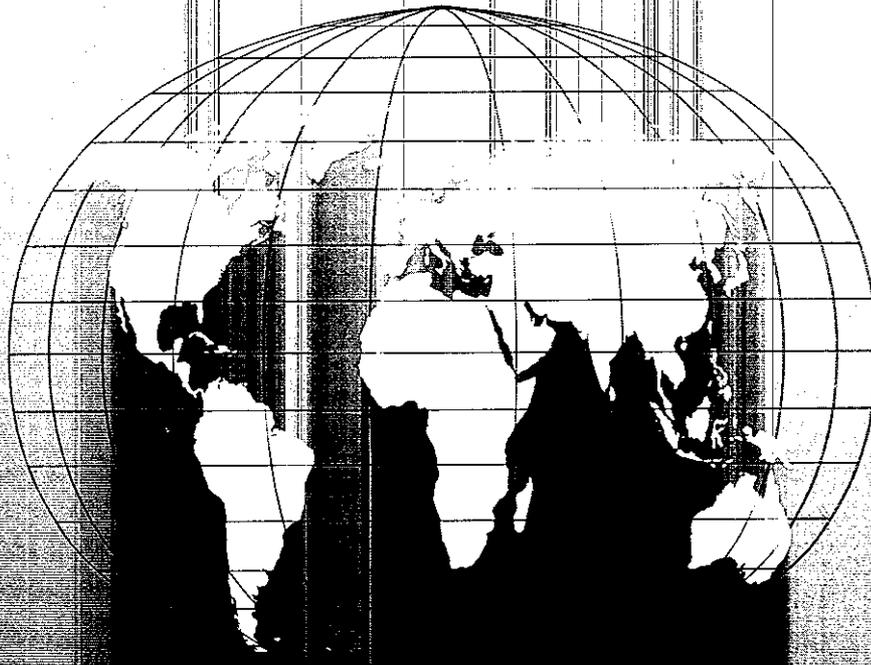


Report of Audit

Concurrent Agency-contracted Audit of USAID/Mozambique's Resources Managed by Africon under Project 656-0251 for the Period August 1, 2000 to September 30, 2001

Report No. 4-656-02-005-N
May 16, 2002



contained in this report
restriction of 18 USC
considered before any
to the public.



Regional Inspector General
Pretoria

May 16, 2002

MEMORANDUM FOR MISSION DIRECTOR, USAID/MOZAMBIQUE

FROM: Regional Inspector General/Pretoria, Joseph Farinella *Joseph Farinella*

SUBJECT: Concurrent Agency-contracted Audit of USAID/Mozambique's Resources Managed by Africon under Project 656-0251 for the period from August 1, 2000 to September 30, 2001, Audit Report No. 4-656-02-005-N

Attached is a report of the subject audit performed by PricewaterhouseCoopers, Maputo, Mozambique.

The report was prepared in accordance with generally accepted auditing standards and the U.S. Government Auditing Standards issued by the Comptroller General of the United States.

In September 2000, the U.S. Agency for International Development (USAID), mission to Mozambique approved the Emergency Roads: Building and Support Effort (ER: BASE), under USAID Project Number 656-0251, entitled IRIP Post Emergency Project, to assist the Government of Mozambique with emergency recovery action from the Year 2000 floods. The project provided \$34 million to the Government of Mozambique for specific road construction/rehabilitation projects and authorized an initial \$1 million for the design work. These activities were contracted to Africon under a cost-plus-fixed-fee type of contract.

The primary responsibility of Africon was to provide the design and construction management services for the Inchope-Gorongosa Road, in a direct contract to USAID. The scope of work for the design included the preparation of the tender documents for the reconstruction of these roads and bridge.

The overall audit objective was to perform a financial audit of the USAID Resources managed by Africon under project 656-0251, entitled IRIP Post Emergency Project, Project Element #20 for the period from August 1, 2000 to September 30, 2001, for USAID funds of \$385,428. Specifically, the objectives were to:

- express an opinion on whether the fund accountability statement for the USAID funded programs and projects present fairly, in all material respects, project revenues received, costs incurred, and commodities/technical assistance directly procured by USAID for the

period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).

- evaluate and obtain a sufficient understating of the Africon internal control structure related to the USAID funded programs and projects, assess control risk and identify reportable conditions, including material internal controls weaknesses.
- perform tests to determine whether Africon complied, in all material respects, with agreement terms and applicable laws and regulations related to the USAID funded programs and projects.
- perform an audit of the indirect cost rate if the foreign recipient has been authorized to charge indirect costs to USAID using provisional rates and USAID has not yet negotiated final rates with the foreign recipient.
- determine if the recipient has taken adequate corrective action on prior audit report recommendations.

The auditors' report on the fund accountability statement concluded that the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed and commodities and technical assistance directly procured by USAID for the period under audit.

The report on internal controls did not identify any reportable conditions or matters involving the internal control structure and its operation that could be considered material weaknesses.

The report on compliance noted that the materials engineer did not have the minimum work experience of 10 years as required by the donor and stipulated in the agreement. Management responded that Africon's final proposal did not include a Materials Engineer, per se. It included a Pavement/Materials Technologist with 12 years experience and a Laboratory Manager with 4 years experience. Management instituted some corrective actions, including the hiring of a senior laboratory manager on a short-term basis. The less experienced laboratory manager will be replaced if his services are found to be wanting.

Attachments: a/s

PD-ABW-338

**FINANCIAL AUDIT OF THE USAID
RESOURCES MANAGED BY AFRICON, LTD
FOR THE PERIOD FROM 1 August 2000
TO 30 SEPTEMBER 2001**

IRIP Post Emergency Project, Project Element # 20 – ER:BASE

CONTRACT 656-C-00-01-00003-00

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To Mr. David Hess
Deputy Mission Director of
USAID Mozambique
Rua Faria de Sousa, nº 107
P.O. Box 783
Maputo - Mozambique

Dear Sir,

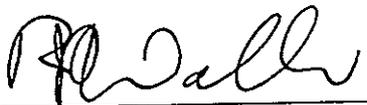
**AUDIT REPORT – USAID RESOURCES MANAGED BY AFRICON –
CONTRACT Nº 656-C-00-01-00003-00**

Please find attached our Independent Auditors' Report, our Independent Auditors' Report on Internal Controls and our Independent Auditors' Report on Compliance, in respect of the USAID Resources Managed by Africon under Project 656-0251.00 (IRIP Post Emergency Project, Project Element # 20 – ER: BASE – Contract nº 656-C-00-01-00003-00) for the period from 1 August 2000 to 30 September 2001.

These reports is solely for the information and use of Africon, Ltd. And U.S. Agency for International Development (USAID). However, upon release by USAID, these reports is a matter of public record and its distribution is not limited.

Please contact us if there is any further information you require. We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to us in the course of our work by the members of USAID and by the Africon, Ltd. Management.

Yours truly,



Robert Walker
Senior Partner

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AFRICON LTD. LETTER WITH COMMENTS TO OUR FINDINGS AND
RECOMMENDATIONS

SECTION A – OVERVIEW

A.1 Background of the Project Audited

As a result of the floods that affected Mozambique in February 2000, the road network in southern and central country was damaged. A portion of the EN1 asphalt surface was destroyed and Africon, Ltd. was selected on a sole source basis to provide the design and construction management services for the Inchope-Gorongosa road design and construction management services, in a direct contract to USAID. The basis for selecting Africon, Ltd. on a sole source basis was: -

- (a) given the fact the same contractor was already working under a USAID design contract for an adjacent road construction project, the Gorongosa-Caia road; and
- (b) there was no reason to believe further competition would result in a more competitive price for this significantly smaller project.

The contract was signed in August 2000 in the form of a Cost-Plus-Fixed-Fee type of contract. The scope of the contract was organised in three separate phases: design phase, tender phase and construction management phase. Some of the clauses of the initial contract were changed and a modification form was issued by USAID and accepted on 8 February 2001 (Modification n° 1). The object of these changes is mainly related to the tender and supervision phase of the contract.

The period covered by our audit refers solely to the design phase. The other phases were started after 30 September 2001. Under this phase, Africon, Ltd. was to provide design services for the construction works.

Contract n°: 656-C-00-01-00003-00

A.2 Period Covered

The audit covers the contract period from 1 August 2000 to 30 September 2001.

A.3 Objectives, Procedures and Scope of Financial Audit

Our activity was performed to assist USAID in evaluating the validity of the related transactions and compliance with the Agreement celebrated with Africon, Ltd. under the Project 656-0251.00 (Contract n° 656-C-00-01-00003-00). We as prepared our audit plan and carried out our audit fieldwork in Maputo, as well in the Africon, Ltd. offices in Pretoria. The reports were then prepared and reviewed at our office in Maputo.

The principal audit steps performed could be summarized as follows: -

- an examination of Africon, Ltd. Agreement including the attachments and appendices, amendments, applicable standard provisions and regulations and project correspondence, to gain an understanding of the goals and objectives of Africon, Ltd., the activities being financed, the types of costs incurred under Africon, Ltd. and the financial procedures and requirements placed on Africon, Ltd. by USAID;
- performance of detailed compliance work on the internal controls, audit procedures to detect errors and irregularities and audit procedures to evaluate the auditee's compliance with Africon, Ltd. Agreement and applicable provisions. An assessment of the adequacy of accounting systems and internal controls of USAID resources managed by Africon, Ltd., in order to obtain reasonable assurance of detecting errors, irregularities and illegal acts was also carried out;
- performance of detailed testing of expenses incurred;
- determining the extent of non-compliance, unallowable or unallocable expenses; and
- identifying costs, which are not supported with adequate documentation or are not in accordance with the agreement terms.

Scope Limitation: No scope limitation was imposed during our audit.

SECTION B – AUDIT RESULTS

B.1 Fund Accountability Statement

No material deviations were identified. Please refer to the attached audit report.

B.2 Internal Control Structure

No reportable conditions were noted. Please refer to the attached audit report.

B.3 Compliance with Agreement Terms

We noted that the Materials Engineer did not have the minimum work experience of 10 years as required by USAID and stipulated in the Agreement.

Africon, Ltd. Management commented that Africon's final proposal did not include a Materials Engineer per se, but instead a Pavement/Materials Technologist with 12 years experience on a short-term basis, and Laboratory Manager with 4 years experience on a full-time basis. Due to the fact that USAID questioned during February 2002 the level of experience and capability of the Laboratory Manager, the following actions ensued:-

- Africon, Ltd. carried out an audit on the laboratory operations on 7 and 8 February 2002, and some corrective actions have been taken; and
- A very senior and eminently experienced Laboratory Manager will be deployed on site on a short-term basis (two weeks) as from March 2002, to do a thorough investigation. Should the services of the current Laboratory Manager be found wanting, he will be replaced.

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INDEPENDENT AUDITORS' REPORT TO USAID IN RESPECT OF THE RESOURCES MANAGED BY AFRICON UNDER PROJECT 656-0251.00 (IRIP POST EMERGENCY PROJECT, PROJECT ELEMENT # 20 – ER:BASE – CONTRACT N° 656-C-00-01-00003-00)

We have audited the Fund Accountability Statement in respect of the USAID Resources managed by Africon, Ltd. under Project 656-0251.00 (IRIP POST EMERGENCY PROJECT, PROJECT ELEMENT # 20 – ER:BASE – CONTRACT N° 656-C-00-01-00003-00, as well as the Modification n° 1 to the subject Contract accepted by the USAID on 8 February 2001) for the period from 1 August 2000 to 30 September 2001. This Fund Accountability is the responsibility of Africon, Ltd. management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Scope

We conducted our audit in accordance with U.S. Government Auditing Standards (1999 Revision) issued by the Comptroller General of the United States. 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. 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 presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers in Mozambique has not been subjected to an external quality control review by an unaffiliated audit organization as required in paragraph 34 of chapter 3 of Government Auditing Standards (1999 Revision) since no such quality control review programme is offered by professional organizations in Mozambique. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the PricewaterhouseCoopers Worldwide internal quality control programme which requires PricewaterhouseCoopers Mozambique to be subjected, every three years, to an extensive quality control review by partners and managers from other PricewaterhouseCoopers offices.

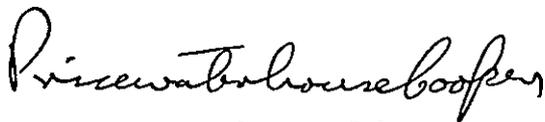
Due to the inaccessibility of continuing education classes for U.S. Government Auditing Standards, PricewaterhouseCoopers Mozambique has not been able to comply with the continuing education requirement as stipulated in paragraphs 6-9 of chapter 3 of Government Auditing Standards (1999 Revision). Our practice in Mozambique currently maintains and makes reference to all literature surrounding U.S. Government regulations pertaining to USAID audits and sends professional staff to other GAAS continuing education classes each year.

As described in Note 2, Africon's policy is to prepare the Fund Accountability Statement on the basis of cash receipts and disbursements. On this basis revenue is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred.

Opinion

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the period from 1 August 2000 to 30 September 2001 in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 2.

This report is intended for the information of Africon, Ltd. and U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.



PricewaterhouseCoopers, Lda.
Maputo
8 February 2002

USAID RESOURCES MANAGED BY AFRICON UNDER PROJECT 656-0251.00 – CONTRACT N° 656-C-00-01-00003-00
 FINANCIAL AUDIT – 1 August 2000 to 30 September 2001

**FUND ACCOUNTABILITY STATEMENT - USAID RESOURCES MANAGED BY AFRICON –
 PROJECT 656-0251.00 – CONTRACT N° 656-C-00-01-00003-00**
 Period from 1 August 2000 to 30 September 2001
 (Amounts expressed in USD)

	Budget	Actual	Accepted	Questioned costs Unsupported	Questioned costs Ineligible
Income					
Refunds	386.086,58	385.427,59	385.427,59	-	-
Total Income	386.086,58	385.427,59	385.427,59	-	-
Disbursements					
Salaries	209.999,80	221.479,65	221.479,65	-	-
Travel and Transportation	15.840,00	7.644,38	7.644,38	-	-
Sub-Contractors & Equipment	79.500,00	92.465,13	92.465,13	-	-
Other Direct Costs	45.648,00	28.799,56	28.799,56	-	-
Sub-total	350.987,80	350.388,72	350.388,72	-	-
Fee	35.098,78	35.038,87	35.038,87	-	-
Total Disbursements	386.086,58	385.427,59	385.427,59	-	-
Balance – 30 September 2001	-	-	-	-	-

Notes to the Financial Statements

1 Accounting Convention

The Fund Accountability Statement is prepared under the historical cost convention.

2 Accounting Basis

Africon, Ltd. policy is to prepare the Fund Accountability Statement on the basis of cash receipts and disbursements. On this basis revenue is recognised when received rather than when earned, and expenses are recognised when paid rather than incurred.

3 Currencies

The accompanying Fund Accountability Statements are expressed in United States Dollars (USD). Transactions incurred in other currencies were translated to US Dollars at the rate of exchange ruling at the date of the transaction.

4 Fund Accountability Statements

The present Fund Accountability Statements has been compiled from the Africon, Ltd. accounting records in respect of the USAID resources under Project 656-0251.00 (Contract n° 656-C-00-01-00003-00, as well as the Modification n° 1 to the subject Contract accepted by the USAID on 8 February 2001).

5 Follow-up on prior audit recommendations

No prior audit has been performed on this specific USAID funded project. As a result we will not be able to fulfil this requirement of the statement of work.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS TO USAID
IN RESPECT OF THE RESOURCES MANAGED BY AFRICON UNDER
PROJECT 656-0251.00 (IRIP POST EMERGENCY PROJECT, PROJECT
ELEMENT # 20 – ER:BASE – CONTRACT N° 656-C-00-01-00003-00)**

We have audited the Fund Accountability Statement in respect of the USAID Resources managed by Africon, Ltd. under Project 656-0251.00 (IRIP POST EMERGENCY PROJECT, PROJECT ELEMENT # 20 – ER:BASE – CONTRACT N° 656-C-00-01-00003-00, as well as the Modification n° 1 to the subject contract accepted by USAID on 8 February 2001) for the period from 1 August 2000 to 30 September 2001 and have issued our report thereon dated 8 February 2002.

Except for not being subjected to an external quality control review by an unaffiliated audit organization and not complying with the continuing education requirements (as described in our report to the Fund Accountability Statement), we conducted our audit in accordance with U.S. Government Auditing Standards (1999 Revision) issued by the Comptroller General of the United States.

The management of Africon, Ltd. 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 reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorised use or disposition; transactions are executed in accordance with management's authorisation and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the financial statements in conformity with the basis of accounting described in Note 3 of our report to the Fund Accountability Statement dated 8 February 2002. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected.

Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

USAID RESOURCES MANAGED BY AFRICON UNDER PROJECT 656-0251.00 – CONTRACT N° 656-C-00-01-00003-00
FINANCIAL AUDIT – 1 August 2000 to 30 September 2001

In planning and performing our audit of the Fund accountability Statement in respect of the USAID Resources managed by Africon, Ltd. under the Project 656-0251.00 (IRIP POST EMERGENCY PROJECT, PROJECT ELEMENT # 20 – ER:BASE – CONTRACT N° 656-C-00-01-00003-00, as well as the Modification n° 1 to the subject Contract accepted by the USAID on 8 February 2001) for the period from 1 August 2000 to 30 September 2001, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants (AICPA). 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 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

Findings

No reportable conditions were noted and no matters involving the internal control structure and its operation were reported to the management of Africon, Ltd.

This report is intended for the information of Africon, Ltd. and U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.



PricewaterhouseCoopers, Lda.

Maputo

11 February 2002

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE TO USAID IN RESPECT OF THE RESOURCES MANAGED BY AFRICON UNDER PROJECT 656-0251.00 (IRIP POST EMERGENCY PROJECT, PROJECT ELEMENT # 20 – ER:BASE – CONTRACT N° 656-C-00-01-00003-00)

We have audited the Fund Accountability Statement in respect of the USAID Resources managed by Africon, Ltd. under Project 656-0251.00 (IRIP POST EMERGENCY PROJECT, PROJECT ELEMENT # 20 – ER:BASE – CONTRACT N° 656-C-00-01-00003-00, as well as the Modification n° 1 to the subject Contract accepted by the USAID on 8 February 2001), for the period from 1 August 2000 to 30 September 2001 and have issued our report thereon dated 8 February 2002.

Except for not being subjected to an external quality control review by an unaffiliated audit organization and not complying with the continuing education requirements (as described in our report to the Fund Accountability Statement, we conducted our audit in accordance with U.S. Government Auditing Standards (1999 Revision) issued by the Comptroller General of the United States.

Compliance with agreement terms and laws and regulations applicable to USAID Resources managed by Africon, Ltd. under the Contract n° 656-C-00-01-00003-00, as well under the Modification n° 1 to the subject Contract accepted by the USAID on 8 February 2001 is the responsibility of Africon, Ltd. management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement are free of material misstatement, we performed tests of Africon's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We also performed tests of Africon's compliance with certain provision of agreement terms and laws and regulations applicable to the provision of cost sharing contributions.

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

Observation 1

We noted that the Materials Engineer did not have the minimum work experience of 10 years as required by the Donor and stipulated in the Agreement.

Recommendation

We recommend that the clauses as mentioned in the Agreement signed with the Donor should be complied with.

Management comments

Africon's final proposal (reference 56087.15.Let dated 10 September 2001) did not include a Materials Engineer per se, but instead a Pavement/Materials Technologist Hattingh with 12 years experience on a short-term basis, and a Laboratory Manager Ndlovu with 4 years experience on a full-time basis.

Recently, during February 2002, the USAID questioned the level of experience and capability of Ndlovu. The following actions ensued:

- *Africon carried out an audit on the laboratory operations on 7 and 8 February 2002, and some corrective actions have been taken; and*
- *A very senior and eminently experienced laboratory manager, Leon Roux, will be deployed on site on a short-term basis (two weeks) as from 4 March 2002, to do a thorough investigation. Should the services of Ndlovu be found wanting, he will be replaced.*

We considered these material instances of noncompliance in forming our opinion on whether the Fund Accountability Statement in respect of the USAID Resources managed by Africon, Ltd. under Project 656-0251.00 (IRIP POST EMERGENCY PROJECT, PROJECT ELEMENT # 20 – ER:BASE – CONTRACT N° 656-C-01-00003-00, as well as the Modification n° 1 to the subject Contract accepted by the USAID on 8 February 2001) for the period from 1 August 2000 to 30 September 2001 is presented fairly, in all material respects, in accordance with the terms of the agreement and in conformity with the basis of accounting described in Note 3 of our report to the Fund Accountability Statement, and this report does not affect our audit opinion report dated 8 February 2002.

We noted certain immaterial instances of noncompliance that we have reported to the management of Africon, Ltd. in a separate letter dated 11 February 2002.

USAID RESOURCES MANAGED BY AFRICON UNDER PROJECT 656-0251.00 – CONTRACT N° 656-C-00-01-00003-00
FINANCIAL AUDIT – 1 August 2000 to 30 September 2001

This report is intended for the information of Africon, Ltd. and U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers

PricewaterhouseCoopers, Lda.

Maputo

11 February 2002

APPENDIX

**AFRICON LTD. LETTER WITH COMMENTS TO OUR
FINDINGS AND RECOMMENDATIONS**

In order to comment on the two Observations as reflected in the "Report on Compliance" dated 11 February 2001 as produced by PwC the following statement is relevant:

It should be noted that the "Notes to the Financial Statements" as appended to the three reports compiled by PwC appear to be incomplete in a material respect, namely, that no cognisance is taken of the import of Modification No 1 to the subject contract (No 656-C-00-01-00003-00) as issued by the USAID on 3 August 2001. This statement can be elucidated as follows:

- Paragraph 1 of the said "Notes" contemplates Africon providing services comprising a design phase, tender phase and construction management phase.
- Soon after commencement of the design phase Africon was instructed to provide services to the ANE/USAID aimed at establishing a negotiated contract with the construction contractor on the adjoining contract from Gorongosa to Caia, Grinaker-Group Five JV, in lieu of calling for tenders. This instruction interrupted the timeous submission of the Draft Final Report as referred to by PwC.
- In the event the attempt at negotiations failed, and Africon was instructed to revise all relevant documentation and call for tenders. This was duly commenced with during June 2001.
- The "Draft Negotiation Report" as referred to by PwC related to the tenders eventually called for after the first negotiations failed, and not the tenders contemplated in the original contract.
- The above statement is substantiated in **Modification No 1** to the contract, wherein a second Tender Phase is allowed in B.9 Budget – Option 1 at \$37 648-00 cost plus fixed fee.

The following comment by Africon is submitted by having regard to the above:

MANAGEMENT COMMENTS ON OBSERVATION No 1

The apparent non-compliance regarding the due dates for submission of reports should be put in perspective, as follows:

1. INCEPTION REPORT

The original contract was revised through negotiation, as confirmed in Africon's letter to USAID: reference 56087/2134/LPJ/lp dated 4 September 2000. The Inception Report, originally scheduled for 27 October 2000, was nevertheless compiled and submitted with a nominal delay, during November 2000.

2. DRAFT FINAL REPORT

In the original contract this report, due on 15 December 2000, was to comprise a draft final design report, cost estimates and draft bidding documents. The revised contract however called for a draft final design report and a draft fully priced bill of quantities reflecting rates and prices provisionally negotiated with the designated single source contractor. This report was duly produced during February 2001, after which formal negotiations with Grinaker Group Five JV commenced.

3. DRAFT NEGOTIATION REPORT

The two dates referred to by PwC are not connected, as the first (15 December 2000) relates to the contract as originally contemplated, which was replaced by the fruitless attempt at direct negotiation, and is therefore irrelevant. The second date (July 2001) relates to the eventually tendered contract as awarded to the construction contractor WBHO. It is noteworthy that the report in issue was actually submitted ahead of the schedule offered by Africon in letter 81770.10.Let dated 3 July 2001.

MANAGEMENT COMMENTS ON OBSERVATION No 2

The observation that the Materials Engineer and Inspector of Works have less than required years of experience presumably related to the candidates originally proposed, namely Strydom and Chavalala respectively, as submitted by Africon in letter 56087/2134/LPJ/lp dated 15 September 2000.

This matter has been dealt with as follows:

1. MATERIALS ENGINEER

Africon's eventual proposal (reference 56087.15.Let dated 10 September 2001) did not include a Materials Engineer per se, but instead a Pavement/Materials Technologist Hattingh with 12 years experience on a short-term basis, and a Laboratory Manager Ndlovu with 4 years experience on a full-time basis.

Recently, during February 2002, the USAID questioned the level of experience and capability of Ndlovu. The following actions ensued:

- Africon carried out an audit on the laboratory operations on 7 and 8 February 2002, and some corrective actions have been taken.
- A very senior and eminently experienced laboratory manager, Leon Roux, will be deployed on site on a short-term basis (two weeks) as from 4 March 2002, to do a thorough investigation. Should the services of Ndlovu be found wanting, he will be replaced.

2. INSPECTOR OF WORKS

Chavalala has 26 years of appropriate experience, and therefore meets the criteria of the contract.