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REVIEW OF  
DISBURSEMENT AND PROCUREMENT  
PROCEDURES OF GOC AGENCIES

SEPTEMBER 1984

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Regional Economic Development  
Service Office  
01 BP 1712

ABIDJAN 01

September 21, 1984

Ref : IQC 681-0000-3156-00  
Work Order N° 4 of August 22, 1984  
(Art. IV)

Dear Sirs,

1. In accordance with your instructions to us, we attempted to define with the representatives of both the Ministry of Planning and Reconstruction (M.P.R) and USAID the procedures which should be implemented for the appropriation, approval and accounting for expenditure to be incurred by different Ministries out of a share of the funds provided by the sale of 5000 M/T of rice of Republic of Chad.

The aid intended for the Ministries of Agriculture, Public Health and Public Works, will not actually be provided until the rice is entirely sold.

During our engagement, we were therefore unable to establish either the amount of the intended assistance or the related budgetary expenditures.

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Furthermore, we were requested by the USAID controller in N'Djamena to carry out a limited review of the accounting records maintained at the National Cereals Office (NCO) and to recommend procedures for the recording and accounting expenditures incurred by the NCO under the subsidy of F.CFA 80 million granted by USAID.

Our recommendations are listed in section 5 of this report.

## 2. Approach to the assignment

2.1 We met representatives from two of the three Ministries to receive assistance from USAID and reviewed their current procedures for the control of expenditures relating to the Government Budget for foreign aid.

2.2 We also reviewed these procedures with the Director of External Aid Programme at the M.P.R.

2.3 We finally examined the USAID manual on the financial operations of projects financed by USAID and managed by the Government of Chad.

## 3. Comments

From the discussions we had with the officials of the Ministries we visited (see Appendix) and in particular with the Director of External Aid Programme at the M.P.R, we made the following observations.

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3.1 Capital expenditure, labour and services made on behalf of the Government of Chad are normally carried out in compliance of Act. N° 36 TP of July 8, 1959, which sets the administrative procedures applicable to all suppliers, labour and service contracts. Two other Acts N° 37 and 38 of the same date complete the provision under Act. N° 36.

It is not possible to summarize here all the aspects of these Acts, however it seems that the necessary control procedures are adequately followed, before tendering (by the "Commission Nationale d'Appel à la Concurrence"), during the signing of the contract (by the General Secretary of the Government or by the Ministry of Finance delegated by the President) and at the receipt of the contract (by the M.P.R and the General Secretary of the Government).

The terms of Acts N° 36, 37 and 38 of July 8, 1959 are also applicable to expenditures financed by foreign aid and subsidies. Nevertheless, these terms are subject to any particular clause included in the financing agreement adopted for each project with the Government of Chad.

3.2 Operating expenses generally include salaries paid and miscellaneous expenses which are paid out of a petty cash fund. The functioning and the replenishment of the petty cash fund are established by a decree of the M.P.R.

3.3 Finally, the procedures established by USAID are summarized in the procedures manual "Financial management" of November 15, 1983 which deal with the accounting records to be maintained, internal controls, petty cash operations (advances, reimbursements) and quarterly financial reporting.

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#### 4. Recommendations

Following discussions with the Director of the External Aid Programme of the M.P.R and our review of the "Financial Management" procedures manual we recommend that :

4.1 The financing agreement between USAID and the Government of Chad should specify the basic procedures to be applied by the M.P.R in order to follow-up expenditures that will be incurred by the three Ministries.

The procedures that should be included within the financing agreement are as follows :

- a comprehensive expenditure budget for each Ministry. The development of such a budget supposes that the different needs have been previously identified and taken into account.
- A master plan for the financing of investment and operating expenditures.
- Guidelines for procedures applicable according to the nature and the amount of the expenditure. The financing agreement should mention that the procedures to be followed are those normally observed at the M.P.R for the control and the approval of expenditures. The important elements of these procedures are as follows :

##### a) Capital expenditure

Meeting of the National commission of Tenders in order to verify the terms of the tender document prepared by the Ministry seeking the bid for expenditures greater than F.CFA 1 million.

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- . Approval by the General Secretary of the Government for all contracts between F.CFA 1 and 10 million, and approval by the Ministry of Finance for contracts greater than 10 million.

- . Control over the receipt of goods and services.

- . The agreement of USAID should be obtained for advances made on contracts, and these should be secured by a bank guarantee.

b) Operating Expenses

- . Salaries :

Obtaining payrolls and duplicates of statement of earnings.

- . Miscellaneous expenditures (petty cash)

Setting a balance for the petty cash funds and for the expenditures that are to be paid out of the funds.

Approval of the expenditures by the General Manager of the Ministry before disbursement.

Obtaining supporting documents.

c) Recording and follow-up procedures for budgetary expenditures

Setting up of accounting records to be maintained at the M.P.R (donor account, appropriation journal receipt and disbursement journal) as implemented by USAID.

Description of financial reports to be submitted to USAID (appropriation and disbursement reports).

5. Recommendations on the recording and follow-up procedures of the expenditures related to F.CFA 80 million subsidy granted to National Cereals Office (NCO).

5.1 Approach

After discussion with the officials of the NCO we carried out a review of the current accounting records and administrative procedures.

5.2 Conclusion

Except for the procedures and accounting documents we introduced for recording the receipt, the storage and the sale of 5000 M/T of rice, there is at present no document or accounting system which records all the other transactions, particularly those relating to the subsidy of F.CFA 80 million.

5.3 Recommendations

5.3.1 A financial accounting system should be introduced at the NCO.

The NCO has not carried out any activity since the events of 1979, and all related accounting documents have been lost. No financial statements have since been prepared.

A financial accounting system should be set up in order to record and account for all the transactions relating to the subsidy.

5.3.2 A detailed budget for the expenditures relating to the subsidy should be prepared.

This budget should be approved by the M.P.R and the USAID controller in N'Djamena.

5.3.3 Capital expenditure should include supporting documents such as procurement and selection of suppliers, appropriation of the expenditures, invoices, reviewing reports and authorizations. (also see paragraph 3.1 above).

These supporting documents should be approved by the M.P.R and the USAID controller in N'Djamena.

5.3.4 Salaries

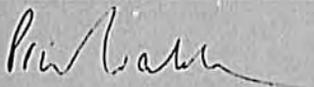
The request for salary payments should be supported by the monthly payroll.

5.3.5 Expenses greater than F.CFA 50,000 should be paid by check or by bank transfer.

5.3.6 Miscellaneous expenditures

Miscellaneous expenditures should be paid out of petty cash funds which should be maintained at the NCO and operated on an imprest system. Reimbursements should be made at reasonable intervals (two to three weeks) and the petty cash ceiling should be set at F.CFA 500,000.

Yours very truly

A handwritten signature in cursive script, appearing to read "P. W. ...", is written below the typed text.

A P P E N D I X

List of officials met

Ministry of Public Health :

Director General

Mr. Yankable

Civil Administrator

Mr. Djekilambert

National Rural Development Office :

Director

Mr. Gibrail Mikaïl

Ministry of Plan and Reconstruction :

External Aid Programme Director

Mr. Kabo Nour Abderamane