

PD-ABN-149

91119

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL AND COMPLIANCE AUDIT OF
BUSINESS MANAGEMENT EXTENSION PROGRAMME
CONTRACT NO. 645-0234-A-00-0012
FOR THE YEAR ENDED 31 DECEMBER 1992

BUSINESS MANAGEMENT EXTENSION PROGRAMME (BMEP)
USAID CONTRACT NO. 645-0234-A-00-0012

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BUSINESS MANAGEMENT EXTENSION PROGRAMME

USAID CONTRACT NO. 645-0234-A-00-0012

PART 1 - INTRODUCTION

1.1 Background

BMEP was originally created as part of the Manzini Industrial Training Centre (M.I.T.C.) which provides technical skills in a variety of areas in an effort to reduce unemployment in Swaziland. BMEP has the specific task of providing business skills to local people with marketable technical abilities.

Following the original USAID grant of February 28, 1986, it was decided to make a further USAID grant for US \$251,000 or (E627,640, whichever is lower), the grant agreement for which was signed on May 29, 1990 with a conclusion date of May 31, 1992. The grant was increased by US \$40,000 to US \$291,000 (E706,860) in July 1992 in order to extend the conclusion date from May 31, 1992 to November 30, 1992. In September 1992 an agreement was signed to further increase the grant by US \$410,000 (E1,799,664) and extended the conclusion date to November 30, 1994. No host country contributions are applicable to this project, while funds required outside the USAID grant contributions are available from BMEP course revenues.

The objectives of the Programme as specified in the Contract between BMEP and USAID are:

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

1.2.2 Deloitte & Touche were requested by BMEP to express written opinions on:

- the USAID Fund Accountability Statement.
- the auditee's internal control structure.
- the auditee's compliance with the grant agreement and applicable US laws and regulations.
- the financial statements of the organization as a whole.

1.2.3 Our firm was also requested to determine if BMEP has taken adequate corrective action on the recommendations made by Coopers and Lybrand during their audit for the period May, 29, 1990 to September 30, 1992.

1.2.4 Deloitte & Touche did not comply with the requirements of Section 3.2.6 of the Government Auditing Standards (1988 Revision) requirements on Continuing Education and Training. Though the specified requirement for training hours was met, the training was internally based and did not specifically cover Government Auditing Standards.

1.3 Audit Methodology

The principal audit steps performed are:

1.3.1 Pre-Engagement Activities:

Issued an engagement letter to the auditee.

1.3.2 Preliminary Planning:

- (a) To gain an understanding of the auditee's background and business we reviewed the terms and conditions of the USAID/BMEP grant agreement, amendments, project evaluations and other project documents as deemed necessary.
- (b) Reviewed the control environment and the internal control structure in order to classify the auditee's significant internal control procedures.

1.3.3 Development of Audit Plan to:

- (a) Review, evaluate and report on auditee's internal controls as they relate to the USAID funds being audited and also to gain a portion of our audit assurance on the financial statements of BMEP as a whole.
- (b) Determine and report on compliance with terms of the agreement and related US laws and regulations; and the effect of non-compliance on the Fund Accountability Statement.
- (c) Determine if revenues and expenditures as reflected on the Fund Accountability Statement were properly recorded.

- (d) Determine if BMEP's financial statements as a whole are fairly stated.
- (e) Establish if prior audit recommendations have been implemented.

1.3.4 Audit work done

- (a) Performed detailed tests of compliance with internal control procedures, tests to detect significant errors, irregularities and illegal acts (SAS 53 and 54), audit procedures to evaluate the auditee's compliance with the grant and applicable provisions, and a review of the adequacy of the accounting system and internal controls.
- (b) Reviewed the Fund Accountability Statement to determine the extent of non-compliance, unallowable, unallocable or unreasonable expenses and the effectiveness of internal controls.
- (c) Reconciliation of financial reports submitted by BMEP to USAID to the BMEP's cash book in order to determine whether the reports are accurate and supported by accounting records.
- (d) Reviewed bank account and reconciliation procedures to determine if only USAID transactions are included;
- (e) Audited BMEP financial statements as a whole in accordance with the generally accepted auditing standards.

1.4 Summary of Audit Results

1.4.1 Our audit results on the Fund Accountability Statement are as follows:

	Approved Grant to Nov. 30, 1992	Actual Results Sept. 30, 1990 to Dec. 31, 1992	Cost Recomme- nded for acceptance	Cost Recommended for dis- allowance	Costs Questioned
	US \$	US \$	US \$	US \$	US \$
Revenue	701 000	288 328	-	-	-
Expendi- ture	701 000	248 618	248 618	-	-

The actual results and costs recommended for acceptance have been converted at an average rate of US \$1 = E3.12

1.4.2 Internal Control Structure

Our review and evaluation of the control environment and tests on internal control procedures did not reveal any material weaknesses.

1.4.3 Compliance with the Grant agreement and laws and regulations.

Our tests conducted to determine BMEP's compliance with the grant agreement and related laws, provisions and regulations did not identify any non-compliance.

BUSINESS MANAGEMENT EXTENSION PROGRAMME

PART 11 - AUDIT REPORTS

2. FUND ACCOUNTABILITY STATEMENT

2.1 Independent Auditor's Report

We have audited the Fund Accountability Statement of the Business Management Extension Programme for the 3 months period ended 31 December 1992. The fund accountability statement is the responsibility of the Business Management Extension Programme Management and Board. Our responsibility is to express an opinion on this statement based upon our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 Revision). We did not comply with Section 3.2.6 of the Government Auditing Standards (1988 Revision) requirements on continuing education and training. The Government Auditing Standards require that we plan and perform the audit to obtain reasonable assurance that the fund accountability statement is free of material misstatement. An audit includes an examination, on a test basis, of 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.

In our opinion, the fund accountability statement referred to above present fairly, in all material respects, programme revenues and costs incurred and reimbursed for the 3 months period then ended in conformity with the basis of accounting described in Note 2.3.1.

Deloitte & Touche
Chartered Accountants (Swaziland)

March 31, 1993

BUSINESS MANAGEMENT EXTENSION PROGRAMME

2.2 Fund Accountability Statement in Emalangeni

	Approved Grant Nov. 30, 1994	Actual to Sept. 30, 1992	Actual Oct. 1 1992 - Dec. 31 1992	Total Actual Sept. 30, 1990- Dec. 31, 1992
	E	E	E	E
REVENUE				
GRANT	1 799 664 =====	620 661 =====	181 036 =====	801 697 =====
EXPENDITURE				
Personnel	1 075 873	393 516	46 707	440 223
Equipment and supplies	228 535	125 491	1 172	126 663
Occupancy	39 600	-	-	-
Training	61 022	13 522	390	13 912
Auditing	52 275	9 450	-	9 450
Financial Advisory Services	4 300	-	-	-
Office Operations	122 250	-	-	-
Vehicle Expenses	76 200	-	-	-
Other Insurance	6 940	-	-	-
Publications	13 100	-	-	-
Ad Hoc Technical Assistance	8 600	-	-	-
Computer maintenance	15 640	-	-	-
Other	95 329	75 970	11 384	87 354
	<u>1 799 664</u> =====	<u>617 949</u> =====	<u>59 653</u> =====	<u>677 602</u> =====
Cashbook balance at December 31, 1992				124 095 =====

BUSINESS MANAGEMENT EXTENSION PROGRAMME

2.3 Statement of the Significant Accounting Policy

The Fund Accountability Statement has been prepared on the historical cost basis, and is consistent with the terms and conditions of the contract agreement and applicable US laws and regulations. The statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

2.4 Questioned and Unsupported Costs in Emalangeni

October 1, 1992 to December 31, 1992

	Costs Recommended for Acceptance E	Questioned Ineligible E	Costs Unsupported E	Total Expenditure E
Personnel Equipment & Supplies	46 707	-	-	46 707
Training	1 172	-	-	1 172
Other	390	-	-	390
	11 384	-	-	11 384
	<u>59 653</u>	<u>-</u>	<u>-</u>	<u>59 653</u>
	=====	=====	=====	=====

2.5 Findings and Recommendations

2.5.1 Introduction

2.5.1.1 The Fund Accountability Statement is included in 2.2 above. There were no questioned costs that came to our notice during the audit.

2.5.1.2 The scope of our audit of the USAID funds was limited to the period from October 1, 1992 to December 31, 1992.

2.5.1.3 Total revenues from USAID to December 31, 1992 amounted to E801 697 and expenditure to the same period amounted to E677 602. The difference between total receipts from USAID and total expenditure is E124 095 and was the balance as per cashbook at December 31, 1992.

2.5.1.4 Conclusion:

In our opinion the total expenditure for the 3 months to December 31, 1992 totalling E59 653 are allowable, allocable and reasonable and are recommended for acceptance by USAID.

BUSINESS MANAGEMENT EXTENSION PROGRAMME

3. INTERNAL CONTROL STRUCTURE

3.1 Independent Auditor's Report

We have audited the fund accountability statement of Business Management Extension Programme USAID Contract Number 645-0234 for the period October 1, 1992 to December 31, 1992.

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.

In planning and performing our audit of Business Management Extension Programme we considered the Programme's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure in relation to the overall objectives of BMEP.

The management of Business Management Extension Programme is responsible for establishing and maintaining an internal control structure for the Programme. 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 reasonable, but not absolute, assurance that the 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 2.3.1 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 an evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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

- Control over USAID/BMEP funds.
- Control over preparation and submission of project financial reports and request for advance and public vouchers.
- Bank balances
- Purchases and payments
- Payroll

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 have been placed in operation.

Our consideration of the internal control structure would not necessarily disclose all matters in the control structure that might be material weaknesses.

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

We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. However, we noted certain matters involving the internal control structure and its operation that are covered under 3.2 of this report.

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 USAID and the management of Business Management Extension Programme.

Deloitte & Touche
Chartered Accountants (Swaziland)

March 31, 1993

3.2 Findings and Recommendations on Internal Controls

3.2.1 Introduction

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

- the control environment
- the accounting system
- control procedures

3.2.1.2 The control environment reflects the overall attitude, awareness and actions of management. The accounting system consists of methods and records established to identify, assemble, analyze, classify, and report an entity's transactions and to maintain accountability for the related assets and liabilities. Control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to provide reasonable assurance that specific entity objectives will be achieved.

3.2.2 During the audit we reviewed and evaluated all three components of the internal control structure and below are our findings and recommendations:-

3.2.3 Personnel

Findings

3.2.3.1 As reported during prior audits, Linah Twala, Sanitary Officer has been working since June 1990 without an employment contract.

3.2.3.2 There is no evidence that the salaries analysis book is checked by Finance Manager before cheques are drawn to pay employees.

Recommendations

3.2.3.3 Linah Twala should be confirmed as a permanent employee under the Programme and an employment contract be drawn up and signed.

3.2.3.4 The Finance Manager should check and sign the salaries analysis book before cheques are drawn to pay employees.

Auditees Response

3.2.3.5 Agreed with the recommendations.

3.2.4 Procurement of Goods and Services

Findings

- 3.2.4.1 Internal control procedures to ensure that goods or services were actually ordered and subsequently received are not adequate. There is no evidence that goods delivered are checked against the invoice. Authorised orders are not attached to payment vouchers and paid invoices.

Recommendations

- 3.2.4.2 To strengthen the existing controls a goods received checking stamp should be introduced. Copies of the stamped supplier's invoices and BMEP order, be attached to the cheque requisition voucher.

Auditees Response

- 3.2.4.3 Agreed. A goods received checking stamp to be introduced.

3.2.5 Fixed Assets Register

Findings

- 3.2.5.1 The fixed assets register has been updated to 31 December 1992. We however noted that certain fixed assets valued at a cost of E11 238 seem not to have been identified and entered in the register.

- 3.2.5.2 Likewise, motor vehicles logbooks have been updated by the Finance Manager up to 31 December 1992. There is however no evidence that they have been checked and initialled by the Director.

Recommendations

- 3.2.5.3 We advise the Finance Manager to investigate the difference in the fixed assets register and correcting entries passed.

- 3.2.5.4 The director should review and initial the bottom of each completed logbook page.

Auditees Response

- 3.2.5.5 The difference in fixed assets could not be substantiated. Request to write it off will be made to the Board of directors and USAID.

BUSINESS MANAGEMENT EXTENSION PROGRAMME

4. COMPLIANCE WITH GRANT AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

4.1 Independent auditor's report

We have audited the Fund Accountability Statement of the Business Management Extension Programme USAID Contract No. 645-0234-A-00-0012 for the period October 1, 1992 to December 31, 1992 and have issued our report thereon dated April , 1993.

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

Compliance with laws, regulations, contracts and grants applicable to the BMEP grant agreement is the responsibility of BMEP management. As part of obtaining reasonable assurance that the financial statements are free of material misstatement, we performed tests of BMEP's compliance with certain provisions of laws, regulations and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements or violations of prohibitions contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements.

The results of our tests of compliance indicate that, with respect to the items tested, BMEP complied, in all material respects, with the provisions referred to in the third paragraph of this report.

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 USAID and the management of BMEP.

Deloitte & Touche
Chartered Accountants (Swaziland)

March 31, 1993

BUSINESS MANAGEMENT EXTENSION PROGRAMME

5. BMEP FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1992

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BUSINESS MANAGEMENT EXTENSION PROGRAMME

5.4 Report of the Auditor to the Members

We have audited the annual financial statements set out on pages 4 to 7. These financial statements are the responsibility of the directors. Our responsibility is to report on these financial statements.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that in all material aspects, fair presentation is achieved in the financial statements. An audit includes an evaluation of the appropriateness of the accounting policies, an examination, on a test basis, of evidence supporting the amounts and disclosures included in the financial statements, an assessment of the reasonableness of significant estimates and a consideration of the appropriateness of the overall financial statements presentation. We consider that our audit procedures were appropriate in the circumstances to express our opinion presented below.

The Organization did not maintain adequate records for its fixed assets reflected at E653 297 in the balance sheet. Certain assets with a cost value of E11,238 have not been identified and are not included in the fixed assets register.

Fixed assets with a cost value of E190 924 are not depreciated. This is not in accordance with generally accepted accounting practice. If the fixed assets had been depreciated, the surplus reported in the Income Statement (Page 5) would have been reduced.

Proper accounting records for the loan advances have not been maintained. Loan transactions are not systematically processed by the Organization's accounting system. Consequently there is a difference of E5 649 between the loans listing and the general ledger control.

In our opinion, except for the effects of the issues raised in the preceding paragraphs, the financial statements fairly present the financial position of the Organization at 31 December 1992, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

CHARTERED ACCOUNTANTS (SWAZILAND)

DATE: 31 March 1993

BUSINESS MANAGEMENT EXTENSION PROGRAMME

5.5 Balance Sheet as at 31 December 1992

	Note	1992 E	1991 E
<u>Capital employed</u>			
SHARE CAPITAL	2	2	2
CAPITAL GRANT		653,297	653,297
ACCUMULATED FUND		<u>13,966</u>	<u>148</u>
		667,265	653,447
		=====	=====
<u>Employment of capital</u>			
FIXED ASSETS	3	653,297	653,297
CURRENT ASSETS			
Loans and other debtors	4	50,032	-
Bank and cash		7,734	150
		57,766	150
CURRENT LIABILITIES			
Bank loan	5	43,798	-
		43,798	-
NET CURRENT ASSETS		<u>13,968</u>	<u>150</u>
		667,265	653,447
		=====	=====

BUSINESS MANAGEMENT EXTENSION PROGRAMME

5.6 Income Statement for the Year Ended 31 December 1992

	1992 E	1991 E
INCOME	45,766	16,657
EXPENDITURE		
Accountancy fees	2,100	-
Advertising	361	-
Bank charges	1,296	153
BMEP interest account	8,297	8,639
Cash advances	-	198
Electricity and water	574	-
Entertainment	2,153	-
General expenses	1,645	451
Insurance and licences	230	120
Motor vehicle expenses	1,346	-
Material/equipment	4,214	2,669
Food allowance and accommodation	-	849
Key deposit	-	35
Postage	154	209
Printing and stationery	368	495
Repairs and maintenance	575	473
Rent	2,500	-
Security and cleaning	50	138
Travelling expenses	1,811	621
Telephone	4,274	1,400
Tax	-	57
	31,948	16,507
SURPLUS FOR THE YEAR	13,818 =====	150 =====

BUSINESS MANAGEMENT EXTENSION PROGRAMME

5.7 Notes to the Financial Statements

31 December 1992

1. ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements are prepared under the historical cost conversion and incorporate the following principal policies.

1.2 Income

Income represents interest on loans, rental and course fees.

1.3 Fixed assets and depreciation

Fixed assets are stated at cost. No derecognition is provided.

2. SHARE CAPITAL

	1992 E	1991 E
Authorised 100 ordinary shares of E1 each	100 ===	100 ===
Issued 2 ordinary shares of E1 each	2 ===	2 ===

3. FIXED ASSETS

	C O S T	
	At 01.01.92 E	At 31.12.92 E
Buildings	462,373	462,373
Motor vehicle	69,892	69,892
Equipment	88,911	88,911
Furniture and fittings	32,121	32,121
	<u>653,297</u> =====	<u>653,297</u> =====

BUSINESS MANAGEMENT EXTENSION PROGRAMME

5.7 Notes to the Financial Statements

31 December 1992

4. LOANS AND OTHER DEBTORS

	1992 E	1991 E
Loans to clients	38,149	-
Suspense - diffence in loans	5,649	-
Staff cash advances	6,234	-
	<u>50,032</u>	<u>-</u>
	=====	=====

5. BANK LOAN

Barclays Bank of Swaziland Limited - Loan	43,798	-
	=====	=====

This is a bank guaranteed loan scheme with a ceiling of E215,000 made available to BMEP by Barclays Bank of Swaziland Limited for on lending to qualifying Swazi owned small businesses. The loans are guaranteed by Barclays International Development Fund. The bank charges BMEP 3% below prime as interest and BMEP charges its clients prime +7% interest.

BUSINESS MANAGEMENT EXTENSION PROGRAMME

6. FOLLOW-UP ON PRIOR AUDIT RECOMMENDATIONS

6.1 Introduction

We followed-up all findings and recommendations from the audit report for the period May 29, 1990 to September 30, 1992 prepared by Coopers & Lybrand.

Findings

- 6.2 We noted that Coopers & Lybrand observation number 2.4.8 as reflected on their report issued in November 1992 has not been resolved with USAID.

Coopers & Lybrand reported that BMEP had claimed E388 from USAID comprising E19 interest, E333 bank charges and E36 which did not appear on any Number 1 account bank statements during that period. The charges appear to be specifically disallowed in terms of paragraph 1 (a) 4 of the Mandatory Standard Provisions for Non-Governmental Grantees (OMB Control No. 0412-0510) as interest and investment management costs.

Recommendations

A classification by RIG/A/Nairobi as to whether bank charges and interest should be regarded as accepted or questioned expenses, has not been communicated to BMEP. We recommend that this clarification be followed up.

Auditees Response

- 6.3 USAID Financial Analyst, Mrs. Malika Magagula, advised that bank charges are allowable costs.

Our Ref: B04/C

29 March 1993

The Chairlady
Board of Directors
Business Management Extension Programme
P.O. Box 2187
Manzini

Dear Madam,

AUDIT - YEAR ENDED 31 DECEMBER 1992

We have completed our audit of the books and records of the Business Management Extension Programme for the year ended 31 December 1992 and would like to bring to your attention the following matters:

1. LOANS

Audit comment

- 1.1 We noted non-compliance with the loans policy in that overdure loanees accounts are not charged the 2% penalty interest.
- 1.2 There is a grave internal control weakness in that the total of individual customers loan accounts are not reconciled to the Barclays Bank statement balance. Moreover loan transactions-disbursements and recoveries - are not recognized in the general ledger of BMEP.

We noted a difference of E5,648.74 which could be a result of the internal control weakness noted above.

- 1.3 Disbursements are made to customers under the loan scheme before the details of the security are obtained and the security perfected. Our review of the loanees files revealed that most of the loans which are now in default are not secured.

Recomendations

- 1.4 A decision on whether the 2% penalty should be charged or not, should be made by the Loans Committee.
- 1.5 A loans cashbook should be introduced to record all movements in the loan portfolio. Postings from the subsidiary record should then be made into the general ledger.

The loans ledger and cashbook balances should be reconciled, preferably on a monthly basis, to the Barclays Bank - Loan Account statement.

- 1.6 Details of all assets pledged by customers as security for loans should be obtained, recorded, and security documents perfected before loan disbursements are made.

Auditees Response

- 1.7 Recommendations to be implemented.

2. FIXED ASSETS

Audit comments

- 2.1 Fixed assets bought under the USAID funding Programme now with a cost value of E653,297 are not recorded in the books of BMEP. In addition, the fixed assets depreciation expense is not charged to BMEP income statement.
- 2.2 Some fixed assets with a cost value of E11,238 have not been identified and are not included in the fixed assets register.

Recommendations

- 2.3 All fixed assets registered in the name of the Programme should be reflected in the books of the Programme. The assets will be treated as a grant from USAID.
- 2.4 The difference should be investigated and correcting entries passed.

Auditees Response

- 2.5 Request to write-off the difference to be made to the Board of directors. Fixed assets to be recorded in the general ledger.

3. STAFF DEBTORS

Audit comment

3.1 Included in staff debtors are the following amounts which are not recoverable:

Name	Date advanced/ cheque drawn	Amount
Constance Ngwenya	February 1992	E1,534.26
Cash *	May 1992	400.00

* It is not clear who should repay this amount as this is a cash cheque.

Recommendations

3.2 The Finance Manager should investigate.

Auditees Response

3.3 The E400 was subsequently repaid. Efforts will be made to recover the E1,534.26 due from Constance Ngwenya.

4. BUDGET AND MONTHLY MANAGEMENT REPORTS

Audit comment

4.1 We appreciate that monthly reports are prepared for the loans and the USAID Funds. It, however, transpired that there are no reports on the BMEP financial activities. A budget has so far not been introduced for these activities.

Recommendations

4.2 A monthly reporting system for BMEP financial activities should be introduced.

4.3 An annual budget should be prepared and approved by the Board of directors.

Auditees Response

4.4 To be introduced.

5. GENERAL

5.1 We wish to thank you and the staff of BMEP for the cooperation afforded us during the audit.

Should you need any clarification or explanation on matters raised in this report please do not hesitate to contact us.

Yours faithfully