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**REDSO/WCA  
INDEFINITE QUANTITY CONTRACT  
N°624-0510-1-00-2139-00**

**INSTITUT DU SAHEL**

**ASSESSMENT OF THE FINANCIAL  
AND  
MANAGEMENT CAPABILITIES**

**JULY 1993**

**FINAL DRAFT REPORT**

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**Deloitte Touche  
Tohmatsu  
International**

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S. A. au capital de 37 500 000 F CFA  
Compte Contribuable 0104684 R.C. ABIDJAN 156849

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## ACRONYMS

<b>USAID</b>	United States Agency for International Development
<b>INSAH</b>	Institut du Sahel
<b>CILSS</b>	Permanent Interstates Committee for Drought Control in the Sahel
<b>PRISAS</b>	Regional Program for Strengthening Institutional Research Capacity on Food Security in the Sahel
<b>UCTR/PV</b>	Pest Management Technical Coordinating Unit
<b>R3S</b>	Research Network for Resistance to Drought

**INSTITUT DU SAHEL (INSAH)  
USAID DELIVERY ORDER N°1  
IQC N°624-0510-I-00-2139-00****INDEPENDENT AUDITORS' OPINION**

We have made a review and evaluation of the managerial capacity and internal control systems of the INSAH using those criteria established by USAID/MALI. Our study included tests of compliance with the organization's stated procedures to the extent that such testing was deemed necessary and feasible. Our study did not constitute an audit of any financial statement prepared by the INSAH.

The management of the INSAH is responsible for establishing and maintaining systems of internal controls and financial management. In fulfilling this responsibility, estimates and judgment by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with 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 financial statements in accordance with generally accepted accounting principles. We understand that the objective of those financial management and internal control procedures comprehended in Mission's criteria is to provide similar assurance.

Based on this understanding and our review and evaluation, we believe the INSAH procedures would be adequate for USAID's purposes, assuming satisfactory compliance, except for the conditions described in Part III -1 of the present report which we believe would be material weaknesses. In addition to these weaknesses, other conditions that we believe would not be in conformity with the criteria referred to above are described in Part III-2 of the present report. Further, nothing came to our attention that would cause us to believe that the INSAH does not have the managerial, technical, administrative and financial capabilities to carry out the proposed project except those identified as material weaknesses.

Deloitte & Touche

Abidjan, July 26, 1993

**Deloitte Touche  
Tohmatsu  
International**

*Final Draft Report*

S A au capital de 37 500.000 F CFA  
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**PART I**  
**EXECUTIVE SUMMARY**

## **ASSESSMENT OF THE FINANCIAL AND MANAGEMENT CAPABILITIES OF THE INSTITUT DU SAHEL**

### **A. BACKGROUND**

The Institut du Sahel (INSAH) is the implementing unit for the 8.5 million US dollars AID-funded regional project for Programs for Applied Development Research in the Sahel (PADRES) whose purpose is to improve Sahelian analysis formulation and implementation of sustainable policies and programs, through the coordination of research efforts in agriculture production, food security and natural resources management. The Payment Verification Policy Statement (PVPS) N°5 requires that the Mission controller conduct a realistic assessment of the capacity of the host country implementing agencies managerial capabilities and internal control systems before they disburse any AID funds. Also, PVPS N°9 requires that annual assessments of the monitoring and invoice examination procedures followed by host country contracting agencies be made by the controller. This assessment should form part of project design and serve as a basis for continued reliance on host country performance certificates and voucher reviews.

Our responsibility is to assess the financial and management capabilities of the Sahel Institute with a view to determining whether it is capable of receiving and monitoring AID funds in order to support the Programs for Applied Development Research in the Sahel program.

### **B. OBJECTIVES AND SCOPE OF WORK**

*The objectives of the assessment are:*

1. To determine the overall adequacy of the Institut du Sahel's internal control systems in order to minimize USAID's vulnerability in sharing project implementation and administration responsibilities with INSAH, and to determine the effectiveness of INSAH's contracting, monitoring and invoice examination capabilities based on the following criteria:
  - a. Accounting records that are supported by documentation that will identify, segregate, accumulate, and record all costs incurred.
  - b. Records that identify adequately the source and application of funds for sponsored activities. These records should contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays and income.

- c. Effective control over and accountability and safeguard for all funds property and other assets.
  - d. Comparison of actual outlays with budget amounts for each agreement.
  - e. Procedures for determining the allowability of costs in accordance with the provisions of procurement documents, applicable cost principles, and generally accepted accounting principles.
  - f. Accurate, current, and complete disclosure of financial information for each sponsored program. If reporting on an accrual basis is required, the recipient shall develop such accrual data for its reports on the basis of an analysis of the documentation on hand.
  - g. Examinations by audits that are made by qualified and independent individuals and are conducted with reasonable frequency.
  - h. A systematic method to ensure timely and appropriate resolution of audit findings and recommendations.
2. To determine the effectiveness of INSAH's contracting, monitoring and invoice examination capabilities, which includes the following:
- a. Review INSAH's organization to determine:
    - If relationships among the HCIA's organizational units are developed and clearly defined;
    - If procurement authority, and the delegation thereof, is clearly delineated;
    - If supervisory and decision-making responsibilities and corresponding authority within management levels are developed and clearly assigned;
    - If staff functions and responsibilities are clearly delineated and divided;
    - If procurement (contracting) staff are well qualified in terms of educational, professional and procurement training experience;
    - Are the rules governing procurement adequate to protect the rights of all parties concerned;
    - The extent of staffing changes/turnover and how it may affect project implementation;

- b. Review of INSAH's contracting and assistance (grants, cooperative agreements) policies and procedures for:
- Procurement planning
  - Pre-qualification of bidders/offers
  - Competitive procurement and advertising
  - Preparation and analysis of proposals
  - Determination of contract type, etc
- c. Review of INSAH's implementation of contract/assistance instrument policies and procedures.
- d. Review of INSAH's operating procedures to determine how well INSAH:
- supervises the procurement process
  - functions in terms of responding to meeting schedules and deadlines
  - provides logistical support to foreign contractors in the areas of housing, office space, customs clearances, etc.
- e. Review of INSAH's invoice examination policies and procedures to determine:
- carrying out adequate and reliable payment procedures
  - the adequacy and effectiveness of INSAH procedures in reviewing requests for and use of cash advances by contractors

### **C. INDEPENDENT AUDITORS' CONCLUSIONS**

We address below each of the sub-items mentioned in paragraph B above, in compliance with Article IV "Reports and Deliverables" of the Delivery Order N°1, IQC N°624-510-I-00-2139-00.

In addition, our findings and recommendations are fully described in the appropriate section of the present report.

*1. Accounting records are supported by documentation that can identify, separate, accumulate and record all costs incurred*

The recording of transactions and filing system of supporting documentation are poor and need to be improved. Transactions are not serially numbered before recording, and related supporting documentation are not properly filed to facilitate easy tracing. Otherwise, separate accounting records are kept for each project.

**2. *Accounting records identify adequately the source and application of funds for sponsored activities***

Separate accounting and financial records are maintained for each project. Funds received from donors are also kept in separate bank accounts.

**3. *Effective control over and accountability for all funds, property and assets . Recipients should adequately safeguard all such assets and should ensure that they are used solely for authorized purposes***

INSAH inventory and other assets management is not adequate to safeguard its assets from misuse, theft and misappropriation. Goods and supplies acquired are recorded as if they were fully consumed. There is no system in place to ensure that items physically existing are properly monitored. INSAH's vehicles and fuel management does not prevent the utilization of these assets on unrelated project purposes.

Transfers are made from one fund to compensate shortage of another fund without obtaining authorization from the donor. These unauthorized transactions are generally not reported on periodic reports to donors.

**4. *Comparison of actual outlays with budget amounts for each agreement. Financial information should be related to performance and unit cost data whenever appropriate***

The budgetary control function is poor and needs to be reinforced. In addition, we noted an instance where a donor's fund which was to be used to computerize INSAH's operations was diverted to other purposes.

We noted a cash shortage in member states fund account due to non payment of contributions.

**5. *Procedures for determining the allowability of costs in accordance with the provisions of procurement documents, applicable cost principles, and generally accepted accounting principles.***

Procurement procedures need to be reinforced. Those who initiate an order have also the power to choose suppliers. Proforma invoices from at least three suppliers are generally not obtained before an order is placed.

6. *Accurate, current and complete disclosure of financial information for each sponsored program is available. If reporting on an accrual basis is required, the recipient shall develop such accrual data for its reports on the basis of an analysis of the documentation on hand.*

The accrual basis of reporting is generally not required by donors. However, when unauthorized fund transfers are made from a donor's fund account to compensate cash shortage of another fund account, this is not reported on the periodic reporting to donors.

7. *Examinations by audits are made with reasonable frequency by qualified individuals who are sufficiently independent of those that authorize the expenditures of funds.*

Statutory audits are conducted annually for all CILSS institutions by external auditors. In addition, periodic audits are done by the internal auditor of CILSS who is sufficiently independent of those who initiate and authorize expenditures. We understand that no statutory audits were performed for the financial years 1991 and 1992, and the management of INSAH could not provide us with evidence of audits conducted by the internal auditor of CILSS.

8. *A systematic method to ensure timely and appropriate resolution of audit findings and recommendations*

Only a report submitted in 1988 by other external auditors was in files. We did not obtain enough evidence that recommendations made therein were implemented.

9. *Review of INSAH's organization to determine if:*

- a) *Relationships among HCIA's organizational units are developed and clearly defined:*

INSAH has currently two technical departments (IRMA and DDIF) headed by program coordinators who coordinate and supervise the activities of projects managers. INSAH also has a Department of Administration and finance that monitors and centralizes financial and accounting matters.

The relationship among these organizational units are developed and clearly defined but may however change in the next few months in view of the plan aimed at restructuring all CILSS institutions.

*b) Procurement authority, and the delegation thereof, is clearly delineated:*

Procurements are all authorized by the Director General or the individual acting for him in his interim. Availability of funds are checked by the accounting division.

*c) Supervisory and decision making responsibilities and corresponding authority within management levels are developed and clearly assigned:*

Technical departments are headed by program coordinators having operational rules as project managers responsible for facilitating and coordinating project activities essentially carried out by organizations within CILSS member states. Financial and accounting matters are supervised by the Director of Administration and Finance.

Consequently, the supervisory and decision making responsibilities within management levels appears to be developed and clearly assigned.

*d) Staff functions and responsibilities are clearly delineated and divided:*

Staff functions and responsibilities are clearly delineated and divided except that there are some deficiencies in the area of segregation of duties in the Department of Administration and Finance, which results from the fact that the position of financial controller was vacant since 1991.

*e) Procurement (contracting) staff are well qualified in terms of educational, professional and procurement training experience:*

There is no staff specialized in procurement activities per se. This could be due to the reduced number of staff currently working at INSAH. However, staff involved in daily purchases appears to be well qualified to do so.

*f) Are the rules governing procurement adequate to protect the rights of all parties concerned?*

There is no formalized rules established to govern procurement. There is a provision in CILSS financial manual regarding the benchmark for bidding. However, procedures and policies governing small scale procurements appear to be adequate to protect the rights of all parties concerned.

## **10. Contracting and monitoring**

The sub-items mentioned in Part IB paragraphs 2b, 2c and 2e were not applicable in the circumstances due to the following reasons:

- Individual expenditures made by INSAH were all less than the FCFA 10,000,000 threshold required by CILSS for competitive bidding.
- On-going grants and cooperative agreement terms do not oblige INSAH to comply with specific procurement procedures or policies
- INSAH does not manage directly any USAID funds which could justify compliance with AID's procurement regulations

## **11. Review of INSAH's invoice examination policies and procedures to determine:**

### **a) The effectiveness of INSAH in carrying out adequate and reliable payment procedures:**

Invoices paid are stamped and cancelled to avoid duplicate payments, and after ensuring the accuracy and reasonableness of quantities, prices and amounts shown on vouchers, invoices are also matched against valid commitments and good receiving documents, before payment is made.

Payments are generally made timely and are properly authorized by the Director General who signs the checks together with the Chief Accountant.

### **b) The adequacy and effectiveness of INSAH procedures in reviewing requests for and use of cash advances by contractors:**

Our investigation did not reveal any area where cash advances were requested or used by a contractor. Purchases are paid in a lump sum once goods are received.

## **D. SUMMARY OF SIGNIFICANT RECOMMENDATIONS**

### **1. Controls over fixed assets**

The INSAH's current fixed assets register does not include all equipments acquired or placed under its responsibility. A comprehensive fixed assets register should be put in place further to a physical inventory of all assets acquired and contributed by donors.

**2. *Lack of adequate vehicle and fuel management***

Vehicle log books are not properly filled-out in order to allow an efficient use of INSAH's vehicles and fuel. Appropriate actions should be taken for an efficient use of vehicles and fuel in view of preventing abuses and personal utilization.

**3. *Lack of adequate stock management***

Items physically existing do not appear to be properly monitored. Goods and supplies purchased are treated as if they were fully consumed.

An adequate stock management system should be put in place as soon as possible. This should cover the storeroom management as well as that of fuel coupons.

**4. *Unauthorized transfer from fund to fund***

As of December 31, 1992, over FCFA 68 million were transferred from some funds accounts in order to compensate shortage of other funds accounts. These transfers were not reported on periodic statements sent to donors. These funds should be reimbursed to the respective fund accounts.

**5. *Unjustified staff termination benefits***

Termination benefits are budgeted yearly on project funds and paid to staff at the end of projects. During the twelve month period ended March 1993, FCFA 7,249,964 was set aside from the ACDI funds to pay staff termination benefits. Management should stop this practice immediately.

**6. *Non payment of employee salary taxes***

INSAH does not withhold employee's salary taxes from monthly pay in order for remittance to the tax authorities. Exemption of the INSAH's staff salary taxes should be cleared with the tax authorities.

**7. *Non-compliance with Project Grant Agreement terms***

As of June 30, 1993, out of the FCFA 27 million disbursed by the Canadian International Aid Agency for the computerization of INSAH, only FCFA 11 million remained. The balance was used to pay staff salaries. The CIDA funds should be reimbursed immediately and applied to its original purposes.

**8. *Lack of adequate procurement procedures***

The system of requesting at least three proforma invoices for procurements is not systematically adhered to at INSAH. This system should be put in place as soon as possible and suppliers should be selected by an individual independent of those who initiate the transactions.

**PART II**  
**DESCRIPTION OF SYSTEMS**

## I. INSAH'S GENERAL AND FINANCIAL ORGANIZATION

INSAH is a relatively small organization, employing 40 people. The Director General has overall management and policy responsibility. He has no deputy, but is seconded by a Scientific and Technical Coordinator, who is attached to the Director General's office and acts for him in his absence. INSAH has currently three departments (see organizational chart):

- The Department of Research on the Environment and Agriculture (DRMA);
- The Department of Documentation, Information, and Training (DDIF); and
- The Department of Administration and Finance (DAF)

The first two are headed by program coordinators, who are responsible for both managing specific projects (usually funded by donors) and for coordinating and overseeing the activities of other managers of projects within their departments.

Currently, the Department of Administration and Finance is temporarily headed by the language translator since the dismissal of both the Director and the Controller in 1991. The Department of Administration and Finance is made up of the following divisions:

### *Financial Division*

This division has the responsibility of initiating all expenditures together with budget follow-up. The financial division also prepares payment orders and maintains the following accounting documents and books:

- budget follow-up register and sheets
- payment register
- purchase orders
- payment orders
- payslips for each employee

The financial division comprises only one accountant, Mr. Issa Diarra.

### *Assets recording division*

The tasks assigned to this division are currently performed by one accountant, Mr. Badian Konaré. He is responsible for:

- maintaining all asset registers
- matching invoices against valid commitments and receiving documents

- performing physical counts for all the petty cash maintained at INSAH
- maintaining the fund receipts register

### ***Personnel Division***

Personnel management is performed by the Director of Finance and Administration. In addition to his supervisory activities of all accounting records, the Chief Accountant, Mr Traoré is responsible for monitoring assets, payroll, purchases and prepares all financial statements (reporting) to be submitted to donors.

It should be noted that the current organizational structure may change in the next few months in view of the plan aimed at restructuring all CILSS institutions.

## **II. ACCOUNTING SYSTEM**

The financial statements are prepared on the cash basis principle. The system maintains a separate bank account for each fund. All transactions are recorded in the corresponding bank book which is the source for preparing the financial statements.

### ***The system also maintains:***

- a budget follow-up register which records chronologically all expenditures per donors
- a budget follow-up sheet per donor and per budget line items, aiming at determining budget balance available after each transaction
- a fund receipts register

## **III. DISBURSEMENT PROCEDURES**

Purchases at INSAH are essentially made up of office stationeries and petrol. Whenever necessary, an expenditure memorandum is prepared by the project's coordinator. Three suppliers are consulted whenever the expenditure order exceeds FCFA 100,000. Where appropriate, the project coordinator attaches three proforma invoices to the memorandum and the set of documents is submitted to the Director General of INSAH for approval.

The memorandum is forwarded to the Director of Finance and Administration for signature and then transmitted to the Chief Accountant. The Chief Accountant checks the allowability of the expenditure; the set of documents is sent to the accounts clerk to check the availability of funds on the budget line, and prepares the purchase order. He then updates the relevant budget follow-up sheet with the projected costs of the expenditure.

The purchase order is prepared in 5 prenumbered copies. The purchase order is attached to the memo and sent back to the Director of Administration and Finance and to the financial accountant for approval. Three copies of the purchase order are then sent to the supplier.

Based on the standard provisions defined by CILSS, a contract is prepared for each procurement order above or equal to FCFA 2,000,000 and a competitive bidding is required for procurement above or equal to FCFA 10,000,000.

When goods or services are delivered, either the financial accountant or the initiating unit matches the order documents and the goods or services receipt notes. He approves the delivery note to certify that goods or services were properly delivered once he has counted them and verified quality.

When the supplier sends his invoice, he joins the approved delivery note and two copies of the purchase order. The secretary of the Director General who receives the set of documents transmits them to the Director General, who approves the invoice before forwarding the batch of documents to the Department of Finance and Administration.

At the reception of the set of documents, the accountant in-charge of assets records, updates the assets register. Goods acquired are recorded as if they are fully consumed. The invoice is stamped with the certification stamp by the accountant who transmits it to the Director of Finance and Administration for approval.

The Director of Finance and Administration then forwards the document to the financial accountant who prepares the prenumbered payment order. The payment order is joined to the set of documents and returned to the Director of Finance and Administration. After approving the payment order, the Director of Finance and Administration submits it for the approval of the Director General.

Approved payment orders are recorded in the budget follow-up register on a chronological basis, by the financial accountant. The latter transmits the payment order to the Chief Accountant.

The Chief Accountant prepares the check after ensuring of the adequacy and completeness of supporting documentation. He will then sign the check and send it to the Director General for the second signature (checks are signed by both the Chief Accountant and the Director General).

Once the check is signed by the Director General, the Chief Accountant updates the relevant bank book which mentions the following data:

- payment order's number
- description of the expenditure
- the relevant budget line-item
- the costs and cumulative costs to date
- the balance of bank account

Recording is made on a daily basis but entries are not numbered in order to facilitate tracing. The bank books are centralized on a monthly basis and each balance is reconciled with its bank statements.

#### **IV. FUNDS RECEIPT SYSTEM**

INSAH's revenues consist of funds received from donors essentially and member states contributions. Advances of funds are initiated either by INSAH or by donors based on the grant agreement. Advances are initiated by INSAH through advance request forms prepared by the chief accountant, and approved by the Director General. The document is sent to the donor together with the appropriate financial statements (budget and actual) and the expenditure forecast for the coming period.

When the check is received, the accountant prepares a fund receipt note which is transmitted to the Director General for signature and to the Director of Finance and Administration for visa. The accountant then prepares the check deposit slip and updates the fund receipt notes register. The check is deposited at the bank while the fund receipt notes are filed. The deposit slip, once stamped by the bank, is recorded in the bank book file as a receipt.

#### **V. PAY-ROLL**

INSAH's payroll indicates an average of 27 persons and does not include those of PRISAS.

Salaries are calculated each month on a payroll register based on the employment letter and other official notification letters where appropriate. The payroll register is also supplemented with preprinted payslips in three copies of which one is remitted to each employee as a receipt of monthly salary payment.

Budget follow-up sheets and registers are updated and payment orders are approved as previously described in the disbursement procedures. When all relevant documents are signed, the chief accountant prepares the bank transfer order and checks for those who do not have a bank account and returns the set of documents (checks, transfer and payment orders, payroll register) to the Director General for approval. The Chief Accountant dispatches the relevant documents to banks and employees.

**PART III**  
**DETAILED FINDINGS AND RECOMMENDATIONS**

## I. MATERIAL WEAKNESSES

*Accounting records that are supported by documentation that will identify, segregate, accumulate, and record all costs incurred*

*Observation: Lack of supporting documentation*

Our compliance tests over internal control procedures revealed that certain expenditures were not supported with adequate documentation. Out of 24 transactions tested, 3 items were not supported with adequate documentation.

An example is the purchase of 26 "TA" for FCFA 5,310,000 on April 04, 1992 which lacks adequate supporting documentation.

*Risk*

Payment of unjustified or unsupported expenditures.

*Recommendation*

Each transaction should be supported by adequate documentation which should be properly filed.

### *2. Accounting records identify adequately the source and application of funds for sponsored activities*

Separate accounting and financial records are maintained for each project. Funds received from donors are also kept in separate bank accounts.

### *3. Effective control over and accountability for all funds, property and assets. Recipients should adequately safeguard all such assets and should ensure that they are used solely for authorized purposes*

#### *3.1 Observation: Controls over fixed assets*

Our examination revealed that INSAH does not maintain a comprehensive listing of all equipments acquired or placed under its responsibility. The current register include only equipments acquired as from 1991.

*Risk*

The current register does not allow an adequate control of physical existence and location of equipment under the custody of INSAH.

Misappropriation of equipment may occur and not be detected.

*Recommendation*

A full physical inventory should be carried out by INSAH with a view to identifying all equipments acquired or contributed by donors. The fixed assets register should be updated consequently. In the future a physical inventory should be performed at least once a year.

**3.2 Observation: Lack of adequate vehicle and fuel management**

The review of the INSAH's vehicle and fuel management revealed the following weaknesses:

- Vehicle log books are not always properly filled out. Users do not always sign off to certify the use of a vehicle and movements for personal use are not reported thereon.
- There is no analysis to determine the efficiency of use of vehicle, fuel consumption and review of authorization of use of vehicles.

*Risk*

INSAH's vehicles and fuel could be used for purposes not related to projects and this can increase maintenance and repair costs and consequently create a cash shortage.

*Recommendation*

Vehicle log books should be systematically filled out and signed off by users. Use of INSAH vehicles for personal purposes should be stopped immediately.

Vehicle log books should be followed-up by the Director of Finance and Administration with a view to avoiding abuses. Periodic controls should include reconciliation of distances in kilometers with total quantities of fuel consumed during the same period. Such control should be properly evidenced and filed.

**3.3 Observation: Lack of adequate stock management**

Goods and supplies received are recorded in the books as if they were fully consumed. There is no system in place to monitor items physically existing.

*Risk*

The lack of a good stock management exposes the projects and the INSAH's assets to abuses and waste.

*Recommendation*

INSAH should define an adequate stock management system whereby incoming and outgoing items will be properly monitored. The following actions should be envisaged:

- The custody of stocks should be performed by only one individual who is independent of the accounting personnel.
- Stock cards should be maintained by the stock-keeper so as to record all incoming and outgoing stock items. Periodic stock counts should be conducted by an accounting personnel.
- A store-room should be identified as soon as possible.

The custody of petrol coupons should be given to an accountant who shall deliver them only on the basis of a petrol voucher previously approved by the Director of Finance and Administration.

In addition, INSAH must maintain a petrol coupons register which will records incoming and outgoing quantities. Periodic inventory should be carried out by the Director of Finance and Administration with a view to preventing misuse and abuse of the coupons.

***3.4 Observation: Unauthorized transfers from fund to fund***

As of December 31, 1992, a total of FCFA 68,298,414 was transferred from some fund accounts to compensate shortage of other funds accounts. Out of this amount, over FCFA 58 million was advanced to pay INSAH's staff salaries. These transfers are not reported on periodic statements sent to donors.

*Risk*

This practice may jeopardize the execution of some projects as donors may suspend disbursements if they learn of it.

*Recommendation*

Necessary action should be taken by management to reimburse these funds to the respective funds accounts. Proper written approval of donors should be obtained in the future before such transfers are made.

In addition, periodic financial statements sent to donors should clearly mention full details of all amounts advanced to another financing source.

**3.5 Observation: Accounting records**

We noted quite a few erasures in the books of account as well as delay in recording transactions. We also noted that recording is not serially numbered to allow easy tracing to source documentation.

*Risk*

Transaction recording may not be complete and errors may occur in the accounts without being detected.

*Recommendation*

Entries in the bank books should be serially cross referenced to source documentation. In addition, appropriate training should be given to the accountants in order to better technically equip them in handling daily transactions.

**3.6 Observation: Segregation of duties**

An accountant who is responsible for fixed assets and other expenses and cash receipt verification, and who reports to the Chief Accountant, performs financial control tasks as well, due to lack of the availability of a staff member who should have carried out this function independently.

*Risk*

Material error and irregularities may occur without being detected timely.

*Recommendation*

We were informed that a new management structure is underway. The accounting structure should be organized in order to alleviate this weakness. Immediate action should be taken to grant the current Director of Finance and Administration, the responsibility of performing at least budget control tasks.

**3.7 Observation: Lack of adequate payroll system**

The payroll register does not include all project staff salaries. Indeed, some project staff salaries are recorded on payment vouchers and not extended to INSAH payroll.

*Risk*

INSAH payroll may not be complete and financial statements may not give a true and fair view of the Sahel Institute operations. Some staff may be paid twice.

*Recommendation*

The payroll register should produce monthly a full comprehensive payroll system for INSAH, which should include all projects staff salaries. In addition, controls should be performed monthly by the Director General so as to check adequacy and reasonableness of salary payments. Such control should be evidenced in the payroll register.

**3.8 Observation: Vacation policy enforcement**

Since the time when two senior financial staff were dismissed (1991), INSAH no longer enforces vacation policies for the personnel. The Chief Accountant has not gone on leave since 1990.

*Risk*

Alternative controls are not performed by replacing staff and certain errors may not be detected timely.

*Recommendation*

INSAH should enforce staff vacation policies, and specifically for the accounting personnel. This represents an efficient means of detecting errors or irregularities by competent replacements.

**3.9 Observation: Discrepancies in salary rates**

Project staff paid directly on donors' funds are applied rates higher than those paid under the Permanent Interstate Committee for Drought Control in the Sahel (CILSS) standard rates. We were not provided with details of these special rates nor were we given evidence of their approval of the Board.

*Risk*

Dissatisfaction and complaints may arise among staff as a result of such discrepancies

*Recommendation*

Management should look into this issue with a view to harmonizing salary rates.

***3.10 Observation: Lack of supporting documentation***

Our compliance tests over internal control procedures, revealed that certain expenditures were not supported with adequate documentation. Out of 24 transactions tested, 3 items were not supported with adequate documentation.

An example is the purchase of 26 "TA" for FCFA 5,310,000 on April 04, 1992 which lacks adequate supporting documentation.

*Risk*

Payment of unjustified or unsupported expenditures

*Recommendation*

Each transaction should be supported by adequate documentation which should be properly filed.

***4. Comparison of actual outlays with budget amounts for each agreement.  
Financial information should be related to performance and unit cost data  
whenever appropriate***

***4.1 Observation: Inadequate budget register follow-up***

The serial numbers of purchase order forms are not reported on the budget follow-up register and sheets.

In addition, purchase orders are not systematically prepared for all transactions, principally for purchase of services and equipment.

*Risk*

Inefficient control over records completeness.

*Recommendation*

Purchase order form numbers should be reported in the budget follow-up register and sheets to allow control over their completeness.

In addition, each transaction which affects an authorized budget should require a purchase order form and be properly recorded in the relevant register and sheets.

**4.2 Observation: Budgetary postings**

Expenditures are not always posted to the adequate budget line item. Our investigations revealed a case where a purchase of postage stamp was recorded under the budget line item "maintenance".

*Risk*

Funds may be used for purposes other than those authorized by donors.

*Recommendation*

Budgetary postings should be checked permanently by the Director of Finance and Administration to avoid account misclassification.

**5. Procedures for determining the allowability of costs in accordance with the provisions of procurement documents, applicable cost principles and generally accepted accounting principles****5.1 Observation: Lack of adequate procurement procedures**

Currently, suppliers are selected by the initiating units of an order and the system of requesting at least three proforma invoices is not quite adhered to.

*Risk*

Goods and services may be acquired at costs higher than reasonable. Waste of project funds is also a risk.

*Recommendation*

Suppliers should be selected by an individual independent of those who initiate the transactions.

***6. Accurate, current and complete disclosure of financial information for each sponsored program is available. If reporting on an accrual basis is required, the recipient shall develop such accrual data for its reports on the basis of an analysis of the documentation***

The accrual basis of reporting is generally not required by donors. However, when unauthorized funds transfers are made from a donor's fund account to compensate cash shortage of another fund account, this is not reported on the periodic reporting to donors as described below:

***6.1 Unauthorized transfers from fund to fund***

***6.1 Observation: Unauthorized transfers from fund to fund***

As of December 31, 1992, a total of FCFA 68,298,414 was transferred from some fund accounts to compensate shortage of other funds accounts. Out of this amount, over FCFA 58 million was advanced to pay INSAH's staff salaries. These transfers are not reported on periodic statements sent to donors.

*Risk*

This practice may jeopardize the execution of some projects as donors may suspend disbursements if they learn of it.

*Recommendation*

Necessary action should be taken by management to reimburse these funds to the respective funds accounts. Proper written approval of donors should be obtained in the future before such transfers are made. In addition, periodic financial statements sent to donors should clearly mention full details of all amounts advanced to another financing source.

***6.2 Observation: Unjustified staff termination benefits***

Termination benefits are provisioned yearly on project funds and paid to staff at the end of projects. The process is equally carried out even when a staff member shifts to another project after completion of a previous one. This practice seems to result from a wrong interpretation of Article 23 of the Permanent Interstate Committee for Drought Control in the Sahel (CILSS) staff manual.

During the twelve month period ended March 1993, FCFA 7,249,964 was set aside from the Canadian International Development Agency funds in order to pay termination benefits to its project staff. Before 1993, withholdings were made from staff salaries instead. This new practice is being extended to other donor's funds.

*Risk*

Unreasonable termination benefits are paid to staff who are not permanent and who should not be entitled to any fringe benefits in view of the short-term duration of work contract they signed for. Project funds are wasted and goals may not be achieved as a result of payment of undue termination benefits.

*Recommendation*

Management should stop provisioning for staff termination compensations. In addition, a new contract should be prepared whenever a staff member shifts to another project after completion of a previous one.

**6.3 Observation: Non compliance with Project Grant Agreement Terms**

The Canadian International Development Agency (CIDA) disbursed FCFA 12,655,537 and FCFA 14,400,000 in March and October 1991 respectively, in order to allow the Sahel Institute purchase computer equipment and software packages. As of June 30, 1993, while the purchase was not yet made, only FCFA 11,136,739 remained in the bank account. The difference of FCFA 15,918,798 was applied to salary payment.

*Effects*

The computerization of the INSAH's operations is still not executed despite disbursement made by the donor. The donor may request for immediate reimbursement since its funds have been diverted to other purposes.

*Recommendation*

The CIDA fund account should be reimbursed immediately and the fund should be used to computerize the operations as agreed in the grant agreement. In the future, such practice should be clearly and openly reported to the relevant donor.

**6.4 Observation: Non-payment of employee salary taxes**

INSAH does not withhold employee salary taxes from monthly pay to remit to the tax authorities.

*Risk*

INSAH could be asked to pay employee salary taxes as well as penalties for non filing and late payments of salary taxes.

*Recommendation*

Steps should be taken by management to obtain clearance from the tax authorities regarding possible exemption of the INSAH's staff salary taxes.

**6.5 Observation: Stability of work force/finance department**

The work force in the department of finance is not stable since 1991. The Director of Administration and Finance and Financial and Controller were dismissed in June, 1991 as part of the ongoing restructuring of the CILSS system.

From July 91 to June 92, the Director of Documentation, Information and Training Department shared these duties with the newly appointed Director General. Currently, the Department of Finance and Administration is temporarily headed by the language translator who has no adequate qualification and experience in finance and accounting

The Chief Accountant, Mr. Traoré, will retire at the end of June 1993 and so far, no arrangement has been made by INSAH for his replacement. We were also informed that the remaining accounting staff are scheduled to be terminated latest July 1993.

*Risk or Effect*

Lack of adequate staffing in accounting may affect the performance of the Department of Finance and Accounting.

*Recommendation*

We recommend that appropriate action be initiated by INSAH's top management to fill in strategic vacancies immediately. Adequate prospects and profiles should be sought and interviewed and/or tested in writing. A Chief Accountant should be then quickly hired and necessary training and seminars should be run.

**7. Examinations by audits are made with reasonable frequency by qualified individuals who are sufficiently independent of those that authorize the expenditures of funds.**

Statutory audits are conducted annually for all CILSS institutions by external auditors. In addition, periodic audits are done by the internal auditor of CILSS who is sufficiently independent of those who initiate and authorize expenditures. We understand that no statutory audits were performed for the financial years 1991 and 1992, and the management of INSAH could not provide us with evidence of audits conducted by the internal auditor of CILSS.

**7.1 Observation: Internal Audit Function**

There is no adequate arrangement established to monitor and enforce controls in view of the size of INSAH and quality of projects undertaken. This can be achieved through establishing an internal audit function.

*Risk*

Non compliance with the terms and conditions of the grant agreements.

Errors and irregularities may occur and not be detected timely.

*Recommendation*

Given the complexity of the activities of INSAH, we recommend that the position of internal auditor or (financial controller) be created so as to reinforce the effectiveness of the financial management systems and internal control procedures that have been established to meet the terms and conditions of the grant agreements. This auditor should have appropriate educational and professional experience and be sufficiently independent of those involved in the implementation of these procedures.

This function should be directly attached to the Director General. The size of this function will of course depend on the magnitude of work.

**7.2 Observation: INSAH's procedures for examinations by audits**

Audit examinations of INSAH's management systems and internal controls are limited to annual statutory audits of CILSS as a whole. However, these audits are not conducted with reasonable frequency as no examinations were performed for financial year 1991 and 1992.

In addition, there is no system in place to ensure timely and appropriate resolution of audits findings and recommendations.

*Risk*

The management systems and internal controls do not take advantage of audit findings and recommendations.

*Recommendation*

We recommend that examinations by audits be conducted at least once a year by qualified individuals who are sufficiently independent of those who authorize expenditures of funds. Also, INSAH should develop a method to ensure timely and appropriate resolution of audits findings and recommendations.

8. *A systematic method to ensure timely and appropriate resolution of audit findings and recommendations*

Only a report submitted in 1988 by other external auditors was in files. We did not obtain enough evidence that recommendations made therein were implemented.

9. *Review of INSAH's organization to determine if:*

a) *Relationships among HCIA's organizational units are developed and clearly defined:*

INSAH has currently two technical departments (IRMA and DDIF) headed by program coordinators who coordinate and supervise the activities of projects managers. INSAH also has a Department of Administration and Finance that monitors and centralizes financial and accounting matters.

The relationship among these organizational units are developed and clearly defined but may however change in the next few months in view of the plan aimed at restructuring all CILSS institutions.

b) *Procurement authority, and the delegation thereof, is clearly delineated:*

Procurements are all authorized by the Director General or the individual acting for him in his interim. Availability of funds are checked by the accounting department.

Our investigations revealed nevertheless that certain invoices are directly received by the accounting department without the knowledge of Director General's secretary .

There is a risk that an invoice may be paid or recorded twice.

*Recommendation*

All invoices addressed to INSAH should be received by the secretary of the Director General, properly stamped and recorded in the correspondence register.

c) *Supervisory and decision making responsibilities and corresponding authority within management levels are developed and clearly assigned:*

Technical departments are headed by program coordinators having operational rules as project managers responsible for facilitating and coordinating project activities essentially carried out by organizations within CILSS member states. Financial and accounting matters are supervised by the Director of Administration and Finance.

Consequently, the supervisory and decision making responsibilities within management levels appears to be developed and clearly assigned.

Nevertheless, in the absence of the Director General, the delegation of authority is not clearly evidenced. We noted that signatures of persons acting for Director General in his absence were not communicated to the Chief Accountant.

*Recommendation*

The Director General should officially identify a limited number of senior staff who can act for him in his absence. Their specimen of signature should be communicated to the Chief Accountant.

*d) Staff functions and responsibilities are clearly delineated and divided:*

Staff functions and responsibilities are clearly delineated and divided except that there are some deficiencies in the area of segregation of duties in the Department of Administration and Finance, which results from the fact that the position of financial controller was vacant since 1991.

*e) Procurement (contracting) staff are well qualified in terms of educational, professional and procurement training experience:*

There is no staff specialized in procurement activities per se. This could be due to the reduced number of staff currently working at INSAH. However, staff involved in daily purchases appears to be well qualified to do so.

*f) Are the rules governing procurement adequate to protect the rights of all parties concerned?*

There is no formalized rules established to govern procurement. There is a provision in CILSS financial manual regarding the benchmark for bidding. However, procedures and policies governing small scale procurements appear to be adequate to protect the rights of all parties concerned.

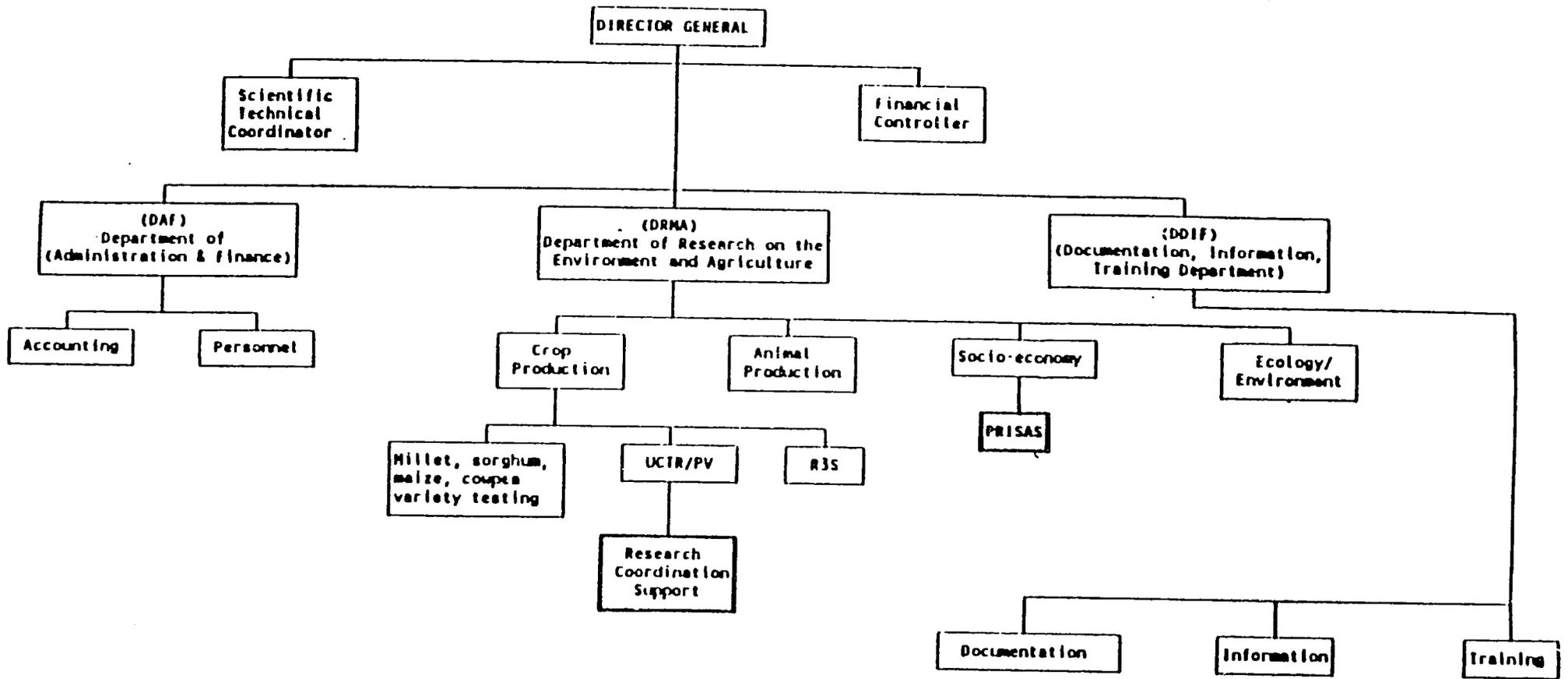
**10. Contracting and monitoring**

The sub-items mentioned in Part IB paragraphs 2b, 2c and 2e were not applicable in the circumstances due to the following reasons:

- Individual expenditures made by INSAH were all less than the FCFA 10,000,000 threshold required by CILSS for competitive bidding.
- On-going grants and cooperative agreement terms do not oblige INSAH to comply with specific procurement procedures or policies
- INSAH does not manage directly any USAID funds which could justify compliance with AID's procurement regulations

**PART IV**  
**APPENDICE**

INSTITUT DU SANEI ORGANIZATIONAL CHART



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