

PD-AAS-233

ISA 42403

RURAL HEALTH II - KAOLACK

USAID PROJECT : 685 0242

REPORT ON REVIEW OF PROJECT
ACCOUNTS AND INTERNAL CONTROL

JULY 27, 1984

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July 27, 1984

USAID/Dakar
c/o American Embassy
DAKAR, Senegal

Dear Sirs,

FUELWOOD PRODUCTION - USAID PROJECT 685 0219/CERER

1. INTRODUCTION

The following report is the result of a review of the accounts and system of internal control at the abovementioned project.

This assignment was one of a number of similar reviews of USAID funded projects in Senegal carried out by Price Waterhouse in July 1984.

Our examination of project records has been carried out in accordance with the scope of work established by AID DAKAR. We have therefore, reviewed and tested the accounting procedures and documents to the extent we considered necessary in order to form an opinion on the accounting records maintained.

In general, the projects under review were of a size whereby a sophisticated system of internal control could not be expected to be operated. As such, there are inherent limitations that should be recognised in considering the potential effectiveness of the system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgement, carelessness or other personal factors. Control procedures whose effectiveness depends upon the segregation of duties, as is the case with most of these projects, can be circumvented by collusion. Further projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Pris Waterhouse

2. OPINION

We have reviewed the accounting station "Rural Health (Kaolack)" for the project Rural Health II n° 685-0242. Our review was performed in accordance with the scope of work provided under Contract n° 681-0000-C-00-3156-00 and work order n° 3 and was conducted in accordance with generally accepted auditing principles.

In our opinion this accounting station has a system of accounting and internal control which will provide adequate identification of U.S. Government funds and control over the receipt and expenditure of those funds.

3. COMMENTARY

The project Rural Health II is in its very early stages. Total local expenditure to date is approximately F.CFA 6 million out of a first year budget of F. CFA ~~101 million.~~

The project is administered principally by three persons, the project coordinator, chief medical officer and the accountant.

The accountant (Mr. Ndoye) has established a bank journal analysed by budget category to record project expenditure. Our review showed that all current expenditure had been properly recorded in the bank journal. Supporting vouchers were filed in cheque number sequence and carried the authorisation of the project coordinator (Mrs Lo).

In view of the project size, the level of internal control appears adequate. Purchase orders are authorised by Mrs Lo, Cheques are signed by both Mrs Lo and the chief medical officer. Petrol usage is controlled by the technical department which has responsibility for the project vehicles.

In summary, this project has a basic accounting system which is operating effectively.

4. OTHER RECOMMENDATIONS DESIGNED TO IMPROVE ACCOUNTING SYSTEM AND CONTROL

Our audit review revealed the following areas which we believe may be usefully improved :

4.1 The project should maintain a fixed asset register and take periodic inventories of such assets.

At present no fixed asset register is maintained. During May 1984, following the completion of phase I of the project, an "End-Use Study" was carried out by Mr. Peter Halpert, which detailed the assets purchased by the project under phase I. This document should be used as the basis for preparing a fixed assets register by asset type. Additional purchases of fixed assets under phase II should then be added to the register.

The register should be maintained by asset type and disclose the following information :

e of isition	Description	Serial Number	Cost	Purchase Document Reference	Location	Date of las physical inventory

In order for the project to have full accountability for fixed assets it is important that the A.I.D. office send copies of invoices to the project coordinator for all assets purchased directly by A.I.D.

4.2 The project should maintain vehicle maintenance records

Following phase I of the project, nine vehicles out of a total of twenty three vehicles are no longer in a useable condition. At present, vehicles are only looked at when they need repair. By establishing a regular servicing schedule this may help increase the useful life of vehicles and reduce repair costs in the long run.

4.3 The project should maintain an encumbrance journal

This record should be kept in order to record commitments. The journal may include the following details :

(Date)	(Purchase order Number)	(Description)	(Supplier)	(Amount)	(Date Paid)
(-----)	(-----)	(-----)	(-----)	(-----)	(-----)
()	()	()	()	()	()
()	()	()	()	()	()
()	()	()	()	()	()
()	()	()	()	()	()

4.4 The purchase order should be signed as evidence of receipt of the goods purchased

The purchase orders established by the project provide space in which to evidence the receipt of goods. From our review we noted that this was completed in only a few instances.