

Table 9: Expenses listed as entertainment and/or sundry expenses

Date of expense	Description of expense on travel claim	Amount
13/05/2005	Breakfast and lunch for working session with the partner	R521.95
02/09/2005	Food purchased at Fontana Boulders	R190.00
26/03/2005	Working Meals	US\$43.38
11/03/2006	The Saroya Stanley – Coffee during working session	US\$14.09
13/05/2006	Food and Services for Panel Members	US\$68.13
25/01/2007	Pizzeria dinner-reception for staff	US\$28.89
29/01/2007	Banquet breakfast for staff	US\$97.51
31/01/2007	Working lunch with staff-Kaffa House	US\$74.39
31/01/2007	Working dinner with staff-Kaffa House	US\$47.82
03/07/2007	Working lunch-Hotels, Guest houses, Restaurant & snack bars	US\$40.75
26/01/2008	Working lunch for staff, panel and AU director	US\$112.64

7.4.30

We noted that the description as contained on the travel claim documentation does not specify the names of the individuals being entertained and/or the specific reason for the entertainment. We are therefore unable to conclude on whether the abovementioned expenditure was entertainment related. Furthermore, we were unable to determine the number of individuals being entertained.

Expenditure not claimed from per diem allowance

7.4.31

The DBSA S&T Policy states that the intention of the per diem is "to defray incidental expenditure, while away from home, including private calls, tips, bank charges and other incidental costs, excluding meals."

7.4.32

Table 10 below lists incidental expenditure that we identified that Dr Kouassi claimed. As per the DBSA S&T policy, this expenditure should have been paid from Dr Kouassi's per diem allowance.

Table 10: Incidental expenditure claimed by Dr Kouassi

Date of expense	Description of expense	Amount
08/10/2005	Safari and Lake Makuru Map	US\$28.73
06/07/2005	Medication	US\$48.95
02/08/2005	Newspaper	US\$2.79
02/08/2005	Harrap's Shorter Dictionary	US\$63.67
07/05/2006	Pharmacie La Divine - Emergency Medication	US\$12.86
28/01/2007	Small mineral water	US\$30.41
03/02/2008	Newspapers	US\$16.92
	Total	US\$204.33

8

Advances of Foreign Exchange (Forex)

8.1 Process to relating to Forex

8.1.1

We established that, prior to 2008, the DBSA used ABSA Bank as their forex supplier. Ms Maluleke informed us that the DBSA started to use American Express from 2008.

8.1.2

DBSA orders forex on behalf of the APRM from, *inter alia*, American Express and ABSA, and once received it is handed over to the relevant person at the APRM. According to Ms Maluleke, forex is required to pay per diems and honorariums to Panel Members, employees and consultants. Forex is also advanced for purposes of settling car hire and other services required by the traveller where it could not be paid for in advance.

8.1.3 On their return from a trip, members of the travelling delegation are required to account for their expenditure by preparing an employee expense report. The expense report details the advance given, the expenses incurred and any shortfall or surplus remaining after incurring the expenditure. A shortfall occurs if the expenses incurred exceed the advance given and a surplus will occur if the expenses incurred are less than the advance given.

8.1.4 Ms Maluleke informed us that all the expenses on the employee expense report must have supporting documents attached. The traveller should submit the expense report to the Accountant of the APRM; together with any surplus cash and all supporting invoices/documents pertaining to expenditure incurred during the trip.

8.1.5 Ms Maluleke informed us that whenever the travelling delegate returns surplus cash, the Accountant issues a cash receipt. The Accountant stores the surplus cash in the safe (to be used for future trips) and/or returns it to the DBSA (to be credited back to the APRM).

8.1.6 We established that the forex that the APRM purchases is mainly United States Dollars and to a lesser extent Euros; as these two currencies are mainly accepted for payment by APRM service providers in Africa.

8.1.7 During our review, we noted that the APRM also uses advances to pay for the services of ushers, interpreters and consultants during country review missions and they form part of the travelling delegation. The CEO and/or the responsible Panel Member drafted and signed contracts with the consultants. The CEO would normally sign the contract, but if he did not travel to the particular mission, this was delegated to the responsible Panel Member who led the delegation.

8.1.8 Ms Maluleke informed us that she usually budgets for the costs associated with the ushers, consultants and interpreters prior to the aforementioned events; and these are approved by the CEO. Ms Gollnitz, the Executive Assistant to the CEO prepared a separate budget for flights, accommodation and *per diem* payments. The relevant budget is usually attached when applying for an advance to pay for these expenses.

Process followed to order foreign exchange

8.1.9 Ms Gollnitz informed us that the process for ordering foreign exchange is as follows:

- The CEO informs her of any proposed upcoming country review and/or a summit
- She prepares a mini budget pertaining to the anticipated event. This mini budget only deals with flights, accommodation and *per diem* payments. She requests quotations from the travel agency to determine the flights and accommodation costs. For *per diem* payments, she uses a rate of US\$120 a day. This rate was approved for Panel Members but is also used for employees and consultants
- She then prepares a travel requisition for each person who is expected to be travelling; based on the quotations obtained from the travel agent and her calculation of *per diem* amounts. Each travel requisition will therefore contain the costs pertaining to the flight, accommodation and *per diem* to be paid. In addition, Panel Members receive an honorarium and a communication allowance
- Once she has completed the travel requisition, she sends it to Mr Shita for his approval. He approves the number of employees who will travel and in certain cases, he will limit the number of APRM employees travelling to save costs. This is usually in instances where he feels that the delegation of employees travelling is too big and it is not necessary for everyone to travel. He then signs only the travel requisitions for those employees approved by him to travel. If he does not sign the travel requisitions, the employee has not been authorised to travel

Use of South African Embassies to collect forex

8.1.11 Ms Maluleke informed us that for certain large events, such as the Egypt Summit of 2008, the amount of forex required was high and could therefore not be purchased in South Africa and carried by APRM employees.

8.1.12 In the above-mentioned instances, the APRM made arrangements with the Department of Foreign Affairs (DFA) to assist with the provision of forex. In these instances, the arranged forex was collected from the South African Embassy located in the country being visited.

8.1.13 Ms Maluleke stated that she usually collected the forex from the relevant South African Embassy and disbursed the funds to the intended recipients who would then sign for receipt of the forex.

8.1.14 In order to make the above-mentioned arrangements, Ms Maluleke compiled a budget that was approved by Ms Khissa and the CEO. The approved budget was then sent to the DSA who made the necessary payment and arrangements with the DFA.

8.1.15 Ms Maluleke stated that she prepared a reconciliation to account for the forex ordered and paid for by the DSA.

8.1.16 Due to budget and time restrictions, we have not performed any work on forex ordered through the DFA nor reviewed the reconciliations prepared by Ms Maluleke in this regard.

8.2 Procedures Performed

8.2.1 In order to quantify the amount owed to/by the APRM relating to S&T claims we performed an independent reconciliation, which took into account:

- Total allowances granted to employees

- S&T claims (based on available supporting documentation)

- S&T funds employees repaid to the APRM.

8.2.2 We obtained an electronic GL, captured and reviewed all supporting documentation relating to S&T advances paid to employees, from the files that the APRM made available to us.

8.2.3 We were unable to locate any files at the APRM containing supporting documentation for advances paid to employees (payment requests and travel requisition). Ms Maluleke explained that the APRM orders forex through the DSA and that the DSA retains all the related invoices and supporting documents.

8.2.4 We reviewed the following documentation obtained from the DSA:

- File containing travel requisitions and supporting documents

- Invoices issued by American Express and ABSA for forex purchased.

8.2.5 We captured and reviewed 322 travel requisitions for the period 1 January 2008 to 31 December 2010. We note that the DSA had archived all files prior to the 2008 financial year. The APRM was only able to locate Country Mission Expenditure reconciliations for the period 2008 onwards; we therefore did not request the DSA to retrieve the archived files as there were no reconciliations available to test the supporting documentation against.

8.2.6 We reviewed the following reconciliations where the APRM accounted for advances:

- Country review mission, APR Forum and Panel meeting expenditure reconciliations
- Employee Expense Reconciliations

- Cash on File (cash in safe) Reconciliations

- S&T reconciliations of individual employees.

8.2.7 We performed the following procedures to test the purchases of Forex:

- Identified and isolated advance transactions recorded in the GL for detailed testing
- Captured, reviewed and analysed all the supporting documentation relating to advances contained in the travel requisition files obtained from the DBSA
- We compared the amounts recorded in the GL to the amounts on the supporting documentation to identify any discrepancies
- We tested the identified GL transactions against the captured supporting documentation, and then established whether the APRM had performed a reconciliation for each advance
- Considered whether the APRM had declared the advances when the individuals took the funds out of South Africa
- Analysed the amounts advanced as *per diems* to establish whether the APRM had calculated these in terms of the applicable panel rules and the DBSA policy.

8.3 Findings relating to forex

Travelling with local and/or foreign currency

8.3.1 The Customs and Excise Act 91 of 1964 ("the Act") monitors, inter alia, currency brought into or taken from South Africa. The Act requires that all persons ("the traveller") entering or leaving the borders of South Africa need to declare all currency exceeding R10 000.00 and foreign currency exceeding the equivalent of R10 000.00, carried upon his/her person or in his/her possession which he/she brought with him/her into or out of South Africa.

8.3.2 The Act requires that the traveller:

- Provides the full particulars of the currency in his/her possession to the customs officer by way of completing a "DA331" form (**Annexure D1**)
- Answer all the questions, fully and truthfully, put to him/her by the customs officer
- Produces the currency and opens such baggage, if required by the customs officer, for inspection
- Pays the duty assessed by the customs officer.

8.3.3 In instances where the traveller fails to declare currency in his/her possession, the Act states that he/she is guilty of an offence that can result in the seizure of the currency, criminal prosecution and/or severe penalties to a maximum of three times the value of the currency imported or exported.

Failure to declare currency advanced

8.3.4 Ms Maluleke informed us that the APRM divides bulk forex between the respective travellers to reduce the risk of the forex being lost or stolen.

8.3.5 According to Ms Maluleke, the APRM does not declare any currency brought into or taken from South Africa. Ms Maluleke further informed us that she has never received a "DA331" or any other prescribed form, neither was she requested to complete any such documentation.

8.3.6 We confirmed that the APRM issues individuals with foreign currency, often in excess of R10 000 or equivalent in foreign currency.

Advances immediately expensed

8.3.7 The APRM uses the cash basis of accounting. This means that it records transactions as and when cash is paid or received in the Statement of Income and Expenditure. The APRM immediately expensed the bulk forex purchased in the GL as S&T expenditure.

8.3.8 There is a risk that the APRM will not be able to hold individuals accountable for the advances paid out. This is because the APRM immediately recognises the cash advanced as an expense and does not record a debtor for the funds advanced.

8.3.9 The APRM's audited reports set out Management's responsibility for the Statement of Income and Expenditure as:

"The preparation and fair presentation of the Statement of Income and Expenditure is the responsibility of the Executive Director of the APRM and management of the UNDP. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of a Statement of Income and Expenditure that is free from material misstatement, whether due to fraud or error and selecting and applying appropriate accounting policies."

8.3.10 The APRM designed a Financial Rules and Procedures Manual, but has not implemented this yet. The Financial Rules and Procedures Manual provides the following guidance regarding Accounting for Advances:

"When an advance is granted, the Senior Manager of Finance and Administration's Admin/Finance Assistant shall charge the amount to an operating advance account against the responsible staff member."

When an advance is accounted for the amount will be cleared from the operating advance account and charged to the respective expenditure for which the amount was incurred."

8.3.11 In our view, the accounting treatment of advances, recommended by the Financial Rules and Procedures Manual, if applied as stipulated, would mitigate the risk of the APRM not being able to hold individuals accountable for advance funds received. In addition, the adoption of the guidance set out in this manual will assist in ensuring that information included in the Statement of Income and Expenditure is fairly represented.

VAT not Claimed

8.3.12 We note that the APRM recorded the cost of purchasing forex in the GL inclusive of VAT and commission.

8.3.13 We highlighted this issue with Ms Maluleke, who then contacted the forex supplier. The forex supplier explained to her that they were unaware that the DBSA was a registered VAT vendor and thus entitled to claim input VAT. We then spoke with Mr Gandizanza, who informed us that the APRM did not account for the input VAT because the invoices are in the name of the DBSA and not the APRM. He explained that the supplier invoices did not comply with the requirements of the VAT Act, as the supplier did not include the DBSA VAT Registration number on the invoices.

8.3.14 The APRM is a registered VAT vendor and should claim input VAT on expenditure incurred on taxable supplies. The DBSA holds the account with the forex supplier, and that is why the supplier invoice is made out in the name of the DBSA.

8.3.15 Table 11 below sets out a summary of instances noted where the APRM recorded the cost of purchasing foreign currency in the GL inclusive of VAT and commission. Refer to **Annexure D2** for the detailed breakdown of the specific invoices.

Budgets not always attached

8.3.22 We found 18 instances on the Summary of advances contained in the travel requisitions 2008 – 2010 (**Annexure D4**), where Mr Shifa approved advances but we are unable to find the budget to support the amount advanced.

8.3.23 Mr Shifa informed us that he always checked the budget first before approving the advance. He explained that the budgets might in fact be filed elsewhere; and therefore are not attached to the travel requisition approving the advance.

8.3.24 The risk therefore exists that the APRM may have advanced funds that exceed the approved budget.

Per diems incorrectly calculated

8.3.25 We independently recalculated the *per diems* paid from the advances and noted the following differences. Paragraph 2.1 of the DBSA S&T policy states:

"Note that for any travel leaving the Bank [i.e. the DBSA] after 2pm and returning before 2pm, employees will be entitled to 50% of the allowance." Hereafter referred to as "the 50% rule".

8.3.26 **Table 13** below sets out a summary of instances where the APRM did not correctly calculate the *per diem*. Refer to **Annexure D3** for a detailed breakdown of the difference.

Table 13: Summary of difference in per diem days

Year	Per diem days by APRM	Per diem days by Deloitte	Difference in days	Difference in \$
2010	708	709.50	(1.50)	-\$180
2009	745	723.50	21.50	\$2 580
2008	617.50	589	28.50	\$3 420
Total			48.50	\$5 820.00

8.3.27 From **Table 13** above the APRM paid 48.50 more days than required by the policy resulting in an overpayment of US\$5 820. The difference arose mainly due to the APRM not applying the 50% rule.

8.3.28 Ms Maluleke indicated that the APRM only started applying the 50% rule in January 2010, following an instruction from Ms Khissa.

8.3.29 Ms Maluleke informed us as that the APRM applies the *per diem* policy as follows:

- Departure before 14:00 = Full Day per diem
- Departure After 14:00 = Half Day per diem
- Arrival Before 14:00 = Half Day per diem
- Arrival After 14:00 = Full Day per diem

8.3.30 She further explained that prior to January 2010, the APRM would pay the traveller a full day of the *per diem* allocation for each travel day travelled. This has resulted in the APRM making overpayments in the 2008 and 2009 years.

8.3.31 We established that the APRM applies the 50% *per diem* rule to all employees, Panel Members and consultants. This poses a challenge when the APRM applies the rule to Panel Members and consultants as these individuals do not always depart from and/or return to the APRM offices.

8.3.32 *Per diems* are paid to compensate employees for the time that they are away from their usual places of residence. An APRM employee who departs after 14h00 will be away from their usual place of residence only for half a day as their usual place of residence is in South Africa.

9.1.26 Ms Maluleke informed us that once the employee had submitted their completed Employee Expense Report, she would review it to ensure that it was accurate. She further explained that she also verified that the "expenses tie up with the invoices". After her review, Ms Maluleke informed us that she sent the Employee Expense Reports to Ms Khissa to review and approve.

9.1.25 The source documents required for the Employee Expense Reports are original invoices and receipts, substantiating the expenses incurred and advance(s) received by the employees.

APRM Finance Department.

9.1.24 The DBSA S&T Policy however, required employees to complete and submit their report within ten days after returning from a trip, which differs from the seven-day period required by the

9.1.23 Prior to March 2008, Ms Omar reviewed the Employee Expense Reports. Ms Maluleke took over from Ms Omar during March 2008. According to Ms Maluleke, the APRM finance department requested APRM employees to complete and submit their Employee Expense Reports within seven days of returning from a trip. She further informed us that after the seven-day period had elapsed she would often remind employees to submit their Employee Expense Reports.

9.1.22 In terms of the S&T Policy, it is the responsibility of the claimant to complete the Employee Expense Report. The claimant should submit this Employee Expense Report on a monthly basis, and within ten working days, from the end of the month during which the travel took place.

9.1.21 The DBSA S&T Policy (effective 11 January 2008), which replaced the DBSA Subsistence, Travelling and Entertainment Policy dated June 2003, currently governs the Employee Expense Report Reconciliations. The Travelling Policy refers to an Employee Expense Report as a "subsistence and travelling claim form".

9.1.20 Supporting documentation in the form of supplier invoices should be attached to these reconciliations as proof of expenditure.

9.1.19 Ms Khissa and Ms Maluleke generally received advances to settle accounts with suppliers during country reviews, APR Forum and Panel meetings etc.

advanced for *per diems*.

9.1.18 Each employee who receives an advance should complete an Employee Expense Report in order to fully account for any advances received. Employees need not account for funds

Employee Expense Report Reconciliation

Country Review Reconciliations:

9.1.17 Mr Hlongwane advised us that, since October 2010, he and Ms Bool prepare and review the

9.1.16 Ms Maluleke stated that Mr Shifa does not review the Country Review Reconciliation as Ms Khissa gave her back the reconciliations without Mr Shifa's signature of approval.

9.1.15 Ms Maluleke explained that, after preparing this reconciliation, she sent it to Ms Khissa for review.

preparation of this reconciliation.

9.1.14 Ms Maluleke informed us that she normally prepared the Country Review Mission, APR Forum and Panel meeting reconciliation as soon as she arrived back from any of these events. She collected all of the supporting documentation (e.g. supplier invoices received for expenses incurred), which was still in the possession of the Panel Members and/or employees prior to the

9.1.13 The DBSA S&T policy does not make any provision for Country Review Mission, APR Forum and Panel meeting reconciliations as these events are unique to the APRM.

received.

9.1.12 The APRM distributes the foreign currency to the different Panel Members or employees attending the Country Review Mission, APR Forum and/or Panel meeting. Every Panel Member and/or employee signs an acknowledgement of receipt for the specific amount of currency

7 August 2012

Mechanism (APRM)

Risk Advisory Services
Draft Interim Report
Forensic review of subsistence and travel claims expenditure incurred by the African Peer Review

7 August 2012

Mechanism (APRM)

9.1.27 Ms Maluleke informed us that initially these reports were not sent to the CEO. However, the CEO later requested that the reports be sent to him for review. The CEO sent this request via e-mail to Ms Khissa and Ms Maluleke was also copied on the e-mail. Ms Maluleke provided us with a copy of the e-mail, dated 15 July 2010, (Annexure E1) from Mr Shifa to Mr Khissa. The email states:

"Dear Rosemary

Please ensure the following procedure is in place effective immediately:

1. All travel claims/Reconciliation Reports by staff are to be completed and submitted within seven days on return from mission;
2. The Reconciliation Reports and supporting documents are verified and certified by Finance;
3. Approval of the Expenses Report/Travel Claim is made by the OIC.

Kindly propose a system to reconcile advances to the approval of the Panel at its upcoming meeting. Let me know if you have any queries.

Regards,
Assefa"

9.1.28 Ms Maluleke advised us that, because of the above-mentioned e-mail instruction, the Employee Expense Report template was amended in order to make provision for Mr Shifa's approval.

9.1.29 According to Ms Maluleke, once Mr Shifa had approved the Employee Expense Reports, an instruction to reimburse the respective employee was sent to DBSA for processing. In instances where the employee owed the APRM money, Ms Maluleke requested that the employees do not have refund the APRM "as soon as possible". Ms Maluleke confirmed that the employees do not have a specific timeframe within which they should effect payment to the APRM.

9.1.30 According to the S&T Policy, the DBSA will pay an Employee Expense Report that adheres to all the prescribed requirements and procedures; within five working days of receipt of the Employee Expense Report.

9.1.31 Ms Maluleke informed us that on receiving a cash advance, the individual employee or Panel Member would sign an acknowledgement of receipt of the cash. When an employee or Panel Member returned any currency, Ms Maluleke would issue the employee with a receipt acknowledging receipt of the funds.

9.1.32 Ms Maluleke stated that Panel Members only receive advances for their *per diems* and honorariums (that need not be accounted for). Therefore, Panel Members are generally not required to complete expense reports.

9.1.33 Mr Hlongwane stated that since October 2010, Ms Booli has been reviewing the Employee Expense Reports, and Mr Shifa has been approving these reports.

Cash in Safe (cash on hand) Reconciliation

9.1.34 The Cash in Safe (Cash on Hand) File Reconciliation is used to record the movement of cash on hand in the safe operated by Ms Maluleke. Ms Maluleke informed us that the file used to record the cash movement during 2008/2009 was referred to as "the Cash on Hand File" and the file used in 2010 was referred to as the "Cash in Safe reconciliation 2010".

9.1.35 Ms Maluleke informed us that it was not a practice to keep cash in the safe when she started her duties at the APR secretariat in March 2008. She stated that it was Ms Khissa who decided to retain surplus cash that employees returned after each trip for emergency purposes. The surplus cash was kept in Ms Maluleke's safe.

9.1.36 We noted from our review that the completion of the Cash on Hand File Reconciliation commenced during October 2008.

- 9.1.50 Ms Maluleke advised us that once employees have submitted their Employee Expense Reports she would update their individual Employee Reconciliation and send it to Ms Khissa for review.
- 9.1.49 Ms Maluleke confirmed that the individual Employee Reconciliations should reflect all the monies advanced to, and expenditure incurred by, the employees. The individual Employee Reconciliations should therefore be the aggregate for all the relevant Employee Expense Reports pertaining to that individual employee for the period.
- 9.1.48 Ms Maluleke informed us that she prepared the individual Employee Reconciliations up until October 2010. Mr Hlongwane informed us that since October 2010 he and Ms Booli prepare and review the individual Employee Reconciliations.
- 9.1.47 Ms Maluleke requires that each Panel Member and/or employee submit their Employee Expense Report, and relevant supporting documentation in order that she can prepare the individual Employee Reconciliations.
- 9.1.46 Ms Maluleke prepares the individual Employee reconciliations to determine whether employees owed money to the APR Secretariat after travelling.

Individual Employee Reconciliations

- 9.1.45 Mr Shifa stated that he is not familiar with the Cash on File Reconciliation and/or the fact that surplus currency was being kept in the safe.
- 9.1.44 Ms Maluleke informed us that Ms Khissa had not issued any formal instruction regarding the frequency with which she should prepare these reconciliations for review.
- 9.1.43 Ms Maluleke explained that she issued receipts when receiving currency from APRM employees. Furthermore, employees would sign an acknowledgement of receipt when she issued currency from the safe. She further stated that she updated the reconciliation each time that there was any movement in the cash in her safe and sent it to Ms Khissa for review.
- 9.1.42 Ms Maluleke stated that United States Dollars and South African Rands were generally the two types of currency kept in her safe.
- 9.1.41 According to Ms Maluleke, the preparation of the Cash on File Reconciliation was of her own initiative. She informed us that she created this reconciliation in order to record the "movement of money" in and out of her safe that was advanced to and/or received from employees of the APRM.
- 9.1.40 Ms Maluleke confirmed that she had stored cash in her safe and it was handed over to Ms Booli when her secondment to the APRM ended in October 2010. Ms Booli checked the cash that was in Ms Maluleke's safe at the time and recorded the amounts in the handover report she drafted. Ms Maluleke signed this handover report (**Annexure A2**).
- 9.1.39 We were provided with access to the safe in Ms Khissa's office and found no cash in her safe.
- 9.1.38 Mr Shifa provided us with access to the safe in his office. We confirmed that there was no cash stored in his office and he stated that he has never kept cash in his safe.
- 9.1.37 The APR Secretariat has three safes situated in the following individuals' offices:

- Mr Shifa
- Ms Khissa
- Ms Maluleke.

- Various supplier invoices.

9.2.3 We reviewed minutes relating to APR Panel and APR Forums meetings from the inception of the APRM to 2010.

9.2.4 We reviewed the following files relating to money kept in the safe:

- Cash in Safe 2010

- Cash on Hand Reconciliation.

9.2.5 We reviewed the following documents found in the files relating to money kept in the safe:

- Undated Reconciliation with US Dollars Returned By/Given To Staff
- Undated Reconciliation with SA RANDES Returned By/Given To Staff
- Undated Reconciliation with SA RANDES Returned By/Given To Staff 2009
- Undated Reconciliation with EUROS Returned By/Given To Staff 2008 – 2009
- Undated Reconciliation with US Dollars Returned By/Given To Staff 2008 – 2010
- APRM internal invoices for acknowledgement of receipt of money
- Copies of Receipts given to APRM staff
- Bank Deposit Slips.

9.2.6 We performed the following procedures to test the accuracy and validity of S&T reconciliations:

- Tested the mathematical accuracy of the reconciliations
- Inspected the date on the reconciliation to establish whether the reconciliation was prepared within the timeframe stipulated by DBSA policies
- Confirmed whether the reconciliation was reviewed and approved
- Confirmed whether the forex advanced agreed to the supporting documentation from American Express (Amex) or ABSA for the purchase of forex
- Confirmed whether the forex returned by employees and/or Panel Members was recorded in the Cash in Safe Reconciliation and in their Individual Employee Reconciliations
- Regarding forex returned to the safe because the employee and/or panel member did not travel, We confirmed whether the APRM cancelled the related flight bookings and accommodation
- Performed a cash count of the cash stored in the safe and agreed it to the closing balance on the Cash in Safe Reconciliation and the handover report
- Tested whether *per diems*, honorariums and communication fees were paid only to employees/Panel Members who actually attended Country Review Missions
- Checked the accuracy of the calculation of the *per diems*

9.3.15 Annexure 1 of the Panel Rules and Procedures at paragraph 5.2 states:

9.3.14 We identified numerous miscellaneous expenses such as the purchase of slippers, massages, internet costs, bed sheets, radio and laundry (Annexure E4).

9.3.13 The APRM also purchased two cell phones to the value of US\$300.75 for two Panel Members (Annexure E4).

9.3.12 We noted from our review that the APRM paid tips from the money advanced amounting to US\$835.69 and €84.62 (Annexure E4).

Incidental expenses incurred and paid using the APRM cash resources

9.3.11 Magic Travel informed us that the APRM do not always inform them when individuals do not travel and it is therefore not possible for them to obtain a refund on behalf of the APRM. Furthermore, Magic Travel informed us that accommodation bookings cannot be cancelled at short notice. However, most flights can be cancelled and a refund obtained subject to a cancellation fee and the specific terms and conditions of the ticket purchased.

9.3.10 We could find no evidence that the abovementioned flight and accommodation costs were refunded to the APRM.

9.3.9 We identified five transactions in the Cash in Safe Reconciliations where employees returned *per diems* because they did not travel. The flights and accommodation pertaining to these five transactions totalled R103 927.44. We noted that the APRM incurred these costs as they did not cancel the bookings (Annexure E3).

Flight Costs and Accommodation paid but not used

9.3.8 Mr Shifa only reviewed one Country Mission Reconciliation, namely the "Ethiopia Recon January 2010". However, he did not sign the reconciliation to approve it as he was not satisfied with the explanations on the reconciliation. Mr Shifa was concerned about this particular reconciliation and requested that this issue be included in our review.

9.3.7 Mr Shifa informed us that, on numerous occasions, he tried to obtain the reconciliations from Ms Khissa but was unsuccessful. He showed us numerous e-mails whereby he had requested Ms Khissa to provide him with the S&T reconciliations for his review (Annexure E2).

9.3.6 Ms Maluleke stated that she did not receive any feedback as to whether or not Ms Khissa had any objections or additions to the reconciliation. Ms Maluleke therefore assumed that Ms Khissa had approved the reconciliation.

9.3.5 Ms Maluleke confirmed that she prepared the S&T reconciliations and that Ms Khissa reviewed these reconciliations. The CEO only reviewed the Employee Expense Reconciliation, commencing on 15 July 2010.

9.3.4 The CEO does not review and approve the S&T reconciliations as detailed in the paragraph above. Most of the reconciliations that we reviewed were neither dated nor signed and did not identify the preparer and reviewers thereof.

The CEO does not review and approve all the Reconciliations

9.3.3 The DBSA S&T policy only makes provision for the Employee Expense Reconciliation.

9.3.2 Based on our review and discussions with employees of the APRM, there are no formal policies that regulate the preparation and review of S&T reconciliations.

- Cash in Safe Reconciliation
- Individual Employee Reconciliations.

- 9.3.38 Ms Maluleke informed us that excess funds were only re-deposited when they exceeded the above-mentioned thresholds.
- 9.3.37 Ms Maluleke stated that sometimes the APRM experienced delays in obtaining forex for their trips and because of this, Ms Khissa instructed her to keep a float of US\$10 000 and R10 000 in a safe to be utilised when they required currency on short notice.
- 9.3.36 Ms Maluleke informed us that the cash on hand as per the above-mentioned handover report represented the excess currency kept by the APRM in the safe and included the cash passports.
- 9.3.35 Ms Maluleke informed us that excess forex that is not spent is returned after a trip and is deposited back into the APRM bank account. According to Mr Gandizanza, in such cases, Ms Khissa would attach the relevant expense GL accounts which should be credited. These would be the GL accounts where the forex ordered would not have been fully utilised.
- 9.3.34 The effect of this on the financial statements of the APRM are as follows:
- The cash balances are therefore understated by R5 261.30 and US\$ 52 276.66
 - The S&T expense accounts are overstated by R5 261.30 and US\$ 52 276.66 as the total cost of forex is expensed when received.
- 9.3.33 Mr Gandizanza stated that where money was retained by the APRM and not re-deposited, they would not have known about this and therefore could not have made any adjustments in this regard. Mr Gandizanza further stated that because the APRM uses the cash basis, these transactions will only be recorded when the cash is deposited into the bank.
- 9.3.32 According to Messrs Mr Coovadia and Gandizanza, the above-mentioned funds are not recorded in the GL because they were not made aware thereof and have not received any instructions from the APRM to post these amounts to the GL.
- 9.3.31 Messrs Coovadia and Gandizanza informed us that as administrators of the APRM's funds the DBSA acts as an agent and relies on information provided to them by the APRM. In light of this, the APRM is required to instruct them to post entries to the GL.
- 9.3.30 Upon enquiry, we established that the above-mentioned cash in the safe is not reflected in the APRM GL. Mr Coovadia and Mr Gandizanza of the DBSA Contract Administration Department (CAD) informed us that they were unaware of the fact that the APRM had these funds in their custody.
- 9.3.29 Ms Maluleke and Ms Khissa had in their custody a total of R5 261.30 and US\$ 52 276.66. These amounts were handed over to Ms Booli on 2 November 2010 as Ms Maluleke's contract with APRM had ended in October 2010 and Ms Khissa had started maternity leave. We could not trace these cash balances to the GL or balance sheet.

Date	Description	Amount	Amount
2 Nov 2010	Cash In Safe (ZA bal as per schedule)	R5 261.30	
2 Nov 2010	Cash In Safe (USD bal as per schedule)		\$ 2 970.00
2 Nov 2010	Cash Passport card (bal as per statement)		\$28 388.19
2 Nov 2010	Rosemary Cash Passport Card		\$20 918.47
	Total	R5 261.30	\$52 276.66

Table 14: Summary of cash balances on Handover Report

- 9.3.28 We reviewed the Handover Report dated 2 November 2010 (Annexure A2) and noted the following cash balances as listed in Table 14 below.

Unrecorded Transactions relating to cash kept in the safe

- 9.3.27 We identified numerous instances where these Employee Expense Reports were not submitted within the time period as required. Refer to Annexure E7 for further details.

- The crucial position of Accountant is currently vacant.

11.4 We advise the APRM to consider obtaining guidance from consultants in order to ensure that they have the correct organisational structure in place prior to their planned separation from the DBSA.

11.5 Furthermore, we recommend that the APRM second an experienced financial management resource from an accounting and auditing firm for a six month period whilst it is without any financial skills/resources and to assist in the process of its separation from the DBSA.

11.6 In the event that the separation of the APRM from the DBSA does not take place, we would strongly recommend that a detailed agreement covering the role and responsibilities of the two parties be drafted that could be used to resolve any disputes that may arise from time to time.

11.7 We understand there is a dispute between the APRM and Dr Kouassi regarding unpaid claims owing to him. We understand that these claims emanate from funds obtained from the UNDP and not from DBSA funds.

11.8 In light of the above-mentioned dispute between the APRM and Dr Kouassi, we recommend that Dr Kouassi's travel claims that emanated from the UNDP should be independently reconciled. This may assist the APRM in resolving this dispute.

11.9 Furthermore, the review of S&T expenditure as contained in this report does not include the review of S&T transactions relating to UNDP funds. For completion purposes, and in light of the dispute with Dr Kouassi, we recommend that the APRM consider instituting a forensic review of S&T expenditure relating specifically to UNDP funds.

11.10 We set out in **Table 15** below the control weaknesses identified during our review. We have further identified the risks caused by the control weaknesses and our recommendations to mitigate these risks:

Table 15: Control Weaknesses, Risks and Recommendations

Control Weakness	Risk	Recommendation
The APRM CEO approves and authorises all S&T transactions, including his own. The APRM does not have a Delegations of Authority document in place that limits the value of transactions that the CEO may approve	The risk is that the CEO could commit the organisation to payments that are not business related and/or not necessary	The APRM should consider implementing a Delegation of Authority document that covers expenditure incurred by the CEO
APRM does not have an internal audit function.	Non-compliance with policies and regulations could go undetected and may lead to errors and fraudulent transactions that are neither prevented nor detected, ultimately resulting in financial loss	An internal audit function should be established, either in-house or outsourced. This function should report directly to the Panel.
Advances are expensed instead of being capitalised as a debtor	The APRM does not have accurate records of amounts owing to it by employees	The APRM should consider creating staff debtor accounts, in line with the suggested approach in the Financial Rules and Procedures Manual
No formal policy regarding handover of APRM assets on termination of contracts	Employees could leave without surrendering all APRM assets and without settling amounts owing to the APRM	The APRM should consider creating an exit form to be used to check whether all assets have been returned

Recommendation	Risk	Control Weakness
and all liabilities settled by the employee leaving. This form should be signed by the CEO as evidence that all assets have been returned and all amounts owed by the employees have been settled.	<i>Per diem</i> costs are potentially higher than they should be	<i>Per diems</i> paid do not distinguish between domestic and international travel and do not take into account the different costs of living of the various countries being visited
<ul style="list-style-type: none"> A lower per-diem rate should be paid for domestic travel The per-diem rates for other countries should differ according to the particular country's cost of living APRM could use the DBSA <i>per diem</i> rates as a guide as different rates are paid per country and for domestic travel 	<ul style="list-style-type: none"> <i>Per diem</i> rates used do not agree with the SARS prescribed <i>per diem</i> allowances Inconsistency in applying rates for employees and consultants 	<i>Per diem</i> rates in respect of employees and consultants have never been formally approved by the APR Panel
APR Panel should review and approve all <i>per diem</i> rates periodically	Potential misappropriation of funds	<i>Per diems</i> paid to non-employees
<i>Per diems</i> should only be paid to employees and Panel Members according to the prescribed rates. Where <i>per diems</i> were paid to consultants, the consultancy agreement should make provision for this	<ul style="list-style-type: none"> Non-compliance with Panel Rules, which require annual review Honorarium rates paid might not adequately compensate the required calibre of candidates 	The honorarium rate has never been reviewed
Honorarium rates should be reviewed annually and adjusted when necessary	Potential conflicts of interest might not be identified and the APRM may unknowingly engage with external suppliers in transactions that are not arm's length	Panel Members do not declare their interests as required by the Panel Rules and Procedures
Panel Members should declare their interests annually	Inconsistent financial procedures are applied	No specific Financial Rules and Procedures relating to the APRM
Implement the APRM financial policies and procedures manual as a matter of urgency	There are no agreements governing the contractual relationship, roles, responsibilities or dispute resolution between the two entities	No contractual agreement exists between the DBSA and the APRM
A detailed agreement that is specific in terms of the role and responsibilities of the APRM and DBSA should be drafted	Incorrect classification of expenses results in inaccurate	Incorrect classification of expenses in the GL
Classification of expenditure should be checked by an		

Recommendation	Risk	Control Weakness
<ul style="list-style-type: none"> document all cash transferred to cash passports and ensure that reconciliations are prepared Each month the Cash Passport Statement should be stored electronically and hard copies should be printed 		transactions There is no formal policy relating to cash that is kept in the safe
<ul style="list-style-type: none"> All cash in safes should be recorded and reconciled on a regular basis The CEO should be aware of all cash kept in the safes of employees and should review the reconciliations of the cash on hand of the employees. The CEO should conduct spot checks in respect of the cash in safe on a regular basis Alternatively, the APRM should stop the practise of keeping cash in the safe 	<ul style="list-style-type: none"> Misappropriation of cash/assets Lack of accountability and/or transparency Opportunity to commit fraud Risk of management override on reconciliations. 	Country reconciliations are not dated and signed. Furthermore, the preparer and reviewer are not identified on the reconciliation.
<ul style="list-style-type: none"> A standardised reconciliation template should be designed and implemented This template should be sequentially numbered and should have fields for date prepared, signature of preparer, date reviewed, signature of reviewer and an approval signature Part of the review process should include checking that these details are completed 	<ul style="list-style-type: none"> It is difficult to establish whether the reconciliation was performed timeously Lack of transparency as it is difficult to establish the preparer and reviewer should there be discrepancies on the reconciliation. 	No feedback and/or proof of review of the employee reconciliations
<ul style="list-style-type: none"> The process of review should be formalised and make provision for changes / feedback to be given Management should provide training to employees on the policies and the procedures for reporting on expenditure incurred on a mission. Employees should sign an acknowledgement that they are aware of the rules and procedures in the preparation of their individual reconciliations 	<ul style="list-style-type: none"> Errors are not identified Lack of accountability Delays in reporting as there are no procedures for the review of the employee reconciliations 	Contracts are not attached to payment requests Payments are not in line with specific contracts Payment requests should only be processed if contracts are

Control Weakness	Risk	Recommendation
No travel requisition approving advances	<ul style="list-style-type: none"> • Unauthorised advances given • Misappropriation of cash/assets 	<ul style="list-style-type: none"> • Advances should only be processed if there is an authorised travel requisition accompanying the supporting documentation • All advances should be approved by the CEO. • Advances should be accompanied by a budget indicating how the advance is calculated
Personal funds are used to subsidise shortfalls when there is insufficient cash in the safe	<ul style="list-style-type: none"> • Theft • Unauthorised expenditure • Illegitimate payments 	Personal funds should never be used to pay for business expenditure (and vice versa)
There is no segregation of duties with regards to the Cash Passport	<ul style="list-style-type: none"> • Fraud • Misrepresentation of income and expenses 	<ul style="list-style-type: none"> • The custodian of a Cash Passport should not be the one preparing the reconciliation of that Cash Passport • The reconciliation should be independently reviewed
The APRM does not claim VAT on forex purchased	Lost revenue due to unclaimed Input VAT	APRM should claim input VAT on taxable supplies purchased from registered VAT vendors and; should ensure that the invoices that they received from suppliers is compliant with the VAT act (i.e. includes the vendor's VAT number)
The Employee Expense Reports are neither dated nor signed	<ul style="list-style-type: none"> • Risk of duplication and/or omissions • Risk of misappropriation of funds • Employee Expense Reports might be submitted long after the expiry date of 10 working days, after the travelling took place 	Employee Expense Reports must be dated and signed before payment thereof is made to the employee
Late submission of Employee Expense Reports	<ul style="list-style-type: none"> • Misappropriation of funds • Risk of management override • Risk of inaccurate financial reporting • Risk of fabrication of expenses 	All Employee Expense Reports not submitted within 10 working days, after the date of travel should not be processed for payment, unless there are exceptional circumstances, approved by the CEO
Employee Expense Reports are not approved by the CEO	<ul style="list-style-type: none"> • Misappropriation of funds • Lack of accountability • Lack of transparency • Risk of management override on reconciliations prepared 	The CEO should approve all Employee Expense Reports before payments are made
No acknowledgement of receipts for advances received	<ul style="list-style-type: none"> • Errors on the Employee Expense Reports • Misappropriation of funds • Lack of accountability 	All employees and/or Panel Members need to sign an appropriate acknowledgement of receipt for any advance

12 Conclusion

Control Weakness	Risk	Recommendation
No supporting documentation attached to the Employee Expense Reports	<ul style="list-style-type: none"> • Risk of fabrication of expenses • Risk of misappropriation of funds • Lack of accountability 	No Employee Expense Reports should be processed for payment without the supporting documentation substantiating the expenses claimed
Non-business related expenses claimed	<ul style="list-style-type: none"> • Risk of misappropriation of funds • Incentive for fraud being committed 	Updating current and/or drafting new policies with regards to allowable expenses that can be claimed

12.1 The above revised draft report sets out our findings in respect of the forensic review of travel claims expenditure incurred by the APRM.

12.2 In brief, our review has *inter alia* established the following:

Unauthorised salary advances

12.3 We identified numerous salary advances made to APRM employees and consultants that were not approved and/or authorised by Mr Shifa.

12.4 Ms Malieke informed us that she provided advances to employees and consultants based on the instruction of Ms Khissa. Furthermore, Ms Malieke stated that she was under the impression that Ms Khissa had the authority to approve such advances.

12.5 We identified an advance of R10 000 to Mr Wandwasi on 25 March 2010. According to the cash in safe reconciliation, Mr Wandwasi repaid R5 000 on 17 August 2010 and still owes the balance of R5 000. Mr Wandwasi resigned from the APRM without settling the balance he owed the APRM.

S&T Policy and Procedures

12.6 The APRM does not have its own formal S&T policy in place to provide guidance and to regulate the S&T process. We therefore took the DBSA S&T policy, best practice and our understanding of the APRM operating environment into consideration during the course of our review. It is critical that the APRM develop and adopt their own S&T policy to govern the S&T process.

12.7 Generally, we found that the APRM does not have any formal policies and procedures of its own in place. We were informed that they rely on either the DBSA or the UNDP policies and procedures to govern its operations.

12.8 This increases the risk that certain functions within the APRM are not being guided by any form of accepted process, and in addition there is a lack of clarity regarding which policy is the appropriate policy to be applied.

12.9 There is also no clarification in respect of which policies apply to Panel Members and consultants.

S&T Claims

12.10 We attempted to perform an independent quantification of the amount owed to or by the APRM regarding S&T claims.

12.11 A number of the APRM's S&T allowances are advanced in cash. We found that the APRM did not implement effective internal controls to adequately safeguard the cash on hand. As indicated above we were unable to obtain a complete set of supporting documents relating to claims. Due to the liquid nature of cash it is impossible to calculate the cash that should have been on hand at any particular point in time during our review.

12.12 The absence of appropriate supporting documents meant that we were unable to test transactions recorded for validity and accuracy.

12.13 We are therefore unable to perform an accurate reconciliation of funds owing to the APRM.

12.14 In light of the above, we cannot rule out the possibility that funds were misappropriated.

S&T Reconciliations

12.15 The APRM performs the following reconciliations:

- Country Mission Expenditure Reconciliations
- Employee Expense Reconciliations
- Cash In Safe Reconciliation
- Individual Employee Reconciliations.

12.16 Due to the unavailability of Ms Khissa during the duration of our review, we were unable to obtain a comprehensive understanding of the purpose and controls relating to these reconciliations.

12.17 The following concerns regarding the abovementioned reconciliations have come to light during this review:

- There is no evidence that the CEO and/or the Senior Manager: Finance and Administration were actually reviewing and/or approving all the respective reconciliations
- Neither the APRM nor the DBSA have any formal policy in place that regulates the preparation and review of reconciliations
- We identified numerous calculation errors when reviewing S&T reconciliations and therefore found that the reconciliations are not accurate and the majority of them did not balance
- Reconciliations are not dated and do not contain any references to travel requisitions and/or payment requisition numbers. It is therefore not possible to match each entry in the reconciliations to specific requisitions
- There was no evidence that reconciling items were followed up and resolved for each travel transaction
- The various reconciliations are not consistent and are not performed for each travel transaction
- We could not find, nor were we provided with, reconciliations relating to all country support missions, country review missions, APR Forums/summits and follow up missions.

Dr Kouassi

12.18 We understand that there is a dispute between the APRM and Dr Kouassi regarding unpaid claims owing to him; and that these claims emanate from funds obtained from the UNDP and not from DBSA funds.

12.19 We attempted to conduct an independent review of Dr Kouassi's claims, in order to establish the balance on his claim account. The UNDP did not make their accounting records and documentation available to us. In addition, the APRM was unable to locate a complete set of supporting documentation relating to Dr Kouassi's travel claims.

12.20 We considered this reconciliation and attempted to reconstruct an independent calculation of Dr Kouassi's account with the available information. We are however, unable to conclude at this