

## Internal control letter of the African Centre of Meteorological Applications for Development at 31/12/2022

Niamey , April 4<sup>th</sup>, 2024

TO THE DIRECTOR GENERAL OF ACMAD,

### Mandate

In accordance with our terms of reference (TOR), we carried out an audit of the internal control system put in place and used by the African Center for Applications of Meteorology in Development (ACMAD), in order to manage the risks linked to the achievement of its objectives. Among these risks are those of error, irregularity and fraud in the use of funds allocated to the Center by the various Member States and donors.

This audit, carried out in the ACMAD offices, from February 15, 2024 to March 8, 2024, aimed to evaluate the design, operational efficiency and effectiveness of the internal control system (tools and procedures) of the period from January 1<sup>st</sup>, 2022 to December 31<sup>st</sup>, 2022, as well as the reliability of the Center's accounting records and financial information. This report was prepared in accordance with the provisions relating to financial management of the various financing agreements established between the African Center for the Applications of Meteorology for Development (ACMAD) and its donors.

Our findings are formulated in the sections provided for this purpose of this internal control letter, which is intended exclusively for the management of ACMAD and aims to provide assurance that the risks linked to the achievement of the Center's objectives are subject to appropriate management and control .

### Respective responsibilities of the management of the Entity and the auditors

ACMAD management is responsible for the design, implementation and effective operation of the internal control system, including the management and control of risks related to the achievement of the Centre's objectives.

Our responsibility is to audit the financial statements and communicate our findings to the management of the Center , in accordance with the terms of reference of the audit mission. These specify that we must carry out our work in accordance with international auditing standards (issued by the *International Federation of Accountants* – IFAC – ) to the extent that these standards can be applied in the specific context of an organizational audit aimed at providing assurance that risks related to the achievement of the Centre 's objectives are subject to management and control. appropriate control. These standards require us to respect the rules of ethics and quality control applicable when carrying out our work.

## Audit objective

The objective of the mission is to give the Board of Directors, including all technical and financial partners, reasonable assurance on the management of financial resources in accordance with procedures and regulatory texts and a reasoned opinion on the execution of the budget. of the 2022 financial year voted by the Board of Directors .

The accounting and financial audit must enable the auditor to express a professional opinion on the financial situation of the Center in order to ensure that the resources made available to it are used for the purposes for which they were granted with a view to achievement of the Center's objectives.

## Audit scope

The auditor must evaluate the internal control system to determine whether satisfactory control measures are used to prevent, detect, reduce or eliminate the potential risks of errors. It will include audit tests and procedures as well as verifications that the auditor considers necessary in the circumstances. It will cover the administrative, financial and accounting management activities and transactions of the Center.

When carrying out the audit, the auditor will ensure that:

- a) All resources have been used with economy and efficiency in mind.
- b) All necessary files, accounts and records were kept for the various operations relating to the Center
- c) The accounts of the Center have been prepared on the basis of the systematic application of applicable accounting standards and give a true and fair view of the financial situation of the Center as well as the revenue received and expenditure made during the financial year ended on that date;
- d) The overall financial performance of the Center is satisfactory.

We believe that the evidence collected is sufficient and appropriate to form a basis for our unqualified opinion.

## Opinion on the internal control system of the Center

In our opinion, the internal control system established and used by the African Center for Meteorological Applications for Development to manage significant risks related to the achievement of the Center's objectives was adequately designed and operated effectively. during the period from January 1, 2022 to December 31, 2022.

Without calling into question our opinion, we draw your attention to the summary of our recommendations presented in section D., which summarizes the ways to correct the identified weaknesses of the internal control system .

Distribution and use

This letter requested by the management of ACMAD is intended exclusively for the information and use of the latter.

For the firm Guilbert & Associates/RSM

François de BUSTAMANTE

Associate Certified Chartered Accountant



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## A. COMMENTS AND OBSERVATIONS ON THE ACCOUNTING RECORDS, SYSTEMS AND CONTROLS EXAMINED DURING THE AUDIT

### A.1. CYCLE OF TANGIBLE ASSETS

#### OBSERVATION :

- Maintaining in the Center's assets two vehicles not in use due to breakdown, and for which no explanatory note or quote from a confirmed mechanic has been attached concerning their usefulness, in the context of a transfer or repair .

#### LATENT RISKS

- Uncertainty regarding the evaluation and quality of accounting and financial information appearing in the financial statements concerning fixed assets.
- Presentation of statements not giving a correct image of the reality of the operations carried out.
- Aging or obsolescence of IT or transport equipment, which can lead to significant maintenance and repair costs, or even low productivity.

#### RECOMMENDATIONS

- ❖ Extend the taking of physical inventories to all of the Center's theoretical tangible assets in order to guarantee the existence of the gross amounts indicated in the financial statements.
- ❖ Develop and sufficiently disseminate procedures describing the due diligence to be implemented, before, during, and after taking inventories of the Center's physical assets, in order to guarantee the reliability of the data declared in the financial report.
- ❖ Always ensure when preparing notes to the financial statements that each appendix explains clearly and precisely a specific item in the balance sheet, income statement or general balance.

### A.2. CUSTOMER CYCLE AND RELATED ACCOUNTS

#### FINDINGS:

- Lack of traceability of certain invoices sent in return for the use of the Center's premises and equipment by clients.
- Absence of materialization and systematic archiving of expressed usage needs.
- Absence of automatic increment of the sequential number of invoices issued to customers.
- Absence of individual monitoring and individual analysis of the "Customer" position.

#### LATENT RISKS:

- Lack of transparency of financial information
- Difficulty justifying the account balance at the end of the financial year
- Trace of non-existence of close individual monitoring of customers
- Loss of debts.

#### RECOMMENDATIONS

- ❖ Periodically analyze and justify the balance of customer accounts.
- ❖ Automatically increment the order number of invoices to be issued to customers.
- ❖ Systematically document and archive rental requests expressed.
- ❖ Establish a more rigorous individual customer monitoring procedure.

### A.3. STATE RECEIVABLES CYCLE, CONTRIBUTIONS TO BE RECEIVED

#### OBSERVATION :

- In terms of performance, the balance of Contributions remaining to be collected increased from **2,949,308,011 FCFA** at the end of 2021 to **3,515,662,244 FCFA** as of 12/31/2022; an increase of around 19% compared to the previous year. This accumulation of the contribution due by the Member States is essentially attributable to the continued significant extension of the average debt recovery period which had varied, going from approximately 7 months to 11 over the period 2012-2014.

#### LATENT RISK

- Increase in receivables with low recovery rates which could have a lasting impact on the resources necessary for the operation of the Center.

#### RECOMMENDATIONS

- In view of the lengthening of the average time for recovery of debts from Member States, ACMAD must strengthen the recovery system and call for countries' contribution to financing the Center's activities.
- At the end of each financial year, reassess foreign currency receivables from States with a view to accounting for possible provisions for exchange rate losses.
- Regularize at the end of the financial year, on the appropriate investment subsidy account, the contributions of Member States used for investment operations.

### A.4. RECEIVABLES CYCLE ON MISCELLANEOUS DEBTORS

#### OBSERVATION

- The "Miscellaneous debtors" account essentially consists of the debt held in the amount of **79,309,301 FCFA**. This is a case relating to withdrawals made fraudulently by a former employee of ACMAD for several years for a total amount of 79,241,444 FCFA. The case was judged and the third party ordered to reimburse the amount of the damage suffered by ACMAD, but coercive steps could not be initiated for the purposes of effective recovery of the amount of the said debt and its consequences.

#### LATENT RISK:

- The probable risk of actual recovery of the debt.

#### RECOMMENDATION

- The necessary actions must be taken by ACMAD to recover its debt.

## B. DEFICIENCIES IN THE INTERNAL CONTROL SYSTEM AND RECOMMENDATIONS FOR ITS IT SYSTEM'S IMPROVEMENT

### B.1. INVESTMENT GRANT CYCLE

#### OBSERVATION :

- The balance of investment subsidies corresponds to the balance of the table of reversals of investment subsidies.

#### LATENT RISK:

- Fixed assets acquired before the implementation of the ACMAD accounting system create confusion in the physical inventory.

#### RECOMMENDATIONS:

- Carry out a reform of depreciated and out-of-service fixed assets in order to arrive at a file of fixed assets consistent with the recorded fixed assets.
- Ensure the existence of financed fixed assets explaining the balance of the investment grant account, on each date of physical inventory of durable goods.
- Identify and ensure the correct presentation of new investment grants received for the financial year.

### B.2. CYCLE OF SOCIAL AND TAX DEBT

#### FINDINGS:

- During our review of expenses, we noted that some of the remuneration slips of service providers or ACMAD staff involved in projects implemented by the institution do not include a signature of the beneficiary of the payment made.
- Payments of ITS and ISB are not made within the deadlines set by the regulations in force. Indeed, for the 2022 financial year, only the payments for the month of February were made on time as indicated in the table below. Which is not in conformity on the one hand with **article 117 bis** of the tax code which stipulates: "For the purposes of the Tax on Salaries and Wages (ITS), a monthly declaration, according to a model provided by the tax administration, must be subscribed to the competent tax service. For a given month, the declaration must be filed no later than the 15th of the following month. ", and on the other hand, in **article 1054** of the said code which stipulates "The taxpayers who must liquidate and collect the withholding tax on profits are required to repay it to the Tax Collectors territorially competent in the later on the 15th of the month following that during which it became due due to payment."

#### LATENT RISKS:

- The absence of discharge from beneficiaries of payments does not protect the Center from possible future disputes from beneficiaries on the amounts subject to bank transfers made;
- The ACMAD Center is exposed to the risk of tax adjustments that may result from an audit of the Center's activities by the Nigerien Tax Administration.

RECOMMENDATIONS:

- ✚ Take all necessary measures to ensure the justification of all operations carried out by ACMAD;
- ✚ Respect the regulatory payment deadlines in order to avoid possible sanctions as stipulated in the articles of the General Tax Code below:

**Article 946 paragraph 3** : Omissions or inaccuracies noted in any declaration result, for each omitted or inaccurate information, in the application of a fixed fine of six (6,000) CFA francs.

**Article 948** : In the event of late payment of any sum due to the Tax Collector, an increase of 10% is applied to the amount of the odds or fraction of odds not paid.  
However, in the event of issuance of a check without sufficient funds, or of an invalid or non-existent account, the increase is 25% of the amount of the check issued.

ENTITY COMMENT:

*From February the DGI had changed the procedures*

### **B.3. CYCLE OF RESOURCES FROM ACCESSORY PROFITS: RENT BILLING**

#### **FINDINGS:**

- Jump in sequential order of issued invoice numbers;
- Issuance of certain invoices without documentation relating to the expression of need by the third party requester;
- Presence of several different versions of the same invoice bearing the authorized signatures and stamps, without the distinction being made between the original and the copies;
- Multiple issuance of invoices bearing authorized signatures to the same recipient, under the same reference number, but with different amounts, without mention of the cancellation of erroneous versions.

#### **LATENT RISKS**

- ▶ The absence of systematic materialization of requests for services by clients, as well as automatic invoicing of various services granted to third parties, places ACMAD at risk regarding the completeness and correct affiliation of the services granted to each financial year.
- ▶ Failure to have a billing system whose sequential order is automatically incremented exposes the Center to losses, both accidental and intentional, of information and cash resources.

#### **RECOMMENDATIONS**

- ✚ Systematically invoice each tenant for each agreed rent payment period.
- ✚ Establish the payment of rents by check or bank transfer; payment in cash should be an exception.
- ✚ Systematically archive requests for services which will serve as the basis for invoicing after services rendered;
- ✚ Have an incremental numbering system for service invoices issued.

### **B.4. CASH REVENUE CYCLE**

#### **FINDINGS**

- Absence of specific procedures relating to the holding and management of the revenue fund,
- Absence of formal definition of cash ceiling to be held,
- Absence of minutes of taking periodic or unannounced physical inventories,
- Collection of receipts in payment without the support of service invoices linked to the operation,

#### **LATENT RISKS**

- ▶ Lack of homogeneity in the processing of operations relating to the holding and management of the revenue fund;
- ▶ Holding excessive levels of usable cash;
- ▶ Absence of conclusive supporting documents for revenue fund operations.

#### **RECOMMENDATIONS**

- ✚ Proceed with the formal definition of the cash ceiling to be held in the revenue fund;
- ✚ Carry out and document through reports, periodic or unannounced physical inventories of the revenue fund;
- ✚ Systematically deliver receipts from pre-numbered and chronological books in return for each collection made.



## B.5. CYCLE OF CONSOLIDATION OF ACCOUNTING FOR DIFFERENT PROJECTS IN ACMAD ACCOUNTING

### FINDINGS

- Absence of integrated accounting of operations carried out by ACMAD with those carried out by the projects.
- The operations carried out by the various projects (SWIFT, FOCUS, CLIM SA, KLIMPALA, U-CLIP, GSTIC), larger in terms of financing resources, were included in one go, on December 31, 2022, in the accounts of ACMAD in resources and jobs.
- The cash account balances of these aforementioned projects were adjusted at the end of the 2022 financial year in ACMAD's accounting by canceling the opening balances as of January 1, <sup>2022</sup> and recording the closing balances as of December 31, 2022.
- This method of accounting for operations does not allow compliance with the obligation to keep accounts tracing day-to-day operations in the ACMAD books.

### LATENT RISKS:

- Non-compliance of the operations accounting system with the rules defined by the regulations and the SYSCOHADA reference system used.
- Loss of faithful representation of financial statements.

### RECOMMENDATION

- ➡ Set up a multi-donor management system for accounting and financial data by using appropriate software.

## C. COMMENTS ON THE RESOLUTION OF ANOMALIES AND RESERVATIONS

The auditor carried out an assessment of the state of implementation of the recommendations made during previous audits, through interviews held with various managers of the day-to-day management of the departments as well as verification of the monitoring table for said recommendations established by the Centre.

The audit estimates that the degree of implementation of the previous recommendations made to the management of the Center is at a satisfactory threshold, while noting the need for the latter to achieve complete clearance of the partially implemented recommendations.

The follow-up table for previous recommendations is attached as an appendix.

## D. GENERAL CONCLUSION

At the end of the audit of the internal control system in force within the Center, the auditor noted the above major inadequacies which materially damage the reliability of the Center's financial statements. In view of the above, it appears urgent and essential for ACMAD:

1. to bring the Centre's administrative, financial and accounting procedures manual into compliance with the recommendations on internal control;
2. to develop and sufficiently disseminate procedures describing the due diligence to be implemented, before, during, and after taking inventories of the Center's physical assets, in order to guarantee the reliability of the data declared in the financial report;
3. to proceed with the formal definition of the cash ceiling to be held in the revenue fund;
4. to set up a multi-donor management system for accounting and financial data by using appropriate software;
5. to carry out a total harmonization of its accounts in order to guarantee the Centre's assets a safe, sincere intrinsic value.

## APPENDIX

### RECOMMENDATIONS IMPLEMENTATION TABLE



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recommandations.xl