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FUELWOOD PRODUCTION

USAID PROJECT : 685 0219

(C.N.R.F.)

REPORT ON REVIEW OF PROJECT

ACCOUNTS AND INTERNAL CONTROL

JULY 27, 1984

I N D E X

	<u>PAGE</u>
1. INTRODUCTION	1
2. OPINION	3
3. COMMENTARY	5
4. OTHER RECOMMENDATIONS DESIGNED TO IMPROVE THE ACCOUNTING SYSTEM AND CONTROL	6

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July 27, 1984

USAID/Dakar
c/o American Embassy
DAKAR, Senegal

Dear Sirs,

RURAL HEALTH II - KAOLACK - USAID PROJECT 685 0242

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.

Pric Waterhouse

2. OPINION

We have reviewed the accounting station "Centre National de Recherches Forestières (C.N.R.F.)" for the project Fuelwood Production n° 685-0219. 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 does not have 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, for the following reasons :

(A) The project does not maintain a bank journal analysed by budget category. Therefore the project records do not indicate the level of expenditure by budget category thus preventing comparison against the available budget. This situation may also lead to delays in the preparation of the required financial reports.

(B) At the time of our review, approximately fifteen cheques had been issued by the project for which no entries had been made in the bank journal. Therefore, the accounting records are incomplete since they do not show the current level of expenditure.

In order to rectify the above deficiencies we recommend :

(A) The project accountant maintain a bank journal analysed by budget category which is kept in parallel with the existing bank journal.

This will facilitate both the comparison between expendi-

ture and available budget and the preparation of financial reports.

- (B) The project accountant be instructed to record all payments as and when incurred.

3. COMMENTARY

The accounting records and supporting vouchers are generally kept in good order by the project accountant Mr. Kandji. He appears to have reasonable control and knowledge of the project activities, and is also responsible for maintaining accounting records for other projects.

The project, in regard to its size, has an adequate level of internal control : two signatures are required for cheques, payroll function is performed by the personnel department and fuel consumption is handled by the head of the technical department.

However while a basic accounting system is in place, the project accountant must keep details of expenditure by budget category in order to ensure budget levels are not exceeded.

Additionally the follow matter was noted :

The project has advanced a total of F CFA 300 000 to the project M'Biddi, ~~paid in October 1983 (F CFA 230 000)~~ and in December 1983 (F CFA 70 000). This advance has been included as expenditure in the financial reports submitted and has yet to be reimbursed.

4. OTHER RECOMMENDATIONS DESIGNED TO IMPROVE THE ACCOUNTING SYSTEM AND CONTROL

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

- 4.1. The project accountant should ensure that all supporting vouchers are signed by the director as evidence of approval and by the supplier as evidence that payment has been received.

Several vouchers were seen, which were not signed by the director and/or by the supplier.

- 4.2 The book kept by the head of the technical department to record fuel consumption should be expanded to include details of the nature of the business travel for which fuel is required.

The present book maintained by the head of the technical department records only the number of petrol coupons received and the number issued. By indicating the nature of travel, this will provide further control to ensure fuel is used for project purposes.

- 4.3 The project should maintain an encumbrance journal in line with A.I.D. procedures

The project does not have a procedure for recording commitments. A recently issued A.I.D. procedures manual gives full details of the format of this type of journal.