

*Egypt Desk*

**CIDA  
NILE BASIN DISCOURSE DESK PROJECT  
ENTEBBE, UGANDA  
AUDIT**

**PEARMAN PARTNERS**

**CERTIFIED MANAGEMENT CONSULTANTS OTTAWA**  
[613] 235 5617; FAX [613] 733 5384 EMAIL: RAYlgjPEARMAN.COM  
WEBSITE: [WWW.PEARMAN.COM](http://WWW.PEARMAN.COM)

July 19, 2004

Nile basin discourse desk audit report v7.doc

Document obtained by the Nile Basin Society, <http://nilebasin.com>, Canada after filing a formal request of information under the Access to Information Act.

Any use of the material must acknowledge the role of the Nile Basin Society in making the information public.

Other documents can be found at:

- Nile-Dialogue: <http://dgroups.org/groups/Nile-Dialogue>
- <http://wwf.nilebasin.net/wwf3/>
- <http://niledialogue.org>
- Nile River Mailing List <http://groups.yahoo.com/group/NileRiver/>

We would appreciate that copy/link of any study based on this/other material obtained from CIDA would be sent to [webmaster@nilebasin.com](mailto:webmaster@nilebasin.com). Nabil El-Khodari, CEO, is ready for any further information.

## Audit of the Nile Basin Discourse Desk Project

### **TERMS OF REFERENCE AND SCOPE**

The terms of reference for this financial and management audit were to:

- Determine the uses made of CIDA's grant of \$1m [note: all figures in this audit are in Canadian dollars unless otherwise specified]
- Review the institutional capacity to efficiently and effectively manage donor funds

The scope of the audit was to:

i

- Review the project files, including reports to date
- Analyze the information with respect to the objectives of the audit
- Ascertain any concerns of the CIDA project team [Pan-African and Egypt desks]
- Undertake fieldwork at the IUCN East Africa office Nairobi, and NBD office in Entebbe, Uganda
- Ascertain that CIDA's grant has been used for the intended purposes
- Review the use of the financial management system and processes used for donor funds

We did not examine whether monies spent for the purpose intended resulted in outputs and outcomes expected, which would be covered in the concurrent evaluation report.

### **METHODOLOGY**

We prepared lines of enquiry and audit criteria.

We examined the financial system used, the policies and procedures in place and records in Nairobi such as project documents, financial memos and reports and monthly transfers of funds and expenditures on local expenses via a petty cash account, the salary paid via the Nairobi office, bank reconciliations and ledger balances, as well as samples of receipts in Entebbe and checked the physical presence of assets.

Interviews were held at CIDA, Gatineau, the Canadian High Commission, Nairobi, and in the IUCN office Nairobi and NBD Entebbe.

**000215**

## Audit of the Nile Basin Discourse Desk Project

### BACKGROUND

The Nile Basin Discourse Desk Project is a CIDA initiative that is separate from the larger multi-donor funded Nile Basin Initiative.

In the Nile Basin Initiative, CIDA agreed to provide up to \$ 16.0 million towards the development and implementation of the SVP Nile Basin Trans-Boundary Environmental Action Plan (CIDA Project No. A-31377 the Nile Environment Project) and an additional \$10.0 million to support the critically important SVP initiative involving Confidence Building and Stakeholder Involvement - Communications (CIDA Project No. A-21334). CIDA also supported feasibility and technical studies on a SAP power sector initiative located in the Nile Equatorial Lakes Region of the Nile Basin. Within the additional \$10.0 million, CIDA also agreed to support and strengthen Nile-SEC management planning and administrative capacity and provide funding to continue the Nile Conference Series beyond 2002.

Specifically, CIDA also decided to separately fund start up monies for what was seen as something not being addressed in the multi-donor Nile Basin Initiative.

The goal of the Nile Basin Civil Society Discourse Desk Project was to promote dialogue on sustainable and equitable development, peace and mutual understanding within the Nile River Basin. The project purpose was to establish an independent civil society discourse desk in Entebbe, Uganda. Expected outcomes of the project include:

- Civil Society Discourse Desk established and effectively and efficiently operating;
- Working relationship established with Nile-SEC on the Nile Basin Initiative;
- Enhanced Communication and Information Flows between interested and affected parties on pertinent issues relevant to the Nile Basin; and
- National, Regional and International Civil Society Organizations Constructively Engage in Discourse Activities and Dialogue.

A preliminary workshop on developing the concept to create a Nile Basin Civil Society Discourse was held at the IUCN Headquarters in Switzerland in January 2001. Twenty-five participants from NGOs, academic institutions, development agencies and international organizations working in the Nile River Basin attended this meeting, organized by IUCN and WWF and supported by the World Bank. A second workshop was convened in Entebbe, Uganda in June 2001 where the concept was further developed and a statement prepared for presentation to the first ICCON meeting in Geneva. Also resulting from this meeting was the -

## Audit of the Nile Basin Discourse Desk Project

development of a project proposal for submission to the international community for funding.

As of May 2004, CIDA is reviewing the operation and results of the Nile Basin Discourse Desk Project with a view to facilitating other donors to fund it, albeit with different activities, dependant on the audit and evaluation reports.

### **LINES OF ENQUIRY AND AUDIT CRITERIA**

The following lines of enquiry and audit criteria were developed for this audit and findings, conclusions and recommendations are detailed in the next section.

1. Use of CIDA Funds Audit Criteria:

la. The funds were spent on the purposes intended

The allocation of project funds as per the PAD was adhered to by the project. lb. The funds were efficiently and effectively spent There does not appear to be wastage of funds or significant under or overspending.

2. Institutional Capacity of IUCN The World Conservation Union 2a. An adequate financial management system is used

The financial management system is able to account for monies received and spent, on an accrual basis, in multiple currencies and produce reports for management decision making.

2b. An adequate Management Control Framework exists

A policy and process is in place for the planning, controlling and monitoring of project monies and reporting this, as well as identification and mitigation of risks.

Audit of the Nile Basin Discourse Desk Project

2c. Program and Financial Management staff are able to implement the Management Control Framework

The resources in the Nairobi and Entebbe offices are sufficient and have the expertise to plan, control and monitor the project funds.

2d. Adequate Records are maintained and there is stewardship over assets

An audit trail and records exist so that receipts and expenditures are recorded and justified with appropriate documentation such as receipts, cheques, bank statements, ledger accounts, etc.

2e. Risks are Identified and Mitigated

Risks which could cause loss or misappropriation of project funds are identified and where significant, steps have been taken to mitigate these.

Audit of the Nile Basin Discourse Desk Project

## FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### 1. Use of CIDA Funds Overall, we found that:

- IUCN East Africa has the capacity to financially manage projects such as NBD
- IUCN has a comprehensive Chart of Accounts for project management and policies and procedures for bank reconciliation and travel expenses.

#### Audit Criteria:

##### 1a. The funds were spent on the purposes intended

We expected to see that the allocation of project funds as per the PAD was adhered to by the project.

#### Findings

In general, project funds were expended on their intended purpose; there was one budget revision, which the CIDA Egypt desk agreed to; however, no interest was paid on the upfront Can. \$ 1 million, as per a condition in the grant agreement.

- Monies budgeted for a Communications project employee were paid to the Facilitator as no Communications person was hired. The overpayments to the Facilitator equaled the budget for the Communicator. [Note: we did not review whether value for money was obtained in the area of communications, which is one of the key objectives of the Discourse Desk]. However, in effect, because the NBD continued on for an extra eight months longer than was anticipated, the Facilitator received his regular pay for an extra eight month period.

*IUCN response: The facilitator was given an initial contract of two years with the expectation of funding from other donors. He was holding a valid IUCN contract which was also within CIDA's approved contract. His services were terminated once IUCN's contract with CIDA ended.*

**Audit of the Nile Basin Discourse Desk Project**

Office furniture, computers and the vehicle, with a purchased value of US \$45,000 are being stored and insured at the end of the project - May 31, 2004 and transferred from the rented N&D Entebbe office to the IUCN Country Office in Kampala.

The table below shows a summary of the original PAD budget against the actual expenditures as of April 30, 2004, including accruals estimated to May 31<sup>st</sup>.

<b>Office set up</b>	<b>48,843</b>	<b>30,980</b>	<b>6%</b>	<b>28,183</b>	<b>4%</b>	<b>2,797</b>	<b>9%</b>
<b>Vehicle</b>	<b>46,061</b>	<b>29,215</b>	<b>4%</b>	<b>28,750</b>	<b>5%</b>	<b>465</b>	<b>2%</b>
<b>Asset Cost sub total</b>	<b>94,904</b>	<b>60,195</b>	<b>10%</b>	<b>56,933</b>	<b>9%</b>	<b>3,262</b>	<b>5%</b>
<b>ORIGINAL PAD BUDGET</b>	<b>103,000</b>						
		<b>111,085</b>	<b>17%</b>	<b>120,948</b>	<b>19%</b>	<b>[9,863]</b>	<b>9%</b>
<b>Facilitator*</b>							
<b>Communications Officer</b>							
<b>Other</b>	<b>175,137</b>						
<b>Personnel and expenses subtotal</b>	<b>339,734</b>	<b>215,485</b>	<b>33%</b>	<b>230,602</b>	<b>36%</b>	<b>[15,117]</b>	<b>7%</b>
<b>ORIGINAL PAD BUDGET</b>	<b>307,000</b>						
<b>Country Focus Activities</b>	<b>197,075</b>	<b>125,000</b>	<b>20%</b>	<b>113,041</b>	<b>18%</b>	<b>11,959</b>	<b>10%</b>
<b>ORIGINAL PAD BUDGET</b>	<b>200,000</b>						
<b>Project Activities [Meetings/Publications]</b>	<b>277,378</b>	<b>175,934</b>	<b>27%</b>	<b>176,044</b>	<b>28%</b>	<b>[110]</b>	
<b>ORIGINAL PAD BUDGET</b>	<b>300,000</b>						
<b>Total costs</b>	<b>909,090</b>	<b>576,614</b>	<b>91%</b>	<b>576,620</b>	<b>91%</b>	<b>[6]</b>	<b>-</b>

Audit of the Nile Basin Discourse Desk Project

IUCN Mgt Fee 10% j	90,909	57,661	9%	57,662	9%	[1]	-
TOTAL NBD PROJECT COST	1,000,000	634,276	100%	634,282	100%	[6]	-

\*Note that no Communications Officer was hired and the budget was used to pay the Facilitator for the extra months that the project was extended by [eight]. A more detailed spreadsheet from IUCN is shown in the working papers, reference #1 and included in the Appendix.

Conclusions & Recommendations

Ib. The funds were efficiently-and effectively spent

We expected to see that there did not appear to be wastage of funds or significant under or overspending, and that funds spent resulted in outputs expected.

Findings

- Two internal audit reviews were carried out by IUCN Nairobi in the Entebbe office in the last two years, which found some discrepancies in the reporting and receipting of travel and living expenses and use of vehicles; there is a holdback against the Facilitator until receipts are provided. *IUCN response: Already provided.*
- The decision to send three people including the IUCN Representative and the Facilitator to a conference in Tokyo "and the main objective of the mission was to meet potential donors and create more awareness of the NBD existence and objectives" appears questionable as not being within the goal of the NBD and in relation to value for money. [Quotation is from the second Progress Report dated April 30<sup>th</sup> 2003]

*IUCN response: The Tokyo meeting was considered by IUCN as a forum where all the potential donors for the NBD would have been easily found. Fund raising involves investing in creating awareness on an entity's existence and also networking with the relevant people.*

Given the monthly bank and expenditure reconciliations that were required and sent to the Nairobi office from Entebbe by fax, with receipts on file, which were examined on a sample basis, we do not believe that



## Audit of the Nile Basin Discourse Desk Project

funds were unaccounted for, except that charge backs for personal phone calls, vehicle and per diems were slow to be actioned and some were still outstanding at the time of the audit

*LUCN response: Charges to personal accounts have been made and final salary payment will be done net of the balance on the personal account.*

We cannot offer an opinion on whether the outputs were as expected, since this is in the per-view of the evaluation being undertaken.

### Conclusions & Recommendations

- IUCN should have ensured at the outset of the project that the Facilitator and the Admin Assistant understood the policies and procedures for financial administration and travel expenses.

*IUCN response: The facilitator was given orientation and the internal audit visit was a follow-up to ensure adequate internal control was in place within the project. The visit was also part of an orientation process for the Admin assistant.*

CIDA should consider, where a project such as this has a planned short life and no other donors have committed themselves to continue on, whether there should be a financial "end of project" plan to avoid uncertainty for employees and over project assets.

## 2. Institutional Capacity of IUCN The World Conservation Union

Overall, we found

- That IUCN has the capacity to manage donor funds, but may wish to strengthen its controls over remote offices by ensuring that local staff are made familiar when hired with the policies and procedures, especially relating to travel and living expenses.
- *IUCN response: This was done by orientation of both the Facilitator and the accounts assistant. The first internal audit was a follow-up on whether the procedures were being adhered to at the project level. The facilitator was given orientation and the internal audit visit was a follow-up to*

Audit of the Nile Basin Discourse Desk Project

*ensure adequate internal control was in place within the project. The visit was also part of an orientation process for the Admin assistant.*

2a. An adequate financial management system is used

The financial management system is able to account for monies received and spent, on an accrual basis, in multiple currencies and produce reports for management decision making.

Findings

IUCN East Africa has a well developed and established accounting system, able to function in several currencies, with an extensive Chart of Accounts and Travel Policy and Procedures.

The Sun Account Software version 4.0 is well able to undertake project accounting; however the Entebbe office did not use this system and although Quick Books was suggested for use, it was never implemented.

Conclusions & Recommendations

- The financial management system used is well able to function with several currencies, such as US \$, Canadian \$, and local currencies and should be considered in other projects where this functionality is required.

2b. An adequate Management Control Framework exists

A policy and process is in place for the planning, controlling and monitoring of project monies and reporting this, as well as identification and mitigation of risks.

Findings.

There are five signatories to the accounts, two of which must appear on any cheque.

## Audit of the Nile Basin Discourse Desk Project

- IUCN East Africa prepared a monthly report on the NBD, with actual expenditures against the budget by type of expense, however significant variances were not explained.

*IUCN response: Explanation was given that project overruns was due to the fact that the project was scheduled to end in March 2004, but with the approval of the donor activities continued upto May '04.*

- The CID A Head of Aid in the Canadian High Commission, Nairobi, was not receiving project reports and was thus unable to undertake local oversight if required. These reports were being sent to CIDA Cairo; thus there appears to be some miscommunication internally with the Agency.
- f In the course of our audit, we interviewed the Program Officer responsible for the NBD, who undertakes the project workplanning, but did not review the program itself, since this is the focus of the parallel evaluation.
- The Entebbe office, a rented old colonial house set in its own grounds, was too large for the needs of the actual project staff of the facilitator and admin assistant, although at least one Steering Committee meeting had been held there.. However, had the office served the intended purposes of the project, it would have been appropriate.

*IUCN response: Getting cheaper and appropriate office facility in Entebbe can be a challenge and therefore IUCN was "lucky " to get that kind of office accommodation. Consideration was also given of the project expansion prospects at the time of seeking the facility and its proximity to the Discourse desk at Entebbe.*

- The NBD decided to set up national Forums, to promote the objectives of the NBD in local civil societies; it was agreed that the Steering Committee members should not benefit from NBD projects nor should they receive funds on behalf of the NBD. However, the Forum funds of US\$ 15,000 for each country were paid to members of the Steering Committee, as authorized by the IUCN Program Officer.

### Conclusions & Recommendations

- The CIDA grant for the NBD was well managed and documented and expended on the purposes intended under the PAD headings, an accounting perspective, except that there was no valid reason for interest not to have been paid on an upfront total amount and therefore recommend that grants should be paid in several tranches over the project life.
- Even though this was a grant, CIDA could include in its grant agreement, a requirement for a quarterly internal audit by the manager

## Audit of the Nile Basin Discourse Desk Project

and sending of financial reports to the desk and relevant High Commission, as well as an external local audit.

- The size of the project office should reflect the number of staff and purpose for which it is intended to use it, and a concomitant saving of rent.

*IUCN response: Getting cheaper and appropriate office facility in Entebbe can be a challenge and therefore IUCN was "lucky" to get that kind of office accommodation. Consideration was also given of the project expansion prospects at the time of seeking the facility and its proximity to the Discourse desk at Entebbe.*

- Funds for national Forums should not have been paid to Steering Committee members since they were in a conflict of interest position. It is also questioned whether value for money was received from the US \$15,000 spent in each country except the DRC and Eritrea [which did not receive Forum funding]. Since the payments were requisitioned by IUCN Programme Section, it is recommended that the IUCN Finance Section ask for appropriate authorization from them in future.

### 2c. Program and Financial Management staff are able to implement the Management Control Framework

The resources in the Nairobi and Entebbe offices are sufficient and have the expertise to plan, control and monitor the project funds.

#### Findings

- IUCN East Africa has a competent accounting staff, who keep well maintained and documented records of transactions; the Head of Finance and the Project Accountant assigned to the NBD are Certified Public Accountants, CPA, Kenya and also have university degrees in commerce or business.
- Program Officer Workplans were prepared, although these do not contain the resources [days by staff; meeting expenses, etc] for the activities planned and were not monitored against activities;

*IUCN response: The funds for activities were included in the overall budget since the project life was initially set for one year.*

Audit of the Nile Basin Discourse Desk Project

Conclusions & Recommendations

- That IUCN has the capacity to manage donor funds, but may wish to strengthen its controls over remote offices by ensuring that local staff are made familiar when hired with the policies and procedures, especially relating to travel and living expenses. The Entebbe office was not able to use an accounting system such as Quick-Books.

*IUCN response: Quick Books was not used due to lack of local support.*

- Workplans should include resources budgeted by activity, which should be monitored on a regular basis and included in performance reports. Where CIDA has multi-desk interests, it should ensure that there is appropriate internal communications.

*IUCN response: Workplans were based on the approved project budget. We do not believe that quarterly audits would be practical on account of time considering that IUCN handles numerous grants. Also the financial resources for quarterly audits may not be worth while.*

2d. Adequate Records are maintained and there is stewardship over assets

An audit trail and records exist so that receipts and expenditures are recorded and justified with appropriate documentation such as receipts, cheques, bank statements, ledger accounts, etc.

Findings

- IUCN East Africa has a competent accounting staff, who keep well maintained and documented records of transactions

Conclusions & Recommendations

- Ideally, the IUCN office in Kampala, had it had a financial officer, would have been able to provide more local guidance and oversight than the Nairobi office.

## Audit of the Nile Basin Discourse Desk Project

*IUCN response: IUCN is in the processes of strengthening the financial functions in the Uganda Country office*

### 2e. Risks are Identified and Mitigated

Risks which could cause loss or misappropriation of project funds are identified and where significant, steps have been taken to mitigate these.

#### Findings

- Although there were only minor infractions of financial responsibilities, there was a risk that the key expert/administrator could have misappropriated funds or used them not for the purposes intended, without the IUCN managers being aware of this for several months, until a desk audit had been performed. [Note: we did not review the process of hiring, nor what reference checks, etc. were performed]

*IUCN response: The CIDA budget did not provide for more than two audit visits project, which were duly carried out. The internal control systems in place by IUCN and the reporting procedures in place are adequate to ensure low risks to donor funds through financial integrity and recording.*

- We did not find any instances of misappropriation or fraud in the sample checks of receipts that we undertook.

### Conclusions & Recommendations

- Having only one key expert on a project, who is also required to be an able administrator, raises the risk that much financial responsibility is placed on that person, who is also away on travel status for intervals; it is recommended that appropriate limits on signing authority and separation of duties [i.e. purchasing, receiving and paying for goods and services] should be in place where practicable. *IUCN response: In order to minimize the risk, all major payments and procurements were done from either Nairobi or the country office. The salary of the facilitator was done from Nairobi and all travel were authorized from Nairobi. Funds disbursed to the project from Nairobi were made only after receipt of adequate reports.*

Audit of the Nile Basin Discourse Desk Project

- Any Personal expenses outstanding should *be* recovered on an ongoing basis and especially before the final salaries are paid

*IUCN response: This is an IUCN procedure and has been adhered to throughout the project.*

*Charges to personal accounts have been made and final salary payment will be done net of the balance on the personal account.*

Audit of the Nile Basin Discourse Desk Project

**APPENDICES**

SPECIAL REVIEW OF THE FORUM FUNDING

TOTAL EXPENDITURES ON THE NBD INCLUDING ACCRUAL TO MAY 31,  
2004 PREPARED BY IUCN NAIROBI

PERSONS CONTACTED AND

INTERVIEWED GLOSSARY OF TERMS

WORKING" PAPERS and DOCUMENTS REFERENCED - SEE SEPARATE

BINDER



Audit of the Nile Basin Discourse Desk Project

	Draft of	Final	Project	Expenditures	As at May	2004
			Includes	Project	Accruals for	May
from: 01.12.2003 to: 30.04	Donor: The Government of Canada (CIDA)	Project No: EG-31606				
	<b>Total Budget</b>		Previous Period Expenditure Apr 02-Nov 03	Current Expenditure Dec 03-Apr 04	Total Expenditure Apr 02-Apr 04	Budget Balance
	<b>CAD</b>	<b>USD</b>				
Income received	1,000,000	634,276	634,276	-	634,276	0
<b>Total Income</b>	<b>1,000,000</b>	<b>634,276</b>	<b>634,276</b>	<b>-</b>	<b>634,276</b>	<b>0</b>
<b>Establishment costs</b>						
	8,987	5,700	5,682	-	5,682	18
nt	12,613	8,000	5,909	62	5,971	2,029
	46,061	29,215	28,750	-	28,750	465
ts etc.)	1,545	980	131	-	131	849
<b>total establishment costs</b>	<b>94,904</b>	<b>60,195</b>	<b>56,871</b>	<b>62</b>	<b>56,933</b>	<b>3,262</b>
<b>sts and office costs (all-inclusive)</b>						
or / Director						
fficer						
	-	-	-	-	-	-
	-	-	-	-	-	-
sts	15,135	9,600	3,613	6,919	10,532	(932)
	33,897	21,500	21,021	3,777	24,798	(3,298)
	7,410	4,700	3,601	1,276	4,877	(177)
: etc	39,100	24,800	20,756	3,427	24,183	617
	9,909	6,285	5,745	3,066	8,811	(2,526)
ance	-	-	-	-	-	-
	15,766	10,000	6,640	1,856	8,496	1,504
sts	16,081	10,200	9,466	5,425	14,891	(4,691)
<b>ice and Personnel Costs</b>	<b>339,734</b>	<b>215,485</b>	<b>159,751</b>	<b>70,851</b>	<b>230,602</b>	<b>(15,117)</b>
<b>Country Focal Points</b>						
	197,075	125,000	113,041	-	113,041	11,959
<b>Project Activities costs</b>						

s.19(

[Sorry: This had to be scanned as a picture. The missing left side is from the original. The article used to 'erase the salaries is article s.19 (1) [See cover letter] Nabil El-Khodari]

Audit of the Nile Basin Discourse Desk Project

**PERSONS CONTACTED AND INTERVIEWED**

CIDA - Gatineau

Dirce Menezes Dufresne, Senior Development Officer, Pan African Program  
David Matthey Chief of Operations, Egypt Desk and Project Team Leader  
NBD

• \

Canadian High Commission, Nairobi

Yves Perrier CIDA Head of Aid

IUCN East Africa Office, Nairobi

Eldad Tukahirwa Regional Representative, East Africa  
Tom Nguli Head of Finance  
Atieno Onyonyi Projects Finance Officer - NBD  
Joyce Alwala Accounts Manager, Receipts and Payments  
Thaddeus Kamundi Database Administrator and LAN  
Francis Karanja Programme Officer

Nile Basin Discourse Desk Project Office, Entebbe

Jean Bigagaza Facilitator  
Jenifer Kurubeija Admin Assistant

Gervase O. Odiko Evaluator, Microcode Consult, Nairobi

Audit of the Nile Basin Discourse Desk Project

**GLOSSARY OF TERMS**

CSO	Civil Society Organization[s] - the stakeholders in the NBD
DFID	UK Department of Foreign International Development [formerly: ODA, Office of Development Assistance]
IUCN	The World Conservation Union, headquartered in Gland, Switzerland <a href="http://www.iucn.org">www.iucn.org</a>
NBD	Nile Basin Discourse Desk Project <a href="http://www.nilediscourse.org">www.nilediscourse.org</a>
	: i
NBI	Nile Basin Initiative [the overall multi-donor project]
NDFs	Nile Discourse Forums [set up locally with civil society composition]
Nile-TAC	Nile Basin - Technical Advisory Committee
SC/ISC	Steering Committee of the NBD/interim Steering Committee

Audit of the Nile Basin Discourse Desk Project

**WORKING PAPERS and DOCUMENTS REFERENCED**

[available in working papers binder] -

1. Summary of Expenditures, NBD December 1,2003-April 30, 2004 [Excel spreadsheet.]
2. Total Expenditures to date, January 2000 - April 2004, NBD [SunAccount ledger]
3. Brochure on NBD and Newsletter for December 2003
4. IUCN Chart of Accounts and notes
5. From Concept to Closure - IUCN Guide to Project Management excerpts re Workplans and Financial Project Reporting
6. IUCN Policy of Duty Travel for IUCN East Africa Regional Office.
7. List of NBD Assets as at March 24, 2004
8. a and b: Trip [internal audit] Reports - IUCN Finance to NBD office, Entebbe, June 2003 and April 2004.
9. Example of an NBD Project Monthly Financial Report, March 2004
10. Memo querying travel expenses for NBD Facilitator, May 2003
11. NBD Project Contract Summary Sheet, April 12, 2002
12. Original Project Budget - IUCN and receipt of Can \$1m.
13. Original NBD grant agreement -excerpts- March 2003
14. Letter of Termination, IUCN to NBD Facilitator, February 23,2004.
15. Workplans for NBD, 2003, 2004, prepared by Programme Officer
16. Contract for Facilitator.
17. Memos re re-allocation of NBD budget

Audit of the Nile Basin Discourse Desk Project

18. Quarterly Progress Reports - Technical: #1 April -October 2002; #2 November 2002-March 2003; #3 April 2003-July 2003; #4 Final August 2003-May 2004- not yet available.
19. Signed [by CIDA and IUCN] Grant Agreement for the Nile Basin Discourse Desk Project, March 26, 2002 and PAD annex.
20. Email response from IUCN Nairobi as to why interest was not paid by IUCN as per a condition of the Grant Agreement.
21. Proposal for the Establishment of the National Discourse Forums [NDFs] [undated]
22. The National Nile Basin Discourse Forum [NNBDF] Egypt - brochure [undated]
23. Memo to Tom Nguli [Head Finance IUCN Nairobi] from Anne Chege Program Officer asking for US \$7,500 to be transferred to the account of the Institute for Resource Assessment April 7, 03 and contract April 1, 03 to the Institute for Resource Assessment for US \$ 15,000 for services of Mr Amos Majule.
24. Contract for US \$15,000 to Dr. Emad Adly, Egypt for Forum services and two bank payments of US \$7,500
25. Contract for US \$15,000 to Uganda Wildlife Service for services of Ms. Irene Makumbi re Forum. April 4, 03, including budget of activities.
26. Minutes of the Third Interim Steering Committee December 2002, Entebbe
27. Progress Report June 2003 by Dr. Amos Majule on the Establishment of the NDF in Tanzania
28. Report of the First Workshop on Civil Society Engagement on the River Nile Basin, May 2003
29. Workshop Report, Uganda Nile Basin Discourse Forum. September 2003
30. Final Report and Declaration of the National Nile Basin Discourse Forum, Egypt, October 2003
31. Minutes of the Nile Basin Discourse Steering Committee, April 2004, Entebbe.
32. Project Approval Document EG-31606 and annexes.

Audit of the Nile Basin Discourse Desk Project

**PEARMAINPARTNERS**

GST Regn \* 1 3286 063S RT

**CERTIFIED MANAGEMENT CONSULTANTS**

SUTTE 100 - 2994 HYDE STREET, (613) 235-5617; FAX:  
733 5384  
OTTAWA, ONTARIO, K1V 8H9, CANADA email: ray@pearmain.com  
BUSINESS PROCUREMENT\* 132860636PG0001 website: www.pearmain.com

Our ref: Nile Basin Discourse Desk Audit  
report.doc Your ref: tad afr022 a 21334

i  
Ms. Dirce Menezes  
Dufresne, Senior  
Development Officer,  
PanAfrican Program  
CIDA, Gatineau.

Dear Ms. Menezes Dufresne,

We are pleased to enclose our audit report of the Nile Basin Discourse Desk Project.

Overall, we found that the IUNC East Africa Office in Nairobi was monitoring the expenditures of the project office in Entebbe with monthly reconciliations and good financial records were being kept, although on their two visits to Entebbe, they found some irregularities which are being corrected. We did not find their explanation [refer to reference #20] as to why no interest was paid on the upfront full tranche and declining balance [as the funds were transferred from Switzerland to Nairobi], to be satisfactory. Under the Grant Agreement, CIDA could request that interest be paid; this repayment also would apply if the evaluation found that funds were not expended on the purposes intended, such as paying for the Facilitator to attend a conference in Tokyo. This, although approved by the Steering Committee, does not appear to have given good value for money.

Due to the fact that, in the Entebbe office, there was in effect only one officer, namely the Facilitator [plus an administrative assistant], there were some lapses in respect to providing receipts for travel, which are currently in question by IUCN and delays in charging back personal phone calls and vehicle travel. Had the IUCN had financial capability in their Kampala office, better monitoring could have taken place.

While we believe that in general, CIDA funds were spent for the purposes intended, we cannot ascertain whether there was value for money [which would be in the purview of the evaluation concurrently taking place]. Only two Regional Steering Committee

Audit of the Nile Basin Discourse Desk Project

Meetings of the Nile Basin representatives took place and it appears that the offices in Entebbe were larger than necessary, especially as funds for a Communications Officer were spent to extend the contract period of the Facilitator, and the Facilitator was or should have been on the road for considerable periods of time. We understand however that if the project activities were carried out as planned, there would have been more use for the unused space in the Entebbe office.

We obtained no clear answer on why the Communicator was not hired or who gave the authority to use these funds for the Facilitator's salary. We also question whether sending three people to a conference in Tokyo, one of the objectives of which was to obtain further funding, was CIDA money well spent.

Also, in our opinion, there was a conflict of interest in paying the Steering Committee representatives from several countries monies to set up a Forum in their country. This appears to go against their own minutes and yet the IUCN program officer approved the contracts and funding. Unfortunately, neither the DRC nor Eritrea participated.

We conclude that IUCN does have the institutional capacity to manage donor funds and has well established policy and procedures for this; we cannot comment on the programming ability [again the subject of the evaluation], except that we noted that the workplans in existence did not have resources attached to them, nor were these monitored or appended to the progress reports.

We verified the existence of all of the assets [the most valuable of which are 3 computers and one SUV], which we understand will be sent to the IUCN Kampala office awaiting CIDA's further instructions.

While back in Nairobi for follow up, I had the opportunity to meet with the local Kenyan evaluator and also with the CIDA Head of Aid in our High Commission. Unfortunately, it became apparent that the progress reports from the project were being sent to Cairo and thus there was no local oversight. In view of the interest in the Pan Africa desk in this project, since all of the Nile Basin riparian countries are involved, with hindsight, it may have been more appropriate for it to have been managed by this desk, with an oversight by the Head of Aid in Nairobi, rather than the Egypt desk. It does appear that internal communications suffered and accountability may have been compromised. The latter is of course outside of the terms of reference of this audit.

It appears that the concept of a "civil society" project is well received, but it was not clear to me, nor was this in our terms of reference for the audit, that it had achieved anything of significance [which the evaluation will report on] and of course, the project is currently at a standstill.

Audit of the Nile Basin Discourse Desk Project

In terms of "best practices", it would appear that only having one "Facilitator" as staff, puts a high risk and trust on what such an individual will or can accomplish, from the management perspective and the IUCN office in Kampala did not have the capability to provide financial or programming oversight. Again, the problem would seem to lie with the accountability exercised by the programming function in IUCN rather than finance.

The Agency should be complemented for undertaking this pioneer project, and may wish to consider our audit report in conjunction with the evaluation report in making decisions which facilitate other donors' funding for a "civil society" project.

We would like to thank the Nairobi, Pan African and Egypt CIDA desks, and the NBD Entebbe office and the IUCN Nairobi financial and program staff for their cooperation in reviewing records and interviews.

Yours sincerely, PEARMAINPARTNERS,

Ray Pearmain, CMA, CMC, MBA Managing Partner.