

STRENGTHENING AUDIOLOGICAL AND ENT MEDICAL SERVICES IN ZAMBIA

BMZ PROJECT No. 3851: AUDITED PROJECT FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1ST OCTOBER 2018 TO 31ST DECEMBER 2018

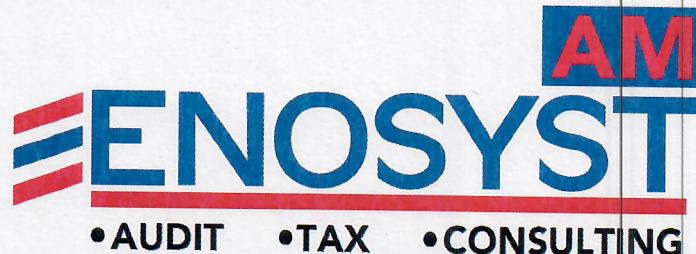
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BASIC PROJECT INFORMATION

Project Co-Funders:	Christoffel-Blindenmission (CBM), Germany and the German Ministry of Economic Development and Cooperation (BMZ)
Project Partner:	Beit Cure Hospital Zambia
Project Location:	Beit Cure Hospital, Plot 34872A Great North Road, Lusaka, Zambia
CBM Project Number:	3851-BMZ-MYP
Project Title:	Strengthening the audiological and ENT services in Zambia
Commencement Date:	1 st October 2018
Planned Completion Date:	31 st December 2021
Total Project Budget:	EUR 909,400.00
Project Budget to be Implemented by Funders:	EUR 64,550.00
Net Project Budget to be Implemented by Partner:	EUR 844,850.00
Partner Project Manager:	Mr. Stephen Chishimba
Partner Asst. Project Manager:	Mr. Martin Chipimo
Partner Project Accountant:	Mr. Isaac Simukonda

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PROJECT MANAGEMENT REPORT

The Project Partner hereby presents its Project Management Report for the Strengthening Audiological and ENT Medical Services in Zambia Project no. BMZ 3851:

1. Project Description: The project is meant to address hearing impairments, treatment and rehabilitation of people affected and the interventions are targeted at three major levels of the Health system in Zambia's Lusaka, Central (Kabwe General) and Southern Provinces namely:

a) At the macro level:

It targets employees and decision makers of Zambia health institutions, who will be capacitated to implement the National Ear Nose Throat Healthcare Strategy within the country. The General Nursing Council (GNC) in developing a national curriculum for the training of health personnel (Nurses) in ENT related components.

b) At the Meso Level:

The project intends to train 80 medical and paramedical specialists who will be involved in the prevention, diagnosis, treatment and rehabilitation of ear diseases. These include the following; ENT surgeons, nurses, audiology technicians, speech therapy assistants and community health workers.

c) At the micro level:

The project will provide physical infrastructures in Lusaka (Teaching Hospital UTH) Temporal Bone which would enable the ENT surgeons to practice further on Bone Dissection using modern techniques. In the Southern and Central provinces of Zambia, it will construct audiometric booths in four districts and Kabwe general hospitals respectively.

Secondly, outreach programmes in government clinics/institutions and school screening activities will be carried out within the four districts in the Southern province.

2. Planned Benefits of the Project: The following are the outputs (results) of the project:
 - a) The treatment of ear diseases is permanently embedded in the Zambian health system.
 - b) An increased number of ear specific qualified medical and Para-medical specialists are available in the target provinces.
 - c) Ear medical infrastructure is permanently improved in Zambia.
 - d) Outreach activities and screening have reached more patients – that is outreaches in government clinics/hospitals and school screenings.

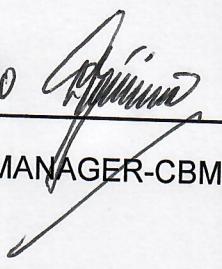
3. Achieved Benefits of the Project:

- a) Project vehicle was purchased during the project.
- b) Project manager was recruited in December, 2019
- c) Kick off workshop of the project was conducted

4. Project Challenges Faced: There was a delay in funds disbursement to Beit Cure Hospital and hence the lead to advance funds from Beit Cure Hospital.

5. Key Lessons Learnt: None

6. Other Matters: None

MARTIN CHIPIMO 

PARTNER PROJECT MANAGER-CBM/BMZ P3851

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PROJECT PARTNER'S RESPONSIBILITIES

The Project Contract signed between the project funder; Christian Blind Mission (CBM) and the project partner; Beit Cure Hospital Zambia, obliges the project partner to prepare project financial statements for each financial year, which show a true and fair view of the project's results of operations for the year.

In preparing such project financial statements, the Partner is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the project financial statements on a cash basis reflecting the funds utilized to date.

The Partner is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position and results of operations of the project, and to ensure that the project financial Statements comply with the provisions of the Project Contract. They are also responsible for safeguarding the assets of the project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities or error.

The Project Team confirms that in its opinion:

- a) The project financial statements show a true and fair view of the state of the project's affairs as at 31st December 2018 and results of its operations for the three months period to 31st December 2018 and;
- b) The project financial statements are drawn up in accordance with applicable International Financial Reporting Standards and Generally Accepted Accounting Principles as well as provisions of the Project Contract entered into between the funders and the project partner.

This statement is made in accordance with a resolution of the Project Partner.

Signed at Lusaka, Zambia on

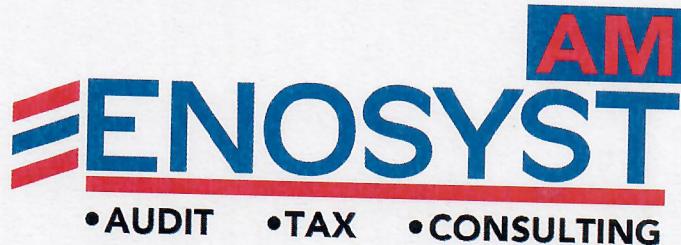
3 June

2020



EXECUTIVE DIRECTOR

BEIT CURE HOSPITAL



No.	Key Audit Matter	How the matter was addressed
1	Validity and accuracy of expenses	A significant sample of all expense items was verified to appropriate supporting documents.
2	Completeness of revenue received.	Revenue received by the Project were verified to the Bank accounts.
3	Existence and ownership of project assets	We carried out a physical verification of the project assets and confirmed ownership of the same.

Other Information

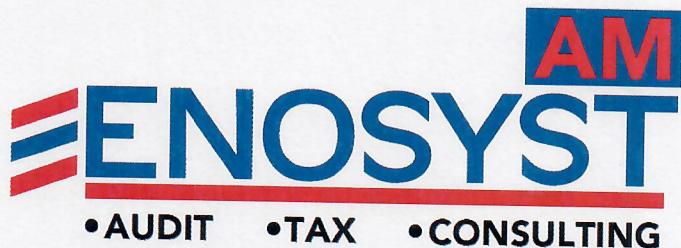
The Project Partner is responsible for the other information. Our opinion on the Project Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance thereon. In connection with our audit of the Project Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Project Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Project Partner for the Project Financial Statements

The Project Partner is responsible for the preparation and fair presentation of the Project Financial Statements and in accordance with International Financial Reporting Standards and the provisions of the Project Contract, and for such internal control as the Project Partner determine are necessary to enable the preparation of Project Financial Statements that are free from material misstatement, whether due to fraud or error. In preparing the Project Financial Statements, the Project Partner is responsible for disclosing, as applicable, matters related to the Project.

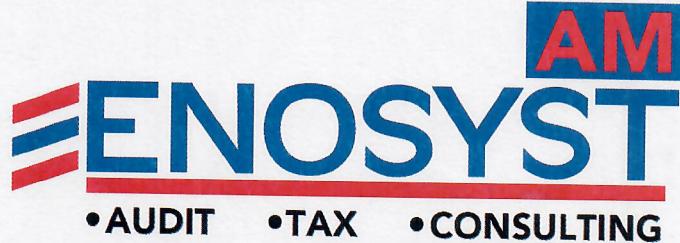
Independent Auditor's Responsibilities for the Audit of Project Financial Statements

Our objectives are to obtain reasonable assurance about whether the Project Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with



ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Project Financial Statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Project Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Project Team;
- Conclude on the appropriateness of the Project Partner's management of the Project and any relevant disclosures. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may have a different adverse impact on the project;
- Evaluate the overall presentation, structure and content of the Project Financial Statements, including the disclosures, and whether the Project Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities within the Project to express an opinion on the Project Financial Statements. We are responsible for the direction, supervision and performance of the Project's audit.
- We remain solely responsible for our audit opinion. We communicate with the members of the Project Partner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Project Partner with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Project Partner, we determine those matters that were of most significance in the audit of the Project Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

The Project's Contract require that in carrying out our audit, we consider whether the Project Partner has kept proper accounting records. In our opinion, based on our examination of those records, the Project Partner has substantively maintained proper accounting records and other records and registers as required by the Project Contract.

ENOSYST AM, Chartered Accountants

Lusaka, Zambia

S. Tembo

Partner

Registration No: AUD/F001976

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INCOME & EXPENDITURE STATEMENT

	Budget ZMW	Actual ZMW	Variance ZMW	Variance %	Notes
INCOME					
Direct Grant	5,598,585	5,130,000	468,585	8%	1
Advances from BCH	-	523,824	(523,824)	-100%	2
	<u>5,598,585</u>	<u>5,653,824</u>	<u>(55,239)</u>		
EXPENDITURE					
Investment Costs:					
Medical Equipment	3,560,490	-	3,560,490	100%	3
Furniture & Learning Equipment	34,695	-	34,695	100%	4
Project Vehicle	486,000	460,555	25,445	5%	
Construction Works	722,385	-	722,385	100%	5
Running Costs:					
Implementation of ENT Plan	79,920	-	79,920	100%	6
Trainings	-	20,933	(20,933)	-100%	7
Project Monitoring - Local	104,355	17,992	86,363	83%	8
Outreaches	335,070	-	335,070	100%	9
Audit & Bank Costs	43,470	382	43,088	99%	10
Personnel:					
Project Management	97,200	23,344	73,856	76%	11
Medical Personnel	135,000	-	135,000	100%	12
Other:					
Project Appraisal Visit	10,800	-	10,800	100%	13
Evaluation	67,500	-	67,500	100%	14
Reserve	-	-	-	-	
Total Expenditure	<u>5,676,885</u>	<u>523,206</u>	<u>5,153,679</u>	91%	15
Surplus of Funds as at 31st December 2018		<u>5,130,618</u>			
Cash Book Balance as at 31st December 2018		<u>5,130,618</u>			
Reconciling Items:		-			
Bank Balance as at 31st December 2018		<u>5,130,618</u>			

Caroline K. Mwambya


FINANCIAL DIRECTOR

Steven E. Hilt


EXECUTIVE DIRECTOR

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DETAILED EXPENDITURE STATEMENT

	Budget ZMW	Actual ZMW	Variance ZMW	Deviation
				Percentage
1.1 INVESTMENT COSTS	4,803,570	460,555	4,343,015	90.41%
1.1.1 Medical Equipment	3,560,490	-	3,560,490	100.00%
1.1.1.1 Temporal Bone Lab	392,310	-	392,310	100.00%
1.1.1.2 Clinical/Surgical Equipment for Livingstone & Kabwe	1,710,315	-	1,710,315	100.00%
1.1.1.3 Surgical Equipment University Teaching Hospital	769,365	-	769,365	100.00%
1.1.1.4 Equipment for 30 nurses and clinical officers (ToT)	405,000	-	405,000	100.00%
1.1.1.5 Equipment for 4 Hearing Instrument specialists(Audio Technicians)	283,500	-	283,500	100.00%
1.1.2 Furniture and Learning Equipment	34,695	-	34,695	100.00%
1.1.2.1 Books and subscriptions, Learning software	-	-	-	
1.1.2.2 Office Equipment (desks, Chais, Laptops)	34,695	-	34,695	100.00%
1.1.3 Project Vehicle	486,000	460,555	25,445	5.24%
1.1.3.1 Purchase of Project Vehicle	486,000	460,555	25,445	5.24%
1.1.4 Construction at University Teaching Hospital UTH	722,385	-	722,385	100.00%
1.1.4.1 Temporal Bone Lab	473,648	-	473,648	100.00%
1.1.4.2 Water Tower	248,738	-	248,738	100.00%
1.1.4.3 Camera for ENT OR Microscope	-	-	-	0.00%
1.2 RUNNING COSTS	562,815	39,307	523,508	93.02%
1.2.1 Implementation ENT Plan	79,920	-	79,920	100.00%
1.2.1.1 Launch & Screening event (Livingstone)	64,935	-	64,935	100.00%
1.2.1.2 National ENT meetings (15 NENT Committee)	14,985	-	14,985	100.00%
1.2.1.3 Public Health Planning for Hearing Impairment Course for 10 people	-	-	-	0.00%
1.2.1.4 Prevalence Survey	-	-	-	0.00%
1.2.2 Trainings	-	20,933	20,933	-100.00%
1.2.2.1 1 year Hearing instrument specialist training (4 Technicians)	-	-	-	0.00%
1.2.2.2 4 ENT Surgeons Temporal bone course	-	-	-	
1.2.2.3 Speech language therapy assistants at Cure School of Nursing (12)	-	-	-	0.00%
1.2.2.4 Review of curriculum for Nurses and Clinical Officers to include ENT (4 Workshops)	-	-	-	
1.2.2.5 Conference Curriculum Launch	-	-	-	0.00%
1.2.2.6 Training of 30 Nurses/Clinical Officers in Primary Ear and Hearing care	-	-	-	0.00%
1.2.2.7 2 day ToT Training of 30 Nurses/Clinical Officers in Ear and Hearing Care	-	-	-	0.00%
1.2.2.8 Training of 30 Community Health Assistants from Livingstone area	-	-	-	0.00%
1.2.2.9 Advanced ENT surgical course (2 surgeons X 1 week)	-	20,933	20,933	-100.00%
1.2.2.10 Head and Neck Dissection (1 surgeon X 1 week)	-	-	-	0.00%
1.2.3 Project Monitoring (local)	104,355	17,992	86,363	17.24%
1.2.3.1 Office BCH (electricity, water, maintenance, Office supply + telecommunications:	37,800	-	37,800	100.00%
1.2.3.2 Monitoring (Fuel, Car Maintenance, Car Insurance, Accommodation)	29,565	-	29,565	100.00%
1.2.3.3 Kickoff workshop (12: BCH, MoH, CBM CO, RO)	36,990	17,992	18,998	51.35%
1.2.4 Outreaches and School Screenings	335,070	-	335,070	100.00%
1.2.4.1 Vehicle Costs (Fuel, Road Tax)	49,140	-	49,140	100.00%
1.2.4.2 Accommodation (6 nights, 4 people)	45,360	-	45,360	100.00%
1.2.4.3 Meals (6 days, 4 people)	25,920	-	25,920	100.00%
1.2.4.4 Annual calibration of equipment	12,150	-	12,150	100.00%
1.2.4.5 Information materials	135,000	-	135,000	100.00%
1.2.4.6 Medical consumables	67,500	-	67,500	100.00%
1.2.5 Audit and Bank Costs	43,470	382	43,088	99.12%
1.2.5.1 Annual Audit	33,750	-	33,750	100.00%
1.2.5.2 Final Audit	-	-	-	0.00%
1.2.5.3 Banking Fees	9,720	382	9,338	96.07%

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DETAILED EXPENDITURE STATEMENT CONTINUED

1.3 PERSONNEL	232,200	23,344	208,856	89.95%
1.3.1 Project Management	97,200	23,344	73,856	75.98%
1.3.1.1 Project Manager at BCH	97,200	23,344	73,856	75.98%
1.3.2 Medical Personnel	135,000	-	135,000	100.00%
1.3.2.1 Expat ENT Surgeon 50% (100%-5.000; balance covered by CBM-D and BCH),	135,000	-	135,000	100.00%
1.3.2.2 Speech therapists/advisor 40% (100% = 2,500; Balance covered by BCH)	-	-	-	0.00%
1.4 PROJECT APPRAISAL VISIT	10,800	-	10,800	100.00%
1.5 EVALUATION	67,500	-	67,500	0.00%
1.5.1 Project Evaluation	67,500	-	67,500	100.00%
1.5.1.1 Pre-Study	67,500	-	67,500	100.00%
1.5.1.2 Midterm Evaluation	67,500	-	67,500	100.00%
1.5.1.3 Final Evaluation	-	-	-	0.00%
1.6 RESERVE	-	-	-	0.00%
GRAND TOTAL	5,676,885	523,206	5,153,679	90.78%

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PROJECT ASSETS INVENTORY**

Date Purchased	Qty	Item	Cost (ZMW)	Brand/ Model	Location	Identity No's.
11-Oct-18	1	Toyota Hilux	460,555	Double Cab	Beit Cure Hospital	BAJ # 9048
Total			460,555			

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NOTES TO THE PROJECT FINANCIAL STATEMENTS**

1. Schedule of Project/BCH Inter-Fund Transfers

QTY	Date	Descriptions	Amount (ZMW)	Balance
8	17-Sep-18	logistical support for invited heads of hospitals(Kabwe,Livingstone,UTH)	3,150	(3,150)
7	26-Sep-18	P3851-Air ticket return (Lusaka-Livingstone)	5,842	(8,992)
6	10-Oct-18	CBM-BMZ-P3851-LABOUR FOR CATERING SERVICES DURING THE KICK OFF WORKSHOP	9,000	(17,992)
5	11-Oct-18	P3851 - Payment being for the purchase of Project Vehicle.	434,785	(452,777)
4	22-Oct-18	P3851 ENT -BMZ - BZM to Reimburse Business Development A/C - Payments for Roll Bar and Alloy Wheels.	25,770	(478,547)
1	29-Oct-18	Account Opening Advance	1,000	(479,547)
3	20-Dec-18	Payment being for Course Fees For Dr.Phiri Harrison	20,933	(500,480)
2	31-Dec-18	P3851 CBM BMZ - Payment being for the BMZ ENT December 2018 Salaries.	23,344	(523,824)
Funds Owed by Project to BCH as at 31st Dec 2018				(523,824)

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MANAGEMENT COMMENT ON VARIANCES**

The Project Management Team for the CBM/BMZ P3851 Project for Strengthening the Audio logical and ENT Medical Services in Zambia, have the following explanations relating to the noted project variances;

Variance No.1: The funds sent were less than Budgeted and this was entirely the Funders decision.

Variance No.2: This variance of -100% is because this was an advance from Beit Cure Hospital to the new project before receipt of the grant.

Variance No.3: The project had just kicked off and this budget line was just utilized because we had not yet bought medical equipment. Hence a variance of 100%.

Variance No.4: The project had just kicked off and office furniture and equipments had not been bought. Hence a variance of 100%.

Variance No.5: This variance of 100% was due to bone laboratory which had not commenced by the time.

Variance No.6: The variance is as a result of the ENT Implementation plan which had not started by this time. Hence the variance of 100%.

Variance No.7: This variance of -100% was a contribution towards the short course training for the ENT Surgeon and was budgeted for in the Project.

Variance No.8: This variance of 83% was as result of travel logistics during workshop kickoff which had few transactions.

Variance No.9: The project had just started and we had no planned outreaches for the period. Hence a variance of 100%.

Variance No.10: We had very few transactions leading to few bank charges and the account was not very active. Hence a variance of 99%.

Variance No.11: We had only paid the Associate Project manager salary for Dec 2018 since this was the time we had just engaged him. Hence a variance of 76%.

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MANAGEMENT COMMENT ON VARIANCES CONTINUED**

Variance No.12: This variance is resulting from the position ENT Surgeon who had not yet been engaged by the time.

Variance No.13: This budget line for the project appraisal visit had not yet commenced. Hence a variance of 100%.

Variance No.14: The evaluation of the project had not been done and hence a variance of 100%.

Variance No.15: There were very few transaction in this particular year and hence total expenditure for the period showing a variance of 91% as overall.

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DETAILED AUDIT FINDINGS / MANAGEMENT LETTER**

KEY AUDIT FINDINGS

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

1. Introduction

Our work has been carried out in accordance with the Terms of Reference agreed to between ENOSYST AM and Christian Blind Mission (CBM), Zambia Country Office, as well as our Engagement letter dated 18th February 2020. This report is a summary of key audit findings that we considered to be of importance and need to be brought to the attention of CBM with regard to Project No. CBM/BMZ P3851: Strengthening the Audio logical and ENT Medical Services in Zambia.

It must be noted that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily with a view to the expression of an opinion on the Project Financial Statements of Project No. CBM/BMZ P3851: Strengthening the Audiological and ENT Medical Services in Zambia. Our findings therefore, cannot be expected to include all possible improvements that a more extensive forensic examination of the project might have revealed.

2. Areas of Audit Focus

The following is a summary of key developments and risks identified from our initial planning and meetings with management as well as our planned response to address these matters:

Key Risks

The following areas were considered key risks requiring specific audit focus:

- (i) Legitimacy of expenditure
- (ii) Management override of controls
- (iii) Fraud risk

With respect to legitimacy of expenditure, we:

- Reviewed compliance of the Financial Statements to conditions of the Project Contract.
- Checked and verified that all expenditure was appropriately reviewed and approved
- Checked that expenditure was appropriately reflected in the Financial Statements submitted to the project funder.
- Verified the existence of appropriate documentation to support expenditure.
- Performed analytical reviews

With respect to the risk of management override of controls:

- We tested the appropriateness, authorization and completeness of journal entries recorded in the general ledger and other adjustments;
- We reviewed accounting estimates for biases that could result in material misstatement, including performing a retrospective review of prior year estimates with the benefit of hindsight. We gained an understanding of, and evaluated the project's rationale for significant unusual transactions.

With respect to fraud risk:

- We reviewed controls in place.
- Unpredictability tests were performed on significant accounting areas such as:
 - Bank balances
 - Cash expenses
 - Reviewed manual journal entries for validity and approval

3. Status of Recommendations Arising from the Previous Audit

This being the first project audit for Project No. CBM/BMZ P3851: Strengthening the Audiological and ENT Medical Services in Zambia, there were no recommendations arising from the prior year, whose status had to be reported upon.

4. Detailed Recommendations / Findings

4.1 Inadequate Supporting Documents for Expenditure

Observation

It was noted that some expenses under the project did not have relevant appropriate supporting documents and therefore did not comply with the provisions of the Project Contract and Generally Accepted Accounting Principles. This totaled K26,775.04 as per schedule below;

No.	Description	Amount (ZMW)
1	Payment being for Course Fees For Dr. Phiri Harrison	20,933.04
2	Air ticket return (Lusaka-Livingstone)	5,842.00
Total		26,775.04

Risk

Without appropriate supporting documentation, there is no comfort that the disbursed funds were applied for the required purposes in accordance with the Project Contract.

Recommendation

Supporting documents must contain full and complete descriptions of the nature and purpose of the payment and why it is necessary for purposes of the project. Payments for course fees must include proof that the course in question was actually attended. Payments for air tickets must include stubs for boarding passes as proof that the trip was actually undertaken. A ticket alone is not proof that a trip was undertaken, as it can be cancelled and a refund obtained.

Management comments:

- For Dr Phiri's training, we have obtained the relevant document (certificate of attendance) from him pertaining to the training. CBM covered part of the cost towards the conference/training this was a cost shared venture between the Dr and CBM.
- We flew in the Dr. from Livingstone General Hospital for the CBM/BMZ kickoff workshop but we did not request him to leave a boarding pass with us, since in the past this was not part of our payment document completeness checklist. However, going forward we will make sure that we include such documentations in our payment documents.

4.2 Lack of a Stand-alone Computerized Accounting System for the Project

Observation

It was noted that the Project does not have a stand-alone computerized accounting system and that project accounting is currently undertaken using the Beit Cure Hospital X-Ledger Accounting System.

Risk

Utilizing a mixed computerized system for accounting for project funds makes it difficult for project financial transactions to be accurately accounted for and increases the risk of misstatement and error.

Recommendation

The project funders must consider authorizing the project partner to procure a separate computerized accounting system such as Quick Books to be used for purposes of project accounting.

Management comment:

Management will welcome the idea as long as the cost is covered by CBM, such as the cost of software package, personnel and IT equipment involved.

4.3 Lack of Documented Segregation of Duties in the Preparation and Review of Bank Reconciliations.

Observation

It was noted that monthly Bank Reconciliations were not consistently done on the project account month-on-month. For the months in which the bank reconciliation was done, there was no evidence of such bank reconciliations being reviewed and approved by a separate person.

Risk

Without undertaking substantive bank reconciliations on a regular basis, it would be difficult to identify and correct on a timely basis incidents of fraud and/or error in accounting for project funds.

Recommendation

The Project Partner should put in place adequate systems for undertaking consistent bank reconciliations on a regular basis, as well as review and approval of such bank reconciliations by a separate person.

Management comment:

We normally do bank reconciliation on a monthly basis. Since the bank reconciliation report is system generated it lacks the part for signatories of the person preparing and the approval of which has been rectified going forward.

4.4 Purchase of Non-essential Goods Using Project Funds

Observation

It was noted during the course of the audit that after purchasing the project motor vehicle from Toyota Zambia Limited, an additional US\$2,000.00 was used to replace the wheels with alloy wheels.

Risk

The standard wheels which a brand new Toyota Hilux come with are suitable for purposes of a project vehicle. The US\$2,000.00 project expenditure incurred to purchase alloy wheels was unnecessary as it did not create any additional value for the project, in terms of the project's key objectives.

Recommendation

The project partner must always seek to ensure that all project expenditure are necessary and contribute to the attainment of the project objectives.

Management comment:

This was the management request because of the nature of work the vehicle will be engaged in and the remote places the vehicle will be going to carry out project work. The management felt it would be cost effective in the future if the vehicle is protected from damages. The cost of this extra additional was factored in the budget.

NB- the additional parts were done by the manufacturer upon the management request.

4.5 Failure to Ensure Value for Money During Procurement Process for Purchase of Project Vehicle

Observation

It was noted that the project partner decided to procure a higher priced Toyota Hilux project vehicle costing US\$35,600.00 when they had obtained a quotation for an Isuzu motor vehicle of comparable specifications costing US\$30,200.00.

Risk

By not complying with the value-for-money requirement in its procurement practices, the Project Partner was in violation of the provisions of the Project Contract.

Recommendation

The Project Partner must always ensure full compliance with the provisions of the Project Contract during the entire course of implementing the project.

Management comment:

The management evaluated the quotations in regards to cost, performance and durability of the vehicles and it was resolved to go for Toyota because of past other Hospital Vehicle performance. The can be expensive at the point of buying but cost effective in the repairs and maintenance.

4.6 Inadequately Qualified Project Personnel

Observation

It was noted that the project team members are not adequately qualified and experienced to undertake their respective project activities.

Risk

An inadequately qualified and experienced project team is unlikely to make project decisions that would ensure optimal implementation of project benefits and maximum realization of project benefits.

Recommendation

The Project Partner must consider respective retraining programs for all project team members in order to ensure that they obtain the skills necessary for timely and successful implementation of the project.

Management comment:

The Management always ensures that all staff employed are qualified and their competence levels are in accordance with the post given. Management requests the partner to be conducting more direct training in relation to the project.

4.7 Improper Practices in the Accounting of Project Expenditure

Observation

It was noted that the Partner does not consistently invoice the project before processing payment for services rendered to the project. Additionally, Debit Notes are not issued when there are returns and/or exchanges of ordered goods.

Risk

The Project Contract makes it mandatory for the Project Partner to maintain appropriate and adequate supporting documents to support all project expenditure incurred during the course of implementing the project. Failure to comply with this requirement constitutes a violation of the provisions of the project contract.

Recommendation

The Project Partner must ensure that all services rendered to the project are actually invoiced before a payment is processed.

Management comment.

Proper accounting system has always been done and followed. Funds have always been transferred to the respective project account only that the invoicing was not being done then. This has now been rectified as per recommendation above.

4.8 Lack of Project Exclusive Serially Numbered Payment Vouchers

Observation

It was noted that the project did not have exclusive, serially numbered payment vouchers, and that it shared Payment Vouchers with other projects.

Risk

Utilizing serially numbered accounting documents is a key internal control matter as it helps to ensure completeness and accuracy of accounting transactions. By utilizing accounting documents which are not serially numbered, the risk of misstatement is significantly increased.

Recommendation

The Project Partner should consider procuring serially-numbered project specific Payment Vouchers.

Management comment:

We have already implemented the serialized payment voucher affective from February 2019 though not specific and this will be implemented as recommended.