

PD-AAV-267

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AUDIT OF CHAD BUDGETARY SUPPORT  
TO DEVELOPMENT MINISTRIES

PROJECT NO. 677-0052  
AUDIT REPORT NO. 7-677-87-04-N

MARCH 30, 1987

UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

UNITED STATES ADDRESS  
RIG/DAKAR  
AGENCY FOR INTERNATIONAL  
DEVELOPMENT  
WASHINGTON, D.C. 20523

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WEST AFRICA

March 30, 1987

MEMORANDUM FOR John B. Woods, AID Representative, USAID/Chad  
FROM: RIG/A/WA, John P. Competello   
Subject: Audit of Chad Budgetary Support to  
Development Ministries, Project 677-0052,  
(Audit Report No. 7-677-87-04-N)

Attached is a copy of the report on subject audit. The certified public accounting firm of Price Waterhouse, Abidjan, Ivory Coast, prepared the report dated February 18, 1987.

You requested this audit to help assess compliance with the Government of Chad's Ministry of Finance and Data Processing utilization plan, the accuracy of the Ministry's interim reports, and the quality of its internal controls. The report was to recommend amounts for possible disallowance in the event that expenditures incurred under the first installment of \$1,750,000 did not take place in accordance with the provisions of the agreements between the United States Government and the Government of Chad.

The auditors concluded that the expenditures incurred were correctly recorded and in accordance with the definitions included in the agreement of the USAID project. While the auditors found the system of internal controls satisfactory, they noted some minor weaknesses with internal control procedures.

The report contained five recommendations which we have summarized into one recommendation to be included in the Office of the Inspector General's audit recommendation follow-up system:

Recommendation No. 1

We recommend that the AID Representative, USAID/Chad, improve project internal controls by:

- (A) Formalizing the monthly review of grant expenditures;
- (B) Reconciling the project bank account on a monthly basis;
- (C) Adding a provision to the monthly payroll that indicates the actual number of days worked by each individual employee;
- (D) Notifying the government of Chad of its obligation to carry out an employee census in the various civilian ministries and parastatal organizations; and
- (E) Adding a provision to the agreement with Government of Chad to computerize the entire payroll function.

Due to difficult communications between the auditors' office in Abidjan and Ndjamena, you were unable to review the draft report sent to you on February 18, 1987. However, in order to expedite the issue of the final report you agreed to defer final comments until its receipt. Please provide written comments within 30 days of any information related to actions planned or taken to implement the recommendation.

## *Price Waterhouse*



February 18, 1987

Mr. J.P. Competello  
Regional Inspector General's  
Office  
Dakar  
Senegal

Dear Sir,

Following your instructions contained in the work order N° 625-0929-0-00-7034-00 dated December 23, 1986, we have carried out an audit of the expenditures incurred under the first tranche (US \$ 1,750,000) of the Budgetary Support to Development Ministries in Chad, project N° 677-0052.

### **1. BACKGROUND**

The grant agreement relating to the Budgetary Support for Development Ministries was signed on September 22, 1986 between The Republic of Chad and The United States of America acting through the Agency for International Development (AID). The purpose of the grant is to provide the grantee with the equivalent in CFA francs of US \$ 7,000,000 in order to help the Government of Chad finance its projected budget deficits in 1986 and 1987 by paying salaries and other operating expenses of civilian ministries. According to the terms of the agreement, all salaries paid under the grant will be at the level of at least 60% of the pay scale of the Government of the Republic of Chad.

.../...



The grant of US \$ 7,000,000 will be made available in four tranches of US \$ 1,750,000 each and it is intended that each tranche be fully disbursed over a three month period. The first tranche of US \$ 1,750,000, which was made available in November 1986, covered the expenditures incurred during the period October 1986 to December 1986 and was fully disbursed in January 1987.

## 2. SCOPE OF THE AUDIT

2.1 Under the terms of our engagement as outlined in the work order, we were required to perform a compliance audit of the expenditures incurred under the first tranche of US \$ 1,750,000 to include the following audit procedures:

- a) Assess the project's compliance with the utilization plan submitted by the Ministry of Finance and Data Processing and approved by USAID Chad through the examination of supporting documentation and physical verification.
- b) Assess the accuracy of the interim utilization reports submitted by the Government of Chad.
- c) Interface with the Financial Policy Adviser, who is required to inspect selected records and expenditures on a monthly basis, and determine the frequency and quality of his reviews, and review his findings.

.../...



d) Assess and evaluate the system of internal control observed in the course of the examination, and suggest improvements to the extent warranted.

e) Recommend amounts, which in the opinion of the auditors, should be disallowed for reimbursement, based on the provisions of the agreements between the Government of the United States of America and the Government of Chad, and/or USAID regulations and procedures.

f) Prepare an exhibit showing the source and application of funds covering the life of the first tranche of US \$ 1,750,000.

2.2 The audit was carried out in accordance with generally accepted international auditing standards, including the audit standards established by the Comptroller General of the United States of America for financial and compliance audits and accordingly included such tests to determine whether the funds had been properly accounted for and used as directed by the grant agreement and applicable laws and regulations.

2.3 An examination made in accordance with generally accepted international auditing standards is subject to the inherent limitations of the auditing process and will therefore not necessarily disclose all cases of defalcations or irregularities, but their disclosure if they exist, may result from the audit tests we undertake.

.../...



### 3. WORK PERFORMED

3.1 Our audit of the expenditures incurred under the first tranche of US \$ 1,750,000 was carried during the week of January 19, 1987 and included the following procedures:

- Ascertain that the conditions precedent to the disbursement of the first tranche had been met.
- Evaluation and testing of the system of internal control pertaining to salaries and other expenses.
- Verification of the salary calculation for a random sample of 50 employees to ensure that:
  - . the payments made were at least 60% of the pay scale of the Government of Chad;
  - . the selected employees are employed by the civilian ministries as specified in the grant agreement.
- Obtaining direct confirmation from the "Banque Tchadienne de Crédit et de Dépôts" and the "Banque Internationale pour l'Afrique au Tchad" for the bank transfers of the salaries of 40 employees for the months of October 1986, November 1986 and December 1986.
- Verification of the procedures for the calculation and payment of salaries in cash.

.../...



- Verification of all payment orders of F.CFA 1,000,000 and over to supporting documentation to ensure that payments are properly supported by a detailed list of the beneficiaries and that the payment orders have been properly approved by the relevant government officials. The sample covered some 74.6% of total expenditures incurred under the first tranche.
  
- Verification that all payments are exempt from any taxation or fees.
  
- Examination of tender documents, receiving reports and suppliers invoices for the purchase of five vehicles.
  
- Physical inspection of vehicles stationed in Ndjamena.
  
- Verification of the bank reconciliation at January 20, 1987 for the special account N° 41-26 at the "Banque des Etats de l'Afrique Centrale" in N'Djamena and obtaining direct confirmation of the balance at that date.
  
- Reconciliation of the total amount expensed and recorded by budget line item to the total amount paid from the special bank account.

3.2 In order to collect the information necessary for the audit, we met with the following personnel:

USAID

- Mr J.B. Woods, AID Representative
- Mrs K. Le Blanc, Controller
- Mr W.B. Stallsmith, Financial Policy Adviser
- Mr P. Libiszowski, Sahel Regional Financial Management Project

.../...



Ministry of Finance and Data Processing

- Mr M.W. Gomon, Director General
- Mr M. Salah, Budget Director
- Mr D.M. Guiagoussou, Central Treasurer

**4. FINDINGS**

4.1 We examined the accounting records of the project and noted that they were properly maintained and segregated from other funds' records. We reviewed the utilization plan for the first tranche of the grant covering the period October 1, 1986 to December 31, 1986 which was submitted by the Ministry of Finance and Data Processing. The plan, which is summarised in Appendix I by budget line item, sets out the proposed use of the first tranche in the local currency equivalent of F.CFA 576,677,000. The actual disbursement of the first tranche was for F.CFA 572,250,000, the difference of F.CFA 4,427,000 being due to the different exchange rates applied in the utilization plan and for the disbursement of the first tranche.

Actual expenditures for certain budget line items were greater than the amount initially budgeted in the utilization plan. These were compensated by other budget line items where the actual expenditures were less than that initially budgeted. We present in Appendix III a summary of expenditures, by budget line item, for the utilization plan and the interim utilization report.

.../...



4.2 The local currency equivalent of F.CFA 572,250,000 relating to the first tranche of US \$ 1,750,000 was credited to the special account N° 41-26 at the Banque des Etats de l'Afrique Centrale on November 3, 1986. The payments made during the period of November 3, 1986 to January 20, 1987 were as follows:

<u>Month</u>	<u>F.CFA</u>
November 1986	153 285 873
December 1986	300 165 021
January 1987	118 144 937
	<hr/>
	571 595 831
	-----

We examined the interim utilization report for the first tranche of US \$ 1,750,000 submitted by the Government of Chad and the report accurately reflects the actual expenditures incurred and payments made under the first tranche. We present in Appendix II an exhibit showing the source and application of funds covering the life of the first tranche of US \$ 1,750,000.

.../...



4.3 The special account N° 41-21 showed a credit balance of F.CFA 657,109 as at January 20, 1987 and the reconciliation of the account with the interim utilization reports is as follows:

	<u>F.CFA</u>
Disbursement of the first tranche	572 250 000
Less : payments made	(571 595 831)
	<hr/>
Balance per utilization report	654 169
Balance per bank statement	657 109
	<hr/>
Difference	2 940
	-----

The difference relates to a credit balance of F.CFA 2,940 which existed in the special account N° 41-21 when the first tranche of F.CFA 572,250,000 was disbursed.

4.4 Our review of the system of internal control covering the receipt and payment of project funds indicated that the procedures are satisfactory and that they are in compliance with the terms of the grant agreement. Nevertheless, we noted certain procedural weaknesses, which are detailed in Section 5 of this report.

.../...



4.5 In the course of our audit we did not identify any evidence of misuse of the project funds. In addition we did not identify any amounts, which in our opinion, should be disallowed based upon the provisions of the agreements between the Government of the United States of America and the Government of Chad, and/or USAID regulations and procedures.

## 5. RECOMMENDATIONS

In the course of our audit, we reviewed the procedures established by the project in order to identify internal control weaknesses and formulate the following recommendations.

5.1 The monthly review of the grant expenditures carried out by the Financial Policy Adviser should be formalized.

We noted that the records and expenditures of the project are required to be inspected and controlled on a monthly basis by the USAID financed Financial Policy Adviser in the Ministry of Finance and Data Processing. Although we were informed that these monthly controls had been carried out, there is no report that is prepared which summarises the work carried out, the findings and eventual recommendations.

We recommend that the results of these monthly reviews should be summarised in a report prepared by the Financial Policy Adviser and that copies should be addressed to the officials responsible for the project.



5.2 The bank account maintained for the project should be reconciled on a monthly basis.

We noted that the bank account N° 41-21 which has been opened at the Banque des Etats de l'Afrique Centrale, is not reconciled on a monthly basis with the records of the project. We recommend that a monthly reconciliation between the bank statements and the project's records be carried out by the Treasury Service of the Ministry of Finance and Data Processing and that the reconciliation be verified by the Financial Policy Adviser as part of his monthly review of grant expenditures.

5.3 The monthly payroll lists should indicate the number of days actually worked by each employee.

The monthly payroll lists submitted by the various departments of the Government of Chad to the Ministry of Finance and Data Processing do not currently indicate the number of days actually worked by each employee. In order to improve the control and monitoring of the salary expenditures we recommend that the number of days actually worked by each employee be included on the payroll lists.

.../...



5.4 A census of the employees of the civilian ministries should carried out.

As part of the conditions precedent to the disbursement of the third tranche of the grant, the Government of Chad is required to carry out a census of civil servants employed by the ministries and parastatal organizations. We recommend that the census is carried out by the Government of Chad in sufficient time to ensure that this requirement is met for the disbursement of the third tranche. This census would also enable the establishment of an updated and accurate data base of the employees and permit the control of salary expenditures made from the project's funds.

5.5 The payroll function should be computerised.

The monthly payroll of the civilian ministries and parastatal organizations is presently calculated manually and this procedure is both time consuming and prone to computation errors. In order to improve both efficiency and controls over the payroll function we feel that consideration should be given by the Government of Chad to computerize this function. This could be carried out in conjunction with the proposed automation of the budgetary and treasury functions.

.../...



## 6. CONCLUSIONS

In our opinion, the expenditures incurred under the first tranche of US \$ 1,750,000 of the Budgetary Support for Development Ministries in Chad are correctly recorded and agree with the definitions included in the agreement of the USAID Project N° 677-0052 dated September 22, 1986.

Yours very truly,

Price Waterhouse

UTILIZATION PLAN FOR THE  
 -----  
 FIRST TRANCHE (US \$ 1,750,000) OF THE  
 -----  
 BUDGETARY SUPPORT TO DEVELOPMENT MINISTRIES  
 -----

PROJECT No 677-0052  
 -----

(Expressed in CFA Francs)



Budget Item -----	Ministry/Departement -----	Observations -----	CFA Francs -----
209	Inspector General (IGCE)	Salaries	26,193,000
211	Ministry of Agriculture	Salaries	42,398,000
221	Ministry of Economy and Commerce	Salaries	13,247,000
223	Ministry of Food Security and Disaster Victims (SAPS)	Salaries	8,891,000
225	Ministry of Livestock and Rural Potable Water	Salaries	37,585,000
227	Ministry of Finance and Data Processing	Salaries	64,200,000
228	Ministry of Finance and Data Processing	Purchase of vehicles	27,500,000
229	Ministry of Planning and National Reconstruction	Salaries	13,443,000
231	Ministry of Public Works	Salaries	35,228,000
233	Ministry of Transport and Civil Aviation	Salaries	6,103,000
235	Ministry of Post and Telecommunications	Salaries	3,873,000
237	Ministry of Social Affairs	Salaries	17,343,000
239	Ministry of Civil Service	Salaries	9,981,000
241	Ministry of National Education	Salaries	157,007,000
243	Ministry of Labor	Salaries	5,954,000
245	Ministry of Public Health	Salaries	77,736,000
247	Ministry of Tourism and Environment	Salaries	29,995,000
			----- 576,677,000 *****

INTERIM UTILIZATION REPORT  
 -----  
 FIRST TRANCHE (US \$ 1,750,000) OF THE  
 -----  
 BUDGETARY SUPPORT TO DEVELOPMENT MINISTRIES  
 -----  
 PROJECT No 677-0052  
 -----  
 (Expressed in CFA Francs)

Budget Item	Ministry/Departement	Nov 86	Dec 86	Jan 87	Total
209	Inspector General (IGCE)	7,441,356	16,186,278	4,850	23,632,484
211	Ministry of Agriculture	10,823,833	23,477,426	10,074,605	44,375,864
221	Ministry of Economy and Commerce	4,930,454	7,721,596	2,815,015	15,467,065
223	Ministry of Food Security and Disaster Victims (SAPS)	2,421,996	6,443,191	1,124,426	9,989,613
225	Ministry of Livestock and Rural Potable Water	9,777,738	11,685,947	8,387,617	29,851,302
227	Ministry of Finance and Data Processing	26,205,678	37,667,370	15,968,963	79,842,211
228	Ministry of Finance and Data Processing	-	27,500,000	-	27,500,000
229	Ministry of Planning and National Reconstruction	4,871,263	6,540,829	3,909,740	15,321,832
231	Ministry of Public Works	11,206,588	15,460,913	8,652,819	35,320,320
233	Ministry of Transport and Civil Aviation	2,506,918	3,504,568	1,923,268	7,934,754
235	Ministry of Post and Telecommunications	1,480,000	2,135,800	690,250	4,306,050
237	Ministry of Social Affairs	5,190,393	8,040,109	4,300,651	17,531,153
239	Ministry of Civil Service	3,484,472	4,541,971	2,088,651	10,115,094
241	Ministry of National Education	33,537,165	77,593,951	40,613,486	151,744,602
243	Ministry of Labor	1,651,304	3,947,947	528,979	6,128,230
245	Ministry of Public Health	20,518,430	35,181,910	15,688,235	71,388,575
247	Ministry of Tourism and Environment	7,238,285	12,535,015	1,373,382	21,146,682
	F.CFA	153,285,873	300,165,021	118,144,937	571,595,831

ANALYSIS OF PLANNED AND ACTUAL UTILIZATION  
 -----  
 FIRST TRANCHE (US \$ 1,750,000) OF THE  
 -----  
 BUDGETARY SUPPORT TO DEVELOPMENT MINISTRIES  
 -----

PROJECT No 677-0052  
 -----

(Expressed in CFA Francs)

Budget Item	Ministry/Departement	Plan	Actual	Variance
-----	-----	-----	-----	-----
209	Inspector General (IGCE)	26,193,000	23,632,484	2,560,516
211	Ministry of Agriculture	42,398,000	44,375,864	(1,977,864)
221	Ministry of Economy and Commerce	13,247,000	15,467,065	(2,220,065)
223	Ministry of Food Security and Disaster Victims (SAPS)	8,891,000	9,989,613	(1,098,613)
225	Ministry of Livestock and Rural Potable Water	37,585,000	29,851,302	7,733,698
227	Ministry of Finance and Data Processing	64,200,000	79,842,211	(15,642,211)
228	Ministry of Finance and Data Processing	27,500,000	27,500,000	-
229	Ministry of Planning and National Reconstruction	13,443,000	15,321,832	(1,878,832)
231	Ministry of Public Works	35,228,000	35,320,320	(92,320)
233	Ministry of Transport and Civil Aviation	6,103,000	7,934,754	(1,831,754)
235	Ministry of Post and Telecommunications	3,873,000	4,306,050	(433,050)
237	Ministry of Social Affairs	17,343,000	17,531,153	(188,153)
239	Ministry of Civil Service	9,981,000	10,115,094	(134,094)
241	Ministry of National Education	157,007,000	151,744,602	5,262,398
243	Ministry of Labor	5,954,000	6,128,230	(174,230)
245	Ministry of Public Health	77,736,000	71,388,575	6,347,425
247	Ministry of Tourism and Environment	29,995,000	21,146,682	8,848,318
		----- 576,677,000 -----	----- 571,595,831 -----	----- 5,081,169 -----
				Variance in expenditures
				5,081,169
				Less : exchange difference
				(4,427,000)
				-----
				Balance per utilization report
				654,169 -----

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NDJAMENA 191509Z MAR 87  
Appendix IV

ACTION: RIG-2 INFO: DCM

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OO RUTADS  
DE RUTAND #1657 0781615  
ZNR UUUUU ZZH  
O 191509Z MAR 87  
FM AMEMBASSY NDJAMENA  
TO AMEMBASSY DAKAR IMMEDIATE 0916  
BT  
UNCLAS NDJAMENA 01657

LOC: 177 548  
19 MAR 87 1523  
CN: 13444  
CHRG: AID  
DIST: RIG

AIDAC

FOR RIG/A/WA

E.O. 12356: N/A  
TAGS: EAID, CD  
SUBJECT: AUDIT REPORT ON PROJECT 677-0052

REF: DAKAR 02757

NDJ FILE CODE: PIO/T 625-0929-3-40051; 677-0052

BASED ON MISSION'S DEBRIEFING OF THE PRICE WATERHOUSE  
AUDITOR, WHO SAID THAT REPORT WOULD CONTAIN AN  
UNQUALIFIED AUDIT OPINION, AND ON RIG/A/WA'S JUDGMENT  
PER REFTTEL THAT THERE ARE QUOTE NO CONTROVERSIAL MATTERS  
UNQUOTE IN THE DRAFT REPORT, USAID/CHAD CONCURS IN  
ISSUANCE OF FINAL REPORT WITHOUT ITS COMMENTS. WE LOOK  
FORWARD TO RECEIPT OF FINAL REPORT BLANE  
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## Budgetary Support to Development Ministries

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