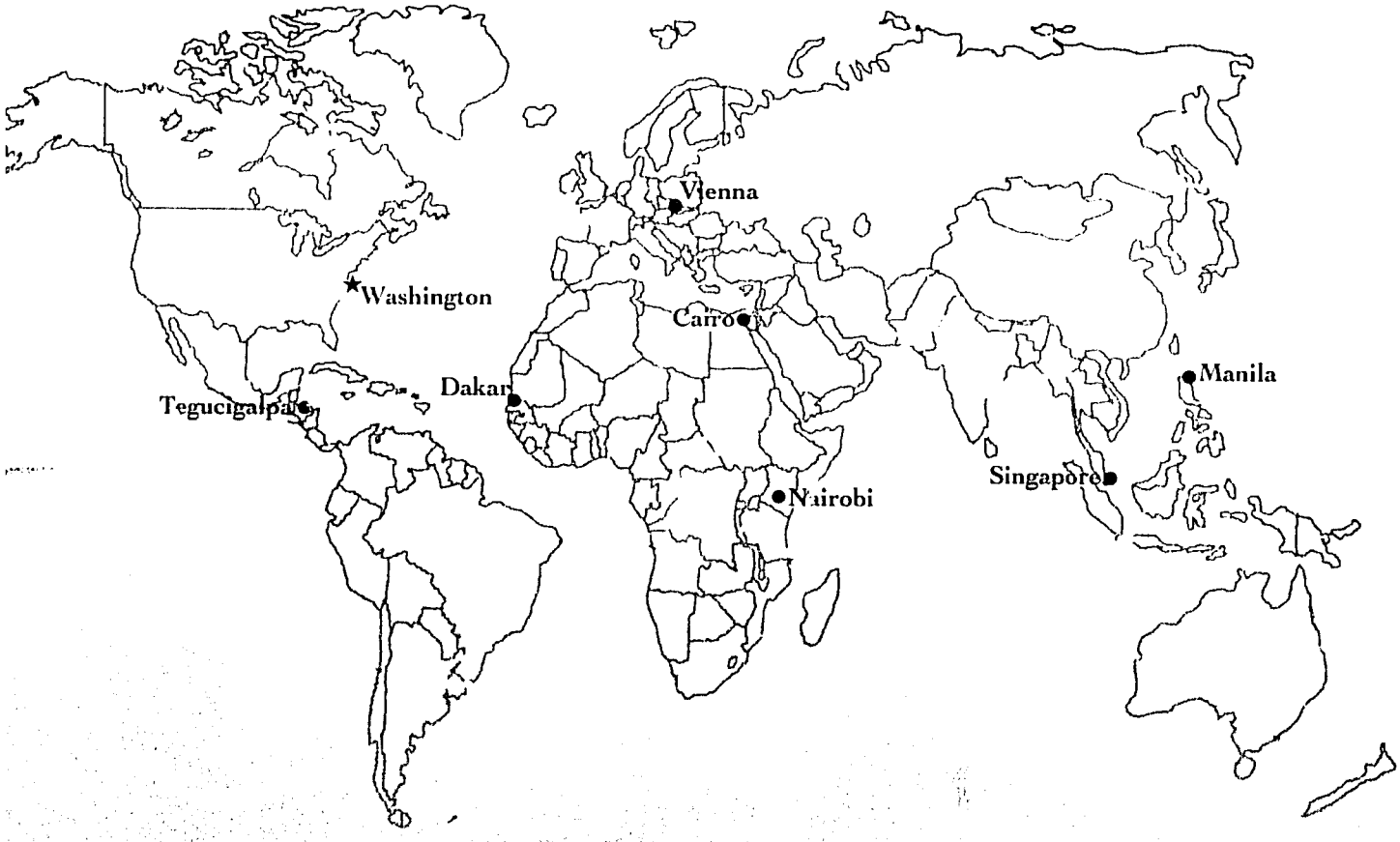
PD-ABH-248

Regional Inspector General for Audit
Nairobi, Kenya

Audit of the Technical Support Grant to the Southern African Development Community Business Council Grant No. 690-0215.33

Report No. 3-690-94-04-N
November 5, 1993



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INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

November 5, 1993

Memorandum

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

Regional Inspector General for Audit/Nairobi

FROM: RIG/A/Nairobi, Everette B. Orr

SUBJECT: Audit of the Technical Support Grant to the Southern African Development Community Business Council, Grant No. 690-0215.33 A.R. No. 3-690-94-04-N

Attached are five copies of an Agency-contracted Audit of the Technical Support Grant to the Southern African Development Community (SADC) Business Council, Grant No. 690-0215.33. The accounting firm of Price Waterhouse, Nairobi, Kenya, performed the audit.

The grant agreement for SADC was signed in 1987. The grant was initially for a total of $750,000 but was later increased to $3 million. Of these grant funds, $1.9 million was to be used for institutional strengthening, studies, training and limited operational support for the SADC Business Council. The grant activities are expected to be completed by May 31, 1994.

The objective of the audit was to examine the Business Council's Fund Accountability Statement (Statement) and express an opinion as to whether the Statement presents fairly the use of funds in accordance with the grant agreement. To answer the objective, the auditors were to consider the auditee's internal control structure to determine the auditing procedures necessary for expressing an opinion on the Statement. The auditors were required to report on significant internal control weaknesses. As part of obtaining reasonable assurance about whether the Statement was free of material misstatement, the auditors were required to test the auditee's compliance with the terms of the grant agreement and report on any identified material instances of noncompliance. The audit covered the period April 1, 1990, to December 31, 1992, and disbursements of $1.1 million.

The auditors issued an adverse opinion on the Statement. They stated that the Business Council had incurred ineligible expenditure of $278,171 and unsupported costs of $216,327. Ineligible expenditures included use of grant funds for business class travel,

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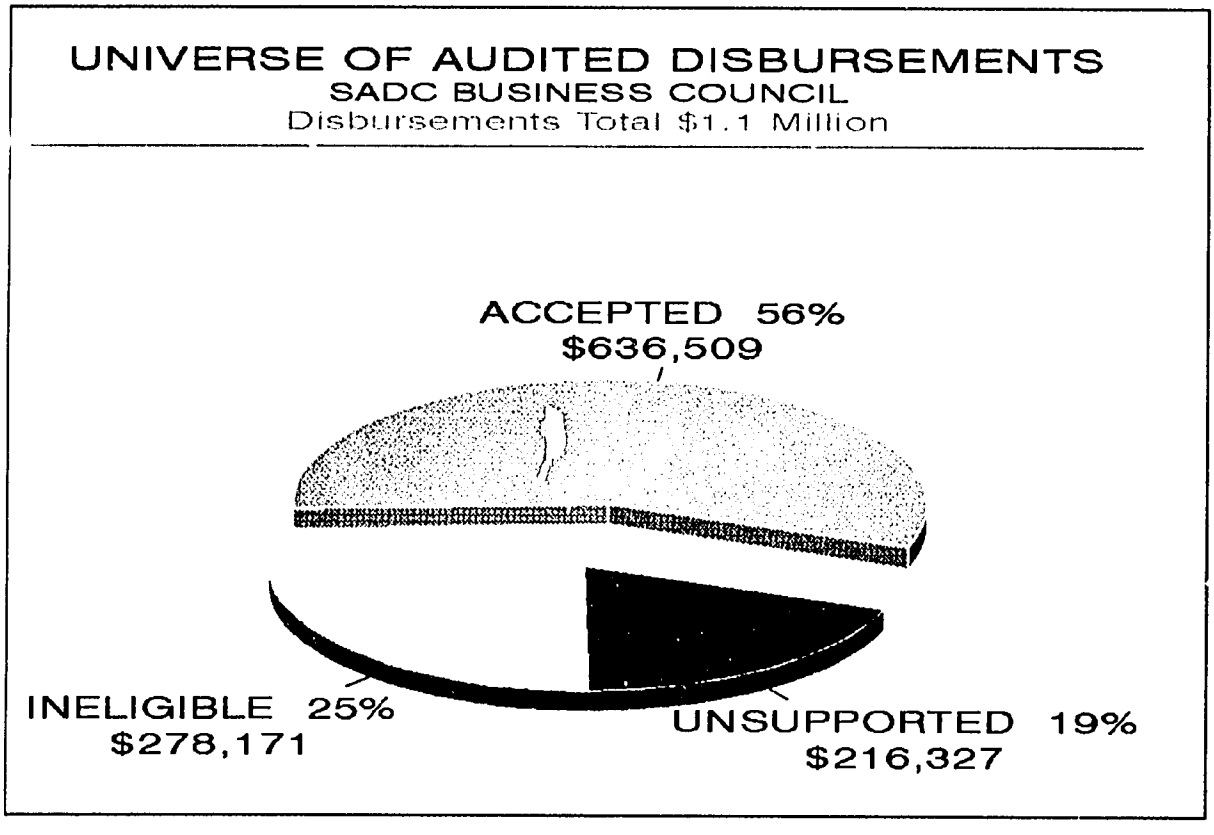
entertainment and flowers for the Director's house. The following chart shows the questioned amounts in relation to the audited amounts.



The auditors reported material weaknesses in the internal control environment, accounting system, and control procedures. These weaknesses included:

- lack of adequate supporting documents for expenditures,
- inadequate procedures to ensure that payments were properly authorized and made for genuine purchases,
- use of incorrect exchange rates,

- failure to segregate duties,
- lack of evidence of bank reconciliations reviews, and
- failure to establish procedures to prevent duplication of payments.

Other weaknesses are discussed in detail from page 32 of the attached report.

The auditors identified certain instances of material noncompliance. These included, among other things, the Business Council's failure to:

- comply with agreement provisions relating to submission of claims resulting in questioned costs of $494,498,
- submit regular financial and project implementation status reports to USAID/Zimbabwe,
- submit annual work plans to USAID/Zimbabwe, and
- prevent commingling of grant with non-grant funds.

The draft report was submitted to the SADC Business Council and the Mission for comments. Their comments were incorporated in the final report at Appendix I and II respectively. While the Mission generally agreed with the report findings and recommendations, it believes that some of the expenditures noted as ineligible and unsupported may be substantiated by alternative means. It stated that it will request a public accounting firm to work with the Council to identify alternative procedures to substantiate the unsupported costs. The auditee, on the other hand, believes that most of the questioned costs result from the auditor following U.S. regulations as opposed to SADC Business Council terms and conditions of service and financial regulations. However, the auditors rightly maintain that the expenditures are questionable based on the terms of the grant agreement.

The report contains 39 recommendations. USAID/Zimbabwe should ensure that necessary action is taken on all the findings and recommendations included in the report. We are including the following recommendations in the Office of the Inspector General's audit recommendation follow-up system.

<u>Recommendation No. 1</u>: We recommend that USAID/Zimbabwe determine the allowability, and recover as appropriate from the Southern African Development Community Business Council, questioned ineligible costs of $278,171.

<u>Recommendation No. 2</u>: We recommend that USAID/Zimbabwe determine the allowability, and recover as appropriate from the Southern African Development Community Business Council, questioned unsupported costs of $216,327.

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Recommendation No. 3: We recommend that USAID/Zimbabwe obtain from the Southern African Development Community Business Council a plan to improve its internal control structure and compliance with grant agreement requirements which would include ensuring that:

3.1 expenditures are supported by adequate documents, payments are made for authorized and genuine purchases, and correct exchange rates are used;

3.2 duties are segregated, bank reconciliations are reviewed and signed, and procedures are in place for avoiding duplication of payments; and

3.3 the auditee complies with agreement provisions as they relate to submission of claims, regular financial and implementation status reports, annual work plans and non commingling of grant funds.

We consider all recommendations to be unresolved. Recommendations No. 1 and 2 will be resolved when the Mission makes a final determination as to the allowability of the questioned amounts. The recommendations will be closed when the Mission takes action appropriate to the determination. Recommendation No. 3 will be resolved when RIG/A/N receives an acceptable plan for corrective action. The recommendation will be closed upon implementation of the corrective action. Please respond to this report within 30 days indicating action planned or already taken to implement the recommendations.

Thank you for the cooperation extended to Price Waterhouse auditors and the Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

AUDIT OF
THE TECHNICAL SUPPORT GRANT TO
THE SOUTHERN AFRICAN DEVELOPMENT
COMMUNITY BUSINESS COUNCIL GRANT NO 690-0215.33

ATTACHMENTS

Attachment I

AUDIT OF TECHNICAL SUPPORT GRANT TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL UNDER GRANT NO. 690-0125.33 FOR THE PERIOD APRIL 1, 1990 TO DECEMBER 31, 1992

FINAL REPORT

OCTOBER 1, 1993

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AUDIT OF TECHNICAL SUPPORT GRANT TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL UNDER GRANT NO. 690-0125.33 FOR THE PERIOD APRIL 1, 1990 TO DECEMBER 31, 1992

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AUDIT OF TECHNICAL SUPPORT GRANT TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL UNDER GRANT NO. 690-0125.33 FOR THE PERIOD APRIL 1, 1990 TO DECEMBER 31, 1992

I INTRODUCTION

A Background

The Southern African Development Coordination Conference was formed as an association of majority ruled states of Southern Africa, to promote collective self reliance and to forge links among its member states in order to create genuine and equitable regional integration. In 1992 the Southern African Development Coordination Conference was transformed into a community known as the Southern African Development Community, with a mandate of regional integration, in order to provide for deeper economic cooperation and integration. There are currently ten member countries, namely Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe. In this report, the name Southern African Development Community is used to refer to both the Coordination Conference and the Community

The Southern African Development Community Business Council was established in 1989 following the recommendation by the Southern African Development Community National Business Councils to coordinate the trade and investment aspects of the Southern African Development Community programme of action. There are currently ten National Business Council members, being one from each Southern African Development Community member country. The organization has recently changed its name to the Southern African Development Community Business Council. The term Southern African Development Community Business Council is used in this report to signify the organization under previous and current names.

The Southern African Development Community was the recipient of a grant of US$ 750,000 from the United States Agency for International Development (USAID) Zimbabwe, under an agreement dated July 30, 1987. On November 20, 1989 it was agreed between USAID/Zimbabwe and the Southern African Development Community that approximately US$ 354,000 of the funds remaining from this grant should be used for "the purpose of establishing a secretariat for the SADCC Regional Business Council in Gaborone".

On July 24, 1990 a grant amendment was signed between the USAID/Zimbabwe and the Southern African Development Community which increased the amount of the grant by US$ 3,000,000. The additional funds were to be used as follows:

- US$ 1,900,000 to be used for institutional strengthening, studies, training and limited operational support to the Southern African Development Community Business Council

- US$ 1,060,000 to be used for performing policy studies and holding related workshops and seminars

- US$ 40,000 to fund audits of both organizations.

More specifically, the activities to be funded from the grant to the Southern African Development Community Business Council are:

- studies on investment and on demand and supply

- training and information dissemination through the media of buyer/seller

meetings, a seminar for Trade Promotion Officers, a workshop for the Chief Executive Officers of the National Business Councils, a seminar for Export Marketing Executives, export investment information tours and publication of a newsletter

- provision of technical assistance, particularly in the fields of industrial economics and trade and investment promotion

- provision of investment promotion seminars

- provision of limited operational support, namely for rental of office space, secretarial support and financial management.

In order to enable the Southern African Development Community to complete all the required activities, the grant agreement has now been extended to May 31, 1994.

B Accounting and Contract Monitoring Systems

Overall responsibility for accounting and financial monitoring of the grant resides with the Southern African Development Community Secretariat although since April 1990, the Southern African Development Community Business Council ordinarily performed these functions. Accounting records are maintained in accordance with the Southern African Development Community's normal accounting procedures which follow generally accepted accounting principles. All advances of grant funds are credited to a separate bank account and are subject to the usual audit procedures. The Southern African Development Community has the responsibility of furnishing USAID/Zimbabwe with all relevant audit reports.

The Southern African Development Community is required to submit quarterly financial and project implementation status reports to USAID/Zimbabwe.

C Audit Objective and Scope

Price Waterhouse has audited the Fund Accountability Statement of the Southern African Development Community Business Council under the USAID Grant No. 690-0215.33 for the period April 1, 1990 to December 31, 1992.

Expenditure reflected in the Fund Accountability Statement amounted to US$ 1,131,007. The audit tested the whole of this amount. The Fund Accountability Statement includes only those funds received, expended, and accounted for by the Southern African Development Community Business Council. Funds received, expended and accounted for by the Southern African Development Community Secretariat are included in the Fund Accountability Statement of the Southern African Development Community Secretariat, which is the subject of a separate audit report.

The objectives of the audit are to:

- audit the Southern African Development Community Business Council'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 grant agreement

- consider the Southern African Development Community Business Council'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

- test the Southern African Development Community Business Council's compliance with the terms of the grant agreement, and applicable laws and regulations as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of non-compliance.

Except as discussed in the following paragraph, our examination was performed in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 revision) and, accordingly, included such tests of the Southern African Development Community Business Council's data and records and other auditing procedures as were considered necessary in the circumstances. The audit was performed under the supervision of the Regional Inspector General audit office based in Nairobi. Price Waterhouse auditors adhered to the guidelines contained in various chapters of the "Guidelines for Financial and Compliance Audits of AID - Financed Agreements" and "Guidelines for Audits of Federal Awards to Non-Profit Institutions".

We have not been subject to a quality control review by a non-Price Waterhouse firm as required by Government Auditing Standard no. 3.46. Such reviews are not required or available to professional firms in Kenya. We do not believe that this departure from Government Auditing Standards has affected our audit. We were subject to an

internal quality control review in July 1992 undertaken by a Price Waterhouse firm independent of our firm.

Price Waterhouse visited Harare, Zimbabwe and Gaborone, Botswana to perform the preliminary survey. The purpose of the survey was to obtain the Mission's concerns and review correspondence between the Mission and the auditee, secure an understanding of the grant recipient's accounting system, assess the overall strength of the system of internal controls, estimate the extent of compliance with grant provisions and procurement regulations and determine the degree to which supporting documentation would be available to the audit team. The survey provided the groundwork from which Price Waterhouse developed its detailed work program.

The terms of the grant agreement and the cost principles contained in the applicable US Government regulations were used in the determination of ineligible or unsupported costs. There was some ambiguity in the grant agreement and related correspondence in respect of certain costs as explained below.

According to Project Implementation Letter Number 1 relating to the original 1987 grant agreement, the nature of the expenditures to be funded were:

- airfare of technical experts and their fees within United States Government authorized limits

- per diems of technical experts within the Southern African Development Community Secretariat's authorized limits of UN rates plus 15%

- travel per diems of Secretariat staff in connection with project activities

- printing, binding and reproduction costs of studies.

The activities to be funded under the original grant only included studies, not workshops. The grant amendment states only that the grant may be used to finance foreign exchange costs and local currency costs of goods and services required for the project. Subsequent Project Implementation Letters do not define more specifically the nature of eligible expenditures. We have used the following criteria to determine eligibility of expenditures:

- where the grant amendment is specific or the expenditures are of the type foreseen by the original grant agreement and are covered by Project Implementation Letter No. 1 to that agreement, we have adhered to the criteria set out in these documents

- in respect of per diems, it is apparent from correspondence between USAID/Zimbabwe and the Southern African Development Community Business Council that the per diems are restricted to US Government (USG) rates. This has been confirmed to us by USAID/Zimbabwe

- in respect of participants at seminars and workshops, expenditures relating to participants are generally considered eligible unless the expenditures or participants are specifically excluded (such as host

government officials)

- other criteria as set out in correspondence between USAID/Zimbabwe and the Southern African Development Community Business Council.

The scope of the audit consisted of the following:

- examination and testing of all supporting documentation of expenditures

- a review of transactions for compliance with the grant agreement and applicable laws and regulations

- a study and evaluation of the internal accounting controls and accounting practices of the Southern African Development Community Business Council to the extent necessary to render an opinion on the Fund Accountability Statement

- a review of the grant agreement, implementation letters, implementation reports where available, handbooks, relevant government regulations and other related documents.

D **Results of the Audit**

1 **Costs reported by the Southern African Development Community Business Council**

We have audited the Fund Accountability Statement of the Southern African Development Community Business Council under the USAID Agreement No. 690-0215.33 for the period April 1, 1990 to December 31, 1992.

We identified certain transactions totalling US$ 278,171 and US$ 216,327 included in the Fund Accountability Statement that, in our opinion, are ineligible and unsupported respectively. Details of these expenditures are included in our audit findings in Section II.

Expenditure appears to be incorrectly analyzed between program activities. These matters affected our opinion on the Fund Accountability Statement examined by us. The full text of our opinion is presented in Section II.

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2 Internal Controls

We made a study and evaluation of the system of internal accounting controls to the extent we considered necessary and required by generally accepted auditing standards.

Our study and evaluation was designed to determine the nature, timing and extent of auditing procedures necessary for expressing an opinion on the Fund Accountability Statement. We do not, however, express an opinion on the system of internal accounting controls of the Southern African Development Community Business Council or any individual categories. The full extent of our report on internal controls is presented in Section III.

During the course of our audit the following reportable conditions were noted:

Control Environment

- lack of management reporting
- lack of respect for the terms and conditions of the grant agreement
- inadequate investigation of expenditure disallowed by USAID/Zimbabwe

Accounting Systems

- expenditures not supported by adequate supporting documentation
- grant funds commingled with other funds
- inadequate procedures to ensure that payments made are in respect of authorized and genuine purchases
- poor filing
- use of incorrect exchange rates

Control Procedures

- lack of segregation of duties
- non-adherence to the Southern African Development Community Business Council procurement and payment procedures
- bank reconciliations not signed as evidence of review
- travel advances treated as expenditure
- inadequate procedures to avoid duplication of payment

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- receipts not raised for all cash receipts.

We believe the reportable conditions described above constitute material weaknesses in view of the fact that expenditures of US$ 494,498 were ineligible or unsupported.

Details and recommendations on the above weaknesses can be found in Section III.

3 **Compliance With The Grant Agreement Terms and Applicable Laws and Regulations**

The results of our tests of compliance disclosed the following material instances of non-compliance:

- failure to comply with the agreement provisions relating to submission of claims to USAID/Zimbabwe resulting in US$ 278,171 of ineligible and US$ 216,327 of unsupported costs
- the internal control structure is inadequate to ensure compliance with the provisions of the grant agreement
- grant funds commingled with funds from other sources
- failure to submit quarterly financial and project implementation status reports and reports on individual project activities to USAID/Zimbabwe
- failure to submit annual work plans to USAID/Zimbabwe
- failure to establish an actionable plan for sustainability by the deadline given in the grant agreement
- failure to comply with the Southern African Development Community Business Council procedures and the grant agreement in respect of appointment of employees
- failure to pay interest earned on funds deposited in the gratuity account to USAID/Zimbabwe
- failure to implement all the recommendations of the financial advisors in respect of establishment of the accounting system
- failure to complete all activities specified in the grant agreement before the expiration of the grant.

Details and recommendations on the above instances of non-compliance can be found in Section IV.

4 Summary of Auditee and Mission Comments

The Mission and the Southern African Development Community Business Council comments are included in this report as Appendix I and II respectively. In respect of each finding, they have been summarized and incorporated in the body of this report.

The auditee believes that most of the ineligible and unsupported costs result from the auditor following United States Regulations as opposed to the Southern African Development Community Business Council Terms and Conditions of Service and Financial Regulations, which are referred to in the grant agreement.

The Mission believes that alternative methodologies for substantiating expenses of US$ 253,068 can be used; ineligible expenses total US$ 85,809; and questioned items requiring further clarification from the Southern African Development Community Business Council, total US$ 179,351. A public accounting firm will be hired under a separate contract to assist the Southern African Development Community Business Council in identifying alternative ways of substantiating expenses as well as reviewing the documentation on USAID/Zimbabwe's behalf.

The USAID/Zimbabwe Director has noted that he intends to exercise his authority as Grants Officer to determine the maximum amount possible as allowable costs under the grant.

USAID/Zimbabwe Director has advised the Southern African Development Community Business Council and the Southern African Development Community Secretariat of his intent to terminate the sub-grant to the Southern African Development Community Business Council effective September 1, 1993 due to the inability of the Southern African Development Community Business Council to reach the project objective by the project completion date of May 31, 1994. The Southern African Development Community Business Council has been requested to submit a final financial report concurrent with the termination of the grant.

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Price Waterhouse

THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL

II REPORT ON THE FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S OPINION

We have audited the Fund Accountability Statement of the Southern African Development Community Business Council under USAID Grant No. 690-0215.33 for the period April 1, 1990 to December 31, 1992. The Fund Accountability Statement is the responsibility of the Southern African Development Community Business Council management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 revision). 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have not been subject to a quality control review by a non-Price Waterhouse firm as required by Government Auditing Standard no. 3.46. Such reviews are not required or available to professional firms in Kenya. We do not believe that this departure from Government Auditing Standards has affected our audit. We were subject to an external quality control review in July 1992 undertaken by a Price Waterhouse firm independent of our firm.

As described in Note 1 to the Fund Accountability Statement, this statement was prepared on a cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles.

We have identified certain expenses and transactions totalling US$ 278,171 that, in our opinion, are ineligible for reimbursement under the grant agreement between the Southern African Development Community Secretariat and USAID. These costs have been identified in our findings in Section II and in Appendix IV to this report.
We have also identified certain expenses and transactions totalling US$ 216,327 that, in our opinion, are unsupported for reimbursement under the grant agreement between the Southern African Development Community Secretariat and USAID. These costs have been identified in our findings in Section II and in Appendix V to this report.

The total value of ineligible and unsupported expenditures identified above relating to the training and information dissemination program exceeded the total expenditures for this program as reported in the Fund Accountability Statement. This implies that expenditures in the Fund Accountability Statement have been incorrectly analyzed.

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In our opinion, due to the materiality of the expenses and transactions which we consider to be ineligible and unsupported, and due to the misclassification of expenditures between programs, the Fund Accountability Statement does not present fairly the expenditures claimed by the Southern African Development Community Business Council in relation to the grant agreement with USAID and applicable laws and regulations for the period April 1, 1990 to December 31, 1992.

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 Southern African Development Community Business Council, the Southern African Development Community Secretariat and USAID but is not intended to limit the distribution of the report, if a matter of public record.

Price Waterhouse

March 19, 1993

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TECHNICAL SUPPORT GRANT TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL UNDER GRANT AGREEMENT NO.690-0215:33 FOR THE PERIOD APRIL 1, 1990 TO DECEMBER 31, 1992

FUND ACCOUNTABILITY STATEMENT

	US$
Revenue:	
Advances	257,089
Reimbursements	787,101
Interest Earned	1,224
Total Revenue	1,045,414
Expenditure:	
Studies	40,920
Training and Information Dissemination	38,578
Technical Assistance	166,783
Investment and Trade Promotion Activities	164,394
Operational Support	720,332
Total Expenditure	1,131,007
Balance Due to USAID/(SRBC)	(85,593)

Note: this Fund Accountability Statement is based on information in Appendix III.

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II **NOTES TO THE FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD APRIL 1, 1990 TO DECEMBER 31, 1992**

Note 1 Basis of accounting

The Fund Accountability Statement is prepared on a cash basis. As noted in notes 3 and 4 below, revenues and expenditures are recorded when cash is physically received or expended.

Note 2 Currency

The Southern African Development Community Business Council maintains its accounting records in Botswana Pula. Expenditure has been translated into US Dollars for claim purpose on the basis described in note 4(i) below.

Note 3 Revenues

Revenues represent amounts received under the grant from USAID/Zimbabwe in the period April 1, 1990 to December 31, 1992. This includes payments made by USAID/Zimbabwe on behalf of and for the benefit of the Southern African Development Community Business Council. Interest earned on advances of USAID/Zimbabwe funds is included, but other sundry income and grants from other donors are excluded.

Note 4 Expenditures

Expenditures represent amounts expended as follows:

i. Amounts disbursed in local currency translated for claim purposes at the exchange rate prevailing at the end of the month in which the expenditure is recorded in the accounting records of the Southern African Development Community Business Council.

ii. Amounts disbursed in US Dollars at the actual dollar amount.

Expenditures include all amounts expended on activities to be funded by the grant, as recorded in the accounting records of the Southern African Development Community Business Council.

Note 5 Unexpended funds

As the SBCQ does nor operate one bank account purely for the purpose of the grant, and as relevant expenditures are made out a general bank account, it is not possible to reconcile unexpended funds to a particular bank account balance.

Note 5 Balance due to SRBC

This amount represents the expenditures pending reimbursement from USAID/Zimbabwe to the Southern African Development Community Business Council.

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II REPORT ON FUND ACCOUNTABILITY STATEMENT: AUDIT FINDINGS

The audit found ineligible costs of US$ 278,171 and unsupported costs of US$ 216,327. An analysis of the Fund Accountability Statement is included in Appendix III.

A Ineligible Costs

General Finding

We identified the following costs which in our opinion are ineligible under the terms of the grant agreement.

	US$
Travel advances not accounted for	17,086
Business class airfares	17,907
Airfare to Europe	3,004
Payment for cancelled ticket and on account	1,185
Airfares to be refunded by CIPE (sponsor)	2,805
Expenses of Executive Director after August 31, 1992	23,845
Gratuity paid in advance to Executive Director	9,600
Transfers to separate bank account in respect of gratuity	20,251
Rentals	19,556
Entertainment	3,429
Insurance of personal property	62
Flowers for Executive Director's house	57
Landscaping of Executive Director's garden	2,002
Capital equipment	6,724
Exchange differences	53,409
Per diems in excess of USG rates	97,249
Total	278,171

Note: The amount shown as rate differences above represents the difference between amounts recorded in the Southern African Development Community Business Council accounting records and the amount claimed from the Mission. It is not possible to ascertain whether these losses are realised or unrealised as it is not possible to reconcile unexpended funds to particular bank account balances, as noted in Note 5 to the Fund Accountability Statement.

More details on these ineligible costs are presented in Appendix IV.

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In determining eligibility, we used the criteria explained in Section I C, being our interpretation of the grant agreement, as discussed with USAID/Zimbabwe. The reasons for considering the above expenditures to be ineligible are given below in more detail.

Finding No. 1 on Travel advances - US$ 17,086

Advances are not considered to be expenditures and therefore are not eligible to be reimbursed. This includes the travel advance, the payment in respect of a cancelled air ticket which is considered to be an advance to the travel agent, the payment on account and the payment of gratuity in advance of the cessation of employment.

Recommendation No. 1

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 17,086 from the Southern African Development Community Business Council.

Auditee Comments

The auditors had no access to the relevant documents at the time of the audit.

Mission Comments

We were unable to review any documents to support travel advances as no documentation was provided to us by the Southern African Development Community Business Council.

Auditor's Response

We were unable to review any documents to support travel advances as no documentation was provided to us by the Southern African Development Community Business Council. The recommendation therefore still stands.

Finding No. 2 on Business Class Travel - US$ 17,907

The grant agreement restricts the level of airfare to United States Government (USG) limits, being economy class, therefore business class airfares are ineligible.

Recommendation No. 2

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 17,907 from the Southern African Development Community Business Council.

Auditee Comments

The Southern African Development Community Business Council terms and conditions of service section 9.1 (c) on Official Travel stipulates that the Director and

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the Chairman of the Council are entitled to travel business class.. The total here is US$15,227.43.

In the case of Mr Hara and Mr Mokolo (US$ 1,859.52) the Southern African Development Community Business Council took a prudent decision to fly them business class as there were no seats in economy class. This decision was taken to avoid payment of extra per diem which was comparatively more costly.

Mission Comments

Business class airfares are not authorised. Price Waterhouse auditors are requested to update the final report and reflect only the total amount which should have been paid if economy travel had been utilized as ineligible cost.

Auditor's Response

We are unable to update the report to reflect the net ineligible costs as this is not the responsibility of the audit team, and indeed excluded from our audit scope. Auditors are required to identify "gross" ineligible costs without regard to alternative considerations and it is these "gross" cost which are reflected in our audit opinions. The recommendation therefore stands.

Finding No. 3 on Airfares to Europe - US$ 3,004

Airfare to Europe is ineligible as it did not relate to activities to be funded by the grant.

Recommendation No. 3

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 3,004 from the Southern African Development Community Business Council.

Auditee Comments

The Executive Director of the Southern African Development Community Business Council, in the execution of his duties, has to travel aboard to interact with potential investors and potential co-operating partners for the enhancement of the trade and investment programs. This is in line with the Grant Agreement which among other things includes conducting of export and investment information tours as is indicated on page 2 paragraph 1 indent 2 of the report. During this trip negotiations were concluded with the EEC on the Southern African Development Community Business Council investment promotion programme. Other discussions were held with GTZ, DEG and FEF on the possibilities of funding some of the activities of the Southern African Development Community Business Council.

Mission Comments

Airfare to Europe is not eligible under the terms of the grant as it relates to work for or with other donors. USAID/Zimbabwe concurs that the total amount is ineligible (US$ 3,004).

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Auditor's Response

We concur with the Mission. The recommendation still stands.

Finding No. 4 on Payment for cancelled ticket and on account - US$ 1,187 and Airfares to be Refunded by the Centre for International Private Enterprises (CIPE) - US$ 2,805

Payment for cancelled ticket and expenditures to be reimbursed by other donors may not be reimbursed from the USAID grant.

Recommendation No. 4

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 3,992 from the Southern African Development Community Business Council.

Auditee Comments

a) The auditor's observation is noted. However, we wish to submit that it has been advantageous to Southern African Development Community Business Council to use a travel agent for all travel arrangements. For cancelled or unused tickets this is reported to the travel agent who in turn informs the airline and claims reimbursement. The agent cannot refund Southern African Development Community Business Council until they get the reimbursement from the airline. At the time of the audit, the agent was still waiting for the reimbursement from the airline. Some credit notes have since been given to Southern African Development Community Business Council but not allocated to invoices. This is verified by the credit notes attached.

b) The Southern African Development Community Business Council requested the Centre for International Private Enterprises (CIPE), to co-sponsor a workshop with the Southern African Development Community Business Council which was held in Gaborone in November 1991. The Southern African Development Community Business Council purchased tickets on its account from the travel agent for subsequent reimbursement by CIPE. The bills were then sent to CIPE and reimbursed and the funds deposited in the Southern African Development Community Business Council bank account. This is verified by the bank deposit dated May 8, 1992, attached.

Mission Comments

The Southern African Development Community Business Council has submitted documentation to reflect a credit received for unused tickets as well as the CIPE airfare. Please review and revise report as necessary.

Auditor's Response

Southern African Development Community Business Council has provided us with photocopied documents in their response. However, we cannot accept the costs based on photocopied documents. The recommendation still stands. In addition, we cannot amend the Fund Accountability Statement to include revenues from other donors in the Statement.

The Mission should follow up and ensure that the photocopied documents are true copies of originals and that the Fund Accountability Statement is adjusted for expenditures which relate to CIPE to avoid double reimbursement by more than one donor.

Finding No. 5 on Expenses of Executive Director after August 31, 1992 -US$ 23,845 and Gratuity paid in advance to the Executive Director - US $ 9,600

The expenditures relating to the Executive Director after August 31, 1992 are ineligible due to the irregular appointment of the Executive Director. The date is as given in correspondence from USAID/Zimbabwe.

Gratuity was paid in advance to the Executive Director before the Executive Director has ceased an employee of SBCQ.

Recommendation No. 5

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 23,845 and US$ 9,600 from the Southern African Development Community Business Council.

Auditee Comments

We accept the auditor's comments. We met the Executive Director's expenses from capitation fees which were commingled with USAID funds in one account.

Meanwhile negotiations with USAID/Zimbabwe to meet the Director's expenses for the period in question continue and are still unresolved, but USAID/Zimbabwe has agreed to pick up the expenses from February, 1993 while reconsidering its decision concerning the period August 31, 1992 to January, 1993.

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Mission Comments

The expenses of the Executive Director after August 31, 1992 were specifically identified as ineligible in correspondence between USAID/Zimbabwe and the Southern African Development Community Business Council. No negotiations are on-going with USAID/Zimbabwe to accept these expenses and we have not indicated that this decision is under consideration.

Auditor's Response

The Executive Director's expenditure details were obtained from payment vouchers and cross checked to the cashbook. We do not believe that the capitation fees were sufficient to meet all the Executive Directors expenses, unless further proof is provided. These expenses were also part of the Fund Accountability Statement provided by the Southern African Development Community Business Council to the auditors. Thus we are unable to accept the explanation provided by the Southern African Development Community Business Council. The recommendation still stands.

No comment has been made on the Gratuity paid in advance to the Executive Director by the Southern African Development Community Business Council. The recommendation still stands.

Finding No. 6 on Transfers to Another Bank Account in respect of Gratuity - US$ 20,251

Transfers to another bank account in respect of gratuities is not expenditure and therefore is not eligible for reimbursement.

Recommendation No. 6

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 20,251 from the Southern African Development Community Business Council.

Auditee Comments

The Southern African Development Community Business Council terms and conditions of service stipulates that gratuity be paid at 25% of employee's gross salary. This was earned by the employees on monthly basis and put in a separate bank account. However, upon consultation with USAID/Zimbabwe, the bank account was closed and the money transferred into the main account including the interest earned.

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Mission Comments

According to the Southern African Development Community Business Council, the gratuity account has been closed. We will request documentation substantiating this from the Southern African Development Community Business Council. In addition, all interest earned on the gratuity account must be remitted to USAID/Zimbabwe if monies from USAID/Zimbabwe were the only source used to fund this account. A letter requesting such will be sent.

Auditor's Response

The Mission should follow up and ensure that the account has been closed and that interest is paid to USAID/Zimbabwe.

Finding No. 7 on Rentals - US$ 19,556

Rentals related to the Executive Director after August 31, 1992 are in excess of the limits set for such expenditures in the grant agreement.

Recommendation No. 7

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 19,556 from the Southern African Development Community Business Council.

Auditee Comments

We note the auditor's comments here, but however wish to submit that the Southern African Development Community Business Council uses the lease agreement for paying rentals as the lease agreement is both a contractual obligation and an invoice for the lease. The amount in question is composed of US$ 5,625 for the Executive Director's rental for the period June to August 1992 and another US$ 5,625 for the period September, October and November. The US$ 8,000 is for office rent. The remaining US$ 306 was the outstanding rent for the house previously occupied by the Director. This was however been cleared with USAID/Zimbabwe and has been reimbursed on voucher 3B000916 dated November 25, 1992.

Mission Comments

Please separately identify rentals by type, i.e., office, Director's residence, etc. All rental costs specifically and exclusively for the Executive Director after August 31, 1992 until February 1, 1993 are ineligible. For example, we would consider the residential rental for the Executive Director as ineligible during this period. However, if the office space rental includes payment for occupied by the Executive Director as well as other staff members, we would consider the rental to be an eligible expense. Please identify the rental costs included as unsupported and ineligible.

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Auditor's Response

We cannot accept the Southern African Development Community Business Council comments as the amount relates to expenditures incurred in March to June 1992 and not after June 1992 as per their comments.

The rental expense of US$ 19,250 was disallowed by USAID/Zimbabwe pending clarification as to why the rental costs are so high. This was communicated to the Southern African Development Community Business Council by USAID/Zimbabwe on a letter dated August 17, 1992. We have not seen any evidence that the expense has since been accepted by the Mission.

The US$ 306 was related to the Executive Director's house rental expenses after August 31, 1992. This payment was on September 22, 1992. The recommendation still stands.

Finding No.8 on Entertainment - US$ 3,429

Entertainment is not eligible for reimbursement under United States Government regulations.

Recommendation No. 8

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 3,429 from the Southern African Development Community Business Council.

Auditee Comments

The auditor's finding are noted. However, we would like to state that our budget has always provided a modest amount for this item since entertainment is a necessity when dealing with business persons and during Council or finance and management meetings

Mission Comments

Entertainment is not an eligible expense. These should be paid by the Southern African Development Community Business Council member contributions or capitation fees.

Auditor's Response

We concur with Mission's comments. The recommendation still stands.

Finding No. 9 on Insurance of Personal Property, Flowers and Landscaping for the Executive Director's House - US$ 2,121

Insurance of personal property, flowers and landscaping of gardens are not included in the activities to be funded by the grant.

Recommendation No. 9

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 2,121 from the Southern African Development Community Business Council.

Auditee Comments

Accepted. However, this was done with an understanding that the costs would be picked up by the landlord. Payment by the landlord is still being pursued.

Mission Comments

These expenses are not eligible expenses and should have been paid with other Southern African Development Community Business Council resources.

Auditor's Response

We concur with the Mission's comments. The recommendation still stands.

Finding No. 10 on Capital Equipment - US$ 6,724

No provision for capital equipment purchases was made in the grant agreement after the initial establishment of the Secretariat.

Recommendation No. 10

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 6,724 from the Southern African Development Community Business Council.

Auditee Comments

The auditor's observation is noted. This item is composed of office furniture and equipment, house furniture and a motor vehicle. However, we wish to state that the grant agreement Attachment C provides for rent-free housing with hard furnishings for regionally recruited staff. Upon approval for recruitment of technical staff a budget which included a motor vehicle was submitted to USAID/Zimbabwe and approved. However, the purchase of the motor vehicle was deferred pending the recruitment of programme staff.

Mission Comments

Capital Equipment is comprised of household furnishings, a vehicle, and some computer equipment. The Southern African Development Community Business Council previously submitted a voucher for the vehicle which USAID/Zimbabwe refused to accept, and we continue to maintain that position. Household furnishings and job-related computer expenses appear to be expenses consistent with the establishment of the Southern African Development Community Business Council, or as part of the cost for providing Technical Assistance, if such provision is made in the

Southern African Development Community Business Council operation procedures.

Auditor's Response

We concur with the Mission's comments. We have adjusted the original figure of US $ 30,451. We have accepted cost of US $ 23,728 as these relate to furniture. However, US$ 6,720 is still ineligible as this relates to a motor vehicle and was previously disallowed by USAID.

Finding No. 11 on Exchange Difference - US$ 53,409

The month end exchange rate was not always applied in preparing requests for advances and reimbursements, resulting in overclaims of expenditure from USAID/Zimbabwe which are regarded as ineligible.

Recommendation No. 11

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 53,409 from the Southern African Development Community Business Council.

Auditee Comments

We note and accept the auditor's observation on exchange rate differences. However we wish to comment as follows:

The Southern African Development Community Business Council maintains its cash book in Pula. Periodically when advance requests are being made to USAID/Zimbabwe, a number of monthly expenditures are taken at Pula value and converted to US dollars using the rate of exchange as at the last day of the period being reported. Owing to exchange rate fluctuations, this could have resulted in the overclaim being reported by the auditor.

Another factor which contributed to the overclaim was that in one month P30,000 expenditure was not converted into US dollars when reporting to USAID/Zimbabwe. We however wish to submit that the above amounts are eligible expenses because our system of reporting is such that if an overclaim or underclaim is made, it is corrected in the subsequent request to USAID/Zimbabwe since this is done on cumulative basis.

Mission Comments

Expenses of US$ 53,409 are not eligible. We are unable to understand the Southern African Development Community Business Council response as it appears their accounting system is not functioning if exchange rate differences of this magnitude are occurring. Further clarification and documentation will be sought from the Southern African Development Community Business Council.

Auditor's Response

We concur with the Mission's comments. The recommendation still stands.

Finding No. 12 on Per Diems in excess of United States Government rates - US$ 97,249

Per diems claimed by the Southern African Development Community Business Council were higher than those allowed by USAID/Zimbabwe. These cost are regarded as ineligible.

Recommendation No. 12

We recommend that the Mission determine the allowability and recover as appropriate the ineligible costs of US$ 97,249 from the Southern African Development Community Business Council.

Auditee Comments

The auditor's finding is noted. However, we would like to submit that all per diems were paid in accordance with the Southern African Development Community Business Council terms and conditions of service section 11.4 (subsistence allowance) which stipulates that the per diems shall be paid at the UN rate plus 30% for the Executive Director or the UN rate plus 15% for others.

Mission Comments

Per diems in excess of U.S. Government rates have been paid by the Southern African Development Community Business Council. Under this Grant, the Southern African Development Community Business Council is a sub-grantee and have accepted that they may use the same per diem rates as the Southern African Development Community Secretariat, i.e, UN rate plus 15%. This was not the intent in correspondence between us, but USAID/Zimbabwe will accept as a maximum ceiling the UN rate plus 15%. Please note in your report the amount paid by the Southern African Development Community Business Council in excess of the per diem rates which USAID/Zimbabwe authorised the Southern African Development Community Secretariat to pay, i.e UN plus 15%. Also, please note whether the amount paid in excess of authorised rates or if the total amount paid to travellers is shown as ineligible.

Auditor's Response

We are unable to update the report to reflect the net ineligible costs as this is not the responsibility of the audit team, and indeed excluded from our audit scope. Auditors are required to identify "gross" ineligible costs without regard to alternative considerations and it is these "gross" costs which are reflected in our audit opinions.

Unsupported Costs

B **General Finding**

We identified the following costs which in our opinion are unsupported due to lack of adequate documentation.

	US$
Consultancy fees	26,184
Travel advances	1,684
Airfares	97,614
Per diems	44,490
Rentals	19,680
Communications	13,339
Sundry operational expenditures	13,336
Total	216,327

These amounts relate to claims for which the Southern African Development Community Business Council is unable to produce appropriate supporting documentation. Expenditures have been considered to be unsupported unless the following documentation has been produced to us:

- used air ticket in respect of air travel
- hotel bills to support claims for per diems
- original invoices/contracts/lease agreements to support other expenditures.

A detailed analysis of the unsupported costs is shown in Appendix V. Note that the auditee has submitted copies of documents to support the various unsupported costs however, we are unable to accept these documents. See auditee and auditor's comments below.

Recommendation No 13

We recommend that USAID/Zimbabwe determine the allowability and recover as appropriate the questioned unsupported costs of US$ 216,327 from the Southern African Development Community Business Council.

Mission comments

No comments were received from the Mission.

Auditee Comments

(a) Consultancy Fees - US$ 26,184

The auditor's findings are noted. However we wish to submit that consultancy agreements differ. Thus while some agreements are such that the consultants has to account for reimbursements, others stipulate a fixed fee for the contract to be paid at the end of the consultancy or quarterly. In our case a fixed fee was agreed upon and the corresponding invoices and payment requisition vouchers were made available to the auditor. We attach the necessary documents for your perusal.

The breakdown of the consultancy fees in question is as follows:

	US$
Sept 91 Voucher 261 Supply/Demand Survey	11,400
Nov 91 Voucher 327 Supply/Demand Survey	11,400
Mar 91 Voucher 1361 Business Conference booklet	2,184
July 92 Investment Promotion Programme	1,200
Total	26,184

Auditor's response

We are unable to accept photocopies of supporting documentation provided. The Mission should follow up and ensure that original documentation exits for the consultancy fees amounting to US$ 22,800 paid to Imani Development. However no documentation was provided to us for the US$ 3,384. Our recommendation still stands.

(b) Travel Advances - US$ 1,684

We wish to advise that this was not a travel advance but an initial payment made to a consultant for the Business Conference Booklet referred to above. This is supported by payment voucher, attached.

Auditor's Response

The documentation provided supports the payments made to a consultancy firm but does not support the provision of services nor whether a quotation was obtained for the services. Our recommendation still stands.

(c) Airfares - US$ 97,614

We note and concur with the auditor's findings. However, we would like to point out that it has proved extremely difficult to collect used air tickets from delegates attending our activities around the region because when they go back to their respective countries they do not send the stubs back. This being the case travel authorization forms and credit notes have been used as

supporting documents. Cross-checking is also made with the travel agent.

Auditor's Response

Generally accepted accounting principles require that original supporting documentation be kept in respect of all expenditures, including airfares. Therefore the recommendation still stands.

(d) Per diems - US$ 44,490

The auditor's observation and recommendation is noted. However, we wish to state that the Southern African Development Community Business Council terms and conditions of service and financial regulations do not require the submission of hotel bills to support claims for per diems. This being the case travel authorization forms and duly signed payment requisition forms have been used (and are available) as supporting documents.

Auditor's Response

Generally accepted accounting principles require that original supporting documentation be kept in respect of all expenditures, including hotel bills to evidence that per diems are payable. Therefore the recommendation still stands.

(e) Rentals - US$ 19,680

Refer to auditee comments made in Section II, recommendation no. 7 above.

Auditor's Response

We are unable to accept photocopies of supporting documentation provided. The Mission should follow up and ensure that original documentation exists for the rental expenses amounting to US$ 9,600 paid for the office lease. However no documentation was provided to us for the US$ 10,080. Our recommendation still stands.

(f) Communications - US$ 13,339

The auditor's finding is noted though it is apparently confusing because the Southern African Development Community Business Council pays bills from Botswana Telecommunications and from DHL against the bills raised. No local purchase order or goods received note has been used for these services as a result of this standard practice.

Auditor's Response

We are unable to accept photocopies of supporting documentation provided. The Mission should follow up and ensure that original documentation exists for the communications expenses amounting to US$ 11,377. However no documentation was provided to us for the US$ 1,962. Our recommendation

still stands.

(g) Sundry Operational Expenses - US$ 13,336

We note the finding on sundry operational expenses and wish to submit that these items are supported by payment vouchers, invoices and purchase orders, attached for further review. However, it is not in all cases that we have receipts to support payments made.

Auditor's Response

The documentation provided by the auditee are the same documents as seen during the field work. Neither is complete with adequate supporting documents. The recommendation still stands.

AUDIT OF THE TECHNICAL GRANT TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL

III INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROLS

We have audited the Fund Accountability Statement of the Southern African Development Community Business Council under USAID Grant No. 690-0215.33 for the period April 1, 1990 to December 31, 1992 and have issued our opinion thereon dated March 19, 1993.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

We have not been subject to a quality control review by a non-Price Waterhouse firm as required by Government Auditing Standard no. 3.46. Such reviews are not required or available to professional firms in Kenya. We do not believe that this departure has affected our audit. We were subject to an external quality control review in July 1992 undertaken by a Price Waterhouse firm independent of our firm.

In planning and performing our audit of the Fund Accountability Statement of the Southern African Development Community Business Council for the period April 1, 1990 to December 31, 1992, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the Fund Accountability Statement and not to provide an opinion on the internal control structure.

The management of the Southern African Development Community Business Council 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 internal control structure policies and procedures. The objectives of an internal control structure are to provide management with a reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Fund Accountability Statement in accordance with the basis of accounting described in Note 1 to the Fund 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 operations 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:

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Control Environment

Financial management capabilities
Methods of assigning authority and responsibility
Management control methods
Personnel policies and practices
Familiarity with USAID rules

Accounting System

Budgeting and funds management
General record keeping
Reporting to USAID
Disbursement of funds

Control Procedures

Authorization of transactions and activities
Written procedures
Segregation of duties
Bank reconciliations
Use of pre-numbered documents

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they were in operation, and we assessed 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 judgement, could adversely affect the Southern African Development Community Business Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the Fund Accountability Statement.

The following reportable conditions were observed:

Control Environment

- lack of management reporting
- lack of respect for the terms and conditions of the grant agreement
- inadequate investigation of expenditure disallowed by USAID/Zimbabwe

Accounting Systems

- expenditures not supported by adequate supporting documentation

- grant funds commingled with other funds
- inadequate procedures to ensure that payments are for authorized and genuine purchases
- poor filing
- use of incorrect exchange rates

Control Procedures

- lack of segregation of duties
- non-adherence to the Southern African Development Community Business Council procurement and payment procedures
- bank reconciliations not signed as evidence of review
- travel advances treated as expenditure
- inadequate procedures to avoid duplication of payment
- receipts not raised for all cash receipts.

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

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 considered to be material weaknesses as defined above. However, we believe the reportable conditions described above constitute material weakness in view of the fact that expenditures of US$ 494,498 were ineligible or unsupported.

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 for the use of the Southern African Development Community Business Council, the Southern African Development Community Secretariat and USAID but this is not intended to limit the distribution of the report, if a matter of public record.

Price Waterhouse

March 19, 1993

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III REPORT ON INTERNAL CONTROLS

A INTRODUCTION

1 Definition

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 comprises three elements:

- the control environment
- the accounting system
- control procedures.

The control environment reflects the overall attitude, awareness and action 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 additional to the control environment and accounting system that management has established to safeguard the organization's resources.

In Sections B, C and D below, we have classified our findings and recommendations by these categories, as they apply to the auditee's internal control structure.

2 Work Performed

Our review of the auditee's internal control structure was directed towards those elements which relate to the nature of project funding. The review encompassed the following:

- CONTROL ENVIRONMENT

  Financial management capabilities
  Methods of assigning authority and responsibility
  Management control methods
  Personnel policies and practices
  Familiarity with USAID rules

  ACCOUNTING SYSTEMS

  Budgeting and funds management
  General record keeping
  Reporting to USAID
  Disbursement of funds

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CONTROL PROCEDURES

Authorization of transactions and activities
Written procedures
Segregation of duties
Bank reconciliations
Use of pre-numbered documents.

B CONTROL ENVIRONMENT

Lack of Management Reporting

Finding No.1

Reporting to the management of the Southern African Development Community Business Council is inadequate in that it does not permit proper review and control of expenditures. There is no regular reporting of expenditure to the Executive Director nor to the Administration and Finance Committee. No analysis of actual expenditure compared to budgeted expenditure is prepared and presented to management.

Recommendation No. 14

We recommend that management reporting procedures be introduced, including the preparation and presentation of monthly accounts showing actual and budgeted expenditure by line item. These should be provided to the Executive Director and to the Administration and Finance Committee.

Auditee Comments

We note the auditor's observation and accept that there is room for improvement. However, we would like to point out that monthly reports are submitted to the Director. These reports include bank reconciliations and variance analysis reports even though these need improvement. Further, quarterly expenditure reports are submitted to USAID/Zimbabwe upon making advance requests. Though the Finance and Management Committee receive the Financial reports when they sit twice yearly, it is envisaged that in future they will also receive the accounts more frequently.

Regarding the recommendation to utilise a general ledger computer system, we wish to advise that we already have in place a format as agreed with USAID/Zimbabwe.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that management reporting systems are being utilised at the Southern African Development Community Business Council.

Lack of respect for the terms and conditions of grant agreement

Finding No. 2

There is a lack of awareness and a lack of respect at the managerial level for the terms and conditions of the grant relating to eligibility of expenditures and accounting records. The terms and conditions of the grant agreement are not understood and are not being followed. This has led to significant amounts of ineligible and unsupported expenditures being incurred. This problem will continue until proper respect is given to the terms and conditions of the grant agreement.

Recommendation No. 15

We recommend that the officers responsible for the grant be reminded by the Southern African Development Community Secretariat and the Mission of their responsibilities and of the terms and conditions of the grant. Where there is conflict as to the eligibility of the expenditure, these conflicts should be promptly resolved by consultation between the grantee and USAID/Zimbabwe.

Auditee Comments

The auditor's findings are noted but we would like to advise that the grant agreement recognises the Southern African Development Community Business Council's financial regulations and procedures as stipulated in Project Implementation Letter No. 1 dated 24 July, 1990 paragraph 6. These are the ones the Southern African Development Community Business Council has followed. We regret that the auditors have only used United States Government regulations and have ignored the Southern African Development Community Business Council regulations which should have been read together.

Mission Comments

No comments were received from the Mission.

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Auditor's Response

It is true that Project Implementation Letter No. 1 dated July 24 1990 recognises the Southern African Development Community Business Council financial regulations and procedures, however the same Project Implementation Letter No. 1 says that General Accepted Accounting Principles (GAAP) should also be followed. Thus should there be a conflict between USAID/Zimbabwe and the Southern African Development Community Business Council procedures, then USAID regulations and GAAP take precedence. The recommendation still stands.

Finding No. 3

Some expenditures were found to have been disallowed by USAID/Zimbabwe without adequate explanation. The Southern African Development Community Business Council has not obtained clarification of the disallowances. This could lead to further ineligible expenditure being incurred by the Southern African Development Community Business Council.

Recommendation No. 16

We recommend that where USAID/Zimbabwe disallows certain expenditures the Southern African Development Community Business Council should promptly obtain the reasons for disallowance so as to avoid incurring further ineligible expenditure.

Auditee Comments

We note this finding but wish to submit that some of the disallowed expenses from USAID/Zimbabwe have been questioned and clarified. Letters to USAID/Zimbabwe are attached as evidence to support our view.

Mission Comments

No comments were received from the Mission.

Auditor's Response

No documentation has been provided for our review. The recommendation still stands.

C ACCOUNTING SYSTEMS

Expenditures not supported by adequate supporting documentation

Finding No. 4

A significant amount of expenditure was not supported by adequate documentation. Supporting documentation should include:

- used air ticket in respect of air travel
- hotel bills to support claims for per diems
- original invoices/contracts/lease agreements to support other expenditures.

Recommendation No. 17

We recommend that the Southern African Development Community Business Council improve its accounting systems by ensuring that all expenditures are supported by adequate documentation.

Auditee Comments

The finding and recommendation are noted and our accounting system will be improved as recommended so that payment is made only when there is adequate supporting documentation. Efforts will in future be made to ensure that supporting documents are available. However, it is at present not mandatory for hotel bills to be provided to support claims for per diems as per the Southern African Development Community Business Council terms and conditions of service.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up on our recommendation to ensure that the Southern African Development Community Business Council improves its accounting system and adheres to USAID regulations and GAAP.

Finding No. 5

Payments for air travel were made against travel agent invoices and statements without verification as to whether the air tickets were used. In one case, a payment was made on account without specifying which invoices were being paid. No purchase order was issued for requesting air tickets. These are breaches of the Southern African Development Community Business Council procurement and payment procedures. These practices could lead to situations where payment is

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made for unused or unauthorized air tickets and could lead to disputes with the travel agent.

Recommendation No. 18

We recommend that purchase orders be raised for all air travel. Travel invoices should only be paid when supported by an authorized purchase order, travel authorization and the used air ticket.

Auditee Comments

The finding and recommendation are noted. Purchase orders will be raised for all air travel and an effort will be made to collect used air tickets as proof of travel although we envisage difficulties as already pointed out above.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure that the recommendations have been implemented.

Grant funds commingled with other funds

Finding No. 6

Funds from capitation fees and member states contributions were found to be banked in the same bank account with advances of grant funds, making it impossible to determine and hence control the expenditure being funded by the grant.

Recommendation No. 19

We recommend that advances of grant funds be always maintained in a separate bank account.

Auditee Comments

The observation made by the auditor in the findings and recommendations are accepted. This being the case, separate bank accounts will be maintained in future. However, we wish to advise some of the reimbursements, eg imprest re-deposited, CIPE refund, and Executive Director's double payment of per diem replacement should not be considered as commingling of funds.

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Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that our recommendation has been implemented.

Inadequate procedures to ensure that payments are for authorized and genuine purchases

Finding No. 7

When goods are purchased from vendors two copies of purchase orders are sent to the vendor. When the goods are delivered one copy of the purchase order is returned. This copy should be signed in the section for receipt of goods as evidence of receipt of goods. However we found that this procedure is not being followed.

Recommendation No. 20

We recommend that all receipts of goods be evidenced by a goods received note or by signing the copy of the purchase order. Payment should not be made without this evidence.

Auditee Comments

We accept the auditor's finding and recommendation on this issue. We will ensure that the goods received note is always signed before payment is made. To date we have used the delivery note from suppliers as proof.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure that our recommendation has been implemented.

Finding No. 8

We observed that checks were being signed before details of payee and amount had been completed. This creates a risk of unauthorized payments being made.

Recommendation No. 21

We recommend that checks be signed only after details of payee and amount have been completed.

Auditee Comments

We agree that it is risky to sign blank checks although at times circumstances arise when both signatories are out of station for long periods of time. To mitigate these exceptional cases the Executive Director appends his signature on checks and the Assistant Finance Officer countersigns once the details are filled in. All the bank check folios are accounted for upon the Director's return.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Southern African Development Community Business Council has not provided an adequate explanation for signing blank checks. This is a serious internal control problem which should be addressed with the seriousness it requires. An alternative to signing blank checks is to delegate signing powers to the Southern African Development Community Secretariat or to the National Business Council. The recommendation stills stands.

Finding No. 9

Invoices are not matched to the purchase order. Matching the invoice to the purchase order would strengthen the control to ensure that payments are only made in respect of authorized purchases.

Recommendation No. 22

We recommend that all invoices be crossed referenced to purchase orders.

Auditee Comments

The finding is noted and the advice is taken.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that the recommendation has been implemented.

45

Poor filing

Finding No. 10

The filing of documentation at the Southern African Development Community Business Council is poor. Several accounting and related documents were difficult to find or were not found during the course of our audit visit. In particular, USAID/Zimbabwe payment vouchers and the supporting analyses for request for advances and reimbursement were not found. Reconciliations between USAID/Zimbabwe records and the Southern African Development Community Business Council were not being done.

Recommendation No. 23

We recommend that the Southern African Development Community Business Council:

23.1 maintain a file in which copies of all requests for advances and reimbursements and related documentation are filed. This should include schedules to evidence the request for advances and photocopies of the USAID/Zimbabwe checks, receipts and any other relevant documentation.

23.2 perform reconciliations between USAID/Zimbabwe records and the Southern African Development Community Business Council records on a regular basis.

23.3 store Payment voucher files neatly by month.

Auditee Comments

We take note of the auditor's finding and recommendation that our filing system requires improvement. However, we wish to state that on the specific case singled out, the USAID/Zimbabwe analysis is available though there are cases when we received checks from USAID/Zimbabwe without backing vouchers. In future we shall step up our efforts to obtain the vouchers from AID.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that adequate improvements have been made to the Southern African Development Community Business Council filing system.

46

Use of incorrect exchange rates

Finding No. 11

The month end exchange rate was not always applied in preparing requests for advances and reimbursements, resulting in overclaims of expenditure from USAID/Zimbabwe totalling US$ 53,409. There is no independent review of requests for advances and reimbursement before submission.

Recommendation No. 24

We recommend that the Southern African Development Community Business Council:

24.1 use the month end rate to translate Pula expenditure into dollars for the purpose of requesting advances and reimbursements,

24.2 establish a system of reviewing to ensure the accuracy of requests for advances and reimbursement by an officer independent of the Assistant Finance Officer.

Auditee Comments

Monthly expenditures are taken at Pula value and converted into US dollars using the rate of exchange as at the last day of the period being reported. Owing to exchange rate fluctuations, this could have resulted in the overclaim being reported by the auditor.

Mission comments

No comments were received from the Mission.

Auditor's response

The explanation provided by the Assistant Finance Officer during the field work, was that he sometimes used the wrong exchange rate. The recommendation still stands.

D CONTROL PROCEDURES

Lack of segregation of duties

Finding No. 12

There is a lack of segregation of duties in respect of the control of payments. It is possible for the Executive Director to authorize ordering and payment for purchases and to overrule other officers. This could result in misuse of the funds.

Recommendation No. 25

We recommend that segregation of duties be improved in the purchasing and

payments procedures. particularly by introducing as an authorizing officer a person of at least equal authority with the Executive Director.

Auditee Comments

The finding is noted. We however, wish to submit that according to the regulations and procedures of the Southern African Development Community Business Council, the Executive Director is the Accountable Officer. In addition, he is guided by our financial regulations.

It is not possible for the Southern African Development Community Business Council to have another person at same level with the Executive Director.

The Administrative Officer and his assistant cross-check the vouchers and these are further verified by a member of the Finance and Management Committee before being signed.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The recommendations does not imply that the additional staff be on the same level with the Executive Director but rather they have the same authority as the Executive Director, as far as accounting procedures are concerned. The person should be answerable to the Executive Director and be responsible for the whole accounting department. The Mission should follow up on our recommendation to ensure that there is sufficient delegation of duties at the Southern African Development Community Business Council.

Finding No. 13

There is no segregation of duties in the coding of journal entries, posting of journal entries and review of journals entries in the general ledger. All these functions are performed by the Assistant Finance Officer and no independent review is conducted. The lack of segregation of duties and of independent review could lead to errors in the general ledger not being promptly identified or to fraud going undetected.

Recommendation No. 26

We recommend that the Southern African Development Community Business Council introduce greater segregation of duties over the general ledger functions and specifically ensure independent review of transactions and month end balances by a senior officer.

Auditee Comments

Efforts are under way to redefine job responsibilities of the Assistant Finance Officer

and his Junior Officer. These should minimise the current shortcomings.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that our recommendation is implemented.

Non-adherence to the Southern African Development Community Business Council procurement and payment procedures

Finding No. 14

The Southern African Development Community Business Council procedures for procurement and payment are not being adhered to. Instances were noted where no quotations were obtained, and no purchase orders nor evidence of receipt were attached to payment vouchers. Payment vouchers were not authorized in accordance with the laid down procedures. Some vouchers had inadequate explanations of the nature of the payment. This lack of control could result in fraudulent payments.

Recommendation No. 27

We recommend that the Southern African Development Community Business Council adhere to the procurement and payment procedures. These procedures include obtaining three competitive quotations for significant purchases, raising authorized purchase orders for all purchases, and matching invoices to evidence of authorization and of receipt of goods and services. All payment vouchers should have quotations, a copy of the purchase order and evidence of receipt attached before payment is authorized and made Authorization should be recorded by way of signing the payment vouchers.

Auditee Comments

The observation and recommendation are noted and accepted. The narratives on the payment vouchers will be improved and purchase orders and evidence of receipt will always be attached to payment vouchers. However, we wish to state that where only one supplier was available, only one quotation was obtained.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that our recommendations have been implemented.

Bank reconciliations not signed as evidence of review

Finding No. 15

Bank reconciliations are not signed by a senior officer as evidence of review. Reconciling items are not promptly investigated. This lack of review and follow up of the reconciliation could lead to errors or fraud not being detected on a timely basis.

There is also lack of evidence as to who performed the reconciliation and when.

Recommendation No. 28

We recommend that:

28.1 an officer senior to the one preparing the bank reconciliation should review the reconciliation for accuracy and ensure that reconciling items are promptly resolved

28.2 the date on which the reconciliation was prepared, the identity of the preparer, the date of the review and the identity of the reviewer and their approval be evidenced in writing.

Auditee Comments

Bank reconciliations have been prepared by the officer delegated this responsibility. This is supported by the job description of the officer. However, we concur that the prepared bank reconciliations were not being signed by the Senior Officer. This will now be done.

Mission comments

No comments were received from the Mission.

Auditor's response

The Mission should follow up and ensure that our recommendation has been implemented.

Travel advances treated as expenditure

Finding No. 16

Travel Advances paid to individuals were treated as expenditure and no subsequent justification of the expenditure was made. This could lead to unauthorized

expenditures. Travel Advances were not being properly accounted for.

Recommendation No. 29

We recommend that the Southern African Development Community Business Council:

29.1 record advances as advances and that they only be expensed when adequate documentation to support expenditure is provided

29.2 implement regular reviews to ensure that advances are promptly accounted for.

Auditee Comments

The finding is noted. However, we would like to submit that our General Ledger shows that all advances not yet accounted for are posted to "IMPREST ACCOUNT" until enough documentation is received or the advance redeposited. However, the advances will in future be promptly accounted for and regular reviews will be implemented.

Mission comments

No comments were received from the Mission.

Auditor's response

We did not see any evidence of posting to the General Ledger of Travel Advances, in particular some advances made to the Assistant Finance Officer and the Trade Promotion Officer. The Mission should follow up to ensure that these travel advances are properly accounted for and our recommendations implemented.

Inadequate procedures to avoid duplication of payment

Finding No. 17

Paid vouchers are not stamped 'paid' as evidence of payment. This could lead to duplication of payment.

Recommendation No. 30

We recommend that the Southern African Development Community Business Council cancel all paid vouchers by stamping 'paid' on them.

Auditee Comments

We concur with your finding and wish to advise that we have now started to stamp "paid" on all invoices after payment.

Mission comments

No comments were received from the Mission.

Auditor's response

The Mission should follow up and ensure that our recommendation has been implemented.

Receipts not raised for all cash receipts

Finding No. 18

Receipts are not raised for all cash receipts. This may result in the lack of an audit trail or of an explanation of receipts.

Recommendation No. 31

We recommend that the Southern African Development Community Business Council raise receipts for all cash receipts.

Auditee Comments

The finding and recommendation are noted and accepted. Receipts will be issued for all cash received.

Mission comments

No comments were received from the Mission.

Auditor's response

The Mission should follow up and ensure that our recommendation has been implemented.

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AUDIT OF THE TECHNICAL SUPPORT GRANT TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL

IV

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GRANT AGREEMENT AND APPLICABLE LAWS AND REGULATIONS

We have audited the Fund Accountability Statement of the Southern African Development Community Business Council under USAID Grant No. 690-0215.33 for the period April 1, 1990 to December 31, 1992 and have issued our opinion thereon dated March 19, 1993.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 revision). Those standards require that we plan and perform the audit to obtain reasonable assurance that the Fund Accountability Statement is free of material misstatement.

We have not been subject to a quality control review by a non-Price Waterhouse firm as required by Government Auditing Standard no. 3.46. Such reviews are not required or available to professional firms in Kenya. We do not believe that this departure has affected our audit. We were subject to an internal quality control review in July 1992 undertaken by a Price Waterhouse firm independent of our firm.

Compliance with the terms of the agreement and referenced laws and regulations is the responsibility of the Southern African Development Community Business Council management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of the Southern African Development Community Business Council's compliance with certain provisions of agreement terms and referenced laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not give such an opinion.

Material instances of non-compliance are failures to follow requirements, or violations of agreement terms and referenced laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Fund Accountability Statement. The results of our tests of compliance disclosed the following material instances of non-compliance:

- failure to comply with the agreement provisions relating to submission of claims to USAID/Zimbabwe resulting in US$ 278,171 of ineligible and US$ 216,327 of unsupported costs
- the internal control structure is inadequate to ensure compliance with the provisions of the grant agreement
- grant funds commingled with other funds
- failure to submit quarterly financial and project implementation status reports and reports on individual projects to USAID/Zimbabwe

A list of partners is available from the local address

- failure to submit annual work plans to USAID/Zimbabwe
- failure to establish an actionable plan for sustainability by the deadline given in the grant agreement
- failure to comply with the Southern African Development Community Business Council procedures and the grant agreement in respect of appointment of employees
- failure to pay interest earned on funds deposited in the gratuity account to USAID/Zimbabwe
- failure to implement all recommendations of the financial advisors in respect of establishment of the accounting system
- not all activities specified in the grant agreement will be undertaken before the expiration of the grant.

We considered these material instances of non-compliance in forming our opinion on whether the Southern African Development Community Business Council's Fund Accountability Statement is fairly presented, in all material respects, in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement, and this report does not affect our report on the Fund Accountability Statement dated March 19, 1993.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the Southern African Development Community Business Council complied, in all material respects, with the provisions referred to in the fourth paragraph of this report. With respect to the items not tested, nothing came to our attention that caused us to believe that, the Southern African Development Community Business Council had not complied, in all material respects, with those provisions.

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 Southern African Development Community Business Council, the Southern African Development Community Secretariat and USAID but is not intended to limit the distribution of the report, if a matter of public record.

Price Waterhouse

March 19, 1993

IV REPORT ON COMPLIANCE WITH GRANT AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

WORK PERFORMED

As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of the Southern African Development Community Business Council's compliance with certain provisions of agreement terms and referenced laws and regulations.

AUDIT FINDINGS

During the course of our study we came across several requirements of the grant agreement that were not complied with by the Southern African Development Community Business Council. This section describes each one and gives a recommendation on how to rectify the non-compliance.

Ineligible Expenditures

Finding No. 1

Expenditures totalling US$ 278,171 which are ineligible under the terms and conditions of the grant agreement were incurred.

Our recommendation in this respect is set out in the Fund Accountability Statement Section II, A.

Auditee Comments

We accept the recommendation that where there are differences in interpretation of the Southern African Development Community Business Council regulations vis-a-vis the grant agreement terms, these should be resolved promptly.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure that our recommendations have been implemented.

Unsupported expenditures

Finding No. 2

Expenditures totalling US$ 216,327 were incurred which were considered not to be supported by adequate documentation.

Our recommendation in this respect is set out in Section II, Recommendation no. 13.

Auditee Comments

Efforts will be made to obtain air tickets, original invoices etc. However, it is not in the Southern African Development Community Business Council's terms and conditions of service to account for per diems by way of hotel bills. Where there are differences of interpretation between the Southern African Development Community Business Council and USAID/Zimbabwe, these will be resolved promptly.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure our recommendation has been implemented.

Inadequate internal control system

Finding No. 3

The internal control structure is considered to be inadequate to ensure that grant funds are only used for eligible expenditures and that all expenditures are supported by adequate documentation as discussed in the internal control section.

Our recommendations in respect of the internal control structure are set out in Section III.

Auditee Comments

The recommendations given on internal control systems are valid and will be implemented to improve the present system.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure our recommendations have been implemented.

Grant funds commingled with other funds

Finding No. 4

Grant funds were commingled with funds from other sources, as discussed in Finding No. 6 of the internal control section. Our recommendation in respect of this matter may be found in Section III, recommendation No. 19.

Auditee Comments

Grant funds will in future be kept in a separate account to avoid commingling with other funds.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure that our recommendation has been implemented.

Reporting to USAID/Zimbabwe

Finding No. 5

Quarterly financial and project implementation status reports and reports on individual activities were not submitted to USAID/Zimbabwe as required by the grant agreement.

Recommendation No. 32

We recommend that the Southern African Development Community Business Council produce Financial and Project Implementation Status Reports to cover the period to date and should ensure that the quarterly reports are produced for the remainder of the grant period.

Auditee Comments

We concur with the observation that we have not submitted on a timely basis the reports as per the grant requirement and as frequently as required. However, we have been submitting to USAID/Zimbabwe activity implementation reports as and when projects were executed. The Southern African Development Community Business Council will produce a consolidated up-to-date report and ensure that quarterly reports are sent to USAID/Zimbabwe for the remainder of the grant period.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure that our recommendation has been implemented.

Finding No. 6

Annual work plans are not submitted to USAID/Zimbabwe as required in the grant agreement

Recommendation No. 33

We recommend that the Southern African Development Community Business Council ensure that the work plans are submitted for the remainder of the grant period.

Auditee Comments

The Southern African Development Community Business Council has tried to comply with this grant requirement by submitting annual work plans. The problem encountered was that some of the work plans were not accepted in their entirety. However, certain activities were approved for implementation. These have been the basis of our programme activities.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure our recommendation has been implemented.

Preparation of plan for sustainability

Finding No. 7

The grant agreement requires that 18 months prior to the expiration of the grant, the Southern African Development Community Business Council should have developed an actionable plan for financing its recurrent costs. This plan is not in place.

Recommendation No. 34

We recommend that the Southern African Development Community Business Council developed immediately an actionable plan for ensuring its sustainability.

Auditee Comments

We assessed the situation and foresaw that we would not be able to sustain ourselves without USAID support after the expiry of the grant ie after 31 August 1993. As a result the Southern African Development Community Secretariat initiated a request for an extension of the grant expiry date to 31 May 1994. Meanwhile avenues are being explored as per your recommendation for future sustainability of the Southern African Development Community Business Council. This is covered under the current work plan.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure that our recommendation has been implemented.

Appointment of employees

Finding No. 8

The appointment of the Executive Director was not made in accordance with the Southern African Development Community Business Council regulations, which include international advertisement of the position.

Recommendation No. 35

We recommend that the post of Executive Director be advertised internationally and the Southern African Development Community Business Council regulations be followed in respect of the appointment of a candidate to this position.

Auditee Comments

The appointment of the Executive Director was made by the appropriate authority of the Southern African Development Community Business Council, that is, the General Council, although the post was not advertised regionally. Incidentally this requirement has since been met.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure that our recommendation has been implemented.

Finding No. 9

Before recruiting employees, the Southern African Development Community Business Council should submit scopes of work or terms of reference to USAID/Zimbabwe for approval. It is evident that this did not always take place, for example in respect of the Trade and Investment Advisor.

Recommendation No. 36

We recommend that scopes of work and terms of reference for employees be submitted to and agreed with USAID/Zimbabwe in advance of recruitment.

Auditee Comments

We wish to disagree with this finding and recommendation because scopes of work and terms of reference have always been submitted to USAID/Zimbabwe for concurrence prior to recruitment.

Mission Comments

No comments were received from the Mission.

Auditor's Response

We have not been provided with evidence to show that scopes of work and terms of reference have been submitted to USAID/Zimbabwe in all cases. Therefore the recommendation still stands.

Payment of interest earned

Finding No. 10

Interest has been earned on funds transferred to the gratuity account. This interest has not been paid to USAID/Zimbabwe as required by the grant agreement. The total interest earned from the gratuity deposit was US$ 1,224.

Recommendation No. 37

We recommend that the interest earned on the gratuity account to date and future interest be paid to USAID/Zimbabwe.

Auditee Comments

Recommendation is noted and accepted. This will be done in due course.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure that our recommendation has been implemented.

Implementation of financial advisor's recommendations

Finding No. 11

The grant agreement required the Southern African Development Community Business Council to use financial consultants to advise on the establishment of an accounting system. Not all aspects of the system advised by these consultants have been implemented.

Recommendation No. 38

We recommend that the Southern African Development Community Business Council implement in full the recommendations of the financial consultants.

Auditee Comments

We accept the finding and recommendations. The Southern African Development Community Business Council will implement all the other aspects of the accounting system as advised by the financial adviser.

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Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up to ensure that our recommendation has been implemented.

Non-completion of grant agreement program

Finding No. 12

Some activities specified in the grant agreement have not been undertaken and seem unlikely to be undertaken before the expiration of the grant.

Recommendation No. 39

We recommend that appropriate variations to the grant agreement should be sought from USAID/Zimbabwe.

Auditee Comments

The auditor's observation is noted. However, the Southern African Development Community Business Council has already discussed with USAID/Zimbabwe and the Southern African Development Community the appropriate variations to the grant agreement. This is the reprogramming exercise already completed.

Mission Comments

No specific comments were received from the Mission. However, refer to the general comments made in Section II relating to termination of the grant agreement.

Auditor's Response

The Mission's intentions are noted.

APPENDICES

APPENDIX I

AUDITEE COMMENTS ON FINAL REPORT

17 June 1993 Ref: ADM/AR/1,93

AUDIT REPORT ON SBC SECRETARIAT FOR THE PERIOD APRIL 1, 1990 TO DECEMBER 31, 1992

We are obliged to comment and provide explanations on issues/queries raised in the above report.

A. **EXECUTIVE SUMMARY**

Page 1 Paragraph 3

Sub-paragraph 2 should state that US$1,060,000 was to be used by SADC Secretariat.

Sub-paragraph 3 should state that US$40,000 was to be used to fund audits of both SADC Secretariat and SBC.

Page 2 Paragraph 2

In this paragraph the auditor correctly observes that to enable SBC to complete its required activities, the grant agreement has been extended to May 31, 1994. However, this should also have stated that the remaining activities are being re-programmed accordingly.

Page 4 Paragraph 2

Determination of ineligibility/unsupported costs:

1. The Auditor acknowledges that there are ambiguities in the grant agreement and related Project Implementation Letters in respect of certain costs. As a result, he has generally ignored the application of SADC/SBC terms, conditions and financial regulations as should be applicable under the Grant Agreement. Instead, the Auditor has used "applicable US Government regulations in the determination of ineligible or unsupported costs".

We wish to point out, at the outset, that this variance in applicable principles is the source of the auditors opinion on certain transactions being considered ineligible or unsupported.

2. P4 Para 3 and 4

We wish to point out that upon allocation of funds to SBC under the original 1987 grant agreement, terms and conditions of service for SBC which included financial regulations were drawn up based on that agreement. These were agreed upon prior to inception of the SBC Secretariat. When the revised grant agreement was being signed and subsequent PILs were being issued, these were done in recognition of the machinery already on the ground.

Therefore, although there were omissions in the laid down activities, upon implementation it was discovered that, for example, a "Needs Assessment Study" could not have been complete without a follow-up workshop.

We wish, therefore, to request for flexibility in the interpretation of the eligibility principles as well as the application of USG audit regulations, until a compromise is reached.

REPORT ON THE FUND ACCOUNTABILITY STATEMENT

In paragraph 2 on page 10, we note the auditor's finding that the total value of ineligible and unsupported expenditures as pertaining to the training and information dissemination program exceeded the total expenditures for this programme as recorded in the Fund Accountability Statement which implies that the statement has been incorrectly analysed. However, we wish to submit that this position arose because in his analysis, the auditor, misallocated certain activities. The examples given below will help to support our position:-

ON APPENDIX 6 PAGE 3 OF 3:

i) Voucher 236 US$12139.20 should have been allocated to technical assistance.

ii) December, 1992, US$2304.64 should not be allocated to training and information as an ineligible expenditure because it was refunded by CIPE when the bill was raised by the travel agent.

iii) April 1991, Voucher II, US$739.68 should be allocated to operations as it relates to Mr Baffoe's attendance of the Council meeting in Malawi which coincided with the Malawi Investment Conference.

iv) April 1991, voucher 13, Mbankwa US$499.68 should be allocated to technical assistance because it relates to interviews for the post of Trade and Investment Advisor.

v) April 1991, Voucher 32, Mokola US$492.48 should be allocated to operations as it relates to his attendance of the Council Meeting in Malawi.

vi) October 1991, Voucher 326 Chinkwanda US$ 191.52 is a credit note-number 3266 and Baffoe US$ 693.60 is also a credit note-number 3270.

vii) Baffoe, Voucher 326, US$ 942.72 is also a credit note-number 3243.

viii) Jaffu, Voucher 326, US$ 857.76 should be allocated to studies as he attended the Committee Meeting on Developments in South Africa.

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ix) Carrilho, Voucher 326, US$ 336.96 should be allocated to studies as he attended the Committee Meeting on Developments in South Africa.

x) Zwane, Voucher 757, US$ 462.72 should be allocated to Trade and Investment Promotion as travel was for him to attend SBC's Trade Advisory Committee Meeting in Gaborone.

Further, we have observed that certain cost items which should have been under Training and Information have been allocated elsewhere as follows:-

i) Appendix 7 page 6 of 10:

March 1992, Vouchers 482 to 493 totalling US$ 4 366.00 should have been allocated to Training and Information because they participated in a buyer/seller meeting in Gaborone as a follow-up to the supply/demand survey.

ii) Appendix 7 page 8 of 10:

August 1992 Vouchers 645 through to 701 totalling US$ 12 167 should be allocated to training and information because they participated in a workshop on public and private sector co-operation in Lusaka, Zambia.

B. **INELIGIBLE COSTS** Ref. Page 13 of the report.

1. **Travel advances not accounted for - US$ 7,087.00**

The auditor's finding on this issue is noted. However, we regret that the auditor could not access the relevant documents at the time of the audit. Accordingly, we attach the documents to support our view that the travel advances were actually accounted for.

2. **Business Class Air Fares - US$17,087.00**

We note the auditor's observation but however, wish to state that SBC terms and conditions of service section 9.1(c) (Official Travel) stipulates that the Director and the Chairman of Council are entitled to travel business class. The total here is US$15 227.48.

In the case of Mr Hara and Mr Mokolo (US$1 859.52) we note and admit the auditor's finding. However, we wish to submit that a prudent decision was taken to fly them business class as there were no seats in economy class. This decision was taken to avoid payment of extra per diems which alternative was comparatively more costly.

3. **Airfare to Europe**

The observation here is noted, however, we would like to state that the Executive Director in the execution of his duties has to travel abroad to interact with potential investors and potential co-operating partners for the enhancement of the trade and investment programs. This is in line with the Grant Agreement which among other things includes conducting of export and investment information tours as is indicated on page 2 paragraph 1 indent 2 of the report. During this trip negotiations were concluded with EEC on the SBC investment promotion programme. Other discussions were held with GTZ, DEG and FEF on possibilities of funding some of the activities of SBC.

4. **Payment for cancelled ticket and on account- US$1187.00**

The auditor's observation is noted. However, we wish to submit that it has been advantageous to SBC to use a travel agent for all travel arrangements. This has to date been done on account basis. The procedure has been for the travel agent to purchase tickets from the airlines and pay for them. when SBC gets the tickets from the travel agent, these are paid for against the invoices raised. If any ticket is cancelled or not used by SBC it is reported to the agent who in turn informs the airline and claims for re-imbursement. The agent cannot refund SBC until they get the re-imbursement from the airline. At the time of the audit, the agent was still waiting for the re-imbursement from the airline.

Consequently, SBC was not refunded for the tickets in question. However, SBC has now been credited for part of the amount as per credit notes 3889 and 3712. Regarding the amount paid but not allocated, we attach the payment voucher 835 reflecting that all the amounts paid can be allocated to invoices.

5. <u>Airfares to be refunded by CIPE (Sponsor) - US$2805.00</u>

We note the - tors's finding on this issue and wish to comment as follows:

SBC requested CIPE (The Centre for International Private Enterprise) to co-sponsor a workshop with SBC which was convened in Gaborone in November 1991. What happened was that SBC purchased tickets on SBC's account from the travel agent for subsequent re-imbursement by CIPE. The bills were then sent to CIPE and these have duly been reimbursed and the funds deposited in the SBC bank account. This is verified by the bank deposit dated 8 May 1992, attached.

6. <u>Per diems in excess of USG rates - US$19304.00</u>

The auditor's finding is noted. However, we would like to submit that all per diems were paid in accordance with SBC terms and conditions of service Section 11.4 (subsistence Allowance) which stipulate that per diems shall be paid at UN rate plus 30% for the Executive Director or UN rate plus 15% for all others.

7. <u>Expenses of Executive Director after August - 31, 1992 - US$23846</u>

We note the auditor's comment and accept that as a result of commingling the grant funds with capitation fees in one account, we met the Executive Director's expenses at issue from the same account.

Meanwhile negotiations with USAID/Zimbabwe to meet the Director's expenses for the period in question continued and are still unresolved, but USAID/ Zimbabwe has agreed to pick up the expenses from February, 1993 while reconsidering its decision concerning the period August 31, 1992 to January, 1993.

8. <u>Gratuity paid in advance to the Executive Director- US$9600.00</u>

We note and accept the auditor's observation on this matter and SBC will undertake the adjustment accordingly as per the SBC Terms and Conditions of Service.

9. **Transfers to separate bank account in respect of gratuity - US$20,251.00**

We note the auditor's finding on this item, but however wish to state that the SBC terms and conditions of service stipulate that gratuity be paid at 25% of the employee's gross salary. This was earned by the employees on monthly basis and put in a separate bank account. However, upon consultations with USAID the bank account was closed and the money transferred into the main account including the interest earned.

10 **Rentals - US$ 19556.00**

We note the auditor's comment here, but however wish to submit that the SBC uses the lease agreement for paying rentals as the lease areeement is both a contractual obligation and an invoice for the tenure of the lease. The amount in question is composed of US$5625 for the Executive Directors rental for the period June to August 1992 and another US$5625 for the period September, October and November. The US$8000 is for office rent. The remaining US$306 was the outstanding rent for the house previously occupied by the Director. This has however been cleared with USAID and has been re-imbursed on voucher 3B000916 dated 25 November, 1992.

11. **Entertainment - US$3429.00**

The auditor's findings are noted. However, we would like to state that our budgets have always provided a modest amount for this item since entertainment is a necessity when dealing with business persons and during Council or Finance and Management Meetings.

12. **Insurance on Personal Property - US$62.00**

The insurance agents lumped together personal effects and company items. They were advised to separate these for separate payments to be made. At the time of payment a deduction from salary was indicated on the payment voucher. We are still looking for the document from which deduction was made. Immediate payment will be made on this if the document is not found.

13/14 **Flowers for Executive Director's House - US$57.00 + US$2002.00 Landscaping at E.D.'s House**

The auditor's report and findings are noted and accepted. However, we wish to point out that this was done on the understanding that the costs would be picked up by the landlord. Payment by the landlord is still being pursued.

10

15. **Capital Equipment - US$30, 451.00**

The auditor's observation is noted. This item is composed of office furniture and equipment, house furniture and motor vehicle. However, we wish to state that the grant agreement Attachment C provides for the recruitment of technical assistance staff. The SBC terms and conditions of service Section 10.1 (Housing) provides for rent-free housing with hard furnishings for regionally recruited staff. Upon approval for recruitment of technical staff a budget which included the provision for office furniture and equipment including a motor vehicle was submitted to USAID and approved. However, the purchase of the motor vehicle was deferred pending the recruitment of programme staff.

16. **Exchange Differences - US$53,409**

We note and accept the auditor's observation on exchange rate differences. However we wish to comment as follows:

SBC maintains its cash book in Pula. Periodically when advance requests are being made to USAID, a number of monthly expenditures are taken at Pula value and converted to US dollars using the rate of exchange as at the last day of the period being reported. Owing to exchange rate fluctuations, this could have resulted in the overclaim being reported by the auditor.

Another factor which contributed to the overclaim was that in, one month P30000 expenditure was not converted into US Dollars when reporting to USAID. We however wish to submit that the above amounts are eligible expenses because our system of reporting is such that if an overclaim or under-claim is made it is corrected in the subsequent request to USAID since this is done on cumulative basis.

Recommendation 1 page 15 of the report

We note the auditor's final recommendation on all the ineligible costs. We also recognise that there are ambiguities in the Grant Agreement and Project Implementation letters. We wish therefore to appeal to the auditors that in view of the explanations given above these costs be regarded as eligible. We also hope that these ambiguities will be resolved between AID, SADC and SBC.

C. UNSUPPORTED COSTS Ref. page 15 of the report

1. Consultancy Fees - US$26,184.00

The auditor's findings are noted. However we wish to submit that consultancy agreements differ. Thus while some agreements are such that the consultant has to account for re-imbursables, others stipulate a fixed fee for the contract and to be paid at the end of the consultancy or quarterly. In our case a fixed fee was agreed upon and the corresponding invoices and payment requisition vouchers were made available to the auditor. We attach the necessary documents for your perusal.

The breakdown of the consultancy fees in question is as follows:

Sept. 91 Voucher 261 Supply/Demand Survey	11 400
Nov. 91 Voucher 327 Supply/Demand Survey	11 400
Mar. 91 Voucher 1361 Business Conference booklet	2 184
July' 92 Investment Promotion Programme	1 200
Total US$	26 184

2. Travel Advances - US$1,684.00

Here we wish to advise that this was not a travel advance but an initial payment made to a consultant for the Business Conference Booklet referred to above. This is supported by payment Voucher, attached.

3. Airfares - US$97,614.00

We note and concur with auditor's findings. However, we would like to point out that it has proved extremely difficult to collect used air tickets from delegates attending our activities around the region because when they go back to their respective countries they do not send the stubs back. This being the case travel authorization forms and credit notes have been used as supporting documents. Cross-checking is also made with travel agent.

4. Per diems - US$122,435

The auditor's observation and recommendation is noted. However, we wish to state that SBC terms and conditions of service and financial regulations do not require the submission of hotel bills to support claims for per diems. This being the case, travel authorization forms and duly signed payment requisition forms have been used (and are available) as supporting documents.

5. Rentals - US$19,680.00

Refer to Section B 10 above.

6. Communications - US$ 13,339

The auditor's finding is noted though it is apparently confusing because SBC pays bills from Botswana Telecommunications and from DHL against the bills raised. No local purchase order or goods received note has been used for those services as a result of this standard practice

7. Sundry Operational Expenses- US$13,335.00

We note the finding on sundry operational expenses and wish to submit that these items are supported by payment vouchers, invoices and purchase orders, attached for further review. However, it is not in all cases that we have receipts to support payments made.

Recommendation No 2 - page 15 of the report

The recommendation No 2 is noted. However, in view of the above explanations and documents we have submitted, we hope these costs will be considered as supported.

D. REPORT ON INTERNAL CONTROL

1. Lack of Management reporting

We note the auditor's observation and accept that there is room for improvement. However, we would like to point out that monthly reports are submitted to the Director. These reports include bank reconciliations and variance analysis reports even though these need improvement. Further, quarterly expenditure reports are submitted to USAID upon making advance requests. Though the Finance and Management Committee receive the Financial reports when they sit twice yearly, it is envisaged that in future they will also receive the accounts more frequently.

Regarding the recommendation to utilise a general ledger computer system, we wish to advise that we already have in place a format as agreed with USAID.

2. Lack of respect for the terms and conditions of the grant agreement

The auditors findings are noted but we would like to advise that the grant agreement recognises SBC's financial regulations and procedures as stipulated in PIL 1 dated 24 July, 1990 paragraph 6. These are the ones SBC has followed. We regret that the auditors have only used USG regulations and have ignored SBC regulations which should have been read together.

3. Disallowed Expenditure

We note this finding but wish to submit that some of the disallowed expenses from USAID have been questioned and clarified. Letters to USAID are attached as evidence to support our view.

E ACCOUNTING SYSTEMS

4 Expenditure not supported by adequate supporting documents

The finding and recommendation are noted and our accounting system will be improved as recommended so that payment is made only when there is adequate supporting documentation. Efforts will in future be made to ensure that supporting documents are available. However, it is at present not mandatory for hotel bills to be provided to support claims for per diems as per SBC terms and conditions of service.

5. Payment for air travel tickets

The finding and recommendation are noted. Purchase orders will be raised for all air travel and an effort will be made to collect used air tickets as proof of travel although we envisage difficulties as already pointed out above.

6. Commingling of Funds

The observation made by the auditor in the findings and recommendations are accepted. This being the case, separate bank accounts will be maintained in future. However, we wish to advise some of the re-imbursements, e.g. imprest re-deposited, CIPE refund, and Executive Director's double payment of per diem replacement should not be considered as commingling of funds.

7. Inadequate procedures to ensure that payments are only made in respect of authorised and genuine purchases

We accept the auditor's finding and recommendation on this issue. We will ensure that the goods received note is always signed before payment is made. To date we have used the delivery note from suppliers as proof.

8. Signing of Blank Cheques

We agree that it is risky to sign blank cheques although at times circumstances arise when both signatories are out of station for long periods of time. To mitigate these exceptional cases the Executive Director appends his signature on cheques and the Assistant Finance Officer countersigns once the details are filled in. All the bank cheque folios are accounted for upon the Directors's return.

9. Invoices not being cross-referenced

The finding is noted and the advice is taken.

10. **Poor Filing**

We take note of the auditor's finding and recommendation that our filing system requires improvement. However, we wish to state that on the specific case singled out, the USAID analysis is available though there are cases when we received cheques from USAID without backing vouchers. In future we shall step up our efforts to obtain the vouchers from AID.

11. **Use of incorrect exchange rates**

Ref to Number B 16, above.

CONTROL PROCEDURES

12 **Lack of segregation of duties**

The finding is noted. We however wish to submit that according to the regulations and procedures of SBC, the Executive Director is the Accountable Officer. In addition, he is guided by our financial regulations.

It is not possible for SBC to have another person at same level with the Executive Director.

The Administrative Officer and his assistant cross-check the vouchers and these are further verified by a member of the Finance and Management Committee before being signed.

13. Efforts are underway to redefine job responsibilities of the Assistant Finance Officer and his Junior Officer. These should minimise the current short-comings.

14. **Non-adherence to SBC Secretariat procurement and payment procedures**

The observation and recommendation are noted and accepted.

The narratives on the payment vouchers will be improved and purchase orders and evidence of receipt will always be attached to payment vouchers. However, we wish to state that where only one supplier was available, only one quotation was obtained.

15. **Bank reconciliation not signed as evidence of review**

Bank reconciliations have been prepared by the officer delegated this responsibility. This is supported by the job description of the officer. However, we concur that the prepared bank reconcilitations were not being signed by the Senior Officer. This will now be done.

16. Travel Advances Treated as Expenditure

The finding is noted. However, we would like to submit that our General Ledger shows that all advances not yet accounted for are posted to "IMPREST ACCOUNT" until enough documentation is received or the advance re-deposited. However, the advances will in future be promptly accounted for and regular reviews will be implemented.

17. Inadequate procedures to avoid duplication of payment

We concur with your finding and wish to advise that we have now started to stamp "paid" all invoices after payment.

18. Receipts not raised for all cash receipts

The finding and recommendation are noted and accepted. Receipts will be issued for all payments made.

F REPORT ON COMPLIANCE WITH GRANT AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

1. Ineligible Expenditures

We accept the recommendation that where there are differences in interpretation of SBC regulations Vis-a-vis the grant agreement terms, these should be resolved promptly.

2. Unsupported Expenditure

Efforts will be made to obtain air tickets, original invoices etc. However, it is not in SBC's terms and conditions of service to account for per diems by way of hotel bills. Where there are differences of interpretation between SBC and USAID, these will be resolved promptly.

3. Inadequate Internal Control Systems

The recommendations given on internal control systems are valid and will be implemented to improve the present system.

4. Co-mingling of Grant Funds with other funds

Grant funds will in future be kept in a separate account to avoid co-mingling with other funds.

5. Reporting to USAID/Zimbabwe

We concur with the observation that we have not timely submitted the reports as per the grant requirement and as frequently as required. However, we have been submitting to USAID activity implementation reports as and when projects were executed. SBC will produce a consolidated report up to-date and ensure that quarterly reports are sent to USAID for the remainder of the grant period.

6. Non-submission of annual workplans

SBC has tried to comply with this grant requirement by submitting annual workplans. The problem encountered was that some of the workplans were not accepted in their entirety. However, certain activities were approved for implementation. These have been the basis of our programme activities.

7. Preparation of a Plan for future funding

We assessed the situation and foresaw that we would not be able to sustain ourselves without USAID support after the expiry of the grant i.e. after 31st August 1993. As a result SADC Secretariat initiated a request for an extension of the grant expiry date to 31st May 1994. Meanwhile avenues are being explored as per your recommendation for future sustainability of SBC. This is covered under the current workplan.

8. Appointment of Employees

The appointment of the Executive Director was made by the appropriate authority of SBC, that is, the General Council although the post was not advertised regionally. Incidentally this requirement has since been met.

9. Recruitment of other Employees

We wish to disagree with this finding and recommendation because scopes of work and terms of reference have always been submitted to USAID for concurrance prior to recruitment.

10. Payment of interest earned

Recommendation is noted and accepted. This will be done in due course.

11. Implementation of financial adviser's recommendation

We accept the finding and recommendations. SBC will implement all the other aspects of the accounting system as advised by the financial adviser.

12. Non-completion of the grant agreement programme

The auditor's observation is noted. However, SBC has already discussed with USAID and SADC the appropriate variations to the grant agreement. This is the reprogramming exercise already completed.

APPENDIX II

AGENCY COMMENTS ON FINAL REPORT

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO ZIMBABWE

INTERNATIONAL MAIL
1 Pascoe Avenue
P.O. Box 6988
Harare, Zimbabwe

UNITED STATES MAIL
Agency for International Development
Harare (ID)
Washington DC 20521-2180
U.S.A.

July 16, 1993

Ms. Alison Heath
Price Waterhouse
PO Box 30942
Lusaka
Zambia

Subject: Audit of Southern African Development Community Business Council

Dear Alison:

Following are our comments on the referenced audit reports:

The draft audit report is well documented and identifies a number of ineligible and unsupported costs charged to the SADC Business Council sub-grant. USAID has reviewed the SADC Business Council's comments to the draft audit report and believe that some of the expenditures noted as ineligible or unsupported may be able to be substantiated with alternative means. These include:

Unsupported Costs

	$
Airfares	97,614
Per Diems	122,435
Communications	13,339
Rentals	19,680
TOTAL	253,068

USAID proposes to request SADC Business Council to substantiate these expenses by alternative methods, i.e., review of conference attendees list documenting travel and per diem costs which should have been incurred. We will request a public accounting firm to work with the SADC Business Council to identify the various alternatives which could be used to substantiate the unsupported expenses identified in the draft audit report as well as review the documentation submitted by the SADC Business Council in light of supporting these costs. Other unsupported costs will be reviewed to actual contract e.g. consultancy costs, or purchase order. Payments not supported by contracts, work orders, or other alternative means will be deemed unsupported.

2/....

Phones 720630/720739/720757
Country Code 263, City Code 4
Telex No 24428 ZW
Fax No 722418

Ineligible Costs

1. We were unable to review any documents to support travel advances ($17,087) as no documentation was provided to us by the SADC Business Council.

2. Business class airfares are not authorized. Please update the draft audit report to reflect the total amount which should have been paid if economy travel had been utilized. It is unclear from the audit report whether the amount considered ineligible is net of authorized economy class fares.

3. Airfare to Europe is not eligible under the terms of the grant as it relates to work for or with other donors. USAID concurs that the total amount is ineligible ($3,004).

4. The SADC Business Council has submitted documentation to reflect a credit received for unused tickets as well as the CIDE airfare. Please review and revise report as necessary ($1,187 and $2,805).

5. Per diems in excess of U.S. Government rates have been paid by the SADC Business Council. Under this Grant, the SADC Business Council is a sub-grantee and we have accepted that they may use the same per diem rates as the SADC Secretariate, i.e., UN rate plus 15%. This was not the intent in correspondence between us, but USAID will accept as a maximum ceiling the UN rate plus 15%. Please note in your report the amount paid by the SADC Business Council in excess of the per diem rates which USAID authorized the SADC Secretariate to pay, i.e. UN rate plus 15%. Also, please note whether the amount shown as ineligible reflects the net amount paid in excess of authorized rates or if the total amount paid to travelers is shown as ineligible.

6. The expenses ($23,846) of the Executive Director after August 31, 1992 were specifically identified as ineligible in correspondence between USAID and the SADC Business Council. No negotiations are on-going with USAID to accept these expenses and we have not indicated that this decision is under re-consideration.

3/....

7. We do not understand the SADC Business Council's comment on this item (Executive Director gratuity $9,600.00). However, we understand this item will become an eligible expense at the time of the Executive Director's departure in August, 1993.

8. According to the SADC Business Council, the gratuity account has been closed out. We will request documentation substantiating this from the SADC Business Council. In addition, all interest earned on the gratuity account must be remitted to USAID if monies from USAID were the only source used to fund this account. A letter requesting such will be sent.

9. Please separately identify rentals by type, i.e., office, Director's residence, etc. All rental costs specifically and exclusively for the Executive Director after August 31, 1992 until February 1, 1993 are ineligible. For example, we would consider the residential rental for the Executive Director as ineligible during this period. However, if the office rental includes payment for space occupied by the Executive Director as well as other staff members we would consider the rental to be an eligible expense. Please identify the rental costs included as unsupported and ineligible.

10. Entertainment ($3,429) is not an eligible expense. These should be paid by the SADC member contributions or capitation fees.

11. Insurance ($62), Flowers ($57), and Landscaping ($2,002) are not eligible expenses and should have been paid with other SADC Business Council resources.

12. Capital Equipment ($30,451) is comprised of household furnishings, a vehicle, and some computer equipment. The SADC Business Council previously submitted a voucher for the vehicle which USAID refused for payment, and we continue to maintain that position. Household furnishings and job-related computer expenses appear to be expenses consistent with the establishment of the SADC Business Council, or as a part of the cost of providing Technical Assistance, if such provision is made in the SADC Business Council's operation procedures.

4/....

13. Exchange differences of $53,409 are not eligible. We are unable to understand the SADC Business Council's response as it appears their accounting system is not functioning if exchange rate differences of this magnitude are occurring. Further clarification and documentation will be sought from the SADC Business Council.

To summarize, USAID believes that alternative methodologies for substantiating expenses of $253,068 can be used; ineligible expenses total $85,809; and questioned items requiring further clarification from Price Waterhouse (per diems, airfares, etc) or the SADC Business Council, total $179,351. A public accounting firm will be hired under a separate contract to assist the SADC Business Council in identifying alternative ways of substantiating expenses as well as to review the documentation on USAID's behalf.

The USAID Director has noted that he intends to exercise his authority as Grants Officer to determine the maximum amount possible as allowable costs under the grant.

We would suggest the following changes to the report to further clarify your findings:

1) Page 14 last paragraph - there seems to be something missing after "and;"

2) Appendix 4-6 : Specify reason(s) for unsupported or ineligible costs. Prepare summaries by type of expense which can be tracked back to the audit finding section. Identify authorized amounts, i.e., economy fare versus excess costs.

3) Fund accountability statement - Does this include (expenditure) all expenses identified as unsupported and ineligible. We assume it does based on Appendix 3, but you may wish to footnote this.

4) Please note whether the SADC Business Council adhered to the procedures requested by USAID - Section D.4.c. Special Provisions of Attachment A to the Grant Agreement Amendment dated July 24, 1990 - for follow-up accounting assistance under the grant.

5) Overclaims of expenditure of $53,40. - Please advise if funds used to "reimburse" the SADC Business Council these over-claims are still maintained in the cash or bank books. We assume that the overcharge is an accounting entry only and that the funds are still on-hand at the SADC Business Council.

5/....

Please include the following in your audit report:

"USAID Director has advised the SADC Business Council and the SADC Secretariate of our intent to terminate the sub-grant to the SADC Business Council effective September 1, 1993 due to an inability of the SADC Business Council to reach the project objective by the project completion date of May 31, 1994. The SADC Business Council has been requested to submit a final financial report concurrent with the termination of the grant."

USAID would like to take this opportunity to thank you for your assistance and cooperation during this audit. We look forward to working with you again soon.

Sincerely,

Ted D. Morse
Director

cc: Andrew Hollas, Engagement Partner
Price Waterhouse
PO Box 41500, Nairobi, Kenya

APPENDIX III – VII

TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
ANALYSIS OF FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

Appendix III

	Total	Accepted	Ineligible	Unsupported
	US$	US$	US$	US$
Studies	40,920	15,241	0	25,679
Training and Information Dissemination	38,578	(18,066)	32,529	24,115
Technical Assistance	166,783	144,430	5,139	17,213
Investment and Trade Promotion Activities	164,394	53,009	61,637	49,748
Operational Support	720,332	441,894	178,866	99,571
Total Expenditure	1,131,007	636,509	278,171	216,327

The negative amount on the Training and Information Dissemination line item implies misallocation of expenditure items.

For details of ineligible costs, refer to appendix IV
For details of unsupported costs, refer to appendix V

TECHNICAL SUPPORT GRANT NO. 690-215 33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) BUSINESS COUNCIL
SCHEDULE OF INELIGIBLE COSTS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

Program	Month	Voucher No.	Purpose	Amount Pula	Amount US$
Investment and Trade Promotion Activities	Mar 91	1345	Travel/advance not accounted for	19,361.66	9,293.60
	Mar 91	1344	Travel/advance not accounted for	2,003.97	961.91
	Aug 92		Travel/advance not accounted for	5,010.43	2,405.01
	Per Appendix VI		Airfares	12,900.00	6,192.00
	Per Appendix VII		Per diems	71,044.54	34,101.38
			Exchange rate differences		8,683.14
Total					61,637.05
Operations	Dec 92		Personal Emoluments (ED after Aug 31, 1992)	8,318.32	3,992.79
	Dec 92		Personal Emoluments (ED after Aug 31, 1992)	344.00	165.12
	Oct 92	773	Personal Emoluments (ED after Aug 31, 1992)	172.00	82.56
	Sep 92		Personal Emoluments (ED after Aug 31, 1992)	172.00	82.56
	Nov 92		Personal Emoluments (gratuity advance to ED)	20,000.00	9,600.00
			Personal Emoluments (ED after Aug 31, 1992)	1,425.00	684.00
	Nov 92		Personal Emoluments (ED after Aug 31, 1992)	12,708.00	6,099.84
			Personal Emoluments (gratuity)	42,189.58	20,251.00
	Nov 90		Travel (per diem paid twice)	6,944.00	3,700.00
	Aug 91	228	Travel (imprest not accounted for)	425.53	204.25
	Apr 92	547	Travel (imprest not accounted for)	1,087.00	521.76
	Sep 92		Travel/ED after Aug 31, 1992	558.00	267.84
	Sep 92		Travel/ED after Aug 31, 1992 (airfare)	6,553.00	3,145.44
	Sep 92		Travel/ED after Aug 31, 1992 (airfare)	832.51	399.60
	Sep 92		Travel/ED after Aug 31, 1992 (visa)	110.00	52.80
	Oct 92		Travel/ED after Aug 31, 1992 (per diem)	2,643.30	1,268.78

TECHNICAL SUPPORT GRANT NO. 690-215 33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) BUSINESS COUNCIL
SCHEDULE OF INELIGIBLE COSTS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

Program	Month	Voucher No.	Purpose	Amount Pula	Amount US$
Operations continued	Oct 92	776	Travel/ED after Aug 31, 1992 (Europe expenses)	173.00	83.04
	Nov 92	824	Travel/ED after Aug 31, 1992 (per diem)	666.57	319.95
	Sep 92		Rentals (ED house)	3,750.00	1,800.00
	Oct 92		Rentals (ED house)	3,750.00	1,800.00
	Nov 92		Rentals (ED house)	3,750.00	1,800.00
	Dec 92		Rentals (ED house)	3,750.00	1,800.00
	Sep 92		Rentals	638.00	306.24
			Rentals (disallowed by USAID on voucher 26132640)	40,104.17	19,250.00
	Sep 90	912	Entertainment	279.70	134.26
	Oct 90	107	Entertainment	46.30	22.22
	Dec 90	1226	Entertainment	38.00	18.24
	Dec 90	1213	Entertainment	212.00	101.76
	Dec 90	1201	Entertainment	593.50	284.88
	Jan 91	1257	Entertainment	504.67	242.24
	Jan 91	1235	Entertainment	156.55	75.14
	Jul 91	194	Entertainment	556.10	266.93
	Aug 91	219	Entertainment	61.50	29.52
	Aug 91	212	Entertainment	170.72	81.95
	Sep 91	248	Entertainment	218.35	104.81
	Sep 91	243	Entertainment	260.50	125.04
	Dec 91	340	Entertainment	63.35	30.41
	Jan 92		Entertainment	114.85	55.13
	Jan 92	395	Entertainment	173.20	83.14
	Jan 92		Entertainment	393.90	189.07
	Jan 92		Entertainment	298.65	143.35
	Jan 92		Entertainment	313.10	150.29

TECHNICAL SUPPORT GRANT NO 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) BUSINESS COUNCIL
SCHEDULE OF INELIGIBLE COSTS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

Program	Month	Voucher No.	Purpose	Amount Pula	Amount US$
Operations continued	Mar 92	508	Entertainment	1,221.30	586.22
	Jun 92	595	Entertainment	44.85	21.53
	Sep 92	731	Entertainment	472.00	226.56
	Sep 92	726	Entertainment	225.00	108.00
	Nov 92	833	Entertainment	75.00	36.00
	Dec 92		Entertainment	120.50	57.84
	Dec 92	868	Entertainment	84.00	40.32
	Dec 92	867	Entertainment	447.00	214.56
	Feb 91		Insurance of personal property	130.00	62.40
	Aug 91		Flowers for ED house	118.25	56.76
	Feb 91		Landscaping of ED garden	4,170.00	2,001.60
	Nov 90		Vehicle	12,000.00	6,723.00
	Per Appendix [illegible]		Airfares	33,136.08	15,905.32
	Per Appendix VII		Per diems	68,041.46	32,659.90
			Exchange rate differences		40,350.24
Total					178,866.21

TECHNICAL SUPPORT GRANT NO 690-215 33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) BUSINESS COUNCIL
SCHEDULE OF INELIGIBLE COSTS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

Program	Month	Voucher No.	Purpose	Amount Pula	Amount US$
Technical Assistance	Per Appendix VII		Per diems	5,132.19	2,463.45
			Exchange rate differences		2,675.71
	Total				5,139.16
Total					
Training and Information	Per Appendix VI		Airfares	5,843.00	2,804.64
	Per Appendix VII		Per diems	58,383.96	28,024.30
			Exchange rate differences		1,699.89
Total	Total				32,528.83

TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) BUSINESS COUNCIL
SCHEDULE OF UNSUPPORTED COSTS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

Program	Month	Voucher No.	Purpose	Amount Pula	Amount US$
Studies	Sep 91	261	Consultancy fees	23,750.00	11,400.00
	Nov 91	327	Consultancy fees	23,750.00	11,400.00
	Aug 90	812	Travel	3,508.75	1,684.00
	Per Appendix VI		Airfares	2,489.00	1,195.00
Total					25,679.00
Trade and Investment	Mar 91	1361	Consultancy fees	4,551.96	2,184.00
	Jul 92		Consultancy fees	2,500.00	1,200.00
	Per Appendix VI		Airfares	53,263.35	25,566.41
	Per Appendix VII		Per diems	43,328.21	20,797.54
Total					49,747.95
Operations	Jan 92	388	Rentals	16,000.00	7,680.00
	Mar 92	501	Rentals	4,000.00	1,920.00
	Jul 90	613	Rentals	21,000.00	10,080.00
	Mar 91	1303	Communications	4,308.94	2,068.29
	Apr 91	5	Communications	19,945.00	9,573.60
	Aug 91	226	Communications	3,535.00	1,696.80
	Apr 91	1	Sundry	2,656.00	1,274.88
	Jul 91	127	Sundry	300.00	144.00
	Oct 91	277	Sundry	270.00	129.60
	Dec 91	366	Sundry	1,193.00	572.64
	Dec 91	361	Sundry	2,949.00	1,415.52
	Dec 91	360	Sundry	1,900.00	912.00
	Mar 91	511	Sundry	2,473.02	1,187.05
		549	Sundry	3,000.00	1,440.00
		550	Sundry	1,792.92	860.60
	Jun 92	387	Sundry	5,015.20	2,407.30
	Sep 92	758	Sundry	2,232.15	1,071.43
	Sep 92		Sundry	362.00	173.76
	Dec 92		Sundry	2,639.00	1,266.72
	Jul 90	621	Sundry	1,000.00	480.00
	Per Appendix VI		Airfares	103,099.63	49,487.82

TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) BUSINESS COUNCIL
SCHEDULE OF UNSUPPORTED COSTS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

Program	Month	Voucher No.	Purpose	Amount Pula	Amount US$
Operations continued	Per Appendix VII		Per diems	7,769.38	3,729.30
Total					99,571.31
Technical Assistance	Per Appendix VI		Airfares	30,801.75	14,784.84
	Per Appendix VII		Per diems	5,059.63	2,428.62
Total					17,213.46
Training and Information	Per Appendix VI		Airfares	13,709.00	6,580.32
	Per Appendix VII		Per diems	36,531.35	17,535.05
Total					24,115.37

TECHNICAL SUPPORT GRANT NO 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
ANALYSIS OF AIRFARES
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

Month	Payment Voucher	Name	Amount Pula	Amount US$	Accepted US$	Unsupported US$	Ineligible US$	Comments re: eligibility
Operat	622	Bbenkele	1,199.00	575.52			575.52	Business class
Jun 90			1,442.00	692.16		692.16		
	619	Mwenda	1,631.00	782.88		782.88		
Jul 90	605	Bbenkele	1,322.00	634.56			634.56	Business class
Jun 90	1008	Bbenkele	478.65	229.75		229.75		
Oct 90	1004	Thompson	1,634.73	784.67			784.67	Business class
Oct 90	1003	Bbenkele	1,010.00	484.80	484.80			
Oct 90		Bbenkele	1,286.00	617.28		617.28		
Oct 90		Bbenkele	754.00	361.92	361.92			
Oct 90	1113	Bbenkele	245.00	117.60		117.60		
Nov 90	1110	Bbenkele	7,600.40	3,648.19		3,648.19		
Nov 90	42	Ntabajane	531.00	254.88		254.88		
Mar 91	42	Nande	531.00	254.88		254.88		
Mar 91	42	Bbenkele	1,670.00	801.60			801.60	Business class
Mar 91		Tsiane	1,454.00	697.92	697.92			
Apr 91	61	Bbenkele	1,440.00	691.20		691.20		
Apr 91	61	Muluzi	1,752.00	840.96		840.96		
Apr 91	61	Thompson	1,752.00	840.96		840.96		
Apr 91	61	Mokola	1,142.00	548.16		548.16		
Apr 91	61	Magala	649.00	311.52		311.52		
Apr 91	61	Ginindza	919.00	441.12		441.12		
Apr 91	61	Mwakitwange	1,576.00	756.48		756.48		
Apr 91	61	Greerbey	1,062.00	509.76		509.76		
Apr 91	61	Baffoe	841.00	403.68		403.68		
Apr 91	61	Nouiseb	1,205.00	578.40		578.40		
Apr 91	61	Mwakitwange	45.00	21.60		21.60		
May 91	55	Lamussi	307.00	147.36		147.36		
Jun 91	199	Bbenkele	1,189.00	570.72		570.72		
Oct 91	326	Bbenkele	568.00	272.64		272.64		
Mar 91	1358	Mbankua	1,063.40	510.43		510.43		
Mar 91	1353	Deary	628.88	301.86		301.86		
Mar 91	1320	Interviewees	7,140.00	3,427.20		3,427.20		
Feb 91	1304	Bbenkele	1,195.00	573.60			573.60	Business class
Mar 91	1293	Mbankua	975.85	468.41		468.41		
Sep 91	262	Thompson	10,075.36	4,836.17			4,836.17	Business class
Oct 91	297	Thompson	2,306.06	1,106.91		1,106.91		
Sep 91	284	Bbenkele/Map	21,672.00	10,402.56		10,402.56		
Sep 92	737	Bbenkele	1,824.00	875.52		875.52		
Oct 92	769	Thompson	10,697.00	5,134.56			5,134.56	Business class
Oct 92	771	Frost	1,040.00	499.20		499.20		
Dec 92	851	Baffoe	591.00	283.68		283.68		
Jan 92	422	Thompson	1,986.96	953.74		953.74		

TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
ANALYSIS OF AIRFARES
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

Month	Payment Voucher	Name	Amount Pula	Amount US$	Accepted US$	Unsupported US$	Ineligible US$	Comments re: eligibility
Operations								
Jun 90	535	Dewa	628.00	301.44		301.44		
	494	Thompson	1,823.00	875.04			875.04	Business class
Jul 90	835	Ginindza	964.00	462.72		462.72		
Jun 90	835	Morar	1,131.00	542.88		542.88		
Oct 90	835	Magaia	1,124.00	539.52		539.52		
Oct 90	835	Frost	1,174.00	563.52		563.52		
Oct 90	835	Muluzi	1,514.00	726.72		726.72		
Oct 90	431	6 people	5,785.42	2,777.00		2,777.00		
Oct 90	451	9 invoices	14,928.00	7,165.44		7,165.44		
Nov 90	592	4 people	2,101.00	1,008.48		1,008.48		
Nov 90	572	Baffoe	81.00	38.88		38.88		
Mar 91	572	Bbenkele	1,754.00	841.92		841.92		
Mar 91	572	Bbenkele	2,954.00	1,417.92		1,417.92		
Mar 91	566	Thompson	2,494.00	1,197.12			1,197.12	Business class
Apr 91	11	Baffoe	1,541.00	739.68		739.68		
Apr 91	32	Mokolo	1,026.00	492.48			492.48	Business class
Total Operations				66,937.78	1,544.64	49,487.82	15,905.32	
Trade Promotion								
Jan 91	1241	Mannathoko	1,206.00	578.88		578.88		
Jan 91	1241	Garrity	1,206.00	578.88		578.88		
Nov 90	1241	Tsotsi	1,132.00	543.36		543.36		
Nov 90	1241	Ginindza	1,389.00	666.72		666.72		
Nov 90	1241	Muluzi	1,406.00	674.88		674.88		
Nov 90	1241	Mutungi	1,171.00	562.08		562.08		
Oct 90	1241	Bbenkele	973.00	467.04		467.04		
Jun 90	1241	Bbenkele	1,322.00	634.56			634.56	Business class
Apr 91	94	Deary	1,454.00	697.92	697.92			
Mar 91	1359	Girundza	1,312.23	629.87		629.87		
Mar 91	1352	Magaia	1,304.68	626.25		626.25		
Jul 92	623	Zwane	628.00	301.44		301.44		
Jul 92	613	Zwane	628.00	301.44		301.44		
Aug 92		Bbenkele	3,613.44	1,734.45		1,734.45		
Aug 92		Thompson	1,440.00	691.20		691.20		
Sep 92	760	Munyavi	1,287.00	617.76		617.76		
Sep 92	757	Munyavi	1,072.00	514.56		514.56		
Sep 92	757	18 people	16,625.00	7,980.00		7,980.00		
Oct 92	787	Baffoe	856.00	410.88		410.88		
Nov 92		Hara	2,848.00	1,367.04			1,367.04	Business class
Feb 92	452	Read	1,047.00	502.56		502.56		
Sep 92	737	4 people	3,285.00	1,576.80		1,576.80		

TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
ANALYSIS OF AIRFARES
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

Month	Payment Voucher	Name	Amount Pula	Amount US$	Accepted US$	Unsupported US$	Ineligible US$	Comments re: eligibility
Trade Promotion continued								
Nov 92	835	Bbenkele	6,258.00	3,003.84			3,003.84	European trip
Nov 92	835	Hara	5,598.00	2,687.04		2,687.04		
Nov 92	835	Baffoe	37.00	17.76		17.76		
Nov 92	835		2,472.00	1,186.56			1,186.56	Ticket cancelled
Feb 92	504	5 people	2,992.00	1,436.16		1,436.16		
May 92	572	Hara	920.00	441.60		441.60		
May 92	572	Hara	1,171.00	562.08		562.08		
Sep 92	757	Zwane	964.00	462.72		462.72		
Total Trade Promotion				32,456.33	697.92	25,566.41	6,192.00	
Training and Information								
Oct 91	326	Chikwanda	399.00	191.52		191.52		
Oct 91	326	Baffoe	1,445.00	693.60		693.60		
Oct 91	326	Baffoe	1,964.00	942.72		942.72		
Oct 91	326	Bbenkele	1,892.00	908.16		908.16		
Nov 91	309	Chisenga	667.08	320.20	320.20			
Sep 92	757	Hara	1,458.00	699.84		699.84		
Dec 92		17 people	12,394.00	5,949.12		3,144.48	2,804.64	To be refunded by CIPE
Total Training and Information				9,705.16	320.20	6,580.32	2,804.64	
Technical Assistance								
Mar 91	42	Garrity	510.00	244.80		244.80		
Mar 91	42	Garrity	799.00	383.52		383.52		
May 91	133	Garrity	1,674.00	803.52		803.52		
Jun 91	199	Garrity	2,528.00	1,213.44		1,213.44		
Feb 91	1304	Garrity	3,581.00	1,718.88	1,718.88			
Sep 91	236	14 people	25,290.00	12,139.20		12,139.20		
Apr 91	13	Mbankwa	1,041.00	499.68	499.68			
Total Technical Assistance				17,003.04	2,218.56	14,784.48		
Studies								
Oct 91	326	Jeff	1,787.00	857.76		857.76		
Oct 91	326	Carrilho	702.00	336.96		336.96		
Total Studies				1194.72		1194.72		

TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
PER DIEMS ANALYSIS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

					Unsupported				Ineligible			
Month	Payment Voucher	Name	Total Paid	Comments re: eligibility	Operations	Trade Promotion	Training and Information	Technical Assistance	Operations	Trade Promotion	Training and Information	Technical Assistance
Jul 90	613	Mwenda	105.80	In excess of USG					105.80			
Aug 90	816/822	Bbenkele	429.00	In excess of USG					429.00			
	827	Bbenkele	448.50	In excess of USG					448.50			
Sep 90	923	Bbenkele	110.00	In excess of USG						110.00		
Oct 90	1009	Thompson	219.00						219.00			
	1007	Bbenkele	440.00	In excess of USG					440.00			
Nov 90	1128	Mutungi	1,610.00	In excess of USG							1,610.00	
		Penza										
		Ginindza										
		Tsotsi										
		Muluzi										
	1129	Garrity	303.60	In excess of USG							303.60	
	1130	Mutungi	115.00	In excess of USG							115.00	
		Gindizi	123.05	In excess of USG							123.05	
	1111	Bbenkele	4,700.80	In excess of USG						4,700.80		
Jan 91	1256	Thompson	450.00	In excess of USG					450.00			
	1257	Bbenkele	1,520.00	In excess of USG					1,520.00			
Feb91	1263	Garrity	450.00									450.00
	1285	Nande	370.00	In excess of USG					370.00			
	1286	Chisanga	369.00	In excess of USG					369.00			
	1287	Itaye	369.00	In excess of USG					369.00			
	1288	Hara	369.00	In excess of USG					369.00			
	1289	Chambe	369.00	In excess of USG					369.00			
	1290	Mbankwa	246.00	In excess of USG					246.00			
	1292	Garrity	900.00		900.00							

TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
PER DIEMS ANALYSIS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

					Unsupported				Ineligible			
Month	Payment Voucher	Name	Total Paid	Comments re: eligibility	Operations	Trade Promotion	Training and Information	Technical Assistance	Operations	Trade Promotion	Training and Information	Technical Assistance
Mar 91		Garrity	588.00					588.00				
		Garrity	249.49					249.49				
		Tsaine/Bbenk	589.00		589.00							
		Garrity	349.13					349.13				
		Ginindza	655.68			655.68						
		Tsiane	464.93			464.93						
		Magai	464.93			464.93						
		Ginindza	464.93			464.93						
		Mwakitwange	723.22			723.22						
		Tsiane	1,033.17			1,033.17						
		Tsiane	9,982.14			9,982.14						
		Mokola	568.24			568.24						
		Balfoe	361.61			361.61						
		Mwenda	723.22			723.22						
		Makinda	723.22			723.22						
		Tsiane	1,291.46			1,291.46						
		Magina	672.64			672.64						
		Deary	324.23			324.23						
		Mokola	559.15			559.15						
		Moreng	59.77			59.77						
Apr 91	32	Mokola	1,084.45	In excess of USG						1,084.45		
	36	Balfoe	246.00	In excess of USG and board meeting					246.00			
	36	Balfoe	141.13	In excess of USG						141.13		
	37	Ginindza	246.00	In excess of USG and board meeting					246.00			

TECHNICAL SUPPORT GRANT NO. 690-215 33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
PER DIEMS ANALYSIS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

					Unsupported				Ineligible			
Month	Payment Voucher	Name	Total Paid	Comments re: eligibility	Operations	Trade Promotion	Training and Information	Technical Assistance	Operations	Trade Promotion	Training and Information	Technical Assistance
	38	Nouiseb	246.00	In excess of USG and board meeting					246.00			
	39	Mwakitwange	115.00	In excess of USG						115.00		
	39	Mwakitwange	369.15	In excess of USG and board meeting					369.15			
	49	Torona	312.94	In excess of USG						312.94		
May 91	55	Lumusi	123.05	In excess of USG and board meeting					123.05			
	57	Garrity	400.00	In excess of USG								400.00
	94	Deary	312.94	In excess of USG						312.94		
Jun 91	108	Garrity	1,613.45	In excess of USG								1,613.45
	110	Bbenkele	973.00	In excess of USG					973.00			
Jul 91	132	Garrity	621.00					621.00				
	133	Garrity	621.00					621.00				
	134	Bbenkele	677.60	In excess of USG							677.60	
	135/136	Mbwana	847.00	In excess of USG							847.00	
	137	Dewa	372.60				372.60					
	138	Tsaonametsi	496.80				496.80					
	139	Notico	372.60				372.60					
	140	Mwakitwange	487.60	In excess of USG							487.60	
	141	Nouiseb	496.80				496.80					
	142	Mpasu	372.60				372.60					
	143	Maseko	494.80				494.80					
	144	Mwenda	487.60	In excess of USG							487.60	
	145	Almedia	869.40				869.40					
	146	Jaffu	372.60				372.60					

TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
PER DIEMS ANALYSIS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

					Unsupported				Ineligible			
Month	Payment Voucher	Name	Total Paid	Comments re: eligibility	Operations	Trade Promotion	Training and Information	Technical Assistance	Operations	Trade Promotion	Training and Information	Technical Assistance
	147	Monteiro	869.40				869.40					
	148	Mgondwe	508.20	In excess of USG							508.20	
	149	Louren	869.40				869.40					
	150	Magai	847.00	In excess of USG							847.00	
	151	Muluzi	508.20	In excess of USG							508.20	
	152	Teva	869.40				869.40					
	153	Khoza	677.60	In excess of USG							677.60	
	155	Monaheng	847.00	In excess of USG							847.00	
	156	Chisanga	677.60	In excess of USG							677.60	
	157	Carrilo	508.20	In excess of USG							508.20	
	158	Ginindza	677.60	In excess of USG							677.60	
	159	Mokolo	677.60	In excess of USG							677.60	
	160	Dosantos	869.40				869.40					
	161	Bond	496.80				496.80					
	162	Mwandorao	487.60	In excess of USG							487.60	
	163	Thompson	677.60	In excess of USG							677.60	
	164	Baffoe	677.60	In excess of USG							677.60	
Aug 91	228	Bbenkele	492.20	In excess of USG					492.20			
Sep 91	266	Bbenkele	916.00	In excess of USG						916.00		
Oct 91	295	Bbenkele	420.00	In excess of USG						420.00		
	296	Baffoe	246.00	In excess of USG					246.00			
	297	Thompson	1,107.00	In excess of USG					1,107.00			
Nov 91	302	Mhangama	738.30	In excess of USG							738.30	
	303	Shamgwene	738.30	In excess of USG							738.30	
	304	Ginindza	738.30	In excess of USG							738.30	
	305	Chisanga	861.35	In excess of USG							861.35	

TECHNICAL SUPPORT GRANT NO 690-215 33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
PER DIEMS ANALYSIS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

					Unsupported				Ineligible			
Month	Payment Voucher	Name	Total Paid	Comments re: eligibility	Operations	Trade Promotion	Training and Information	Technical Assistance	Operations	Trade Promotion	Training and Information	Technical Assistance
	306	Albasini	861.35	In excess of USG							861.35	
	307	Bessinger	984.40	In excess of USG							984.40	
	308	Francisco	492.20	In excess of USG							492.20	
	324	Jaffu	246.10	In excess of USG							246.10	
	325	Carrilho	246.10	In excess of USG							246.10	
Dec 91	349	Hara	615.00	In excess of USG					615.00			
	368	Hara	535.00		535.00							
	371	Bbenkele	1,475.20	In excess of USG					1,475.20			
Jan 92	418	Tsiane	615.25	In excess of USG					615.25			
	420	Thompson	861.35	In excess of USG and council meeting					861.35			
	421	Tsiane	2,138.00	In excess of USG					2,138.00			
	419	Bbenkele	4,271.00	In excess of USG					4,271.00			
	423	Nouiseb	615.25	In excess of USG and council meeting					615.25			
	424	Stock	369.15	In excess of USG and council meeting					369.15			
	425	Dos Santos	861.35	In excess of USG and council meeting					861.35			
	426	Ginindza	492.20	In excess of USG and council meeting					492.20			
	427	Bbenkele	2,000.00	In excess of USG					2,000.00			
	428	Muluzi	615.25	In excess of USG and council meeting					615.25			

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TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
PER DIEMS ANALYSIS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

					Unsupported				Ineligible			
Month	Payment Voucher	Name	Total Paid	Comments re: eligibility	Operations	Trade Promotion	Training and Information	Technical Assistance	Operations	Trade Promotion	Training and Information	Technical Assistance
Feb 92	444	Tsiane	57.50		57.50							
	452	Read	420.00	In excess of USG						420.00		
	453	Jaffu	420.00	In excess of USG						420.00		
	454	Rebeiro	420.00	In excess of USG						420.00		
	455	Baffoe	420.00	In excess of USG						420.00		
	456	Mategae	280.00	In excess of USG						280.00		
	457	Bbenkele	763.60	In excess of USG						763.60		
	469	Magai	280.00	In excess of USG						280.00		
	470	Poglie	140.00	In excess of USG						140.00		
Mar 92	482	Anyona	984.40	In excess of USG							984.40	
	484	Matale	492.20	In excess of USG							492.20	
	485	Mwanza	492.20	In excess of USG							492.20	
	486	Atkinson	369.15	In excess of USG							369.15	
	488	Nshekanabo	738.30	In excess of USG							738.30	
	489	Mahohe	369.15	In excess of USG							369.15	
	490	Macomane	369.15	In excess of USG							369.15	
Mar 92	492	Dilimane	369.15	In excess of USG							369.15	
	493	Fourie	369.15	In excess of USG							369.15	
	513	Hara	400.20	In excess of USG						400.20		
	514	Bbenkele	452.40	In excess of USG						452.40		
	517	Dos Santos	369.15	In excess of USG and council meeting					369.15			
	520	Hara	809.60	In excess of USG						809.60		
Apr 92	527	Bbenkele	1,694.17	In excess of USG						1,694.17		
	529	Thompson	246.10	In excess of USG						246.10		
	536	Kgoroba	369.15	In excess of USG					369.15			

TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
PER DIEMS ANALYSIS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

					Unsupported				Ineligible			
Month	Payment Voucher	Name	Total Paid	Comments re: eligibility	Operations	Trade Promotion	Training and Information	Technical Assistance	Operations	Trade Promotion	Training and Information	Technical Assistance
	537	Bbenkele	556.40	In excess of USG					556 40			
	538	Stewart	123.05	In excess of USG					123.05			
	539	Bbenkele	278.20	In excess of USG					278.20			
	539	Thompson	603.45	In excess of USG and AGM of SNBC					603.45			
	540	Nouiseb	399.20	In excess of USG and AGM of SNBC					399.20			
	541	Carrilho	246.10	In excess of USG and AGM of SNBC					246.10			
	542	Frost	369.15	In excess of USG and AGM of SNBC					369.15			
	543	Mwakitwange	246.10	In excess of USG and AGM of SNBC					246.10			
	544	Baffoe	369.15	In excess of USG and AGM of SNBC					369.15			
	545	Muluzi	246.10	In excess of USG and AGM of SNBC					246.10			
	546	Deary	246.10	In excess of USG and AGM of SNBC					246.10			
	547	Monametsi	369.15	In excess of USG					369.15			
	548	Tsiane	246.10	In excess of USG					246.10			
May 92	553	Tsiane	123.05	In excess of USG					123.05			
	557	Bbenkele	457.60		457.60							
Jun 92	578	Shilmi	246.10	In excess of USG					246.10			
	579	Matale	246.10	In excess of USG					246.10			

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TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
PER DIEMS ANALYSIS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

					Unsupported				Ineligible			
Month	Payment Voucher	Name	Total Paid	Comments re: eligibility	Operations	Trade Promotion	Training and Information	Technical Assistance	Operations	Trade Promotion	Training and Information	Technical Assistance
Jul 92	609	Hara	726.80	In excess of USG						726.80		
	613	Mzwane	246.10	In excess of USG						246.10		
	614	Nyandovi	246.10	In excess of USG						246.10		
	625	Zwane	246.10	In excess of USG						246.10		
	626	Chibwana	246.10	In excess of USG						246.10		
	627	Munyavi	123.05	In excess of USG						123.05		
	634	Hara	607.20	In excess of USG						607.20		
	635	Bbenkele	686.40	In excess of USG						686.40		
Aug 9	644	Bbenkele	109.20		109.20							
	645/647	Ntswapelo	342.70	In excess of USG							342.70	
	654	Matenge	1,012.00	In excess of USG							1,012.00	
	655	Bbenkele	1,144.00	In excess of USG							1,144.00	
	671	Ntswapelo	1,097.60	In excess of USG							1,097.60	
	675	Zwane	335.20				335.20					
	678	Xaba	335.20				335.20					
	679	Thompson	452.60				452.60					
	680	Saungwene	335.20				335.20					
	681	Ramaswane	452.60				452.60					
	682	Petlane	452.60				452.60					
	683	Okhai	217.80				217.80					
	684	Nouiseb	705.50	In excess of USG							705.50	
	685	Matale	335.20				335.20					
	686	Mamba	335.20				335.20					
	687	Kgoroba	452.60				452.60					
	688	Katiti	335.20				335.20					
	689	Dlamini	335.20				335.20					

TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
PER DIEMS ANALYSIS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

					Unsupported				Ineligible			
Month	Payment Voucher	Name	Total Paid	Comments re: eligibility	Operations	Trade Promotion	Training and Information	Technical Assistance	Operations	Trade Promotion	Training and Information	Technical Assistance
	690	Disele	452.60				452.60					
	691	Deary	335.20				335.20					
	692	Cross	335.20				335.20					
	693	Baffoe	452.60				452.60					
	694	Mohotiloo	217.80				217.80					
	695	Chanda	335.20				335.20					
	696	Sakoor	687.40				687.40					
	697	Solomo	570.00				570.00					
	698	Thompson	570.00				570.00					
	699	Masanja	335.20				335.20					
	700	Matale	240.00				240.00					
	701	Guiseb	335.20				335.20					
	702/703	Bbenkele	840.00	In excess of USG							840.00	
Sep 92	706	Munyavi	984.40		984.40							
	709	Hara	607.20			607.20						
	740	Nswapelo	96.60		96.60							
	741	Bbenkele	109.20	After Aug 31,1992					109.20			
	744	Munyavi	369.15	In excess of USG						369.15		
	745	Bbenkele	417.30	After Aug 31,1992						417.30		
	765	Hara	2,126.50	In excess of USG						2,126.50		
	766	Bbenkele	3,634.10	After Aug 31,1992						3,634.10		
Oct 92	777	Muluzi	246.10	In excess of USG and council meeting					246.10			
	778	Baffoe	246.10	In excess of USG and council meeting					246.10			

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TECHNICAL SUPPORT GRANT NO. 690-215.33 TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY BUSINESS COUNCIL
PER DIEMS ANALYSIS
FOR THE PERIOD APRIL 1990 TO DECEMBER 31, 1992

					Unsupported				Ineligible			
Month	Payment Voucher	Name	Total Paid	Comments re: eligibility	Operations	Trade Promotion	Training and Information	Technical Assistance	Operations	Trade Promotion	Training and Information	Technical Assistance
	779	Morar	246.10	In excess of USG and council meeting					246.10			
	780	Frost	246.10	In excess of USG and council meeting					246.10			
	781	Deary	246.10	In excess of USG council meeting					246.10			
	782	Ginindza	246.10	In excess of USG and council meeting					246.10			
	783	Thompson	246.10	In excess of USG and council meeting					246.10			
	785	Mwakitwange	494.50	In excess of USG and council meeting and extra day					494.50			
	790	Munyavi	471.45				471.45					
	791	Dzanjalimodzi	1,071.80	In excess of USG						1,071.80		
	792	Matale	372.60			372.60						
	793	Nunzio	372.60			372.60						
	797	Shekamabo	1,196.00	In excess of USG						1,196.00		
	799	Simumba	372.60	In excess of USG						372.60		
	804	Nshaka	1,071.80	In excess of USG						1,071.80		
	805	Hara	1,071.80	In excess of USG						1,071.80		
Nov 92	828	Hubbard	372.60			372.60						
	839	Baffoe	1,217.00	In excess of USG						1,217.00		
Dec 92	840	Ash	1,932.00							1,932.00		
	851	Baffoe	575.00	In excess of USG						575.00		
	873	Ash	1,059.15	In excess of USG						1,059.15		
TOTAL			141,739.54		3,729.30	20,797.54	17,535.05	2,428.62	32,659.90	34,101.38	28,024.30	2,463.45

ATTACHMENT II

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