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RURAL WATER SUPPLY AND SANITATION
PROJECT OF TOGO
(USAID/TOGO AGREEMENT N° 693.0210)

REPORT ON PROJECT ADMINISTRATIVE AND
ACCOUNTING PROCEDURES

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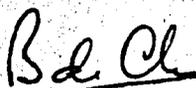
Dear Sir,

We are pleased to submit to you our report concerning the Rural Water Supply and Sanitation Project of Togo (USAID/TOGO Agreement N° 693.0210, dated August 31, 1980).

The report has already been examined by several project members, and a seminar was held in Kara on August 6, 7 and 8 to discuss the procedures manual and the annexes. Following this seminar, we believe that the project personnel will be able to implement the proposed new system, and provide adequate follow-up.

We would like to bring to your attention that a follow-up visit by our firm has been tentatively agreed to take place during the first week in January 1985, in order to perform an initial evaluation of the project's ability to implement the new system. Following this evaluation a seminar may be held if considered desirable in order to provide more training to the project staff. System modifications may also be made if necessary in the light of the evaluation.

We would like to thank the USAID project and technical assistance staff for all the help they have given us throughout this mission.



B. de Chazal

Encs : 5 reports in English.

Akintola Williams & Co

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TITLE : Togo Rural Water Supply and Sanitation Project (693-0210)

1.0 BACKGROUND

USAID has initiated the Togo Rural Water Supply and Sanitation Project in 1980 at the request of the Government of Togo (GOT) in line with its third National Development Plan. The project is multilateral, and includes two major components :

1.1. Drilling component

The original grant agreement was that USAID would finance the drilling of a planned 400 wells in two regions. Amendment N°7 has acknowledged the increased value of the dollar during 1982-1983 and better economies of scale in drilling operations and increased the number of authorised tube wells from 400 to 1.000. The drilling is expected to be completed by December 1985. The social sanitation part of the project has been extended to September 1987, and accordingly USAID has increased its commitment by 50% of the amount originally allocated. The other parties to the multilateral agreement are the French Fonds d'Aide et de Coopération (FAC) whose responsibility is pump installation, and the Fonds Européen de Développement (FED) who financed the services of the hydro-geologic technical consultants (Bureau de Recherches Géologiques Minières - BRGM -), and the pump maintenance program.

1.2 Health and Sanitation education component

The health and sanitation education part of the project is designed as a component to the well drilling in order to make proper utilization of the water provided by the wells. Following Amendment N°7, the USAID contribution to this component has increased from US\$ 2.889.000 to US\$ 4.654.000. The other parties to this multilateral agreement are the G.O.T with manpower (100 agents) and Peace Corps with 5 PCV's in the Plateau region for over two years and 4 PCV's in the Savannes region for over one year.

1.3 Contribution

The donors' contributions can be summarized as follows (Amendment N°7):

<u>A.I.D.</u>	<u>000's of US\$</u>
Drilling contract	7.085
Technical assistance	1.236
Project evaluation	52
Training	644
Vehicles	453
Micro-projects	500
Commodities and equipment	259
Salaries	340
Operational costs	345
Alternate water system	130
Contingency	<u>695</u>
Total	<u>11.739</u>
<u>Peace Corps</u>	1.600
<u>FED</u>	1.400
<u>FAC</u>	1.700
<u>Government of Togo</u>	<u>2.641</u>
Grand total \$	<u>19.080</u> *****

1.4 USAID Mid Term Evaluation

On April 15, 1983, a USAID mid-term evaluation team made a number of major recommendations for project improvements. The recommendations concerned various aspects of the project, some of which relate to the project management. The USAID report recommended the utilization of an accounting firm for the following purpose

- (i) To improve the projects financial management
- (ii) To improve the projects overall management
- (iii) To institute necessary controls
- (iv) To train project staff as needed.

2.0 OBJECTIVE

Based on the mid term evaluation report the objective of this contract has been defined as follows :

- (i) To improve the national level project management's responsiveness to administrative deficiency,
- (ii) To improve reporting requirements for all project regional and national level staff as well as USAID technical advisors,
- (iii) To improve overall project financial management, institute necessary controls, and train project staff in new systems as needed.

3.0 SCOPE OF WORK

The scope of work as defined in the contract is reproduced below :

A - Survey and System Design

1. The accounting firm will confine its activities for the most part to the education, sanitation and micro project component of the project. Well drilling is a distinct component of the project and except for the task of assuring that adequate accounting systems are in place, will not be a major component in this scope of work.

2. Review the present project financial management system and assess its strengths and weaknesses :
 - a. Evaluate the project's capability to account and report adequately for USAID funds based on the review of the government's system of fund accounting, voucher payment and controls systems,
 - b. Make recommendations for improving the system's efficiency and responsiveness to the needs of GOT and USAID management,
 - c. Review the project's financial compliance with the terms of the project agreement, and make recommendations where appropriate,
 - d. Inter alia, the review shall include :
 - (i) Fund accounting
 - (ii) Voucher payments and control system
 - (iii) Payroll
 - (iv) Reporting and control system
 - (v) Budgeting and budget control.
3. Review the project's materials purchasing inventory and disbursement procedures at the regional as well as national level.
 - a. Evaluate the project's capability to account and report adequately for all project related materials, including micro-project materials, gasoline, spare parts for motorcycles, office supplies and training materials, etc.,
 - b. Evaluate the project's capability to assure adequate turnover of materials and supplies to meet project needs on time,
 - c. Make recommendations for improving the system's efficiency and responsiveness to the needs of the project's field staff,
 - d. The following will be developed :
 - (i) cash-flow projections of proposed project activities,
 - (ii) inventory control systems at regional and national levels,

(iii) purchasing and disbursement systems for project materials at the regional and national levels.

4. Assess the financial and management capabilities of the government entities which are responsible for financial and supplies management of the project. This would include :
 - a. discussion with personnel assigned to the project, and assessment of their training needs,
 - b. helping select additional personnel, if required, and determine their training needs,
 - c. helping clarify job descriptions and responsibilities of all project management personnel.

B. Training

1. Design and conduct training seminars for project management on the use of the new system. The training program will be conducted as follows :
 - a. Train the existing personnel at the initial stage of system development and implementation,
 - b. As part of the third month follow-up review, if progress has not been adequate, advise if the recruitment and training of new personnel would help ameliorate the situation, and if so, help recruit and train the personnel selected. Provide follow-up training and review for personnel previously trained,
 - c. Since training is a vital part in the success of the project, adequate resources should be allocated to this activity, and as such the training plan should be as follows :
 - (i) Involve management from the beginning with all systems changes,

- (ii) Hold a one/two day seminar for the management personnel.
(This seminar should follow the initial "on-the-job" training after all the personnel have become acquainted with the technical problems of the new system).
 - (iii) Hold a 1 or 2 day seminar for the management personnel at the 3rd month to review and evaluate progress and develop solutions to any problems encountered.
2. Follow-up review at the 3rd month to ensure proper implementation and maintenance of systems.

4.0 SYSTEMS REVIEW AND EVALUATION

4.1 Review and Evaluation of the present Project Financial Management System

4.1.1 Background

The present project accounting system is based upon GOT accounting regulations for its own projects. Our review has confirmed that this system has been adequately followed by the project's management. However according to section B. 5 (b) of Amendment N°2 to the main Agreement, the GOT accounting regulations are not adequate to cover USAID requirements as stated in the above mentioned section. The weaknesses that we describe below can be considered as weaknesses only to the extent that they do not comply with accounting methods generally accepted by USAID for similar projects. We have noted that since the recruitment of a new Chief Accountant in September 1983 the project has started to elaborate a new accounting system but this system has not yet been applied pending the arrival of the firm of accountants who have been selected for this mission. We have reviewed the new accounting system proposed (not yet implemented) by the project, and we consider it to be incomplete and not sufficiently detailed from USAID view point, to constitute a valid working document for eventual implementation. The review and evaluation of the present financial management system is based on the existing system, but in our recommendations, we have taken into account the recent proposals made by the projects management.

4.1.2 Review and Evaluation of the Project's Capability to Account and Report adequately for USAID Funds

4.1.3 Fund Accounting

The records maintained by the project at present are :

- 1) Cash book
- 2) Petty cash book (loose leaf form)

The project's capability to account for USAID funds, and ultimately report on them is inadequate for the following reasons :

- 1) The project does not record its transactions in accordance with double entry bookkeeping and consequently the project does not have proper books of accounts such as General Ledger.
- 2) The project records its transactions on a cash basis, and a number of transactions are not recorded in the correct period.
- 3) The project does not record all direct payments made by USAID e.g. technical assistance and procurement of major equipment such as motor cars etc... In addition, there is no book control over the projects fixed assets (such as Fixed Assets Registers).
- 4) There is no inventory control system and procedures.
- 5) There is no micro project follow up system.
- 6) There is no system to monitor outstanding advances for seminars.
- 7) Elementary controls like bank reconciliations have not been formally carried out.

Because of the bookkeeping weaknesses mentioned above, the project cannot report adequately its financial position in accordance with generally accepted accounting methods.

4.1.4 Voucher Payments and Control System

a) Payment by cheque

The project maintains a separate bank account for USAID funds.

Requisition for orders of goods and services are verbal, but purchase orders are approved by both the National Coordinator and the Financial Controller at the Ministry of Plan. These same persons approve purchase invoices and sign cheques for payment to suppliers. A list of all cheques issued together with the original of the supporting documents are forwarded to USAID Lomé Office for examination prior to further USAID project funding.

b) Payment by cash

Cash expenditure is made exclusively out of petty cash. There is a float of FCFA 1.000.000 at the National Office and sub-floats of FCFA 100.000 each at the regional levels. All floats are recorded on an imprest basis.

The petty cash is under the sole responsibility of the National Coordinator who reviews all payments made. A summary of all expenditure is made prior to the replenishment of the float, and this summary together with all supporting documents are examined by the Financial Controller at the Ministry of Plan before the replenishment cheque is co-signed by him.

We have found that the system of voucher payment and its controls are effective although excessively complicated and lengthy.

4.1.5 Payroll

The personnel policy including per diem which applies to the project employees paid out of USAID funds is under GOT control. Ministerial approval is required before the recruitment of every project paid employee. The employee's classification and salary scales are determined by the Ministry, and USAID Lomé approves every new employee to be paid out of USAID funds.

The payroll preparation and distribution is performed by the assistant to the Chief Accountant, but this weakness in internal control is adequately

compensated by the approval of the payroll by the National Coordinator, the Financial Controller at the Ministry of Plan and USAID in Lomé.

The salaries of the project personnel not paid out of USAID funds are not recorded as project costs.

4.1.6 Reporting and Control System

The present reporting system is as follows :

- 1) A summary of expenditure by budget line accompanied by all invoices paid during the period. This summary is prepared whenever existing funds have been used up and additional funds are requested from USAID.
- 2) A monthly activity report describing the project's activities. This report does not provide any budget line figures.
- 3) An annual report describing the year's activities and providing a summary by budget line of the years expenditure by the project. The reports also include a schedule prepared by REDSO/WCA in Abidjan providing the unutilized portion of the overall budget by main budget line.

These reports are not adequate since they fail to disclose the financial position of the project as a whole under generally accepted accounting principles. However, the present project accounting system is not capable of producing meaningful data for the preparation of a project balance sheet.

4.1.7 Budgets and Budgetary Control

Annual budget

Under the present system, annual budgets are approved annually by the following persons :

- . The Minister of Public Health and Social Affairs
- . The Minister of Plan, Industry and Administrative Reform
- . The National Coordinator for the project
- . The National Management Coordinator from the Ministry of Plan (Financial Controller)
- . The USAID Representative in Togo.

The project is shown by main budget lines which are themselves broken down in broad categories of expense. Owing to a change of National Coordinator in 1982, and the preparation of Amendment N° 7, the budgets for 1983 and 1984 were finally approved in May of 1983 and 1984 respectively, but project activities continued to be financed through previous budget surpluses.

Quarterly budget

Quarterly budgets were prepared for the 1st and 2nd quarters of 1984 but no budgets were prepared for the 3rd and 4th quarters of 1984, at the time of our visit. The quarterly budgets are broken down in main budget lines, but very little detail is given for each budget line. The date of preparation of the 1st and 2nd quarter budgets have not been disclosed.

The weaknesses we have noted concerning the budget system as a whole are as follows:

- 1) The timeliness of the annual budget's final approval is totally impractical for the smooth running of the project, because no expenditure will be authorised until the approval of the annual budget by all parties concerned. When the micro project program will have started, there may be shortage of materials followed by a disruption of the program itself.
- 2) The quarterly budgets are not prepared at the time that the annual budget is prepared. It is not apparent on what basis the annual or quarterly budgets were prepared since the 1st and 2nd quarter budgets for 1984 were completely meaningless in terms of possible achievement.
- 3) The budgets are not sufficiently detailed for meaningful follow-up and control by the project management.
- 4) The project management does not attempt to compare budget with actual expenditure. The only comparison is done annually by REDSO/WCA in Abidjan on a global basis. Because of the lack of comparison of budget with actual, variances are not identified and no action taken by management.

4.2 Review and evaluation of projects material purchasing, inventory and disbursement procedures

4.2.1 General background

At the present phase of the project development, the amount of materials purchased is relatively small because the micro project and alternative water system components of the project, which will be the major consumers of materials, have not yet started.

4.2.2 Evaluation of the projects capability of accounting and reporting adequately for all projects related materials

a) Materials

The present inventory recording system is not adequate for accounting reliably for inventory on hand. The exception is gasoline and office supplies which are discussed below.

The main weaknesses are :

- 1) Lack of inventory record cards which would show movements of materials and the balance on hand.
- 2) No prenumbered goods receipt notes and delivery notes in order to account for movement of materials.
- 3) No physical count of materials and reconciliation to a theoretical figure for control purposes.
- 4) No overall control using quantities purchased and shipped to ensure reasonability of inventory.
- 5) There is no method of inventory costing and evaluation for materials on hand.

b) Gasoline

Purchases are made in the form of prepaid coupons of 10-20 litres. All coupons purchased are listed in a register by numerical sequence, and when issued, the numerical sequence is noted. All issues of coupons are signed for, and the kilometers recorded by the vehicle are noted at the time of issue. This system provides adequate control over the utilization of gasoline but requires periodical review by National or Regional Coordinators to ensure that unusual occurrences are explained satisfactorily.

c) Office supplies and training material

Office supplies are purchased annually on the basis of estimated annual consumption. The supplies are kept locked up, and all utilizations are accounted for by the user having to sign for supplies received.

4.2.3 Review and evaluation of the projects capability to assure adequate turnover of materials and supplies to meet project needs on time

a) Materials and supplies (including spare parts)

The projects capability to assure adequate turnover of materials and supplies for Micro Projects and Alternative Water Systems depends on a number of conditions :

- (i) The projects ability to define its materials needs by location both in terms of quantities and time.
- (ii) The projects accuracy in evaluating its existing inventory of materials and supplies on hand
- (iii) The projects ability to obtain timely delivery of materials and supplies.

The systems existing at the project level at present are not adequate to ensure that the conditions mentioned can always be satisfied. The inefficiencies of the present systems are described below :

- (i) Although there is a general planning for the projects future operations, the specific objectives are not sufficiently well defined both in terms of numbers location and time of execution. Consequently, the materials needs cannot be defined accurately, in terms of quantities, time and place of delivery.
- (ii) There is no inventory control and reporting which means that there would be difficulties in assessing inventory on hand at any one time, with possibilities of shortages.
- (iii) The project ability in obtaining materials and supplies depends on accurate planning of its future operations, since orders can only be placed with clear objectives in mind as to quantities to be ordered and delivered and time and place of delivery. There is no evidence of such planning taking place at the project at present.

b) Spare parts for motor cycles

Spare parts are purchased in Lomé and dispatched to the regional offices on request, whenever the parts are needed for immediate use. Consequently, it is to be expected that under this procurement system, spare parts will continue to be in short supply with all its consequences in terms of motor cycles downtime and wasted time for the agents who can no longer travel until their vehicles are repaired.

c) Gasoline

The present coupon system is appropriate for the projects operations, whereby coupons are allocated on the basis of expected monthly travel plans. Periodic review should however be carried out by the National or Regional Coordinator to ensure that unusual occurrences are explained satisfactorily.

5.0 RECOMMENDATIONS

The recommendations that follow have been incorporated in the proposed new systems wherever possible. The method of operating the new system is described

in the procedures manual and the suggested forms to be used for accounting and reporting purposes have explanatory notes attached to them. The system analysis and internal control section describe the system in detail and the internal controls that apply.

5.1 Financial Management System

a) Fund Accounting

Since the projects financial management does not comply with USAID requirements as stated in section B.5 (b) of Annex II to the original Agreement, we are proposing a completely new accounting system based on double entry bookkeeping and accruals (see Systems Description Section 6).

The new system will include the following book of accounts :

- (i) A general ledger where the individual accounts will correspond to the main budget lines as described in Amendment N°7 to the original Grant Agreement. In addition, accounts will be opened for cash accruals and Grants received from USAID.
- (ii) A subsidiary ledger where the accounts will correspond to the subdivision of the main budget lines as stated in Amendment N°7.
- (iii) An analytical cash book and petty cash book to record all receipts and disbursements. The cash book will provide columns horizontally to correspond to the main budget lines and the postings to the subsidiary ledger will be recorded vertically (see Annex 2)
- (iv) A journal to be used for the following purposes :
 - . Post the cash and petty cash books monthly to the general ledger and the subsidiary ledger.
 - . Record all non cash originated transactions i.e, accruals, settlement of advances and direct payments made by USAID.

b) Budgets and budgetary control

- (i) Annual and quarterly budgets should be prepared and approved at the latest by November of the preceeding year. This is important because all orders for purchases of materials included in the budget have to be made ahead of time and no purchase orders can be authorized unless the annual budget has been approved.
- (ii) Budgets should be elaborated based on careful and realistic planning of operations for the coming year.
- (iii) Quarterly and annual budgets should be more detailed to enable effective monitoring (see Annex 18 for suggested reporting format)
- (iv) Budgets must be compared to actual figures, and variances satisfactorily explained.
- (v) The overall project budget should be analysed in annual tranches and based on current knowledge of the project conditions, an assessment should be made as to the possibility of achieving the project aims within the project's monetary and time limits. Any major discrepancies should be discussed with USAID.

5.2 Materials purchasing and inventory procedures

5.2.1 Project's Capability of Accounting and Reporting adequately for Project related materials

a) Materials, spare parts and supplies

It is necessary to install a proper inventory control and reporting system. A detailed description of the system is provided in the Operations Manual Report and the forms which are required to be used are provided in the Annexes.

The system requires that the following documents be used :

- (i) Except for consumables, each inventory item should be recorded on an individual inventory card (see Annex 13 for card description)
- (ii) All inventory movements should be recorded on these cards.
- (iii) Prenumbered documents should be issued by the store keeper to account for all inventory movements.
- (iv) A physical inventory count should be carried out monthly and compared with the quantities on the cards. Significant variances must be explained.
- (v) A quarterly reconciliation must be carried out between the physical inventory and book movements (i.e opening inventory + purchases - utilization at cost = closing inventory see Annex 14)

b) Micro Projects and Alternative Water System

It is necessary to account for the materials cost element of each Micro Project and Alternate Water System. The proposed system is described extensively in the Operations Manual and the forms to be used appear in the Annexes.

c) Office Supplies and Training Materials

These are kept locked up under the control of the Chief Accountant. We believe that there is no need to make any changes to the procedures covering the above materials and supplies.

5.2.2 Project capability to assure adequate turnover of materials and supplies to meet the projects needs on time .

a) Materials and Supplies

One of the most important steps that we recommend the project must undertake is in its planning procedures. Proper planning of the project activities will have a significant impact on its performance.

The following aspects of the project depend on accurate and timely preparation of a plan of activities :

- (i) Budget preparation and supplies
- (ii) Timely ordering of materials and supplies from suppliers
- (iii) Proper utilisation of key personnel (masons, carpenters and field agents).
- (iv) Cash-flow projections.

We therefore recommend that the services of an experienced project planning officer be secured as quickly as possible, in order to improve project planning. We believe that without proper planning, it will not be possible for the project to achieve its stated objective of micro-projects within the projects' stated life time.

Efficient planning will result in :

- (i) Clear instructions given by the National Coordinator to the project personnel
- (ii) Orderly execution of Micro Projects and a considerable reduction of wasted opportunities because of better coordination. This will include early selection of Micro Projects, fixing exact dates for execution of work, proper follow-up of preparation by field personnel, proper time table for key personnel etc ..
- (iii) Reliable determination of cash flow and material procurement projections based on realistic objectives.

As a means of effectively monitoring project planning, we suggest the use of a board with slots. These boards should be kept at both the National and Regional Offices.

The horizontal axis of the board will represent the time element, by week, and the vertical axis, the key personnel such as masons, carpenters and other key field agents. The slots in the middle will represent the selected Micro Project.

b) Spare Parts

In order that adequate turnover of spare parts for motorcycles can be assured, a number of steps must be taken :

- (i) Spare parts inventories must be kept at the two regional offices.
- (ii) The rates of utilisation of the most commonly used parts must be established and minimum reorder levels for those parts must be set.
- (iii) A maintenance follow-up card must be created for every project motor cycle. This card will be in duplicate, one with the repair shop and the other with the user of the motorcycle. The card will state the maintenance schedule and will be stamped at the end of each maintenance visit.

We believe that these constitute the minimum essential steps to avoid unnecessary down time of vehicles. The system will also prolong the effective life of the vehicles because of proper maintenance.

The materials cost of repair for each vehicle must also be valued using the forms shown in Annex 23. Such information will be useful in deciding when to sell vehicles that have become uneconomical to maintain.

5.3 Review of the projects financial compliance with the forms of the project agreement.

We have reviewed the terms of the project agreement for financial compliance, but since we did not review the transactions of the project itself we cannot reach any conclusion whether the terms of the project agreement were complied with.

6.0 SYSTEMS DESCRIPTION

6.1 Fund Accounting

The proposed fund accounting system consists of three principal books of accounts :

- (i) General Ledger and Subsidiary Ledger
- (ii) The cash book and petty cash book
- (iii) The journal.

6.1.1 The general Ledger and Subsidiary Ledger

The general ledger accounts correspond to each one of the main budget line as described in Amendment N°7 to the Grant Agreement. In addition, the following general ledger accounts have been opened : bank, petty cash, advances, accruals and USAID grant.

The subsidiary ledger accounts correspond to each of the subdivision of the main budget lines as described in Amendment N°7. The subsidiary ledger is self balancing by using a control account for posting the counterpart entries to the individual accounts.

6.1.2 The Cash Book

The cash book is analytical by providing a column on the horizontal axis for each general ledger account (see Annex 2). The vertical axis of the cash book will be used to code the entries for the subsidiary accounts.

6.1.3 The Journal

The journal is used as the only posting medium to the general and subsidiary ledgers.

6.2 Coding

To facilitate posting to the subsidiary ledger accounts, we have coded all general and subsidiary ledger accounts (see Annex I). Codes are alphanumeric for example an expenditure made on account of "Training in Country" for

"Quarterly Agents" will be coded for subsidiary ledger purposes as O2.A.01. Postings to the general ledger accounts do not require coding because they are relatively few in number.

6.3 Bookkeeping and Accounting

The bookkeeping and accounting cycle is the documentation and recording procedure from the time an accounting entry is initiated to the preparation of the balance sheet. Generally, it commences with the preparation of accounting documents e.g. receipts, invoices, vouchers etc... with which transactions are acknowledged. These documents are further summarised in books of prime entries for postings into the ledgers from where the trial balance will be extracted for the preparation of the balance sheet.

6.4 Receipts

When money is received from the USAID, it is posted immediately to the cash book and a journal raised, debiting the bank account in the general ledger and crediting the grant account. For items of equipment and services paid directly by USAID, journals are also raised, debiting the corresponding account and crediting grant account.

6.5 Disbursements

Disbursements from the bank account are recorded in the cash book. Payment of petty cash expenses are from a petty cash float kept on an imprest system.

Both the cash book and the petty cash book will be posted monthly to the general ledger and sub-ledger.

6.6 Ledger Postings (Journal)

The journal should form the only source of posting to the ledgers, and their numbers should be stated for every posting.

For the monthly postings of the cash book and the petty cash book to the ledger, two sets of journals are required ; the first is for the general ledger postings. It is with this journal that the respective expenditure heads in the general ledger are debited and the cash account credited. The second journal entry is to ensure the correct double entry posting of the subsidiary ledgers. The expenditure heads in the subsidiary ledgers are debited and the control account is credited to ensure a complete double entry.

These set of journals are raised for all ledger postings that require subsidiary ledger break-down.

The table below describes the double entry recording procedures for all transactions .

TRANSACTIONS	LEDGER ACCOUNTS	
	DEBIT	CREDIT
1. Cash paid in by USAID	:Cash account	: Grant account
2. Expenditure on drilling, equipment, services (including technical assistance) or any other direct payment by USAID	:The expenditure head for drilling, the equipment or the services paid for.	: Grant account
3. Payment from bank a/c or petty cash	:Relevant expenditure head.	: Bank or petty cash accounts
4. Petty cash reimbursement	:Petty cash A/C	: Bank account
5. Advances to staff	:Advances A/C	: Bank account
6. Settlement of advances	:Relevant expenditure heads.	: Advances account.
7. Expenditure not paid at the end of a reporting period (month, quarter, etc..)	:Relevant expenditure heads	: Accrual

6.7 Cut-off Procedure

At the end of every quarter, the following procedures should be performed to ensure that incurred liabilities are recorded in the correct accounting period.

1) All outstanding invoices remaining unpaid at the end of the quarter should be listed and a journal voucher raised, debiting the related expenditure heads and crediting an "Accrual" account.

2) All advances granted to staff which have not been accounted for at the end of the quarter should also be posted by journal to the related expenditure heads on account of which the advances were obtained.

These two journals should be reversed at the beginning of the following quarter to allow for the normal recording of these expenses when paid or settled. These cut-off procedures are only necessary to ensure that the amount shown as expenditure on the different heads are the amount actually incurred and not just the amount paid.

6.8 Direct Payment by USAID

At the end of every month USAID should provide the Project with the details of all costs incurred by them for the project, particularly on technical assistance and drilling which are not paid by the Project out of its own funds. This expenditure should be analysed and then posted to the appropriate account through journal entries.

6.9 Ledger Balances

The trial balance, which is the list of all ledger balances should be extracted monthly. A balance sheet should be prepared quarterly.

6.10 Reports

The following reports should be prepared :

(i) Monthly

1. Trial balance - A list of all ledger balances
2. Bank reconciliation statement - A reconciliation of the cash book balance with the bank statement (Annex 2).
3. Inventory Report - A reconciliation of the actual inventory on hand with the inventory records (Annex 14).
4. Micro Project Progress Report - A summary of all projects worked on during the month indicating which projects were commenced or completed during the month.

(ii) Quarterly

1. Quarterly report
2. Quarterly budgets - (see Recommendation on Budgetary Control)
3. Cash flow Projections (see Annex 24) ,
4. Quarterly Budget Appraisal Report - A comparison of the quarterly budget with the actual expenses.
5. Quarterly Balance Sheet - Based on the quarterly trial balance.
6. Reconciliation of physical and book inventory (see Annex 14)

(iii) Annual

1. Annual Plan of Action - A detailed plan of projects to be executed during the year.
2. Annual Budget (see Recommendations on Budgetary Control)
3. Annual Budget Appraisal Report
4. Project Progress Report
5. Year-End Bank Reconciliation
6. Year-End Trial Balance
7. Balance Sheet. *

7.0 TRAINING

7.1 Objective

The objective of the training program is to ensure that the new system and controls have been well understood by the project staff who will be responsible for operating the system. The seminar will be held prior to the system implementation.

7.2 Methodology

The following persons are expected to attend the seminar :-

- (i) The National coordinator
- (ii) The Regional coordinators
- (iii) The Chief accountant
- (iv) The Regional accountants
- (v) The Assistant chief accountant
- (vi) The Assistant to the Regional coordinators
- (vii) The Technical assistant responsible for the project's planning
- (viii) The USAID project officer in charge of the project.

The content of the proposed system have already been discussed with the National coordinator and the Chief accountant, as part of early management involvement in all proposed changes. Every proposed schedule in the Annexes has been examined in association with the Chief accountant. A draft copy of the proposed system will be made available for the project personnel concerned sometime before the seminar is held.

7.3 Contents of the First Seminar

The seminar will be conducted in French, and will last at least one day. The proposed plan of action is the following :-

- (i) General introduction to the theory supporting the new system

- (ii) Detailed review of the system
- (iii) Explanation of the individual roles to be played by the project personnel
- (iv) Explanation will be given as to the method of taking physical inventory of materials
- (v) Discussion concerning the necessity of adequate planning.

A very important part of the seminar should be devoted to answering questions.

7.4 Contents of Follow-up Seminar

A follow up seminar must be held after three to four months of post implementation period. In order to maximise the benefit of this seminar, it may be necessary for the consultant to carry out a review of the projects operations to assess the effectiveness of the new system implementation such a review may take 5 days because of travel time involved going to the regional offices. A one day seminar may be sufficient, depending on the results of the review.

7.5 Follow up audit

An audit of the project one year after the new system has been implemented will be necessary. A seminar may be held at the end of this audit in order to ensure that corrections suggested are properly carried out.

Persons met

During our held work, we met the following project personnel and USAID staff :

Mr. OURO BAWINAY TCHATOMBY : Coordonateur National
Mr. AMOUSSOU EDORH : Coordonateur Gestionnaire du Ministère du Pl
Ms. AGMAN PRINS : Assistante Technique USAID
Mr. ALAN MALINA : Assistant Technique USAID
Mr. PAUL GUILD : Représentant USAID responsable du projet
Mr. TCHAHIRA TCHACONDO : Chef Comptable Gestionnaire.

We wish to express our appreciation to the above named persons for their cooperation throughout the mission which has greatly facilitated our work.

21 August 1984

Akintola Williams & Co.
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