

The African Development Fund



Mangement Letter

**Recipient and Executing Agency:
The Common Market for Eastern and Southern Africa (COMESA)**

Project : 50 Million African Women Speak Network Platform

Grant Reference No.: 2100155032768

Audit Period: 8 September 2016 to 31 December 2017

Head Office

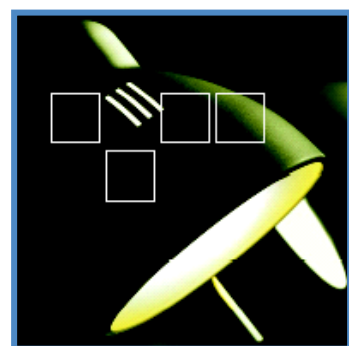
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Abbreviations & Acronyms

AfDB	The African Development Bank
ADF	The African Development Fund
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECOWAS	Economic Community of West African States
ICT	Information Communication Technology
M&E	Monitoring and Evaluation
MOU	Memorandum of Agreement
PIU	Project Implementation Unit
SPIU	Sub Project Implementation Unit
RECs	Regional Economic Community
SA	Special Account
UA	Units of Account
USD	United States Dollars

SECTION – I

1. Executive Summary

1.1 Background

Lochan & Co, Chartered Accountants, India (the audit firm) conducted audit of the project “50 Million African Women Speak Network Platform” executed by Common Market for Eastern and Southern Africa (COMESA) through Project Implementation Unit (PIU), Lusaka, Zambia and funded by The African Development Fund (ADF). The period covered under audit is from 8 September 2016 to 31 December 2017.

The audit was conducted from 4 to 8 June 2018. This report is based on information and inputs provided to the audit firm till 8 June 2018.

The objective of the audit is to enable the auditors to express a professional opinion on the project financial statements consisting of the Statement of Financial Position reflecting the asset and liabilities of the Project on accrual basis, Statement of Income and Expenditure; (reflecting revenue received / receivable to the project and expenditure incurred for the project), A Statement of Cash Flow; Statement of Special Account; and Summary of Fixed Assets if any.

1.2 Overall Audit Assessment

In our opinion, the overall level of internal control with respect to above stated “50 Million African Women Speak Network Platform” are considered to be “**Satisfactory**”.

1.3 Audit Highlights

In audit report, the audit firm has raised **five (5)** issues. The underlying causes are summarized below:

Cause	Number of Observations
Compliance	01
Guidance	01
Resource	00
Human Error	03
Guidelines	00

The audit firm has prioritized the recommendations, as given below:

Priority	Number of Recommendations
High	00
Medium	01
Low	04

The audit report contained 5 recommendations, of which 20% and 80% are of medium and low priority respectively.

(Refer to **Section IV** for definitions of the causes, priority and standard ratings.)

1.4 Audit Summary

Programme Management

S. No.	Subject Title	Recommendation	Priority	Cause
1	Implementation of project activities	COMESA PIU should ensure that the activities are implemented in accordance with the approved work plan in order to achieve the overall targets of the project.	Low	Guidance
2	Casting error in the overall project budget	COMESA PIU shall get this correction done and amend the workplan accordingly.	Medium	Human Error

S. No.	Subject Title	Recommendation	Priority	Cause
3	Submission of reports	COMESA PIU should ensure that reporting deadlines stipulated in the agreement are appropriately followed.	Low	Compliance

Financial Management and Accounting

S. No.	Subject Title	Recommendation	Priority	Cause
4	Project income and expenditure in quarterly interim unaudited financial progress report	COMESA PIU shall update the error and resubmit the quarterly interim unaudited financial report for the quarter ending December 2017.	Low	Human Error
5	Preparation of reimbursement claim submitted	COMESA PIU should strengthen its internal control and ensure that the reimbursement claim should be prepared considering all the expenses incurred for the reporting period. The reimbursement claim should be cross checked with the books of accounts. Further, PIU shall ensure to submit the reimbursement request for the balance amount to ADF.	Low	Human Error

Sub Contract Management

No audit finding raised.

Human Resource Management

No audit finding raised.

Procurement Management

No audit finding raised.

Asset Management / General Administration

No audit finding raised.

SECTION – II

2.0 Audit Objectives, Scope and Operational Overview

2.1 Audit Objectives and Scope

The audit of the project “50 Million African Women Speak Network Platform” executed by the Common Market for Eastern and Southern Africa (COMESA) through Project Implementation Unit (PIU), Lusaka, Zambia and funded by The African Development Fund (ADF) for period from 8 September 2016 to 31 December 2017 was carried out from 4 to 8 June 2018. The overall objectives and scope of the audit are detailed below.

2.1.1 Audit Objectives

The objective of the audit is to:

- Enable the auditors to express a professional opinion on the project financial statements consisting of the Statement of Financial Position reflecting the asset and liabilities of the Project on accrual basis, Statement of Income and Expenditure reflecting revenue received / receivable to the project and expenditure incurred for the project; Statement of Cash Flow; Statement of Special Account and Summary of Fixed Assets if any.
- Enable the auditors to express a professional opinion on the soundness of the internal control systems and compliance with The African Development Bank Rules and Regulations, procedures in respect with The African Development Fund Disbursement Handbook and the extent of compliance to the International Public-Sector Accounting Standards taking into account the level of transition.

2.1.2 Scope of the Audit

The audit of the project was carried out in accordance with International Standards on Auditing (ISA) promulgated by the International Federation of Accountants (IFAC) and included such tests and auditing procedures as the auditor considered necessary under the circumstances.

In determining the audit procedures to be undertaken, special attention has been paid to the following:

- Carried out tests of transactions as are necessary, in order to obtain an understanding of the accounting system, to assess its adequacy as a basis for the preparation of the financial statements and to establish whether adequate records have been maintained as required by the African Development Bank Rules and Regulations, Procedures etc;
- Conducted an in-depth and exhaustive review of the internal control systems to have sufficient knowledge of the procedures underpinning the systems, as contained in the African Development Fund Disbursement Handbook and Protocol of agreement;
- Confirmed that although responsibility for preventing irregularity and fraud, remains with the Secretariat, the audit has been planned so as to have a reasonable expectation of detecting material misstatements in the financial statements;
- Confirmed that funds have been used in accordance with the African Development Fund Rules and Regulations with due attention to economy and efficiency, and only for the purposes for which the funding was provided;
- Confirmed that Goods and services financed have been procured in accordance with sound procurement procedures spelled out in the Rules and Procedures for Procurement of Goods and Works and the Rules and Procedures for the Use of Consultants;
- Confirmed that all necessary supporting documents, records and accounts have been kept in respect of all activities;
- Confirmed that the Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and give a true and fair view of the financial position of the Project and the Projects activities as at the end of the project;
- Reviewed the efficiency, effectiveness and economic use of funds and/or resources.
- Verify that all expenditures made are eligible as per the Protocol agreements.

2.2 Operational Overview

Brief Background of the Projects - “50 Million African Women Speak Network Platform”

- In September 2016, COMESA Secretariat signed a Memorandum of Understanding (MoU) with the two regional economic communities (RECs) namely EAC and ECOWAS to jointly implement the 50 Million African Women Speak Networking Platform Project for three years from 2017 to 2020 funded by the African Development Fund (ADF). The grant is being implemented by COMESA, EAC and ECOWAS. The project is aimed at creating a networking platform dedicated to women entrepreneurs in Africa, particularly in the three RECs. Similarly, the Protocol of Agreement signed between COMESA and ADF having Grant no. 2100155032768 - UA 3,820,000 (Three Million Eight Hundred and Twenty Thousand units of accounts) for 50 Million African Speak Network Platform Project.
- The main objective of the programme is to connect business women and encourage peer-to-peer learning, mentoring, and information and knowledge sharing. The platform will cover 36 countries and will enable women to access business training, mentorship, financial services and locally relevant business information, while building their own networks of contacts.
- The expected outcomes of the project are:
 - Provision of a networking platform for women to access financial and non-financial information;
 - Increase in access and use of financial services by women entrepreneurs; and;
 - Increase in the participation of women entrepreneurs in business networks.

2.3 Timing

The audit of project ‘50 Million African Women Speak Network Platform’ for the period from 8 September 2016 to 31 December 2017 was carried out from 4 to 8 June 2018 in the office of the Common Market for Eastern and Southern Africa, Lusaka, Zambia.

2.3.1 Our Audit Team

The audit was conducted under the overall supervision of Sharad Agarwal (Partner). The audit team visited COMESA, Lusaka, Zambia consisted of the following:

Name	Designation
Saurav Nepal	Team Leader
Patricia Chanda	Audit Assistant

2.4 Audit Methodology

We have adopted the following methodology to undertake the Project audit:

- Understood the project operations through the following documents, information/ manuals and reports:
 - Protocol of Agreement
 - The African Development Bank policies and procedures
 - Approved Certification Statements
 - Policies and procedures adopted in procurement;
- Reviewed the adequacy and timeliness of financial, management and operational information provided by the Organization.
- Performed test checks on accounts and documents.
- Staff and management of the organization were interacted to understand the project operations.
- Reviewed the internal control system to establish its existence effectiveness and adequacy.
- Reviewed that the financial statements and reports are prepared and submitted in accordance with the procedures outlined by The African Development Fund and existence of proper internal control system in preparation of financial statements.

Procedures were evaluated for:

- Safeguarding of assets and proper utilization of the assets.

- Distribution of responsibilities with delegation of power.
- Adequacy and timeliness of recording of transactions.

The audit was conducted after obtaining sufficient supporting evidence:

• **General Procedures**

- Conducted detailed initial briefing meeting with the officials from Project Implementation Unit (Common Market for Eastern and Southern Africa)
- Carried out the audit on the basis of information and explanations provided to us.
- Conducted de-briefing during the field visit with the officials from Project Implementation Unit (Common Market for Eastern and Southern Africa).
- Submission of Draft Audit Report based on the management inputs on issues listed out and discussed during debriefing meeting.
- Receiving management comments on the Draft Audit Report.
- Submission of Final Audit Reports after incorporating management comments in the report.

• **Conformity of Expenditure with the Budget and Analytical Review**

- Reviewed periodic reports submitted by the Project Implementation Unit to The African Development Bank.
- Analytical review of the actual expenditure was carried out and verified to confirm with the budgeted expenditure.

Selecting Expenditure for Verification:

• **Verification of Expenditure**

- Reviewed the vouchers to determine if they were adequately supported and approved.
- Assessed the financial impact of deviations if any, in terms of ineligible expenditures.

• **Eligibility of Direct Costs**

- Ascertained whether a project document has been signed by all the parties before implementation of the project and whether project management plan and budget(s) are in place.
- Verification of the cost incurred for the intended activities and objectives of the project as provided in the agreement.

• **Accuracy and recording**

- Reviewed the books of account maintained for the project.
- Verified that the expenditure has been accurately and properly recorded in the Project Financial Statements.
- Verified whether proper valuation and correct exchange rates are used to record expenditure.

• **Classification**

- Verified that the expenditures are properly classified under the correct heading and subheading of the Project Financial Statements.

• **Reality (Occurrence / existence)**

- Obtained sufficient appropriate verification evidence as to whether the expenditure has occurred.

• **Compliance with procurement, nationality and origin rules**

- Reviewed the procurement system of expendable and non-expendable properties.
- Reviewed that the project implementation is within the parameter of project need.
- Reviewed the adherence to procurement methods and procedures agreed upon.

• **Counterpart Contribution**

- Reviewed that the Counterpart Contribution to the project is in accordance with the Protocol of Agreement.


- **Contingencies**
 - Identified the types of potential material misstatements that could occur in financial statements prepared for specific use and the risk involved.
 - Any other documentation that may be necessary for the effective conducting of the audit.
- **Verification Coverage of Expenditure**
 - Obtained satisfactory verification results for an expenditure head or subhead by reviewing of expenditure items.
 - Examined whether the ‘populations’ are suitable and sufficiently large for effective statistical sampling.
- **Verification of Revenue of the Action**
 - Verified that revenues have been appropriately allocated in line with the purpose of the agreement.

2.5 Scope Limitations

- The audit firm has restricted the work to the Terms of Reference. It understands that the procedures to be performed are sufficient for The African Development Fund in connection with the Project executed by the Common Market for Eastern and Southern Africa and audited by the audit firm.
- The audit firm has conducted the audit assignment in accordance with International Standards of Auditing (ISA) issued by the International Federation of Accountants (IFAC).
- The audit firm has reviewed expenditure process and ascertained if the expenditures are in line with the objectives and activities set out in the contract.
- The audit firm has covered, in this audit, those transactions performed by the Project Implementation Unit for the specific project purposes.
- In conducting the audit, the audit firm has relied entirely on
 - Financial statements provided to us by the management;
 - Financial information provided to us by the management of Project Implementation Unit;
 - Discussions with the management regarding the operations of the project audited by us;
 - Other supporting information, schedules, reports, and general operational guidelines followed for the project implementation and the explanations given to us by the management; and
 - documents and records available at the COMESA secretariat office.
- The review of the documents of the projects and the relevant records is limited to the records provided to us by the management.
- The observations and recommendations are limited to the issues and risks arising out of administrative personnel and financial matters and project monitoring. We have not examined the implication of the technical issues of project issues which might have arisen out of project transactions.
- The review of the documents and other relevant records of the Project are limited to those document and records provided to the audit firm by the Project Management and comprise inquiries and tests of transactions, covering the detailed audit objectives described in Audit Scope above. Accordingly, the audit procedures may not detect all fraud, defalcations and irregularities.
- While performing the work, the audit firm has assumed that all the signatures of the project’s personnel were genuine, and all the original documents were authentic.
- The working papers, prepared while conducting the audit, are the property of Lochan & Co., constitute confidential and proprietary information and will be retained by Lochan & Co. in accordance with their policies and procedures and can be shared with the Common Market for Eastern and Southern Africa on request.
- The audit firm has no responsibility to update the report for events and circumstances occurring after the end of the period covered under the audit report.

2.6 Acknowledgement

The audit team extends its appreciation to the Management and staff members of the Common Market for Eastern and Southern Africa for their support and cooperation during the audit.



Sharad Agarwal FCA
Partner

Lochan & Co
Chartered Accountants

Date: 27 June 2018

Place: New Delhi

SECTION – III

Detailed Assessment

Programme Management

Domain	Programme Management																							
Observation No.	1																							
Subject Title	Implementation of project activities																							
Observation 1.1	<ul style="list-style-type: none"> Section 3.01, Article III– Condition Precedent to Entry into Force of the Protocol of Agreement signed between COMESA and ADF provides that “This agreement shall enter into force on the date of signature by the Recipient and the Fund”. Clause 5.2.2. (iii) of the Project Appraisal Report ‘Conditions Precedent to First Disbursements’ provides that “EAC and ECOWAS has to set up at its secretariat a Sub Project Implementation Unit (SPIU) for platform content, and access and usage of the platform by women entrepreneurs within its region to receive the first disbursement”. The agreement for implementation of the project “50 Million African Women Speak Network Platform” was signed on 8 September 2016. During the year 2017 no activities were carried out by Project Implementation Unit (PIU) at COMESA. Hence, there was a delay of more than a year in the start of implementation of the project. No funds have been disbursed to EAC and ECOWAS during 2017. SPIU at the EAC and ECOWAS was set at the end of 2017 which leads to delay in implementation of activities at the EAC and ECOWAS level. Similarly, certain delays noted in meeting out the target date to complete the milestones and actions by the COMESA PIU as agreed in Project Appraisal Report, Aide Memoire. As informed by PIU, delay was on account of project mobilization i.e. recruitment of project staff, which took longer time due to lengthy process to be followed in case of ADF. The PIU could be functional only in July 2017. 																							
Observation 1.2	<ul style="list-style-type: none"> Section 2.01, Article VII – The amount of the Protocol of Agreement signed between COMESA and ADF states that “The fund agrees to grant to the recipient from the ordinary sources of the fund, an amount not exceeding equivalent of Three Million Eight Hundred and Twenty Thousand units of account (UA 3,820,000). Because of project started late, overall utilization of allocated project funds during the period 8 September 2016 to 31 December 2017 of 7.4% (reflecting a budget of USD 3,012,279 and actual expenditure of USD 221,669). The details are provided in the table below: <table border="1"> <thead> <tr> <th>Category</th> <th>Budget USD</th> <th>Actual expenditure USD</th> <th>Variance USD</th> <th>% utilized</th> </tr> </thead> <tbody> <tr> <td>Component 1: Support for hosting infrastructure</td> <td>1,151,756</td> <td>-</td> <td>1,151,756</td> <td>0%</td> </tr> <tr> <td>Component 2: Support for platform, related statistical data base, content development, and targeted service for women entrepreneurs</td> <td>504,601</td> <td>-</td> <td>504,601</td> <td>0%</td> </tr> <tr> <td>Component 3: Support for back office/ in-country office</td> <td>579,848</td> <td>-</td> <td>579,848</td> <td>0%</td> </tr> </tbody> </table>				Category	Budget USD	Actual expenditure USD	Variance USD	% utilized	Component 1: Support for hosting infrastructure	1,151,756	-	1,151,756	0%	Component 2: Support for platform, related statistical data base, content development, and targeted service for women entrepreneurs	504,601	-	504,601	0%	Component 3: Support for back office/ in-country office	579,848	-	579,848	0%
Category	Budget USD	Actual expenditure USD	Variance USD	% utilized																				
Component 1: Support for hosting infrastructure	1,151,756	-	1,151,756	0%																				
Component 2: Support for platform, related statistical data base, content development, and targeted service for women entrepreneurs	504,601	-	504,601	0%																				
Component 3: Support for back office/ in-country office	579,848	-	579,848	0%																				

	Component 4: Project management	579,009	221,669	357,340	38%
	Contingency	197,065	-	197,065	0%
	Total	3,012,279	221,669	2,790,610	7.4%
Effect or Potential Risk	Delay in implementation of the project activities may put pressure on the management to achieve the targets within project period.				
Cause	Guidance	Priority	Low		
Recommendation	COMESA PIU should ensure that the activities are implemented in accordance with the approved work plan in order to achieve the overall targets of the project.				
Management Comments	<p>This finding is noted by management with thanks. Operations on 50 million women took-off from October 2017 after two key processes were completed. These are: -</p> <ul style="list-style-type: none"> • Receipt of first disbursement: [5-September-2017] • Filling-up of key posts to operationalize the grant: Coordinator: July-2017 and Finance Officer: June-2017; Procurement Officer: June-2017. <p>Measures to ensure the project meets its targets within the project duration include the following:</p> <ul style="list-style-type: none"> • Close monitoring both Management through the internal monitoring and reporting mechanisms of COMESA • Close monitoring by the AfDB through the approval of annual project work plans and procurement plans together with the submission of quarterly reports • Supervision missions conducted by the AfDB that occur at least bi-annually. 				

Domain	Programme Management
Observation No.	2
Subject Title	Casting error in the overall project budget
Observation	<ul style="list-style-type: none"> • Section 2.01, Article VII – The amount of the Protocol of Agreement signed between COMESA and ADF states that “The Fund agrees to grant to the recipient from the ordinary sources of the fund, an amount not exceeding equivalent of Three Million Eight Hundred and Twenty Thousand units of account (UA 3,820,000). • As per the approved work plan shared by the PIU, the total budget before contingencies is UA 3,819,911.79 (USD 5,386,075.63) including contingency of UA 249,900.75 (USD 352,359.78). The contingency is calculated 7% on the total budget before the contingency. • We noted casting error of UA 208,982.79 (USD 294,665.74) in the project budget shared, as figures of following heads were not considered in the totaling: <ul style="list-style-type: none"> – 4.2.5 Final evaluation of project UA 28,368.79 (USD 40,000) – 4.3 Marketing and outreach function to women entrepreneurs amounting UA 133,333 (USD 187,999.53) – 4.4 Creation of ICT use in the creative industries to enable Youth amounting UA 47,281 (USD 66,666.21) • Further, the contingencies (7%) was also not affected on above amount of UA 208,982.79 (USD 294,665.74) which amounted to UA 14,698.79 (USD 20,626.60). • Hence the total amount of UA 223,681.58 (USD 315,292.34) was under considered in total approved budget. The correct figures of detailed budget as stated in approved work plan comes to UA 4,043,593.37 (USD

	<p>5,701,367.97) which is higher than the approved amount stated in Protocol Agreement.</p> <ul style="list-style-type: none"> PIU agreed with the error in calculations and informed that measures will be taken to prevent the future error. Further, PIU would exchange communication in this regard with the ADF.
Effect or Potential Risk	Preparation of work plan in excess of the total approved budget stated in Protocol Agreement
Cause	Human Error Priority Medium
Recommendation	COMESA PIU shall get this correction done and amend the work plan accordingly.
Management Comments	<p>This finding is noted by management with thanks.</p> <p>Approved Budgets were provided to the Auditor. The project re-affirms that there is an arithmetic error on the budget schedules submitted to the AfDB in November 2016.</p> <p>The Team implementing this project: -</p> <ol style="list-style-type: none"> Identified this arithmetic error; and Communicating to the management of COMESA Secretariat, who as the lead executing agency. Thereafter, this was communicated to the AfDB who have advised to adjust the Budgets and workplan accordingly. <p>Measures implemented to prevent future errors are as follows:</p> <ol style="list-style-type: none"> COMESA Secretariat, as the recipient of the grant has taken note of this error. Additional reviews have already been introduced in grants negotiating processes.

Observation No.	3												
Subject Title	Submission of reports												
Observation	<ul style="list-style-type: none"> Section 8.01, Article VIII - Financial Management and Audit of the Protocol of Agreement signed between COMESA and ADF provides that “The recipient shall submit quarterly interim unaudited financial progress reports acceptable to the Fund not later than 45 calendar days after the end of respective quarter”. PIU did not submitted the quarterly interim unaudited financial progress reports to ADF because initiated late as outlined in the table below: <table border="1" data-bbox="630 1491 1344 1715"> <thead> <tr> <th>Period</th> <th>Due date of Submission</th> <th>Actual date of Submission</th> </tr> </thead> <tbody> <tr> <td>Sep 2016</td> <td>15 November 2016</td> <td>Not submitted</td> </tr> <tr> <td>Oct to Dec 2016</td> <td>14 February 2017</td> <td>Not submitted</td> </tr> <tr> <td>Jan to Mar 2017</td> <td>15 May 2017</td> <td>Not submitted</td> </tr> </tbody> </table> On review of books of the accounts, no expenditure has been incurred in the month of September 2016, where as in quarter October to December 2016 and January to March 2017 expenditure for procurement of laptops, furniture’s and office equipment has been incurred and direct payment was made by ADF to the suppliers. The expenditure was incurred through direct payments by ADF the same should have been reported in the respective quarterly interim unaudited financial progress report. PIU has explained that reports were not submitted due to Project Implementation Unit was set up in July 2017. 	Period	Due date of Submission	Actual date of Submission	Sep 2016	15 November 2016	Not submitted	Oct to Dec 2016	14 February 2017	Not submitted	Jan to Mar 2017	15 May 2017	Not submitted
Period	Due date of Submission	Actual date of Submission											
Sep 2016	15 November 2016	Not submitted											
Oct to Dec 2016	14 February 2017	Not submitted											
Jan to Mar 2017	15 May 2017	Not submitted											

Effect or Potential Risk	Non-reporting leads to noncompliance with the Protocol Agreement.		
Cause	Compliance	Priority	Low
Recommendation	COMESA PIU should ensure that reporting deadlines stipulated in the agreement are appropriately followed.		
Management Comments	<p>This finding is noted by Management with thanks.</p> <p>Operations on 50 million women took-off from October 2017 after two key processes were completed. These are: -</p> <ol style="list-style-type: none"> 1. Receipt of first disbursement: [5-September-2017] 2. Filling-up of key posts to operationalize the grant: Coordinator: July-2017 and Finance Officer: June-2017; Procurement Officer: June-2017 <p>Reports not submitted:</p> <ol style="list-style-type: none"> 1. Oct-Dec 2016: Project implementation team had not been recruited. 2. Jan-March 2017: Project implementation team had not been recruited. <p>As of 31-May-2018, the following reports have been submitted:</p> <ol style="list-style-type: none"> 3. Apr-June 2017: Submitted 4. Jul-Sep 2017: Submitted 5. Oct-Dec 2017: Submitted 6. Jan – Mar 2018: Submitted <p>Measures implemented to prevent late submission of reports:</p> <ol style="list-style-type: none"> 1. Project staff uses check-list to monitor submission of reports in line with AfDB and grant requirements. 		

Financial Management

Domain	Financial Management																													
Observation No.	4																													
Subject Title	Project income and expenditure in quarterly interim unaudited financial progress report																													
Observation	<ul style="list-style-type: none"> Section 8.01, Article VIII - Financial Management and Audit of the Protocol of Agreement signed between COMESA and ADF provides that “The recipient shall submit quarterly interim unaudited financial progress reports acceptable to the Fund and submit these not later than 45 calendar days after the end of respective quarter”. We noted that there is incorrect reporting of cumulative income and expenditure in the quarterly interim unaudited financial progress reports of December 2017 as compared to accounting records maintained by the COMESA. The details are outlined in the table below: <table border="1" data-bbox="553 712 1442 913"> <thead> <tr> <th>Particulars</th> <th>Amount as per interim progress report (USD)</th> <th>Amount as per accounting records (USD)</th> <th>Difference (USD)</th> </tr> </thead> <tbody> <tr> <td>Receipt from ADF</td> <td>86,646</td> <td>315,658</td> <td>229,012</td> </tr> <tr> <td>Expenditure</td> <td>219,330</td> <td>221,669</td> <td>2,339</td> </tr> </tbody> </table> The above difference was in respect of following issue: <table border="1" data-bbox="553 965 1442 1279"> <thead> <tr> <th>Particulars</th> <th>Description</th> <th>Amount (USD)</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Receipt from ADF</td> <td>Disbursement in special account</td> <td>229,000</td> </tr> <tr> <td>Short recording of direct payment made by ADF</td> <td>12</td> </tr> <tr> <td rowspan="3">Expenditure</td> <td>Short recording of PIU staff salary</td> <td>1,999</td> </tr> <tr> <td>Short recording of direct payment made by ADF</td> <td>12</td> </tr> <tr> <td>Operational cost</td> <td>328</td> </tr> </tbody> </table> PIU has explained that the error has been rectified in the financial statement for the audit period and the cumulative report submitted to ADF for the quarter ending March 2018 the error has been already been considered. 			Particulars	Amount as per interim progress report (USD)	Amount as per accounting records (USD)	Difference (USD)	Receipt from ADF	86,646	315,658	229,012	Expenditure	219,330	221,669	2,339	Particulars	Description	Amount (USD)	Receipt from ADF	Disbursement in special account	229,000	Short recording of direct payment made by ADF	12	Expenditure	Short recording of PIU staff salary	1,999	Short recording of direct payment made by ADF	12	Operational cost	328
Particulars	Amount as per interim progress report (USD)	Amount as per accounting records (USD)	Difference (USD)																											
Receipt from ADF	86,646	315,658	229,012																											
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Particulars	Description	Amount (USD)																												
Receipt from ADF	Disbursement in special account	229,000																												
	Short recording of direct payment made by ADF	12																												
Expenditure	Short recording of PIU staff salary	1,999																												
	Short recording of direct payment made by ADF	12																												
	Operational cost	328																												
Effect or Potential Risk	Understatement of project income and expenditure to AfDB due to incorrect reporting																													
Cause	Human Error	Priority	Low																											
Recommendation	COMESA PIU shall update the error and resubmit the quarterly interim unaudited financial report for the quarter ending December 2017.																													
Management Comments	<p>This finding is noted by Management with thanks.</p> <p>The Correction was made in the financial statements being audited, based on reconciliations and management reviews since the Error was in the quarterly financial report.</p> <p>The COMESA PIU shall also correct the error and resubmit the quarterly interim unaudited financial report for the quarter ending December 2017.</p>																													

Domain	Financial Management		
Observation No.	5		
Subject Title	Preparation of reimbursement claim submitted		

<p>Observation</p>	<ul style="list-style-type: none"> • Clause 5.2 ‘Reimbursement of payments made by borrower’ of the AfDB Disbursement Manual provides that “The Bank reimburses the PIU for all types of eligible expenses that have been incurred and pre-financed by the Borrower or the project from its own resources”. • PIU at COMESA has submitted a statement of expenditure for the request of reimbursement on 20 October 2017 taking into consideration the salary payment for the month of June, July and August and certain air travel for new joinees amounting to USD 65,985. • As per the books of account, total expenditure incurred during the above-mentioned period is USD 71,318 however, while preparing the request for reimbursement only USD 65,985 has been submitted to ADF. Hence, the PIU has under claim the reimbursement of USD 5,333. • As explained by PIU, error was on account of advance paid to two employees, Procurement Specialist and Project Coordinator by the COMESA Secretariat. The monthly salary payment to staff were made net advance, however, the advance payment has not been claimed by COMESA Secretariat. • PIU has corrected the above error in the preparation of the financial statement and accordingly reimbursement request for the balance amount would be submitted in 2018 to ADF. 			
<p>Effect or Potential Risk</p>	<p>Incorrect reporting of expenditure</p>			
<p>Cause</p>	<table border="1"> <tr> <td data-bbox="490 904 781 954">Human Error</td> <td data-bbox="781 904 1032 954">Priority</td> <td data-bbox="1032 904 1453 954">Low</td> </tr> </table>	Human Error	Priority	Low
Human Error	Priority	Low		
<p>Recommendation</p>	<p>COMESA PIU should strengthen its internal control and ensure that the reimbursement claim should be prepare considering all the expenses incurred for the reporting period. The reimbursement claim should be crossed check with the books of accounts. Further, PIU shall ensure to submit the reimbursement request for the balance amount to ADF.</p>			
<p>Management Comments</p>	<p>This finding is noted by Management with thanks. The Correction was made in the financial statements being audited, based on reconciliations and management reviews. Management has communicated this matter to the AfDB who have advised that the Project should submit the claim relating to the amount in question for reimbursement in the subsequent reporting period.</p>			

Sub Contract Management

No audit finding raised in respect of sub contract management procedures.

Human Resource Management

No audit finding raised in respect of human resource management procedures.

Procurement Management

No audit finding raised in respect of procurement management procedures.

Asset Management / General Administration

No finding raised in respect of asset management/ general administration procedures.

SECTION –IV

Definitions of Standard Audit Ratings, Priorities and Possible Causes

Definition of Performance:

The following standard audit ratings have been defined so that Management can place in context the opinions given in audit report:

Standard Rating	Definition
Satisfactory	Internal controls, governance & risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the Project.
Partially Satisfactory	Internal controls, governance & risk management processes were generally established and functioning but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the Project.
Unsatisfactory	Internal controls, governance & risk management processes were either not established or not functioning well. The issues identified were such that the achievement of the overall objectives of the Project could be seriously compromised.

Categorization of Audit Findings by Risk Severity

A priority designation (High, Medium, and Low) has been assigned to each of the key areas of focus detailed in the remaining section of this report based on our assessment of the severity of the issue. The rating (High, Medium, and Low) indicate the need for project office to put priority focus, which is as follows:

Rating	Definition
High	Action that is considered imperative to ensure that the Project is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).
Medium	Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
Low	Action that is considered desirable and should result in enhanced control or better value for money.

Classification of Possible Causes of Audit Findings

The audit firm has stated possible cause of audit finding / observation to enable project office to address the cause of audit finding for the remaining life of the project and the same are as follows:

Compliance	Failure to comply with prescribed regulations, rules and procedures.
Guidelines	Absence of written procedures to guide staff in the performance of their functions.
Guidance	Inadequate or lack of supervision by supervisors.
Human Error	Mistakes committed by staff entrusted to perform assigned functions.
Resources	Lack of or inadequate resources (funds, skills, staff, etc.) to carry out an activity or function.



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