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**NON-FEDERAL AUDIT OF
THE AGRICULTURE SECTOR DEVELOPMENT
GRANT IN NIGER (Project No. 683-0246)**

Audit Report No. 7-683-91-06-N

April 30, 1991

The non-Federal auditors issued an adverse opinion on internal controls within the quasi-governmental entity managing over \$30 million in grant local currencies. The report recommends that USAID/Niger question, due to an almost complete lack of supporting documentation, \$5.1 million in local currency expenditures.

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

UNITED STATES ADDRESS
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AGENCY FOR INTERNATIONAL
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WEST AFRICA

April 30, 1991

MEMORANDUM

TO: George T. Eaton, Director, USAID/Niger
Larry Z. Hoover for
FROM: Paul E. Armstrong, RIG/A/Dakar
SUBJECT: Non-Federal Audit of The Agriculture Sector Development Grant In Niger, Audit Report No. 7-683-91-06-N

Attached is the subject audit report prepared by KPMG Peat Marwick Mitchell & Co., Chartered Accountants, Banjul. The audit was performed at the request of USAID/Niger subsequent to a performance audit by RIG/A/Dakar which reported inadequate controls and poor management over grant counterpart funds. As a result of this finding, RIG/A/D recommended that USAID/Niger decertify the quasi-governmental entity handling the counterpart funds--putting restrictions on the use of all counterpart funds on hand and prohibiting the release of future dollar cash transfers until weaknesses identified by the audit are corrected.

The Agriculture Sector Development Grant (ASDG), a \$52.9 million assistance program, consists of \$44.8 million in cash transfers and \$8.1 million in technical assistance. The cash transfers were released in tranches as the host government carried out specified policy reforms. Local currencies (or "counterpart funds") equivalent to these dollar transfers were then to be used to fund agriculture projects which were jointly programmed by USAID and the host government. Some of the counterpart funds were also used to fund a "Secretariat", a quasi-governmental entity staffed with ministry and contractual personnel, to provide for the management and accounting of grant local currencies for these agriculture projects.

In view of the inadequate controls and poor management described in the RIG/A/D performance audit, the objectives of this financial audit were to (1) determine the reasonableness and allowability of the \$33.1 million in expenditures charged to the counterpart fund for the period August 31, 1984 to September 30, 1990, (2) determine the adequacy of the system of internal accounting controls over the counterpart fund, and (3) determine the nature and extent of compliance with applicable laws and regulations.

Overall, the non-Federal audit reported that the performance of the counterpart fund in providing resources to the agricultural projects had been poor due to a number of reasons including (1) serious internal control weaknesses in the Secretariat accounting system, (2) lack of independence and integrity of the Secretariat, and (3) inadequate financial monitoring and evaluation of the projects by the Secretariat and by the USAID itself. Notably, the auditors issued a heavily qualified opinion on the counterpart fund Expenditure Summary, concluding that the Summary was understated by \$1.1 million (FCFA 333.5 million), and questioning \$5.1 of the \$33.1 million in local currencies spent--that is almost one sixth of the counterpart funds spent--due to an almost complete lack of supporting documentation for these expenditures. In addition, the auditors rendered an adverse opinion on Secretariat internal controls, concluding that controls were not adequate to ensure the proper and accurate recording of expenses.

The Mission was generally in agreement with the financial and internal control recommendations made by the auditors, except in certain minor cases where the auditor subsequently made changes or alternatively noted Mission comments in the final report. The Mission agreed with questioning \$5.1 million in counterpart fund expenditures and took immediate steps upon receipt of the draft audit both to reconcile the reported understatement and to inform host government ministries concerned with ASDG counterpart funds about the audit recommendation questioning this large sum. The Mission noted, however, that host government officials indicated they were confident that documentation for a significant portion of the \$5.1 million could be found.

RIG/A/D agrees wholeheartedly with questioning these expenditures and recognizes that the host government may in fact come up with some of the required supporting documentation. (For example, in a recent NFA audit of another project in Niger for which the Secretariat also managed funds, \$268,300 in costs were questioned but only \$49,266 ultimately sustained). We are, of course, concerned about questioning costs of this magnitude and recognize that some expenditures under the grant were made as early as 1985 and that about half of the 40 or so agriculture projects which received funds under the grant have since closed. Nevertheless, the deficiencies observed in this grant have been apparent for a number of years--and led to RIG/A/D's original recommendation to withhold the final cash transfer payment and totally rehaul the Secretariat's administrative and financial controls.

We therefore in this transmittal memo have chosen not to reiterate the detailed internal control recommendations contained in the present audit, as the Mission is in the process of restructuring the Secretariat according to RIG/A/D's more general internal control recommendations contained in the May 1990 performance audit. As we believe the original internal control recommendations are still valid and the Mission has made progress in restructuring the Secretariat along these lines, we have instead chosen to emphasize and synthesize here only the financial recommendations of this report. We also noted that the ASDG agreement is unusually (and in my opinion commendably) explicit in the legitimacy of A.I.D. claiming refunds for such

unsupported expenditures. Per the grant agreement A.I.D. "...may require the Grantee to refund...in U.S. Dollars to A.I.D..." any disbursement not supported by valid documentation. We accordingly believe the Mission needs to vigorously pursue recoveries for all such undocumented costs.

Recommendation No. 1 We recommend that the Director, USAID/Niger ensure that the Secretariat Expenditure Summary is updated for the \$1.1 million (FCFA 333,533,266) by which it was understated.

Recommendation No. 2 We recommend that the Director, USAID/Niger:

- 2.1** question costs totalling FCFA 1.5 billion (\$5.1 million) and require that the Government of Niger reimburse USAID for expenditures determined to be unsupported or unallowable (Unsupported costs equal \$5,042,691 and disallowed costs equal \$34,562, for a total of \$5,077,253 in questioned costs); and
- 2.2** should the Government of Niger not make restitution for questioned costs determined to be unsupported or unallowable, then the Director, USAID/Niger should deduct and then deobligate such amounts from the sixth and final cash transfer disbursement under the Agriculture Sector Development Grant.

Please advise within 30 days of actions planned or taken by the Mission to implement the above recommendation. I appreciate both the cooperation and courtesy extended to the non-Federal auditors, and the firm support the Mission has shown for requiring an accounting for these grant funds.

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NON-FEDERAL FINANCIAL AND COMPLIANCE AUDIT

FOR THE PERIOD 31st AUGUST 1984 TO 30th SEPTEMBER 1990

 **Peat, Marwick, Mitchell & Co.**

Banjul, The Gambia
Chartered Accountants and Business Consultants

AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

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1. ACRONYMS

US	United States of America
GON	Government of Niger
RON	Republic of Niger
AID	Agency for International Development
USAID	United States Agency for International Development for Niger (the overseas office of AID responsible for Niger)
MOP	Ministry of Planning (Ministrere du Plan)
SCG	Secretariat Des Comites de Gestion (Secretariat of the Management Committee, also known as the "Executive Secretariat" or 'Secretariat')
MC	Management Committee
ASDG	Agricultural Sector Development Grant
ASDG II	Agricultural Sector Development Grant II (the sequel to ASDG)
RSDG	Rural Sector Development Grant
HSSP	Health Sector Support Program
CF	Counterpart Fund (also known as the Special Local Currency Account).
SDP	Sahel Development Program
ESF	Economic Support Funds
DFA	Development Fund for Africa
RIG/A/D	Regional Inspector General for Audit, Dakar
HQ	Head Quarters
TAT	Technical Assistance Team
FAMU	Financial Accounting and Monitoring Unit
PAAD	Project Assistance Approval Document

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1. ACRONYMS (continued)

PIL	Program Implementation Letter
ADO	Agricultural Development Office
OP	Order of Payment (Ordre de Paiement) (term also covers the Ordre de Virement which is a payment order for a supplier)
SEDES	Societe D'Etudes pour le Developpement Economique et Social
PAIPCE	Programme d'Appui aux Initiatives Privees et a la Creation d'Emplois (part of MOP)
PVO	Private Voluntary Organisation
PD	Project Director
IA	Internal Auditor (FAMU)
FC	Financial Controller (FAMU)

Documents for the proposed FAMU procedures:

DAH	Disbursement Approval Header
POAH	Purchase Order Approval Header
SWF	Salaries and Wages Form
OPCF	Other Personnel Costs Form
AAF	Advance Approval Form
PML	Project Materials Log
PFAL	Project Fixed Assets Log
PEJ	Project Expenditure Journal
PER	Project Expenditure Report
ASL	Authorised Signatory Log
PCB	Project Cash book

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2. INTRODUCTION

2.1 Background

The Agricultural Sector Development Grant Program (ASDG), signed on August 31, 1984, was considered to be one of the best conceived and designed programs undertaken by USAID. During the economic difficulties faced by the Government of Niger (GON) in 1983-84 the ASDG formed an important component of the GON structural adjustment and stabilisation efforts together with IMF and World Bank.

The ASDG has two qualification components for disbursements:

- i) each tranche of funding is dependent of the GON fulfilling certain conditions precedent with regard to policy reform (see 2.3).
- ii) this funding is used for selected projects which complement the policy reforms made (see Appendix D for details of projects undertaken).

Once the conditions precedent in i) are met to the mutual satisfaction of USAID and the GON, then the relevant tranches of funds are disbursed in US \$, then converted into local currency and transferred into a Counterpart Fund (CF) (see 2.4).

2.2 Policy Reforms

The policy reforms component was to contribute to the overall structural adjustment effort in Niger. Accordingly, the ASDG aimed at assisting the GON in:

- i) reducing the GON budget burden via decreasing input subsidies and grain marketing.
- ii) increasing the efficient allocation of resources and functioning of the agricultural sector markets via promoting a market-oriented environment with more participation from the cooperative/private sector.
- iii) maintaining existing investment activities and raising the level of the agricultural absorptive capacity through the ASDG funded projects.
- iv) increasing foreign exchange availability to allow the import of essential goods without further worsening the balance of payments deficit.

- v) raising the level and efficiency of agricultural production by increasing inputs to farmers, private sector participation; and effectiveness of projects in the agricultural sector.

2.3 Conditions precedent

The GON, before the tranche is approved, must action a number of requirements, per the ASDG Agreement, to:

- (a) Reorient the agricultural input supply subsidy policy and restructure the official inputs supply agency in order to make more agricultural inputs available to farmers at prices which reflect real economic benefits to the agriculture sector;
- (b) Promote competition in grain marketing through the liberalisation of official marketing and pricing policies, and thus consequently reduce the operational losses of the official grain marketing agency, and increase the relative share of agricultural outputs marketed by cooperatives and private traders.
- (c) Undertake a study of Niger's agricultural credit system, particularly the informal credit market, in order to formulate appropriate policies to promote the development of effective rural financial markets.
- (d) Promote border trade of livestock, cowpeas, and other agricultural products through reduction of administrative and fiscal impediments.
- (e) Promote increased cooperative and private trade of livestock, cowpeas and other agricultural products, and internal grain marketing and storage. Pilot projects which may be financed under this criterion may include, but are not necessarily limited to, programs aimed at increasing more private and cooperative sector involvement in agricultural and livestock development, such as training and retaining programs to strengthen individual cooperatives and the Office of Private Enterprise Promotion.

Details of the ASDG Agreement conditions precedent are given in Appendix H.

The resultant tranche disbursements may be used for the:

- i) Financing recurrent costs of ongoing USAID-financed projects, primarily agriculture and livestock, projects or activities, which contribute to production and income generations. These projects should have infrastructure, staff, and technical requirements in place.

- ii) Financing recurrent costs for agricultural and livestock development projects which are closely related to, or complementary to USAID-financed projects, but whose capital and non-recurrent costs are financed by other donors. The funds should contribute to the recurrent costs supported by the Government through the National Investment Fund.

2.4. Counterpart Fund (CF)

The CF is managed by L'Ordinateur Delege (deputy official of Investment Funds) at the Ministry of Planning (MOP) to which funding requests are sent.

A Management Committee (MC) comprising representatives from USAID and the Ministries of Planning, Agricultural and Environment, Annual Resources, Finance and Commerce, Industry and Handicraft, is responsible for reviewing and recommending projects for funding.

Assisting the MC is the SCG (Secretariat to the MC) whose function is to administer and monitor the accounting and financial operations for approved projects. In addition, they provide pre-screening for project funding proposals to ensure compliance with ASDG policy reforms. The SCG also administers the Health Sector Support Grant. See Appendices F and G.

Technical evaluation and monitoring of projects is carried out by the Technical Assistance Team (TAT).

Projects are approved according to specific technical criteria as well as three principal criteria.

1. Maximum growth in incomes, fiscal revenues and foreign exchange proceeds.
2. Non-excessive recurrent costs in the near future.
3. Gains from jointly funded projects are in excess of those from new potential projects.

2.5 Decertification of the SCG

The Regional Inspector General for Audit, Dakar, (RIG/A/D), reported on December 20, 1989 that the SCG did not have a system of accounts which permitted adequate identification and control over the ASDG CF. As such the SCG was decertified under S.121(d) of the Foreign Assistance Act. This section requires that USAID must periodically determine whether foreign government entities receiving Sahel Development Program (SDP) funds (the ASDG includes SDP funding - see Appendix B) meet certain accounting requirements.

Under this decertification, no further tranches, (that is, the sixth and final tranche of the ASDG) can be transferred to the GON under the ASDG or the HSSP until the administrative and financial weaknesses identified are corrected and recertification is completed.

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3. AUDIT SCOPE AND OBJECTIVES

This financial and compliance audit of the ASDG follows the USAID response to certain recommendations in the RIG/A/D audit report of May 4, 1990, namely:

Recommendation No. 1

- the institution of administrative and financial controls over Secretariat operations;
- the development, and approval by the host government, of a detailed Secretariat procedures manual acceptable to AID that would set forth detailed job descriptions and chains of command and would give the Secretariat administrator effective control over its operations;

Recommendation No. 2

- the Secretariat should periodically compare actual project expenditures to approved project budgets for all active projects and forward the comparisons to USAID;
- the Secretariat should routinely obtain individual project bank statements, and currently, in consultation with the Mission, should reconcile and close accounts for all terminated projects and deposit all unused funds into the Special Local Currency Account;
- the Secretariat should in consultation with the Mission set up a workplan for periodic project site visits, in order to perform test checks on expenditures and use of project funds, and to conclude on the progress of projects in meeting their objectives;
- the Secretariat in consultation with the Mission Controller's Office should set up an audit plan to comply with Project Implementation Letter requirements for periodic audit.

Recommendation No. 3

- that a financial audit be performed on the Secretariat's use of Counterpart Funds for operations.

RIG/A/D conducted a performance audit of the ASDG which included:

- review of monitoring of projects financed by the grant local currencies (Counterpart Funds);
- audit of the use of Counterpart Funds for SCG operations;
- review of compliance with the grant agreement provisions regarding cash transfers;
- determining the extent to which USAID is measuring the impact of the grant;
- determining whether the institutional building element of the grant needs to be strengthened;
- ascertaining whether USAID Trust Funds were being used as required;
- review of local expenditures and billings made by technical assistance contractors

As such, the extent of the poor management of CF projects identified by RIG/A/D was not determined, nor the audit work necessary to render an opinion on the CF Expenditure Summary (see Appendix A).

As part of this process we have performed a financial and compliance audit of the ASDG Counterpart Fund, the objectives of which are:

- to determine the reasonableness and allowability of expenditure charged to the ASDG Counterpart Fund for the projects approved between 31st August, 1984 and 30th September, 1990. That is, to form an opinion as to whether the Expenditure Summary for this period, produced by the SCG, from and in accordance with their accounting records, gives a fair presentation of the amounts expended under the projects forming the Counterpart Fund in the period.
- to determine the adequacy of the system of internal accounting controls as regards the operation and financial management of the Counterpart Fund and the SCG.
- to determine the nature and extent of compliance with applicable laws and regulations governing the Counterpart Fund, including terms and conditions of the Grant Agreement.

In addition, the Mission requested that we examine and assess the structure, policies, procedures and viability of the SCG including determination of an adequate organisational structure and operating procedures, taking into account any changes made by GON. The results of this assessment are contained in Appendices P to S.

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4. EXECUTIVE SUMMARY

The ASDG was a very timely and necessary intervention, forming an important part of the stabilisation efforts initiated by the IMF and World Bank.

This translated as being the implementation by the GON of substantial specific policy reforms in the agricultural sector as designed and monitored, primarily, by technical assistance financed under the ASDG.

In this respect the ASDG has been successful with the GON fulfilling the policy reform requirements in accordance with the Grant Agreement with USAID. This has resulted from a willingness and sincerity of the GON to undertake the major policy reforms proposed.

The secondary component of the ASDG is the deployment of the funds released in response to the satisfactory implementation of appropriate policy reforms to projects which support the reforms.

However, this subsequent use of funds may be incompatible with the primary objective of policy reform, for which the funds are the incentive to actually implement such reforms. As such, the GON may believe they have entitlement to at least a proportion of the funds. In fact it has been noted (see Section 8.1) that the MOP considers the CF to be a source of budgetary resources without any direct link to ASDG policy conditions.

Notwithstanding this point, the performance of the CF in resourcing projects has been poor due to:

- a. inadequate linkage of projects to policy reforms through the objectives specified in the Grant Agreement.
- b. inadequate specifications screening and approval proposals leading to a failure to create a framework sufficient for project monitoring and evaluation.
- c. inadequate specification of the financial reporting system, together with related responsibilities and powers, by USAID (via the PILs) in order to implement the reporting requirements as detailed in the Grant Agreement.
- d. serious internal control weaknesses in the SCG accounting system leading us to issue a qualified audit report.

- e. lack of effective power, independence and integrity of the SCG.
- f. inadequate financial monitoring and evaluation by the SCG of projects and general lack of communication with the projects.
- g. inaccurate financial monitoring procedures at USAID and lack of communication with the SCG.
- h. restrictions on the release by the Treasury and certain banks of funds related to approved orders of payment.
- i. in general, poor financial management by the projects themselves.
- j. lack of effective action by the MC.
- k. Inadequate communication between the MC and SCG, including the MOP in respect of not passing on some PVO project expense reports for recording at the SCG.

The above weaknesses do not stop the funding of effective, well-designed and implemented projects. Without adequate approval, recording, monitoring and evaluation procedures, however, these projects may not be identified, as well as those that are indifferent or ineffective projects.

Thus, inevitably, the ASDG final evaluation concluded "the record [of the CF] is mixed but the fund has funded some good projects as well as some indifferent ones. At the same time the CF filled an important role as it funded the local cost component of many USAID projects as well as projects run by US PVOs".

Overall, the ASDG was pronounced as a success by the evaluation and as a "superior deployment of USAID resources". This conclusion was on the basis that the ASDG brought the requisite policy reforms and the projects funded through the CF were of the same average impact as other USAID projects.

It is not the purpose of this report to determine the success of the ASDG as a whole. However, it should be pointed out that the weaknesses identified by us above preclude an effective financial evaluation of CF projects.

Our recommendations in response to these findings are in the form of scenarios which depend on the initial course of action decided upon by USAID.

We discuss the overall viability of the SCG and recommended future options in Appendix S.

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5. AUDITORS' OPINION ON EXPENDITURE SUMMARY

We have examined the Expenditure Summary of the Agricultural Sector Development Grant (ASDG) Counterpart Fund in Niger for the period 31st August, 1984 to 30th September, 1990 (Appendix A).

We conducted our audit in accordance with generally accepted US Government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounting for this expenditure is free from material misstatement. An audit includes the examining on a test basis, evidence supporting the items and disclosures comprising the amount subjected to audit. We believe that our audit provides a reasonable basis for our opinion.

1. As stated in Finding 9.9 and detailed in Appendix J we were unable to obtain adequate documentation in respect of expenditure amounting to FCFA 1,523,175,803. Accordingly, we were unable to verify this amount.
2. As given in Finding 9.4 expenditure amounting to FCFA 333,533,266 has not been recorded by the SCG. As such, the Expenditure Summary is understated by this amount.

In our opinion, subject to the matters referred to in paragraph 1. above, and except for the matters referred to in paragraph 2. above, the Expenditure Summary (Appendix A) fairly presents the amounts expended under the Agricultural Sector Development Grant (ASDG) Counterpart Fund in Niger for the period 31st August, 1984 to 30th September, 1990.

This report is intended solely for the United States Agency for International Development, Niger. This restriction is not intended to limit the distribution of this report which upon acceptance by the Office of the Regional Inspector General for Audit, Dakar, is a matter of public record.

Peat, Marwick, Mitchell & Co.
PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants,
Banjul.

Date: 23rd April 1991

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6. AUDITORS' OPINION ON INTERNAL ACCOUNTING CONTROLS

We have examined the Expenditure Summary of the Agricultural Sector Development Grant (ASDG) Counterpart Fund in Niger for the period 31st August, 1984 to 30th September, 1990 (Appendix A).

We conducted our audit in accordance with generally accepted US Government auditing standards. As part of our examination of the Expenditure Summary, we made a study and evaluation of the system of accounting controls, classifying the relevant significant internal control policies and procedures under the following categories:

- Purchasing and receiving of project goods and services
- Disbursements from and receipts into the Counterpart Fund
- Property and equipment

Our review of the internal accounting controls was made primarily to enable us to express an opinion on the Expenditure Summary and could not be expected to disclose all material weaknesses in the system. The Government of Niger, through the Management Committee and the SCG, is responsible for establishing and maintaining a system of internal accounting controls. Due to inherent limitations in any system of internal accounting controls, errors or irregularities may occur and not be detected. The objectives of such a system are to:

- ensure transactions are executed in accordance with proper authorisations and are recorded properly to permit the preparation of accurate Expenditure Summaries.
- provide management with reasonable, but not absolute, assurance that all goods, plant and equipment are safeguarded against loss unauthorised use or disposition.
- confirm adherence to approved policy, objectives, regulations and Grant Agreement requirements.

The results of our study and evaluation disclosed serious weaknesses by the SCG and the Management Committee in ensuring that an adequate system of internal accounting controls was established and maintained for the purpose of preparing accurate Expenditure Summaries. These weaknesses are described in detail in Section 9 of this report.

In our opinion, for the records and transactions examined by us, the system of internal accounting control of the Agricultural Sector Development Grant (ASDG) Counterpart Fund in Niger in effect for the period 31st August, 1984 to 30th September, 1990 was not adequate to ensure the proper and accurate recording of the Expense Summary for that period.

This report is intended solely for the United States Agency for International Development, Niger. This restriction is not intended to limit the distribution of this report which upon acceptance by the Office of the Regional Inspector General for Audit, Dakar, is a matter of public record.

Paul Marwick Mitchell
PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants,
Banjul.

Date: *23rd April 1991*

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7. AUDITORS' OPINION ON COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the Expenditure Summary of the Agricultural Sector Development Grant (ASDG) Counterpart Fund in Niger for the period 31st August, 1984 to 30th September, 1990 (Appendix A).

We conducted our audit in accordance with generally accepted US Government auditing standards. Our examination included tests of compliance with applicable laws, regulations and other requirements, including the ASDG Agreement.

The United States Agency for International Development (USAID), Niger and the Government of Niger, through the Management Committee and the SCG, are responsible for complying with all applicable laws, regulations and requirements. In connection with the examination referred to above, we tested transactions and records to examine such compliance, the non compliance of which would have a material effect on the Expenditure Summary (Appendix A). We believe that the examination performed provides a reasonable basis for our opinion.

The results of our audit tests, detailed in Section 9 of this report, disclosed that the United States Agency for International Development (USAID), Niger and the Government of Niger, through the Management Committee and the SCG, complied in all material respects with applicable laws, regulations and other requirements. With respect to items not tested, nothing came to our attention that caused us to believe that USAID, Niger and the GON, through the Management Committee and the SCG, had not complied, in all material respects, with the provisions as referred to above.

We draw your attention to certain areas of non compliance which are detailed in Findings 9.1 and 9.9.

This report is intended solely for the United States Agency for International Development, Niger. This restriction is not intended to limit the distribution of this report which upon acceptance by the Office of the Regional Inspector General for Audit, Dakar, is a matter of public record.

Paul Kenneth Mitchell
PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants,
Banjul.

Date: 23rd April 1991

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8. SUMMARY OF PAST FINDINGS

The ASDG has been subject to a number of appraisals (see Appendix I for detailed findings for individual projects). The resultant findings in relation to the CF are listed below in brief:

8.1 Final Evaluation by Louis Berger International Inc. and General Mid-Term Evaluation by Development Assistance Corporation.

GENERAL

- MOP considers the CF to be a source of budgetary resources without any direct link to ASDG policy conditions.
- little link between the ASDG reform package and the projects financed.
- absence of quantitative bench marks of economic and financial viability in approving projects.
- no classification between recurrent and capital costs.
- little coordination with other donor development orientated projects - technical assistance is given by many donors to the same organisation without any real coordination.

SCG

- insufficient authority to maintain the level of discipline and professionalism required.
- SCG does not seem to operate under a specific set of rules so that it faces problems in asserting its authority.
- project pre-screening procedures are seldom followed, with little attempt to assure that projects conform to the ASDG policy package.
- technical and financial monitoring of projects is neither complete nor systematic.
- Support provided by the TAT to the SCG is minimal.

- lack of financial information on the projects blocks effective monitoring and evaluation of operations, including budgetary control.
- lack of systematised procedures and no budgetary control.
- the SCG has become more an instrument for funding projects and programs outside the investment budget than an agency to implement the whole ASDG program.

8.2 Regional Inspector General for Audit, Daker (RIG/A/D)

GENERAL

- only 6 projects audited by the host government.
- project funds not being separated from government funds causing accountability to be lost.
- projects avoiding government contracting procedures by multiple purchasing under the limit set.
- no assurance that the projects were achieving their objectives or that funds were not being misused.
- funds were not transferred to a bank as required by the Grant Agreement, but to a Treasury account, causing a loss of interest of \$403,000 for the ASDG and HSSP.
- a delay in the conversion of the second tranche to FCFA resulting in a \$300,000 exchange rate loss and \$20,041 in lost interest.
- University of Michigan had not developed an institutional building strategy for the policy analysis unit as required under the technical assistance contract.
- USAID was improperly using ASDG Trust Funds for general operating costs and funding of the translation unit.
- project bank statements have not been sent to USAID by the projects as required by PIL No.8
- in respect of the five seed projects in 1985-86, while the projects did purchase and distribute seed, the revolving funds, to assure the continuing availability of seed, were complete failures. Seed stocks were distributed for free and confused with other operations. With the later CB-5 Seed project, a total of \$10m was spent on 6 largely unsuccessful seed projects.
- approval of continued funding of a project (PUSF) that had not achieved its primary objectives, was plagued by lax accounting and poor financial management.

SCG

- USAID did not require the SCG to systematically monitor CF projects.
- SCG wasted and misused CFs authorized for SCG operations, including; funds spent on items inappropriate for office operations; items purchased at inflated costs; thefts; gasoline and project vehicles being used for non ASDG purposes.
- poor management of CF projects through lack of financial review and monitoring. In particular the SCG did not:
 - compare actual project expenses to approved project budgets;
 - obtain and review individual project bank statements;
 - perform test checking of expenditures and end-use of project funds;
 - always obtain and maintain supporting documentation for project expenditures and advances;
 - have audits performed on projects as required.
- lack of control over personnel attendance.
- lack of control over SCG fixed assets.
- failure to perform test checks on expenditure and carry out field visits.
- incomplete documentation obtained and held at the SCG.
- staff appointments were mostly political creating a lack of discipline and performance.
- lack of detailed written procedure for office operations or employee responsibilities.
- major shortcomings in the SCG automated accounting system.

AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

NON-FEDERAL FINANCIAL AND COMPLIANCE AUDIT
FOR THE PERIOD 31ST AUGUST, 1984 TO 30TH SEPTEMBER, 1990

9. FINDINGS AND RECOMMENDATIONS

9.1 Selection and approval of CF projects

Selection process and criteria

Section 5.3 of the Grant Agreement states the local currency deposited in the special local currency account, otherwise known as Counterpart Funds (CFs), should be used only to finance the following in order of priority:

1. projects contributing to the implementation of the policy changes proposed under the Grant Agreement.
2. recurrent or local costs of USAID financed agricultural or livestock projects.
3. recurrent or local costs of other donor financed agricultural or livestock projects or activities which complement or supplement USAID projects.
4. extension or continuations of activities or projects contributing to the rapid increase in the productivity and income of the rural population.

PIL No.8 also gives a number of criteria in relation to the policy reforms and the financing of recurrent costs of ongoing USAID financed agriculture and livestock projects or activities, or those closely related to such projects but whose capital and non recurrent costs are financed by other donors.

Priority is given to projects which provide direct benefits to large numbers of rural poor in relation to the total cost of the project specifically as income generation for rural families, food self sufficiency, foreign exchange earnings; broadening the tax base; reduction of recurrent costs; closer linkage with policy reforms.

In addition, Article 1.C.(2) of the Grant Agreement lists three general criteria for project selection under CFs:

- i) to maximise the likelihood of increasing income generating capacity, foreign exchange earnings and tax base.
- ii) not to create an excessive additional recurrent burden to the RON in the future.

- iii) there is reasonable assurance that the cost burden to the stream of benefits from recurrent cost financing is greater than using funds for new projects.

The above procedures have not, in general, been adhered to, in particular.

- A. There was no standard framework or list of criteria for appraising project proposals (see point D. below). Thus, the project objectives and goals have not been assessed in relation to the policy reforms instituted by the ASDG per 1. above, or fully in respect of 2. and 3. above as recurrent costs have not been adequately interpreted, defined and communicated.

A report detailing a system of criteria and assessment necessary for project appraisal was implemented in January, 1990, after the vast majority of projects had been approved. However, the type and amount of the required information is such that the system may be impractical, or at best not fully effective.

- B. The SCG has not fulfilled its responsibility to screen project proposals before assessment by the MC to ensure objectives are clearly defined in relation to the above priorities and criteria.
- C. PIL No.8 states that a broad definition of recurrent costs should apply, covering general administrative and overhead non-capital costs. However, we noted a number of capital items being purchased under most projects including vehicles, equipment and buildings (for example, guest houses).
- D. PIL No.8 states that proposals should be submitted per a given format. This requests basic information which does not allow a full appraisal in accordance with the above criteria. It also details standard wording on recurrent costs which the proposer should include. As such, this wording will be included, whether true or not, because the proposer knows that if it is not included the project will not be accepted.
- E. The project proposal format does not specify how the project objectives relate to those of the ASDG, or how they are to be attained. Thus, determination of the project effectiveness and achievement of appropriate goals cannot commence until a framework is established to define the objectives in relation to the ASDG, define performance indicators and how they are to be measured, and the relevant targets to be met.

In addition, SCG reporting structure does not allow assessment on a project level due to the lack of relevant information produced (see Finding 9.2).

Objectivity of the Management Committee (MC)

Project proposals are approved by the Management Committee (MC) consisting of representatives from six Ministries (Planning, Commerce and Transport, Animal Resources, Agriculture, Finance, Environment and Hydrology) and USAID (Agricultural Development Office (ADO) representative). A unanimous decision is required.

Since the Chairman of the MC is selected from the MOP and the majority of members are from various Ministries, some of which will have submitted project proposals, inevitably pressure will be exerted by the MOP or other Ministry through the MC, on the selection of projects. This is especially true given the lack of screening by the SCG of project proposals and inadequate assessment criteria, as detailed above.

Recommendation

The approval process must be objective. The SCG should combine with technical personnel to form a Screening Committee such that project proposals are only approved and passed onto the MC if, and only if,:

- a. a standard chart of accounts for expenditure categories is set up such that the set of account codes is applicable to all projects. The project proposal to be approved details budgeted amounts per these account codes. On approval the actual expenditure can be monitored against budgeted amount for each code as part of the budgetary control system.

The standard expenditure categories should be defined and agreed upon on the basis of recurrent and non recurrent costs.

- b. the project's goals are in accordance with the ASDG, prioritised objectives and criteria as detailed by the project on the proposal submitted.
- c. the projects objectives and performance can be adequately measured by information submitted to the SCG, including targets, methods of measuring targets and collecting the appropriate information.

Standard performance indicators should be determined and agreed upon. This process should be undertaken with technical personnel in order to ensure the financial information satisfies their needs for project appraisal.

- d. standard minimum financial criteria may be set depending on the related ASDG objective being met to increase accountability and objectivity of the Screening Committee.

The setting up of FAMU and the Screening Committee as detailed on Appendices Q & S.

Management comments

The Mission was in agreement with the finding and will ensure that selection criteria as shown in the Grant Agreement are followed in future.

9.2 Responsibilities and authority of the SCGReporting requirements

Under Section 6.6 (B) of the Grant Agreement, the Republic of Niger (RON) as grantee, is required to maintain records adequate to show the receipt and use of goods and services acquired under the Grant, as well as the overall progress of the ASDG towards completion; basis of award of contracts and orders, nature and extent of tendering and ordering of required goods and services.

In addition, it is the responsibility of the RON that such records be regularly audited.

These duties have been delegated to the MOP through the SCG per Article 2.A(2)(a). The Management Committee (MC), which has representatives from the six ministries involved (Planning; Agriculture; Animal Resources and Transport; Hydrology and Environment; Finance) and USAID, is responsible for managing the CF.

These requirements in their entirety have not been addressed or fulfilled by the SCG.

The only action taken by SCG has been to record the disbursements per project, producing a monthly report detailing total disbursements to date by project together with budgeted and authorised amounts.

No PIL has been forthcoming to specifically detail SCG responsibilities and procedures in relation to the above. PIL No.8 Annex C simply requires a journal to be kept to record project disbursements (equivalent to the SCG Treasury cash book) and a journal to record individual project disbursements (that is, the ledger cards by project). As such, the SCG has fulfilled this PIL requirement as issued by USAID.

The PAAD simply states that the SCG will be responsible for reports on the local currency allocation and management, which would include annual audits, and also that technical assistance in the form of financial management and accounting will be provided to ensure proper record and book keeping.

A subsequent PAAD amendment expands on the reporting responsibilities of the SCG to regular reports on allocation and expenditure of funds and assisting in the annual audit.

Authority and independence of the SCG

The authority and powers necessary for the SCG to function effectively have not been specified by the Grant agreement, PILs or PAAD.

Appendix E shows that all but six of the projects are under GON Ministry control. This inevitably affects the effectiveness of the SCG since non approval of project invoices (for example, as a result of inflated prices) may result in Ministerial pressure on the SCG personnel, either directly by the MOP or through the MOP by other Ministries. This is especially relevant given the political nature of the appointments for the SCG and the oversight of the MOP on the SCG through the above relationship.

Thus, the control by the SCG to ensure project costs are bona fide, reasonable and allowable is not operating effectively due to this weakness in its authority and independence.

Recommendation

- a. SCG/FAMU authority, procedures, duties and reporting requirements must be detailed in full in the Grant agreement, PIL or PAAD, as well as be adequate to fulfil the responsibilities stated in these documents.
- b. The SCG/FAMU should operate with independence from the GON to ensure adequate authority. That is, be under the auspices of USAID. Appointments should be made based solely on ability, qualifications and experience in relation to the requirements of the position, as well as an absence of connections with relevant GON personnel.

Detailed procedures are given in Appendix S.

Management comments

The Mission were not in entire agreement with the recommendation that SCG/FAMU procedures be detailed in official documents such as PILs or PAADs. Rather, the responsibilities addressed in this finding are contained in a recent legal proclamation outlining the responsibilities of the new SCG Administrator and in the scope of work for a local accountancy firm contracted to work with the SCG.

With regard to recommendation b., the Mission has ensured that a competitive selection process was used to recruit the new SCG Administrator and will ensure that other staff are so selected.

9.3 Project reporting

Project HQ Visits

Six projects accounted for through the SCG remained in operation at the date of our audit work, having Head Quarters (HQs) in Niamey to record expenditure. We found on our visits to these projects the following exceptions:

1. One project denied responsibility for accounting for disbursements, stating that this function should be solely carried out by the SCG.
2. Discrepancies between the project's record of total disbursements to 30th September 1990 and the SCG's records for all projects due to inadequate communication between the two. In particular, there were no visits by the SCG to reconcile the two sets of books or adequate monthly reports by which the project could perform the reconciliation.

The discrepancies, which could not be explained, are listed in Appendix K and represent 0.1% to 0.5% of total disbursements. They are due, in part, to the fact that all projects visited recorded disbursements on sending of the invoice and supporting documentation to the SCG, whereas the SCG records the disbursements after approval from the L'Ordinateur Delege at the MOP. See Appendix K for details.

3. No specific recording of inventory to monitor usage or perform verification procedures to ensure safeguarding of assets.
4. Varying degrees of financial and technical evaluation of projects by the project HQs. Financial evaluation is limited to recording and review of disbursements by expenditure category as against budget. As these categories often are not specific and/or encompass a wide range of costs (e.g. vehicle maintenance) this monitoring can only be carried out on a general level.

As such, there is inadequate analysis control over project costs by the project. For example, fuel usage for the PUSF project per vehicle per month varied from 383 litres in 1990 to 1,853 in 1986.

5. No specific recording or monitoring of fixed assets to ensure safeguarding of assets, via verification, and to ensure proper usage. In addition, there was no evidence of proper authorisation by USAID of fixed asset disposals prior to the completion of the project.
6. No reconciliations have been performed by the SCG between their books and the project books. Indeed, visits to projects HQs and sites have been rare with no real audit function being undertaken.

Under AID handbook 13 page 1-20 1L, the recipient should provide a financial management system to ensure:

- a. accurate, current and complete disclosure for each AID sponsor project or program.
- b. records that identify adequately the source and application of funds for AID sponsored activities.
- c. effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and shall ensure they are solely for authorized purposes.
- d. comparison of actual outlays with budget amounts. Financial information should be related to performance and unit cost data whenever appropriate.
- e. procedures are established for determining the reasonableness, allowability and allocability of costs in accordance with the provisions of the Grant Agreement.
- f. accounting records are established and supported by documentation, that at a minimum will identify, segregate, accumulate and record all costs incurred, to disclose; (i) amount and disposition of the funds; (ii) total cost of the project; (iii) proportion of the cost of the project supplied by other sources of funds. Also such other records as will facilitate an effective audit.

Article 2.A.(4) the Grant Agreement states that the RON must ensure that recipients of CFs maintain sound records and books relating to transactions involving the CF. However, this general requirement does not specify the detailed points above.

The requirements may, at least in part, be considered under the responsibility of the SCG. As such, Finding 9.2 gives the requirements for reporting under the Grant Agreement. These satisfy a., b., e., f.(i) & (ii) above. However, we found that the SCG has been operating such that only b. and f.(i) have been performed effectively.

In summary, recipients and the SCG contravene the AID Handbook 13 requirements with the exception of b. and f.(i) above.

Disposal of project assets

Assets purchased by the project, for which CFs are provided, are owned by USAID, which has supplied the funding on behalf on the US Government.

At the end of the project all assets and operations are turned over to the GON. Thus, at this point the GON own the project assets.

As the assets are purchased specifically for project purposes, disposal of assets must be considered as due to exceptional circumstances. We understand that all disposals must have prior approval in writing by USAID, the proceeds notified to USAID and the SCG and used for subsequent project expenditures.

We found that in respect of the PUSF project 5 vehicles have been purchased in excess of its approved proposal number (see 9.9 e.3) and that a total of 8 vehicles have been sold.

We found no evidence of USAID authorisation for such disposals or that the proceeds were used for subsequent project expenditure.

Recommendation

- a. We propose that the SCG/FAMU take over the Grant Agreement and AID Handbook requirements to guarantee adequate financial management for all projects. This is further detailed in Appendices O, R and S.
- b. The policy and procedures for project disposals should be communicated to each project via inclusion in a financial procedures manual.
- c. Asset disposals should only be allowed in specified exceptional circumstances, for example if the nature of the project changes or of the asset becomes obsolete. Prior notification is then required which should detail cost, expected proceeds, method of sale, reason and be authorised by the SCG/FAMU (to ensure accurate financial information and recording) and USAID (to ensure sale is justified).
- d. Physical verification of assets should be performed by the SCG/FAMU Internal Auditor to ensure no unauthorised disposals (see Appendix R).

Management comments

The Mission agreed that guidance and procedures for adequate financial management and safeguarding of project property through to proper disposal should be provided to sub-projects. The Mission also noted that detailed administrative and accounting procedures and forms have been developed by the new SCG Administrator and forwarded for USAID review and comment. These appear to be well thought out, comprehensive and consistent with audit recommendations.

9.4 Verification of total ASDG expenditure

A. Ledger Cards

Appendix A shows the total reported expenditure under the ASDG from 31st August, 1984 to 30th September, 1990 as FCFA 9,937,064,324 which is taken from a computer summary produced by the SCG.

This expenditure is recorded onto the project ledger cards and input into the computer system (spreadsheet package) after the Order of Payment is returned: approved, from L'Ordinateur Délégué at the MOP.

Projects managed by CARE and AFRICARE agencies submit monthly reports of project expenditure and utilise ASDG funds from their own accounts. As such, Orders of Payment do not go through the SCG, which transfers the authorised project funds from the Treasury account to the agency's own appropriate bank accounts per project.

The ledger cards at the SCG have not been fully updated to 30th September, 1990 so that out of the applicable 30 projects, only half agree to the computer summary; one has no ledger card; four are in excess of the computer summary ranging from 0.5% to 6% in value (total value FCFA 22,191,120); 10 are below the computer summary ranging from 0.1% to 35% in value (total value FCFA 130,638,053).

This indicates that the ledger cards and/or computer summary total may be materially mis-stated given the nature and size of the discrepancies.

B. Reconciliation of ASDG expenditure

Appendix O details a reconciliation in order to verify the total ASDG expenditure per the computer summary.

Out of the ASDG funds made available by the release of the tranche plus interest received to 30th September 1990, disbursements have been made as follows:

- a. the USAID trust fund received 5% of the first 3 tranches and then 8% of tranche 4/5. This amount has been verified by us.

- b. the US\$ tranches are converted to FCFA and deposited into the Treasury 7402 account. Eleven projects receive funds directly from this account (on approval of the Order of Payment by the L'Ordinateur Delege at the MOP). The remaining projects have funds transferred from this account to other Treasury accounts or Bank accounts (see Appendix E). These two types of withdrawals are recorded by the SCG in a Treasury cash book.

For these eleven projects, the amount withdrawn from the Treasury 7402 account represents the actual expenditure per the Orders of Payment and has been verified by us by testing of the bank reconciliation between the SCG Treasury cash book and the Treasury statement at 30th September, 1990.

- c. The amount recorded in the Treasury cash book by the SCG for the remainder of projects represents the transferred amount, which may differ from actual expended amount by the project.

The total transfers can be verified by the bank reconciliation as per b. above and can be split into:

- i) actual expenditure (total expenditure per the computer summary less b.), and
- ii) amounts not spent at 30th September, 1990, the balance.

Thus, if the amount not spent can be verified (that is, ii). above) then the actual expenditure is known (i). above) and the total ASDG expenditure can be verified (see below).

- d. the balance of SCG Treasury cash book, that is the amount unexpended by the eleven projects in b. above or not transferred for the other projects. This has been verified by us per the bank reconciliation in b.above.
- e. Cost of a. above in the form of charges levied by the Treasury.

Appendix O shows that FCFA 2,088,350,000 remains at 30th September 1990 not expended by the projects not holding funds in the Treasury 7402 account, if the total expenditure of CFA 9,937,064,000 recorded by the SCG is accurate.

This amount represents the total of c. ii) above and can be verified by determining the total balance held by the Banks and Treasury for the appropriate project accounts. This is done in Appendix N which gives a value of FCFA 1,426,655,417 Thus, we have:

Total balance of non Treasury 7402 projects funds not expended per reconciliation on Appendix O	<u>FCFA</u> 2,088,350,000
Less: Total balance per Bank & Treasury statements per Appendix N	<u>(1,426,655,417)</u>
Difference	<u>661,694,583</u>

This difference can be explained as follows from results obtained other Findings (see references):

(i) Expenses not recorded by SCG on the computer summary:

	<u>FCFA</u>	<u>FCFA</u>
CARE (per Finding 9.10)	(202,590,895)	
AFRICARE (per finding 9.10)	(30,942,331)	
Appui A L'elev Inten sif (150,950,000 per bank less 50,950,000 recorded by SCG) see Finding 9.9 3.	<u>(100,000,000)</u>	(333,533,266)

(ii) Disbursement not affecting recorded expenditure:

Payment recorded in SCG Treasury 7402 account cash book not disbursed by Treasury (Finding 9.5)	<u>(191,033,986)</u>
Remaining difference	<u>(137,127,371)</u>
	<u>(661,694,583)</u>

This remaining difference represents 1.4% of total ASDG project expenses at 30th September, 1990 and represents:

- i) possible unrecorded expenses by the SCG, and/or
- ii) payments made by the Treasury or Bank for which no record was made by them (as in the case of the Treasury 7402 account - see Finding 9.5).

In summary, the total expenses per the SCG Expenditure Summary (see Appendix A) is understated by FCFA 333,533,226 and a possible additional amount up to a maximum of FCFA 137,121,371.

Recommendation

The Expenditure Summary (computer summary) be updated for the amounts detailed above by which it is understated. Reconciliations should be performed of all Treasury and bank accounts in respect of ASDG CF projects so that the FCFA 137,121,371 can be resolved.

Management comments

The Mission was in agreement that a major reconciliation effort needed to be undertaken and has already started work in this area. The Mission has provided a draft copy of the audit report to the SCG Administrator so that work could begin forthwith.

9.5 Treasury and Bank account reconciliations

By USAID

USAID reports to AID/W (AID in Washington) the month end balance on the 7402 Treasury account (which is the account the CFs from the tranches are paid into. It is also the account by which project disbursements are directly taken (for 11 projects) or funds transferred to other Treasury or Bank accounts for subsequent project disbursements) as a monitoring function, as detailed in their cash book for this account after reconciliation with the Treasury statement.

The cash book records:

- a. for projects disbursed directly from the Treasury 7402 account, the amount budgeted is recorded. This figure may be different from the authorised amount or the actual expenditure incurred on the project, but is done because USAID cannot rely on receiving all approved OPs from the SCG, as represented by the lack of communication between the two.

The Treasury however, records disbursements via approved OPs (i.e. actual expenditure).

- b. for projects which have funds transferred from the Treasury 7402 account to other accounts, from which disbursements are made, the authorised amount (i.e. the transferred amount) is recorded. The Treasury, too, records these transfers on its statement.

Thus, when the cash book is reconciled to the Treasury statement the reconciling items will represent the difference between budgeted amounts and actual expenditure for the projects in a. above.

This increases the time and effort in preparing the reconciliation each month and actually relies on the SCG recording of OPs in the form of the actual expenditure figures for such projects per b. above.

The last reconciliation was done in June, 1990 and so the balances reported to AID/W since that date have not been verified by the above procedure.

Additionally, the reconciliation for 30th June, 1990 was performed incorrectly. The cash book balance was taken at 30th September, 1989 together with interest received to 30th June, 1990. This ignored a number of withdrawals from the Treasury 7402 account as recorded in the cash book after 30th September, 1989 (but prior to 30th June, 1990).

These withdrawals included two transfers of FCFA 320,978,000 (Dev Activities Semencieres project) and FCFA 191,033,986 (Creation D'Emploi Maradi project) which did not appear as reconciling items on the USAID reconciliation because the Treasury did not record their withdrawal on the Treasury statement at 30th June, 1990. This was because one of these amounts had not been disbursed by the Treasury, even though the OPs had been approved by the MOP, while the other had been disbursed but not recorded as such by the Treasury.

There are also a number of other immaterial disbursements made but not recorded by the Treasury (see 'By the SCG' below) which this reconciliation method will not detect.

Thus, this error in the method of reconciliation does not highlight these withdrawals, one of which was not recorded by the Treasury, or other disbursements not recorded. This renders the reconciliation and the balance reported to AID/W meaningless.

The SCG reconciliation, which is submitted to USAID each month, did highlight these withdrawals and disbursements made not recorded by the Treasury. However, this reconciliation is not reviewed by USAID or, in turn, reconciled to their own balance.

By the SCG

Reconciliations for the Treasury (other than the Treasury 7402 account) and Bank accounts are not done by the SCG even though it has adequate information to do so if relevant statements are obtained from the Treasury or Bank concerned (we were able to obtain the necessary statements - see Finding 9.4 and Appendix N). The SCG states that this responsibility is held by the project themselves. We noted on our project HQ visits that these reconciliations, when done, were not in general satisfactory.

In respect of the SCG reconciliation of the Treasury 7402 account as at 30th September, 1990, we noted a large number of aged unresolved reconciling items. This increases the time and effort spent preparing the monthly reconciliation and increases the risk of misstatement of the SCG cash book balance.

There are a large number of approved OPs not recorded as disbursed on the Treasury statement, totalling FCFA 580,973,544. We found that, for all but one of the items tested, the money had actually been disbursed and as such, was the Treasury's error in not recording the monies paid.

However, for one approved OP, to the Creation D'emploi Maradi project (CARE), of FCFA 191,033,986 the SCG had recorded the disbursement for which no funds have been released from the Treasury to date. Thus, the SCG cash book balance at 30th September, 1990 is misstated by this amount.

However, the expenses per the Expenditure Summary (see Appendix A) do not include this amount as the SCG records the expenses from monthly reports received from CARE and not from approved OPs, which simply represent authorised transfers to a Bank account from the Treasury 7402 account.

Recommendation

- a. The SCG/FAMU takes over responsibility for recording and reporting Treasury and Bank account reconciliations and balances.
- b. The SCG/FAMU should ensure that the aged reconciling items, in respect of the Treasury 7402 account, are resolved with the Treasury and the balance of the 7402 account agreed.
- c. The SCG/FAMU should perform monthly reconciliations for all Treasury and bank accounts, obtaining copies of appropriate Treasury and Bank statements. These reconciliations and the resultant cash book balance should be agreed with the projects in respect of their individual accounts.

Management comments

In response to the difficulties recounted in reconciling Treasury, bank and subproject accounts, the Mission has noted that it had requested that the host government transfer all current and future GON-owned currency to a commercial bank account. This is in accordance with a recommendation made in an earlier RIG/A/D report. The Mission believed that this would provide the best possibility of receiving timely and accurate information, since the funds would be handled by a disinterested third party accustomed to accounting for money in a commercial environment, outside the control of the GON.

9.6 ASDG objectives and the release of CFs

Article 1.A. of the Grant Agreement states that the goal of the ASDG is to assist the RON to achieve its economic and financial stabilisation program currently in place under IMF auspices and to contribute to the goal of increasing food production and farmers' income.

The fourth amendment to the Grant Agreement adds that the ASDG will contribute towards structural adjustment objectives which minimise the adverse impacts of austerity and structural adjustment measures on agriculture/rural development programs.

Thus, for implementing agricultural policy reforms specified under the ASDG, the RON, instead of receiving IMF funds which have to be repaid with interest for similar reforms under a structural adjustment, receive the funds gratis. This is the inducement to make the policy reforms as specified as conditions precedent per the Grant Agreement.

These funds are then taken and employed on PVO and GON backed agricultural projects designed to support the policy reforms.

Therefore, the GON may feel, or tempted to feel, that they are entitled to at least a proportion of the funds as this is the carrot offered by the ASDG in order to implement its policy reforms.

Recommendation

To avoid possible future conflict between the attaining of funding and its subsequent deployment, we suggest the following:

- i) incorporate the policy reforms under IMF or World Bank requirements and assign the ASDG to coordinate and fund the sub-projects.
- ii) incorporate funding for policy reforms under the ASDG and assign sub-project funding and administration to other agencies.

Management Comments

The Mission stated that it makes an effort to coordinate activities with the World Bank, but at the current point in the project it is not viable to renegotiate the Grant Agreement in order to tie the release of funds to the requirements of other donors.

9.7 Effectiveness of the Management Committee (MC)

a. Minuting of project budget approvals

As part of the project approval process the funding for the project budget, as authorised by the MC, is minuted in writing.

Appendix M shows the exceptions for which the amount budgeted per project does not agree to the corresponding amount minuted, or that the approval was not minuted.

The approved budget was not minuted in writing for six projects whilst nine other projects had discrepancies between the SCG and the MC minutes.

We found no exceptions regarding the proper approval of the use of funds authorisation per project. However, this inadequate minuting of the authorisation of budgets increases the risk of inaccurate transfer of funds, as well as disbursements causing project expenditure to be in excess of the authorised budget.

Recommendation

MC approvals should be fully documented. The SCG representative on the MC should ensure projects receive authorisation by the MC and proper minuting of the budget amount.

Management comments

The Mission indicated that it will formally communicate to the Ministry of Plan that the approval of budgets by the MC should be carefully documented in the future.

b. MC action

The MC minutes detail some of the exceptions included in this report and other evaluations, including the following points made in 1985 and 1986:

- inadequate project reporting
- project expenditure not in accordance with the approved proposal or the Grant Agreement
- significant differences in price of similar goods paid by the projects.
- unnecessary equipment purchased by certain projects.

However, a decision on action to remedy these weaknesses was not minuted. Indeed, their continuation indicates that effective action was not taken by the MC itself.

Recommendation

On identification of weaknesses, solutions must be determined either by the MC itself by discussion, or by delegation to the SCG depending on the type (isolated or recurrent) and magnitude of the weakness.

The MC must implement action and monitor its results to avoid continuation/repetition of the problems encountered.

This function is taken up by the proposed FAMU (see Appendices Q & R).

Management Comments

The Mission stated that it believed that it had recognised the problems outlined in this finding, requested audits to assess the extent of the damage, de-certified the Project, insisted on significant staff and procedural changes and devoted significant staff resources to come to grips with the weaknesses identified.

Auditors' response

This finding concerns the MC itself and not the Mission directly and that, although the problems were identified early on in the Project, they continued throughout the Project indicating that effective action was not taken by the MC during the life of the Project.

9.8 Communication with the Ministry of Planning (MOP)

The MOP records expenditure/disbursements by project per the approved OP and files a copy of the OP. The costs are recorded under a mixture of individual projects and overall Grant headings, the captions varying from year to year. The MOP receives the monthly computer summary from the SCG but does not reconcile it to its own records of project expenditure/disbursements.

We found that the MOP figure for total ASDG project expenditures at 30th September, 1990 was FCFA 386,277,761 below that of the SCG. This discrepancy takes into account the difference in disbursements recorded by the SCG and the Treasury per the SCG bank reconciliation. This difference may be due to varying headings to which ASDG expenditure is recorded under by the MOP in the past, as we noted the year ended 30th September, 1990 to have only FCFA 3,046,477 discrepancy. Analysis of the discrepancy before this period is not possible due to the SCG not splitting the RSDG and ASDG expenditure components in previous years.

This lack of communication between the MOP and the SCG increases the risk of misstatement in recording ASDG project expenditures.

Recommendation

The SCG/FAMU should reconcile its records with those held at the MOP and agreement of the amount at 30th September, 1990 reached to enable subsequent monthly reconciliations to be performed.

Management Comments

The Mission commented that it was currently working with the SCG to reconcile all records, and would also enlist the assistance of the local accounting firm being hired to work with the SCG.

9.9 Exceptions to detailed testing and questioned costs

This finding lists exceptions found in our detailed testing and also questions a total of FCFA 1.5 billion in recorded Program expenditure, primarily as a result of inadequate supporting documentation. Appendix J gives a summary of the questioned costs by sub-project.

a. No employee approval of monies received

The project submits a list of employees to be paid (wages, salaries, travel allowances, per diems) as authorised by the Project Director (PD). On approval of the OP by the MOP and receipt of funds by the project, the recipients should sign a copy of the list as evidence of receipt and send this back to the SCG.

We found that, for a total of 206 such disbursements via OPs recorded, the list had not been returned to the SCG and, as such, we were unable to verify receipt of FCFA 386,276,510 (as detailed on Appendix J).

Recommendation

Costs totalling FCFA 386,276,510 should be questioned.

The SCG/FAMU should ensure that the list of employee disbursements should be submitted via a log held and recorded by the SCG and before the next disbursement is authorised. See Appendix S for further details.

b. Approval by the Project Director

Although we found that, for approved OPs, a Project Director (PD) stamp was used, the corresponding signature varied. The SCG relies on the stamp as the PD's signature is not known to the SCG. Thus, authorised project signatories are not used as a control in the authorisation of project disbursements.

This increases the risk of unauthorised disbursements and misappropriation.

Recommendation

Each project should submit to the SCG/FAMU a specimen of the PD's signature, or other authorised signatory(ies).

A log is then kept of all such signatures to enable quick reference as part of the approval process. The log is updated for changes in project authorised signatory personnel. See Appendix S for details of the Authorised Signatory Log (ASL).

c. Lack of supporting documentation for OPs

On submission of the OP to the MOP for approval the SCG should ensure that the relevant documentation is attached, is reasonable and consistent, and adequately supported by a proper authorised purchase order, employee disbursements list, delivery note and invoice, as appropriate.

We found that 14 disbursements totalling FCFA 80,573,550 had no documentation to support the approved OP filed at the SCG. This is detailed on Appendix J. This largely represents one disbursement to the Protection Des Vegetaux project for FCFA 55,000,000 for a plane purchased from Air Afrique but for which no PO, invoice, delivery note or similar documentation is available at SCG.

We also found:

- i) Seven disbursements, totalling FCFA 36,990,537, for which we could not verify receipt of goods at the project because of lack of a delivery note or other documentation filed with the approved OP at the SCG.
- ii) Twenty disbursements, totalling FCFA 92,382,988, which had no PO attached which increases the risk of misappropriation and/or non allowable project costs.

Reoommendation

A total of FCFA 80,573,550 in expenditure should be questioned.

The SCG/FAMU should ensure all appropriate supporting documentation is received from the project for the related disbursement before commencing the matching and checking process.

d. Lack of supporting documentation for advances

1. Certain projects are permitted to have disbursements based on a budget, estimate or advance approved by the PD, which is subsequently justified by the submission of supporting documentation (invoice, delivery note etc.) on receipt of the corresponding goods or services.

We found that a total of FCFA 460,662,317, representing 34 disbursements, as budgets, estimates or advances, had no supporting documentation (as detailed in Appendix J).

Recommendation

A total of FCFA 460,662,317 in unsupported costs should be questioned.

Disbursements on the basis of advances should be minimised or limited to only personnel costs. The SCG should ensure, via a log book, that corresponding actual invoices are received before further disbursements are made to the project.

2. The Prod Achat Semences AM project has made transfers to various districts whereby supporting documentation is returned to the project and the SCG to detail actual expenditures made. The SCG has not verified this subsequent actual expenditure as against the transfers made. We found the amount of supported actual costs, which we verified, to be in excess of the amount transferred.

Recommendation

The SCG/FAMU should ensure reconciliation of actual expenditures to transfers on a timely basis.

3. The Appui A L'Elev. Intensif project involves FCFA 500,000,000 held by a private bank to be disbursed as credit loans at their discretion on the basis of contracts submitted and approved. A total of FCFA 150,965,000 had been disbursed at 30th September, 1990. Repayments of the credit loan given commence one year later.

Also, suppliers can submit invoices directly to the bank for payment whereby these amounts are deducted from the total to be disbursed. To ensure the loans are being expended in accordance with the contracted purposes, site visits are made by the bank.

We found that;

- no repayments have been made despite some contracts being in excess of one year.
- one project for FCFA 3,500,000 had no corresponding contract held by the bank.
- one disbursements of FCFA 8,333,802 was in excess of the amount authorised by the contract of FCFA 7,500,000
- no evidence of site visits made by the bank.

Recommendation

The bank should ensure all disbursements have approved contracts and that disbursements are in accordance with the approved amounts. The bank must ensure that the use of the funds under the loans is proper and in accordance with the related contract per documented site visits. In addition, credit loans should be repaid per the contract terms.

1. Non allowable project expenditure

We noted that a total of FCFA 18,443,498 disbursements were of a non allowable nature as follows:

<u>Date</u>	<u>OP</u>	<u>Amount</u> <u>(FCFA)</u>	<u>Description of goods purchased</u>
1. <u>SCG</u>			
2.3.88	1008	624,800	320 airfreshners, 160 insecticides
31.8.88	4282	1,017,360	420 airfreshners, 216 insecticides
22.9.88	4658	1,448,000	household furniture, settees, kitchen sideboards
3.11.88	5477	2,967,840	864 airfreshners, 432 insecticides
19.7.89	3318	<u>2,016,790</u>	864 airfreshners, 432 insecticides
		8,074,790	
2. <u>PUSF</u>			
28.4.86	1708	2,354,010	Two day seminar expenses for which there was no support for per diems (FCFA 680,000), lodging costs paid in addition (FCFA 1,432,500) - should be included in per diem, and balance not accounted for (FCFA 241,510)
5.9.88	4362	1,942,369	Payroll costs after personnel been made redundant
13.1.89	153	1,000,000	Contribution to innaugral day of tourist season of National Park
11.7.89	3243	1,000,000	Contribution to National Day celebrations
23.11.89	5740	3,000,000	Loan to cooperative Forestrere de Boganga. No evidence of money repaid
20.12.89	5462	<u>1,072,329</u>	Leave allowance to labourers
		<u>10,368,708</u>	
Total		<u>18,443,498</u>	

The above findings regarding the SCG above are similar to the findings of a previous audit carried out by RIG/A/D. Accordingly, only the expenditure relating to PUSF, totalling FCFA 10,368,708 is shown in Appendix J.

In addition, we found certain expenditure made that was not in accordance with the related proposal or budget, as follows:

1. Labo Sol Inran project

Two Toyota vehicles purchased for FCFA 12,508,940 despite no provision for vehicles in the approved budget.

2. Prod Achat de Semences AM project

The approved budget for this project provides for purchases of fertilizers, pesticide, personnel costs, transportation, plastic sheets and bags, and seedlings.

The project spent, however, FCFA 76,050,000 on 700 tons of wheat and FCFA 5,000,000 on bank transfers to Tahoua and Maradi for wheat purchases.

3. PUSF project

This budget includes the purchase of 19 vehicles. A total of 24 were bought, together with 11 motorcycles not included in the approved proposal.

We also noted that nine guest houses have been built as apposed to two per the proposal (including six at Boganga), as well as numerous office buildings.

The above exceptions indicate a lack of verification by the SCG to ensure reasonable and allowable project costs prior to submission of the OP and supporting documentation for approval, especially with respect to SCG expenditure itself.

This weakness increases the risk of misappropriation and/or non allowable costs.

Recommendation

We recommend that FCFA 10,368,708, representing non allowable expenditure in respect of the PUSF project, be questioned.

Project proposals are approved with budgeted standard expenditure categories. Requests for disbursements then submitted to the SCG/FAMU are allocated a category which is checked to ensure accurate by SCG/FAMU, as well as ensuring the category budget is sufficient for the actual expenditure.

Project costs are then recorded and monitored by the expenditure category by budget via a Project Expenditure Report (PER) - see Appendix S.

OPs should only be submitted for approval once full supporting documentation is obtained and checked to ensure reasonableness.

The SCG/FAMU should also have an Internal Auditor to make periodic checks on expenditure at the Project HO and site and perform reasonableness tests of non specific costs, for example salaries.

f. Contracts and tendering for project purchases

We understand that for individual purchases in excess of FCFA 5,000,000 tenders must be sought (number not specified) and the supplier selected on the basis of price, specification and quality.

On approval of the tender a contract is drawn up and signed by the supplier and PD specifying price, specifications, delivery dates, penalties if late delivery or breach of contract, other related costs (e.g. delivery, taxes) and payment terms.

This procedure may be bypassed by splitting individual OPs so that their value falls below the FCFA 5,000,000 limit.

We found that for the Appui Op Dev Rural (Tressor) project a FCFA 12,333,833 purchase of pump equipment on the 19.8.88 from one supplier was split into three OPs (OP Nos. 4111, 4112 and 4123) which individually were below the limit. In addition, FCFA 57,561,058 was spent on construction on the same date from another supplier. However, this purchase was split into eleven payments (OP Nos. 4113 - 4122 and 4125). As such, no tenders had been sought, nor a contract issued.

The lack of financial monitoring by the SCG increases the risk of undetected avoidance of this procedure which, in turn, creates the risk of misappropriation and/or non allowable expenditure.

Tendering procedures are not recorded on a specific form and they are not sent to the SCG. As such, we could not verify the effective operation, or otherwise, of the tendering procedures.

Recommendation

Tendering should be done on a standard preprinted form which also outlines the set procedures. This form should detail the product/service specification, quantity, names and locations of suppliers who can reliably complete supply, deadlines, details of prices and quality quotes obtained, and justification for decision. The tender replies received from supplies should be attached to the form which is approved by the PD and sent to SCG to authorise the purchase order and enable a contract to be completed.

The form should also show the type and code of expenditure so that the SCG/FAMU can ensure budgetary control before the purchase is made.

A copy of the contract should then be submitted with the invoice and supporting documentation in respect of the OP approval procedure.

g. Absence of OPs filed at SCG

We were unable to verify the proper and allowable expenditure for 29 disbursements totalling FCFA 555,294,718 for which no OP (and so supporting documentation) could be provided by the SCG. This is detailed in Appendix J.

We understand that this is due, in part, to mis-filing at the SCG.

Recommendation

A total of FCFA 555,294,718 in costs should be questioned, such that all OPs be found (as per a list provided to the SCG by us) in order to verify actual expenditure.

Management comments

The Mission agreed that it would work with the SCG to locate missing documentation for a total of FCFA 1.5 billion in questioned costs, and to calculate the amount refundable to USAID.

As to the procedural suggestions noted above, the Mission noted that detailed administrative and accounting procedures and forms have now been developed and the Mission is now reviewing them.

9.10 CARE and AFRICARE projects

These PVOs submit monthly reports detailing expenditure by project to the MC in order for the SCG to record the project costs. They are responsible for approving payments via payment vouchers (not OPs) whereby funds are held in Bank accounts (transferred from the Treasury 7402 account by MOP approved OP)

1. AFRICARE

This PVO administers three projects from its HQ in Niamey:

- Pisciculture Namari G
- Etude Hydrogeologique
- Rehabilitation Gouré

Materials that are generic to projects are ordered in bulk by the HQ and stored in a warehouse in Niamey. This is in accordance with the monthly and annual spending plans for the projects, which are in turn as per the approved project budgets.

On issue of the materials to the projects the cost is booked to the project.

The project also has a local bank account which is used for personnel costs and small purchases. Supporting documentation and the bank reconciliation and statements are sent in on a monthly basis to the HQ. These are verified, checked to ensure that the expenditure is in accordance with the corresponding budget per category, and booked to the project.

- a. We found differences between the project HQ and SCG for project expenditure recorded at 30th September, 1990 totalling FCFA 202,590,895 (see Appendix L). This includes FCFA 190,635,069 representing the total of costs incurred by Rehabilitation Gouré for which there has been an absence of recording any cost for this project by SCG. This is due to the monthly expense reports being submitted to the Chairman of the MC (that is, the Minister of Plan) and subsequent lack of communication with the SCG causing these reports not to be passed onto the SCG in a timely manner.

Recommendation

All AFRICARE project monthly expense reports should be submitted directly to the SCG.

The SCG should obtain all reports from the Minister of Plan so that its records can be up dated accordingly.

- b. We found that for one disbursement tested (see Appendix J) no subsequent supporting documentation had been provided for an estimate paid.

Recommendation

Payment in advance for estimates should be eliminated or minimised such that the HO ensures the corresponding supporting documentation is received on a timely basis.

2. CARE

- a. The discrepancies in respect of CARE records as against the SCG records for total expenses on its projects, Agro Forestere and Creation D'Emploi Maradi, total FCFA 30,942,331, (as shown in Appendix L a.)

Recommendation

As for 1.a.above, for CARE.

- b. We could not verify expenditure totalling FCFA 204,324,466 for the Agro Forestere Project due to supporting documentation not being provided to us from the project site at Touha.

Recommendation

See c. below.

- c. For the Creation D'Emploi Maradi project we could not verify the costs of the following disbursements due to lack of supporting documentation:

- i) FCFA 10,000,000 - goods purchased from New York
- ii) FCFA 20,000,000 - guarantee fund

Recommendation

All disbursements should be justified by documentation supporting the corresponding actual expenditure.

Management comments

The Mission has indicated it would communicate the findings and recommendations to AFRICARE and CARE, would assist them in resolving unreconciled amounts, and would follow up on lack of supporting documentation.

AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

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APPENDIX A

ASDG Expenditure Summary for the period 31st August, 1984 to 30th September, 1990

<u>Project</u>	in FCFA			Status: closed C open O
	<u>Amount budgeted</u>	<u>Amount authorised & disbursed at 30/9/90</u>	<u>Total expenditure at 30/9/90</u>	
Productivite NY 2eme T	896,575,510	896,575,510	887,081,751	C
Amenagement Firgoum	27,222,329	27,222,329	27,222,329	C
Secretariat	285,690,049	285,690,049	255,381,109	O
Labo Sol Inran	86,850,000	86,850,000	73,187,994	O
P U S F (SM)	1,256,830,000	1,256,830,000	1,256,830,000	C
P U S F (Phase Int.)	662,000,000	662,000,000	652,178,278	O
Open/Bit	1,448,774,711	1,448,774,711	1,424,292,312	O
Agro Forestere	214,437,385	214,437,385	204,324,466	C
Protection Des Vegetaux	180,000,000	137,493,838	137,493,838	C
Achat Semences Ble & Niebe	131,000,000	131,000,000	130,695,315	C
Pisciculture Namari G	49,389,761	49,389,761	44,610,113	C
Prod-Achat Semences AM	804,990,000	804,990,000	804,635,925	C
Achat 2000 T Engrais	272,000,000	271,979,500	271,979,500	C
Appui Op, Dev-Rural (bdrn)	352,615,810	352,615,810	352,615,810	C
Appui Op, Dev-Rural (tresor)	465,852,000	465,852,000	464,801,071	C
Relance Prod-Animale	100,000,000	100,000,000	100,000,000	C
Relance Cul - Niebe	269,500,000	268,483,448	268,483,448	C
Relance Cul - Arachide	500,000,000	495,046,144	495,064,144	C
Funds of Garantie (P C N)	356,700,000	356,700,000	0	O
Etude Prix Prod-Agricole	8,200,000	8,067,075	8,067,075	C
Elaboration Code Rural	170,338,000	162,509,689	162,509,689	O
P C N (CR)	231,520,581	231,520,581	210,137,902	C
Funds De Garantie (Dembou)	230,000,000	230,000,000	12,360,759	O
Etude Casier Sud Firgoum	27,117,995	27,117,995	27,117,995	C
Achat & Comm, CB5	530,000,000	408,730,181	408,730,181	C
Aviculture Villageoise Mi	42,800,000	42,800,000	42,347,588	O
Creation D'Emploi Mi	598,823,700	442,497,286	317,266,449	O
Etude Hydrogeologique	11,966,034	11,966,034	4,564,179	O
Appui A L'Elev. Intensif	500,000,000	500,000,000	50,935,000	O
Audit Projet PUSF	7,488,000	7,488,000	7,488,000	C
Firgoum Sud	641,238,138	507,649,757	507,649,757	O
Pathologie Du Betail	160,146,244	111,649,872	42,880,383	O
Systeme De Collecte D'Info	305,310,550	124,050,600	67,097,433	O
Gestion Des Res. Fourrag	281,175,360	116,073,000	100,665,874	O
Devel. Des Vacins	175,124,250	88,972,670	40,673,665	O
Proj. Elev. Niger Cen Est	15,000,000	15,000,000	15,000,000	O
Ardeteo	122,060,037	60,712,989	60,712,989	O
Rehabilitation Goure	694,674,416	295,700,288	0	O
Dev. Activities Semen.	320,978,000	320,978,000	0	O
Totals	13,434,386,862	12,025,414,502	9,937,064,324	

AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

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APPENDIX B

Analysis of ASDG Funds

<u>Date</u>	<u>Description</u>	<u>Amount</u> <u>\$'000</u>	<u>Counterpart Funds</u>	
			<u>\$'000</u>	<u>FCFA'000</u>
31.8.84	Grant agreement	10,000	7,000	3,323,250
5.7.85	First amendment	9,500	9,500	3,544,925
22.7.86	Second amendment	9,873	9,873)	
4.8.86	Third amendment	2,627	2,627)	3,800,000
18.8.87	Fourth amendment	6,915	5,915)	
29.8.88	Fifth amendment	5,100	4,900)	3,387,799
25.8.89	Sixth amendment	<u>7,000</u>	<u>5,000</u>	<u>(A)</u>
		<u>51,015</u>	<u>44,815</u>	<u>14,055,974</u>

Allocated to:

	<u>Total</u> <u>\$'000</u>	<u>Source of funding:</u>		
		<u>SDP</u> <u>\$'000</u>	<u>DFA</u> <u>\$'000</u>	<u>ESF</u> <u>\$'000</u>
Counterpart funds	44,815	16,637	9,900	16,278
Technical assistance	4,757	3,007	1,750	-
Policy studies, seminars, workshops	1,122	722	400	-
Evaluation	173	173	-	-
Audit	60	60	-	-
In-service training and support	<u>88</u>	<u>38</u>	<u>50</u>	<u>-</u>
Totals	<u>51,015</u>	<u>22,637</u>	<u>12,100</u>	<u>16,278</u>

(A) Sixth tranche not yet released

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APPENDIX C

ASDG - budgeted and actual costs

<u>Elements</u>	<u>Description</u>	<u>Budget</u> <u>US\$</u>	<u>Costs to</u> <u>30/9/90</u> <u>US\$</u>	<u>Remaining</u> <u>Budget</u> <u>US\$</u>
1	Long-term technical assistance	4,147,819	3,342,460	805,359
2	Short-term technical assistance	69,181	69,181	0
3	Policy studies/seminars	822,000	745,869	76,131
4	Short-term training	88,000	18,630	69,370
5	Evaluation	73,000	70,634	2,366
6	Non-project assistance	44,815,000	39,815,000	5,000,000
7	Non-project assistance T/A	<u>1,000,000</u>	<u>69,730</u>	<u>930,270</u>
	sub total	51,015,000	44,133,504	6,883,496
8	Wocou grant	<u>1,900,000</u>	<u>644,407</u>	<u>1,255,593</u>
		<u>52,915,000</u>	<u>44,775,911</u>	<u>8,139,089</u>
		=====	=====	=====

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APPENDIX D

Description of ASDG projects

<u>Title of project</u>	<u>Translation and type of activities undertaken</u>
Productivite NY 2eme T Amenagement Firgoum Secretariat Labo Sol Inran P U S F (SM)	Niamey Department Development - Integrated RD Hydro agricultural construction - irrigated rice SCG - operating costs Soils laboratory Forestry and land use planning (FLUP)-creation of a technical forestry office FLUP Interim Funding
P U S F (Phase Int.) Open/Bit	Nigerian Enterprises - support to cottage industries
Agro Forestere Protection Des Vegetaux Achat Semences Ble & Niebe Pisciculture Namari G Prod-Achat Semences AM Achat 2000 T Engrais Appui Op, Dev-Rural (bdrn)	CARE Agroforestry - anti-erosion actions Crop protection - pestoides Wheat and Cowpea seed AFRICARE Fish ponds - fish breeding Improved seed Fertilizers (revolving fund) - fertilizer imports Rural Development Support recurring costs of other projects (BDRN)
Appui Op, Dev-Rural (tresor) Relance Prod-Animale Relance Cul - Niebe Relance Cul - Araohide Funds of Garantie (PCN) Etude Prix Prod-Agricole Elaboration Code Rural P C N (CR) Funds De Garantie (Dembou) Etude Casier Sud Firgoum Achat & Comm, CB5 Aviculture Villageoise Mi Creation D'Emploi Mi	Rural Development support (treasury) Livestock renewal - rehab of oattle stook, credit Cowpea renewal Peanut renewal Guarantee fund Study of Agricultural Prices Rural code drafting Agriculture production support - research Dembou guarantee funds Firgoum Perimeter study CB5 Cowpea seed Village poultry farms, vet. drugs, suncey Maradi employment creation - support to small community enterprises
Etude Hydrogeologique Appui A L'Elev. Intensif	Hydrogeological survey Intensive Animal Husbandry support - guarantee fund
Audit Projet PUSF Firgoum Sud Pathologie Du Betail Systeme De Collecte D'Info Gestion Des Res. Fourrageres Devel. Des Vacins Proj. Elev. Niger Centre-est Ardeleo Rehabilitation Goure Dev. Activities Semencieres	PLUP audit Firgoum south - feasibility study Livestock pathology Information gathering systems Fodder Crop Management Vaccine Development Animal Husbandry (Niger/centre east) Agricultural workshop Goure rehabilitation Seed development

AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

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APPENDIX E

Project Status and Management

<u>Title of project</u>	<u>Status at 30th Sept 1990</u>	<u>Management</u>	<u>Ministry/Organisation</u>	<u>Funding source</u>	<u>Account Number</u>
Productivite NY	Closed	SON	Agriculture/Environnement	Treasury	2408
Firgoum Sud	Closed	SON	Agriculture/Environnement	Treasury	2409
Secretariat	Open	SON	Plan	Treasury	7404
Labo Sol Inran	Open	SON	Education	Treasury	7403
P U S F	Closed	SON	Animal Resources/Hydrology	Treasury	2413
OPEN/BIT	Open	SON	Enterprise	BDRN	00 01 031 494/66
Agro Foresters	Open	PYO	CARE	BDRN	00 00 032 329/28
Protection de Vegetaux	Closed	SON	Agriculture/Environnement	Treasury	7402
Achat Semences Ble & Miebe	Closed	SON	Agriculture/Environnement	BDRN	00 01 030 666/14
Pisciculture Masari	Closed	PYO	AFRICARE	NIB	30/000/086
Prod Achat Semences AM	Closed	SON	Agriculture/Environnement	BDRN	00 01 031 646/24
Achat 2000 T Engrais	Closed	SON	Agriculture/Environnement	Treasury	7402
Appui Op. Dev Rural (BDRN)	Closed	SON	Plan	BDRN	00 01 032 816/30
Appui Op. Dev Rural (tresor)	Closed	SON	Plan	Treasury	2416
Balançe Prod Animale	Closed	SON	Animal Resources/Hydrology	BDRN	03 01 333 51/80
Balançe Cul Miebe	Closed	SON	Agriculture/Environnement	Treasury	7402
Balançe Cul Arachnide	Closed	SON	Agriculture/Environnement	Treasury	7402
Fonds de Garantie (PCN)	Open	SON	Agriculture/Environnement	BIAO	38 120 209/H
Etude Prix Prod Agricole	Closed	SON	Commerce	Treasury	7402
Elaboration Code Rural	Open	SON	Agriculture/Environnement	Treasury	7402
P C N	Closed	SON	Agriculture/Environnement	BDRN	00 01 034 733/07
Fonds de Garantie (Deabou)	Open	SON	Animal Resources/Hydrology	BIAO	38 120 278/R
Etude Casier Firgoum Sud	Closed	SON	Agriculture/Environnement	Treasury	7402
Achat & Comm. CBS	Closed	SON	Agriculture/Environnement	Treasury	7402
Aviculture Villigoise	Open	PYO	VSF	BIAO	36 400194/R
Creation D'Emploi Maradi	Open	PYO	CARE	NIB	30 000 158
Etude Hydrogologique	Open	PYO	AFRICARE	BDRN	00 01 035 470/65
Appui à L'Elev Intensif	Open	SON	Animal Resources/Hydrology	BDRN	03 01 333 51/80
Audit P U S F	Closed	SON	Animal Resources/Hydrology	Treasury	7402
Firgoum Sud	Open	SON	Agriculture/Environnement	Treasury	7402
Pathologie Du Betail	Open	SON	Animal Resources/Hydrology	Treasury	5404
Systeme de Collecte Info	Open	SON	Animal Resources/Hydrology	Treasury	4602
Gestion de res. Fourrages	Open	SON	Animal Resources/Hydrology	Treasury	4401
Devel. des Vaccins	Open	SON	Animal Resources/Hydrology	Treasury	4302
Proj Elev Niger Centre Est	Open	SON	Animal Resources/Hydrology	Treasury	7402
Ardetec	Open	SON	Enterprise	Treasury	7402
Rehabilitation Gouré	Open	PYO	AFRICARE	BDRN	00 01 035 470/65
Developement Activities Sen	Open	SON	Agriculture/Environnement	BDRN	00 01 037 374/29 (1)

(1) not transferred to this account . Funds remain in Treasury 7402 Account

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AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

NON-FEDERAL AUDIT

FOR THE PERIOD 31ST AUGUST, 1984 TO 30TH SEPTEMBER, 1990

APPENDIX F

Information flows and controls existing at SCG

GOODS/SERVICES .	SALARIES/TRAVEL.	ESTIMATES:
<ul style="list-style-type: none">• Purchase Order (PO) completed and authorised by the Project Director (PD) and sent to supplier is recorded in Commitments Journal.	<ul style="list-style-type: none">• Salary Listing or Mission Order prepared by the project, stamped and signed by the PD	<ul style="list-style-type: none">• for funds required before the goods can be delivered/ service performed
<ul style="list-style-type: none">• Supplier may send proforma invoice confirming cost		<ul style="list-style-type: none">• Estimate obtained, stamped and signed by PD
<ul style="list-style-type: none">• On receipt of goods the Delivery Note, or invoice sent with goods, is stamped by the project certifying proper receipt (and payment)		
<ul style="list-style-type: none">• If no Delivery Note, the invoice, on receipt, is stamped and signed by the Project Director		
<ul style="list-style-type: none">• Purchase Order, Delivery Note, Invoice then sent to SCG with a Fiche de Traitement completed by the project detailing the project, the type of expenditure and the related budget. This is stamped and signed by the PD	- ditto -	- ditto -
<ul style="list-style-type: none">• On receipt, the SCG ensures: proper authorisation, matching of documents and accurate information.	- ditto -	- ditto -
<ul style="list-style-type: none">• Once the SCG ensures that the expenditure is in accordance with the budgeted type and amount, an Order of Payment is completed and sequentially numbered. This is then sent with the supporting documentation to the Ministry of Plan (MOP)	- ditto -	- ditto -

APPENDIX F (continued)

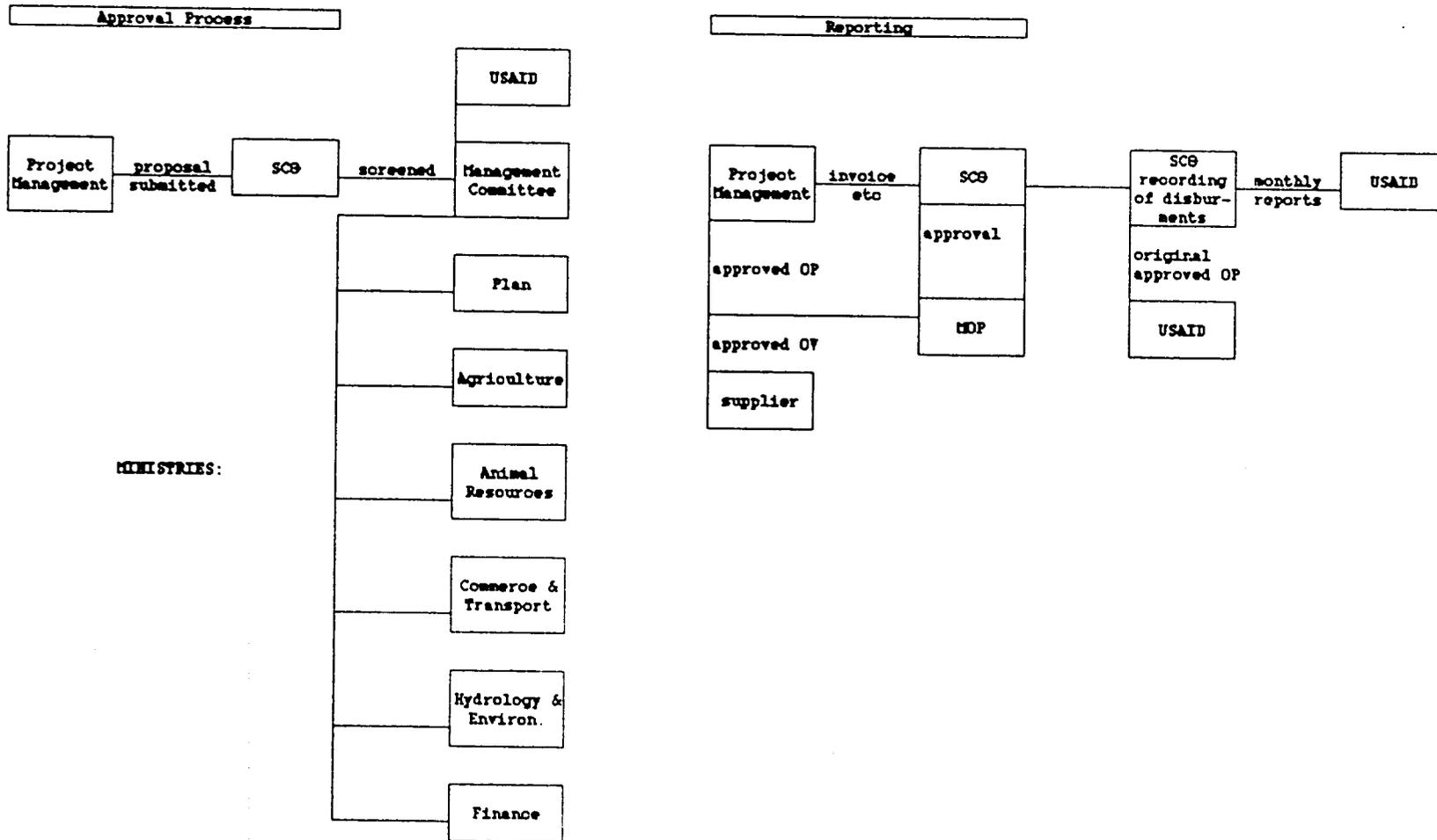
GOODS/SERVICES.	SALARIES/TRAVEL:	ESTIMATES:
<ul style="list-style-type: none"> • At the MOP, the Order of Payment is stamped and signed by L'Ordinateur Délégué to authorise the funds to be transferred to a project's Treasury or bank account, a suppliers bank account or a cheque to the completed, from the Treasury 7402 Account. 	<p style="text-align: center;">- ditto -</p>	<p style="text-align: center;">- ditto -</p>
<ul style="list-style-type: none"> • The Order of Payment and supporting documentation is returned to the SCG. 	<p style="text-align: center;">- ditto -</p>	<p style="text-align: center;">- ditto -</p>
<ul style="list-style-type: none"> • This disbursement is recorded by the SCG on the project's ledger card, Treasury 7402 account Cash Book and computer summary. 	<p style="text-align: center;">- ditto -</p>	<p style="text-align: center;">- ditto -</p>
<ul style="list-style-type: none"> • For disbursements representing transfers to other Treasury or Bank accounts, they are recorded by the SCG as above but as 'amounts authorised' on the computer summary. Subsequent requests for disbursement out of the transferred account must go through the above procedure. 	<p style="text-align: center;">- ditto -</p>	<p style="text-align: center;">- ditto -</p>
<ul style="list-style-type: none"> • The documentation is filed per project chronologically 	<ul style="list-style-type: none"> • For salaries, another copy of the salary listing is signed by the recipients on receipt and returned to the SCG 	<ul style="list-style-type: none"> • Actual invoice stamped and signed by PD as received, sent to SCG
	<ul style="list-style-type: none"> • SCG attach and filed with the related documentation 	<ul style="list-style-type: none"> • SCG attach & filed with related estimate

AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

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APPENDIX 8

ASDG administration chart



AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

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APPENDIX H

Conditions precedent for the release of tranches

The following ASDG requirements for GON action have been met and approved by USAID before disbursement of the related tranche:

ASDG Agreement reference	<u>GON action</u>
a. First tranche: \$7,000,000	
4.1.(A)	• statement authorising GON representatives for local currency disbursements and official correspondance
4.1.(B)	• establishment of special local currency account • plan for implementation of these policy changes
b. Second tranche: \$9,500,000	
4.2.(A)(1)	• maximum subsidy rate on agricultural inputs is 50% of its delivered costs
4.2.(A)(2)	• allow cooperatives and private traders to participate fully in the marketing of grain
4.2.(A)(3)	• promotion of village grain storage
4.2.(A)(4)	• initiation of an agricultural credit study
4.2.(A)(5)	• reduction of restrictions on border trade (held over to the third tranche)
4.2.(A)(6)	• plan of implementation of these policy changes

APPENDIX H (continued)

c. Third tranche: \$12,500,000

- 4.2.(B)(1) • reduce the average subsidy rate on agricultural inputs to a maximum of 30%
- 4.2.(B)(2) • develop the Agricultural Input Supply Agency (AISA) into cooperative ownership in competition with the private sector
- 4.2.(B)(3) • abolition of cereal uniform national pricing
- 4.2.(B)(4) • tendering of 50% of local grain sales and purchases
- 4.2.(B)(5) • further promotion of village grain storage
- 4.2.(B)(6) • completion of a study of agricultural credit
- 4.2.(B)(7) • implementation plan for these policy changes

d. Fourth and Fifth tranches - total \$10,800,000

- 4.2.(C)(1) • reduction in average subsidy rate to a maximum of 25%
- 4.2.(C)(2) • further development of the AISA to cooperative ownership and increased competition
- 4.2.(C)(3) • further increase in competition of grain marketing
- 4.2.(C)(4) • maintain and promote border trade
- 4.2.(C)(5) • actioning of findings of agricultural credit study
- 4.2.(C)(6) • action plan to reform the seed and plant material multiplication system
- 4.2.(C)(7) • issuance of official notices for national certification and quality control regulatory system for seeds and plant material.
- 4.2.(C)(8) • implementation plan for these policy reforms

e. Sixth tranche: \$5,000,000
This has yet to be approved by USAID.

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NON-FEDERAL AUDIT

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APPENDIX I

Detailed past findings for individual projects

a. Etude Prix Prod-Agricole - study of Agricultural Prices

RIG/A/D found:

- 52% of total project expenditures made well after the termination date.
- payment of \$7,000 to a researcher which was in excess of the budgeted amount and without authorisation
- payment for \$3,000 of gas coupons not related to the study

b. Appui Op Dev - Rural (tresor) - Rural Development Sector Support Project (Treasury)

RIG/A/D found:

- 4 out of the 17 subprojects had spent \$20,000 more than was budgeted
- no approved detailed budgets for 16 out of the 17 subprojects
- SCG could not provide supporting documentation for expenditure of \$162,000

c. Achat semences Ble & Niebe - Wheat and Cowpea seeds

RIG/A/D found:

- SCG was unable to provide any written support other than for cash advances made to regional government offices.

Abdou Daoua (local accountancy firm) found:

- non observance of basic project objectives

APPENDIX I (continued)

d. Aohat & comm. CB5 - CB-5 Cowpea seed

RIG/A/D found:

- no supporting documentation provided by the SCG for expenditure totalling \$90,645.
- circumvention of government contracting procedures by multiple purchasing each just under the government limit by which competitive bidding would be required.
- project funds were comingled with other government funds and all accountability lost.

e. Secretariat - SCG operations

RIG/A/D found:

- improper expenditure totalling \$8,160 for excessive quantities of cleaning materials and underarm deodorant
- improper expenditure totalling \$47,677 in respect of training abroad for non-SCG personnel.
- excessive vehicle operating expenditures
- motoroyole stolen not recorded and a number of fans purchased not found
- no vehicle logs or gas coupon registers causing excessive gasoline expenditures with gas coupons being provided to other government entities and vehicles used for non project purposes.
- the automated accounting system lacks; documentation, segregation of duties, and data integrity, being simply a customised spreadsheet package.

USAID found.

- commitments journal (journaux de engagements) not up to date, payment references were missing and a number of values were not determinable.
- recommendations made in June 1989 not implemented, namely; daily updating of commitments journal, preparation of financial statements and the definition and proper segregation of duties.
- no bank reconciliation for 3 months
- not all petty cash expenses authorised
- no system of control over petrol and vehicle usage
- no inventory control

APPENDIX I (continued)

f. Creation D'emploi Maradi - Employment creation in Mardi (CARE)

An evaluation team comprising representatives from USAID, CARE International, Chamber of Commerce found:

- the project did not follow correctly the system established for control of loans, whereby a double entry system of accounting was not used which meant a reconciliation could not be carried out
- errors in accounting ledgers causing inaccuracies resulting in loan balances outstanding
- loans control officer did not follow up problem loans

g. Firgoum sud - Firgoum South

USAID found:

- no accounting records kept by the project

h. OPEN/BIT - Nigerian Enterprises

USAID found:

- incomplete commitment journal
- general errors noted in the cash book
- lack of control over petrol vouchers and vehicle usage
- a computerised inventory system is in place
- lack of control and segregation of duties over petty cash.

i. PUSF - Forestry and Land Use Planning (FLUP)

USAID and SMUF found:

- cash book bank reconciliations and commitments journal up to date
- lack of control over fuel issues
- inventory book only posts receipts and lack of stocktakes to ensure book stock is accurate.

j. Project Elevage Niger Centre Est

SEDES found:

- inadequate financial monitoring resulting in being unable to determine actual stock issues for the project
 - assessment of operations could not be done on a financial basis due to the inadequacy of financial reports
- B.

AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

NON-FEDERAL FINANCIAL AND COMPLIANCE AUDIT

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ANNEXE J

Results of detailed testing - questioned costs

(main figures in FCFA, figures to the right represent the number of disbursements)

Title of project	Recipient not signed for wages/sal/eto	no supporting doc for exps per OP	no subsequent supporting doc for bud- get/adv/est	non allowable expenditure	no supporting doc. for CARE & AFRICARE	no OP (and so no supporting doc)	Totals				
Productivite NY	63,356,649	29	3,048,000	2	5,199,225	1	15,589,045	5	87,192,919		
Firgous Sud									0		
Secretariat			5,367,360	3			3,780,725	2	9,148,085		
Labo Sol Inran							1,099,720	1	1,099,720		
P U S F	270,281,442	137	9,656,181	3	10,368,708	6	1,060,000	1	291,366,331		
OIEW/BIT	5,948,354	4	894,751	1			299,645,318	2	306,488,423		
Agro Foresters									0		
Protection de Vegetaux			55,000,000	1					55,000,000		
Achat Semences Ble & Miele							130,695,315	6	130,695,315		
Pisciculture Mamari									0		
Prod Achat Semences AM	6,000,000	6							6,000,000		
Achat 2000 T Engrais									0		
Appui Op. Dev Rural (BDM)	21,773,107	13	1,095,754	1	68,700,000	7	6,857,068	3	98,425,929		
Appui Op. Dev Rural (tresor)	2,066,356	2			107,547,590	9	48,340,624	2	157,954,570		
Relance Prod Animale					100,000,000	1			100,000,000		
Relance Cul Miele	6,000,000	6			9,548,973	4			15,548,973		
Relance Cul Arachnide							22,120,000	1	22,120,000		
Fonds de Garantie (PCW)									0		
Etude Prix Prod Agricole									0		
Elaboration Code Rural			2,500,000	1	5,000,000	1	4,776,552	1	12,276,552		
P C N					4,844,500	2			4,844,500		
Fonds de Garantie (Dembou)									0		
Etude Casier Firgous Sud					23,117,995	1			23,117,995		
Achat & Comm. CBS					88,485,989	5			88,485,989		
Ariculture Villigoise									0		
Creation D'Emploi Maradi							30,000,000		30,000,000		
Etude Hydrogologique					1,379,479	1			1,379,479		
Appui A L'Elev Intensif									0		
Audit P U S F									0		
Firgous Sud					30,063,566	1			30,063,566		
Pathologie Du Betail									0		
Systeme de Collecte Info	1,749,429	1					1,264,500	1	3,013,929		
Gestion de res. Fourrages			2,500,000	1					2,500,000		
Devel. des Vaccins					16,775,000	1			16,775,000		
Proj Elev Niger Centre Est							15,000,000	1	15,000,000		
Ardeteo	9,101,173	6	511,504	1			5,065,851	3	14,678,528		
Rehabilitation Goura									0		
Total -questioned costs	386,276,510		80,573,550		460,662,317		10,368,708		30,000,000	555,294,718	1,523,175,803

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NON-FEDERAL AUDIT

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APPENDIX K

Project HQ visits - details of discrepancies between records

<u>Project</u>	<u>Disbursement to 30th September, 1990</u>		<u>Difference</u>	
	<u>Per project</u>	<u>per SCG</u>	<u>Amount</u>	<u>%</u>
Systeme de Collecte D'info	67,012,306	66,703,811	308,495	0.5
Gestion des Res Fourrageres	100,655,274	100,521,554	133,720	0.1
Devel. des Vaccins	40,526,112	40,626,999	(100,887)	(0.2)
Elaboration oode rural	(1)	162,509,689	(1)	-
P U S F	1,910,516,844	1,909,008,278	1,508,566	0.1
OPEN/BIT	1,420,187,020	1,424,292,312	(4,105,292)	(0.3)

Key:

(1) no records kept at project HQ, Niamey

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NON-FEDERAL AUDIT

FOR THE PERIOD 31ST AUGUST, 1984 TO 30TH SEPTEMBER, 1990

APPENDIX I

1

CARE and AFRICARE project exceptions (Finding 9,10)

a. Recording of project expenditures

<u>Project title</u>	<u>Total expenditure at</u> <u>30th September, 1990:</u>		<u>Difference</u> <u>FCFA</u>
	<u>per PVO</u> <u>FCFA</u>	<u>per SCG</u> <u>FCFA</u>	
AFRICARE:			
Pisciculture Namari G	49,389,761	44,610,113	4,779,648
Etude Hydrogesologique	11,740,357	4,564,179	7,176,178
Rehabilitation Gore	190,635,069	0	<u>190,635,069</u>
			202,590,895
CARE:			
Agro Foresterie	209,793,628	204,324,466	5,469,162
Creation D'Emploi	342,699,618	317,226,449	<u>25,473,169</u>
			<u>30,942,331</u>
Total for CARE & AFRICARE:			<u>233,533,226</u>

b. No supporting documentation for estimates/advances

<u>Project</u>	<u>Date</u>	<u>OP</u>	<u>Amount (FCFA)</u>
Etude Hydrogeologique	5.8.88	05	1,379,479

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AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

NON-FEDERAL AUDIT
FOR THE PERIOD 31ST AUGUST, 1984 TO 30TH SEPTEMBER, 1990

APPENDIX M

Authorisation of funds exceptions for Finding 9.7

<u>Project</u>	<u>Funds approved per MC minutes FCFA</u>	<u>per SCG FCFA</u>	<u>Difference FCFA</u>
Productivite NY	1,104,575,510	896,575,510	208,000,000
Secretariat	306,403,292	285,690,049	20,713,243
P U S F (SM)	400,000,000	1,256,830,000	(856,830,000)
P U S F (Int.)	572,810,000	662,000,000	(89,190,000)
Open/Bit	1,740,590,261	1,448,774,711	291,815,550
Agro Foresters	135,746,345	214,437,385	(78,691,040)
Appui Op Dev Rural	-	352,615,810	(352,615,810)
P C N (CR)	236,520,581	231,520,581	5,000,000
Appui L'Elev Intensif	-	500,000,000	(500,000,000)
Audit Project PUSF	-	7,488,000	(7,488,000)
Firgoum Sud	586,238,138	641,238,138	(55,000,000)
Proj Elev Niger Centre Est	-	15,000,000	(15,000,000)
Ardeteo	-	122,060,037	(122,060,037)
Rehabilitation Goure	704,839,103	694,674,416	10,164,687
Dev Activities Semencieres	-	320,978,000	(320,978,000)

AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

NON-FEDERAL AUDIT

FOR THE PERIOD 31ST AUGUST, 1984 TO 30TH SEPTEMBER, 1990

APPENDIX N

Determination of fund balances at 30th September, 1990 for Finding 9.4

<u>Project title</u>	<u>Funding source</u>	<u>Balance at 30th Sept 1990</u>	
Productivite NY 2eme T	Treasury 2408	8,286,582	
Amenagement Firgoum	Treasury 2409	0	
Secretariat	Treasury 7404	30,937,538	
Labo Sol Inran	Treasury 7403	12,897,381	
P U S F (SM)	Treasury 2413	29,393,447	
P U S F (Phase Int.)	Treasury 2413		(2)
Open/Bit	BDRN	0	
Agro Forestere	BDRN	4,643,757	(5)
Protection Des Vegetaux	Treasury 7402	NA	
Achat Semences Ble & Niebe	BDRN	6,688,000	
Pisciculture Namari G	NIB	0	
Prod-Achat Semences AM	BDRN		(1)
Achat 2000 T Engrais	Treasury 7402	NA	
Appui Op. Dev-Rural (bdrn)	BDRN	11,917,475	
Appui Op. Dev-Rural (tresor)	Treasury 2416	1,280,226	
Relance Prod-Animale	BDRN	0	
Relance Cul - Niebe	Treasury 7402	NA	
Relance Cul - Arachide	Treasury 7402	NA	
Funds of Garantie (PCN)	BIAO	356,700,000	(3)
Etude Prix Prod-Agricole	Treasury 7402	NA	
Elaboration Code Rural	Treasury 7402	NA	
P C N (CR)	BDRN	19,733,784	
Funds De Grantie (Dembou)	BIAO	217,639,241	(3)
Etude Casier Sud Firgoum	Treasury 7402	NA	
Achat & Comm, CB5	Treasury 7402	NA	
Aviculture Villageoise Mi	BIAO	0	(5)
Creation D'Emploi Mi	NIB	99,797,668	(5)
Etude Hydrogeologique	BDRN		(4)
Appui A L'Elev. Intensif	BDRN	349,065,000	
Audit Projet PUSF	Treasury 7402	NA	
Firgoum Sud	Treasury 7402	NA	
Pathologie Du Betail	Treasury 5404	65,330,876	
Systeme De Collecte D'Info	Treasury 4602	57,620,426	
Gestion Des Res. Fourrageres	Treasury 4401	14,278,778	
Devel Des Vacins	Treasury 4302	44,759,722	
Proj. Elev. Niger Cen Est	Treasury 7402	NA	
Ardeteo	Treasury 7402	NA	
Rehabilitation Goure	BDRN	95,685,516	
Dev. Activities Semencieres	Treasury 7402	NA	
Total		<u>1,426,655,417</u>	

(1) included in Achat Semences Ble & Niebe balance

(2) included in PUSF (SM) balance

(3) amount taken from SCG records due to nature of project

(4) included in Rehabilitation Goure balance

(5) based on transfers (per use of funds authorisation) less actual expenses (per the project).

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AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

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APPENDIX O

Analysis of ASDG CFs at 30th September, 1990 for Finding 9.4

	<u>FCFA'000</u>	<u>FCFA'000</u>	<u>FCFA'000</u>
Total CF tranches (see Appendix B)			14,055,974
Add: interest receivable			<u>752,931</u>
Total funds available for CF			14,808,905
<u>Less:</u>			
a. USAID Trust Fund		804,433	
b. Total disbursements from the Treasury 7402 account (i.e. actual amounts expended for Treasury 7402 account projects)	2,355,279		
c. Transfers from the Treasury 7402 account to other project accounts for which actual disbursements made: (1)	<u>7,581,785</u>		
Total CF expenditure to 30th September 1990 (see Appendix A):		9,937,064	
d. Balance of SCG Treasury cash book at 30th September, 1990		1,978,499	
e. Cost of USAID Trust Fund transfer		<u>559</u>	<u>(12,720,555)</u>
Unspent balance of all non Treasury 7402 account projects at 30th September, 1990:		(1)(2)	<u>2,088,350</u> =====

(1) Total of FCFA 9,670,135,000 (FCFA 7,581,785 and FCFA 2,088,350) represents the transfer from the Treasury 7402 account to other project Treasury/Bank accounts.

(2) Corresponds to the total disbursed of FCFA 12,025,414,000 less the total expenditure of FCFA 9,937,064,000 per Appendix A.

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AGRICULTURAL SECTOR DEVELOPMENT GRANT, NIGER

NON-FEDERAL AUDIT

FOR THE PERIOD 31ST AUGUST, 1984 TO 30TH SEPTEMBER, 1990

APPENDIX P

Views on the viability of the SCG and options for the future of the Program

Our conclusion depends on one of four options based on initial decisions by USAID.

1. Options

Option One

Action: USAID decide to completely close the SCG and keep the ASDG II as purely a resource transfer without project funding.

This option leaves the disposition of the remaining tranche of (\$5m) to be determined, (in addition to the last tranches of the HSSP). This could distributed as lump sum payments to either of the following:

- a. remaining projects for which the last tranche represents the approved budgeted amount less that disbursed/transferred.
- b. PVOs (CARE, AFRICARE, VSF)
- c. GON as general budgetary support or allocated to the relevant Ministries participating in ASDG projects.
- d. World Bank
- e. a combination of the above.

Minimum reporting requirements would be conditional on the recipient, detailing the nature of expenditure and beneficiaries. This reporting would cover a minimum six month period and be reviewed by USAID, as well as verification performed via end-use checks by current USAID ASDG personnel.

Conditions could also be placed on the use of funds. If a. is selected then the money should be used for existing project expenditures and monthly reports of disbursements made, together with supporting documentation, should be submitted to USAID to review and verify, as well as keep a record of total costs by projects in respect of the last tranche funds spent.

If b. is selected then the above applies, in addition to approval of new projects by the USAID ADO.

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Options a. and b. above are preferable since at least a proportion of the funds are ensured to be productive for the agricultural sector, as well as a minimum level of accountability.

Option Two

Action: USAID decide to keep the SCG temporarily going for disbursement and recording of the last tranche. No change in ASDG II.

In this situation, the SCG is transformed into the Financial Accounting and Monitoring Unit (FAMU), as detailed in Appendices O & S.

Option Three

Action: USAID decide to keep the SCG going on a permanent basis and allow a proportion of the ASDG II resource transfer to be used for related project funding.

Again this entails the setting up of FAMU (see Appendices O & S).

Option Four

Action: USAID decide to keep SCG going on a permanent basis in order to provide a facility for other purposes. No change in the ASDG II.

For this option the SCG, as FAMU, administers and records the remaining tranche and is developed into a facility to provide independent financial management for other purposes. For example, other program grants (HSSP), or to record and monitor the disbursements under ASDG II that the private sector entity is provided to do (see below).

2. ASDG II

ASDG II, the sequel to the ASDG, proposes continuations to the policy reforms, or similar reforms, building on the progress already made.

However, instead of the tranches released being used as funding for projects contributing to the reforms, the tranches are paid directly to the GON as 'budgetary support'. This support can be used by specified GON Ministries and an annual report in 'general terms' is required on the disposal of funds.

The ASDG II envisages four tranches of \$5m each. Of this, 8% is transferred to USAID as a Trust Fund (as per the ASDG) and at least 30% of the remaining funds must be disbursed to PVOs and the private sector (for example, co-operatives). USAID will not release the due tranche until it is satisfied that this condition is met, as well as adequate reporting.

The tranches are deposited into a private bank and the disbursements managed by a private sector entity which will also offer technical assistance.

At a time when the existing ASDG funds are not being released by the Treasury or the state commercial bank due to economic difficulties facing the country, the probability of the ASDG II funds being used for agricultural and/or investment purposes must be considered low.

By specifying that at least a proportion of the tranche is transferred to project funding, the incentive to complete the policy reforms is intact in respect of the remainder being used as 'budgetary support'. This ASDG II then incorporates the considerable benefits associated with funding well designed and effective projects linked to the policy reforms. This would be ensured via the approval, monitoring and evaluation procedures of FAMU.

3. Overall assessment of SCG viability

We understand that USAID will not alter the ASDG II and that the HSSP has four tranches left to be disbursed. As such, we recommend that Option four be undertaken whereby the SCG, as FAMU, is established initially to control disbursements from the ASDG and HSSP tranches on a permanent basis. The monitoring and evaluation function is developed such that it is possible to use FAMU for other purposes, for example for the ASDG II recording and monitoring of funds used by the GON and PVOs.

Appendices O, R and S detail personnel (titles and responsibilities), procedures, and an internal audit work plan for FAMU.

4. Management comments

The Mission commented that it was not yet ready to totally disband the SCG and re-establish it as the "FAMU" placed under direct control of the Mission. The Mission also indicated that it was opposed to a commitment of continuing the SCG on a permanent basis as Option four indicates, and that the course of action it has chosen was decided upon as a result of the two audits, one by RIG/A/D and the other a non-federal audit of the HSSP, conducted prior to the current audit.

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APPENDIX Q

FAMU personnel titles and responsibilities

In order for FAMU to operate effectively it must be independent and objective. To this end, the personnel must be employed by USAID through ASDG and/or other grant funding and be selected on the basis of integrity and ability. The FAMU should also be limited as regards number of personnel since its function simply requires recording and monitoring initially. Responsibilities and powers will also be defined and should be incorporated under a PIL in order to attain the necessary authority.

All appointments should not involve connected persons, nor existing project or SCG personnel (except Chief Accountant - see 2. below).

We suggest the following positions together with qualifications and responsibilities:

1. **Financial Controller**

a. Qualifications

This post should be filled by an expatriate, initially, for a minimum one year contract. The applicant should have significant financial experience including a sound understanding of accounting principles, but not necessary accountancy qualifications. Management and administrative skills are particularly important, as well as the ability to analyse data in depth. Ideally the candidate would have computer programming skills in order to develop the necessary system, but as a minimum should be familiar with spreadsheet and database software packages.

b. Responsibilities

- i) Approval of Purchase Order Approval Header (POAH) for purchases over FCFA 5,000,000
- ii) Approval of all Disbursement Approval Headers (DAHs) prior to disbursements
- iii) Approval of Salaries and Wages Form (SWF) and Other Personnel Costs Form (OPCF) if over FCFA 1,000,000
- iv) Review and approval of monthly bank reconciliations by project
- v) Review and approval of each project's monthly Project Expenditure Report (PER), submission of PERs to projects and USAID on a timely basis.

APPENDIX Q (continued)

- vi) Review of reports from the Internal Auditor and liasing with USAID over resulting weaknesses, problems and action
- vii) Liasing with USAID over project disposals (planned or actual)

2. Chief Accountant

a. Qualifications

We suggest that the existing SCG Chief Accountant take up this position. The post requires significant accounting experience including sound understanding of accounting principles. Inter personal skills are essential in order to facilitate the requisite relationship and responsiveness to the projects. Computer literacy is also necessary.

b. Responsibilities

- i) Approval of the Purchase Order Approval Header (POAH) for intended project purchases over FCFA 500,000 to ensure the price is reasonable, in accordance with proposal activities and budgeted expenditure, choice of supplies is reasonable and proper quotation procedures have been complied with if applicable.
- ii) Follow up of gaps in sequential DAH numbers per the Project Expenditure Journal (PEJ).
- iii) Approval of the Salaries and Wages Form (SWF) and Other Personal Costs Form (OPCF) after ensuring per the proposal activities and budgeted expenditure, is reasonable and consistent with prior expenditures.
- iv) Completion of Project Cash Book and monthly bank reconciliations by project.
- v) Review and approval of each project's Project Expenditure Report (PER).
- vi) Review of reports from the Internal Auditor, as well as suggesting corrective actions.

3. Accountant

a. Qualifications

This post requires competent proven bookkeeping recording experience and inter personal skills to follow up on non receipt of certain forms from projections as well as liasing with other FAMU personnel.

b. Responsibilities

- i) Approval of the Disbursement Approval Header (DAH) after ensuring adequate, consistent and proper documentation provided by the project.

APPENDIX Q (continued)

- ii) Completion of Purchase Order Approval Header (POAH) Log and following up of aged outstanding POAHs for which the invoice and supporting documentation has not been submitted by the project.
- iii) Matching of POAH to invoice and supporting documentation.
- iv) Matching of Project Director (PD) signature to Authorised Signatory Log.
- v) Completion of Project Expenditure Journal (PEJ) by project and production of a monthly Project Expenditure Report (PER) per project.
- vi) Ensure proper and accurate completion of Salaries and Wages Form (SWF), Other Personnel Costs Form (OPCF) and Advance Approval Form (AAF).
- vii) Completion of the SWF Log and follow up of non receipt of recipients agreed SWFs and OPCFs.

4. Internal Auditor

a. Qualifications

The internal auditor should have a sound understanding of accounting principles, analytical skills and preferably project experience. Basic qualities included integrity, reliability and objectivity.

The majority of time will be spent in the field and so the candidate should be prepared to commit time to being away.

b. Responsibilities

- i) Make project site visits to determine the proper and allowable use of CFs, in particular.
 - gather any further information necessary for financial and technical evaluation.
 - complete a standard work plan (see Appendix R).
 - make a financial assessment of the efficiency of the project.
 - determine and assess the use of materials.
 - verify fixed assets.
- ii) To submit reports for each visit in a standard format on a timely basis via the work plan steps (see Appendix R).
- iii) To liaise with technical personnel, including coordination of visits.
- iv) To liaise with the Chief Accountant and Financial Controller as to the results of the audit and project requests.
- v) To liaise with the PD to ensure the location of relevant records are known and to facilitate the asset verification.

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APPENDIX R

Internal Audit function - work plan

In order to verify the proper and allowable use of CFs by the project on site(s) the following work plan is suggested:

1. Obtain a list of actual and budgeted expenditures by category for the project, materials usage and fixed assets from the Chief Accountant, FAMU. Also obtain a copy of the approved project proposal.
2. Ensure the Project Director (PD) is aware of the visit to enable the identification and centralisation of fixed assets.
3. Physically inspect the fixed assets, matching to details in the project's Fixed Asset Log held at FAMU. Enquire as to disposals and ensure authorised and bona fide.
4. Ensure the materials usage is reasonable by physical inspection and per the approved proposal activities.
5. Assess the extent to which the project is fulfilling its proposed objectives, including financial performance measures.
6. Determine and assess the recording and control environment at the project site (e.g. inventory control, management control) Identify and report on weaknesses together with recommendations.
7. Review project evaluation reports to enable emphasis to be placed on risk areas already identified by the project.
8. A timetable must be determined in order to ensure timely visits to all projects and the best route to minimise travel time and costs
9. Discuss with the PD the source of suppliers and assess whether there are connections to project personnel and the basis of pricing, including tendering. Also ensure that purchases are not being split to avoid limits set by USAID/FAMU for tendering or approvals. For this step, copies of materials/assets invoices must be obtained at FAMU.

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APPENDIX S

FAMU procedures

A. Recording and reporting

(i) Purchases over FCFA 500,000

For proposed expenditure on goods and services over FCFA 500,000 the Purchase Order, approved by the Project Director (PD), must be submitted to the FAMU, together with appropriate quotes if over FCFA 5,000,000 and a preprinted Purchase Order Approval Header (POAH) completed by the Project. The POAH details the quantity, description, value, use, available suppliers and their prices, together with rationale for selecting the chosen supplier. It should also state the budgeted expenditure category that the cost is to be applied against, as well as be authorised by the PD.

The FAMU Chief Accountant then ensures that the purchase price is reasonable, in accordance with proposal activities, within the budgeted expenditure, choice of suppliers is reasonable, proper quotation procedures have been completed if applicable, and approves the POAH. The FAMU Accountant enters in a POAH Log with a sequential number, files a copy before sending back to the Project. Financial Controller authorisation is also required if the purchase is over FCFA 5,000,000.

(ii) Other purchases and receipt of invoice

On receipt of the related invoice and supporting documentation, the project completes, approves and submits a Disbursement Approval Header (DAH) which details the budgeted expenditure category that the cost is to be applied against, quantity, description, value and use, method of disbursement and payee details. The DAH also has boxes to be ticked according to the documents attached; invoice, evidence of receipt at project (delivery note, stamping of invoice), purchase order.

The FAMU Accountant checks all documents are provided, properly completed, and after matching them and sequentially numbering the DAH, signs the DAH and passes to the Chief Accountant for approval (and the Financial Controller if purchase in excess of FCFA 5,000,000).

If the invoice is for expenditure in excess of FCFA 500,000 then the FAMU Accountant matches the DAH to the POAH and again signs the DAH as evidence of this check. The POAH Log is entered with the date of the check and receipt of the DAH such that the POAH is no longer outstanding. The POAH is attached with the DAH and supporting documentation.

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APPENDIX S (Continued)

The FAMU Accountant should follow up aged outstanding POAHs for which no corresponding invoice has been submitted by the project.

The FAMU Accountant ensures that the DAH is properly authorised via checking of the signature to the Authorised Signatory Log (ASL) which contains the PD/other authorised signatories for the project.

On approval, the FAMU Accountant enters the expenditure by category into a Project Expenditure Journal (PEJ) for the project concerned detailing date, DAH number, POAH number, descriptions, amount, accumulative amount, remaining budget balance, date of approval and disbursement (see below).

For purchase of materials, including fuel, the above details are noted in a Project Materials Log (PML) per project, (excluding budget balance and cumulative amount), under type of material, e.g. concrete, vehicle fuel. The procedure is also performed for fixed assets, entered in a Project Fixed Assets Log (PFAL) per project.

The DAH is then signed as processed with the attached documentation submitted to the Financial Controller to authorise the disbursement. All gaps in sequential DAH numbers by project per the (PEJ) must be investigated by the Chief Accountant.

(iii) Personnel costs

A standard Salaries and Wages Form (SWF) is completed by the project detailing period of payment, names of personnel and titles, the budget expenditure category for the cost to be applied against, amounts of basic pay, overtime, bonuses and other remuneration. The SWF is authorised by the Project Director (PD) and submitted to FAMU.

The FAMU Accountant ensures proper and accurate completion of the SWF, as well as proper authorisation, and the SWF is then signed as evidence of this check, given a sequential number by project, entered into the SWF Log detailing date, SWF number, description, related period of remuneration and amount, and submitted to the Chief Accountant for approval. This approval process consists of ensuring the personnel cost is per the proposal activities and budgeted expenditure category, as well as reasonable as compared to prior periods. A DAH is completed for the disbursement method and payee details with a DAH sequential number completed, booked in the DAH Log (with the date completed as per ii) above) and the expenditure recorded in the PEJ.

The Financial Controller (FC) then approves the SWF if over FCFA 1,000,000 and the DAH with the documentation returned to the Chief Accountant who also records it in the Project Cash Book and enters the FC approval date in the PEJ.

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APPENDIX S (Continued)

On the receipt and payment of monies, the project returns the SWF signed by the recipients. The FAMU Accountant checks the signatories to ensure complete, reasonable and consistent with prior periods, matches and attaches it to the original SWF and DAH, signs the updated SWF, records the date of receipt in the SWF Log, files the documentation under DAH number by project. All aged outstanding SWFs not received back signed, per the SWF Log should be followed up. Future disbursements should not be made if outstanding SWFs are not resolved.

For the other personnel costs (travel costs, per diems) the same procedure is applied but with an Other Personnel Costs Form (OPCF).

(iv) Disbursements and bank reconciliations

On entering of the expenditure for goods/services in the PEJ, the DAH and supporting documentation is submitted to the Financial Controller (FC) to approve the disbursement. On approval, the documentation is returned to the Chief Accountant to enter the date of FC approval in the PEJ and the details in the Project Cash Book (PCB). A separate bank account should be held for each project in order to facilitate reconciliation and control.

On a monthly basis the Chief Accountant should obtain bank statements and perform bank reconciliations, marking off on the PEJ and PCB the date of disbursement per the bank statement.

Aged outstanding PEJ entries not recorded with a disbursement date should be followed up.

All bank reconciliations should be submitted to the Financial Controller in a timely manner for review and approval.

(v) Advances

Disbursements made on the basis of advances, budgets or estimates for goods or services should be eliminated or, at least, minimised. If used, then the procedure should be that for personnel costs (see iii) above) using an Advance Approval Form instead of a SWF or OPCF stating that specified by the POAH, excluding supplier details. An Advance Approval Form Log should be maintained to ensure timely receipt of the corresponding invoice and supporting documentation.

(vi) Reporting

Monthly Project Expenditure Reports (PER) should be produced by the FAMU Accountant from the PEJ detailing the total cumulative expenditure approved, disbursed and the budget remaining balance by category at month-end.

The PER is submitted to each project and the USAID Financial Controller, after review by the FAMU Chief Accountant and Financial Controller.

APPENDIX S (Continued)

(vii) FAMU expenditure

The above procedures apply in their entirety to costs incurred by FAMU itself, including monthly reporting of FAMU expenditure.

B. Procurement

In order for the FAMU Chief Accountant to approve POAHs, up to date price lists must be obtained and kept for reference.

Over a period of time knowledge will be gained as to the level and cost of purchases of more standard items bought by the projects, for example fuel and concrete

By using and expanding this knowledge FAMU could perform a procurement function for generic purchases of the projects.

C. Monitoring and evaluation

(i) Materials usage

The Internal Auditor (IA) should determine and assess the proper use of materials per the Project Materials Log (PML) held at FAMU (see A. above) as compared to physical verification on site and/or analytical review based on project activities and time periods.

This should be performed at least every six months depending on the size project expenditures.

(ii) Fixed assets

The IA should also verify the project's assets per the Project Fixed Asset Log (PFAL) held at FAMU (see A. above) via site visits, as well as determine disposals, or planned disposals for to ensure proper (change in project activities, obsolete, damaged) and the necessary USAID ADO approval is obtained beforehand.

(iii) Project Expenditure Report (PER)

All actual project expenditures by category are monitored to budget per the monthly PER produced.

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