

Southern Sudan Disarmament Demobilisation and Reintegration Commission (SSDDRC)

**Final report on the review of SSDDRC's
internal controls, finances, purchases
and property processes**

November 2010



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This report has been prepared for and only for Canadian Commercial Corporation (CCC) and South Sudan Disarmament, Demobilisation and Reintegration Commission (SSDDRC) in accordance with the terms of articles of agreement made as of 12 February 2010 and signed on 26 February 2010 between CCC and PricewaterhouseCoopers Associates Africa Limited (PwC AAL) and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

His Excellency William Deng Deng
Chairman, South Sudan Disarmament Demobilisation and
Reintegration Commission
SSDDRC Headquarters
Juba
South Sudan

10 November 2010

**Subject: Final report on review of SSDDRC internal controls, finances, purchases and
property processes**

Your Excellency Deng Deng

I am pleased to enclose the final report on our review of the internal controls, finances, purchases and property processes of the South Sudan Disarmament, Demobilisation and Reintegration Commission (SSDDRC), pursuant to the articles of agreement made as of 12 February 2010 and signed on 26 February 2010 between the Canadian Commercial Corporation (CCC) and PricewaterhouseCoopers Associates Africa Limited (PwC AAL).

This report summarises our significant findings from the review of the (i) internal controls, (ii) finances and purchases, and (iii) property management processes of the Commission based on the criteria we developed and agreed on with the Commission and CCC as the basis of our review as detailed in our inception report dated 19 March 2010. In accordance with our terms of reference, we have issued stand alone report on each of these assessment areas separately.

This report has been prepared for and only for CCC and SSDDRC in accordance with the articles of agreement made as of 12 February 2010 and signed on 26 February 2010 between CCC and PwC AAL and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We acknowledge the participation and support provided by the senior management of the SSDDRC, especially you as the Chairman of SSDDRC, from the inception phase of this assignment to the final phase. Additionally, we would like to thank all SSDDRC staff and other stakeholders, for their valuable contribution that enabled us to understand the Commission in relation to this assignment.



His Excellency William Deng Deng
10 November 2010

I hope that the enclosed report has adequately captured your expectations from the review. However, if you would want any of the contents clarified, please do not hesitate to contact me on +254 20 285 5000.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Benson Okundi', written over a faint, larger version of the signature.

Benson Okundi
Authorised representative

cc Patricia Daigneault
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Glossary of terms

APRs	Annual Progress Reports
DDR	Disarmament, Demobilisation and Reintegration
GAAP	Generally Accepted Accounting Principles
GoSS	Government of Southern Sudan
IDDDRA	Interim Disarmament Demobilisation and Reintegration Authority
IPs	Implementing Partners
M&E	Monitoring and evaluation
MoFEP	Ministry of Finance and Economic Planning
MoLPS	Ministry of Labour and Public Service
OAG	Other Armed Groups
QPRs	Quarterly Progress Reports
SNG	Special Needs Group
SPLA	Sudan People's Liberation Army
SPLM	Sudan People's Liberation Movement
SSDDRC	South Sudan Disarmament Demobilisation and Reintegration Commission
TAs	Transitional Areas
ToRs	Terms of reference
UNDP	United Nations Development Programme
UNMIS	United Nations Missions in Sudan

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1 Executive summary

1.1 Introduction

The Southern Sudan Disarmament Demobilisation and Reintegration Commission (SSDDRC or the Commission) was set up by presidential decree in July 2006 to lead, design and implement the Disarmament, Demobilisation and Reintegration (DDR) process in South Sudan. The DDR process is meant to support the transition of 90,000 Sudan People's Liberation Army (SPLA) ex combatants from military to productive civilian life aimed at ensuring a secure, stable and peaceful Sudan.

The Commission has evolved over time through a number of initiatives to achieve the current day structure. The Commission experienced significant changes when the legacy United Nations Development Programme (UNDP) funded SPLA Interim Disarmament Demobilisation and Reintegration Authority (IDDRA) was transformed into the SSDDRC in July 2006 and the appointment of a new chairman in September 2008.

As a result of the transformation, there has been a significant revision of the organisation structure, staffing needs, roles and responsibilities. The Commission was given a staff allocation of 225 by the Ministry of Labour and Public Service (MoLPS) and the structure revised to take into account changed circumstances within this number. Part of the new structure was filled from the legacy headcount and recruitment processes to fill vacant positions were ongoing by the time of this report. Motivation levels are considered to be high. However, there continues to be a natural movement in the headcount as time passes and new ways of working are embedded. There have been significant changes in senior management with appointments of three new director generals to the three SSDDRC directorates and internal transfers of middle level managers. The ongoing challenge to the commission is to embed strategic planning and control across all levels of the organisation, develop appropriate strategies, ensure a proper fit between structure and people, and improve policies and procedures, business processes and ways of working.

The IDDRA was originally based in Rumbek where food distribution is currently taking place after a successful disarmament and demobilisation exercise. On transformation, the Commission's head office was moved to Juba and coordination offices established in the 10 states of South Sudan and the two Transitional Areas (TAs) of Blue Nile and South Kordofan States. The structure of the programmes directorate is replicated at the state office level. Heads of technical sections (i.e. Special Needs Groups (SNGs), Child DDR, Reintegration and, monitoring and evaluation [M&E]) under the directorate at the head office, work through section officers at state offices. Plans are also underway to set up offices in Abyei, Khartoum and Kampala.

Phase I of the DDR process was originally meant to demobilise 45,000 ex combatants from SNGs and Other Armed Groups (OAGs) by January 2011. The remaining 45,000 from the mainstream SPLA would be demobilised after the referendum. As of May 2010, only 4,700 of the Phase I target had been achieved. The Phase I target has been subsequently revised to 34,000 ex combatants.

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1.2 Objectives and scope of review

While the operational costs of both the North and South DDR Commissions are borne by both governments, field level engagement and consultations revealed that there remained significant gaps and need for strengthening the strategic and organisational development of the two national DDR commissions of Sudan to a level where they would be capable of assuming full responsibility for independently sustaining the DDR programme at both policy and working levels.

In support of Canada's commitment to enhancing the technical and operational capacity of SSDDRC to undertake its mandate, the Canadian Commercial Corporation (CCC), in partnership with the Department of Foreign Affairs and International Trade (DFAIT) contracted PricewaterhouseCoopers Associates Africa Limited (PwC AAL) to provide audit and financial mentoring services to SSDDRC. The scope of the audit services was an initial review of finances, procedures and property owned by the Commission in South Sudan. According to the articles of agreement, the review would be undertaken as follows:

- Provision of one auditor based in Juba, Sudan for up to four (4) months and not to exceed the period ending 1 July, 2010;
- Review to be done in consultation with the Commissioner, relevant Commission staff, key government and other stakeholder (i.e. UNDP);
- Design and agree to a process and work plan;
- Conduct an initial audit of finances, procedures and property owned by the SSDDRC;
- Develop clear and practical recommendations for the improvement of systems and procedures; and

The review was to be performed under the compliance standards as accepted by the International Professional Accounting Association.

The outputs from the review per the articles comprised of:

- A final work plan for approval within 15 business days of contract award; and
- A final report to be issued prior to 1 July, 2010

1.3 Team

Our team comprised of the following:

Name	Principal role
Benson Okundi	Project Director
Dedan Muugi	Key Expert 1 and Project Manager
Leonard Kayongo	Key Expert 2

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1.4 Milestones of the review

The review was initially planned for four months to 30 June 2010. However, for reasons brought to management's attention in our inception report dated 19 March 2010 and others unforeseen at the planning stage, we were unable to achieve the planned time lines for the milestones in the articles, as detailed in the table below:

Activity	Planned date	Date submitted
Preparation and submission of inception report	19 March 2010	22 March 2010
Review of internal controls	16 April 2010	25 June 2010
Review of finances and purchases	30 April 2010	13 September 2010
Review of property	28 May 2010	13 September 2010
Preparation and submission of final report	30 June 2010	31 October 2010

As explained in the inception report, we were unable to work during the period of the South Sudan general elections that were held between 11 and 15 April 2010 as Commission staff were accorded time off to participate in the elections. Consequently, we also took time off the assignment from 8 to 26 April 2010 as we adopted a wait and see attitude amidst security concerns in the post election period.

Further, we also faced challenges in obtaining management comments on our findings and recommendations. Initially, the Commission wanted the comments to be agreed in meetings of senior management staff. However, agreeing on management's response to each issue in concert proved time consuming due to the number of people in attendance and the resultant divergent points of view. Later, it was agreed that we obtain the comments directly from the concerned process owners individually. This too proved challenging as it was a challenge to get process owners to devote time out of their busy schedules for this purpose.

1.5 Approach and methodology of the review

In developing our approach and methodology, we took into consideration the environment in which the SSDDRC operates. We drew heavily from the statement of work as per the articles of agreement and our experience in providing similar services.

Our approach was also designed to provide a 360 degree response to meeting SSDDRC's needs and addressed the capacity deficiency experienced by the Commission. We appreciated the challenges faced in the Southern Sudan work environment and tailored our approach with this in mind.

To ensure relevance, quality and effectiveness we identified and incorporated the following basic principles:

- Detailed planning to address the risks and challenges as well as expectation gaps on the assignment.
- A participatory approach: working hand in hand with the staff of SSDDRC and other stakeholders in the financial mentoring process to ensure effective transfer of skills.
- Continuous communication and feedback throughout the review process to ensure no surprises.
- Using experienced staff with the relevant skills to ensure that we effectively and efficiently respond to the SSDDRC's needs.

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- Taking a holistic view of the assignment to ensure that the key outputs of the assignment are achieved and value is added to all the staff and stakeholders.

The review team worked hand in hand with the financial mentoring team to ensure that the objectives were met seamlessly and concurrently in the period of execution.

International Standard on Assurance Engagement 3000

The review was carried out in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". The purpose of this ISAE is to establish basic principles and essential procedures for, and to provide guidance to, professional accountants in public practice (for purposes of this ISAE referred to as "practitioners") for the performance of assurance engagements other than audits or reviews of historical financial information covered by International Standards on Auditing (ISAs) or International Standards on Review Engagements (ISREs).

Reasonable versus limited assurance

This ISAE uses the terms "reasonable assurance engagement" and "limited assurance engagement" to distinguish between the two types of assurance engagement a practitioner is permitted to perform. The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner's conclusion. The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner's conclusion. We considered the appropriate level of assurance required for this assignment to be limited assurance.

Subject matter

ISAE 3000 requires us to obtain an understanding of the subject matter and other engagement circumstances, sufficient to identify and assess the risks of the subject matter information being materially misstated, and sufficient to design and perform further evidence-gathering procedures. We determined that the subject matter of the engagement to be the status of finances, procedures and property owned by SSDDRC as at May 2010.

Criteria

ISAE 3000 requires us to determine suitable criteria to compare the subject matter to for purposes of determining a conclusion. Based on the PwC Global Best Practices website (www.globalbestpractices.pwc.com), we developed criteria against which we compared the subject matter for each of the review areas to reach a conclusion. The criteria were agreed on with the Commission and CCC as detailed in the inception report dated 19 March 2010.

Assurance reports

We have issued assurance reports under each of the areas reviewed separately, i.e. there are separate reports on our findings on the review of the Commission's (i) internal controls, (ii) finances and purchases, and (iii) property management processes.

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1.6 Areas covered and summary of work done

The review covered internal controls, finances and purchases, and property processes at SSDDRC. It focused on arrangements at the head office in Juba with limited procedures carried out during visits to Warrap, Western Bahr El Ghazal, North Bahr El Ghazal and Lakes state offices. The review was carried out in accordance with the methodology described under section 1.5 above. The methodology was and discussed and agreed with the Commission's management in our inception report dated 19 March 2010. **Table 1** below details the areas reviewed under each process. Details of work done in each area are described in section 3 of this report.

Table 1: Processes reviewed under each review area

	Review area	Processes reviewed
1.	Internal controls	
a)	Control environment	<ul style="list-style-type: none"> ▪ Control environment; ▪ Information and communication; ▪ Monitoring of controls; ▪ Risk assessment.
b)	Financial reporting	<ul style="list-style-type: none"> ▪ General ledger maintenance; ▪ Sub ledgers; ▪ Journal entries; ▪ Financial statements; ▪ Accounting policies; and ▪ Standing data maintenance.
c)	Human resources	<ul style="list-style-type: none"> ▪ Standing data maintenance; ▪ Adjustments and ledger maintenance; ▪ Information technology; ▪ Time recording; ▪ Payroll calculation; and ▪ Payroll payment.
2.	Finances and purchases	
a)	Finances	<ul style="list-style-type: none"> ▪ Treasury accounting; ▪ Banking and cash management; and ▪ Adjustments and ledger maintenance.
b)	Purchases	<ul style="list-style-type: none"> ▪ Ordering; ▪ Goods receipt; ▪ Invoice processing; ▪ Payments; ▪ Adjustments and ledger maintenance; and ▪ Standing data maintenance.
c)	Others	<ul style="list-style-type: none"> ▪ Financial statements; ▪ Expenditure; and ▪ Budgeting.
3.	Property	
a)	Capital expenditure	<ul style="list-style-type: none"> ▪ Effectiveness and efficiency of operations; ▪ Reliability of financial reporting; and ▪ Compliance with applicable laws and regulations.
b)	Security, custody and movement of fixed assets	Security, custody and movement of fixed assets
c)	Fleet management	Fleet management

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1.7 Significant findings requiring management's urgent attention

We have summarised below the significant findings that require urgent attention by the Commission in the short term. We considered the significant findings to be significant deviations from established policies and principles that require urgent action to ensure that the Commission is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).

Details of the findings are described in section 3 of this report. Other findings and our recommendations thereon can be found in the respective review reports on each area already issued.

Table 2: Significant findings requiring urgent attention

	Finding	Recommendation
Internal controls		
1	SSDDRC does not have a code of conduct.	Management should develop a code of conduct and related policies on acceptable business practices, or expected ethical and moral behaviour.
2	There are discernible attempts to establish a "tone at the top" but these efforts are being hampered by disharmony at the senior management level.	SSDDRC should develop and implement a charter detailing the values underpinning senior management behaviours.
3	According to the organisation chart, the finance function comprises the director of administration and finance, the accounts controller and a senior cash officer. The position of the director of administration and finance position is currently vacant.	Management should review the structure of the finance function to ensure it is properly positioned and supports the achievement of the Commission's performance measurement, reporting and compliance with applicable laws and covenants objectives.
4	The organisation does not have a strategic plan.	Management should develop and implement a strategic plan for the Commission within the context of the National DDR strategic plan.
5	SSDDRC does not maintain comprehensive books of accounts.	SSDDRC should design and implement appropriate books of accounts to facilitate the recording and tracking of transactions and achievement of key financial management and internal control objectives of efficiency and effectiveness.
6	The organisation does not prepare periodic financial reports and annual financial statements.	The Commission should establish financial management reporting responsibilities that specify, among others, what reports are to be prepared, what they are to contain, and how they are to be used.
7	The daily office operation record and the payroll are maintained in MS excel.	The Commission's information gathering and processing tools should be automated.
8	There are several instances of management override of controls.	The Commission should discourage override of controls by commissioners, management and staff.
9	The chairman and commissioners do not hold regular scheduled meetings to plan for, coordinate, direct and monitor SSDDRC activities.	The chairman and commissioners should hold monthly meetings to review, plan, coordinate and monitor the Commission's strategies.
Finances and purchases		
1	The SSDDRC annual budget is	SSDDRC should adopt a decentralised approach to

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	Finding	Recommendation
	prepared using a top down approach that does not reflect participation by relevant stakeholders	budgeting where the annual budget is prepared from departmental and state coordination office budgets.
2	Annual SSDDRC budgets are based on the GoSS allocation for the year as the budget ceiling rather than planned activities for the year under consideration.	Annual budgets should be prepared on the basis of annual work plans. Management should fund-raise for funds to bridge the funding gap between the budget amount and the amount expected from the GoSS.
3	In some cases, programme activities at the state coordination office level were financed from GoSS funds contrary to the UNDP DDR programme document.	The accounts section should provide training to state coordinators and finance officers on eligible GoSS and UN expenses.
4	The approaches to drawing down GoSS funds are not efficient. The monthly cash advance of SDG 40,000 is not sufficient while the claims approach is long, tedious, and complicates funds transfers to SSDDRC state coordination offices. This adversely affects SSDDRC's effectiveness and efficiency at both head and state office level.	As GoSS has contractual obligations to the UN and only funds SSDDRC operational costs - which by their nature arise in the normal/routine course of SSDDRC activities and therefore are critical to achieving the organisation's objectives in an effective and efficient manner - the commission should negotiate with the MoFEP for an exemption to rules for drawing down GoSS funds.
5	Monthly funds transfers to state coordination offices for operating expenses are not sufficient and timely. The amounts transferred are less than what is provided for in the annual budget.	The head office should transfer funds for operating expenses to each state office on a monthly basis. The amount transferred should be based on the state's allocation in the annual budget.
6	SSDDRC head and state offices do not maintain cash books in respect of bank accounts.	Management should set up cash books to record bank transactions at both the head office and state level.
7	The Commission has been unable to collect lease rentals from Beijing Juba Hotel under a sub-lease agreement with the hotel.	Management should consider taking legal action against Beijing Juba Hotel to recover the unpaid lease rentals and stop the planned takeover of the leased land by the hotel.
8	SSDDRC does not comply with the Interim Public Procurement and Disposal Regulations (2006) of the GoSS.	The Commission should conduct procurement activities in accordance with the Interim Public Procurement and Disposal Regulations (2006).
9	The Commission uses the request to pay letter to approve the purchase and payment thereof. Orders are made verbally or by telephone.	Management should design and implement a purchase order form. Payments should be approved using payment vouchers properly supported by a supplier invoice and evidence of receipt of goods or services.
10	The procurement officer is responsible for initiating purchase requisitions, selecting suppliers, paying the supplier and receiving goods purchased.	Incompatible functions and related duties should be allocated to different personnel.

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	Finding	Recommendation
11	Most purchases are paid for by cash prior to receipt of goods and services. In most cases, the procurement officer collects the cash from the accounts section against quotations, goes to the supplier's premises, purchases the required items and delivers them to stores or the user.	Suppliers should be paid after delivery and acceptance of the goods and services. The procurement officer should not be given cash to pay suppliers. As much as is feasible, suppliers should be paid by cheque or bank transfer to their bank accounts.
12	Although the procurement officer is an independent contractor hired by UNDP, he signs contracts on behalf of the Commission.	The procurement officer and other outsiders should not commit the Commission in any way, including signing contracts on its behalf.
Property		
1	SSDDRC does not maintain any records in respect of its fixed assets at the head and state offices.	The Commission should set up proper books of accounts including a fixed assets register to control and monitor and record fixed assets items at the head and state office level.
2	The Commission has not taken action against staff in cases of loss or theft of its property.	Management should develop and implement a code of conduct for staff. The Commission should take timely appropriate action in cases of fraud and other violations of the code of conduct.
3	Senior and middle managers at the head office are given first priority on allocation of computer equipment. Each is entitled to a: (1) laptop, (2) desktop, (3) printer, and (4) scanner.	Computers and related equipment should be allocated to staff in an efficient and effective manner on a need to basis to optimise use of available equipment.
4	The organisation does not have a logistics officer.	The Commission should appoint a competent logistics officer to oversee fixed assets and fleet management activities.
5	SSDDRC does not have title deeds for land and log books for its vehicles.	The Commission should trace and obtain the title deeds and log books for all its land and vehicles, respectively.
6	The head office has little or no control over SSDDRC assets at state offices.	State offices should maintain fixed asset registers for SSDDRC fixed assets at the state level. They should submit returns on fixed assets as part of monthly reporting to the head office. The accounts section should carry out a physical verification of fixed assets at state offices at least once a year.
7	The Commission faces significant challenges monitoring usage of the vehicles at the head and state level to ensure they exist and are properly used and maintained.	Management should fit each vehicle with a tracking device to evaluate driver performance and, monitor and control vehicle usage, fuel usage, and repairs and maintenance costs.

1.8 Conclusion

Overall, the control framework at SSDDRC is weak as detailed in the respective reports issued under this assignment. However, it is recognised that SSDDRC management are already actively addressing some of these weaknesses. Management also have a good level of

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awareness around the less significant issues and action plans are already in place to remedy majority of the issues raised.

Although, the control framework at the time of the review is assessed to be weak, we believe that the overall programme of actions that management have planned should result in a satisfactory control environment. However, resourcing challenges and normal day-to-day business demands mean that management will face a continuing challenge to achieve a timely and comprehensive implementation of actions.

We also would like to commend SSDDRC management for its commitment to improving the overall control environment, ways of working and processes at the Commission as indicated in its decision to undergo an independent review thereof.

1.9 Way forward

SSDDRC management has tasked a commissioner with the tracking and reporting on completion of the agreed upon action points on a monthly basis until the issues noted in the report are resolved. He will prepare a monthly “traffic lights” report to SSDDRC senior management detailing: the status of each action point at the end of the month, remarks to support the status, any challenges encountered in implementing the action point and whether the Commission requires assistance to resolve the related issue.

Further, the Commission would prefer the appointment of an independent accountancy firm to carry out quarterly follow up reviews to assess management’s progress on implementing the recommendations in this report.

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2 Summary of work done under each process by area

2.1 Internal controls

The table below summarises procedures selected and performed by review area under SSDDRC internal controls.

	Review area	Work done
1.	Internal controls	
a)	Control environment	<ul style="list-style-type: none">▪ Checked for the existence and implementation of a code of conduct and policies regarding acceptable business practice, conflict of interest or expected standards of ethical or moral behaviour.▪ Obtained an understanding of how tasks that comprise particular jobs and the knowledge and skills required to perform the jobs are determined.▪ Reviewed the composition and ways of working of the commissioners and the effectiveness of their oversight role.▪ Obtained an understanding of management's philosophy and operating style.▪ Reviewed the adequacy of the SSDDRC organisation structure.▪ Checked the adequacy of assignment of responsibility and delegation of authority across functions.▪ Reviewed minutes of Senior Management Team (SMT) meetings.
b)	Information and communication	<ul style="list-style-type: none">▪ Checked how internal and external information is obtained and used to monitor performance and communicated to staff to enable them carry out their duties effectively.▪ Assessed the adequacy of communication across the commission and the completeness, sufficiency and timeliness of information to staff to enable them discharge their responsibilities.
c)	Monitoring of controls	<ul style="list-style-type: none">▪ Checked the adequacy and effectiveness of mechanisms for ongoing monitoring the effectiveness of internal control systems.▪ Reviewed the scope, frequency and adequacy of separate evaluations of internal control systems.▪ Obtained an understanding of mechanisms for capturing, reporting and taking action on identified internal control deficiencies.
d)	Risk assessment	<ul style="list-style-type: none">▪ Checked for the existence of organisation objectives and strategies to achieve the objectives, and assessed the adequacy of strategic and business plans, and budgets, and communication of all these to the commissioners, management and staff of SSDDRC.▪ Checked the existence of activity level objectives, assessed their relevance to business processes and the allocation of resources relative to objectives.▪ Assessed the adequacy of mechanisms to identify and

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	Review area	Work done
		<p>manage risks to the achievement of objectives at entity and activity levels.</p> <ul style="list-style-type: none"> ▪ Commented on mechanisms to manage change.
2.	Financial reporting	
a)	General ledger maintenance	<ul style="list-style-type: none"> ▪ Assessed the adequacy of and controls around the chart of accounts.
b)	Sub ledgers	<ul style="list-style-type: none"> ▪ Obtained an understanding of sub ledgers maintained by the Commission. ▪ Checked the completeness and accuracy of postings from sub ledgers to the general ledger and assessed the adequacy of controls thereof. ▪ Reviewed the use of and controls over suspense accounts.
c)	Journal entries	<ul style="list-style-type: none"> ▪ Reviewed the use of and assessed controls on the use of journal entries. ▪ Reviewed the use of non recurring journal entries. ▪ Checked the accuracy and completeness of period end closing adjustments and assessed the adequacy of controls on period end closing adjustments. ▪ Reviewed the adequacy of period closing procedures.
d)	Financial statements	<ul style="list-style-type: none"> ▪ Reviewed controls around the preparation of financial statements. ▪ Checked that the balances and details in the financial statements were complete and accurate. ▪ Checked the accuracy and completeness of disclosure information.
e)	Accounting policies	<ul style="list-style-type: none"> ▪ Checked the adequacy of the Commission's accounting policies in light of its mandate and operations. ▪ Checked consistency of the commission's accounting policies with GAAP. ▪ Checked that transactions are recorded in accordance with the accounting policies. ▪ Assessed the reasonableness of estimates made by management.
f)	Standing data maintenance	<ul style="list-style-type: none"> ▪ Obtained an understanding of standing data maintained by the Commission. ▪ Reviewed controls over access to and updating of standing data.
3.	Human resources	
a)	Standing data maintenance	<ul style="list-style-type: none"> ▪ Obtained an understanding of standing data maintained by the Commission. ▪ Reviewed controls over access to and updating of standing data.
b)	Adjustments and ledger maintenance	<ul style="list-style-type: none"> ▪ Checked for adequacy of controls over adjustments and postings to the payroll. ▪ Reviewed controls over postings from the payroll to the general ledger.
c)	Information technology	Checked the adequacy of computerised controls over payroll processing and functions.
d)	Time recording	<ul style="list-style-type: none"> ▪ Checked the adequacy of controls over time worked and that staff remuneration is in respect of performed

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	Review area	Work done
		<p>services.</p> <ul style="list-style-type: none"> Assessed adequacy of controls over changes to the payroll.
e)	Payroll calculation	<ul style="list-style-type: none"> Checked the completeness and accuracy of computations of gross pay and applicable deductions. Checked that payroll taxes were properly determined and remitted to the concerned authorities. Assessed the adequacy of controls over the payroll and postings to the general ledger.
f)	Payroll payment	<ul style="list-style-type: none"> Checked that payroll payments are recorded in the correct period. Checked management's controls to ensure payments are made for services actually rendered. Reviewed controls over electronic funds to staff bank accounts. Reviewed controls over cash payments and staff advances. Reviewed controls over posting of payroll payments to the general ledger.

2.2 Finances and purchases

The table below summarises procedures selected and performed by review area under SSDDRC finances and purchases.

	Review area	Work done
1.	Finances	
a)	Treasury accounting	<ul style="list-style-type: none"> Reviewed controls over posting of treasury initiated transactions to the general ledger. Checked that treasury related duties are adequately segregated.
b)	Banking and cash management	<ul style="list-style-type: none"> Obtained an understanding of head and state office bank accounts opening and closing procedures. Checked that bank accounts and signatories are appropriately authorised. Obtained an understanding of the disbursement approval process. Reviewed controls over physical cheque inventory and cheque signature plates. Assessed the adequacy of controls over compliance with bank account restrictions. Reviewed the adequacy of controls over recording of cash and bank transactions. Reviewed controls over posting of cash transactions to the general ledger.
c)	Adjustments and ledger maintenance	Checked that cash and general ledger functions are adequately segregated.
2.	Purchases	
a)	Ordering	<ul style="list-style-type: none"> Reviewed controls over the approval, processing and recording of purchase orders. Assessed the adequacy of controls over the purchasing

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	Review area	Work done
		<p>system.</p> <ul style="list-style-type: none"> ▪ Checked that the duties of initiation of and editing of purchase requisitions or orders were properly segregated from vendor maintenance, goods receipts, accounts payable and processing disbursements.
b)	Goods receipt	<ul style="list-style-type: none"> ▪ Ensured that goods receipts are properly processed and recorded. ▪ Checked the adequacy of management's controls to ensure that goods received or services rendered were ordered.
c)	Invoice processing	<ul style="list-style-type: none"> ▪ Reviewed the adequacy of controls over the approval, processing and recording of supplier invoices. ▪ Checked that postings of expenses and/or inventory in the general ledger are complete, accurate and valid on a sample basis. ▪ Checked the adequacy of treatment of duties and taxes on purchases. ▪ Reviewed controls over the accounts payable system.
d)	Payments	<ul style="list-style-type: none"> ▪ Reviewed the adequacy of controls over the approval, processing and recording of payments. ▪ Assessed the adequacy of management's controls to ensure that payments are made for goods or services actually ordered and received or rendered. ▪ Checked that payments are made to the correct vendor and in the correct amount. ▪ Checked that foreign currency denominated payments are properly translated and recorded. ▪ Assessed controls over cheque, petty cash and electronic payments. ▪ Assessed the adequacy of controls over access to and segregation of duties in the payment system.
e)	Adjustments and ledger maintenance	<ul style="list-style-type: none"> ▪ Checked that adjustments are appropriately approved and completely and accurately processed. ▪ Checked that credits for returned goods, allowances, and other adjustments are properly approved and recorded. ▪ Assessed the adequacy of controls over access and posting to accounting records.
f)	Standing data maintenance	Reviewed controls over approving and processing changes to standing data.
3.	Others	
a)	Financial statements	<ul style="list-style-type: none"> ▪ Obtained an understanding of accounting policies and significant estimates made by management, as well as an understanding of the overall presentation of the financial statements. ▪ Assessed the overall presentation of the financial statements to determine whether they are prepared in accordance with the Commission's accounting policies and practices.
b)	Expenditure	For a sample of expenses, ensured that the expenditure was valid by performing the following tests:

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	Review area	Work done
		<ul style="list-style-type: none"> ▪ Agreed amounts to third party supporting documentation; ▪ Checked that unit prices were in line with prevailing market prices; ▪ Checked that the expenses were properly authorised; ▪ For programme procurement, performed tests to ensure applicable procurement procedures were complied with; ▪ Payments for salaries and subsistence allowances were effected per authorised rates; and ▪ Checked that expenses were allocated to appropriate budget lines.
c)	Budgeting	Reviewed the effectiveness of the budgeting process.

2.3 Property

The table below summarises procedures selected and performed by review area under SSDDRC property.

	Review area	Work done
1.	Capital expenditure	
a)	Effectiveness and efficiency of operations	<ul style="list-style-type: none"> ▪ Checked that capital expenditure request records were complete and accurate. ▪ Obtained an understanding of the capital expenditure approval process. ▪ Checked that calculations of disposals and retirements were accurate. ▪ Checked that the following duties were properly segregated: (1) approval of asset acquisitions, (2) approval of asset disposal, fixed asset custody, (3) supervision of fixed asset physical counts, and (4) accounting and maintenance of fixed asset records. ▪ Assessed the adequacy of controls over access to fixed assets sub-ledgers.
b)	Reliability of financial reporting	<ul style="list-style-type: none"> ▪ Checked that fixed asset acquisitions were properly recorded and in the appropriate accounting period. ▪ Checked that construction in progress data was properly compiled and recorded. ▪ Obtained an understanding of the basis of valuation of fixed assets. ▪ Reviewed the basis of depreciation of fixed assets for reasonableness. ▪ Checked that disposals were accurately and completely processed. ▪ Ensured that general ledger adjustments were appropriately approved and properly processed. ▪ Assessed the adequacy of controls over standing data, including approval and processing of changes to the data.
c)	Compliance with applicable laws and regulations	<ul style="list-style-type: none"> ▪ Checked that duties and taxes on fixed asset transactions were recorded in accordance with applicable laws and regulations.

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	Review area	Work done
2.	Security, custody and movement of fixed assets	
a)	Security, custody and movement of fixed assets	<ul style="list-style-type: none">▪ Checked for the existence of title documents to confirm ownership of property.▪ Reviewed physical controls over custody and movement of fixed assets.▪ Checked that fixed assets were properly insured.▪ Assessed the adequacy of safeguards over the use of fixed assets to ensure the usage was authorised, reasonable and for the Commission's activities.
3.	Fleet management	
a)	Fleet management	<ul style="list-style-type: none">▪ Assessed the adequacy of controls over management of the Commission's fleet of motor vehicles.▪ Reviewed controls over issue and use of fuel by the Commission's drivers.▪ Checked that the Commission' fleet was properly maintained and in good working condition.

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3 Detailed significant issues, our recommendations and management comments

3.1 Internal controls

The table below details significant findings noted during the review of the internal controls of the SSDDRC that require urgent attention by the Commission in the short term. We considered the significant findings to be significant deviations from established policies and principles that require urgent action to ensure that the Commission is not exposed to high risks (i.e. failure to take action could result in major consequences and issues). The review focused on procedures at the head office in Juba.

Finding	Implication	Recommendation	Management response
Issue 1 –Code of conduct			
<p>SSDDRC had not developed a code of conduct and other policies regarding acceptable business practice, conflicts of interest, or expected standards of ethical and moral behaviour, by the time of the audit.</p> <p>A code of conduct clarifies standards of acceptable behaviour that are expected of staff in performance of their duties. It captures the spirit of the organisation and the values shared by all levels of staff. It defines "who" the organisation is and how it conducts business with stakeholders, as well as provides answers to specific questions and offers real life examples.</p>	<p>Staff may not know what is or is not acceptable behaviour and as a result act in an unethical manner with legal, regulatory or reputational repercussions for themselves and/or the Commission.</p>	<p>Management should develop and implement a code of conduct and related policies on acceptable business practice, or expected ethical and moral behaviour.</p> <hr/> <p>The code should be communicated to staff, suppliers, clients, and other stakeholders. It should be given to staff and contractors who should be required to read and sign it on an annual basis. Staff understanding should be reinforced through periodic seminars or workshops.</p> <hr/> <p>Also, management should appoint an ethics officer and institute a system for ensuring compliance and reporting instances of non compliance.</p>	<p>Agreed. We will develop a code of conduct consistent with the GoSS code of conduct and thereafter appoint an ethics officer.</p> <p>By: Assistant Director – Special Needs (Code of Conduct), Acting Director General – Administration and Finance (Conflict of interest)</p> <p>When: Aug 2010</p>
Issue 2 – Establishment of tone at the top			
<p>There were discernible attempts to establish a "tone at the top" at SSDDRC by the time of the audit. However, we noted that the efforts were being hampered by disharmony in the Commission and senior management.</p>	<p>Without an appropriate tone at the top, employees are more inclined to act in an unethical manner including committing</p>	<p>SSDDRC should develop and implement a charter detailing values underpinning commissioner and senior management behaviour. The charter</p>	<p>Agreed. We have requested PwC to provide a skeleton charter which we shall</p>

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Finding	Implication	Recommendation	Management response
<p>The tone at the top refers to the ethical atmosphere created at the workplace by the organisation's leadership. The tone they set by example and action is central to the overall ethical environment of the organisation.</p>	<p>fraud and by passing established controls.</p>	<p>should espouse the following core values: honesty, integrity (act in accordance with the organisation's principles and values), loyalty (act in the best interests of the organisation), responsibility (accountability), fairness (balance all interests in decision making) and citizenship (comply with all laws and regulations)</p> <p>The Commission should provide periodic training to the commissioners, management and staff on the charter and their responsibilities.</p>	<p>build on to develop one for the Commission.</p> <p>By: Chairman – SSDDRC and PwC</p> <p>When: Aug 2010</p>
<p>Issue 3 – Legal frame work of the Commission</p>			
<p>We noted limitations in the commissioners' understanding of their duties and responsibilities to the SSDDRC and the boundaries of their actions. By the time of the audit, management had retained a consultant to draft a legal framework for the commissioners, detailing the commissioners' roles, responsibilities, accountabilities and relationship with the SSDDRC.</p>	<p>Without a legal framework, the commissioners are unable to provide appropriate oversight over SSDDRC activities, including the oversight over the internal control system, which adversely affects the overall control environment.</p>	<p>Management should ensure that the legal framework being drafted includes, inter alia, the following:</p> <ul style="list-style-type: none"> ▪ Guiding principles and values of the commission. ▪ Functions/responsibilities of the Commission. ▪ Powers of the Commission. ▪ Terms of office of the chairman and commissioners. ▪ Terms and conditions of service of the chairman and commissioners. ▪ Termination of appointments. ▪ Officers and staff of the secretariat. ▪ Meetings of the Commission. ▪ Periodic and annual reports of the Commission. ▪ Commissioners' responsibility for maintaining and monitoring an effective system of internal control. <p>The Commission should provide periodic</p>	<p>This is ongoing. The Commission retained a professor at the University of Juba in Khartoum who is currently drafting a legal framework for the organisation. We will share the draft with PwC on completion.</p> <p>By: Chairman – SSDDRC</p> <p>When: Aug 2010</p>

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Finding	Implication	Recommendation	Management response
		refresher training to the commissioners on their duties and responsibilities.	
Issue 4 – Appropriateness of the organisation structure			
<p>SSDDRC has had three organisation structures in the last two years. The present structure was prepared after the MoLPS allocated 225 staff for the organisation. In designing the structure, management tried to align the organisation to the structure of GoSS ministries within the allocated number. The structure is not based on an assessment of the Commission's objectives and strategies.</p> <p>The legal instrument setting up the SSDDRC allows the commission leeway in structuring the organisation the way they see fit.</p>	<p>The present organisation structure may not be the best vehicle for achieving SSDDRC objectives and ensuring an appropriate system of internal control.</p>	<p>Management should review the organisation structure for consistence with SSDDRC objectives and strategy. The review should ensure that the structure provides for proper information flow to manage SSDDRC financial accounting and reporting responsibilities, properly defines key managers' responsibilities within relevant financial reporting functions and ensure appropriate reporting relationships.</p>	<p>On going. A UNDP consultant is carrying out a review of the SSDDRC organisation structure. He will propose a new structure which will be adopted on approval of the Commission. However, it is difficult to develop and implement a proper structure for the commission because it is part of and expected to adopt GoSS structures.</p> <p>By: Chairman – SSDDRC</p> <p>When: Aug 2010</p>
Issue 5 – Structure of the finance function			
<p>The finance function comprises of: the director of administration and finance, the accounts controller and the senior cash officer. The accounts controller and cashier carry out all accounting activities at SSDDRC.</p> <p>By the time of this report, the director of administration and finance, and accounts controller positions had not yet been filled. The number of accounts staff was not adequate given the tasks of the function and to ensure appropriate segregation of duties. Also, responsibilities for each position were not properly defined.</p> <p>The director general was part of the senior management team (SMT) but was removed from the day to day</p>	<ul style="list-style-type: none"> ▪ Key financial management activities are not carried out due to limited numbers and qualification of incumbent accounts staff. ▪ It is difficult to attain an appropriate level of segregation of duties without sufficient numbers in and definition of responsibilities for key financial reporting and internal control functions. ▪ As presently structured, the 	<p>Management should review the structure of the finance function to ensure it is properly positioned and supports the achievement of the Commission's performance measurement, reporting and compliance with laws and covenants objectives. Responsibilities of each position should be properly defined. As part of the review, the number of accounts staff should be increased to ensure proper segregation of duties.</p> <p>Also, management should retain a</p>	<p>The PwC consultant undertaking the Financial Mentoring assignment will draft an appropriate structure for the finance department.</p> <p>We plan to source funding from donors for a consultancy to develop job descriptions in accordance with the proposed structure.</p>

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Finding	Implication	Recommendation	Management response
<p>operations of the accounts section. The incumbent was not adequately qualified and experienced. He has a Bachelor of Arts degree in Social and Philosophical Studies from a seminary and 11 years' work experience. He not previously held a senior administration and finance position in an organisation of the size and complexity of SSDDRC.</p> <p>The recruitment process for a director of administration and finance had commenced by March 2010. However, SSDDRC had not prepared a job description for the position and the person specifications advertised were not appropriate for the envisaged duties of the position.</p>	<p>director general of administration and finance is far removed from the activities of the accounts section to appropriately present the finance agenda in fortnightly SMT meetings.</p>	<p>competent director of administration and finance to provide appropriate supervision over and coaching of accounts staff.</p>	<p>A new director of administration and finance came on board in June 2010.</p> <p>By: Chairman – SSDDRC and PwC</p> <p>When: Aug 2010</p>
Issue 6 – Policies and procedures			
<p>Management had not developed and documented policies and procedures in respect of routine financial management and related administrative activities by the time of the audit. These included policies and procedures in respect of financial management, administration or human resources, and procurement.</p>	<ul style="list-style-type: none"> ▪ There is no reference point to guide organisational activities and ensure staff accountability. ▪ Staff activities may not be carried out in accordance with management intentions. ▪ It is difficult to implement and maintain an appropriate internal control system without formalised policies and procedures. 	<p>SSDDRC should develop and implement organisational policies and procedures in respect of all routine financial management and related administrative activities. The policies and procedures should be sufficiently detailed to guide activities and ensure staff accountability.</p> <p>Management should provide regular staff training on the policies and procedures to ensure and reinforce their understanding.</p>	<p>On going. A UNDP consultant drafted an operational manual for the commission which is currently being reviewed by senior management. Further, the Financial Mentoring consultant is developing a financial policies and procedures manual. After being reviewed and accepted by senior management, the two manuals will be adopted and operationalised.</p> <p>By: Chairman – SSDDRC</p> <p>When: Aug 2010</p>
Issue 7 – Strategic planning process			
<p>The organisation had not developed a strategic plan by the time of the audit. It relied on the National DDR strategic plan</p>	<ul style="list-style-type: none"> ▪ The commission may not achieve its objectives. 	<p>Management should develop and implement a strategic plan for the</p>	<p>As noted, we are currently using the</p>

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Finding	Implication	Recommendation	Management response
(covering the whole Sudan) and the UNMIS DDR project document.	<ul style="list-style-type: none"> SSDDRC activities may not be consistent with its objectives. 	<p>Commission within the context of the National DDR strategic plan.</p> <p>The planning process should be based on an analysis of the present situation and circumstances of the organisation, define objectives (determine where the organisation wants to go) and develop strategies to achieve the objectives (determine how to get there). The plan should include coherent mission and vision statements, long term objectives, strategies, action/operational plans and a financial plan (to generate funds/allocate budgets to programs).</p> <p>In addition, the Commission should review progress made against the plan on an annual basis.</p>	<p>National DDR strategic plan and the reintegration narratives. However, the national strategic plan is not consistent with the SSDDRC's circumstances.</p> <p>We will plan to request donors to fund a consultancy to develop a strategic plan for the commission. The consultant will work with senior management and UNDP to come up with a strategic plan consistent with the organisation's circumstances.</p> <p>Also, UNDP is in the process of recruiting a planning officer for the commission.</p> <p>By: Chairman – SSDDRC and Commissioner (Ambrose Kambaya)</p> <p>When: Sept 2010</p>
Issue 8 – Development and implementation of annual work plans and budgets			
<p>SSDDRC had not developed annual objectives as part of a wider strategic planning process by the time of the audit. As a result, it had not developed annual work plans to achieve these objectives.</p> <p>The only budgets developed by the Commission relate to annual GoSS budgets prepared and agreed with the</p>	<ul style="list-style-type: none"> SSDDRC may not achieve its overall objectives. SSDDRC activities may not be consistent with its strategic plan/objectives. It is difficult to monitor DDR activities in South Sudan 	<p>As part of annual planning, management should define annual plans for the organisation consistent with the strategic plan. Annual work plans should be developed and implemented to achieve the objectives so defined.</p>	<p>There are elements of planning at the DDR level. We know what needs to be done by state and department while UNDP is in charge of implementation.</p>

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Finding	Implication	Recommendation	Management response
MoFEP. These cover GoSS funded activities and operational cost items. They do not take into account the entirety of DDR activities in South Sudan per the SSDDRC mandate.	without plans covering all DDR activities.	<p>Annual SSDDRC objectives should be cascaded down into annual departmental objectives and used to develop annual departmental work plans.</p> <p>Annual organisation and departmental budgets should be prepared on basis on the annual work plans and consistent with the strategic plan.</p>	<p>However, it may not be related to overall objectives and there are gaps in monitoring implementation of plans. Planning needs to be done in a structure manner.</p> <p>The consultant for developing the strategic plan mentioned above will also assist senior management develop annual organisation wide and departmental work plans.</p> <p>By: Chairman – SSDDRC and Commissioner (Ambrose Kambaya)</p> <p>When: Sept 2010</p>
Issue 9 – Control over and monitoring DDR activities in South Sudan			
<p>Although, according to its mandate, SSDDRC was responsible for leading, designing and implementing the DDR process in South Sudan, we noted that it did not have a complete picture of DDR activities in the country and had limited control over donor funds and activities of implementing partners. There was no master work plan covering all DDR activities in South Sudan, incorporating SSDDRC planned activities and activities to be implemented by the UN and other implementing partners.</p> <p>Also, SSDDRC had no control and knowledge of how donor funds for the DDR process in UNDP's custody were being used. In one extreme case, UNDP alleged to have transferred US\$ 4 million to SSDDRC in 2009 which the</p>	<ul style="list-style-type: none"> ▪ DDR activities by different implementing partners may not be carried out in an effective and efficient manner in the absence of adequate SSDDRC oversight. ▪ Potential duplication of DDR activities and effort in the absence of proper planning, controlling and monitoring of DDR activities by all parties, ▪ Donor funds for the DDR 	<p>SSDDRC should meet with the UN and implementing partners and develop an annual work plan and budget consolidating all planned DDR activities in South Sudan. Implementation of the annual consolidated work plan and budget should be reviewed in joint quarterly meetings of SSDDRC, the UN and other implementing partners.</p> <p>UNDP and other implementing partners should submit the reports provided for in the DDR project document. They should also submit monthly financial reports in</p>	<p>DDR activities in South Sudan are supposed to be conducted under SSDDRC's leadership. We are planning to hold an international conference in September 2010 to review the UNDP DDR programme document and explore ways to improve it and the DDR approach in South Sudan.</p>

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Finding	Implication	Recommendation	Management response
<p>Commission had not received by March 2010.</p> <p>The UNDP DDR project document required UNDP to prepare and submit quarterly financial and narrative reports (QPRs) and annual progress reports (APRs), and implementing partners (IPs) to prepare month narrative and financial reports to all stakeholders. However, these reports had not been submitted to SSDDRC by the time of the audit</p> <p>The QPRs were envisaged to comment on the relevance, performance, efficiency and impact of the DDR project in relation to intended outputs, and address major deviations from the work plan; and include a work plan for the next quarter. The APRs were to elaborate on what worked well and what did not work well against the annual work plan and include lessons learned during project implementation and a fully fledged plan on how UNDP planned to apply these lessons in the next year of the programme.</p>	<p>activities in South Sudan may not be used in the best interest of the country.</p>	<p>respect of use of donor funds for DDR activities for review and incorporation into SSDDRC financial records. The monthly financial reports should include details of receipts, expenditure, direct purchases on behalf of SSDDRC and fund balances.</p> <p>UNDP should provide support to develop SSDDRC oversight capacity.</p>	<p>We also intend to retain a consultant to develop a planning framework for DDR activities in South Sudan and strengthen the commission's internal capacity to monitor activities, and hold the UN and implementing partners (IPs) accountable.</p> <p>We are presently strengthening structures at the state level to enhance the commission's ability to monitor activities in the states. We have built coordination offices in all states and equipped them with computers. We also plan to provide appropriate training for state coordinators and ensure stable staffing at state offices.</p> <p>By: Chairman – SSDDRC</p> <p>When: Sept 2010</p>
<p>Issue 10 – Risk identification and management</p>			
<p>SSDDRC did not have a structured process for identifying risks to the achievement of objectives at organisational and departmental levels.</p>	<p>Risks to the achievement of organisational and departmental objectives may not be identified and appropriately managed.</p>	<p>Management should design and implement a system for identifying risks from internal and external sources that may adversely impact the achievement of objectives. The system should include</p>	<p>Agreed. We will source donor funding for a consultant to help us design a risk management framework.</p>

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Finding	Implication	Recommendation	Management response
		<p>a risk analysis process for estimating the magnitude of risks, assessing the likelihood of their occurring and determining needed actions.</p> <p>Mitigation measures to manage identified risks to acceptable levels should be instituted and risk owners appointed for each significant risk.</p>	<p>By: Chairman – SSDDRC</p> <p>When: Sept 2010</p>
Issue 11 – Maintenance of books of account			
<p>SSDDRC did not maintain proper books of account. It only maintained a daily office operation record (DOOR) in respect of amounts drawn from the bank account and deposited in the safe for payment purposes. The DOOR detailed the following: date of transaction; description of transaction; amounts drawn from the bank and deposited in the safe as credits; amounts paid to staff and suppliers as debits; and a running balance.</p> <p>The DOOR did not record transactions in respect of SSDDRC bank accounts. The Commission did not maintain books of account at the state coordination office level and in respect of donor contributions.</p>	<ul style="list-style-type: none"> ▪ It is difficult to track organisational funds and prepare necessary financial reports and statements without proper books of account. ▪ Lack of a properly maintained set of books of accounts creates a permissive environment for misappropriation of organisational funds and assets without detection. ▪ Organisational financial information may not be accurate and complete. 	<p>SSDDRC should design and implement appropriate books of account to facilitate the recording and tracking of transactions and achievement of key financial management and internal control objectives of efficiency and effectiveness of operations, reporting, protection of assets, and compliance with applicable laws and covenants.</p> <p>The system should cover financial arrangements at the head office and state coordination offices. As a minimum, they should include: a general ledger; ledgers for cash and bank, donor contributions, stocks, debtors, creditors, staff advances and fixed assets.</p>	<p>Agreed. SSDDRC needs a comprehensive financial management solution. We will retain a consultant to help us design appropriate books of account.</p> <p>By: Chairman – SSDDRC</p> <p>When: Sept 2010</p>
Issue 12 – Preparation of periodic financial reports and annual financial statements			
<p>The organisation did not prepare periodic financial reports and annual financial statements. The accounts section forwarded a copy of the DOOR (described above) to the chairman and director general of administration and finance for review on an irregular basis.</p> <p>The section also prepared annual statements of accounts to the Auditor General's Chambers. These consisted of monthly DOOR for the year adjusted for movements in the</p>	<ul style="list-style-type: none"> ▪ It is difficult to monitor usage of funds and the financial status of the organisation without periodic financial reports and annual financial statements. ▪ It is also a matter of non compliance with applicable 	<p>The commission should establish financial management reporting responsibilities that specify what reports are to be prepared, when they should be prepared, what they are to contain, and how they are to be used.</p> <p>Periodic financial reports comparing actual income and expenditure to the</p>	<p>See (11) above. Financial management reporting responsibilities will be established as part of the design of books of account consultancy mentioned above.</p> <p>Currently, the PwC</p>

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Finding	Implication	Recommendation	Management response
bank account during the year. As at the time of this report on May 2010, the latest related to the financial year ended 31 December 2008.	laws and covenants.	budget should be prepared to the commission and senior management, and other stakeholders. These should be discussed in periodic SMT meetings for performance measurement and monitoring of implementation purposes. Annual financial statements should include: an income and expenditure statement; and a balance sheet.	Financial Mentoring consultant is in the process of developing annual and periodic financial reports for the commission. These will be implemented on review and adoption by management. By: Chairman – SSDDRC When: Sept 2010
Issue 13 – Use of manual systems			
The DOOR mentioned above was maintained in MS Excel. The manual system in place was not suitable for tracking use of funds from various sources, used for many activities implemented by different parties at many locations.	<ul style="list-style-type: none"> ▪ It is difficult to properly track organisational funds and prepare necessary financial reports and statements with a manual accounting system. ▪ A manual accounting system in a relatively complex accounting environment such as that at SSDDRC, creates a permissive environment for misappropriation of organisational funds and assets without detection. ▪ Organisational financial information may not be accurate and complete. 	Management should source and implement appropriate accounting software to facilitate the achievement of SSDDRC financial accounting and reporting objectives, and ensure proper controls over its assets. The accounting system should have sufficient capabilities to track transactions and prepare financial statements for the secretariat, each participating donor/partner, each state coordination office and directorate; and consolidate them into organisational wide financial reports and statements.	We will source an appropriate accounting software after the design of books account mentioned in (11) above. In the interim, UNDP has agreed to purchase a simple software tool to facilitate reporting and provide training to accounts staff. For this purpose, PwC will prepare a proposal and budget to UNDP to facilitate the purchase of the software. By: Chairman – SSDDRC, UNDP advisor and PwC When: Nov 2010
Issue 14 – Accounting policies			

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Finding	Implication	Recommendation	Management response
<p>The Commission had not drafted accounting policies for the organisation by the time of the audit. Accounting policies are specific principles, bases, rules, and practices selected, and consistently followed, by the management of an organisation in preparing and presenting financial statements.</p>	<p>SSDDRC financial information, reports and statements may not be accurate and complete.</p>	<p>Management should draft and implement accounting policies reflective of the organisation's unique circumstances and operations in accordance with best practice. The policies should be reviewed on a regular basis to ensure continued relevance and consistency with GAAP.</p>	<p>These have been drafted as part of the financial policies and procedures manual developed by the Financial Mentoring consultant. They will be implemented on adoption of the manual.</p> <p>By: Chairman – SSDDRC and PwC</p> <p>When: Aug 2010</p>
<p>Issue 15 – Budgetary control and monitoring</p>			
<p>Although the organisation prepared annual budgets to the MoFEP in respect of GoSS funded activities and operational cost items, it did not prepare periodic financial reports comparing actual expenditure against the budget.</p>	<ul style="list-style-type: none"> ▪ Underlying causes of variances from the budget are not investigated and appropriate remedial action taken to resolve them. ▪ It is possible to overspend on individual budget lines without timely detection. ▪ Errors and omissions may not be detected in time. 	<p>The accounts section should prepare monthly financial reports to the commissioners and senior management comparing actual expenditure against the budget. Underlying causes of significant variances from the budget should be investigated and appropriate remedial action taken to resolve them.</p>	<p>The PwC Financial Mentoring consultant is in the process of developing annual and periodic financial reports for the organisation. They will be implemented on review and adoption by management.</p> <p>By: Chairman – SSDDRC and PwC</p> <p>When: Aug 2010</p>

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3.2 Finances and purchases

The table below details significant findings noted during the review of the finances and purchases of the SSDDRC that require urgent attention by the Commission in the short term. The review focused on procedures at the head office in Juba.

Finding	Implication	Recommendation	Management response
Issue 1 – Top down approach to budgeting			
<p>The director general for administration and finance, and an official from the MoFEP, prepare the annual SSDDRC budget. The heads of department, accounts controller (as head of the accounts section) and state coordinators are not involved in the annual budgeting process. Further, the budget is not shared with other Commission staff after approval by the Council of Ministers.</p>	<ul style="list-style-type: none"> ▪ SSDDRC budgets may be unrealistic, incomplete and inaccurate, and therefore not useful as a basis for measuring performance. ▪ The budget may not be sufficient to cater for SSDDRC activities if it is not based on detailed departmental and state coordination office work plans. ▪ It is difficult to control departmental/state coordination office expenditure and measure performance if departmental/state coordination budgets are not prepared and monitored. ▪ Top and middle managers may not own the budget if they are not involved in the budget preparation process. 	<p>SSDDRC should adopt a decentralised approach to budgeting where the annual budget is prepared from annual departmental and state coordination office budgets i.e. bottom-up approach. Heads of department and state coordinators should prepare annual budgets based on departmental and state coordination office work plans for the year. The accounts controller and procurement officer should prepare the budget for cost items that are not specific to a department or state coordination office.</p> <p>Individual departmental and state coordination office budgets should be reviewed and defended in a senior management meeting called for this purpose. On approval, they should be consolidated into the annual budget for submission to the MoFEP for approval. The approved budget should be shared with relevant staff.</p> <p>The Commission should provide appropriate relevant training on budget preparation, control and monitoring to managers and state coordinators.</p>	<p>Agreed. We will adopt a bottoms-up approach to annual budgeting. For this purpose, we will develop templates for annual departmental and state budgets with help from the PwC Financial Mentoring consultant. We will hold a meeting for heads of department and state coordinators to review and consolidate departmental and state budgets into a Commission-wide budget.</p> <p>We will arrange training on budget preparation and monitoring for heads of department, state coordinators and accounts personnel in October 2010.</p> <p>By: Chairman, Acting Director General – Administration and Finance, and PwC financial mentoring</p>

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Finding	Implication	Recommendation	Management response
			consultant When: March 2011
Issue 2 – Annual budgets based on annual GoSS allocation rather than planned activities			
Annual SSDDRC budgets are prepared based on the GoSS allocation for the year as the budget ceiling rather than planned activities for the year under consideration. Each year, the MoFEP advises SSDDRC of its budget allocation for the year. The amount is allocated across activities, departments and states for budgeting purposes.	The Commission may not have sufficient funds to implement planned activities for the period under consideration.	Annual budgets should be prepared on the basis of annual work plans i.e. planned activities for the year under consideration. Management should fund-raise to bridge the funding gap between the budget amount and the amount expected from the GoSS.	Agreed. Going forward, SSDDRC budgets will be based on planned activities for the year. By: Chairman and Acting Director General – Administration and Finance When: March 2011
Issue 3 – Use of the operating advance to fund programme activities and purchase of fixed asset items			
<p>Per the UNDP DDR programme document, the UN is responsible for programme expenses while SSDDRC operating expenses are to be funded by the GoSS. We noted instances where programme activities at the state office level were financed from the operational advance from the head office.</p> <p>We also noted instances where state offices used the monthly advance for operating expense to purchase items of a capital nature such as motorcycles, without head office authorisation.</p> <p>On inquiry, we were informed this was partly because finance officers at the state coordination office level did not understand what activities were to be funded from operational funds.</p>	<ul style="list-style-type: none"> ▪ GoSS funds are used to fund activities that are supposed to be funded by the UNDP. ▪ The operational advance may not be sufficient for state office operating expenses if it is used to fund both programme and operating expenses. 	<p>The accounts section should provide training to state coordinators and finance officers on eligible GoSS and UN expenses.</p> <p>Items of a capital nature should be purchased from the state’s capital budget with head office authorisation.</p> <p>Monthly operational funds transfers to state coordination offices should be based on a budget or projection reviewed for eligibility for GoSS funding and approved by the director general for state affairs.</p>	<p>SSDDRC state personnel are forced to finance some programme activities using GoSS funds because UNDP does not provide cash for these activities. UNDP only provides in-kind support.</p> <p>However, we will train state coordinators and finance personnel on eligible GoSS and UN expenses in the budget training session mentioned above.</p> <p>Going forward, monthly operational funds transfers to the states</p>

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Finding	Implication	Recommendation	Management response
			<p>will be based on projections. The Acting Accounts Controller will develop a template for this purpose.</p> <p>By: Chairman, Acting Director General – Administration and Finance and Acting Accounts Controller</p> <p>When: Oct 2010</p>
Issue 4 – Drawing down GoSS funds			
<p>GoSS is responsible for funding SSDDRC operating expenses. GoSS funds are drawn down in two ways: the SDG 40,000 monthly petty cash advance and the “claims” process. The MoFEP transfers SDG 40,000 each month as petty cash advance for expenses less than SDG 4,000 in value. This amount is insufficient to cater for both head and state office monthly operating expenses. For example, per the 2010 budget, the ten states are entitled to SDG 110,000 to cover monthly operating expenses. We also noted that most of the advance was utilised at the head office and that most state offices did not receive any funds for operating expenses for several months. Further, the advance is used to pay for expenses/purchases in excess of SDG 4,000 in value, contrary to MoFEP rules.</p> <p>On the other hand, the “claims” process involves submitting three quotations and a report on selection of the preferred supplier, to the MoFEP, for each purchase. On approval, the MoFEP transfers the purchase cost to the Commission’s bank account. It takes between one and four months for the MoFEP to release funds for the purchase. Apart from being long, tedious and delays payments to suppliers, the claims approach complicates funds transfers</p>	<ul style="list-style-type: none"> ▪ SSDDRC is usually faced with severe cash flow constraints and unable to pay suppliers on time. ▪ By their very nature, operating expenses arise in the normal/routine course of SSDDRC activities. As a result, any delays in paying operating costs hamper the organisation’s effectiveness and efficiency. ▪ There is potential loss of reputation if SSDDRC cannot meet its obligations as and when they arise. Also, there is a potential reputation risk if state offices cannot operate effectively as the offices represent the interface 	<p>As the GoSS has contractual obligations to the UN and only funds SSDDRC operational costs, which by their nature arise in the normal/routine course of SSDDRC activities and therefore are critical to achieving the organisation’s objectives in an effective and efficient manner, the Commission should negotiate with the MoFEP for an exemption to rules for drawing down GoSS funds.</p> <p>One option is to draw down the SSDDRC budget on a quarterly basis based on approved work plans and account for the funds received at the end of the quarter. For this purpose, the Commission should set up an adequate financial management system to ensure funds received are properly monitored, controlled and accounted for on a timely basis.</p>	<p>It is difficult to change the MoFEP arrangements for drawing down GoSS funds because they were established by the Council of Ministers. However, we will prepare a business case to the MoFEP and Council of Ministers to either increase the monthly petty cash advance or allow the drawing down of GoSS funds on the basis of quarterly budgets and work plans.</p> <p>The situation is also complicated by poor cash planning. We are in the process of strengthening, and streamlining processes in the</p>

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Finding	Implication	Recommendation	Management response												
<p>to state coordination offices. Transferring funds to state offices would entail obtaining three quotations for each planned purchase for each state office and submitting the same to the MoFEP. Presently, state offices do not have procurement officers.</p> <p>The MoFEP informed us that the ministry adopted the two approaches because of the weak capacity and systems of GoSS ministries and agencies. As is, the ministries and agencies are not able to properly account for funds received.</p>	<p>between the commission, ex-combatants and the wider South Sudanese community.</p> <ul style="list-style-type: none"> ▪ State offices may not be able to carry out their activities without sufficient and timely operating funds. ▪ The Commission does not comply with MoFEP rules for use of the petty cash advance. 	<p>Another option is to increase the monthly cash advance to about SDG 100,000 per month.</p>	<p>accounts and procurement sections to ensure the Commission is able to request for funds under the claims process in ample time.</p> <p>By: Chairman and Acting Director General – Administration and Finance</p> <p>When: Sept 2010</p>												
<p>Issue 5 – Funds flow to state coordination offices</p>															
<p>As noted above, the monthly transfers to state coordination offices for operating expenses are not sufficient and timely. The state offices' allocation in the 2010 budget was as follows:</p> <table border="1" data-bbox="226 874 824 1107"> <thead> <tr> <th></th> <th style="text-align: right;">2010 (SDG' million)</th> </tr> </thead> <tbody> <tr> <td>Salaries</td> <td style="text-align: right;">2.07</td> </tr> <tr> <td>Operating expenses</td> <td style="text-align: right;">1.36</td> </tr> <tr> <td>Capital expenses</td> <td style="text-align: right;">0.63</td> </tr> <tr> <td></td> <td style="text-align: right;">4.06</td> </tr> <tr> <td>Monthly operating expense budget per state</td> <td style="text-align: right;">0.011</td> </tr> </tbody> </table> <p>As detailed above, each state office is entitled to a monthly operating expense budget of SDG 11,000. Per SSSDRC policy, the head office is supposed to transfer SDG 3,000 to each state office every month. Management explained that the SDG 3,000 is based on the SDG 40,000 petty cash advance received from the MoFEP each month. We noted that head and state office staff had no knowledge of the states' allocation in the annual budget.</p>		2010 (SDG' million)	Salaries	2.07	Operating expenses	1.36	Capital expenses	0.63		4.06	Monthly operating expense budget per state	0.011	<ul style="list-style-type: none"> ▪ State offices may not be able to carry out their activities without sufficient and timely operational funds. ▪ There is potential loss of reputation as the state offices represent the interface between the commission, ex combatants and the wider South Sudanese community. ▪ State offices may not be able meet their obligations to suppliers as and when they fall due. ▪ Paying office expenses from staff own funds increases the risk of misappropriation of commission funds. ▪ It is difficult to monitor and 	<p>The head office should transfer funds for operating expenses to each state office on a monthly basis. The amount transferred should be based on each state's allocation in the annual budget and a projection for the month reviewed and approved by the director general for state affairs.</p> <p>The annual budget should be shared with head office accounts and state office personnel. State offices should be informed of their allocations for the year and their responsibility for managing their budgets. Reporting packages for funds received should include a comparison of actual expenditure against the budget and explanations for significant variances from the budget.</p> <p>Management should develop a reporting template for accounting for the monthly advance to state offices and provide</p>	<p>We are currently constrained by SDG 40,000 monthly petty advance and, weaknesses in the accounts and procurement sections, which adversely affect our ability to drawn down GoSS funds through the claims process in time. However, we will prepare a business case to the MoFEP and Council of Ministers to either increase the monthly petty cash advance or allow the drawing down of GoSS funds on the basis of quarterly budgets and work plans.</p> <p>Heads of department and</p>
	2010 (SDG' million)														
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<p>In practice, the head office transfers less than SDG 3,000 to state offices and the transfers are not effected on time. In one extreme case, the West Bahr El Ghazal state office received two advances worth SDG 3,000 for operation expenses in the 10 months ended 28 February 2010. In another case, the Upper Nile state office had not received any funds from the head office in the five months ended 31 May 2010. In various instances, state staff informed us that they are forced to fund office operations from personal funds and/or with supplier credit because the amount from the head office was insufficient and not timely.</p> <p>The head office informed us that they do not transfer funds to the states to cater for operating expenses on a timely basis because the state offices do not submit properly supporting documentation for funds received on time.</p>	<p>control state office expenditure if the head office accounts and state office personnel are not aware of the states' allocations in the annual budget.</p>	<p>state office personnel with training on accounting for the monthly advance.</p> <p>SSDDRC staff should be discouraged from funding office operating expenses from own funds and using supplier credit without head office authorisation as this amounts to committing the Commission without approval.</p>	<p>state coordinators will be informed of their budget allocations in the annual budgeting meeting mentioned above.</p> <p>The Acting Accounts Controller, with the assistance of the PwC financial mentoring consultant, will develop a reporting template for accounting for the monthly advance to the states. State office personnel will be trained on the template in the financial management workshop scheduled for August 2010. They will also be discouraged from using personal funds for office expenses in the same workshop.</p> <p>By: Chairman, Acting Director General – Administration and Finance, Acting Accounts Controller and PwC</p> <p>When: Sept 2010</p>
<p>Issue 6 – Recording non-GoSS and non cash receipts</p>			
<p>SSDDRC receives contributions from donors in form of fund transfers for agreed activities, expenses paid by donors on behalf of the commission, assets donated by donors and</p>	<ul style="list-style-type: none"> ▪ It is difficult to assess and monitor compliance with each donor's applicable 	<p>SSDDRC should set up ledgers to record donor contributions and income from other non-GoSS sources and payments</p>	<p>The draft financial management policies and procedures manual</p>

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Finding	Implication	Recommendation	Management response
<p>direct purchases by donors on behalf of the commission. These transactions are not recorded in SSDDRC books of account.</p>	<p>covenants and overall SSDDRC performance from an organisation wide perspective.</p> <ul style="list-style-type: none"> ▪ SSDDRC financial records/reports are inaccurate and incomplete to the extent of the contributions, donations and direct purchases. ▪ It is difficult to control and monitor donated fixed assets if they are not recorded in books of account. 	<p>there from, donations of assets and direct purchases by donors on behalf of the Commission. The related transactions should be included in SSDDRC financial reports/statements to ensure the reports/statements are complete in respect of receipts and expenses.</p>	<p>includes procedures for recording donor contributions and non cash income. We will develop and implement appropriate ledgers with the assistance of the PwC financial mentoring consultant.</p> <p>By: Director – Administration and Finance, Acting Accounts Controller and PwC financial mentoring consultant</p> <p>When: Aug 2010</p>
<p>Issue 7 – Controls over bank balances</p>			
<p>SSDDRC head office and state coordination offices do not maintain cash books in respect of bank accounts. The head office only includes head office bank transactions in the annual report to the Auditor General at end of the year. As a result, both head and state coordination offices do not prepare periodic bank reconciliations</p>	<ul style="list-style-type: none"> ▪ It is difficult to monitor bank receipts, payments and balances if they are not recorded in books of account. ▪ Bank balances may be misappropriated without detection. ▪ Errors and omissions may not be detected and resolved in time. 	<p>Management should set up cash books to record bank transactions at both the head and state office level.</p> <p>Head and state office accounting officers should prepare bank reconciliations comparing cash bank balances to bank statements on a monthly basis. Any differences should be investigated and explained. The reconciliations should be reviewed and approved by a senior manager independent of the preparer.</p>	<p>We have set up bank and petty cash books at the head office and prepared bank reconciliations to June 2010, with help from the PwC financial mentoring consultant.</p> <p>We plan to roll out the bank and petty cash books to the state offices on completion of the training for SSDDRC finance personnel and state coordinators scheduled for August 2010, during visits to states planned for August</p>

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Finding	Implication	Recommendation	Management response
			<p>and September 2010. However, the head office will be responsible for preparing state office bank reconciliations.</p> <p>By: Director – Administration and Finance, Acting Accounts Controller and PwC financial mentoring consultant</p> <p>When: Sept 2010</p>
Issue 8 – Income under contract with Beijing Juba Hotel			
<p>In 2006, SSDDRC entered into an agreement with Beijing Juba Hotel, in which the commission sub-leased land to the hotel for 20% of its revenue and construction of villas for its employees. Though Beijing Hotel offered 30 rooms for its staff, the Commission had not received any money in respect of the agreed rental fee by the time of our review.</p> <p>The hotel also leased part of the land to the Chinese government to construct an embassy without the commission's permission, contrary to the lease agreement. It further, tried to take over the land by entering into a separate agreement with lessor, the Ministry of Information and Broadcasting.</p>	<ul style="list-style-type: none"> ▪ Loss of income under the sub-lease agreement with Beijing Juba hotel. ▪ Loss of the land in case the hotel's attempt to enter into a separate lease agreement succeeds. 	<p>Management should consider taking legal action against Beijing Juba hotel to recover the unpaid lease rentals and stop the planned takeover of the land by the hotel.</p>	<p>The lease contract was terminated by the Ministry of Information and Broadcasting. We will consider taking legal action against the hotel.</p> <p>By: Chairman</p> <p>When: Oct 2010</p>
Issue 9 – Opening and closing bank accounts at the state level			
<p>SSDDRC state coordinators opened bank accounts for state offices without written authorisation from the Chairman and prior authority from the MoFEP Under Secretary of Finance in writing, as required by the Public Finance Management and Accountability Bill (PFMAB) of 2009.</p> <p>Also, the head office does not maintain details of signatories</p>	<ul style="list-style-type: none"> ▪ It is possible to open unauthorised bank accounts at the state level which may be used for fraudulent purposes. ▪ The Commission did not comply with applicable 	<p>To regularise the situation, SSDDRC should request for authority to open bank accounts in the states from the MoFEP Under Secretary of Finance in writing in accordance with the PFMAB.</p> <p>Management should establish a policy on</p>	<p>Agreed. We will write to MoFEP for authority to open bank accounts retrospectively and to the banks prohibiting them from opening accounts without written authority</p>

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Finding	Implication	Recommendation	Management response
<p>to state coordination office bank accounts. The signatories were appointed by state coordinators.</p>	<p>provisions of the PFAB and is subject to fines under the Bill.</p>	<p>opening, maintaining and closing bank accounts. Specifically, the Chairman should authorise the opening and closure of all SSDDRC bank accounts and appoint signatories to the accounts in writing.</p> <p>The commission should prohibit banks from opening bank accounts for the commission without the authority of the Chairman and the Under Secretary of Finance in writing.</p>	<p>of the Chairman and Under Secretary of Finance.</p> <p>Procedures for opening, maintaining and closing bank accounts have been included in the draft financial management policies and procedures manual prepared by the PwC financial mentoring consultant.</p> <p>By: Director - Administration and Finance</p> <p>When: Aug 2010</p>
<p>Purchases and payables</p>			
<p>Issue 10 – Compliance with the Interim Public Procurement and Disposal Regulations of 2006</p>			
<p>SSDDRC does not comply with the Interim Public Procurement and Disposal Regulations (2006) of the GoSS. Irrespective of value, the procurement officer obtains three quotations from prospective suppliers and a supplier selected based on price and quality.</p> <p>The Interim Regulations lay down detailed procedures to be followed by all GoSS ministries and agencies in processing public contracts and to ensure that public procurement is conducted in a transparent and efficient manner to achieve value for money.</p>	<ul style="list-style-type: none"> ▪ The Commission is in violation of GoSS procurement regulations. ▪ Value for money may not be achieved on SSDDRC purchases. 	<p>The Commission should conduct procurement activities in accordance with the Interim Public Procurement and Disposal Regulations (2006) of the GoSS. To this end, management should establish structures provided for in the regulations and provide relevant training to management, procurement personnel and users on the policies and procedures laid down in the regulations.</p>	<p>Agreed. We will set up a procurement committee and carry procurement activities in accordance with the Interim Public Procurement and Disposal Regulations.</p> <p>We will retain a procurement consultant to provide training to management and staff on procurement management including the GoSS regulations. The Chairman to source</p>

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Finding	Implication	Recommendation	Management response
			funding for the consultancy. By: Chairman and Director - Administration and Finance When: Oct 2010
Issue 11 – Procurement plan			
Management does not prepare annual procurement plans as part of annual planning. Procurement needs are identified on an ad hoc basis during the course of the year.	<ul style="list-style-type: none"> ▪ It is difficult to control and monitor procurement activities without a procurement plan. ▪ Procurement activities may not support achievement of objectives and implementation of annual work plans without proper procurement planning. ▪ It is possible to procure unnecessary goods and services. ▪ It is difficult to prepare meaningful budgets without a procurement plan. 	As part of annual planning, management should prepare a procurement plan for the year covering all planned procurements critical to implementation of the annual work plan. The plan should, at a minimum, detail for each procurement: <ul style="list-style-type: none"> ▪ Description of procurement package; ▪ Estimated cost; ▪ Procurement method; ▪ Procurement milestones/steps and timelines (e.g. from preparation of specifications to award of contract); ▪ Contract implementation milestones/steps and timelines (e.g. from payment of advance payment to acceptance of goods/works); and ▪ A comparison of estimated to actual timelines for each procurement and contract implementation milestone/step. The plan should be reviewed in periodic management meetings and significant variances of actual from estimated timelines explained and actions identified	Agreed. Annual procurement plans will be developed as part of preparation of annual work plans and budgets. The procurement consultant, mentioned above, will provide training on preparation and monitoring of the plan. By: Director - Administration and Finance, and procurement officer When: Nov 2010

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Finding	Implication	Recommendation	Management response
		and implemented to resolve their causes.	
Issue 12 – Purchase requisition and approval			
<p>To requisition for the purchase of a good or service, the user contacts the procurement officer directly and requests for the item or service where upon the procurement officer starts the procurement process. The user's request is not documented and approved by his/her supervisor or head of department prior to commencement of the procurement process. Also, the procurement officer commences sourcing for a supplier before checking whether there is a provision for the purchase in the budget.</p>	<ul style="list-style-type: none"> ▪ It is possible to purchase unauthorised/unnecessary goods and services. ▪ The procurement process may be manipulated for fraudulent purposes without documentary evidence that users requisition for items purchased. 	<p>Management should design and implement a purchase requisition form to define, describe, specify and transmit the need to purchase. The form should indicate:</p> <ul style="list-style-type: none"> ▪ Item descriptions; ▪ Item quantities required; ▪ Account code/budget line against which the cost of the goods or services will be charged; ▪ Name and signature of the person requesting for the goods or services; and ▪ Name and signature of the person authorising the purchase of the goods or services. <p>Different purchase requisition forms should be developed for stock (e.g. stationary) and non stock items (e.g. vehicle maintenance).</p> <p>The user's head of department should review and authorise the form after checking that there is a provision for the required goods or services in the budget.</p> <p>The form should be prepared in triplicate with copies to the accounts section and stores.</p>	<p>A purchase requisition form template was prepared as part of the draft financial management policies and procedures manual by the PwC financial mentoring consultant. The manual also includes details on use of the purchase requisition form including approval and checking for budget provisions. It will be implemented on adoption of the manual by management.</p> <p>By: Director - Administration and Finance, and procurement officer</p> <p>When: Aug 2010</p>
Issue 13 – Use of the request to pay letter to approve purchases and payments			

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Finding	Implication	Recommendation	Management response
<p>After selecting the supplier, the procurement officer writes a request to pay letter to the person with authority to approve the amount quoted. The request to pay letter serves to authorise the purchase and payment thereof. As an instrument for approving purchases and committing the organisation, it is not addressed or forwarded to the supplier. Also, it only details the amount requested for but does not specify the description and quantity of goods or services required, and the payee. To order for goods and services, the procurement officer either visits the supplier and verbally places the order in person or telephones the supplier.</p> <p>SSDDRC uses payment vouchers (finance form 40) to document payments out of the safe for purposes of accounting for GoSS funds. It is signed by the accounts controller as evidence of accuracy and completeness. It is not used to documented approval of the payment process.</p>	<ul style="list-style-type: none"> ▪ There is no evidence of the commitment undertaken by the Commission and documentation of the approval thereof. ▪ It is possible to make unnecessary/fraudulent purchase commitments in the absence of documented purchase orders. 	<p>Verbal and telephone orders should be restricted to emergency purchases and conducted in accordance with emergency purchases policy and procedures.</p> <p>Management should design and implement a purchase order form to document the Commission's commitment to purchase goods or services and authority thereof. The form should detail:</p> <ul style="list-style-type: none"> ▪ Name of supplier; ▪ Item descriptions; ▪ Item quantities; ▪ Item prices; ▪ Delivery requirements; ▪ Payment terms; and ▪ Names and signatures of persons authorising the purchase. <p>Payments for goods received and services rendered should be approved using a payment voucher (finance form 40) properly supported by a supplier invoice and evidence of receipt of goods or services.</p> <p>Purchase orders and payment vouchers should be authorised in accordance with the SSDDRC statement of authorities. The purchase order should be prepared in triplicate with copies sent directly to the selected supplier, accounts section and stores.</p>	<p>The draft financial management policies and procedures manual prepared by the PwC financial mentoring consultant includes a purchase order template and details on use of the purchase order. It will be implemented on adoption of the manual by management.</p> <p>Going forward, all purchases will be effected against an approved purchase order.</p> <p>We will put up a memo to suppliers at the notice board or otherwise inform suppliers that SSDDRC will not accept any goods and services and liability thereof without properly approved purchase orders.</p> <p>We are in the process of implementing the purchase order to approve payments for goods and services.</p> <p>By: Director - Administration and</p>

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Finding	Implication	Recommendation	Management response
		<p>The forms should be sequentially pre-numbered to ensure they are not duplicated.</p> <p>The Commission should inform suppliers that it will not accept any goods and services and liability thereof without properly approved purchase orders.</p>	<p>Finance, Acting Accounts Controller and Procurement Officer</p> <p>When: Aug 2010</p>
Issue 14 – Segregation of duties in the procurement function			
<p>The procurement officer is responsible for the following incompatible functions and related duties: initiating purchase requisitions, selecting suppliers, paying the supplier and receiving goods purchased. He also signs contracts/purchase agreements in some cases.</p>	<p>Inadequate segregation of duties compromises internal controls over the procurement function which increases the possibility of fraud and other irregular acts.</p>	<p>Incompatible functions and related duties should be allocated to different personnel. Specifically, purchase requisitions should be initiated by users (for non stock items) or the store keeper (for stock items) and approved by the respective head of department. The responsibility for paying suppliers and receiving goods purchased should be assigned to the accounts section and stores, respectively.</p> <p>Further, oversight of the stores section should be removed from the procurement officer.</p>	<p>Agreed. Purchase requisitions will be initiated by users or the store keeper and approved by the concerned director general. Suppliers will be paid by cheque or bank transfer by the accounts section while the store keeper or user will be responsible for receiving purchased items.</p> <p>The asset management officer, who is currently being recruited by UNDP, will have oversight of the stores section.</p> <p>By: Director General - Administration and Finance</p> <p>When: Aug 2010</p>
Issue 15 – Cash purchases and advance payments to suppliers			
<p>Most SSDDRC purchases are paid for by cash prior to</p>	<ul style="list-style-type: none"> ▪ Goods/services received 	<p>Suppliers should be paid after delivery</p>	<p>Agreed. Going forward,</p>

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Finding	Implication	Recommendation	Management response
<p>receipt of goods and services. In most cases, the procurement officer collects the cash from the accounts section against an approved request to pay letter supported with quotations, goes to the supplier's premises, purchases the required items and delivers them to stores or the user.</p> <p>We noted instances where staff did not refund excess cash where the cash advanced to purchase goods against a quotation was more than the value of the goods purchased per the supplier's invoice.</p>	<p>may not be in accordance with what was paid for or meet specifications or required quality where suppliers are paid before acceptance of the goods/services.</p> <ul style="list-style-type: none"> ▪ Paying suppliers by cash necessitates holding large amounts of cash at hand which increases the risk of theft and misappropriation of cash balances. ▪ The scope for fraud and other irregular acts is increased where staff carry cash to pay suppliers. 	<p>and acceptance of the goods and services.</p> <p>The procurement officer should not be given cash to pay suppliers. As much as is feasible, suppliers should be paid by cheque or bank transfer to their bank accounts. For this purpose, management should set a limit (e.g. SDG 4,000) above which payments to suppliers of goods and services should be effected by cheque or bank transfer.</p> <p>In cases where the Commission gives cash to staff to pay for goods and services prior to receipt, the cash advanced should be treated as a staff advance and retired on submission of a valid supplier invoice/ receipt and receipt of the related goods and services.</p>	<p>suppliers will be paid by cheque or bank transfer by the accounts section on receipt of related goods and services against an invoice and goods received note.</p> <p>We will request the PwC financial mentoring consultant to help develop and implement a staff advances ledger. All cash advanced to staff to purchase goods and services will be treated as staff advances and, recorded and monitored in the ledger.</p> <p>By: Acting Director General - Administration and Finance, Acting Accounts Controller and PwC mentoring consultant</p> <p>When: Aug 2010</p>
<p>Issue 16 – Ability of the procurement officer to commit the Commission and his involvement in non-procurement activities</p>			
<p>Although the procurement officer is an independent contractor hired by UNDP to provide assistance to SSDDRC, we noted that he signed the following contracts on behalf of the commission:</p> <ul style="list-style-type: none"> ▪ Warrior Security contract, ▪ Construction of office buildings contract with Dikarot 	<ul style="list-style-type: none"> ▪ These contracts may be null and void and therefore not be enforceable since the procurement officer has no authority to commit the Commission. ▪ The scope for fraud and 	<p>The procurement officer and other outsiders should not commit the Commission, including signing contracts on behalf of the Commission. All contracts with third parties should be signed in accordance with the Commission's statement of authorities.</p>	<p>Agreed. We will caution the procurement officer. Going forward, contracts will be signed in accordance with the statement of authorities. The Director General of</p>

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Finding	Implication	Recommendation	Management response
<p>Trading Company Limited; and</p> <ul style="list-style-type: none"> ▪ Fuel supply contract with Imatongas Company Limited. <p>We also noted that the procurement officer is involved in non procurement transactions. For example, he requests for original copies of supporting documents for Daily Subsistence Allowances (DSA) for staff attending workshops or intending to travel to the states.</p>	<p>other irregular activities is increased where unauthorised persons commit the organisation.</p> <ul style="list-style-type: none"> ▪ There is poor segregation of duties since the procurement officer sources the supplier, negotiates terms and signs the contract. ▪ Adverse effect on staff morale where they are required to refer to the procurement officer for non procurement transactions. 	<p>The procurement officer's activities should be limited to the duties specified in his contract.</p>	<p>Administration and Finance, as immediate supervisor, will closely monitor the procurement officer's activities to ensure they are in accordance with his contract.</p> <p>By: Chairman and Acting Director General - Administration and Finance</p> <p>When: Immediately</p>

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3.3 Property

The table below details significant findings noted during the review of the property of the SSDDRC that require urgent attention by the Commission in the short term. The review focused on controls over property at the head office in Juba with limited procedures carried out during visits to Warrap, Western Bahr El Ghazal, North Bahr El Ghazal and Lakes state offices.

Finding	Implication	Recommendation	Management response
Issue 1 – Property, plant and equipment records			
SSDDRC does not maintain any records in respect of its property, plant and equipment at the head and state office levels. It does not maintain proper books of account including fixed assets sub ledgers and a fixed assets register.	<ul style="list-style-type: none"> ▪ Fixed assets items may be misappropriated without detection in the absence of proper records. ▪ The Commission may not be able to properly track its assets. 	<p>The Commission should set up proper books of account including a fixed assets register to control, monitor and record property, plant and equipment items at the head and state office levels.</p> <p>For purposes of populating the fixed assets register, management should carry out a physical inventory of all fixed assets at the head and state offices and record the results of the inventory in the register.</p>	<p>We are in the process of setting up a fixed assets register. Most state offices have already submitted listings of their fixed assets. These will be used to update the register.</p> <p>We will carry out a physical inventory of all fixed assets once the register is completed.</p> <p>By: Director – Administration and Finance, and Acting Accounts Controller</p> <p>When: Sept 2010</p>
Issue 2 – Loss/theft of property			
On 10 May 2010, two new laptops donated by the Department of Foreign Affairs and International Trade of Canada (DFAIT) were stolen from the room at SSDDRC head office where they had been stored on receipt. Later, on 29 May 2010, the storekeeper met the procurement officer and IT officer, in the Commission’s car park at the head office, with two of the new laptops from the DFAIT. When asked where they were taking the laptops, they replied they were taking them to the Chairman’s residence on his request. When contacted by the storekeeper, the	<ul style="list-style-type: none"> ▪ Failure to take action in cases of unethical conduct creates a permissive environment for unethical practices by sending the wrong message to employees that fraud and violations of laid down policies and procedures are acceptable. 	<p>The Commission should develop and implement a code of conduct for staff. Management should take timely appropriate action in cases of fraud and other violations of the code of conduct. The action taken should be communicated across the organisation to discourage future unethical practices.</p>	<p>We have developed a draft code of conduct which will be rolled out after approval by senior management.</p> <p>The incidents mentioned will be discussed at a senior management meeting to agree on</p>

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<p>Chairman denied that he had asked for the laptops. They returned them on 31 May 2010. In both instances, the procurement officer and IT officer had access to the room where the laptops were kept.</p> <p>In another instance, three new laptops purchased with GoSS funds were stolen from the Deputy Chairperson's office while two new laptops from the same consignment were destroyed in a fire in the logistics officer's room at the Beijing Hotel in Juba. Management only came to know that the laptops had been moved from SSDDRC premises after they were destroyed in the fire.</p> <p>The Commission did not take any action against the concerned employees in the two instances above.</p>	<ul style="list-style-type: none"> ▪ Potential loss of donors' goodwill if the Commission cannot properly secure donated assets. 		<p>appropriate action.</p> <p>By: Chairman</p> <p>When: Sept 2010</p>
<p>Issue 3 – Basis of allocation of computers and related equipment</p>			
<p>In May 2010, SSDDRC received 28 desktops, 18 laptops, 1 photocopier, 13 printers and 10 scanners, as a partial delivery of a contribution of equipment from the DFAIT. Senior and middle managers at the head office were given first priority on allocation of the equipment. The equipment were allocated on the basis that each manager at the head office is entitled to a:</p> <ul style="list-style-type: none"> ▪ Laptop, ▪ Desktop, ▪ Printer, and ▪ Scanner <p>On the other hand, most state offices do not have a printer, a scanner and a photocopier. The state offices we visited had only a laptop between the state coordinator and finance officer donated by UNICEF. We were informed that state offices use either internet cafes or go to UNDP offices to print or scan official Commission documents.</p>	<ul style="list-style-type: none"> ▪ Inefficient use of computer equipment. The desktops, printers and scanners lie idle because they are rarely used by the persons they are allocated to. ▪ Potential loss of reputation as state offices represent the face of the Commission to ex combatants and the wider Sudanese community. ▪ Increased operating expenses in terms of running idle equipment at the head office and internet cafes charges for printing, photocopying and scanning documents at state offices. ▪ The confidentiality of SSDDRC information is 	<p>Computers and related equipment should be allocated to staff in an efficient and effective manner on a need to basis to avoid waste. Specifically, staff should be allocated either a laptop or desk top depending on preference, availability and nature of work but not both.</p> <p>Also, photocopiers, printers and scanners should be networked and shared among a number of staff rather than being allocated to each individual manager.</p> <p>Each state office should be properly equipped with, as a minimum: desktops and/or laptops for the state coordinator, finance officer and secretary; a printer; a photocopier and a scanner.</p>	<p>Agreed. We will review the allocation of the equipment to avoid waste.</p> <p>We are in the process of networking computers at the head office. We will incorporate photocopiers and printers in the network where possible.</p> <p>By: Acting Director General – Administration and Finance</p> <p>When: Sept 2010</p>

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	<p>compromised where staff use third party equipment to print, photocopy and scan official documents.</p>		
Issue 4 – Logistics officer position			
<p>The logistics officer is responsible for management of the Commission’s fixed assets and fleet. Presently, the logistics officer is away on study leave for three years. In his absence, the procurement officer is doubling as the logistics manager. As a result, most of the tasks meant to be carried out by the logistics officer are not being executed.</p>	<ul style="list-style-type: none"> ▪ Key fixed assets management activities are not carried out. ▪ Inadequate segregation of duties. 	<p>The Commission should appoint a competent logistics officer to oversee fixed assets and fleet management activities.</p>	<p>The Commission already has a logistics officer who is away in Uganda on study leave.</p> <p>UNDP is in the process of recruiting an asset management officer for the commission. He will carry out the duties of the logistics officer in the interim.</p> <p>By: Acting Director General – Administration and Finance</p> <p>When: Sept 2010</p>
Issue 5 –Title to land and vehicles			
<p>The Commission does not have title deeds for land and log books for vehicles. Also, the lease agreement for the land leased from the Ministry of Information and Broadcasting was lost.</p>	<ul style="list-style-type: none"> ▪ There is no evidence of SSDDRC’s ownership of these assets in case of disputes with other parties. ▪ The Commission’s assets are susceptible to being stolen or expropriated in the absence of deeds of ownership. 	<p>The Commission should trace and obtain the land title deeds and log books for all its land and vehicles, respectively. The land titles and log books should be kept in safe in the Chairman’s office and their movement monitored by use of a register.</p>	<p>The lease agreement for the Beijing Hotel land is available. The land is owned by the GoSS and all land titles are with them. The MoFEP keeps log books for all GoSS vehicles. We will obtain copies of the titles for the land and log books for GoSS vehicles.</p>

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			<p>We also trace and obtain log books for vehicles donated by donors.</p> <p>The asset management officer mentioned above will monitor their movements.</p> <p>By: Acting Director General – Administration and Finance</p> <p>When: Sept 2010</p>
Issue 6 – Control over fixed assets at state offices			
<p>The head office has little or no control over SSDDRC assets at state offices. State offices do not maintain any fixed assets records or submit any returns to the head office. They obtain assets through:</p> <ul style="list-style-type: none"> ▪ assets purchased by the head office and transferred to state offices; ▪ assets donated by donors directly to state offices (without informing or going through the head office in Juba); and ▪ fixed assets purchased by state offices (without authorisation from or informing the head office). 	<ul style="list-style-type: none"> ▪ It is difficult to control and monitor fixed assets if they are not properly recorded. ▪ The head office may have no knowledge of assets donated directly to the state offices or purchased by state offices. ▪ Assets from donors to state offices and assets purchased by the offices may be misappropriated without detection. ▪ SSDDRC financial records/reports are inaccurate and incomplete to the extent of donated assets and assets purchased by state offices. 	<p>State offices should maintain fixed asset registers for SSDDRC fixed assets at the state level.</p> <p>As part of monthly reporting to the head office, state offices should submit the following:</p> <ul style="list-style-type: none"> ▪ fixed assets register detailing all fixed assets at the state office; ▪ a listing of assets received directly from donors; and ▪ a list of assets purchased by the state office. <p>The accounts section should reconcile state office fixed asset registers to the SSDDRC master register and follow up any variances.</p> <p>State offices should be discouraged from purchasing fixed assets from petty cash without head office authorisation.</p>	<p>In process. As mentioned above, we are in the process of setting up a fixed asset register. Most state offices have already submitted details of the assets they have.</p> <p>The fixed assets register will be maintained by the accounts controller at the head office. It will be regularly updated with monthly returns from state offices.</p> <p>The director of administration and finance will arrange for random and annual physical fixed assets inventories and the</p>

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		<p>Each year, an officer from the accounts section should carry out a physical inventory of fixed assets at state offices and reconcile the results to the fixed assets register. Any differences should be promptly investigated and resolved.</p>	<p>results reconciled to the register.</p> <p>By: Director – Administration and Finance</p> <p>When: Sept 2010</p>
Issue 7 – Monitoring and controlling vehicles at head and state office			
<p>SSDDRC has a fleet of 46 vehicles with 23 vehicles at the head office and 23 at state offices. Management faces significant challenges monitoring usage of the vehicles at the head and state level to ensure that:</p> <ul style="list-style-type: none"> ▪ the vehicles are used for SSDDRC business only; ▪ they are properly maintained and serviced in accordance with manufacturers’ specifications; ▪ the vehicles at state offices actually exist and are in good working condition; ▪ the fuel provided by SSDDRC is not misused; and ▪ users do not drive in a reckless manner. 	<ul style="list-style-type: none"> ▪ SSDDRC vehicles may be used for non commission activities. ▪ High vehicle operating expenses arising from high fuel usage, high vehicle repairs and maintenance expenses and poor driving practices. 	<p>Management should fit each vehicle with a vehicle tracking device to evaluate driver performance and, monitor and control vehicle usage, fuel usage, and repairs and maintenance costs.</p> <p>Such systems are able to, for example:</p> <ul style="list-style-type: none"> ▪ Provide real time data on a vehicle’s location, speed, engine speed, fuel usage and distance travelled; ▪ Generate a real time events log detailing for each specified event: the date, time, vehicle involved and severity of the event; ▪ Generate a fleet wide activity report detailing for each vehicle during a specified period: the start time, start location, end time, end location, period, initial and final odometer readings, distance travelled and final destination; and ▪ Generate reports on driver performance. 	<p>We will fit one or two vehicles with the device to assess its feasibility and thereafter make a decision on whether to fit the entire fleet or not.</p> <p>By: Acting Director General – Administration and Finance</p> <p>When: Oct 2010</p>

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