

BEIT CURE HOSPITAL
STRENGTHENING AUDIOLOGY AND EAR NOSE AND THROAT (ENT)
SERVICES IN ZAMBIA
PROJECT NUMBER - 3851 - BMZ - MYP
FINAL MANAGEMENT REPORT

About Baker Tilly

Baker Tilly is a client focused company offering various services including Corporate Advisory, Auditing, Taxation, Accounting to mention just a few. Need help for your business? You're in the right place



Contact us

Baker Tilly
8, 13 Reedbuck Road
Kabulonga, Lusaka, Zambia
enquiries@bakertilly.co.zm
T: +211 269416
www.bakertilly.co.zm

Chartered Accountants (Zambia)

No. 8, 13 Reedbuck Road
Kabulonga
Private bag E835, Box 228
Lusaka, Zambia

Tel: +211 269 416
enquiries@bakertilly.co.zm
www.bakertilly.co.zm

15th December 2022

The Directors
Beit Cure Hospital of Zambia
Plot 34872A, Great North Road
Lusaka, Zambia

Final Report to management

We have recently completed the external audit for the year ended 30 June 2022 and now have pleasure in presenting this report. In it we draw attention to matters, which we have noted, and believe, should receive your attention.

The principal objective of our audit procedures is to enable us to express our opinion on the truth and fairness of financial statements. An audit is based solely on the concept of reasonable assurance. It is not a guarantee that the financial statements are free from misstatement. We explained our audit responsibilities and our limitations in our engagement letter.

Audits are conducted in such a manner, as we consider necessary to fulfil our responsibilities as auditors and include such tests of transactions and of the existence, ownership and valuation of your assets and liabilities, as we consider necessary. The nature and extent of our tests vary according to our assessment of what is material in the context of the company's accounting system and where we wish to place value on it, on the system of internal control and aspects thereof, we advise that we cannot in practise examine every operating activity or accounting procedure nor can we substitute for management responsibility to maintain adequate control at all levels of the business. Our work cannot therefore be expected to identify all weaknesses in your system and procedures, which a special investigation directed at those areas might reveal.

The responsibility for prevention and detection of irregularities including fraud and inter alia, defalcation, forgery, collusion and management override of control systems, rests with management. Whilst irregularities may be detected during our audit we are not required to and do not search specifically for such matters. Our audit should not therefore be relied upon to disclose them.

This report is intended solely for the information of management and donors of Beit Cure Hospital, Zambia.

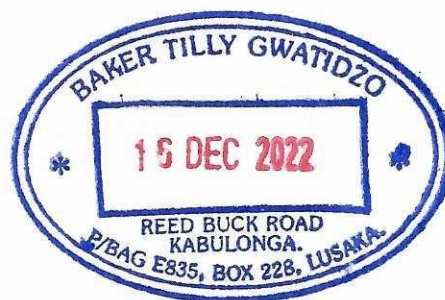
It forms part of our dialogue with management. The report is not expected to include every matter that comes to our attention. This report should thus not be distributed to third parties and if a third party receives this report without our written consent; we will not accept responsibility for reliance that they place on it.

In conclusion, we would like to thank management and staff for the cooperation and assistance given to us during the course of our audit.

Yours Sincerely,

Baker Tilly

Baker Tilly Chartered Accountants (Zambia)



BEIT CURE HOSPITAL OF ZAMBIA

FINAL MANAGEMENT REPORT

EXECUTIVE SUMMARY

Our review of the system of internal accounting controls has revealed some control weaknesses requiring attention, which through this report have been drawn to the attention of management.

OBSERVATION

Under this heading we note points/ issues, which came to our attention.

POTENTIAL EXPOSURE

This identifies the perceived risk to the association, which may arise as a result of the control deficiency.

RECOMMENDATION

Sets forth solutions we believe will be effective in countering the control deficiency.

MANAGEMENT RESPONSE

This outlines the view of management.

RESPONSIBILITY

This highlights the person responsible to address the identified control weakness.

COMPLETION DATE

Date at which the recommendation is expected to be implemented.

SUMMARY OF RESULTS OF SYSTEMS REVIEW

<u>Contents</u>	<u>Page</u>
Prior year audit issues.....	6-10
Current year audit Issues	
Lack of adequate insurance cover for Project Assets.....	11

Issue Rating Categories

1. High Risk

Internal control deficiencies expose the operation to critical business risk. Unless corrected, these deficiencies could significantly reduce or eliminate the financial benefit of the operation. Risk is considered significant if both the preventive and detective controls for a specific control objective are inadequate and the impact of these inadequacies is significant.

Corrective action should be immediate.

By Preventive controls, we mean a specific control within a system intended to prevent a material error or misstatement from occurring.

By Detective Control, we mean specific control within a system intended to detect the occurrence of a material error or misstatement during the normal course of business.

2. Medium Risk

Internal control deficiencies expose the association to adverse business risk or result in (or could result in) a misstatement on the operation's reported results. Unless corrected, these deficiencies could negatively impact the financial results of the operation. Risk is considered medium if either preventive or detective controls for specific control objective are inadequate and appropriate compensating controls are not in place.

Requires management action within the short to medium term.

3. Low Risk

Internal control deficiencies exist, however financial exposure to the operation is currently not significant. Compensating controls currently in place reduce risks to an acceptable level.

Requires management action in the medium to long term

Prior year audit issues

No.	Issue	Prior year finding	Current year finding	Implemented	Management Response and Responsibility
1	Commencement of Bank Payment Process before Payment Voucher is Approved	It was noted that 9 payments amounting to K162, 821.80 were commenced through the online banking platform before the Payment Vouchers authorizing the payments were approved.	Based on inquiry with the client we learnt that the payment vouchers are uploaded on the banking system as a guide to the signatories that they are pending approval. At the stage of processing the payments the vouchers are approved	Yes	N/A

No.	Issue	Prior year finding	Current year finding	Implemented	Management Response and Responsibility
2	Incomplete Payment Vouchers:	It was noted that 162 vouchers totalling K2, 982,255.14 had not been fully completed as at the time of the audit as they did not indicate the budget line to which the payment related	During our review we noted that payment vouchers were fully completed and included references to the budget lines.	Yes	N/A
3	Failure to Stamp Documents as "Paid" Upon Remittance	It was noted that 17 sets of payment documents totalling K196,276.12 were not stamped as "PAID" after payment were remitted.	During our review, all reviewed support documents were stamped paid.	Yes	N/A

No.	Issue	Prior year finding	Current year finding	Implemented	Management Response and Responsibility
4	Non-Compliance with Procurement Rules and Regulations	It was noted that services from 7 entities amounting to K153,936.07 were procured by the organization without obtaining comparative quotations or proposals	All procurements were done in line with the Beit Cure hospital procurement guidelines and included comparative quotations or proposals.	Yes	N/A
5	Inadequate Supporting Documents for Expenditure	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 K222,900.00	Based on our review of expenditure we noted that there was adequate support documents	Yes	N/A

No.	Issue	Prior year finding	Current year finding	Implemented	Management Response and Responsibility
6.	Lack of Project Accounting Policy and Procedures Manual	It was noted that there is no project accounting policy and procedures manual to guide on project transactions	We noted that Beit Cure Hospital was adhering to its accounting and procedures manual as the project has no Specific Accounting and procedures manual of its own.	Yes	N/A
7	Lack of project specific narrations on supporting documents for expenditure.	It was noted during the course of the audit that some support documents such as receipts from vendors lacked specific narrations to exclusively identify them with project number P3851.	During our review, Beit Cure Hospital has put in place specific payment vouchers for the project.	Yes	N/A

No.	Issue	Prior year finding	Current year finding	Implemented	Management Response and Responsibility
8	Loss of funds due to unwarranted Value Added Tax (VAT) charges on project expenditure	It was noted that despite BCH being registered as a public benefit organisation (PBO) that is entitled to VAT exemption, it was not fully utilizing this privilege when incurring some expenses on the project.	Based on our review all expenses incurred by the project were exempt of Value Added Tax (VAT) except for those of k1,000 and below	No	We have set a threshold to claim Tax in excess of K1000.00 due to the difficulties we face when obtaining Value Added Tax from ZRA VAT certificates from Zambia Revenue Authority
9	Inadequate evidence to support the occurrence of field project activities	It was noted that project expenditure related to field activities such as outreach programs did not contain evidence to support the fact that such activities did actually take place	Based on our review of field project activities we noted that we signed pay sheet for transport and attendance sheet were attached.	No	N/A

Current Year Findings

No.	Audit Issue	Rating	Recommendation and Management Response	Responsibility and Completion date
1.	<p>Lack of adequate insurance cover for Project Assets</p> <p>It was noted that project equipment such as microscopes that are being kept in storage awaiting deployment to various beneficiary sites were not covered by any specific insurance despite their high value.</p> <p>Furthermore we noted that equipment at the bone lab located at the University Teaching Hospital yet to be handed over to the Hospital (UTH) is not insured.</p> <p>Potential exposure:</p> <p>There is risk that equipment could be damaged/stolen and would result in Beit Cure Hospital incurring extra costs.</p>	Medium	<p>Recommendation</p> <p>Project partner must ensure that all project assets have adequate insurance cover at all times.</p> <p>Management Response:</p> <p>For the goods in transit this is well noted.</p> <p>As for the Assets at UTH Temporal Bone Lab this was an oversight that we did not insure the Assets during the period when the project was running. Currently the project came to an end and there are no available funds to pay for the Insurance cover for Assets at the Temporal Bone Lab. Also there has been a huge laps in time from the time the Assets were procured to the Handover. The Ministry of Health (MOH) has been postponing the handover to the UTH management.</p>	<p>Responsibility</p> <p>Project Manager</p>

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