

U.S.A.I.D. / BAMAKO

CONTRACT N° OTR-0000-4329

INSTITUT DU SAHEL

PRE-AUDIT SURVEY

MAY 1985

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**Cabinet
Aziz Dieye**

en association avec
**Coopers
& Lybrand**

Mr. Geoffrey G. Fritzler
Agency for International Development
RIG/A/DAKAR

DAKAR, May 15th, 1985

Dear Mr. Fritzler,

As requested in the work order under Contract OTR-0000-4329 dated December 11, 1984, it is our honor to present the enclosed proposal, for the purpose of conducting a financial audit of the expenditures of the Sahel Institute (INSAH).

From April 11 to May 3, 1985, we conducted a pre-audit review of the accounting system and internal control procedures of the Sahel Institute (INSAH) for the period covering 01.01.80 through 31.12.84.

We met with :

Mr David Wilson	USAID Bamako Mission Directory
Mr. Keith Romwall	Financial Analyst for USAID in Bamako
Miss Emmy Simmons	Agricultural Project Officer at USAID/ Bamako, substituting for Mr. Francisco Zamora, INSAH Project Officer.
Mr. Don Van Noi	Director of the Sahel Regional Management Project
Mr. Thomas Reuben	General Manager of the Sahel Institute
Mr. Adou Gadiaga	Chief Accountant at INSAH

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We also met with the different top officials of the departments which make up the Sahel Institute such as :

- RESADOC
- Training
- Communication
- USED

Through these meetings, we were able both to discuss and observe the operations and transactions of INSAH and also to draw up descriptions and tests which we deemed necessary under the circumstances in order to comprehend the Institute's accounting system.

BACKGROUND

The Sahel Institute is a specialized institution of CILSS (Permanent Inter-State Committee for the Control of Drought in the Sahel).

It was created in 1976 to serve as a cooperative agency for the promotion of research, training and scientific and technical information, which are absolutely necessary to the attainment of the objectives assigned to CILSS i.e :

- food self-sufficiency
- knowledge of the human environments
- Training of senior researchers
- control of water resources
- restoration of the Sahelian environment.

To attain its objectives, the Sahel Institute must, among others, assume the following roles :

- Collection, analysis and dissemination of scientific and technical research findings.

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- Transfer and adaptation of technologies
- Promotion, harmonization and coordination of scientific and technical research.
- Training of researchers and Technicians.

The Institute is financed by the contributions of the CILSS Member States for an annual amount of 91,837,358 CFA F and by various donors, such as : USAID, FED, UNSO, UNDP and CIRDA.

The largest funding is granted by :

- USAID : Grant agreements No. 625-0911, entitled "Support to the Secretariat and to RESADOC for \$US 1,369,000 and No 625 0927, entitled "Support to USED" for the amount of \$US 6,932,000.
- FED : Millet, Sorghum and Cowpea Project :
ECU 3 000 000 for a 4-year period starting June 14, 1981.

Objectives and Scope of Examination

The work statement has indicated the different components of the Preaudit review :

- Hold initial discussions with USAID/Bamako's Mission Director Controller and top officials of the institute .
- Sollicit the views of the various project officials as to management problems, suggestions or procedural changes, such as to facilitate the development of a unified accounting system within the Institute that would satisfy the needs of all concerned parties.

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- Review USAID/B Project No. 625-0911 documents particularly those pertinent to operations of the Institute. These documents may include the Project Agreement, Project Implementation Letters, Project Reports (program, progress and financial) and the AID \$1.369 million grant agreement for support of the Secretary and RESADOC units within the Institute.

Review all financial, progress or evaluation reports prepared pursuant to the AID grant.

- Conduct a limited review of the operations of the major units within the Institute particularly the Secretariat, RESADOC and USED.

Determine the objectives of CLISS and how the various Institute's Units generally support these objectives.

- Determine the amount of funds programmed in the FY 1985 PP amendment for support to the Institute's Secretariat, RESADOC of other units.

Determine if these funds are for new purposes or merely a continuation of prior approved uses.

- Conduct a limited review of the accounting systems and procedures, financial reports or statements and management reports prepared by the various major operating units within the Institute. Determine how the units' system and reports mesh into the Institute's overall operating and reporting on its objectives.

- Conduct any other survey activities considered appropriate by the USAID Controller and/or Project Manager.

- All work in this survey is subject to oversight by the RIG/A/WA, in cooperation with the USAID/B Controller and/or Project Manager.

- Prepare a report on results of the survey and in cooperation with the RIG/A/WA and USAID/B Controller and Project Manager, finalize a proposal for completion of the actual audit work as described in the Audit Program: Scope.

The amount and detail of the Funds granted by USAID that are to be audited can be summarised as follows.

<u>Contract No.</u>	<u>Audit Period</u>	<u>Estimated Amount to be Audited (in \$US)</u>
625 0911 - Support to RESADOC and to Secretariat		
3rd Amendment	1980 to 1984	231 000
4th Amendment		238 000
5th Amendment		500 000
6th Amendment		400 000
		<hr/>
		1 369 000
625 0927 - Support to USED	1980 to 1984	6 932 000
625 0928 - Support to Information on Crop Protection	1984	45 000
		<hr/>
		8 346 000

At the conclusion of the audit, we will submit to you a report which in addition to the results of the tests and audits performed, will include a summary of the grants by contract and by year , while stipulating the funds received and the amounts obligated, distinguishing between those actually disbursed and those that are not.

Results of the Pre-Audit Survey

Initial discussions with the top officials and USAID officers and
Management Problems

At the end of our discussions we have had a more detailed understanding of the management problems within the Sahel Institute.

According to everybody we met and talked to at the INSAH, the main problem is the absence of a global, comprehensive and in depth view of the Sahel Institute's activities.

No one really knows how much is being spent through the all Donors' funds.

No consolidation is made of the different funds the Institute receives from the various fund Donors.

Further more, the objectives of the Institute and the results of its activities are not clearly defined.

The only way of controlling the activities is through the budgeting system which is not a Managerial tool, being only a way of obtaining the Funds.

To comply with the Donors' requirements, each Unit within the Institute and for each separate Project agreement issues a separate set of financial reports which are not necessarily known to the General Manager.

The General Manager has not got a uniform Management Information System to enable him to coordinate and control the Units.

We have come to the conclusion that there is a need for the Central Management Unit to have a reporting system so as to know what is going on within the Unit. Nevertheless we believe that there is no contradiction between the autonomy of operational units and the existence of a Central Uniform Accounting Administrative and Financial system.

Moreover, we believe that, to attain the objectives of a Uniform Accounting system, there is no way to avoid a certain degree of Autonomy.

The Units would be following up and recording their operations, the central Management Unit consolidating all the data and controlling operations.

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Results of the limited review

Our discussions with the different officers at INSAH and the limited review of the accounting system and the transactions performed by the Institute have enabled us to make an evaluation of the auditability of the expenditures.

Through our conversations with Mr. Reuben and his colleagues, we have made an evaluation that the above contracts with USAID are auditable.

We have utilized all documentation capable of helping us to understand the internal control system, using generally accepted auditing standards.

We have also summarized the procedures and information systems in force both at the level of the operational units and at that of the administrative office in order to determine whether to reduce or extend our substantive testwork.

During the period under audit (1980-1984), there was a major change with Mr. Reuben's arrival in June 1983. Mr. Reuben has tried to set up an internal control system which would permit him to eliminate the weaknesses which existed in the project management, by instituting stronger controls on settlements and follow-up of bank accounts.

It is also worth noting that the Sahel Institute is in the middle of reorganizing. In fact it has two sorts of accounting records ; USED which manages its funds independently and those of the official accountant of the Institute.

The council of CILSS Ministers on May 15, 1985 deliberated on merging these two bodies and establishing a consolidated budget system.

For this reason, we believe that the audit should cover all the contracts signed by the Sahel Institute.

The following comments summarize the Internal controls covering the period of 1980 to 1984

The Budgeting System

The budgeting system in place in the various units is not an managerial tool but just a means of obtaining funds from the donors.

Accounting System

There is no uniform, coherent system of administrative and financial management.

At the present time, it is not possible to know the total amounts of funds allocated.

It is difficult to ensure that the disbursements made from donor funds match the goods and services required for the project.

It is impossible to follow the fixed assets acquired through project resources because there is no double-entry bookkeeping.

Bank Accounts

A bank account has been opened by the project, and is thus a source of funding. The bank register is kept by budget lines, but it is impossible, for example, to reconcile the equipment budget item line with the fixed assets register because the equipment budget item line shows not only the fixed assets but also office supplies and other items.

The bank account is reconciled every month.

Salaries

Time sheets are handled by the Personnel and Supplies Office.

In and out times are mentioned, but no consideration is taken of working actually compiled when salaries are calculated.

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The personnel Office is unaware of some salaries because the pay system is uneven, with staff being paid out of different funds.

Audit Approach and Timing

Our pre-audit survey involved conversations with INSAH and USAID personnel combined with limited audit tests for INSAH.

We are of the opinion that the existing documentation can be used to proceed with a financial and compliance audit.

We estimate that the audit will require the following steps and hours, indicated in the table below.

ALLOTTED TIME IN DAYS

AUDIT STEPS	PARTNER	MANAGER	SURVEY TEAM
1. Analysis of the management information system now in place to point out the weaknesses and to suggest appropriate modifications;	5	5	15
2. Analysis of management information needs of the donors, the administrative office and of the sponsoring ministry in order to determine the possibility of setting up a minimum acceptable system which meets the needs of each party concerned.	5	5	15
3. Analysis of capabilities now available in the Institute in order to measure the Institute's capacity to assimilate new administrative and financial structures.	3	3	15
4. Performance of compliance and disbursement and expenditures tests for each contract and its amendments.	2	2	60
5. Preparation of an analysis of the contracts in terms of % of donor participation and % of implementation.	1	1	15

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ALLOTTED TIME IN DAYS.(CONT.).

	PARTNER	MANAGER	SURVEY TEAM
6. Preparation of the Report, which will include :	4	15	15
- Our opinion of the contract disbursements and expenditures ;			
- A summary of the sums received by the project since its beginning and of the amounts obligated (with % of implementation).			
- Report on budget lines 1.2.3.			
	20	31	135
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We are prepared to begin the audit within two weeks of receiving your authorization to proceed. We commit ourselves to delivery of our final report within twelve (12) weeks of comencing the audit.

SURVEY TEAM.

The audit survey team will be led by Aziz DIEYE, the audit partner in our office responsible for our public and parastatal audit practice.

He will be assisted by Abdoulaye NDOYE, a manager in our Dakar Office, who has served many grantee organizations in similar efforts.

In addition, an audit staff accountant will perform the detail test work and assist in the preparation of the report.

To provide background as to the engagement partner, manager, and we have included biographical data sheets as Exhibit A.

Each of these professionals is a fulltime employee or partner of Cabinet Aziz DIEYE.

The utilization of each individual is determined based on his/her qualification rather than suggestions of an AID employee.

FEEES AND EXPENSES.1. FEEES.

	: DAILY RATE (US \$)	: N° OF DAYS	: FEEES (US \$)
ASSOCIE	400	20	8 000
MANAGER	170,44	31	5 407
STAFF	100	135	13 500
		186	26 907

2. EXPENSES.

- Airplane Ticket 5 Tickets X \$ 260	1 300
- per Diem, \$ 81 X 150	12 150
- Secrétarial Expenses 5 days X \$ 50	250
- <u>TOTAL EXPENSES.</u>	US \$ 13 700

3. TOTAL COST

FEEES	26 907
EXPENSES	13 700
- <u>TOTAL</u>	US \$ 40 607

I certify that the fixed daily rates proposed herein are based on actual salaries which the proposed personnel will receive for each day of services covered by this proposal.

Very truly yours

Aziz DIEYE