

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
NAIROBI

PD-ABD-682

ISA 75392

**AUDIT OF
LOCAL CURRENCY GENERATIONS UNDER
USAID/ZIMBABWE GRANT NO. 613-K-605**

**AUDIT REPORT NO. 3-613-91-14-N
September 16, 1991**

The audit disclosed that of \$47,038,625 in local currency generated, there was an unreconciled overdeposit into the special account of the equivalent of \$164,655. Further, the audit recommended improvements in the auditee's internal controls.

FINANCIAL INFORMATION IN THIS REPORT MAY BE PRIVILEGED. THE RESTRICTIONS OF 18 USC 1905 SHOULD BE CONSIDERED BEFORE ANY INFORMATION IS RELEASED TO THE PUBLIC.

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT

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September 16, 1991

MEMORANDUM

TO: Ted D. Morse, Director, USAID/Zimbabwe

FROM: Toby L. Jarman, RIG/A/Nairobi 

SUBJECT: Audit of Local Currency Generations Under USAID/Zimbabwe Grant No. 613-K-605

Attached are five copies of a non-Federal financial audit report of local currency generations under USAID/Zimbabwe Grant No. 613-K-605. The accounting firm of Deloitte and Touche, Zimbabwe performed the audit.

A.I.D. Grant No. 613-K-605 provided budgetary support to the Government of Zimbabwe to achieve economic development objectives and support financial adjustment policies. Under a commodity import program component, local currency generated to support the program was to be deposited into a special account for financing mutually agreed upon development projects. The audit covered a grant amount of \$47 million and local currency generations of Zimbabwe dollars 65,786,387 (\$47,038,625) for the period ending June 30, 1989.

The objectives of the audit were to:

- review and express a written opinion on the Fund Accountability Statement;
- evaluate and report on Government of Zimbabwe's internal control structure concerning local currency generations under the program; and
- determine compliance with terms of the grant agreement and applicable U.S. laws and regulations.

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Deloitte & Touche reported that the Fund Accountability Statement fairly presented the status of all funds authorized under Grant No. 613-K-605, except that there was an unreconciled overdeposit into the special account of the equivalent of \$164,655. In its report on internal control structure, the auditors noted that the Government of Zimbabwe was not reconciling its special account records to A.I.D. records. The auditors reported, however, that the Government of Zimbabwe complied in all material respects with the grant agreement and applicable U.S. laws and regulations.

The draft report was submitted to the auditee and USAID/Zimbabwe for comment and their comments were incorporated in the final report by Deloitte and Touche.

We are including the following recommendations in the office of the Inspector General audit recommendation follow-up system:

Recommendation No. 1: We recommend that the Director, USAID/Zimbabwe should ensure that the Government of Zimbabwe reconcile the overdeposit difference of the equivalent of \$164,655 between A.I.D's records and the special account records.

Recommendation No. 2: We recommend that the Director, USAID/Zimbabwe ensure that the Government of Zimbabwe institute appropriate procedures to reconcile their financial records for the Commodity Import Program with A.I.D. records.

We consider Recommendation Nos. 1 and 2 unresolved pending receipt of a specified plan for corrective action. Please respond to this report within 30 days indicating actions planned or underway to implement these recommendations. Thank you for the cooperation and courtesy extended to Deloitte and Touche and Regional Inspector General for Audit representatives during the audit.

Attachments: a/s

**AUDIT OF
LOCAL CURRENCY GENERATIONS
UNDER USAID/ZIMBABWE GRANT NO. 613-K-605**

ATTACHMENTS

ATTACHMENT I

**FINANCIAL ADDET
OF LOCAL CURRENCY GENERATIONS UNDER
USAID/ZIMBABWE GRANT NO. 613-K-605**

MARCH 1991

**FINANCIAL AUDIT
OF LOCAL CURRENCY GENERATIONS UNDER
USAID/ZIMBABWE GRANT NO. 613-K-605**

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EXECUTIVE SUMMARY

This document records the findings of the financial audit of local currency generations under USAID/Zimbabwe Grant No. 613-K-605.

The report is divided as follows:-

- o **Introduction**

This summarises our approach and methodology

- o **Audit Reports**

This section contains three separate audit reports on:-

- Fund Accountability
- Compliance with laws
- Internal Controls

and the respective audit findings

The audit was conducted between March 1990 and March 1991.

1. INTRODUCTION

BACKGROUND

In 1988/89 the United States Agency for International Development (USAID) requested Deloitte and Touche (DT) to evaluate the systems and procedures utilised by the Government of Zimbabwe to account for income and expenditure on USAID funded grants. The conclusion reached was that the systems were adequate but that laid down accounting and administrative procedures were often not complied with.

As a result of this in 1990 the USAID/Zimbabwe requested an audit of each USAID funded grant agreement.

By agreement between the RIG/A/N, USAID and DT the audits were divided into local currency generation (income audits) and expenditure audits for selected projects. The income audits cover the generation of local currency funds from the CIP programs and the transfer from the special accounts in which the funds are deposited to the GOZ Exchequer account once approval for project expenditure has been given. The expenditure audits cover the receipt of funds by each of the implementing ministries from the Exchequer account and the expenditure incurred for selected development projects by the implementing ministries. This report concerns local currency generations under USAID/Zimbabwe Grant No. 613-K-605.

AUDIT OBJECTIVES AND SCOPE

The objectives and scope of the audit were governed by the following:-

- o CFR-41 1-15-2 (Contracts with Commercial Organisations).
- o Federal Acquisition Regulations (FAR) (Contract Cost Principles and Procedures).
- o AID Handbook 11 (Host country contracts).
- o American Auditing Standards.
- o Audit Contract.
- o Generally Accepted Auditing Standards.
- o American Government Auditing Standards.

In terms of the above, the objectives of the audit were:-

- o To issue an opinion on the fund accountability statement.
- o To report on compliance with the grant agreement, U.S. laws and regulations.
- o To report on Government of Zimbabwe's system of internal controls.

The audit was performed under the guidance of the Regional Inspector General/Audit/Nairobi.

The scope of the audit consisted of the following:-

- o One hundred percent checking of all transactions. This was done because an accurate fund accountability statement from GOZ was not available.
- o Reconciliation of GOZ records to USAID records.
- o Review of transactions for compliance with grant agreement and applicable laws and regulations.
- o An evaluation of internal accounting controls and practices as a part of the transaction audit. It should be noted here that because of the one hundred percent checking, reliance was not placed on internal controls.
- o A review of all relevant documentation.

The Fund Accountability Statement shows the following:-

	<u>US\$</u>
o Deposited into the special account for the grant	47 038 625
o Uncommitted balance still in the hands of AID, Washington	126 030
o A difference between the above two amounts and the total grant amount of US\$47 000 000 (overdeposit)	(164 655)

SYSTEMS DESCRIPTION

The USAID Commodity Import Programs (CIP) have been designed to aid Zimbabwe in two ways:-

- o Provide foreign currency to the private sector in Zimbabwe for the importation of U.S. goods.
- o Generate Zimbabwe dollars from the sale of the above foreign currency for use in public sector development programs.

The organisations who administer the programs are as follows:-

- o **USAID**

USAID acts on behalf of the donor and is responsible for ensuring the correct administration of the foreign funds.

- o **GOZ**

- **MFEPD**

The Ministry of Finance, Economic Planning and Development (MFEPD) is responsible for receipting all local currency generations, refunding the government account from the special grant account for expenditure incurred by the implementing ministries and reporting to USAID.

- **Implementing Ministries**

The implementing ministries incur, control and report to MFEPD on all expenditure of development projects.

o **Reserve Bank of Zimbabwe (RBZ)**

RBZ maintains the government special and investment grant accounts.

o **Commercial Banks (CB)**

CBs act on behalf of the importers

o **Importers**

Importers purchase foreign currency made available under the grant.

The implementation of the CIP is as follows:-

- o An agreement was signed between the U.S. Government and the Government of Zimbabwe.
- o On the basis of a request from the Ministry of Finance, Economic Planning and Development (MFEPD), USAID arranges for a letter of commitment to be issued by AID/Washington to the U.S. bank designated by the MFEPD. This letter advises the U.S. bank of the program and the amount of the agreement.
- o The nature, terms and conditions of the CIP agreement are advertised. In response to this, Zimbabwean companies submit applications for foreign exchange to the Industrial or Commercial Import Controller of the Ministry of Industry and Commerce.

The application includes a proforma invoice from the U.S. supplier indicating that the required items can be sourced from the U.S. and the estimated cost thereof.

- o The Ministry of Industry and Commerce vets the applications in terms of the USAID Commodity Eligibility Listing and their own priorities and allocates funds accordingly. The Ministry provides USAID with details of all approved allocations.

USAID prepares the allocation letters using stationery provided by the Ministry of Industry and Commerce.

- o The importer upon receipt of the Allocation letter obtains an import license before requesting an approved Zimbabwean bank to open a letter of credit in favour of the designated U.S. supplier. The local bank provides USAID with a copy of the letter of credit and advises the U.S. supplier that a letter of credit has been opened.
- o The U.S. supplier ships the goods. Copies of the shipping documents and invoices are submitted to USAID in Zimbabwe and to the U.S. bank.

- o The U.S. bank makes the necessary payments to the U.S. supplier from their own funds and forwards an advice of payment to the bank in Zimbabwe with which a letter of credit was opened.

AID/Washington reimburses the U.S. bank.

- o The Zimbabwean bank collects the full value of the letter of credit in Zimbabwean dollars from the importer.
- o The Zimbabwean bank transfers the funds to the MFEPD. MFEPD deposits the money into a special CIP account at the Reserve Bank.
- o MFEPD usually maintains separate accounts with RBZ for each grant but in the case of Grants 613-K-603 and 613-K-605 a combined account was used.
- o Where there are funds excess to requirements in the RBZ current account, these are transferred to an investment account under instructions from MFEPD.

This completes the income segment of the cycle. Implementing ministries incurring expenditure on approved development projects, submit expenditure returns to MFEPD. In order to refund this expenditure, MFEPD instructs RBZ to transfer funds from the grant special account to the Government's Consolidated Revenue Fund.

AUDIT PROGRAMME

For the purposes of this audit, income comprises the local currency generated from the sale of U.S. dollars to the private sector and expenditure is the money transferred from the special account into the Government account. Actual expenditure will be audited under the expenditure audits done at the various implementing ministries. See report on Financial Audit of Selected Government of Zimbabwe Projects Funded by Local Currency Generated Under USAID/Zimbabwe Grant Nos. 613-K-604 to 613-K-606.

The audit programme has been designed to cover all steps in the audit contract signed between USAID and Deloitte and Touche (Refer Scope of Work APPENDIX ONE). The only exceptions to this are steps 8 and 16 in the audit contract.

Step 8

As described above actual expenditure from the CIP account is covered in a separate audit. Expenditure for this contract will represent the drawdowns from the special account.

Step 16

As explained above expenditure is covered in a separate audit.

Deloitte & Touche



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AUDIT REPORT ON FUND ACCOUNTABILITY STATEMENT

Independent Auditors Report

We have audited the fund accountability statement for local currency receipts of Grant No. 613-K-605 as at and for the years ended June 30, 1989. This fund accountability statement is the responsibility of the Government of Zimbabwe. Our responsibility is to express an opinion on this fund accountability statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial report presentation. We believe that our audit provides a reasonable basis for our opinion.

The fund accountability statement includes:-

- an amount of (US\$164 655) representing an unexplained overdeposit difference. This amount represents funds disbursed in excess of the grant by AID/Washington and the uncommitted balance remaining. USAID is unable to explain the difference as the official accounting records are maintained in Washington. Reports received by USAID are inadequate to identify the reason(s) for the discrepancy (refer to note 3 of the Fund Accountability Statement).

The fund accountability statement has been prepared using the cash receipts and payments basis of accounting.

Subject to the effect of the above amounts, in our opinion the fund accountability statement fairly presents the status of all funds authorised under Grant Agreement No. 613-K-605.

Information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. The report is intended solely for the use of the Government of Zimbabwe and USAID and should not be used for any other purpose.

Deloitte & Touche

DELOITTE & TOUCHE

31 March 1991

GRANT NO. 613-K-605

FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD ENDED 30 JUNE 1989
(All amounts in United States Dollars)

REVENUE

Amount granted per agreement US\$47 000 000

EXPENDITURE

<u>Category</u>	<u>Accepted</u>	<u>Not Audited</u>	<u>Unsupported</u>	<u>Claimed</u>	<u>Notes</u>
Local Currency Generation	47 038 625			47 038 625	1
Uncommitted balance		126 030		126 030	2
Unexplained difference			(164 655)	(164 655)	3
	<u>US\$47 038 625</u>	<u>US\$126 030</u>	<u>US\$(164 655)</u>	<u>US\$47 000 000</u>	

Basis of Accounting

This statement was prepared on the cash receipts and payments basis of accounting.

GRANT NO. 613-K-605

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

1. Local Currency Generation US\$47 038 625

1.1 Introduction

This represents the amount of funds made available to local importers. The total local currency generated from those importers amounts to Z\$65 786 387.

An analysis of the funds is as follows:-

RECEIPTS

Unexpended balances on grants 601 and 602	417 099
Local Currency Received	65 786 387
Interest earned	<u>3 356 741</u>
	<u>Z\$69 560 227</u>

PAYMENTS

Belvedere's Teacher's College	3 548 000
Zintec Gwanda	700 044
Chegututu Bulk Grain Depot	3 400 000
Adult Literacy	500 000
National Household Survey	167 351
Government Housing	509 000
Rural Service Centres	4 000 000
Mutare Technical College	3 500 000
SEDCO	5 000 000
Refugee Schools	1 882 000
Mission Secondary Schools	1 000 000
Mission Primary Schools	300 000
Child Spacing and Fertility	500 000
Norton Bulk Grain Depot	4 200 000
Secondary Schools	3 800 060
Student Hostel Construction	3 000 000
National Vocation Training Centre	6 000 000
Glendale Ginnery	3 000 000
Day Secondary Schools	3 800 000
Masvingo Technical College	1 500 000
Cotton Training Centre	300 000
Coops Union Development Fund	1 500 000
Fatima Refugee Schools	535 594
Coops Housing	500 000
Peasant Farm Research	120 000
Training of Accountant General Centre	200 000
Convention of Cotton Training Centre	42 497
Blood Transfusion Services	815 851
Dissident Destroyed Schools	88 000

PAYMENT TO USAID TRUST FUND	<u>670 651</u>
	<u>55 079 048</u>

EXCESS OF RECEIPTS OVER PAYMENTS REPRESENTING FUNDS STILL AVAILABLE FOR DISTRIBUTION AT 30 JUNE 1989

Z\$14 481 179

The payments will be reconciled to the project audits. At present no work has been done on these items.

1.2 Audit Work

In order to arrive at this analysis we had to perform the following reconciliations:-

- o Reconcile the GOZ cashbook for Grant No. 613-K-605 to the USAID records.
- o Analyse the GOZ cashbook.
- o Reconcile the GOZ cashbook to the Reserve Bank Statements.

1.3 Reconciliation of GOZ Cashbook to USAID Printout

The reconciliation of the GOZ cashbook to USAID printout revealed the following:-

Balance per USAID records	65 353 791
Add : Receipts in cashbook not in printout (APPENDIX THREE)	501 687
Less: Correction of printout errors (APPENDIX FOUR)	(661)
Less: Transfer to 606 printout (APPENDIX FIVE)	(73 603)
Add : Difference on bank charges	37 995
Add : Unreconciled difference	(32 822)
CORRECT RECEIPTS TOTAL	<u>Z\$65 786 387</u>
Balance per GOZ cashbook	65 536 033
Less : Refunds to importers of overpayments (not recorded in cashbook)	(161 332)
Add : Items in printout not in Cashbook (APPENDIX SIX)	674 908
Less : Transfers to 606 programme (APPENDIX SEVEN)	(263 222)
CORRECT RECEIPTS TOTAL	<u>Z\$65 786 387</u>

Appendices three to five represent adjustments to be made to the USAID records and appendices six and seven represent adjustments to be made to the GOZ cash book.

1.4 Analysis of Cashbook

The analysis of the cashbook confirmed the local currency receipts balance and identified a further Z\$3 356 741 earned in interest on invested funds.

1.5 Reconciliation of Cashbook to Reserve Bank Statement

The reconciliation of the GOZ cashbook to bank statement identified actual funds on hand of Z\$14 069 493 made up as follows:-

Held on behalf of 613-K-606 (APPENDIX SEVEN)	263 222
Due from 613-K-606 (APPENDIX SIX)	(475 632)
Due from 613-K-603 (APPENDIX SIX)	(104 669)
613-K-606 Funds (Note 1.1 of Fund Accountability Statement)	14 481 179
605 receipts not located (APPENDIX SIX)	(94 606)
ACTUAL FUNDS ON HAND	<u>Z\$14 069 494</u>

The amount of Z\$263 222 represent 606 receipts erroneously deposited in the 605 account. This amount must be transferred to the 606 account.

The amount of \$475 633 does not form part of the local currency generated under the 605 CIP Program. This amount should be withdrawn from the 605 special account and deposited in the 606 special accounts.

The Z\$104 669 represent 605 receipts erroneously deposited into special account 603.

The Z\$94 906 represents receipts listed in the USAID printout for which there were no deposits in the 605 special account. The USAID director must make a decision on what action is to be taken in this regard.

2. Uncommitted Balance US\$126 030

This amount represents the cash balance which was in the hands of AID/Washington. It has been confirmed in writing by USAID/Zimbabwe but no further audit work has been performed on the amount. Of this amount US\$36 945 has since been deobligated by AID/Washington.

3. Unexplained Difference - Overdeposit (US\$164 655)

This represents the difference between the identified components of the grant and the total grant amount of US\$47 000 000. We were unable to establish the source of this amount and as a result no audit work has been performed on it. We have classified this amount as unsupported.

USAID is unable to explain this difference as the official accounting records are maintained in Washington.

A summary of such differences for grants 613-K-603 to 613-K-606 is detailed in Appendix 9.

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ADDITIONAL REPORT ON COMPLIANCE WITH LAWS, REGULATIONS AND PROGRAMS

Independent Auditors Report

We have audited the fund accountability statement for local currency generations of Grant Agreement No. 613-K-605 as at and for the years ended June 30, 1989 and have issued our report thereon dated March 31, 1991.

We conducted our audit in accordance with generally accepted auditing standards and Government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that the fund accountability statement is free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Grant No. 613-K-605 is the responsibility of the Government of Zimbabwe. As part of the work conducted to obtain reasonable assurance that the fund accountability statement is free of material misstatement we performed tests of Government of Zimbabwe's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on the overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Government of Zimbabwe complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Government of Zimbabwe had not complied in all material respects, with those provisions.

Information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. The report is intended solely for the use of the Government of Zimbabwe and USAID and should not be used for any other purpose.

Deloitte & Touche

DELOITTE & TOUCHE

31 March 1991

COMPLIANCE WITH LAWS

1. INTRODUCTION

The following terms and conditions were tested for compliance:-

- o Whether the report submitted to USAID was on an accrual or cash basis.
- o Whether the actual amount was compared to the allocation.
- o The existence of a systematic method of ensuring timely and appropriate resolution of audit findings and recommendations.
- o Whether the grantee made available all records.
- o That no member of the U.S. Congress or resident U.S. Commissioner shared in any part of the grant.
- o That no air travel or transportation costs were funded by the grant.
- o US\$47 million was used to generate local currency
- o No letter of commitment had a date later than 1 May 1988.
- o The minimum size of foreign currency allocation should be ten thousand US dollars.

2. ITEMS OF NON COMPLIANCE

The following items of non compliance were noted:-

Minimum Foreign Currency Allocation

In terms of the grant the minimum foreign currency allocation was ten thousand US dollars.

115 instances of non compliance were noted (see appendix eight) between US\$10 000 and US\$1 000.

Recommendation

Government of Zimbabwe must identify all important terms and conditions of the grant agreement before initiation of funding and ensure all staff are aware of them.

Department Comment

The allocations of foreign currency to the private sector is the responsibility of the Ministry of Industry and Commerce and USAID. The above amounts probably arose through changing exchange rates and prices.

Accountant General's Comment

Agreed.

Deloitte & Touche



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AUDIT REPORT ON INTERNAL CONTROL STRUCTURE

Independent Auditor's Report

We have audited the fund accountability statement for local currency generations of Grant Agreement No. 613-K-605 as at and for the years ended June 30, 1989 and have issued our report thereon dated March 31, 1991.

We conducted our audit in accordance with generally accepted auditing standards and Government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that the fund accountability statement is free of material misstatement.

In planning and performing our audit of the fund accountability statement for Grant No. 613-K-605 of Government of Zimbabwe for the year ended June 30, 1989, we considered the GOZ internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement but not to provide assurance on the internal control structure.

Government of Zimbabwe is responsible for establishing and maintaining an internal control structure. The objectives of an internal control structure are to provide management with reasonable but not absolute assurance that assets are safeguarded against loss from unauthorised use or disposition, and that transactions are executed in accordance with management authorisation and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:-

- o Invoicing and receipting
- o Grant Debtors
- o Cash Book
- o Project Cards
- o Payments to the Exchequer

- o Investment Account
- o VOC Transfers

For all internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they are in operation and we have assessed internal control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that in our judgment, could adversely affect the entity's ability to record, process, summarise and report financial data consistent with the assertions of management in the financial statements.

The reportable conditions noted were:-

- o Reconciliations of Government of Zimbabwe and United States Agency for International Development records were not performed.
- o Reconciliations of money received by Government of Zimbabwe to that due in terms of the grant agreement were not performed.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe the above reportable conditions constitute material weaknesses.

Information contained in this report may be privileged. The restrictions in 18 USC 1905 should be considered before any information is released to the public. The report is intended solely for the use of the Government of Zimbabwe and USAID and should not be used for any other purpose.

Deloitte & Touche

DELOITTE & TOUCHE

31 March 1991

INTERNAL CONTROL

1. INTRODUCTION

In 1988 Deloitte & Touche was requested to investigate and document the accounting and control systems used by GOZ to monitor and control the use of counterpart funds for public sector projects.

Compliance testing was performed and compliance deviations, and system recommendations identified. Auditor General reports on the various systems were also obtained and reviewed.

2. USAID COMMODITY IMPORT PROGRAMME ACCOUNTING AND CONTROL SYSTEMS 1988

The relevant section from the above report is attached as an appendix (See APPENDIX TWO).

3. FOLLOW UP OF ACCOUNTING AND CONTROL SYSTEMS REPORT

The following system changes were noted:-

Debtors System

The preparation of invoices, invoice register and importers debtors system has been discontinued. We do not believe that this represents a system weakness because recording is done on a cash receipts basis. The receipt and the invoice are prepared at the same time. There is therefore no reason to maintain a debtors ledger.

The following system weaknesses were noted:-

Project Cards

The project cards system was discontinued in the 85/86 financial year. This system provided management information on a project basis for the following:-

- o VOC transfers
- o Expenditure
- o Allocations
- o Payments to the Exchequer
- o Project name and number

It also forms the basis for the preparation of the USAID reports.

The reason given by MFEPD staff for discontinuing the project ledgers is that the expenditure ledger provides the same function. The expenditure ledger only provides expenditure information and is used to summarise implementing ministry returns and ensure that returns for all projects have been submitted.

The purpose of the project cards is to provide management with all the information for each project on a monthly basis. We believe that it is important to maintain the project cards so that management may monitor project expenditure against the amounts allocated for each project.

Recommendation

We recommend the project cards be recommenced.

Department Comment

The Comptroller and Auditor General is aware of the change in system. The decision to drop the cards was made because of staff shortages and the fact that the information was available from other sources. The purpose of the cards was simply to consolidate it.

Accountant General's Comment

Agreed.

4. CURRENT EVALUATION

The current audit revealed the following system weaknesses.

Reconciliation of money received to money due

No attempt had been made to reconcile the money converted to local currency with the money due in terms of the grant agreement.

Recommendation

All money received in terms of grant agreements should have been reconciled on a regular basis to the money due. AID/Washington should have been requested to confirm any unexpended balance remaining in the USA.

For future projects the form of the reconciliation should be as follows:-

Funds converted to Z Dollars	x xxx
Funds in hands of AID Washington	x xxx
Allocated to:-	
- ABC Ltd	
- Unallocated funds	
FUNDS AVAILABLE UNDER GRANT	=====

This could initially be prepared from the Allocation list and updated quarterly according to cash book receipts.

Responsibility for its preparation should be assigned to the Chief Accountant of GOZ. It should be reviewed by the Assistant Accountant General and USAID.

Department's Comment

A list of local currency generations had not been received from USAID. In future projects this recommendation will be implemented.

Accountant General's Comment

Agreed.

Reconciliation of GOZ to USAID records

A reconciliation of the records maintained at GOZ and those maintained at USAID was not prepared. As a result large adjustments were required for USAID and GOZ records. This indicated a lack of control and could have resulted in material financial loss.

Recommendation

For future projects USAID should supply a copy of their printout listing all local currency generations to allow GOZ to reconcile this to the cashbook. This reconciliation should be prepared monthly by the chief accountant of GOZ, and reviewed by the Assistant Accountant General and USAID.

Department's Comment

A list of local currency generations had not been received from USAID. In future projects this recommendation will be implemented.

Accountant General's Comment

Agreed.

Auditor Response

For all current projects this recommendation has been implemented. Reconciliations are carried out accurately and timeously.

Payment Computation Schedule

The following errors were found to be recorded on the payment computation schedule as at 30.6.89:-

	<u>Recorded</u> <u>Cumulative</u> <u>Payment</u>	<u>Actual</u> <u>Cumulative</u> <u>Payment</u>	<u>Difference</u>
Adult Literacy	-	500 000	(500 000)
Government Housing	850 000	509 000	341 000
Refugee Schools	1 180 000	1 882 000	(702 000)
Child Spacing and Fertility	-	500 000	(500 000)
Secondary Schools	-	3 800 060	(3 800 060)
Training of Accountant General Staff	200 000	-	200 000
Blood Transfusion Services	2 500 000	815 851	1 684 149
Rural Secondary Schools	650 000		650 000
Grant Day Schools	2 000 000		2 000 000
Spilhouse Centre	500 000		500 000
	<u>Z\$7 880 000</u>	<u>Z\$8 006 911</u>	<u>Z\$(126 911)</u>

The above differences arose from casting and carry forward errors, of figures, on the payment computation schedules.

This position arose because there is no reconciliation of the payment computation schedule to the cash or cash position cards which have now been discontinued. This could have resulted in an over allocation of funds had USAID/Zimbabwe not maintained a separate record of allocations.

Recommendations

The cashbook payment must be reconciled to the payments to the exchequer per the payment computation schedule each time the schedule is prepared. In addition all carry forward of totals and castings on the payment schedule must be checked by a person independent of the preparer. This task should be signed for.

Department's Comment

Agreed. These functions will be carried out in future.

Accountant General's Comment

Agreed.

APPENDIX THREE - RECEIPTS TO BE ADDED TO USAID PRINTOUT

<u>L/C</u>	<u>DATE</u>	<u>NAME OF IMPORTER</u>	<u>RECEIPT NUMBER</u>	<u>Z\$</u>	<u>US\$</u>
83/6889	13.7.84	Plate Glass	893 113	2 685,46	2 245,58
5173/204	18.9.84	Haylett Litho Printers	406 316	21 674,75	15 900,00
D055	20.6.85	Plessey Zimbabwe	408 879	134 318,85	84 352,24
2112/8/85	5.7.85	Datatronics	408 887	28 616,82	18 103,00
2197/38/83	6.5.86	Prodorite	410 272	18 679,59	11 531,55
D6421	30.11.84	Field Furniture	407 353	3 548,94	2 524,36
-	15.8.85	Protea Medical Services	410 204	83 924,95	55 991,57
-	19.1.85	Metal Box	407 377	25 124,66	17 088,35
-	1.11.88	Industrial Confirming Company	495 517	109 509,69	57 415,93
				<u>428 083,71</u>	<u>264 660,58</u>
	6.2.85	Protea Medical	407 275	49 042,06	
	22.2.85	Protea Medical	407 289	<u>24 561,52</u>	
				<u>501 687,29</u>	

APPENDIX FOUR - RECEIPTS TO BE REMOVED FROM 606 PRINTOUT AND TRANSFERRED TO 605 PRINTOUT

<u>L/C</u>	<u>DATE</u>	<u>NAME OF IMPORTER</u>	<u>Z\$ OLD</u>	<u>Z\$ NEW</u>	<u>DIFFERENCE</u>
5173/433	24.1.84	Apex Holdings	19 843,64	20 172,46	
2121/65/84	7.8.85	Harlequin Furniture	26 923,86	25 933,76	
			<u>46 767,50</u>	<u>46 106,22</u>	<u>661,28</u>

APPENDIX FIVE - RECEIPTS TO BE TRANSFERRED FROM 606 PRINTOUT

<u>L/C</u>	<u>DATE</u>	<u>NAME OF IMPORTER</u>	<u>Z\$</u>	<u>US\$</u>
D7341	13.3.85	Steward and Lloyds	24 561,81	31 421,25
DX929984	10.1.85	Protea Medical	49 042,06	15 387,79
			<u>73 603,87</u>	<u>46 809,04</u>

APPENDIX SIX - RECEIPTS TO BE ADDED TO THE CASHBOOK

<u>L/C</u>	<u>DATE</u>	<u>NAME OF IMPORTER</u>	<u>Z\$</u>	<u>US\$</u>
<u>Receipts in 613-K-606 Cashbook</u>				
4011/84/140	05.04.85	Professional Engineering	34 949,75	22 147,64
2128/168/82	03.01.85	Cellophane Packages	65 881,76	43 132,79
85/8519	04.12.85	Zemco	61 265,66	36 428,56
85/030	29.01.85	M H Goldschmidt	43 259,95	27 716,65
4001/84/79	- .04.85	Modus Publications	179 966,35	115 120,39
84308	29.01.85	M H Goldschmidt	16 705,21	10 350,55
-	06.02.85	Protea Medical	49 042,06	
-	22.02.85	Protea Medical	24 561,52	
			<u>475 632,26</u>	
<u>Receipts in 613-K-603 Cashbook</u>				
84/054	01.03.84	M H Goldschmidt	65 136,99	57 997,98
84/054	02.04.84	M H Goldschmidt	<u>39 532,08</u>	<u>35 175,65</u>
			<u>104 669,07</u>	
<u>Receipts which could not be traced to any GOZ Special Account</u>				
4011/84/38	06.12.84	Professional Engineering	1 315,00	900,00
4011/84/92	06.08.84	National Foods	72 338,50	57 038,91
4011/84/93	06.08.84	National Foods	<u>20 952,94</u>	<u>16 521,39</u>
			<u>94 606,44</u>	
		TOTAL	<u>674 907,77</u>	

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APPENDIX SEVEN - RECEIPTS TO BE TRANSFERRED FROM 605 CASHBOOK TO 606 CASHBOOK

<u>L/C</u>	<u>DATE</u>	<u>NAME OF IMPORTER</u>	<u>Z\$</u>	<u>US\$</u>
4001/84/48	31.5.85	Plessey Zimbabwe	134 318,85	84 352,24
G4001/5056	11.6.85	Schweppes C.A. Ltd	100 286,55	63 000,00
2112/8/85	2.7.85	Datatronics	28 616,82	18 103,00
			<u>263 222,22</u>	<u>165 455,24</u>

USAID RECEIPTS UNDER US\$10 000

APPENDIX EIGHT

All No	L/C No	Account Of	Payments	Bank Rate	Z Dollars	Converted Actual
203 B201	2190/2/84	CAHILL ENTERPRISES	9 990.86	0.70	14 161.39	9 Oct 84
599 B276	86/1802	RECKIT & COLMAN	9 988.92	0.58	17 278.88	4 Nov 86
1172 F025	85 049	MH GOLDSCHMIDT	9 943.78	0.61	16 354.90	6 Mar 85
17 B042	2326/244/83	AMES CHEMICALS	9 923.47	0.87	11 343.70	11 Apr 84
513 B108	84/7455	INDUSTRIAL CONFIRM	9 909.97	0.84	11 762.58	20 Jun 84
4 B017	2121/71/83	CRODA ZIMBABWE LTD	9 877.80	0.85	11 670.37	21 Mar 84
223 B223	2132/13/84	REFRIGERATION EQUIPMENT	9 870.05	0.68	14 555.45	30 Oct 84
350 B174	DX/929459	REALTIME	9 841.05	0.68	14 431.81	28 Nov 84
349 B174	DX/929459	REALTIME	9 838.40	90.70	14 137.66	20 Nov 84
515 B115	84/7045	AROMEX (PVT) LIMITED	9 833.99	0.88	11 217.05	13 Apr 84
912 F341	5152/155	JOHN EVANS LIMITED	9 663.67	0.60	16 093.71	17 Oct 86
625 B304	86/1616	CARLISLE ENGINEERING	9 622.80	0.58	16 528.34	31 Oct 86
707 B112	5173/1026	HU STYLE FURNITURE	9 599.13	0.87	10 989.28	26 Apr 84
215 B212	2144/116/84	AGRICAIR	9 590.61	0.63	15 160.62	4 Jun 85
776 B244	5173/302	TEDDER GREEN	9 576.60	0.71	13 478.68	19 Oct 84
573 B256	84/7542	PUZEY & PAYNE	9 569.16	0.59	16 287.93	25 Oct 85
757 B216	5173/153	ROCO (PVT) LIMITED	9 555.40	0.71	13 448.84	10 Oct 84
140 B165	2144/67/84	FIELD TECHNICAL	9 509.84	0.69	13 850.63	2 Nov 84
935 F010	212/65/84	HARLEQUIN FURNITURE	9 509.77	0.62	15 348.24	25 Jan 85
704 B092	5173/962	PARAGAS (PVT) LIMITED	9 420.50	0.89	10 571.77	8 May 84
84 B141	2326/13/84	MODERN FURNITURE	9 348.61	0.88	10 663.41	13 Apr 84
96 B147	2144/6/85	AGRICAIR LIMITED	9 283.00	0.63	14 672.04	13 May 85
761 B220	5173/070	UNITED AIR CHARTERS	9 170.94	0.62	14 704.08	23 Apr 86
426 B029	83/6839	ZEMCO	9 104.49	0.69	13 179.63	16 Oct 84
1238 4016/83/718	601517Y	PRICES (Z) LTD	8 749.91	0.88	9 956.70	15 May 84
1247 4016/83/717	601278N	RICKETT & COLEMAN	8 747.91	0.87	9 999.90	15 May 84
77 B136	2112/175/83	PUZEY & PAYNE	8 703.70	0.63	13 784.76	14 Jan 85
636 B356	87/3620	ZEMCO	8 659.93	0.59	14 576.55	23 Nov 87
728 B177	5173/327	ALKA PAINT COMPANY	8 552.00	0.77	11 144.12	9 Sep 84
211 B210	2144/59/84	FIELD AIRCRAFT	8 526.36	0.68	12 533.24	6 Dec 84
575 B261	84/8493	INDUSTRIAL CONFIRM	8 427.00	0.61	13 735.94	21 Feb 85
753 B203	5173/161	VITAFOAM	8 275.00	0.86	9 671.57	15 Jun 84
375 B238	DX/929517	PROTEA MEDICAL	8 075.38	0.75	10 814.76	6 Sep 84
61 B135	2197/38/83	NCR LIMITED	7 792.05	0.87	8 958.44	24 Apr 84
1222 D8918	100000A	EMCEE ELECTRONICS	7 664.02	0.62	12 457.77	22 Sep 86
334 B172	DX/929461	REALTIME	7 609.25	0.77	9 941.53	30 Aug 84
770 B232	5173/234	NCR	7 606.36	0.63	12 043.00	22 May 85
44 B072	214/34/84	FIELD TECH. SALES	7 568.92	0.66	11 419.61	11 Oct 84
1115 F028	D.7367	AJAX REFRIGERATION	7 522.79	0.63	11 940.94	10 Mar 86
97 B147	2144/7/85	AGRICAIR LIMITED	7 508.78	0.64	11 824.85	8 Jul 85
192 B181	2191/48/84	GOODYEAR Z LIMITED	7 485.58	0.60	12 311.81	22 Feb 85
1001 F322	2132/19/86	REFRIGERATOR EQUIPMENT	7 400.00	0.61	12 163.05	23 Jan 87
1010 F352	2144/85/86	SYSTRON (PVT) LIMITED	7 393.45	0.61	12 080.80	4 Feb 87
307 B216	84 283	MH GOLDSCHMIDT	7 234.34	0.70	10 455.76	15 Nov 84
70 B135	2197/38/83	NCR LIMITED	7 016.02	0.58	12 026.09	21 May 86
157 B171	2197/11/84	NCR	6 892.86	0.72	9 632.28	2 Oct 84
7-B023	2144/59/83	FIELD AIRCRAFT	6 881.78	0.70	9 889.04	20 Nov 84
165 B171	2197/11/84	NCR	6 858.71	0.70	9 741.10	14 Nov 84
713 B137	5173/104	ARTHUR GARDEN	6 800.46	0.76	8 916.94	23 Aug 84
1225 09562	807333L	MANICA FREIGHT	6 697.20	0.61	10 989.83	24 Mar 87
26 B050	2112/151/83	PUZEY & PAYNE	6 568.00	0.72	9 183.45	27 Sep 84

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USAID RECEIPTS UNDER US\$10 000

APPENDIX EIGHT

All No	L/C No	Account Of	Payments	Bank Rate	Z Dollars	Converted Actual
158 B171	2197/11/84	NCR	6 512.17	0.72	9 100.29	2 Oct 84
849 F002	5173/813	MOBIL OIL	6 462.55	0.66	9 842.45	14 Apr 85
88 B147	2144/30/84	AGRICAIR LIMITED	6 433.13	0.82	7 784.52	3 Jul 84
391 B310	DX/931643	CERNOL CHEMICALS	6 414.05	0.59	10 952.96	20 Nov 86
1047 F013	84/8420	INDUSTRIAL CONFIRMING	6 286.15	0.59	10 613.12	25 Feb 85
531 B148	83/6903	REALTIME	6 274.63	0.69	9 039.95	21 Nov 84
271 B502	2197/23/85	NCR	6 075.25	0.60	10 030.13	13 Feb 87
141 B165	2144/67/84	FIELD TECHNICAL	5 888.75	0.63	9 399.44	29 Jan 85
1153 F030	DX/930116	PROTEA CHEMICAL	5 725.00	0.64	8 983.21	29 Apr 85
159 B171	2197/11/84	NCR	5 689.00	0.69	8 273.71	23 Oct 84
542 B185	84/7345	INDUSTRIAL CONFIRM	5 467.09	0.75	7 268.13	5 Sep 84
772 B232	5173/234	NCR	5 458.07	0.60	9 102.85	9 May 86
163 B171	2197/11/84	NCR	5 431.31	0.70	7 713.83	14 Nov 84
69 B135	2197/38/83	NCR LIMITED	5 372.38	0.62	8 717.15	17 Apr 86
1058 F033	84/8396	COCA COLA EXPORT	5 268.57	0.61	8 582.13	27 Jan 86
238 B260	2197/2/85	NCR	5 221.14	0.58	8 944.90	24 Nov 86
725 B170	5173/106	NCR	5 095.36	0.64	7 941.65	20 Jun 85
340 B172	DX/929461	REALTIME	4 958.35	0.64	7 720.88	25 Apr 85
90 B147	2144/32/84	AGRICAIR LIMITED	4 901.06	0.77	6 368.32	27 Jul 84
325 B085	MB 312 315119	MELBRO KNITWEAR	4 696.66	0.68	6 895.70	11 Dec 84
124 B162	2197/12/84	NCR	4 581.33	0.64	7 133.81	25 Apr 85
722 B170	5173/106	NCR	4 566.18	0.67	6 864.37	4 Jan 85
143 B167	2144/53/84	FIELD TECHNICAL	4 356.81	0.70	6 216.91	19 Nov 84
167 B171	2197/11/84	NCR	4 344.29	0.68	6 375.54	5 Dec 84
267 B502	2197/23/85	NCR	4 343.41	0.58	7 745.85	1 Jul 86
133 B162	2197/13/84	NCR	4 314.38	0.63	6 867.84	24 May 85
714 B137	5173/104	ARTHUR GARDEN	4 225.22	0.77	5 520.27	14 Sep 84
131 B162	2197/13/84	NCR	4 093.36	0.63	6 482.99	14 Jan 85
516 B115	84/7044	AROMEX (PVT) LIMITED	4 037.68	0.85	4 743.52	17 May 84
210 B210	2144/59/84	FIELD AIRCRAFT	3 892.71	0.70	5 492.75	22 Sep 84
147 B168	2197/29/84	NCR	3 603.84	0.61	5 874.23	21 Feb 85
92 B147	2144/33/84	AGRICAIR LIMITED	3 564.75	0.86	4 145.06	4 Jun 84
528 B148	83/6904	REALTIME	3 453.96	0.57	6 028.91	11 Sep 85
268 B502	2197/23/85	NCR	3 359.56	0.57	5 965.13	17 Jun 86
752 B203	5173/093	VITAFOAM CA LIMITED	3 285.40	0.84	3 899.58	5 Jul 84
37 B068	2197/10/84	NCR LIMITED	3 209.25	0.61	5 245.59	16 Apr 86
171 B171	2197/11/84	NCR	3 185.31	0.66	4 835.75	2 Jan 85
794 B280	5152/230	A I DAVIES & COMPANY	3 034.97	0.59	5 183.55	30 Oct 86
998 F039	2144/68/86	NCR	2 963.69	0.59	5 020.65	1 Dec 86
173 B171	2197/11/84	NCR	2 949.92	0.63	4 716.85	24 Apr 86
237 B260	2197/2/85	NCR	2 399.62	0.60	3 987.40	3 Oct 86
496 B077	83/6889	PLATE GLASS COMPANY	2 245.58	0.83	2 685.46	22 Jun 84
527 B148	83/6904	REALTIME	2 162.25	0.62	3 513.00	5 Aug 85
236 B260	2197/2/85	NCR	2 084.72	0.60	3 493.16	21 Aug 85
155 B171	2197/11/84	NCR	1 933.17	0.77	2 522.07	27 Aug 84
125 B162	2197/12/84	NCR	1 880.14	0.56	3 333.58	11 Jun 86
265 B502	2197/23/85	NCR	1 660.17	0.62	2 697.27	23 Jan 86
244 B296	2144/21/86	NCR	1 649.10	0.59	2 808.41	29 Aug 86
2 B017	2121/69/83	CRODA ZIMBABWE LTD	1 633.25	0.70	2 341.24	7 Nov 84
21 B046	2112/147/83	PUZEY & PAYNE	1 630.00	0.72	2 279.68	27 Sep 84
162 B171	2197/11/84	NCR	1 591.33	0.70	2 260.09	14 Nov 84

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USAID RECEIPTS UNDER US\$10 000

APPENDIX EIGHT

All No	L/C No	Account Of	Payments	Bank Rate	Z Dollars	Converted Actual
1090 F334	86/1930	FIELD AIRCRAFT	1 579.35	0.61	2 607.48	13 Mar 87
132 B162	2197/13/84	NCR	1 574.65	0.63	2 486.42	10 May 85
716 B144	5173/1115	OLIVINE INDUSTRIES	1 567.17	0.69	2 257.52	8 Nov 84
999 F039	2144/68/86	NCR	1 521.24	0.59	2 577.06	1 Dec 86
28 B051	2112/152/83	PUZEY & PAYNE	1 520.48	0.70	2 159.47	14 Nov 84
123 B162	2197/12/84	NCR	1 518.74	0.84	1 882.96	21 May 84
242 B267	2326/118/86	HAGGIE ZIMBABWE	1 504.00	0.59	2 560.43	9 Dec 86
361 B176	DX/929462	REALTIME	1 466.05	0.65	2 256.50	8 Jan 85
149 B168	2197/29/84	NCR	1 420.00	0.59	2 420.32	16 Dec 86
249 B296	2144/21/86	NCR	1 317.42	0.58	2 247.01	19 Dec 86
174 B171	2197/11/84	NCR	1 315.89	0.59	2 223.91	20 Dec 86
1067 F319	86/1576	ZEMCO	1 247.68	0.59	2 121.18	26 Dec 86
1077 F328	86/1783	JAMES NORTH	1 234.66	0.61	2 025.36	25 Mar 87
787 B259	5173/235	NCR	1 104.19	0.60	1 831.77	7 Oct 86
227 B234	2132/8/84	AUTO-BRAKES	1 040.94	0.70	1 484.51	10 Oct 84

**APPENDIX NINE - DIFFERENCES BETWEEN AMOUNTS DUE IN TERMS OF GRANTS AGREEMENTS
AND LOCAL CURRENCY GENERATION**

GRANT NO	AMOUNTS PER AID/WASHINGTON RECORDS US\$			LOCAL CURRENCY GENERATION US\$	DIFFERENCE US\$
	TOTAL GRANT	UNCOMMITTED BALANCE	DISTRIBUTION		
613-K-603	50 000 000	27 284	49 972 716	50 246 087	273 371
613-K-604	45 000 000	340 215	44 659 785	44 456 054*	(203 731)
613-K-605	47 000 000	126 030	46 873 970	47 038 625	164 655
613-K-606	44 869 000	306 096	44 562 904	44 115 840*	(447 064)
				Net Underdeposit	<u>(212 769)</u>

* This amount is the total of amounts obligated directly and local currency generations.

REPORT DISTRIBUTION

American Ambassador to Zimbabwe	1
Mission Director, USAID/Zimbabwe	5
AA/AFR	2
AFR/SA/ZZMS	2
AFR/CONT	1
XA/OD	1
XA/PR	2
AA/LEG	1
GC	1
AA/FA	2
FM/FPS	2
AA/S&T	1
PPC/CDIE	3
MS/AS	1
REDSO/ESA	1
REDSO/RFMC	1
REDSO/Library	1
IG	1
AIG/A	1
D/AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM	5
IG/I	1
RIG/I/N	1
IG/A/PSA	1
IG/A/FA	1
RIG/A/C	1
RIG/A/D	1
RIG/A/M	1
RIG/A/S	1
RIG/A/T	1