
Audit of
the Technical Support Grant to the Southern African
Development Community Secretariat
Grant No. 690-0215.33

Report No. 3-690-94-03-N
November 5, 1993



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THE PUBLIC.

INSPECTOR
GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



November 5, 1993

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

Memorandum

*Regional
Inspector General
for Audit/Nairobi*

TO: Director, USAID/Zimbabwe, Ted D. Morse

FROM: RIG/A/Nairobi, Everette B. Orr *Everette B. Orr*

SUBJECT: Audit of the Technical Support Grant to the Southern African Development Community Secretariat, Grant No. 690-0215.33 A.R. No. 3-690-94-03-N

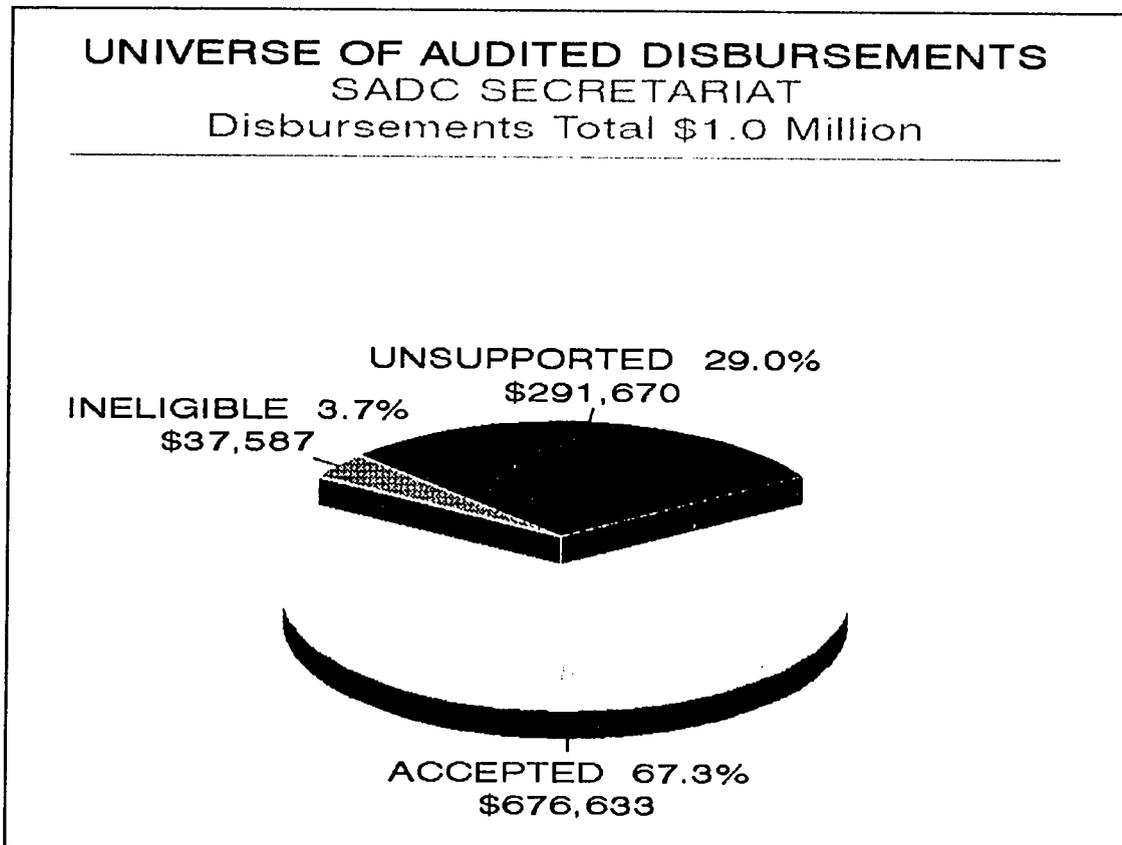
Attached are five copies of an Agency-contracted Audit of the Technical Support Grant to the Southern African Development Community (SADC) Secretariat, Grant No. 690-0215.33. The accounting firm of Price Waterhouse, Nairobi, Kenya, performed the audit.

The grant agreement for SADC was signed in 1987. The grant was initially for a total of \$750,000 but was later increased to \$ 3 million. These monies were to be used for funding studies, workshops, seminars and conferences. A portion of these funds (\$1.9 million) was also meant to support institutional strengthening, studies, and training by the Southern African Development Community Business Council and is the subject of a separate audit report (A.R. No. 3-690-94-04-N). The grant activities are expected to be completed by May 31, 1994.

The objective of the audit was to examine SADC's Fund Accountability Statement (Statement) and express an opinion as to whether the Statement presents fairly the use of funds in accordance with the grant agreement. To answer the objective, the auditors were to consider the auditee's internal control structure to determine the auditing procedures necessary for expressing an opinion on the Statement. The auditors were required to report on significant internal control deficiencies and material weaknesses. As part of obtaining reasonable assurance about whether the Statement was free of material misstatement, the auditors were required to test the auditee's compliance with the terms of the grant agreement and report any instances of material noncompliance. The audit covered expenditures of \$1.0 million for the period July 31, 1987 to December 31, 1992.

The auditors issued an adverse opinion on the Statement. They stated that the Secretariat had incurred ineligible expenditures of \$37,587 and unsupported costs of \$291,670. The

Mission had disallowed \$35,783 of the ineligible amount when a request for reimbursement was submitted by the Secretariat. Therefore, only \$1,804 is included in recommendation No. 1 on page 3. The following chart shows the questioned amounts in relation to the audited amounts.



The questioned ineligible costs included use of grant funds to procure capital items not authorized under the grant and per diem in excess of amounts authorized by A.I.D.

The auditors reported material weaknesses in the accounting system and in internal control procedures. Weaknesses in the accounting system included:

- lack of adequate supporting documentation for expenditures,
- poor filing of supporting documentation, and

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- untimely preparation of reimbursement claims.

Weaknesses in the control procedures included:

- lack of evidence of bank reconciliation review,
- lack of properly authorized payment support documents,
- inadequate procedures to avoid duplication of payment,
- failure to use payment request vouchers, and
- lack of segregation of duties between accounting functions.

The auditors identified certain compliance errors which they considered material. These included the Secretariat's failure to:

- comply with agreement provisions relating to submission of claims resulting in questioned costs of \$329,257,
- submit regular financial and project implementation status reports to USAID/Zimbabwe,
- submit annual work plans to USAID/Zimbabwe, and
- deposit an advance of \$200,000 from USAID/Zimbabwe in a separate bank account.

The draft report was submitted to the SADC Secretariat and the Mission for comments. Their comments are incorporated in the final report at Appendix I and II respectively. While the Mission generally agreed with the audit findings and the recommendations the auditee generally disagreed with the auditor's opinion regarding the questioned amounts. The auditee stated that it followed SADC regulations in incurring expenditure under the grant as they found that it was not feasible to apply grant agreement provisions and U.S. Government laws and regulations for certain expenditures. Therefore, the auditee considers the questioned costs to be eligible and supported. However, the auditors rightly maintain that the expenditures are questionable based on the terms of the grant agreement.

The audit report contains 19 recommendations. USAID/Zimbabwe should ensure that necessary action is taken on all the findings and recommendations. We are including the following recommendations in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Zimbabwe determine the allowability, and recover as appropriate from the Southern African Development Community Secretariat, questioned ineligible costs of \$1,804.

Recommendation No. 2: We recommend that USAID/Zimbabwe determine the allowability, and recover as appropriate from the Southern African Development Community Secretariat, questioned unsupported costs of \$291,670.

Recommendation No. 3: We recommend that USAID/Zimbabwe obtain from the Southern African Development Community Secretariat a plan to improve its internal control structure and compliance with grant agreement requirements which would include ensuring that:

- 3.1** expenditures are supported by adequate documents, supporting documents are filed and reimbursement claims are prepared on a timely basis;
- 3.2** bank reconciliations are reviewed and signed, supporting documents for payments are authorized, and accounting function duties are segregated;
- 3.3** payments are not duplicated and payment vouchers are used; and
- 3.3** the auditee complies with agreement provisions as they relate to submission of claims, regular financial and implementation status reports, annual work plans and deposit of AID funds in a separate bank account.

We consider all recommendations to be unresolved. Recommendations No. 1 and 2 will be resolved when the Mission makes a final determination as to the allowability of the questioned amounts. The recommendations will be closed when the Mission takes action appropriate to the determination. Recommendation No. 3 will be resolved when RIG/A/N receives an acceptable plan for corrective action. The recommendations will be closed upon implementation of the corrective action. Please respond to this report within 30 days indicating action planned or already taken to implement the recommendations.

Thank you for the cooperation extended to Price Waterhouse auditors and the Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

AUDIT OF
THE TECHNICAL SUPPORT GRANT TO
THE SOUTHERN AFRICAN DEVELOPMENT
COMMUNITY SECRETARIAT GRANT NO 690-0215.33

ATTACHMENTS

**AUDIT OF THE TECHNICAL SUPPORT GRANT TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT
UNDER GRANT NO 690-0215.33**

**FINAL REPORT
1 OCTOBER 1993**

**AGENCY CONTRACTED AUDIT OF THE TECHNICAL SUPPORT GRANT TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT
FOR THE PERIOD JULY 31, 1987 TO DECEMBER 31, 1992**

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**AGENCY CONTRACTED AUDIT OF THE TECHNICAL SUPPORT GRANT TO THE
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT
FOR THE PERIOD JULY 31, 1987 TO DECEMBER 31, 1992**

1 INTRODUCTION

A Background

The Southern African Development Coordination Conference was formed as an association of majority ruled states of Southern Africa, to promote collective self reliance and to forge links among its member states in order to create genuine and equitable regional integration. In 1992 the Southern African Development Coordination Committee was transformed into a community known as the Southern African Development Community, with a mandate of regional integration, in order to provide for deeper economic cooperation and integration. There are currently ten member countries, namely Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe. In this report, the name Southern African Development Community is used to refer to both the Coordination Conference and the Community.

In 1987 a grant agreement was signed between the United States Agency for International Development (USAID) and the Southern African Development Community, to provide US\$ 750,000 to be used for a number of studies and for the establishment of a data information network. The studies were intended to enable the Southern African Development Community to set policies. The studies to be funded were:

- . assessment of the feasibility of promoting trade in the region through an export pre-financing revolving fund and an export credit facility
- . study of investment codes of member countries
- . update and expansion of a macro-economic survey.

Under the agreement, the expenses to be reimbursed were:

- . airfare of technical experts and their fees within United States Government authorized limits
- . per diem of technical experts within the Southern African Development Community limits
- . travel per diem of the Southern African Development Community Secretariat staff in connection with project activities
- . printing, binding and reproduction costs of studies
- . computer hardware and software for the information network.

The period of the grant agreement was extended several times as the project progressed more slowly than planned. It was then agreed, by way of letter dated November 20, 1989, that most of the remaining grant be used to establish the Southern African Development Community Business Council Secretariat and that US\$ 70,000 be used to recommission the study on the harmonization of investment codes. The Southern African Development Community Business Council was created as a separate entity and a separate report has been produced to cover the costs incurred by it.

On July 24, 1990 a grant amendment was signed which replaced the original grant agreement. This grant amendment increased the amount of the grant by US\$ 3,000,000, to be used to fund twelve studies and corresponding workshops, seminars and conferences (US\$ 1,060,000), to support institutional strengthening of and studies and training by the Southern African Development Community Business Council (US\$ 1,900,000), and to pay for audits (US\$ 40,000). The grant amendment also extended the period of the grant to August 31, 1993.

Some of the studies to be funded were:

- . sector policy analysis
- . regional economic survey
- . macro-economic survey
- . investment finance study
- . non-economic barriers to economic development
- . industry and trade export promotion.

In order to enable the Southern African Development Community Secretariat and the Southern African Development Community Business Council to complete all the required activities the grant agreement has now been extended to May 31, 1994.

B Accounting and Contract Monitoring Systems

Overall responsibility for accounting and financial monitoring resides with the Southern African Development Community Secretariat. Accounting records were to be maintained in accordance with the Southern African Development Community's normal accounting procedures which were to follow generally accepted accounting principles. All advances of grant funds were to be credited to a separate bank account and they were to be subject to usual audit procedures and the Southern African Development Community Secretariat was to furnish USAID/Zimbabwe with all relevant audit reports.

Under the original grant agreement, the Southern African Development Community Secretariat was required to submit semi-annual financial and project implementation status reports to USAID/Zimbabwe. Under the grant amendment these reports were to be submitted quarterly.

Before the establishment of the Southern African Development Community Business Council Secretariat with financial management staff, the Southern African Development Community Business Council portion of the grant was expended through the Southern African Development Community Secretariat. During this initial period, the Southern African Development Community Secretariat maintained the accounting records, prepared and submitted requests for advances and reimbursements and was the recipient of the grant funds.

C Audit Objective and Scope

Price Waterhouse has audited the Fund Accountability Statement of the Southern African Development Community Secretariat under USAID Grant No. 690-0215.33 for the period July 31, 1987 to December 31, 1992. The total amount audited is US\$ 1,005,890.16.

The objectives of the audit were to:

- audit the Southern African Development Community Secretariat's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report, the use of funds in accordance with the grant agreement
- consider the Southern African Development Community Secretariat's internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses
- test the Southern African Development Community Secretariat's compliance with the terms of the grant agreement, as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of non-compliance.

Except as discussed in the following paragraph, our examination was performed in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 revision) and, accordingly, included such tests of the Southern African Development Community Secretariat's data and records and other auditing procedures as were considered necessary in the circumstances. The audit was performed under the supervision of the Regional Inspector General audit office based in Nairobi. Price Waterhouse auditors adhered to the guidelines contained in various chapters of the "Guidelines for Financial and Compliance Audits of AID-Financed agreements" and "Guidelines for Audits of Federal Awards to Non-Profit Institutions".

We have not been subject to a quality control review by a non-Price Waterhouse firm as required by Government Auditing Standard No 3.46. Such reviews are not required or available to professional firms in Kenya. We do not believe that this departure from Government Auditing Standards has affected our audit. We were subject to a quality control review in July 1992 undertaken by a Price Waterhouse firm independent of our firm.

Price Waterhouse visited Harare, Zimbabwe and Gaborone, Botswana to perform the preliminary survey. The purpose of the survey was to secure an understanding of the Mission's concerns, review correspondence between the Mission and the auditee, secure an understanding of the Southern African Development Community Secretariat's accounting system, assess the overall strength of the system of internal controls, estimate the extent of compliance with grant provisions and procurement regulations and determine the degree to which supporting documentation would be available to the audit team. The survey provided the groundwork from which Price Waterhouse developed its detailed work program. Detailed fieldwork was conducted in Dar es Salaam, Tanzania and Gaborone, Botswana.

The terms of the grant agreement and the cost principles contained in the applicable United States Government regulations were used in the determination of ineligible or unsupported costs.

The scope of the audit consisted of the following:

- selective examination and testing of supporting documentation of expenditures
- a review of transactions for compliance with the grant agreement and applicable laws and regulations
- a study and evaluation of the internal accounting controls and accounting practices of the Southern African Development Community Secretariat to the extent necessary to render an opinion on the Fund Accountability Statement
- a review of the grant agreement, implementation letters, implementation reports where available, handbooks, relevant government regulations and other related documents.

D **Limitation of Scope**

We were unable to obtain details of United Nations per diem rates in force before 1990 and so were unable to verify that the Southern African Development Community rates paid in the period December 31, 1987 to 1990 were equal to United Nations rates plus 15 per cent. This was the rate eligible to be reimbursed under the grant agreement. This constituted a limitation of the scope of our work and so affected our audit opinions.

E **Results of the Audit**

1 **Costs Reported by the Southern African Development Community Secretariat**

We have audited the Fund Accountability Statement of the Southern African Development Community Secretariat under USAID Agreement No. 690-0215.33 for the period July 31, 1987 to December 31, 1992.

We identified certain transactions totalling US\$ 37,587 and US\$ 291,670 included in the Fund Accountability Statement that, in our opinion, are ineligible and unsupported respectively. Details of these expenditures are included in our audit findings in section II.

These matters affected our opinion on the Fund Accountability Statement examined by us. The full text of our opinion is presented in Section II.

2 **Internal Controls**

We made a study and evaluation of the system of internal accounting controls to the extent we considered necessary and as required by generally accepted auditing standards.

Our study and evaluation was designed to determine the nature, timing and extent of auditing procedures necessary for expressing an opinion on the Fund Accountability Statement. We do not, however, express an opinion on the system of internal accounting controls of the Southern African Development Community Secretariat or on any individual categories. The full extent of our report on internal controls is presented in Section III.

During the course of our audit the following reportable conditions in the internal control structure were noted:

Accounting Systems

- . expenditures not supported by adequate supporting documentation
- . poor filing of supporting documentation
- . reimbursement claims not prepared on a timely basis.

Control Procedures

- . bank reconciliations not signed as evidence of review
- . supporting documentation for payments not properly authorized
- . inadequate procedures to avoid duplication of payment
- . payment request vouchers not used
- . lack of segregation of duties between accounting functions.

We believe the reportable conditions described above constitute material weakness in view of the fact that expenditures of US\$ 329,257 were ineligible or unsupported.

Details and recommendations on the above weaknesses can be found in Section III.

3 Compliance With The Grant Agreement Terms

The results of our tests of compliance disclosed the following material instances of non-compliance:

These issues are:

- . failure to comply with the agreement provisions relating to submission of claims to USAID/Zimbabwe resulting in US\$ 37,587 of ineligible and US\$ 291,670 of unsupported costs
- . failure to submit regular financial and project implementation status reports to USAID/Zimbabwe
- . failure to submit annual work plans to USAID/Zimbabwe
- . failure to deposit an advance of US\$ 200,000 from USAID/Zimbabwe funds in a separate bank account.

Details and recommendations on the above instances of non-compliance can be found in Section IV.

Summary of Auditee and Mission Comments

The auditee generally disagreed with our opinion regarding ineligible and unsupported costs. In reaching its opinion, the auditee cited the terms of the grant agreement which specify that the financial regulations of the Southern African Development Community should be followed. The auditee adds that the parties to the grant agreement had studied in detail the requirements of the US Government rules and regulations and had agreed that it would not be feasible to apply these in all respects. The parties therefore decided to provide for exceptions to these rules and regulations. The auditee considers that expenditures incurred within these regulations are therefore eligible and that these regulations constitute generally accepted accounting practices and that expenditures are therefore adequately supported.

The Mission generally agreed with our findings. The Mission believes that alternative methodologies may be used to substantiate costs and has indicated that they will hire a public accounting firm to work with the auditee to identify such methodologies to substantiate costs incurred to date. The Mission believes that the auditee will be able to substantiate unsupported costs to its satisfaction.

Price Waterhouse



AUDIT OF THE TECHNICAL SUPPORT GRANT TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT

II FUND ACCOUNTABILITY STATEMENT

INDEPENDENT AUDITOR'S REPORT

We have audited the Fund Accountability Statement of the Southern African Development Community Secretariat under the USAID Grant No. 690-0215.33 for the period July 31, 1987 to December 31, 1992. The Fund Accountability Statement is the responsibility of the Southern African Development Community Secretariat management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 revision). Those standards require that we plan and perform the audit to obtain reasonable assurance that 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have not been subject to a quality control review by a non-Price Waterhouse firm as required by Government Auditing Standard No 3.46. Such reviews are not required or available to professional firms in Kenya. We do not believe that this departure from Government Auditing Standards has affected our audit. We were subject to a quality control review in July 1992 undertaken by a Price Waterhouse firm independent of our firm.

We were unable to obtain details of the per diem rates set by the United Nations in the period prior to 1990. We were therefore unable to verify that the per diem rates paid by the Southern African Development Community Secretariat were equal to the United Nations rates plus 15 per cent. Consequently we could not determine whether the per diems paid were within the limits set in the grant agreement.

As described in Note 1 to the Fund Accountability Statement, this statement was prepared on a cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles.

We have identified certain expenses and transactions totalling US\$ 37,587 that, in our opinion, are ineligible for reimbursement under the grant agreement between the Southern African Development Community Secretariat and USAID/Zimbabwe. These costs have been identified in our findings in section II and in appendix IV to this report.

We have also identified certain expenses and transactions totalling US\$ 291,670 that, in our opinion, are unsupported for reimbursement under the grant agreement between the Southern African Development Community Secretariat and USAID/Zimbabwe. These costs have been identified in our findings in section II and in appendix V to this report.

In our opinion, due to the materiality of the expenses and transactions which we consider to be ineligible and unsupported, the Fund Accountability Statement examined by us does not present fairly the expenditures claimed by the Southern African Development Community Secretariat in relation to the grant agreement with USAID/Zimbabwe and applicable laws and regulations for the period July 31, 1987 to December 31, 1992.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of the Southern African Development Community Secretariat and USAID but is not intended to limit the distribution of the report, if a matter of public record.

Price Waterhouse

March 19, 1993

**TECHNICAL SUPPORT GRANT TO THE SOUTHERN AFRICAN DEVELOPMENT
COMMUNITY SECRETARIAT UNDER GRANT AGREEMENT NO. 690-0215.33
FOR THE PERIOD JULY 31, 1987 TO DECEMBER 31, 1992**

FUND ACCOUNTABILITY STATEMENT

	US\$
Revenue:	
Advances	465,911.50
Reimbursements	303,370.40
Direct Payments	8,031.09
Interest Earned	<u>6,925.00</u>
 Total Revenue	 <u>784,237.99</u>
 Expenditure:	
Feasibility Study - Regional Revolving Fund	79,911.31
Export Credit Facility	142,168.44
Harmonization of Investment Codes	146,673.24
Macro Economic Survey	135,376.10
Regional Business Council	174,907.56
Industry and Trade Strategy	24,323.76
SADCC Identified Studies	
Export Promotion Strategy	125,060.63
Comprehensive Export Financing	40,948.23
Regional Relations Post Apartheid	26,648.45
MIS Expert	18,330.16
Workshops, seminars and studies	<u>84,617.28</u>
 Total Expenditure	 998,965.16
 Interest Refunded	 <u>6,925.00</u>
 Expenditure + Interest Refunded	 <u>1,005,890.16</u>
 Balance Due to USAID/(SADC)	 <u>(221,652.17)</u>

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NOTES TO THE FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD JULY 31, 1987 TO DECEMBER 31, 1992

Note 1 **Basis of accounting**

The Fund Accountability Statement is prepared on a cash basis. As noted in notes 3 and 4 below, revenues and expenditures are recorded when cash is physically received or expended.

Note 2 **Currency**

The Southern African Development Community Secretariat maintains its accounting records in Botswana Pula. Expenditure has been translated into US dollars for claim purposes on the basis described in note 4(i) below.

Note 3 **Revenues**

Revenues represent amounts received under the grant from USAID/Zimbabwe in the period July 31, 1987 to December 31, 1992. This includes payments made by USAID/Zimbabwe on behalf of and for the benefit of the Southern African Development Community Secretariat. Interest earned on advances of USAID/Zimbabwe funds is included, but other sundry income and grants from other donors are excluded.

Note 4 **Expenditures**

Expenditures represent amounts expended as follows:

- i. Amounts disbursed in local currency translated for claim purposes at the exchange rate prevailing at the end of the month in which the expenditure is recorded in the accounting records of the Southern African Development Community Secretariat.
- ii. Amounts disbursed in US dollars at the actual dollar amount.

Expenditures include all amounts expended on activities to be funded from the grant, as recorded in the accounting records of the Southern African Development Community Secretariat.

Interest refunded refers to the amount of money earned from depositing USAID/Zimbabwe funds received as an advance in an interest bearing account and remitted to USAID/Zimbabwe. This is a requirement of the Grant Agreement.

Note 5 **Unexpended funds**

As the Southern African Development Community Secretariat does not operate one bank account purely for the purposes of the grant, and as relevant expenditures are made out of a general bank account, it is not possible to reconcile unexpended funds to particular bank account balances.

Note 6 Balance due to SADC

Balance due to the Southern African Development Community arises from the Southern African Development Community having incurred expenditure under the Grant Agreement and either not having requested or not having received the refund from USAID/Zimbabwe.

II **REPORT ON FUND ACCOUNTABILITY STATEMENT
AUDIT FINDINGS**

Ineligible Costs

Finding No. 1

We identified the following expenditures which in our opinion are ineligible under the terms of the grant agreement.

	US\$
Per diem	838
Expenditure relating to the Southern African Development Community Business Council incurred prior to September 1989	18,413
Motor vehicle	17,370
Refrigerator	<u>966</u>
	<u>37,587</u>

All the above related to the Southern African Development Community Business Council program. The reasons for the expenditure being considered ineligible are as follows:

- per diem represents the amounts paid in excess of the limit set in the grant agreement of United Nations rates plus 15%
- expenditure relating to the period prior to September 1989 is ineligible since there was no provision in the grant agreement to reimburse past expenditures
- there was no provision in the grant agreement of capital equipment such as the car and the refrigerator.

The motor vehicle expenditure and the expenditure relating to the period prior to September 1989 was disallowed by USAID/Zimbabwe at the time of responding to the reimbursement request. It is therefore not necessary for USAID/Zimbabwe to seek reimbursement from the Southern African Development Community Secretariat for these amounts.

Details on the above costs can be found in Appendix IV.

Recommendation No. 1

We recommend that the Mission determine the accountability and recover as appropriate ineligible costs of US\$ 1,804 from the Southern African Development Community Secretariat.

Auditee Comments

The per diem rates set forth in the Project Implementation Letter No 1 refer to the Southern African Development Community's normal per diem rates. The Southern African Development Community rates for the Southern African Development Community Business Council are in two categories, namely:

- i) UN rate + 30% for the Executive Director; and
- ii) UN rate + 15% for other staff and consultants.

It is the interpretation of the auditee that the UN rate plus 30% for the Executive Director is implied in the Project Implementation Letter and that the US\$ 838 should be an eligible cost.

The expenditures incurred prior to September 1989 relate to expenses incurred for the Business Working Group meeting held in Harare in March, 1989, to prepare for a meeting of representatives of the Business Community, in order to organize themselves into a regional business institution. The auditee asks us to note that the grant agreement provides that the grant be used to support a program of trade related activities, macroeconomic and investment code studies in support of the private sector. The auditee accepts that these costs are ineligible as charges to the grant to the Southern African Development Community Business Council, but considers that they should be eligible costs to the grant to the Southern African Development Community Secretariat, to support trade related activities.

The auditee submitted a Budget and a Financing Plan for the Southern African Development Community Business Council Secretariat to the Mission in a letter dated June 8, 1989, reference SADCC 7.41 III. This included capital expenditure items, including a motor vehicle amounting to US\$ 17,000. The Mission approved the reallocation of the remaining Southern African Development Community grant for the purposes requested in a letter dated September 1, 1989. The auditee therefore feels that the motor vehicle expenditure is eligible.

Mission Comments

The Mission agrees that the per diems rates are limited to UN rates plus 15%. The Mission also agrees that only US\$ 1,804 of the expenditure require resolution as the rest was not reimbursed by USAID/Zimbabwe.

Auditor's Response

We maintain that the expenditure noted above is ineligible under the grant agreement and our recommendation still stands.

Unsupported Costs

Finding No. 2

We identified the following costs which in our opinion are unsupported under the terms of the grant agreement.

<u>Program</u>	US\$
Southern African Development Community	
Business Council	13,235
Workshops	76,482
Macro-Economic Survey	43,023
Export Pre-Financing	18,694
Investment Codes	35,627
Export Credit Facility	64,807
Regional Relations Post Apartheid	20,173
Industry Strategy	<u>19,629</u>
Total	<u>291,670</u>

Details on the above costs can be found in Appendix V.

Expenditures have been considered to be unsupported because the following documentation has not been produced to us:

- . used air ticket in respect of air travel
- . hotel bills to support claims for per diems
- . original invoices to support other expenditures.

Recommendation No. 2

We recommend that USAID/Zimbabwe determine the allowability and recover as appropriate questioned unsupported costs of US\$ 291,670 from the Southern African Development Community Secretariat.

Auditee Comments

The auditee notes our observation on this issue but makes the submission that it is also stipulated in the grant agreement that "...the financial records, including documentation to support entries on accounting records and to substantiate charges within the grant shall be maintained in accordance with the grantee's usual accounting procedures which shall follow generally accepted accounting practices". In the Southern African Development Community's financial regulations, hotel bills are not a requirement to support per diem expenditure. While the auditee understands that submission of hotel bills is a requirement of the US Government regulations, the auditee considers that it is not "a generally accepted accounting practice".

The auditee states that the items of expenditure considered by us to be unsupported are actually supported by invoices and by properly authorized travel documents, in accordance with the Southern African Development Community's financial regulations. The auditee agrees that it is a requirement to submit ticket stubs, but states that this has been difficult to enforce. When consultants or delegates return to their homes, the auditee's efforts to get them to send the ticket stubs to the Southern African Development Community Secretariat have failed. This is the limitation that the auditee has encountered in most cases, although the auditee states that the invoices from the airlines are good proof of the business trips undertaken.

Mission Comments

The Mission agrees that the auditee should maintain supporting documentation for all expenses incurred. The Mission will hire a public accounting firm to work with the Southern African Development Community Secretariat to identify alternative methodologies to substantiate costs incurred to date, as well as to review the documentation submitted by the auditee to support the costs incurred. The Mission believes that all the unsupported costs can be substantiated by the auditee to its satisfaction. The Mission will also request that the grantee begin maintaining all necessary documentation effective immediately.

Auditor's Response

We still believe the expenditures were not adequately supported according to the requirements of the grant agreement. Therefore our recommendation still stands unless the auditee can substantiate the expenditures to the Mission's satisfaction.

Price Waterhouse



AUDIT OF THE TECHNICAL SUPPORT GRANT TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT

III INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL ACCOUNTING CONTROLS

We have audited the Fund Accountability Statement of the Southern African Development Community Secretariat under the USAID Grant No. 690-0215.33 for the period July 31, 1987 to December 31, 1992 and have issued our opinion thereon dated March 19, 1993.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States (1988 revision). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

We have not been subject to a quality control review by a non-Price Waterhouse firm as required by Government Auditing Standard No 3.46. Such reviews are not required or available to professional firms in Kenya. We do not believe that this departure from Government Auditing Standards has affected our audit. We were subject to a quality control review in July 1992 undertaken by a Price Waterhouse firm independent of our firm.

We were unable to obtain details of the per diem rates set by the United Nations in the period prior to 1990. We were therefore unable to test the internal control systems to ensure that the per diem rates paid by the Southern African Development Community Secretariat were equal to the United Nations rates plus 15 per cent in accordance with the grant agreement.

In planning and performing our audit of the Fund Accountability Statement of the Southern African Development Community Secretariat for the period July 31, 1987 to December 31, 1992, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the Fund Accountability Statement and not to provide an opinion on the internal control structure.

The management of the Southern African Development Community Secretariat 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 a reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Fund Accountability Statement in accordance with the basis of accounting described in Note 1 to the Fund Accountability Statement.



Because of inherent limitations in any internal control structure errors or irregularities may nevertheless occur and not be detected. Also, projection of 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 operations of policies and procedures may deteriorate.

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

Control Environment

- Financial management capabilities
- Methods of assigning authority and responsibility
- Management control methods
- Personnel policies and practices
- Familiarity with USAID rules

Accounting System

- Budgeting and funds management
- General record keeping
- Reporting to USAID
- Disbursement of funds

Control Procedures

- Authorization of transactions and activities
- Written procedures
- Segregation of duties
- Bank reconciliations
- Use of pre-numbered documents.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure, that in our judgement, could adversely affect the Southern African Development Community Secretariat's ability to record, process, summarize and report financial data consistent with the assertions of management in the Fund Accountability Statement.

The following reportable conditions were observed:

Accounting Systems

- . expenditures not supported by adequate supporting documentation
- . poor filing of supporting documentation
- . reimbursement claims not prepared on a timely basis

Control Procedures

- . bank reconciliations not signed as evidence of review
- . supporting documentation for payments not properly authorized
- . inadequate procedures to avoid duplication of payment
- . payment request vouchers not used
- . lack of segregation of duties between accounting functions.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we believe the reportable conditions described above constitute a material weakness in view of the fact that expenditures of US\$ 329,257 were ineligible or unsupported.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of the Southern African Development Community Secretariat and USAID but is not intended to limit the distribution of the report, if a matter of public record.

Pricewaterhouse

March 19, 1993

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III REPORT ON INTERNAL CONTROL

A INTRODUCTION

1 Definition

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

- . the control environment
- . the accounting system
- . control procedures.

The control environment reflects the overall attitude, awareness and action of management. The accounting system consists of methods and records established to identify, assemble, analyze, classify, record and report transactions. Control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to safeguard the organization's resources.

In sections B and C below we have classified our findings and recommendations by these categories, as they apply to the respective auditee's internal control structure.

Before the establishment of the Southern African Development Community Business Council Secretariat with financial management staff, the Southern African Development Community Business Council portion of the grant was expended through the Southern African Development Community Secretariat. During this initial period, the Southern African Development Community Secretariat maintained the accounting records, prepared and submitted requests for advances and reimbursements and was the recipient of the grant funds.

2 Work Performed

Our review of the respective auditee's internal control structures was directed towards those elements which relate to the nature of project funding. The review encompassed the following:

Control environment

- . financial management capabilities
- . methods of assigning authority and responsibility
- . management control methods

- . personnel policies and practices
- . familiarity with USAID rules

Accounting systems

- . budgeting and funds management
- . general record keeping
- . reporting to USAID
- . disbursement of funds

Control procedures

- . authorization of transactions and activities
- . written procedures
- . segregation of duties
- . bank reconciliations
- . use of pre-numbered documents.

AUDIT FINDINGS

During the course of our audit we found several weaknesses in the design or operation of the internal control structure at the Southern African Development Community Secretariat. The following section describes each weakness and gives a recommendation on how to improve on it.

B ACCOUNTING SYSTEMS

Expenditures not supported by adequate supporting documentation

Finding No. 1

We found that expenditures were not supported by adequate documentation. Some expenditures were not supported by any documentation at all.

Supporting documentation should include:

- . used air ticket in respect of air travel
- . hotel bills to support claims for per diems
- . original invoices to support other expenditures.

If funds are advanced for travel and per diem, the advance should be recorded in the accounting records as a debtor balance and the beneficiary should subsequently provide supporting documentation to clear the advance. All advance and reimbursement claims should be signed by the traveller.

All supporting documentation should be carefully filed in payment date order to protect against the risk of loss.

Recommendation No. 3

We recommend that the Southern African Development Community Secretariat improve its accounting systems by:

- 3.1 ensuring that all expenditures are supported by adequate documentation
- 3.2 filing all supporting documentation in payment date order
- 3.3 ensuring that all supporting documents are retained for at least three years after expiration of the Grant.

Auditee Comments

The auditee observes that the accounting systems, internal controls and the financial regulations in operation differ from organization to organization, although the underlying principle is the same, that is, to safeguard the organization's assets. It is also a requirement that all expenditures should be supported by appropriate documentation, the minimum being that set out in the organization's financial regulations. With regard to the per diems, the Southern African Development Community's financial regulations stipulate that per diems are accounted for on days spent on the business, through an Imprest Retirement Form, supported by airticket stubs. It is thus not a requirement to produce hotel bills to support retirement for per diem advanced.

The auditee concurs with our observations on used air tickets, in respect of air travel. The auditee has been able to enforce this for members of staff, but difficulties have been encountered regarding retiring the airtickets used by delegates and consultants, especially those on "one time" assignments as few of them return the stubs to the auditee.

Mission Comments

No comments were received from the Mission.

Auditor's Response

We still believe the expenditures were not adequately supported according to the requirements of the grant agreement. Therefore our recommendation still stands unless the auditee can substantiate the expenditures to the Mission's satisfaction.

Poor filing of supporting documentation

Finding No. 2

Supporting analyses for reimbursement requests to USAID/Zimbabwe and the USAID/Zimbabwe payment voucher accompanying the reimbursement are not filed appropriately. Several USAID/Zimbabwe payment vouchers could not be located in the files. This led to lack of audit trail between the amounts reimbursed by USAID/Zimbabwe and the amounts recorded in the accounting records.

Several bank reconciliations could also not be located due to poor filing.

Recommendation No. 4

We recommend that:

- 4.1 a file be maintained in which copies of all requests for advances and reimbursements and related documentation should be filed. This should include schedules to evidence the audit trail to actual expenditure supporting the request for advances and photocopies of the USAID checks, receipts and any other relevant documentation
- 4.2 reconciliations between USAID/Zimbabwe records and the Southern African Development Community Secretariat records be performed on a regular basis
- 4.3 bank reconciliations be carefully filed either in the file of payment vouchers for the relevant month or in a separate bank reconciliations file.

Auditee Comments

The auditee concurs with our findings on the filing of the reimbursement vouchers, and has subsequently traced the documents and filed them with the requests for reimbursement.

The auditee disagrees with our findings on bank reconciliation statements and states that all the statements from 1987 were submitted to us. The auditee states that the statements are filed separately in bank reconciliation files.

Mission Comments

No comments were received from the Mission.

Auditor's Response

All bank statements were provided but not all the reconciliations. Our recommendation therefore still stands.

Reimbursement claims not prepared on a timely basis

Finding No. 3

We found that there was a large balance of expenditure that had not been claimed for reimbursement from USAID/Zimbabwe, apparently due to lack of personnel and poor filing of documentation.

Recommendation No. 5

We recommend that the Southern African Development Community Secretariat expedite the hiring of the additional staff member to be responsible for preparing claims from donors.

Auditee Comments

The auditee concurs with our findings on the submission of claims for reimbursement. The auditee states that at the time of the audit, there was an amount of expenditures totalling US\$ 337,035 to be claimed from the Mission. Out of this amount, claims totalling US\$ 124,470 had already been submitted to the Mission and the money has since been reimbursed. The auditee has now submitted the balance of the claims, and takes note of our recommendation.

Mission Comments

No comments were received from the Mission.

Auditor's Response

None.

C CONTROL PROCEDURES

Bank reconciliations not signed as evidence of review

Finding No. 4

Bank reconciliations are not signed by a senior officer as evidence of review. This could lead to errors in the cash records or in the reconciliation itself not being detected on a timely basis.

Recommendation No. 6

We recommend that an officer senior to the one preparing the bank reconciliations review the reconciliations for accuracy and for prompt resolution of large reconciling items and should evidence this review in writing.

Auditee Comments

The auditee notes our findings and states that they have already acted on our recommendation. The auditee states that it now has in use an accounting form with a provision for signature of both the Assistant Finance Officer and the Senior Finance Officer. The Senior Finance Officer reviews and approves the statements.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that our recommendation has been implemented.

Supporting documentation for payments not properly authorized

Finding No. 5

Some travel authorization forms were found to have a photocopied authorizing signature. Such practices could lead to fraudulent authorization.

Recommendation No. 7

We recommend that all travel authorization forms be signed in original by the relevant official.

Auditee Comments

The auditee concurs with our finding. The auditee explains that the incident happened once when over 20 people travelled on the same official trip to a workshop, and it was considered convenient to sign one form and photocopy the rest as the details were the same. However, the other authorizing officers signed on the individual forms. The auditee states that it will adhere to the proper accounting practice and internal control, that authority should be endorsed no original documents.

Mission Comments

No comments were received from Mission.

Auditor's Response

The Mission should follow up and ensure that our recommendation has been implemented.

Finding No. 6

Several payment vouchers did not have one of the two required signatures. This is a violation of the laid down procedures.

Recommendation No. 8

We recommend that all payment vouchers follow the laid out procedures to ensure adequate authorization. Authorization should be evidenced by signatures.

Auditee Comments

The auditee concurs with our finding and states that it will adhere strictly to the financial regulations and procedures as recommended.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that our recommendation has been implemented.

Finding No. 7

When goods are purchased from vendors, two copies of the Southern African Development Community's purchase order are sent to the vendor. When the goods are delivered one copy of the purchase order is returned. This copy should be signed in the section for receipt of goods as evidence of receipt of goods. However we found that this is not taking place. We also identified purchases of office equipment where the copy of the purchase order was not signed.

Recommendation No. 9

We recommend that all receipts of goods be evidenced by signing and retaining the copy purchase order. Payment should not be made without this evidence.

Auditee Comments

The auditee accepts our finding and states that no payment is now made without the goods received note being endorsed by the relevant recipient, to indicate receipt of the goods or services as ordered.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that our recommendation has been implemented.

Finding No. 8

Requests for travel and subsistence are not always signed by the claimant. Alternatively the claimant does not write a letter requesting payment. Such requests could later be disowned by the claimant.

Recommendation No. 10

We recommend that all requests for travel and subsistence payments be signed by the claimant or alternatively a signed letter should accompany the payment request.

Auditee Comments

The auditee notes our concern but states that the Southern African Development Community's procedures on travel have strict control points which do not require the traveller to sign. The head of department submits a signed request to the Administrative Officer or Executive Secretary, who approves or disapproves the request, taking into account the various factors including budgetary provision. Where approved, the form is again counterchecked by the Finance Officer against regulations and budget. The auditee feels that the Head of Department, the Administrative and Finance Officers are adequate internal control checks.

Mission Comments

No comments were received from the Mission.

Auditor's Response

We do not believe their current system has adequate controls and we stand by our recommendation.

Inadequate procedures to avoid duplication of payment

Finding No. 9

Paid vouchers are not stamped 'paid' as evidence of payment. This could lead to duplication of payment.

Recommendation No. 11

We recommend that all paid vouchers be cancelled by stamping 'paid' on them.

Auditee Comments

The auditee concurs with our finding and advises that it has already implemented it, in that all documents are now stamped "paid" whenever payment of bills is made.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that our recommendation has been implemented.

Payment request vouchers not used

Finding No. 10

We were unable to find payment request vouchers to support many of the expenditures tested, indicating that these vouchers are not being used in all cases. Failure to use payment request vouchers could lead to authorized expenditure or coding of expenditure to the wrong code.

Recommendation No. 12

We recommend that payment request vouchers be used for all appropriate expenditures in accordance with written procedures. They should be reviewed and approved by the appropriate officials.

Auditee Comments

The auditee confirms that we did not find Payment Request Forms for transactions prior to the introduction of this form in the accounting system. The auditee states that the Payment Request Form was introduced in June 1992.

Mission Comments

No comments were received from the Mission.

Auditor's Response

Even after June 1992, the form was not always used. Therefore our recommendation still stands.

Lack of segregation of duties between accounting functions

Finding No. 11

Postings to the ledger are not reviewed to ensure that they are correct. We found a case where expenditure related to the USAID grant had been posted to an account relating to another donor. The error had not been identified by the Southern African Development Community Secretariat staff indicating lack of review by someone other than the person doing the posting.

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Recommendation No. 13

We recommend that:

- 13.1 at the end of each period postings be reviewed for accuracy by someone other than the person who performed the posting. This review should be evidenced in writing
- 13.2 Details of expenditure posted to a specific project account be reviewed by the officer responsible for that project at the end of each month.

Auditee Comments

The auditee explains that the Finance Section is currently staffed by two officers, namely the Assistant Finance Officer and the Senior Finance Officer. The duties of these officers are segregated, and on top of the Finance Officers, the Principal Administrative Officer and finally the Executive Secretary, review the accounts monthly. Errors detected in the above reviewing stages are corrected accordingly through journals. The auditee respects our recommendation, and states that detailed scrutiny will be made on all the transactions posted in the ledgers.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The Mission should follow up and ensure that our recommendation has been implemented.

Finding No. 12

Payment vouchers are not being coded by the officer responsible for the project activity, although according to the laid down procedures they should be doing so. The Senior Finance Officer allocates the expenditure to the appropriate general ledger code. With only one person involved in the coding process there is a greater risk of error.

Recommendation No. 14

We recommend that payment vouchers be coded by the officer responsible for the project activity and that the Senior Finance Officer check the codings for correctness.

Auditee Comments

The auditee notes our observations, but states that the Southern African Development Community's laid down procedures do not stipulate that the coding should be done by the program officers. The auditee considers that the coding is an accounting function and therefore the allocation of program costs is done by the Assistant Finance Officer. On top of this, the officers approving the payment vouchers countercheck the coding before signature. The auditee does not consider it necessary that the officer responsible for projects should allocate the cost codes.

Mission Comments

No comments were received from the Mission.

Auditor's Response

We believe the program officers should do the coding as they are more aware of the nature of the expense. This coding can be checked by the accounting department for accuracy. Coding by the program officers would also save the accounting staff time as they would not have to search for the codes. The recommendation still stands.

Price Waterhouse



AUDIT OF THE TECHNICAL SUPPORT GRANT TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT

IV INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GRANT AGREEMENT AND APPLICABLE LAWS AND REGULATIONS

We have audited the Fund Accountability Statement of the Southern African Development Community Secretariat under USAID Grant No. 690-0215.33 for the period July 31, 1987 to December 31, 1992 and have issued our opinion thereon dated March 19, 1993.

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

We have not been subject to a quality control review by a non-Price Waterhouse firm as required by Government Auditing Standard No. 3.46. Such reviews are not required or available to professional firms in Kenya. We do not believe that this departure from Government Auditing Standards has affected our audit. We were subject to a quality control review in July 1992 undertaken by a Price Waterhouse firm independent of our firm.

We were unable to obtain details of the per diem rates set by the United Nations in the period prior to 1990. We were therefore unable to verify that the per diem rates paid by the Southern African Development Community Secretariat were in accordance with the terms of the grant agreement.

Compliance with the terms of the agreement and referenced laws and regulations is the responsibility of the Southern African Development Community Secretariat management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of the Southern African Development Community Secretariat compliance with certain provisions of agreement terms and referenced 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.

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

- failure to comply with the agreement provisions relating to submission of claims to USAID/Zimbabwe resulting in US\$ 37,587 of ineligible and US\$ 291,670 of unsupported costs
- failure to submit regular financial and project implementation status reports to USAID/Zimbabwe



- . failure to submit annual work plans to USAID/Zimbabwe
- . failure to deposit an advance of US\$ 200,000 from USAID/Zimbabwe funds in a separate bank account.

We considered these material instances of non-compliance in forming our opinion on whether the Southern African Development Community Secretariat Fund Accountability Statement is fairly presented, in all material respects, in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement, and this report does not affect our report on the Fund Accountability Statement dated March 19, 1993.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the Southern African Development Community Secretariat complied, in all material respects, with the provisions referred to in the sixth paragraph of this report. Nothing came to our attention that caused us to believe that, for the items not tested, the Southern African Development Community Secretariat had not complied, in all material respects, with those provisions.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of the Southern African Development Community Secretariat and USAID but is not intended to limit the distribution of the report, if a matter of public record.

Rice Waterhouse

March 19, 1993

IV **REPORT ON COMPLIANCE WITH GRANT AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS**

WORK PERFORMED

As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of the Southern African Development Community Business Council's compliance with certain provisions of agreement terms and referenced laws and regulations.

AUDIT FINDINGS

During the course of our study we came across several requirements of the grant agreement that were not complied with by the Southern African Development Community Secretariat. This section describes each one and gives a recommendation as to how to rectify the non-compliance.

Ineligible Expenditures

Finding No. 1

Expenditures totalling US\$ 37,587 which are ineligible under the terms and conditions of the grant agreement were incurred. These expenses were all related to the Southern African Development Community Business Council. The grant agreement states that per diems should be paid according to the Southern African Development Community's regulations but should not exceed UN rates plus 15 percent. The per diems paid exceeded this limit. The Southern African Development Community Secretariat maintains that it paid the per diems according to its financial regulations and they are therefore eligible.

Recommendation No. 15

We recommend that where there are differences between the Southern African Development Community Secretariat's interpretation of the terms and conditions of the agreement and that of USAID/Zimbabwe, these matters should be discussed and resolved promptly.

Auditee Comments

The auditee notes our observation on the interpretation of the grant agreement. However, the auditee considers that the correspondences referred to in the auditee comments to Finding No.1 in section II, together with the budgets submitted to the Mission, in essence constituted approval to spend on the items considered by us to be ineligible.

Mission Comments

No comments were received from the Mission.

Auditor's Response

We still consider that the expenses were ineligible under the terms of the grant agreement and we still consider that there is a need for the Mission and the auditee to resolve their different interpretations of the grant agreement. Therefore our recommendation still stands.

Unsupported expenditures

Finding No. 2

Expenditures totalling US\$ 291,670 were incurred which were considered not to be supported by adequate documentation. Most of these expenses were related to air travel and per diems. Adequate documentation for these types of expenses are cancelled air tickets and hotel receipts respectively. The auditee has a different interpretation from USAID/Zimbabwe as to what constitutes adequate supporting documentation under generally accepted accounting practices.

Recommendation No. 16

We recommend that all expenditures be supported by adequate documentation in accordance with generally accepted accounting principles. This constitutes:

- . used air ticket in respect of air travel
- . hotel bills to support claims for per diems
- . original invoices to support other expenditures.

Where there are differences between the Southern African Development Community Secretariat's interpretation of the terms and conditions of the agreement and that of USAID/Zimbabwe, these matters should be discussed and resolved promptly.

Auditee Comments

The auditee refers to its comments in respect of our Finding No. 2 of section II, and reiterates its opinion that the supporting documentation is adequate, and that the expenditure is eligible within the grant stipulations.

Mission Comments

No comments were received from the Mission.

Auditor's Response

We still consider that the expenses were unsupported under the terms of the grant agreement and that there is a need to resolve the differences in interpretation of the grant agreement between the Mission and the auditee.

Reporting to USAID/Zimbabwe

Finding No. 3

Regular financial and project implementation status reports on individual activities and annual work plans were not submitted to USAID/Zimbabwe as required by the grant agreement. The original grant agreement required semi-annual reports. This was changed to quarterly reports under the grant amendment.

Recommendation No. 17

We recommend that the Southern African Development Community Secretariat produce financial and project implementation status reports to cover the period to date and ensure that the quarterly reports are produced for the remainder of the grant period.

Finding No. 4

Annual work plans are not submitted to USAID/Zimbabwe as required in the grant agreement.

Recommendation No. 18

We recommend that the Southern African Development Community Secretariat ensure that the work plans are submitted for the remainder of the grant period.

Auditee Comments

The auditee notes our observation regarding reports to the Mission. The auditee agrees that it has not submitted the reports strictly in the format and as frequently as stipulated in the Project Implementation Letter No. 1. The auditee states however, that it has been submitting final reports on completion of projects/programs. The auditee states that financial reporting was achieved via the submission of reimbursement requests to the Mission. The auditee appreciates our finding, notes the recommendation and states that it will act accordingly in future.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The grant agreement requires separate financial reports. Reimbursement requests do not constitute reports. We therefore stand by our recommendation.

Grant funds commingled with other funds

Finding No. 5

The Grant Agreement requires that advances of grant funds be deposited in a separate bank account. An advance from USAID/Zimbabwe of US\$ 200,000 was not deposited in a separate account.

Recommendation No. 19

We recommend that all advances be deposited in a separate bank account and not be commingled with non-grant funds.

Auditee Comments

The auditee notes our finding and recognizes that it is a requirement of the grant agreement that a separate account be kept for the USAID funds. The auditee confirms that a separate account had been maintained until 1990, when the funds advanced by USAID were depleted. Subsequent to this date, funds were being requested on a reimbursement basis for expenditure already incurred, and thus the need for the account as per the requirement was obviated. The auditee states that in respect of the US\$ 200,000 for the workshop, it took a deliberate move to pass it through the auditee's current account as the money was to be used immediately for the workshop in Malawi. The move was considered to be a prudence measure to reduce the costs of transferring between accounts. The auditee agrees with our recommendation that whenever practicable, funds will be deposited in a separate account retained for the USAID funds.

Mission Comments

No comments were received from the Mission.

Auditor's Response

The grant agreement does not allow for funds to be commingled even if they are to be used immediately. The recommendation therefore still applies.

APPENDICES

APPENDIX I

AUDITEE COMMENTS ON FINAL REPORT

SADC Ref 7.41

16 June 1993

Price Waterhouse
Seventh Floor
National Saving and Credit Bank Building
North End Cairo Road
P O Box 30942
LUSAKA
Zambia

FOR THE ATTENTION OF ALISON HEATH

Dear

AUDIT: SADC SECRETARIAT USAID GRANT NO. 690-0215.33
JULY 31 1987 TO DECEMBER 31 1992

I acknowledge with thanks your letter and report of 24th May, 1993 containing observations and recommendations arising from the audit of Grant 690-0215.33 for the period ended 31st December 1992. Below please find explanations to audit queries as well as actions taken on your recommendations.

EXECUTIVE SUMMARY

We propose that you consider amending the Executive Summary to read as follows:

The Southern African Development Coordination Conference (SADCC) was formed as an association of the majority ruled states of Southern Africa, to promote collective self reliance, and to forge links among its member States; in order to create genuine and equitable regional integration. In 1992 SADC was transformed into a Community known as Southern African Development Community, with a mandate of regional integration, in order to provide for deeper economic cooperation and integration.

There are currently ten member countries, namely: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe.

In this report the acronym SADC is used to refer to SADCC and SADC.

1. LIMITATIONS OF SCOPE

We note your comments on the United Nations per diem rates in force prior to 1990. We are pleased to report that we have been able to get copies of documents giving the rates, and wish to assure you that the rates paid from December 31st, 1987, to December 1990, were as reflected in our documents.

2.1 AUDIT FINDINGS

1. Ineligible Costs

a) Per Diem US\$838.00

The per diem rates set forth in the Implementation Letter No 1 to the Grant agreements refer to SADC's normal per diem rates. The SADC rates for the SRBC are in two categories, namely:

- i) UN Rate + 30%, for the Executive Director; and
- ii) UN Rate + 15%, for other staff and consultants

It is our interpretation that the UN Rate plus 30% for the Executive Director is implied in the Implementation Letter. Therefore, the \$838.00 should be an eligible cost.

b) Expenditure incurred prior to September 1989 US\$18,413

This amount in question relates to expenses incurred for the Business Working Group meeting held in Harare, in March, 1989, to prepare for a meeting of representatives of the Business Community, in order to organise themselves into a regional business institution. Please note that the Agreement provides that the grant is to be used to support a programme of trade related activities, macroeconomic and investment code studies, in support of the private sector.

Whereas we accept that these costs are ineligible as charges to the grant to the SRBC, they should be eligible costs to the grant to the Secretariat, to support trade related activities.

c) Motor Vehicle

In our letter SADCC 7.41 III of 8th June 1989, we submitted to AID a Budget and a Financing plan for the Secretariat of the SADCC Regional Business Council. Included in the budget were capital expenditure items, which included a motor vehicle amounting to US\$17,000. AID approved the reallocation of the remaining SADC Secretariat grant for the purposes requested for (vide USAID letter dated 1st September 1989). We attach both the copy of our letter to USAID and USAID approval as appendix I and II, respectively, for your records.

2. UNSUPPORTED COSTS

We note the auditor's observation on this issue, however, we wish to make the following submission:

It is also stipulated in the Grant Agreement (article 4.0) that "... the financial records, including documentation to support entries on accounting records and to substantiate changes within the Grant shall be maintained in accordance with the Grantee's usual accounting procedures which shall follow generally accounting practices". In SADC's Financial Regulations, hotel bills are not a requirement to support per diem expenditure. While we understand that submission of hotel bills is a requirement of the USA Government regulations, you may wish to note that it is not "a generally accounting practice".

The items of expenditure you termed as unsupported are actually supported by invoices by properly authorised travel documents; in accordance with the Financial Regulations of SADC (please see Appendix III)

We agree that it is a requirement to submit ticket stubs; however, it has proved difficult to enforce. When consultants or delegates return to their homes, our efforts to get them to send the ticket stubs to the Secretariat have failed. This is the limitation we have encountered in most cases, although the invoices from the airlines are good proof of the business trips undertaken.

3.1 AUDIT FINDINGS (INTERNAL ACCOUNTING CONTROLS)

Accounting Systems

1. Expenditure not Supported by Adequate Documentation

The Accounting Systems, internal controls and the Financial Regulations in operation differ from organisation to organisation, although the underlying principle is the same, that is to safeguard the organisation's assets. It is also a requirement that all expenditures should be supported by appropriate documentation, the minimum being that set out in the organisation's financial regulations.

With regard to per diems, the SADC Financial Regulations stipulate that per diems are accounted for on days spent on the business, through an Imprest Retirement Form, supported by airticket stubs. It is thus not a requirement to produce hotel bills to support retirement for per diem advanced.

However, we concur with your observations on used air tickets, in respect of air travel. We have been able to enforce this to members of staff. Difficulties have been encountered regarding retiring the used airtickets by delegates and consultants, especially those on "one time" assignments as a few of them do return the stubs to the Secretariat.

2. Poor Filing of Support Documentation

i) USAID/Zimbabwe Payment Voucher

We concur with the auditors' findings on the filing of the reimbursement vouchers, and have subsequently traced the documents and filed them with the requests for reimbursements.

ii) Bank Reconciliations

We disagree with the auditors on Bank Reconciliation Statement, as all the statements from 1987 were submitted to the auditors. The Statements are actually filed separately in Bank Reconciliation files.

3. Reimbursement Claims

We concur with your findings on the submission of claims for reimbursement. At the time of the Audit, US\$337,035 was outstanding claims to the AID. Out of this amount, US\$124,470 worth of claims had already been lodged to the AID, and the money has since then been reimbursed.

We have already submitted the balance of the claims, and we take note of the auditor's recommendation.

4. Bank Reconciliation

We note your findings on the review and signature of Bank Reconciliations by a Senior Officer. We have acted upon your recommendation, and have now in use an accounting form with a provision for signature of both the Assistant Finance Officer and the Senior Finance Officer. The Senior Finance Officer reviews and approves the Statements.

5. Supporting Documents for Payments

We concur with your finding on this issue. The incident happened once when over 20 people were travelling on the same official trip to a Workshop, and we considered it convenient to sign one form and photocopy the rest as the details were the same. However the other authorising officers signed on the individual forms. We will, however, adhere to the proper accounting practice and internal control, that authority should be endorsed on original documents.

6. Payment Voucher Authorisation

We concur with your findings on the signatories to the voucher, and will adhere strictly to the Financial Regulations and procedures, as recommended.

7. Goods Received Notes

We accept the auditors' finding on the blue GRN copy. No payment is now made without the GRN being endorsed by the relevant recipient, to indicate receipt of goods or services, as ordered.

8. Travel Authorisation Form

We note the auditors' concern on the travel request forms. However, SADC's procedures on travel has strict control points which do not require the traveller to sign. The head of department submits a signed request to the Administrative Officer or Executive Secretary. The AO/ES approves or disapproves the request, taking into account the various factors including budgetary provisions.

Where approved, the form is again counterchecked by the Finance Officer against regulations and budget.

We feel that the Head of Department, the Administration and the Finance Officers are adequate internal control checks.

9. "PAID" Stamp

We concur with your finding on the cancellation of documents, and advise that we have already started implementing the recommendation. All documents are now stamped "paid" whenever payment of bills is made.

10. Payment Request Voucher

We confirm that the auditors did not find Payment Request Forms for transactions prior to the introduction of this form in the accounting system. The Payment Request Form was introduced in June 1992.

11. Segregation of Duties

The finance section is currently staffed by two officers, namely, the Assistant Finance Officer and the Senior Finance Officer. The duties of these officers are segregated, and on top of the Finance Officers, the Principal Administrative Officer and finally the Executive Secretary, review the accounts monthly. Errors detected in the above reviewing stages are corrected accordingly through journals.

We, however, respect the auditors recommendation, and detailed scrutiny will be made on all the transactions posted in our ledgers.

12. Coding of Payment Vouchers

We note your observations on the coding of the expenses for programmes. The Secretariat's laid down procedures do not stipulate that the coding should be done by programme officers. As the coding is an accounting function, the allocation for programme costs is done by the Assistant Finance Officer. On top of this, the officers approving the payment vouchers countercheck the coding before signature.

In this regard, we do not consider it necessary that the officer responsible for projects should allocate cost codes.

4.1 COMPLIANCE WITH THE GRANT AGREEMENT

1. Ineligible Expenditure

We note the auditors observation on the interpretation of the grant agreement in respect of an amount of US\$37,587. However, as pointed out in 2.1 (1) above, the correspondences together with the budgets submitted to the AID in essence, constituted approval to spend on these items.

2. Unsupported Expenditures

Again as pointed out in 2.1 (2) above, in accordance with SADC's regulations, the supporting documents are adequate. Therefore, the expenditure is eligible within the grant stipulations.

3. Reporting to USAID/Zimbabwe

We take note of your observation regarding reports to AID. We agree that we have not submitted the reports strictly in the format, and as frequently as stipulated in the Implementation Letter No. 1. However, we have been submitting final reports on completion of projects/programmes.

With regard to the financial reporting; the reports have been submitted to AID which, has been the basis for reimbursement.

We, however, appreciate your findings on this issue and we assure you that we have noted your recommendation and will act accordingly in future.

4. Annual Work Plans

We concur with your findings on this issue, take note of your recommendation, and will submit workplans annually, in accordance with the grant agreement.

5. Grants Funds Commingled with Other Funds

We take note of your findings on this issue, and wish to make the following submission:

It is the requirement of the Grant Agreement that we keep a separate account for USAID funds.

As verified by your audit team, a separate account had been maintained until 1990, when the funds advanced by AID were depleted. Subsequent to this date, funds were being requested on reimbursement basis for expenditure already incurred, and thus the need for the account as per requirement, was obviated.

However, on the US\$200,000.00 for the workshop, we took a deliberate move to pass it through our current account as the money was to be used immediately for the Workshop in Malawi. The move was a prudence measure to reduce the costs of transferring between accounts.

Finally, we agree with your recommendation that whenever practicable, funds will be deposited in a separate account retained for the AID funds.

GENERAL COMMENTS

We take this opportunity to register observations on some areas of your report other than the particular ones made above, and specifically on internal controls and Financial Regulations.

You seem to have disregarded certain provisions of the Grant Agreement, and reported largely on the basis of your Terms of Reference.

We wish to draw your attention to article 4 of the Grant Agreement which provides that:

"The Financial records shall be maintained in accordance with the Grantees accounting procedures".

The parties of the Grant Agreement had studied in detail the requirements of the USA Government rules and regulations and agreed that it would not be feasible to apply the US Government rules and regulations in all respects. They, therefore, decided to provide for exceptions to the US Government rules and regulations.

While we appreciate that your terms of reference were specific on what areas to concentrate, and what items constitute "ineligible or unsupported" expenditure, we are, however, concerned that having made a study and evaluation of the SADC internal check controls and systems (paragraph E.2); you did not express any opinion as to its adequacy or otherwise in the context of the existing SADC regulations and the funding agreement.

We would appreciate your comments on these comments.

CONCLUSION

We trust that the foregoing will clarify the issues upon which you observed. We also wish to thank you, your staff and USAID/Zimbabwe Office for the cooperation in carrying out this audit.

Yours sincerely

S H S MAKONI
Executive Secretary

cc: Mr Andrew Hollas
Price Waterhouse
Rattansi Educational Trust Building
Koinage Street
P O Box 43963
NAIROBI
Kenya

Mr Ted Morse
USAID
1 Pascoe Avenue
P O Box 6988
HARARE
Zimbabwe

APPENDIX II

AGENCY COMMENTS ON FINAL REPORT

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO ZIMBABWE

INTERNATIONAL MAIL

1 Pascoe Avenue
P.O. Box 6988
Harare, Zimbabwe



UNITED STATES MAIL
Agency for International Development
Harare (ID)
Washington DC 20521-2180
U.S.A.

July 16, 1993

Ms. Alison Heath
Price Waterhouse
PO Box 30942
Lusaka
Zambia

Subject: Audit of Southern African Development Community
Secretariate

Dear Alison:

USAID has received the subject audit report. We concur in the audit findings and would like to add the following comments:

1. Ineligible expenses - Total expenses requiring resolution total \$1,804 as the SADC Business Council expenditures prior to September, 1989 and the motor vehicle have not been reimbursed by USAID. Therefore no action on these items is required. We agree that per diem payments for SADC are limited to UN rates plus 15%. Please confirm the amount shown as ineligible is the net overpayment on per diem rates which exceed the UN plus 15% rate. If the amount shown is not net, please amend the audit finding to reflect only the amount paid in excess of authorized rates as ineligible.

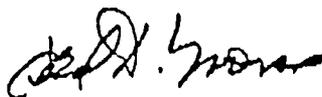
2/....

Phones 720630/720739/720757
Country Code 263, City Code 4
Telex No. 24428 ZW
Fax No. 722418

2. Unsupported costs - We agree that the grantee should maintain supporting documentation for all expenses incurred. USAID will hire a public accounting firm to work with the Secretariate to identify alternative methodologies to substantiate costs incurred to date, as well as review the documentation submitted by the grant to support the costs incurred. We believe that all unsupported costs can be substantiated by SADC to our satisfaction. We will also request the grantee to begin maintaining all necessary documentation effective immediately.

USAID appreciates the cooperation and assistance provided to us and looks forward to our continued working relationship.

Sincerely,



Ted D. Morse
Director

cc: Andrew Hollas, Engagement Partner
Price Waterhouse
PO Box 41500, Nairobi, Kenya

Dr. S.H.S. Makoni
Executive Director
SADC Secretariate

APPENDIX III – V

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT
 TECHNICAL SUPPORT GRANT AGREEMENT NO. 690-0215.33
 FOR THE PERIOD JULY 31, 1987 TO DECEMBER 31, 1992
 ANALYSIS OF FUND ACCOUNTABILITY STATEMENT

Appendix III

	Amounts Recommended To Be			
	Total US\$	Accepted US\$	Ineligible US\$	Unsupported US\$
Feasibility Study – Regional Revolving Fund	79,911.31	61,216.55		18,694.76
Export Credit Facility	142,168.44	77,361.55		64,806.89
Harmonisation of Investment Codes	146,673.24	111,046.57		35,626.67
Macro Economic Survey	135,376.10	92,353.11		43,022.99
Regional Business Council	174,907.56	124,085.68	37,587.01	13,234.87
Industry and Trade Strategy	24,323.76	4,694.77		19,628.99
SADCC Identified Studies				
Export Promotion Strategy	125,060.63	125,060.63		
Comprehensive Export Financing	40,948.23	40,948.23		
Regional Relations Post Apartheid	26,648.45	6,475.19		20,173.26
MIS Expert	18,330.16	18,330.16		
Workshops, seminars & studies	84,617.28	8,135.89		76,481.39
Total Expenditure	998,965.16	669,708.53	37,587.01	291,669.62
Interest Refunded	6,925.00	6,925.00		
Expenditure + Interest Refund	1,005,890.16	676,633.53	37,587.01	291,669.62

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SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT
 TECHNICAL SUPPORT GRANT AGREEMENT NO. 690-0215.33
 FOR THE PERIOD JULY 31, 1987 TO DECEMBER 31, 1992
 SCHEDULE OF INELIGIBLE COSTS

Appendix IV

<u>Program</u>	<u>Month</u>	<u>Voucher</u>		<u>Amount</u>	<u>Amount</u>
		<u>No</u>	<u>Purpose</u>	<u>Pula</u>	<u>US\$</u>
Regional Business Council	May 90	59	Per Diem	1,128.18	606.40
		62		226.45	121.72
	Nov 89	75		50.18	25.94
	Jan 90	1		95.05	46.55
	Mar 89	22		77.23	37.52
	Jan 90	1	Motor Vehicle	32,590.00	17,370.00
	May 90		Refrigerator	1,797.00	965.89
	To Sep 89	Various	SRBC expenditure prior to Sep 89	34,578.53	18,413.00
Totals			70,542.62	37,587.02	

Exchange rate used is that for the month of the transaction or the closest available rate.

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SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT
 TECHNICAL SUPPORT GRANT AGREEMENT NO. 690-0215.33
 FOR THE PERIOD JULY 31, 1987 TO DECEMBER 31, 1992
 SCHEDULE OF UNSUPPORTED COSTS

<u>Program</u>	<u>Month</u>	<u>Voucher</u>		<u>Amount</u> Pula	<u>Amount</u> US\$
		<u>No</u>	<u>Purpose</u>		
Management Workshop	Sept 92	-	Travel & Subsistence	542.94	259.80
		-		542.94	259.80
		-		1,999.85	956.93
		-		1,999.85	956.93
		-		1,999.85	956.93
		-		1,999.85	956.93
		-		150,750.43	72,134.08
Regional Business Council	May 90	21	Per Diem	1,736.08	910.75
	Sept 89	32	Travel	384.68	172.38
		25	Petty Cash	200.00	89.62
	Nov 90	-	Letter of Credit	7,908.14	3,543.64
		14	Travel & Subsistence	396.86	177.83
		15		330.59	148.14
		16		577.14	258.62
		15		769.51	344.82
		16		214.51	96.12
		44		217.27	97.36
		47		401.96	180.12
		45		401.96	180.12
		48		401.96	180.12
	44		581.01	260.35	
	46		401.96	180.12	
	69		203.13	91.02	
	Mar 89	19	Travel & Subsistence	890.72	399.13
18			890.72	399.13	
20			890.72	399.13	
22			592.06	265.30	
10			73.17	32.79	
21			669.29	299.91	
15			669.29	299.91	
13			1,533.85	687.32	

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT
 TECHNICAL SUPPORT GRANT AGREEMENT NO. 690-0215.33
 FOR THE PERIOD JULY 31, 1987 TO DECEMBER 31, 1992
 SCHEDULE OF UNSUPPORTED COSTS

<u>Program</u>	<u>Month</u>	<u>Voucher</u>		<u>Amount</u> Pula	<u>Amount</u> US\$
		<u>No</u>	<u>Purpose</u>		
Regional Business Council continued		14		890.72	399.13
		11		1,650.66	739.66
		16		990.37	443.78
		16		669.29	299.91
		24		669.29	299.91
		23		669.29	299.91
		17		1,533.85	687.32
		10		2,126.31	952.80
		25		(648.61)	(290.64)
		26		(648.61)	(290.64)
Macro Economic Survey	May 88	27	Travel and Subsistence	2,564.31	1,369.34
	Jun 88	47		2,642.10	1,410.88
	July 88	9		116.00	61.94
		14		1,430.97	764.14
		16		1,452.36	775.56
		17		1,019.02	544.16
		25	Fees and Honorarium	1,269.82	678.08
	Sept 88	19	Travel and Subsistence	253.59	135.42
		29		697.00	372.20
		50		345.00	184.23
		39	Fees and Honorarium	2,346.00	1,252.76
	Dec 87	24	Travel and Subsistence	2,950.58	1,754.12
		81		4,656.47	2,768.27
	Jan 88	38		3,984.73	2,368.92
	Nov 88	83		2,273.64	1,214.12
	Mar 88	91	Airfare	30,545.00	18,159.00
	Nov 87	28	Travel and Subsistence	668.79	397.60
		41		827.32	491.84
		42		624.37	371.19
		46		469.70	279.24
47			1,016.76	604.46	
Dec 87		25		637.90	379.23
Jan 88		13		1,846.49	1,097.74
Feb 88		46		1,816.27	1,079.77
Mar 88	6		458.97	272.86	
	99		1,404.20	834.80	
	100		1,569.55	933.10	

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SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT
 TECHNICAL SUPPORT GRANT AGREEMENT NO. 690-0215.33
 FOR THE PERIOD JULY 31, 1987 TO DECEMBER 31, 1992
 SCHEDULE OF UNSUPPORTED COSTS

Appendix V
 Page 3 of 4

<u>Program</u>	<u>Month</u>	<u>Voucher</u>		<u>Amount</u> Pula	<u>Amount</u> US\$
		<u>No</u>	<u>Purpose</u>		
		84		352.18	209.37
		94		1,374.18	816.95
Macro Economic Survey		109		1,045.63	621.63
continued		107		393.44	233.90
		76		881.73	524.19
		108		104.26	61.98
Export Pre-Fin Revol Fund	April 88	12	Travel and Subsistence	984.93	525.95
	Oct 88	42		7,865.72	4,200.29
		7	Fees and Honorarium	8,839.89	4,700.50
	Aug 87	19	Travel and Subsistence	647.33	384.84
		20		508.31	302.19
		21		342.59	203.67
		31		5,386.19	3,202.09
		32		5,523.16	3,283.52
	Sept 87	70		1,326.11	788.37
		71		1,491.56	886.73
	Mar 88	-	Airfare	331.00	196.78
Investment Codes	May 88	52	Travel and Subsistence	875.93	467.75
		53		2,582.50	1,379.06
		56		4,944.94	2,640.60
		57		1,488.58	2,396.90
	July 88	20		160.97	85.96
	Sept 88	50		7,753.00	4,140.10
	Feb 88	55	Travel and Subsistence	4,599.47	2,734.38
	Mar 88	-	Airfare	30,421.00	18,085.28
	Oct 87	75	Travel and Subsistence	320.96	190.81
		76		553.96	329.33
		77		550.14	327.06
	Mar 92	68		5,954.95	2,849.44
Export Credit Facility	May 88	6	Travel and Subsistence	1,864.91	995.86
		9		876.86	468.24
	Sept 88	-	Fees and Honorarium	33,347.32	17,807.47
	Aug 87	33	Travel and Subsistence	5,949.64	3,537.06
		30		5,048.26	3,001.19
	Sept 87	72		1,491.56	886.73

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SOUTHERN AFRICAN DEVELOPMENT COMMUNITY SECRETARIAT
 TECHNICAL SUPPORT GRANT AGREEMENT NO. 690-0215.33
 FOR THE PERIOD JULY 31, 1987 TO DECEMBER 31, 1992
 SCHEDULE OF UNSUPPORTED COSTS

Appendix V
 Page 4 of 4

<u>Program</u>	<u>Month</u>	<u>Voucher</u>		<u>Amount</u>	<u>Amount</u>
		<u>No</u>	<u>Purpose</u>	<u>Pula</u>	<u>US\$</u>
	Dec 87	2		14,514.00	8,628.57
	Mar 88	34	Travel and Subsistence	12,908.56	7,674.14
		-		8,080.00	4,803.56
		-		35,536.18	17,004.06
Regional Relations Post Apartheid	May 92	61	Travel	20,804.80	9,955.10
		12	Travel and Subsistence	932.00	445.96
		-		932.00	445.96
		-	Petty cash	4.59	2.20
	June 92	1	Travel and Subsistence	10,945.60	5,237.47
		15		3,369.00	1,612.07
	Aug 92	16	Travel and Subsistence	1,536.58	735.25
	Sept 92	5	Travel and Subsistence	1,231.50	589.27
		6		621.00	297.15
		6		1,782.30	852.83
Industry Strategy	Mar 89	-	Various Expenses	41,021.50	19,628.79
Totals				562,364.53	291,669.80

Exchange rate used is for the month of the transaction or the closest available rate.

ATTACHMENT II

REPORT DISTRIBUTION

U.S. Ambassador to Zimbabwe	1
USAID/Zimbabwe Director	5
A/AID	1
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AA/AFR	2
AFR/SA/ZSSM	1
XA/PR	1
LEG	1
GC	1
AA/FA	1
AA/OPS	1
FA/FM	1
POL/CDIE/DI	1
FA/MCS	1
REDSO/ESA	1
REDSO/RCO	1
REDSO/RFMC	1
REDSO/Library	1
IG	1
AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM/C&R	5
IG/RM/GS (Unbound)	1
AIG/I&S	1
IG/I/NFO	1
IG/A/PSA	1
IG/A/FA	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/EUR/W	1
RIG/A/Singapore	1
RIG/A/San Jose	1
RIG/A/Bonn	1