may have been spent on ghost schools, ghost teachers, and ghost administrators?**

USAID has no evidence that its funds are being spent on alleged ghost schools, teachers, or administrators, nor is there evidence that they have been in the past. We audit and track our programs, and can describe in detail our monitoring efforts, such as how textbooks are monitored through the Mission's five-tier monitoring program *(Attachment # 4)*. The Mission's off-budget mechanisms[3] and the Afghanistan Reconstruction Trust Fund (ARTF) Investment Window have monitoring procedures in place to ensure funds are used for the intended recipients and activities.

The World Bank, which manages the ARTF, reported to USAID that their ARTF Investment Window third-party monitoring visited 1,137 schools either under construction or completed under the Education Quality Improvement Program (EQUIP) between 2011-2015. Some schools have been visited more than once. Of the 1,137 schools visited, five were not in use as a school at the time of the visit (all schools physically existed and were not "paper-only" schools).

The World Bank is also confident that the Education Management Information System (EMIS) payroll database at the Ministry is well-functioning. This is the database the Ministry relies on for the payment of salaries. The World Bank considers the EMIS to still be in its early stages, having only been started in 2007. The World Bank indicates that they continue to look for gaps in oversight and quality of data, and establishing plans to address them *(Attachments # 5 and # 6)*. The World Bank also indicates it has withheld salary payments when monitoring could not be carried out.

The World Bank has documented requirements and controls over changes to the payroll system data base, a demand for evidence of attendance on which to process the payments, and a segregation of duties between those who approve the salaries from those who process and pay (the commercial bank or the bonded trustee). The ability of the Monitoring Agent to carry out the physical verification of the employee at the school level (last step in the verification process) has sometimes been difficult due to security issues. If the Monitoring Agent is not able to physically visit a district and make that verification, the World Bank then does not reimburse the

---

[3] Off-budget mechanisms are USAID programs carried out by our implementing partners.

3

salaries under its ARTF recurrent cost window for which the physical verification of the beneficiary could not be carried out

Other sources help USAID and other donors review teacher numbers; for example, a pilot project on e-payments of salaries, confirmed the existence of teachers collecting salaries, and that they were actually receiving their salaries *(Attachment # 7)*.

3. **How has USAID sought to validate education and related expenditure data provided by the MoE and the World Bank?**

USAID tracks funds implemented through the Ministry of Education and the ARTF Investment Window. USAID and the World Bank have monitoring procedures in place to ensure funds go to the intended recipients.

USAID contributes education funds through the ARTF Investment Window for the Education Quality Improvement Program (EQUIP) managed by the World Bank. These EQUIP funds are not used for teacher or administrator salaries or for other operational costs in the Afghan education budget; USAID's contribution to EQUIP is used for teacher training. Therefore, these funds could not be used for ghost schools, teachers, or administrators.

The World Bank independently monitors and tracks EQUIP funds. For monitoring of the ARTF Recurrent Cost Window, see the answer above to Question 2. USAID's contributions to the ARTF are directly monitored and subject to the financial controls of the World Bank.[4] USAID communicates regularly with the World Bank regarding both aspects of oversight.

For funds invested in the EQUIP program, USAID receives semi-annual reports from the World Bank. These reports supplement ongoing collaboration and communication with World Bank staff. The reports provide reliable information on EQUIP progress and performance indicators. For EQUIP teacher training data, the World Bank reports that they crosscheck project level data collected between EMIS and other relevant departments. For instance, the Teacher Education Department has a separate monitoring mechanism (not EMIS) for reporting on the number of teachers trained. Additionally, there are 45 Provincial Monitoring officers that monitor EQUIP's investments in TED.

USAID has two active government-to-government on-budget projects with the Ministry of Education, for textbook printing and distribution and for workforce development.

For its on-budget textbook printing and distribution activity, USAID uses a comprehensive monitoring program *(Attachment # 4)* and USAID reimburses MoE only when costs have been incurred and upon receipt, review and approval of the submitted contractor invoices. The

---

[4] World Bank's public expenditure review of 2011, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2010/06/11/000333037_20100611004136/Rendered/PDF/538920ESW0P1021IC0disclosed06191101.pdf and "World Bank 2011 Public Expenditure Tracking Survey : Afghanistan - Education Sector, Synthesis Report," https://openknowledge.worldbank.org/handle/10986/12699 are two examples.

Ministry of Education and USAID have an agreed upon work plan, which establishes specific benchmarks and performance indicators. USAID monitors this work through independent contractors[5] hired to monitor the distribution of textbooks at the central, provincial, and district levels including verifying the number of textbooks and quality per the order specifications. In addition, USAID staff have visited the central warehouse in Kabul to physically observe the process of opening a random sample of the shipping containers and counting and recording the textbooks received from the printing contractor. Additionally, USAID's Support II Project is conducting monitoring in four western provinces.

For the on-budget Afghanistan Workforce Development Program (AWDP), USAID uses a fixed amount reimbursement mechanism to finance the project, whereby USAID reimburses MoE when it achieves certain defined milestones (outputs), which are first verified by USAID.

USAID takes several measures to monitor and account for the funds it provides for its on-budget projects. These measures include requiring a separate, non-comingled project-specific bank account, for which USAID has online viewable access to monitor all transactions; utilizing reimbursement funding mechanisms; and conducting financial audits.

Additionally as part of our monitoring efforts in education, USAID is funding the Assessment for Learning Outcomes and Social Effects in Community-Based Education in Afghanistan (ALSE) with New York University, a rigorous evaluation using randomized control trials. This research is intended to provide evidence regarding the effectiveness of different models of community-based education in order to guide funding and inform community-based education policy in Afghanistan.

4. **Given the increasing evidence of problematic data related to whether schools are open or closed, and whether teachers and students attend, what steps is USAID taking— independently or in coordination with the World Bank and other donors—to verify the accuracy of education data prior to providing funding and to ensure a more accurate understanding of the state of education in Afghanistan?**

We have not found "increasing evidence of problematic data". However, in any developing country, attaining reliable enrollment and attendance data is challenging. In Afghanistan, as USAID has recognized and noted before, conflict, terrain, and lack of infrastructure make data collection even more difficult. USAID and other donors are providing support to continue to increase the accuracy of education data in Afghanistan.

USAID funding and programs are not linked to aggregate numbers contained in EMIS data. Additionally, schools being open or closed is not a new issue, but rather an ongoing situation that the Ministry continues to address. The increasing numbers of students in school is not disputed,

---

[5] Ernst &Young, based on its scope of work (SOW), is verifying 100% of books from Ministry of Education's main warehouse in Kabul to all provinces and then they are selecting 20% of the districts in each province and doing 100% verification of books in those districts up to schools level.

and has been rated by the Afghan public as satisfactory progress in education, as reported in The Asia Foundation's "A Survey of the Afghan People."[6]

Our projects are linked to specific development outcomes, such as improved teacher skills, female teachers trained, communities mobilized to support community-based education (CBE) or CBE classes opened. Data on targets and actual achievements are collected by our implementing partners independently of the MoE. For example, the number of teachers trained by USAID implementing partners is reported regularly. USAID education projects adhere to the Agency's monitoring and oversight policies and procedures. Each project establishes a work plan, performance indicators, and data quality assurance procedures. The trends in enrollment, noted by using Ministry EMIS data, show the positive direction of the education sector but are not the basis for USAID's education interventions.

USAID, the World Bank and other development partners are providing technical assistance to the Ministry of Education to develop policies and systems to improve the reliability of EMIS data and to increase the capacity of its staff at all levels to collect, report and analyze data. USAID funds a full-time person to provide technical assistance to the Ministry.

It is a common practice around the world to keep absent students on enrollment rolls to ease their reentry to school upon return. The Afghan Ministry of Education keeps absent students on the rolls for three years in part because it is difficult to verify attendance in remote, insecure areas where students frequently move. Since 2012, USAID and other donors have recommended that the Afghan Ministry of Education remove absentee students from enrollment data within one year or less. However, due to the movement of populations and the difficulty in enrolling in school (due to lack or loss of documents) the Ministry has maintained a 'three-year' retention policy. The donors and the Ministry continue to discuss this issue. Refinements in data reporting from the school level in students-not-in-school and students-in-school may be a further change in EMIS which will track numbers while allowing out-of-school (but enrolled) students to retain their student enrollment identification.

Attendance numbers fluctuate seasonally because of security, weather, or other circumstances. After being forced to close, these schools will re-open several months later as conditions permit. USAID is aware that these changes impact the accuracy of the data being reported and contribute to reports of schools being closed for allegedly illegitimate reasons.

While more work needs to be done, the Ministry of Education is making steady progress, especially given the security challenges and recent political and military transitions. The Ministry has shared its "100 Days Plan" with USAID *(Attachment # 8)*. It includes specific monitoring actions to validate the number of students in school, including children who are not attending. We are encouraged that the Ministry has started its review of data, sending Kabul-based Ministry officials from the Academic Supervision Department jointly with provincial and district level academic supervisors to visit and verify data from 6,000 schools, utilizing the annual school questionnaires that form the backbone of the EMIS data on enrollment.

---

[6] http://asiafoundation.org/country/afghanistan/2014-poll.php

We also appreciate that the Ministry had previously started its own data quality assessment, hiring a third party, Afghanistan Reliable Technology Services (ARTS) to verify a sample of EMIS[7]; the final report is anticipated by the end of July 2015. These assessments, and other actions to improve EMIS, respond to the recommendations of the Joint Education Sector Review *(Attachment # 9)* conducted in consultation with USAID and other donors.

5. **To what extent will USAID adjust its approach to on-budget assistance or the type of education activities that it supports in Afghanistan in light of questions about the reliability of EMIS and other MOE education data?**

USAID has been working with the Ministry of Education for over a decade, has a good understanding of the challenges of working in Afghanistan, and has developed monitoring systems for our projects that do not rely solely on data from the MoE. There is no specific evidence or allegation that the U.S. assistance funds have been misappropriated.

At this time, USAID does not envision major changes to its approach to on-budget or off-budget education programs. The Agency is focusing more on improving the quality of education, the most significant development challenge in the education sector at this time. USAID recognizes that, as has been demonstrated in many other developing countries, improved quality will further increase access to education for children, when parents see children learning.

USAID is engaging in an active and frank discussion with the new Minister of Education to ensure the accuracy of reporting and the improvement of systems like EMIS. However, Ministry of Education enrollment data, while important as indicators of overall progress in the education sector, are not used to measure the performance of USAID education programs, to measure improvements in quality of education, or to gauge the abilities of teachers, for example. USAID education programs contribute to overall education development in Afghanistan.

USAID will continue to collaborate and cooperate with outside auditors and investigators. SIGAR, the Office of the Inspector General (OIG), and USAID's Office of Financial Management (OFM) all contribute to protect the integrity of our work in Afghanistan. USAID takes all audit inquiries seriously and responds to recommendations.

---

[7] Afghanistan Reliable Technology Services reports that they will survey schools in 24 provinces using stratified sampling techniques. Its first report was issued in July 2013, and the next report is anticipated in July 2015.

Attachments:

1 – UNAMA report for May 27, 2015
2 – Letter from William Hammink, USAID/Afghanistan, to Minister of Education of June 15, 2015.
3.a – Letter from Minister of Education of June 23, 2015 to William Hammink (Dari original version)
3.b – Letter from Minister of Education of June 23, 2015 to William Hammink (English translation)
4 – Case study on Textbook Monitoring
5 – World Bank 2014 workshop agenda
6 – PowerPoint presentation about EMIS, presented at The World Bank 2014 workshop
7 – IST Research, 2013,Teacher Payment Monitoring and Evaluation in Afghanistan
8 – Ministry of Education of Afghanistan "100 Days Plan" (English Version)
9 – Ministry of Education, Joint Sector Review, 2012 (pages 29, 37)

cc:

Alfonso E. Lenhardt
Acting Administrator, U.S. Agency for International Development

P. Michael McKinley
U.S. Ambassador to Afghanistan

William Hammink
Mission Director, U.S. Agency for International Development/Afghanistan

March 31 2016

The Monitoring of Payroll by the ARTF Monitoring Agent (with a focus on Education)

Background

The Afghanistan Reconstruction Trust Fund (ARTF) was created in Jawza 1381 (May 2002) to assist the Government of the Islamic Republic of Afghanistan (GIRA) with the reconstruction of Afghanistan.

ARTF, through the Recurrent Cost Window (RCW), in principle, reimburses to GIRA those expenditures which are considered "eligible", i.e. which are effected in accordance with the procedures agreed upon between GIRA and the World Bank (WB). Expenditures made which are not consistent with the procedures agreed upon are considered "ineligible" and are not reimbursed. Ineligibilities can be broken down into two main categories:

- Avoidable ineligibilities: the expenditure could have been eligible, but the process followed was not consistent with the agreement between the WB and GIRA. For example, procurement procedures were not followed or documentation is not complete; and
- Unavoidable ineligibilities: the expenditure is ineligible by nature, usually because of an ARTF limitation (e.g.: military expenditure)

To be found eligible under the ARTF, expenditures must be made in a manner consistent with Afghan legislation and related regulations. The applicable Afghan laws and regulations include (but are not limited to):
- Annual Budget Decree;
- Public Finance and Expenditure Management Law (PFEML);
- Civil servants law;
- Law on procurement and related regulations, circulars; and
- Circulars issued by the Ministry of Finance (MoF).

Fiduciary Standards are also agreed between the Management Committee of the ARTF and GIRA to provide a basis for GIRA to demonstrate commitment to improving fiduciary performance with respect to government expenditures. The Fiduciary Standards include time between payment and documentation of expenditures.

Monitoring Agent Objective and methodology

The overall objective of the Monitoring Agent (MA) assignment is to monitor, support, and report on the efficient and effective implementation of the RCW of the ARTF.

To determine eligibility for ARTF RCW financing, transactions are reviewed by the Monitoring Agent to ensure compliance with the Government's own policies, laws and procedures as noted above and also the Fiduciary Standards.

Background information on Ministry of Education (MoE) staffing.

Total numbers of staff within the Ministry of Education for FY 1394

- Average No. of Teachers: 182,804 (76%)
- Average No. of Non Teachers: 58,627 (24%)
- 15% are based centrally (Ministry of Education and schools in Kabul province)
- 85% are based in the provinces
- Total Average Ministry of Education staff: 241,430
- Taskheel cap (maximum allowed) for Ministry of Education: 263,961

March 31 2016

The selection of Payroll samples for testing by the Monitoring Agent

- The MA uses statistically representative samples to test payroll transactions.
- These are drawn from the payroll expenditure recorded in the Governments financial ledger, the Afghanistan Financial Management Information System (AFMIS)
- Only civilian expenditure is reviewed and is eligible for ARTF reimbursement. The Ministry of Defense, police and National Security council expenditure is excluded.
- Statistical random and threshold sampling method is used for deriving samples from payroll expenditure.
- Samples are selected to cover at least 10% of total payroll expenditure and reflect ministry and location coverage.
- Samples are selected from the system and the payroll payment voucher is obtained (referred to by the Ministry of Finance as an M16) which shows individual employee detail.
- Tests are performed on the overall payroll report (M16) and tests are performed at individual employee level to gain assurance over compliance.

Population, selected and results for payroll testing in 1393:

Description	Value Mill. US$	
Total Payroll all Ministries Expenditure for FY 1393	828.25	
Total Ministry of Education Payroll expenditure for FY 1393	469.32	
Total Ministry of Education Payroll sampled and tested for FY 1393	40.53	
Expected eligible payroll for Ministry of Education after sampling	441.80	(94%)
Expected ineligible payroll for Ministry of Education	27.52	(6%)

Payroll Expenditure Methodology

For the samples selected, detailed testing (in the field) of each payment voucher is undertaken in the respective office location, which could be the Kabul headquarter or the province where staff are based. The following checks are performed for each sampled payment voucher:

- Approval: To review, whether the payroll costs have been checked, approved and stamped by the appropriate person as per delegated authority rules for that department.

- Calculation/Casting/Totaling: To verify if total gross amount of payroll in the detailed payroll calculation sheet *(referred to as an M41)* matches the expenditure recorded in the summary report (M16's) and total employees paid match with the attendance records. This test includes detailed checking calculation of payroll. These reports are compiled at the provincial centre level.

- Documentation: To check if all relevant documents have been included during the recording of expenses that includes detailed calculation of payroll and attendance record of employees.

- Recording on AFMIS: To check if the expenditure has been coded correctly on the financial system, does not exceed the total budget allotment and has been recorded in a timely manner.

- Payment: To check that payment has been received by the correct person at the correct amount, with reference to their salary scale, additions and deductions. The MA verifies bank transfer report if the payment has been made through bank accounts and the acknowledgment/signature of respective employees if the payment has been made in cash.

March 31 2016

- **Others HR Controls:** Review of documents and controls for recruitment, transfers and other evidences of employment available for review.

- **Determining eligibility:** The team complete detailed working papers with data captured for each test and an overall assessment on compliance and eligibility / ineligibility. The ARTF only reimburses for payroll expenditure which has passed all testing without issue.

- **Extrapolation:** The ineligible transactions are then extrapolated to whole population of payroll expenditure based on statistical methods to determine the overall ineligibility ratio. An estimate is provided to the World Bank on a monthly and quarterly basis, with the full and final results based on the full year testing provided in an annual report.

See Annex A for explanation of Government Payroll preparation including M16/M41 preparation.

Physical Verification Methodology

The work undertaken by the MA was expanded in 2014 (1393) to include the physical verification (PV) of GIRA employees in response to risks identified around payroll costs and employee existence. The MA team selects a sample of payment vouchers (M16) for review based on a statistical sampling methodology.

The sample size is set at the required level given the total number of civilian staff. In 1393 it was set at 5564 (containing 3087 teachers) distributed across the country. The MA then selects a number of M16s from across the country and selects this sample of staff members from the M16s. It is important that the total sample is spread across a wide range of M16s so as not to skew the result by focusing all in one area. Therefore the maximum number of staff verified from each M16 is presently 15.

The following is the process followed for PV.

- The lists of employees are provided to the Ministry or Department.
- Once approval is obtained, the Monitoring Agent meets with the employee (either at provincial office, district office or ministry).
- Payrolls and staff physical verifications for the selected employees are performed through checking:

  1. the presence of the staff member;
  2. the name of employee;
  3. employment contract or engagement form;
  4. grade and position;
  5. ID card details;
  6. the means of payment (e.g. Cash by bonded trustee or bank transfer);
  7. bank account details in case of bank payment;
  8. employees' signatures for the receipt of case in case of bonded trustee;
  9. amounts paid to employees; and
  10. attendance sheets / books.

- For payments, employees are asked about the amount they have received and this is cross checked to ensure that it matches with the payroll forms and any variances are documented.
- For payment in cash, a sample of the employee's signature is taken during their physical verification and cross checked if it matches with the signature made on M41 while receiving money
- Other evidence (e.g. leave or mission forms, etc.) are used for cross-checking in case any of the above evidence is not available or the employees are not present during PV.

March 31 2016

The number of staff selected for verification each month varies. The Monitoring Agent samples are allocated to the MA regional officers who have time allocated to review all types of expenditure across various government ministries. As such the sample sizes can change across months dependent on the size of expenditure, number of samples, locations and follow up visits required. In some instances, the Monitoring Agent would attend a district to complete the quarterly testing in one visit.

Section 4, page 16 of the Summary Report for 1393 describes the PV testing and shows overall samples, results and reasons for non-compliance during FY1393 testing. The following table shows specific information relating to MOE.

The most recent full year results are for FY 1393	
Total number of staff from MOE M16 Reports	185,375
Number of teachers selected for verification	3,087
Number of teachers MA unable to visit due to security concerns	(1,952)
Of the teachers the MA is able to visit, number of teachers verified without exception	819
Number of teachers verified with issues	316

The results for non-teaching staff within Ministry of Education staff are similar for teachers.

As noted above, the MA undertakes a number of tests during physical verification to gain assurance that the roles are being delivered for the salaries paid. This includes checking attendance reports to ensure staff have attended their office location, in addition to meeting the staff member with some enquiries about their employment history and signature verification. PV testing does not however extend to observing teachers in the classroom.

Contract teachers

Contract teachers aren't easily identifiable. There is not a specific code on AFMIS to distinguish between contract teachers and standard teachers. AFMIS Code "21110-Contractors" is available but it not consistently used by the Ministry of Education so the data wouldn't be meaningful to draw conclusions about the number of contract vs permanent teachers in Afghanistan. Information on contract teachers funded through operating budget, is established when reviewing the employment contracts and details during testing rather than at AFMIS data or sample selection stage. It should be noted that many contract teachers may be funded through the development budget which is not subject to MA review.

If contract teachers are selected, the payroll tests and physical verification tests would be conducted in the same manner described.

When teachers cannot be physically verified are salary payments made and/or continued?

Yes. The role of the Monitoring Agent is to monitor, support, and report on the efficient and effective implementation of the RCW of the ARTF. If issues are identified with the controls, documentation or compliance, these are communicated to the Ministry of Finance for appropriate escalation.

March 31 2016

Annex A: Explanation of Government Methodology for Payroll report Preparation

Each payment voucher (M16) is raised at the provincial centre only and M41 (individual payroll) are prepared at district level by the District Education Directorate. The District Education Directorate for each district compiles the M41 for schools falling under its jurisdiction, and forwards it to Education Directorate at the provincial centre to support them in their preparation for the M16 Report.

Example:

Suppose under district A, there are 10 schools. The district education directorate prepares/compiles M41 with the help of schools for each school individually (there will be 10 M41 sheets, a separate M41 for each school). Then a cover page for summarizing all 10 M41s is made by district office and sent to the centre together with summary and individual M41 for each school. A single M16 is then raised covering all schools under a district.

The preparation of M41 payroll reports are different in different provinces. Where the districts have electricity and computer access, this is produced electronically, if not it is prepared on paper. In some provinces, printed forms showing name, grade and bank account number of each individual is printed from centre (keeping salary amount blank) and sent to districts where district office is required to fill in the blank details in hand writing for gross and net salary based on attendance for each school with the support from employee of each school and return it back to the Centre.

The process of booking M41 related to all schools under a district's jurisdiction under one M16 is also not consistently used in all cases over all provinces. A few cases have also been noted where separate M16 (payment voucher) are made at provincial centre for each school rather than all schools under the district. Bank reports are only collated, prepared and executed at the provincial centre.