

# SADC PARLIAMENTARY FORUM



## MANAGEMENT LETTER

30 August 2023

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors and Audit Committee) and, if appropriate, management of the Company and is not intended and is not to be used by anyone other than these specified parties.

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30 August 2023

The Executive Committee  
 SADC Parliamentary Forum  
 Erf 578, Parliament Gardens  
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Dear Committee

During the course of our audit of the financial statements of SADC Parliamentary Forum SRHR, HIV and AIDS, Governance Project 2019-2023 for the period ended 31 May 2023, we observed the company’s significant accounting policies and procedures and certain business, financial, income tax, and administrative practices.

In planning and performing our audit of the financial statements of the company’s as of and for the period ended 31 May 2023, in accordance with International Standards on Auditing (ISAs), we considered the company’s internal control relevant to the preparation of the financial statements (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the company’s internal control. The matters being reported are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to those charged with governance.s

Category	Definition
Deficiency	A <b>deficiency</b> in internal control exists when: <ul style="list-style-type: none"> <li>(a) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis; or</li> <li>(b) A control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.</li> </ul>
Significant deficiency	A <b>significant deficiency</b> in internal control is defined as a deficiency or a combination of deficiencies in internal control that, in the auditor’s professional judgement, is of sufficient importance to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described in the previous paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies. Had we had performed more extensive procedures on internal control, we may have identified more deficiencies to be reported, or concluded that some of the reported deficiencies need not, in fact, have been report.



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Priority reference	Description of grading
I	<b>Critical:</b> There is a fundamental weakness or deficiency in an internal control or in a series of internal controls which involves a substantial risk of either material error, or irregularity or fraud with regard to the expenditure and revenue stated in the Special Purpose Grant Financial Statement of the Grant. <b>Grade I</b> findings are particularly critical, and the involvement of management may be required for their resolution. These are high-level issues which impact seriously on the achievement of overall grant goals. Remedial action should be taken urgently.
II	<b>Important:</b> There is a weakness or deficiency in an internal control or in a series of internal controls which, although not fundamental, relates to shortcomings which expose specific internal control areas (e.g. cash and bank management or budgetary and expenditure control) to a less immediate level of risk of either error, or irregularity or fraud. <b>Grade II</b> findings are those that may have significant impact on the control environment. Here control environment looks at risk factors derived from management's attitude to risk regarding operational activities within the Principal Recipient/Sub-recipient organization. Prompt specific action should be taken.
III	<b>Recommended:</b> There is a weakness or deficiency in internal control which individually has no major impact but where the Grant would benefit from improved internal controls and/or where the implementer would have the opportunity to achieve greater effectiveness and/or efficiency. <b>Grade III</b> findings are those which are less significant than Grade 1 and II but nevertheless merit attention.

## MATTERS ARISING DURING THE PREVIOUS AUDIT PERIOD

MATTER	HOW THE MATTER WAS ADDRESSED BY MANAGEMENT										
<p><b>1. <u>Internal audit</u></b> We noted that no internal audit work was performed during the year under review. This contravenes SADC PF Financial Policy and SIDA funding requirements which require an internal audit to be performed.</p>	<p>As per the management explanation, the National Parliament of Mozambique seconded one of their staff to perform the duties of Internal Audit for the financial year 2023. The internal auditor commenced work in March 2023 with her first audit having been conducted on site from 3rd to 6th April 2023.</p>										
<p><b>2. <u>PPE</u></b> We noted a difference of N\$ 4,100,323 between the asset register and the Trial balance. After investigations we noted that the system, Accpac, did not pick up the transactions on the Fixed Asset Register module which resulted in the difference between the AFS/TB and asset register. We take note that management is busy sorting this out with Accpac.</p>	<p>The current period reconciliation had no differences, after the exercise of linking the Accpac asset register module was implemented.</p>										
<p><b>3. <u>Lack of authentication of governing policy instruments</u></b>  We observed that there is lack of authentication of governing policy instruments such as SADC PF Constitution, Accounting Policy and Procedure Manual and Administrative Rules and Manuals that are not signed.</p>	<p>All policy instruments and documents have been approved by the relevant authority.</p>										
<p><b>4. <u>Open VAT returns</u></b>  Management are unable to provide us with the breakdown of VAT refund receive by return.</p> <table border="1" data-bbox="157 1019 873 1219"> <thead> <tr> <th data-bbox="157 1019 474 1057">Refund received</th> <th data-bbox="474 1019 873 1057">687,644.78</th> </tr> </thead> <tbody> <tr> <td data-bbox="157 1057 474 1094">2021/11/09</td> <td data-bbox="474 1057 873 1094">660,676.98</td> </tr> <tr> <td data-bbox="157 1094 474 1131">2021/11/16</td> <td data-bbox="474 1094 873 1131">7,716.88</td> </tr> <tr> <td data-bbox="157 1131 474 1169">2021/11/16</td> <td data-bbox="474 1131 873 1169">9,658.03</td> </tr> <tr> <td data-bbox="157 1169 474 1219">2022/03/22</td> <td data-bbox="474 1169 873 1219">9,592.89</td> </tr> </tbody> </table>	Refund received	687,644.78	2021/11/09	660,676.98	2021/11/16	7,716.88	2021/11/16	9,658.03	2022/03/22	9,592.89	<p>There were refunds in the current period that we could not obtain a breakdown for.</p> <p>Management had explained that <i>“This is currently beyond SADC PF’s control as provision of the details is dependent on information to be provided by the Revenue Authority. The Revenue Authority has not provided details of the amounts paid by them. Follow ups have been made and a letter has been written to request the details of the payment”</i>.</p>
Refund received	687,644.78										
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2022/03/22	9,592.89										
<p><b>5. <u>Prior year findings not yet actioned</u></b>  We observed that the SRHR employees do not keep timesheet as required by SIDA agreements.</p>	<p>The institution has resolved to conduct a capacity building programme to facilitate the implementation of time sheets throughout the organization following discussions with Sida. The process is ongoing and it is hoped that timesheets can be introduced and operationalized by end of March 2024. As has been indicated in the past, the matter of implementing timesheets for SRHR staff at national level has been problematic because of the</p>										



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varying nature of the secondments/appointments. The context for SRHR Staff differs for the different Parliaments as some are staff of Parliament while others are employed specifically for the project. However, the SRHR staff are under the supervision of the Clerks of Parliament for administrative control and submit monthly returns to the Monitoring & Evaluation officer, who is tasked with ensuring that the SRHR staff allocate adequate time to the project”.

## MATTERS ARISING DURING THE CURRENT AUDIT PERIOD

### Significant deficiencies in internal control

We have identified certain weaknesses in internal control that we consider significant deficiencies.

#### **1. Reconciliation of salaries (Rating: II)**

##### Observation

*There appears to be lack of monthly reconciliation of salary costs as we noted that the salary reports reconciliation does not agree to the salary costs per financial statements. A difference of USD 3,490.00 was noted.*

##### Reason for concern

*This could result in salary costs mis-posting/misallocation.*

##### Recommendations

*Management are hereby advised to make sure there are monthly reconciliations as this would help to track where costs are posted.*

##### Management comment

**The reconciliation of the salaries of SRHR employees are conducted monthly before posting in the General Ledger. The difference of US\$3,490 has since been reconciled.**



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## **2. Translation of foreign currency denominated bank balance (Rating: III)**

### **Observations**

*We noted that management used the incorrect rate of USD 1 = NAD 14.1683 and Eur 1 = NAD15.8367 at 31 March 2023. The rates at this date were higher than what management has used. This resulted in exchange difference of N\$48,506.62.*

### **Reason for concern**

There is a potential risk that the cash and cash equivalent balances and exchange gains in the financial statements are materially misstated due to this error.

### **Recommendations**

*Management are hereby advised to make sure that they use either the bank or other reliable source closing rate(s) when translating their foreign currency denominated bank balances.*

### **Management comment**

**The issue regarding the exchange rate used in converting the USD and EURO bank accounts into N\$ value is noted. The matter will be verified and necessary adjustment will be done so that the USD and EURO are reflected at the correct N\$ equivalent in the SADC Parliamentary Forum accounts.**



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### **3. Open VAT returns (Rating: III)**

#### *Reason for concern*

Management are unable to provide us with the breakdown of VAT refund received by return.

<b>Refund received</b>	<b>126,723.42</b>
17/05/2022	18,237.23
26/07/2022	10,563.01
06/09/2022	14,219.43
29/11/2022	83,703.75
20/12/2022	8,269.99
17/01/2023	11,485.62
26/01/2023	17,917.11
28/02/2023	28,545.84
28/02/2023	22,044.45
14/03/2023	9,659.51

#### *Recommendations*

Management are hereby advice to request from NAMRA to determine clearly for which period the refunds provided relates to.

#### *Management comment*

The Namibian Revenue authority (NAMRA) has made VAT refund to the accounts of SADC PF and the money received has been properly posted in the General Ledger. However, up to now the NAMRA has not provided details of the payments they have made to us. We are still liaising with NAMRA so that the necessary information is received.



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#### **4. Wrong payment of insurance expense (Rating: I)**

##### Observations

*As part of our procedures to test for the possible unrecorded liabilities, we noted that the Forum had overpaid its insurance expense by N\$619,400. The expense was supposed to be N\$ 68,819.59 but the actual payment was N\$ 688,219.59. The difference was refunded back to the Forum on 9 May 2023.*

##### Reason for concern

- There is a potential risk that the controls are not working effectively, as this error was not picked up before payment was made.
- There is a risk that the Forum will lose money in the instances where these errors are not picked up;

##### Recommendations

*Management are hereby advised to make sure that they implement effective controls around reviews and approval of payment. Payment requisitions must be reconciled to invoices/statements before payments are approved and loaded. People authorizing payments should perform a final verification to ensure that payment requisitions, approved payment and what has been loaded on the bank are in agreement with each other.*

##### Management comment

*This was a typing error which was immediately picked up and the insurance company alerted. The controls are in place and hence the reason that the error was identified. All the necessary documents had the correct amount and were verified and approved accordingly. We, however, note the need to further strengthen the controls and will action accordingly.*





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## **5. Double payment of staff SDS/per diem (Rating: I)**

### Observations

*As part of our procedures to test unrecorded liabilities, we noted that there was a double payment of substance and travel allowance to employees. The payment that should have been made is N\$319,208 and the actual payment was N\$ 629,297.00, resulting in N\$ 310,089 over-payment. There was a request by the Head of Finance and Corporate Services for the beneficiaries to refund the money to the Forum. All the monies were refunded to the Forum between 28 April 2023 and 5 May 2023.*

### Reason for concern

- There is a potential risk that the controls are not working effectively, as this error was not picked up before payment was made.

### Recommendations

- *Management are hereby advised to make sure that they implement effective controls around reviews and approval of payment;*

### Management comment

*This error was caused by a fault in the electronic banking system of NEDBANK. The first payment had an error and was rejected by the Director of Finance but the internet banking system did not process the rejection, resulting in the double payments. The amounts were paid back immediately by all staff. There is no outstanding amount. We, however, note the need to further strengthen the controls and will action accordingly.*



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We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the SADC Parliamentary Forum financial statements.

Yours sincerely

BDO Namibia  
Registered Accountants and Auditors  
Chartered Accountants (Namibia)

Per: A. Musarurwa  
Partner



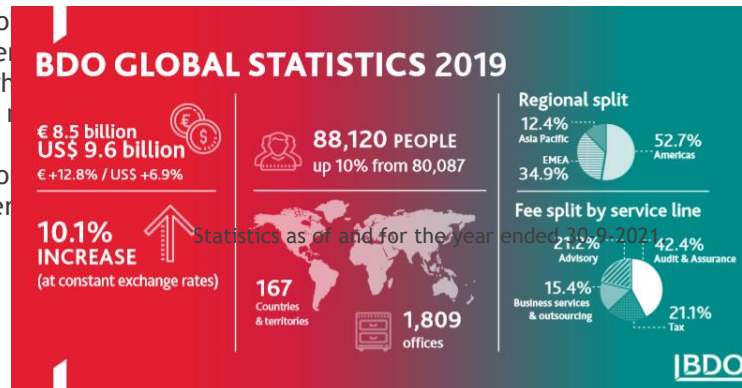
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