

Regional Inspector General for Audit
Nairobi, Kenya

Audit of
USAID/Swaziland Business Management
Extension Programme (BMEP)
Cooperative Agreement No. 645-0234-A-00-0012-00

Report No. 3-645-93-18-N
May 11, 1993



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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

May 11, 1993

Memorandum

*Regional
Inspector General
for Audit/Nairobi*

TO: Director, USAID/Swaziland, Valerie Dickson-Horton

FROM: *for* RIG/A/Nairobi, Everette B. Orr *W. Robert Farish*

SUBJECT: Audit of the Business Management Extension Programme (BMEP) Cooperative Agreement No. 645-0234-A-00-0012-00, Under USAID/Swaziland Business Management Extension Program, Project No. 645-0234 Audit Report No. 3-645-93-18-N

Attached are five copies of an agency-contracted financial audit report of the Business Management Extension Programme (BMEP), Cooperative Agreement No. 645-0234-A-00-0012-00, under the Business Management Extension Program, Project No. 645-0234. The accounting firm of Coopers & Lybrand performed the audit.

On May 29, 1990, the United States Agency for International Development (USAID) signed Cooperative Agreement No. 645-0234-A-00-0012-00 with BMEP. The goals of the Cooperative Agreement were to: (1) increase the number and quality of local entrepreneurs, (2) increase basic business and management skills, (3) provide assistance to small businesses, (4) manage a demonstration retail outlet, and (5) liaise with the Government of Swaziland on policies affecting small business. These goals were to be accomplished by funding training courses, a resource materials center, a demonstration retail outlet and a revolving loan program.

Coopers & Lybrand audited revenues of \$230,480 and expenditures of \$229,473 for the period May 29, 1990 through September 30, 1992. The objectives of the audit were to:

- audit the BMEP Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects, and in conformity with the basis of accounting described in the report, the use of funds in accordance with the grant agreement;
- consider the BMEP internal control structure in order to determine the auditing procedures for purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses;

test BMEP's compliance with the terms of the grant agreement as part of obtaining reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance.

There were no material questioned costs and the auditors expressed an unqualified opinion on the Fund Accountability Statement. The auditors, however, identified ineligible expenditures of \$1,295 and unsupported costs of \$48. The unsupported costs are considered to be immaterial and are, thus, not included in the Office of Inspector General audit recommendation follow-up system. The report on the internal control structure did not disclose any reportable conditions, but several insignificant weaknesses were mentioned. The report on compliance noted that with respect to the items tested, BMEP complied in all material aspects with laws, regulations and the cooperative agreement.

The draft audit report was submitted to BMEP and USAID/Swaziland for comment and their comments (Appendix I and Appendix II, respectively) were incorporated in the final report by Coopers & Lybrand. In summary, BMEP and USAID/Swaziland concurred in general with the auditor's report package. This Office has no additional comments.

We are including the following recommendation in the Office of the Inspector General audit recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Swaziland determine the allowability and recover, as appropriate, questioned ineligible costs of \$1,295 from the Business Management Assistance Programme.

We consider Recommendation No. 1 unresolved. Recommendation No. 1 may be resolved upon a final determination of the allowability of the indicated questioned costs. Recommendation No. 1 can be closed upon issuance of a bill of collection or other provision for recovery. Please notify us within 30 days of actions planned or already taken to implement the recommendation.

Thank you for the cooperation extended to Coopers & Lybrand and Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

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AUDIT OF
THE BUSINESS MANAGEMENT EXTENSION PROGRAMME (BMEP)
COOPERATIVE AGREEMENT NO. 645-0234-A-00-0012-00
UNDER USAID/SWAZILAND BUSINESS MANAGEMENT EXTENSION PROGRAM,
PROJECT NO. 645-0234

ATTACHMENTS

AGENCY CONTRACTED AUDIT OF
BUSINESS MANAGEMENT EXTENSION PROGRAMME (BMEP)
UNDER USAID/SWAZILAND COOPERATIVE
AGREEMENT NUMBER 645-0234-A-00-0012-00

**AGENCY CONTRACTED AUDIT OF
BUSINESS MANAGEMENT EXTENSION PROGRAMME (BMEP)
UNDER USAID/SWAZILAND COOPERATIVE AGREEMENT
NUMBER 645-0234-A-00-0012-00**

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**BUSINESS MANAGEMENT EXTENSION PROGRAMME (BMEP)
UNDER USAID/SWAZILAND COOPERATIVE AGREEMENT
NUMBER 645-0234-A-00-0012-00**

Introduction

1.1 Background

1.1.1 Business Management Extension Programme (BMEP) was originally created as part of the Manzini Industrial Training Centre (MITC) which provides technical skills in a variety of areas in an effort to address employment problems. BMEP has the specific task of providing business skills to local people with marketable technical abilities.

1.1.2 Following the original USAID grant of February 28, 1986 it was decided to make a further USAID grant under USAID/Swaziland Cooperative Agreement Number 645-0234-A-00-0012-00 for US \$251 000 (or E627 460 whichever is lower) the grant agreement for which was signed on May 29, 1990 with a completion date of May 31, 1992. The grant was increased by US \$40 000 to US \$291 000 (E706 860) in July 1992 in order to extend the completion date from May 31, 1992 to November 30, 1992. No host country contributions are applicable to this project while funds required outside of USAID grant contributions are available from BMEP course revenues.

1.1.3 Objectives of the Programme as specified in the Agreement between BMEP and USAID are:

- To expand the number and improve the quality of local entrepreneurs.
- To import basic management skills to rural Swazi communities.
- To provide material, technical and financial assistance to small businesses in the country.
- To manage a demonstration retail outlet.
- To liaise with the Government of Swaziland (GOS) on how their policies are affecting small businesses.

1.1.4 In line with the above objectives and the proposal supporting the second USAID grant, the envisaged activities of the Programme are:

- To run full-time business management training courses at BMEP.
- To run part-time business management training courses at BMEP.
- To provide extension services/outreach/business counselling.
- To provide workshops for rural groups and other small businesses.
- To run a resource materials centre with technical information.
- To continue the existing loan scheme and graduate clients to commercial loans.

- To run Eswatini demonstration retail outlet.
- To operate a warehouse/productive input supply centre.
- To provide a forum for articulating small businesses' policy concerns.

1.1.5 The grant agreement covers the following terms and provisions:-

- Allowable costs
- Accounting, audit and records
- Refunds
- Revision of grant budget
- Termination and suspension
- Disputes
- Ineligible countries
- U S officials not to benefit
- Amendment
- Notices

1.1.6 BMEP is to report to the USAID Project Officer who should keep track of the expenditure of funds via:-

- monthly financial statements and receipts
- monthly budget and financial requests
- detailed work plans and project schedule
- bi-annual Project Implementation Reports

1.2 Audit Objectives and Scope

1.2.1 Coopers & Lybrand were contracted to perform an Agency-Contracted audit of the Business Management Extension Programme (BMEP) USAID/Swaziland Cooperative Agreement Number 645-0234-A-00-0012-00 in accordance with generally accepted auditing standards and the US Comptroller General's "Government Auditing Standards" (1988 Revision). The principal object was to determine whether costs claimed by the auditee are adequately supported in accordance with the agreement and are allowable, allocable and reasonable. The scope of our audit was limited to the U S Dollar amount drawn down (totalling US \$229 473). All items comprising the US \$229 473 drawn down were audited (100% vouched).

1.2.2 The objectives of this audit engagement were to:

- audit the auditee's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report, the use of funds in accordance with the cooperative agreement;

- consider the auditee's internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses; and
 - test the auditee's compliance with the terms of the cooperative agreement, as part of obtaining reasonable assurance about whether or not the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance.
- 1.2.3 The Swaziland USAID Mission requested that Coopers & Lybrand draw up BMEP's Fund Accountability Statement on behalf of BMEP.
- 1.2.4 Coopers & Lybrand were also asked to review the job descriptions and qualifications of financial management personnel to determine the appropriateness of the descriptions and the ability of hired personnel to perform the required financial management functions. Details of findings are included under Section 3.2.7.
- 1.2.5 Coopers & Lybrand did not comply with the requirements of Sections 3.6 and 3.46 of the Government Auditing Standards (1988 Revision) on Continuing Education and Quality Control.
- 1.3 Methodology**
- 1.3.1 Coopers & Lybrand prepared its audit work plan for approval by RIG/A/N and performed the field work during October and November 1992.
- 1.3.2 The principal audit steps performed included:
- a review of the terms and conditions of the USAID/BMEP grant agreement, amendments, project evaluations and other project documents as deemed necessary.
 - a review of the internal control structure in order to classify the recipient's significant internal control policies and procedures.
 - performance of detailed tests of compliance with internal controls, tests to detect significant errors, irregularities and illegal acts (SAS 53 and 54), audit procedures to evaluate the auditee's compliance with grant and applicable provisions, and a review of the adequacy of the accounting system and internal controls.
 - testing of cost transactions from BMEP Fund Accountability Statement to determine the extent of non-compliance, unallowable or unallocable expenses and the effectiveness of internal controls.

- reconciliation of financial reports submitted by BMEP to USAID's mission accounting system (MACS) in order to determine whether the project expenditures are properly reflected in MACS.
- reconciliation of financial reports submitted by BMEP to USAID to the BMEP's cash book order to determine whether the financial submissions are accurate and supported by accounting records.
- review of bank account and reconciliation procedures to determine whether non-USAID transactions are present.
- a review of the financial management capability of BMEP project staff.

1.4 Limitations

The principal limitations we encountered were:

- 1.4.1 The allocation of expenditure per the cash book and the detailed expenditure reports showed differences in terms of the expense line descriptions. However because the cash book showed a consistent audit trail this was used to check the validity of expenses.
- 1.4.2 Due to the misallocations of expense line items, the descriptions and allocations per the MACS reports do not always agree to the expenditure reports.
- 1.4.3 There is no effective allocation of expenses per budget thus making it impractical to monitor expenses against budgets.
- 1.4.4 The Finance Officer who wrote up the cash book from May 1990 resigned in June 1992. She was therefore not available to answer our queries during our field work in October and November 1992.

SUMMARY OF AUDIT RESULTS

1.5 Results

1.5.1 Our audit tests show the following results:-

	Approved Grant to Nov 30, 1992	Actual Disbursements to Sept 30, 1992	Accepted Costs to Sept 30, 1992	Ineligible Costs to Sept 30, 1992	Unsupported Costs to Sept. 30, 1992
	U S \$	U S \$	U S \$	U S \$	U S \$
Revenue	291 000	230 226	-	-	-
Expenditure	291 000	229 473	228 130	1 295	48

- 1.5.2 The accepted, ineligible and unsupported costs have been converted at an average rate of U S \$1 = E2.6929.
- 1.5.3 Details of findings and recommendations are included under section 2.3 of the report with details of questioned costs (ineligible and unsupported) in Exhibits I and II. Questioned costs constitute 1% of total claimed costs.
- 1.5.4 The U S \$ 229 473 accepted costs exclude US \$9 654 paid by USAID direct to CARE International for procurement of computers on behalf of BMEP.
- 1.6 **Internal Control Structure**
- 1.6.1 Our evaluation of the internal control procedures did not identify material weaknesses.
- 1.6.2 Weaknesses that existed from May 29, 1990 to June 30, 1992 were corrected after June 1992.
- 1.7 **Compliance with Grant and Related Provisions**
- 1.7.1 Our tests conducted to determine BMEP's Compliance with Grant and Related Provisions did not identify non-compliance.
- 1.8 **Summary of BMEP (Management) Comments**
- 1.8.1 Management concurred with the audit findings. A copy of their reply is included as Appendix I.
- 1.9 **Summary of USAID Swaziland Comments**
- 1.9.1 USAID Swaziland disputed the inclusion of bank charges relating to the account operation which were classified as ineligible. These costs have been removed from ineligible costs and included as accepted. All other audit findings were concurred with. A copy of their reply is included as Appendix II.

2 **Fund Accountability Statement**

Our reference

2.1 **Independent Auditors' Report**

We have audited the Fund Accountability Statement of the Business Management Extension Programme under the USAID/Swaziland Cooperative Agreement Number 645-0234-A-00-0012-00 for the period May 29, 1990 to September 30, 1992. This statement is the responsibility of the Business Management Extension Programme's management. Our responsibility is to express an opinion on this statement based upon our audit.

We conducted our audit in accordance with generally accepted auditing standards and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States (1988 Revision). We did not comply with Sections 3.6 and 3.46 of the Government Auditing Standards (1988 Revision) requirements on Continuing Education and Quality Control. The Government Auditing Standards require that we plan and perform the audit to obtain reasonable assurance that the Fund Accountability Statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts in this statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, project revenues and costs incurred and reimbursed for the year then ended in conformity with the accounting basis described in Note 2.3.2.

Financial 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. This report is intended solely for the use of the Business Management Extension Programme and the United States Agency for International Development but this is not intended to limit the distribution of the report if a matter of public record.

Coopers & Lybrand

November 30, 1992
Coopers & Lybrand



2.2

**FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD
MAY 29, 1990 TO SEPTEMBER 30, 1992**

	Approved Grant		Actual	
	SZL	US\$	SZL	US\$
REVENUE				
Grant	<u>706 860</u>	<u>262 490</u>	<u>620 661</u>	<u>230 480</u>
EXPENDITURE				
Personnel	465 199	172 750	393 516	146 131
Equipment and Supplies	127 535	47 360	125 491	46 601
Auditing	9 275	3 444	9 450	3 509
Training	9 522	3 536	13 522	5 021
Other	<u>95 329</u>	<u>35 400</u>	<u>75 970</u>	<u>28 211</u>
	<u>706 860</u>	<u>262 490</u>	<u>617 949</u>	<u>229 473</u>
Cash book balance at September 30, 1992			<u>2 712</u>	<u>1 007</u>

The above costs and revenues have been converted at an average rate of U S \$1 = 2.6929

2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT

2.3.1 Introduction

2.3.1.1 The Fund Accountability Statement is included in 2.2 above while a summary of ineligible and unsupported costs are in 2.4 below. Details of questioned costs (ineligible and unsupported) are included in Exhibits I and II.

2.3.1.2 The scope of this audit was limited to funding provided by USAID.

2.3.1.3 Total revenues from USAID amounting to SZL 620 661 (U S \$230 480) related to expenditure of SZL 617 949 (U S \$229 473) of which SZL 614 332 (U S \$228 130) was accepted, SZL 3 487 (U S \$1 295) was ineligible and SZL 130 (U S \$48) unsupported. The difference between total receipts from USAID and total costs amounted to SZL 2 712 (U S \$1 007) and was the balance per the cash book at September 30, 1992.

2.3.2 Accounting Basis

2.3.2.1 The Fund Accountability Statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

2.3.3 Finding Number 1

2.3.3.1 All unsupported expenses as detailed in Exhibit II related to instances where total amounts paid were slightly higher than attached invoices. The total amount unsupported is SZL 130 (U S \$48).

2.3.4 Recommendation Number 1

2.3.4.1 We recommend that USAID and BMEP further check their records for missing invoices. Amounts of invoices that still cannot be found should be reimbursed from the BMEP Number 2 account to the USAID Number 1 account.

2.3.5 Finding Number 2

2.3.5.1 An amount of E7 (U S \$3) was underdeducted from Vuyisile Dlamini's salary compared to the amount paid over to the Commissioner of Taxes. This expense is ineligible.

2.3.6 Recommendation Number 2

2.3.6.1 An attempt should be made to recover this amount from the employee concerned. Failing this the amount should be reimbursed from the BMEP Number 2 account to the USAID Number 1 account.

2.3.7 **Finding Number 3**

2.3.7.1 E3 425 (U S \$1 272) was paid in connection with an AAT course which was not properly approved. Two staff members who are no longer with the organisation attended this course. This expense is ineligible.

2.3.8 **Recommendation Number 3**

2.3.8.1 We recommend that consideration be given to retrospectively approving these training expenses. This expense was incurred as a result of procedures not being properly adhered to, but this does not appear to be a problem any longer.

2.3.8.2 If retrospective approval is not given to these expenses the amounts should be reimbursed from the BMEP Number 2 account to the USAID Number 1 account. It does not appear likely that these expenses could be recovered from the employees concerned or even that this would be legally justifiable.

2.3.9 **Finding Number 4**

2.3.9.1 BMEP have claimed E55 (U S \$20) from USAID comprising E19 (U S \$7) interest and E36 (U S \$13) which did not appear on any Number 1 account bank statements during the period. These appear to be specifically disallowed in terms of paragraph 1 (a) (4) of the Mandatory Standard Provisions for Non-Governmental Grantees (OMB Control No. 0412-0510) and are therefore ineligible.

2.3.10 **Recommendation Number 4**

2.3.10.1 An amount of E55 (U S \$20) should be reimbursed from the BMEP Number 2 account to the USAID Number 1 account.

2.4

INELIGIBLE AND UNSUPPORTED SZL COSTS BY CATEGORY

	Accepted Costs	Ineligible Costs	Unsupported Costs	Total Expendi- ture	Total Expendi- ture
	SZL	SZL	SZL	SZL	US \$
Personnel	393 504	7	5	393 516	146 131
Equipment and Supplies	125 491	-	-	125 491	46 601
Auditing	9 450	-	-	9 450	3 509
Training	10 058	3 425	39	13 522	5 021
Other	<u>75 829</u>	<u>55</u>	<u>86</u>	<u>75 970</u>	<u>28 211</u>
	<u>614 332</u>	<u>3 487</u>	<u>130</u>	<u>617 949</u>	<u>229 473</u>
U S \$ Equiva- lent	<u>228 130</u>	<u>1 295</u>	<u>48</u>	<u>229 473</u>	

The above costs and revenues have been converted at an average rate of U S \$1 = E2.6929.

Our reference

3 Internal Control Structure

3.1 Independent Auditors' Report

We have audited the Fund Accountability Statement of the Business Management Extension Programme under USAID/Swaziland Cooperative Agreement Number 645-0234-A-00-0012-00 for the period May 29, 1990 to September 30, 1992 and have issued our report thereon dated November 30, 1992.

We conducted our audit in accordance with generally accepted auditing standards and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States (1988 Revision). We did not comply with Sections 3.6 and 3.46 of the Government Auditing Standards (1988 Revision) requirements on continuing Education and Quality Control. The Government Auditing Standards require that we plan and perform the audit to obtain reasonable assurance that the Fund Accountability Statement is free of material misstatements.

In planning and performing our audit of the Fund Accountability Statement for the period May 29, 1990 to September 30, 1992, we considered the Programme's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide assurance on the internal control structure.

The Management of the Business Management Extension Programme is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of the internal control structure policies and procedures. 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's authorisation and recorded properly to permit the preparation of the Fund Accountability Statement in accordance with the basis of accounting described in Note 2.3.2. to the Fund

Our reference

Accountability Statement. 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:

- Cash book
- Fixed assets
- Logbooks for vehicles
- Retention of records
- Payment authorisation
- Division of duties.

For all of the internal control structure categories listed above, we obtained an understanding of the design of the relevant policies and procedures and whether or not they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

Our reference

Financial 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. This report is intended solely for the use of the Business Management Extension Programme and the United States Agency for International Development but this is not intended to limit the distribution of the report if a matter of public record.

Coopers & Lybrand

November 30, 1992
COOPERS & LYBRAND



3.2 Findings and Recommendations

3.2.1 Introduction

3.2.1.1 The American Institute of Certified Public Accountants (AICPA) codification of Auditing Standards, Section 319, defines an organisation's internal control structure as consisting of the policies and procedures established to provide reasonable assurance that a specific entity's objectives will be achieved. The internal control structure is composed of three elements:

- the control environment
- the accounting system
- control procedures

3.2.1.2 The control environment reflects the overall attitude, awareness and actions of management. The accounting system consists of methods and records established to identify, assemble, analyze, classify, record and report transactions. Control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to safeguard the organisation's resources.

3.2.1.3 A number of errors had been made in the cash book for the USAID funds in the period May 1990 to June 1992 and an accounting consultant was hired to adjust the cash book to reflect the true position. This task was performed by Kobla Quashie and Associates who made the necessary adjustments and submitted a report on their findings in September 1992. The cash book now reconciles on an overall basis to USAID receipts and expenses.

3.2.2 Work Performed

3.2.2.1 Our review of the internal control structure was directed towards those elements which relate to the nature of the project funding and disbursements of such funds.

3.2.3 Cash Book

Findings

3.2.3.1 The following errors were noted in the cash book from May 1990 to May 1992:-

3.2.3.2 Cheque number 459724 for E254 (U S \$94) payable to Tracar on October 31, 1990 appears on bank statements twice - on November 9, 1990 and November 19, 1990. This matter was later resolved as stated in 3.2.3.7 below.

- 3.2.3.3 E983 (U S \$365) received as a refund from Father McDonnell for an advance made on February 11, 1992 was deposited in non-USAID funds account on February 25, 1992. The non-USAID funds account paid the USAID account on November 30, 1992 thus resolving the matter.
- 3.2.3.4 E375 (U S \$139) received from Sifiso Ndwandwe as a refund for training expenses disallowed by USAID appears on the March 1992 bank statement but was not entered in the cash book. This error was later resolved as stated in 3.2.3.7 below.
- 3.2.3.5 Several journal entries were passed through the cash book. Normally, no journal entries are passed through a cash book. This matter was later resolved as stated in 3.2.3.7 below.
- 3.2.3.6 Bank reconciliations from May 1990 to May 1992 were incorrect because of the above errors.
- 3.2.3.7 The above errors were corrected from June to November 1992 by a Consulting Accountant and the new Finance Manager employed in August 1992. Our overall reconciliation of receipts and payments at September 30, 1992 satisfied us that the errors have been corrected.
- 3.2.3.8 A few photocopies of invoices held by BMEP were missing, but the originals were held by USAID and therefore expenditure was properly supported. The amounts and number of the items involved were not significant.
- 3.2.3.9 **Recommendations**
- No recommendations are made as errors detected have already been corrected.
- 3.2.4 **Fixed Assets Register**
- Findings**
- 3.2.4.1 Certain fixed assets valued at a cost of E5 652 (U S \$2 099) have not yet been entered in the fixed assets register.
- Recommendations**
- 3.2.4.2 We advised the Financial Manager to update the fixed asset register during November 1992.

3.2.5 Logbooks for Vehicles

Findings

- 3.2.5.1 Logbooks were not properly completed up to July 1992 resulting in certain motor vehicle expenses being disallowed by USAID.
- 3.2.5.2 Our review of logbooks for August and September 1992 disclosed that they are now properly completed because the new Finance Manager is performing frequent checks.
- 3.2.5.3 There is no evidence that the logbooks are being reviewed by the Director.

Recommendations

- 3.2.5.4 We recommend that the Finance Manager continues to perform frequent checks on the log books and that in future the Director initials the bottom of each completed log book page as evidence of review.

3.2.6 Excessive Telephone Expenditure

Findings

- 3.2.6.1 There was no proper control of private telephone calls resulting in excessive telephone expenditure.
- 3.2.6.2 Proper controls over telephone calls have been introduced by recording private calls and the charges involved have mostly been recovered from respective employees.

Recommendations

- 3.2.6.3 We recommend that amounts still outstanding relating to private calls continue to be followed up for recovery.

3.2.7 Financial Management Personnel

Findings

- 3.2.7.1 Constance Lungile Ngwenya was employed as Accounts Clerk from the inception of BMEP to October 31, 1988 when she was promoted to Finance Officer which position she filled until June 1992. She did not complete a University Diploma in Business Studies but she passed Intermediate Book-keeping at the Swaziland Institute of Management and Public Administration. Constance was not capable of writing up the cash book and BMEP had to rely on consultants to write up the cash book properly. Her duties were taken over by a consultant during July 1992 and August 1992 when BMEP employed Nicholas Ndzimandze.

3.2.7.2 Nicholas Ndzimandze holds a B. Com degree and he is computer literate. He is capable of writing up the books of BMEP and preparing monthly financial reports properly.

3.2.7.3 The positions of Accounts Clerk and Credit Officer have been created. These positions have been advertised but have not been filled yet.

Recommendations

3.2.7.4 No recommendations are considered necessary as previous problems now appear to have been resolved.

3.2.8 **Other Personnel Matters**

Findings

3.2.8.1 Linah Twala, Sanitary Officer, has been working since June 1990 without an employment contract. She was first employed on a temporary basis.

3.2.8.2 Employment contracts in personal files of all employees were reviewed. No exceptions were found other than the above.

Recommendations

3.2.8.3 We recommend that an employment contract be drawn up and signed for Linah Twala.

Our reference

4 COMPLIANCE WITH GRANT PROVISIONS AND APPLICABLE U.S. GOVERNMENT REGULATIONS

4.1 Independent auditors' report

We have audited the Fund Accountability Statement of the Business Management Extension Programme under USAID/Swaziland Cooperative Agreement Number 645-0234-A-00-0012-00 for the period May 29, 1990 to September 30, 1992 and have issued our report thereon dated November 30, 1992.

We conducted our audit in accordance with generally accepted auditing standards and in accordance with the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States. We did not comply with Sections 3.6 and 3.46 of the Government Auditing Standards (1988 Revision) requirements on Continuing Education and Quality Control. The Government Auditing 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 the BMEP grant agreement is the responsibility of BMEP management. As part of obtaining reasonable assurance that the financial statements are free of material misstatement, we performed tests of BMEP's compliance with certain provisions of laws, regulations and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of prohibitions contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. We noted no such instances of material non-compliance as defined above.

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

Coopers
& Lybrand

Chartered Accountants (SD)

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Our reference

Financial 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. This report is intended solely for the use of the Business Management Extension Programme and the United States Agency for International Development but this is not intended to limit the distribution of the report if a matter of public record.

Coopers & Lybrand

November 30, 1992
Coopers & Lybrand



EXHIBIT I

INELIGIBLE EXPENSES

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>DETAILS</u>	<u>U S \$</u>	<u>AMOUNT SZL</u>
		<u>Personnel</u>		
March 92	286492	Only E6.00 income tax was deducted instead of E12.50 which was paid to the Commissioner of Taxes on Vuyisile Dlamini's March 1992 basic salary	<u>2.42</u>	<u>6.50</u>
		<u>Training</u>		
September 91	219567	Paid to Accountancy Tutors (Pty) Ltd - this AAT course was not approved by senior management according to the Director.		
		- Constance Ngwenya	929.37	2 500.00
		- Precious Nxumalo	<u>343.87</u>	<u>925.00</u>
			<u>1 273.24</u>	<u>3 425.00</u>
		<u>Other Direct Costs</u>		
Various	N/A	Interest and an unidentified amount total E54.86 were claimed during the period. A breakdown of these is as follows:		
		Interest on bank statements	6.90	18.56
		Amounts not on bank statements	<u>13.49</u>	<u>36.30</u>
			<u>20.39</u>	<u>54.86</u>
Total ineligible expenses			<u>1 296.05</u>	<u>3 486.36</u>

EXHIBIT II**UNSUPPORTED EXPENSES**

<u>DATE</u>	<u>CHEQUE NO.</u>	<u>DETAILS</u>	<u>U S \$</u>	<u>AMOUNT</u> <u>SZL</u>
<u>Personnel</u>				
Oct 91	9590	An amount of E971.32 was paid to MITC for services rendered and the invoices attached amounted to only E966.00. The difference was not accounted for.	<u>1.98</u>	<u>5.32</u>
<u>Training</u>				
Nov 91	6411	A cash cheque for E105.00 was drawn on BMEP. Invoices totalling E89.82 for refreshments for a seminar were attached and the difference was not accounted for.	5.64	15.18
Oct 90	459726	A cash cheque for E500.00 was drawn on BMEP. Invoices totalling E476.24 for refreshments for a seminar were attached and the difference was not accounted for.	<u>8.83</u>	<u>23.76</u>
			<u>14.47</u>	<u>38.94</u>
<u>Other Direct Costs</u>				
Aug 91	9551	Invoices attached amounted to E639.73 whereas E684.33 was paid to R F Filling Station for fuel expenses. The difference was not accounted for.	16.58	44.60
Sept 90	459697	A cheque for E787.74 was paid to Tracar for fuel expenses but the invoices attached amounted to only E745.91. The difference was not accounted for.	<u>15.55</u>	<u>41.83</u>
			<u>32.13</u>	<u>86.43</u>
Total unsupported expenses			<u>48.58</u>	<u>130.69</u>

Business
Management
Extension
Programme

P.O. Box 2187
Manzini
Swaziland
Tel: 52491/2
Fax: 54083

2nd February, 1993

Coopers & Lybrand
Development House
P.O. Box 566
MBABANE

Dear Sir,

Draft Report: BMEP NON-FEDERAL AUDIT FOR THE PERIOD
MAY 29, 1990 TO SEPTEMBER 30, 1992.

Thank you for your letter dated 14th January, 1993. We appreciate your clarification, summary of system and management reporting requirements. We accept the draft report with the new addition.

Sincerely,



Mrs Nokukhanya Gamedze
PROGRAMME DIRECTOR

cc: Mrs Malika Magagula

USAID - Mbabane



UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID MISSION TO SWAZILAND

P.O. BOX 750, MBABANE, SWAZILAND
TEL. 46430, TELEX 2016 WD

01 FEB 1993

Mr. Paul Lewis
Coopers & Lybrand
P. O. Box 569
MBABANE

Dear Mr. Lewis:

We have received your draft audit report for BMEP. I was pleased to note that the questions raised on the original draft given to Mrs. Magagula have now been resolved. We have discussed the issue of bank charges with the auditors from RIG/A Nairobi. They stated that interest on an overdraft is not allowable but that bank charges related to operating the account are permissible.

We accept the remaining findings in your report and will discuss the recommendations further with BMEP. Appropriate action will also be taken on the questioned and unsupported costs.

Sincerely

Charles E. Brooks
Acting Director

23'

ATTACHMENT II

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