



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

**AUDIT OF THE CHURCHES HEALTH ASSOCIATION
OF ZAMBIA GRANT MANAGEMENT UNIT UNDER
COOPERATIVE AGREEMENT NO. 690-A-00-99-
00265-00 FOR THE EIGHTEEN-MONTH PERIOD
ENDED MARCH 31, 2002**

**AUDIT REPORT NO. 4-611-06-001-N
October 12, 2005**

PRETORIA, SOUTH AFRICA

Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

October 12, 2005

MEMORANDUM FOR MISSION DIRECTOR, USAID/Zambia, James F. Bednar

FROM: Regional Inspector General/Pretoria, Jay R. Rollins

SUBJECT: Audit of the Churches Health Association of Zambia Grant Management Unit under Cooperative Agreement No. 690-A-00-99-00265-00 for the eighteen-month period ended March 31, 2002 (Report No. 4-611-06-001-N)

This memorandum transmits the subject audit report prepared by PricewaterhouseCoopers (Lusaka, Zambia).

The audit was performed in accordance with U.S. Government Auditing Standards. The audit had scope limitations that PricewaterhouseCoopers does not have continuing education and external quality control review programs that fully satisfy the requirements set forth in U.S. Government Auditing Standards.

In October 1999 the United States Agency for International Development (USAID) and the Churches Health Association of Zambia (CHAZ) signed a co-operative agreement number 690-A-00-99-00265-00 to provide support for a program in Population, Health, and Nutrition. The co-operative agreement provided \$2,365,582 to CHAZ. CHAZ is implementing its programs through the following four non-governmental organizations (NGOs): Christians Children Fund, Development Aid from People to People, World Vision International and Adventist Development Relief Agency. The agreement enabled the establishment of the Grant Management Unit (GMU) under CHAZ to monitor the whole program.

GMU through the partner NGO's, manages and oversees the implementation of the agreement activities. It conducts workshops for the respective communities together with the partner NGO's and coordinates issues of self sustainable provision of community health services.

USAID/Zambia initiated an Agency-contracted audit in order to cover an eighteen-month period because the prior audit did not include an audit of the agreement's indirect cost rate.

The audit covered \$1,336,297 in expenditures of USAID funds for the period October 1, 2000 to March 31, 2002. The specific objectives of the audit were to:

- Express an opinion on whether the fund accountability statement for the USAID-funded programs presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate and obtain a sufficient understanding of the recipient's internal control related to the USAID-funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses. This evaluation should include the internal control related to required cost-sharing contributions.
- Perform tests to determine whether the recipient complied, in all material respects, with agreement terms (including cost sharing, if applicable) and applicable laws and regulations related to USAID-funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified. Such tests should include the compliance requirements related to required cost-sharing contributions, if applicable.
- Perform an audit of the indirect cost rate(s) if the recipient has been authorized to charge indirect costs to USAID using provisional rates and USAID has not yet negotiated final rates with the recipient.
- Determine if the recipient has taken adequate corrective action on prior audit report recommendations.

The auditors rendered a qualified opinion on the fund accountability statement. The audit disclosed the following:

- Total questioned unsupported costs of \$175,159.
- Three reportable conditions, one of which was considered to be material.
- One instance of material noncompliance:

Therefore, we are making the following recommendations:

Recommendation No. 1: We recommend that USAID/Zambia determine the allowability of questioned unsupported costs totaling \$175,159 detailed on page 9 of the PricewaterhouseCooper's report, and recover from the Churches Health Association of Zambia any amounts determined to be unallowable.

Recommendation No. 2 We recommend that USAID/Zambia ensure that the Churches Health Association of Zambia correct the three internal control weaknesses (staff salary cost paid not supported by timesheets, income taxes and National Pension Scheme Authority not remitted to relevant authorities, and cashbooks not analyzed according to budget) detailed on pages 23-24 of the PricewaterhouseCooper's report.

Recommendation No. 3: We recommend that USAID/Zambia ensure that the Churches Health Association of Zambia correct the instance of material noncompliance (staff salary costs paid not supported by timesheets) detailed on page 20 of the PricewaterhouseCooper's report.

In accordance with USAID's Automated Directives System (ADS) 595.3.1.1.a and 595.3.1.5.a, an audit recommendation without management decision may be elevated three months after issuance. Contract, Grant, or Agreement Officers make management decisions on questioned costs and procedural audit recommendations resulting from Office of Inspector General (OIG) desk reviews of financial audits of contractors and grantees. Mission Directors make management decisions for audit recommendations pertaining to Strategic Objective Grant Agreements that he/she signs. Please have the responsible official provide RIG/Pretoria with written notice within thirty days on any information related to actions planned or taken to implement the report recommendations.

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Churches Health Association of Zambia
Grant Management Unit
Report on financial audit of
CHAZ/USAID Cooperative Agreement
Number 690-A-00-99-00265-00
for the eighteen month period ended
31 March 2002

PRICEWATERHOUSECOOPERS 

**Churches Health Association of Zambia (CHAZ)
Grant Management Unit (GMU)
Report on the financial audit Of
CHAZ/USAID Cooperative Agreement
Number 690-A-00-99-00265-00**

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**Churches Health Association of Zambia (CHAZ)
Grant Management Unit (GMU)
Report on the financial audit of
CHAZ/USAID Cooperative Agreement
Number 690-A-00-99-00265-00**

Background

In October 1999 the United States Agency for International Development (USAID) and the Churches Health Association of Zambia (CHAZ) signed a Co-operative agreement number 690-A-00-99-00265-00 to provide support for a program in Population, Health, and Nutrition. The Co-operative Agreement provided US\$2,365,582 to CHAZ. CHAZ is implementing its programs through the following four Non-Governmental Organisations (NGOs): Christians Children Fund (CCF), Development Aid from People to People (DAPP), World Vision International (WVI) and Adventist Development Relief Agency (ADRA).

The purpose of the agreement was to provide support to CHAZ as a partner NGO for a program in population, Health and Nutrition. The agreement enabled the establishment of the Grant Management Unit (GMU) under CHAZ to monitor the whole program.

Management

GMU through the partner NGO's, manages and oversees the implementation of the agreement activities. It conducts workshops for the respective communities together with the partner NGO's, coordinates issues of self sustainable provision of community health services and provides the target communities with the requirements for the effective quality living examples.

Objectives and scope of the financial audit

Audit objectives

The specific objectives of the audit of the USAID funds are to:

- a) Express an opinion on whether the fund accountability statement for the USAID-funded programs presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- b) Evaluate and obtain a sufficient understanding of the recipient's internal control related to the USAID-funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses.
- c) Perform tests to determine whether the recipient complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID-funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified.
- d) Perform an audit of the indirect cost rate.
- e) Determine if the recipient has taken adequate corrective action on prior audit report recommendations.

**Churches Health Association of Zambia (CHAZ)
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Audit Scope and plan

Except for not conducting an external quality control review by an unaffiliated audit organisation and not having a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.6 of U.S. Government Auditing Standards (as described in our report on the fund accountability statement). We carried out a financial audit of CHAZ/ GMU USAID funded program for the eighteen month period ended 31 March 2002, in accordance with Government Auditing Standards issued by the Controller General of the United States. The audit scope and plan required were:

- Examine the fund accountability statement and express our opinion thereon;
- Review and evaluate CHAZ/GMU's internal controls related to USAID programs to obtain an understanding of the design of relevant control policies and procedures and assess the risks and identify reportable conditions including material internal control weakness;
- Perform tests to determine whether the association complied in all material respects, with agreement terms, applicable laws and regulation, and report all material instances of noncompliance;
- Review general ledgers and project ledgers to determine whether costs incurred were properly recorded;
- Review the procedures used to control the funds, including their channeling to the sub-grantees;
- Determine whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available;
- Determine whether program income is recorded and accounted for;
- Review procurement procedures to determine that sound commercial practices including competition were used, reasonable prices were obtained, and whether there were adequate controls over the qualities and quantities received;
- Review direct salary charges to determine whether salary rates are reasonable for that position, in accordance with those approved by USAID, and supported by appropriate payroll records;
- Review travel and transportation charges to determine whether they are adequately supported and approved;
- Review commodities procured by the recipient as well as those directly procured by USAID for CHAZ's use;
- Review technical assistance and services procured by the recipient as well as those procured directly by USAID for CHAZ;
- Determine if CHAZ/GMU has taken corrective action of prior year recommendations;
- Examine CHAZ/GMU's general purpose financial statements for the purposes of auditing the indirect cost rate; and
- Examine the actual indirect cost rates for the year and express an opinion thereon.

Summary of audit results

a) *The following are the significant results of our audit:*

- Our opinion on the Fund Accountability Statement prepared by management is qualified;
- A total of US\$ 175,159 of questioned costs were noted during the audit all due to a lack of adequate support documentation, although these are unsupported, they may not necessarily

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be ineligible because significant portion of this amount relates to payments made to statutory bodies and staff costs not supported with timesheets ;

- Our review of implementation of prior year audit recommendations on internal controls has revealed that all but two recommendations have been implemented ie payments for purchases to be done by cheque at WVI and reporting of expenditure by budget line at DAPP and WVI;
- In examining the CHAZ general purpose financial statements for the purpose of auditing the indirect cost rate we noted that the GMU financial statements are not included in the CHAZ general purpose financial statements. A consolidation of the two financial statements for the year ended 31 March 2002 was necessary to arrive at an indirect cost rate;
- The indirect cost rate has been determined to be 34% from the 2000 rate of 33%; and
- The cooperative agreement does not include cost sharing.

b) Summary of review results and findings on internal control structure and compliance with agreement terms and applicable laws with management comments.

Findings	Management comments	Auditors response
<p>Compliance with agreement terms and applicable laws</p> <ul style="list-style-type: none"> • Staff salary cost paid to employees were not supported by timesheets • Bonuses paid to employees were not being taxed. • We noted that the amount being deducted for NAPSA (National Pension Scheme Authority) for 7 employees was K89,000 exceeding the limit set of K51,483. In addition we also noted that the employer contribution to NAPSA was not being made. • We could not find supporting documents for payments amounting to K32,976,061 (US\$ 9,032). 	<p>None received up to the date of signing these reports.</p>	<p>The final draft report was approved by USAID on 7 June 2005 and was issued to CHAZ on 22 June 2005. Subsequently, on 11 July 2005, time sheets were made available to us. However, under Guidelines for financial audits contracted by foreign recipients section 5.3 (b), "Findings that involve monetary effect must, be reported without regard to whether the conditions giving rise to them were corrected." Consequently, no adjustments have been made to our following opinions:</p> <ul style="list-style-type: none"> • Fund accountability statement (page 7-8) • Compliance (page 16-17) • Internal control (page 18-19)

Churches Health Association of Zambia (CHAZ)
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Findings	Management comments	Auditors response
<p><i>Internal control structure</i></p> <ul style="list-style-type: none"> • We noted failures in the design of the internal control structure resulting in the project failing to: Withhold and submit taxes on bonuses paid to employees, compute accurate amounts of NAPSA pension deductions to be withheld from staff emoluments, and observe statutory requirements employer contributions to employee pension schemes. • The cashbooks maintained by the projects were not analysed according to the budget lines agreed for reporting purposes. • Staff salary costs paid to GMU staff were not supported by timesheets. 	<p>None received up to the date of signing these reports.</p>	<p>The final draft report was approved by USAID on 7 June 2005 and was issued to CHAZ on 22 June 2005. Subsequently, on 11 July 2005, time sheets were made available to us. However, under Guidelines for financial audits contracted by foreign recipients section 5.3 (b), "Findings that involve monetary effect must, be reported without regard to whether the conditions giving rise to them were corrected." Consequently, no adjustments have been made to our following opinions:</p> <ul style="list-style-type: none"> • Fund accountability statement (page 7-8) • Compliance (page 16-17) • Internal control (page 18-19)

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C) *Status of prior year internal control recommendations*

Recommendation	Status of Implementation
<i>Bank and cash</i>	
Bank reconciliations should be reviewed and signed by a senior official to ensure errors and frauds are not perpetrated.	Implemented.
As much as possible, goods and services should be paid for by cheque to safeguard the project's funds.	Implemented. Except for World Vision project in Lufwanyama.
<i>Payroll expenses</i>	
Project employees should be paid their remuneration with the amounts stipulated in that employment contracts.	Implemented.
<i>General - other recommendations</i>	
It was recommended that a project driver be employed as soon as possible as this has been catered for in the budget.	Implemented.
It was recommended that management consider acquiring a computer for the CCF project.	Implemented. Excel is being used to record the transactions.
The information posted to the computerised accounting system should as clearly as possible have easily identifiable reference to the source transactions. It was recommended for the use of cheque number as this also provides a sequence control of the cheques. Adjusting journals should also be referenced.	Implemented.
It was recommended that the cashbooks of all projects be designed to reflect budget lines of expenditure.	Not implemented.

**Churches Health Association of Zambia (CHAZ)
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Statement of responsibility for project fund accountability statement

The management is responsible for preparing the fund accountability statements for each financial year which give a true and fair view of the state of affairs of CHAZ/GMU and of the surplus or deficit and cash flows for that period. In preparing those fund accountability statements, the management select suitable accounting policies and then apply them consistently, make judgments and estimate that are reasonable and prudent and follow applicable accounting standards.

The management is responsible for ensuring that CHAZ/GMU keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of CHAZ/GMU. The management is also responsible for the prevention and detection of fraud and other irregularities

Managements' statements on the fund accountability statement

We, the management of CHAZ/GMU are of the opinion that:

- a) The fund accountability statements are drawn up so as to give a true and fair view of the surplus of CHAZ/GMU for the eighteen month period ended 31 March 2002 and the fund balances held at that date; and
- b) There are reasonable grounds to believe that CHAZ/GMU will be able to pay its liabilities as and when they fall due.

Signed on its behalf by:


Dr G Biemba
Executive Director
Churches Health Association
of Zambia


Mrs B Musamba
Grant manager
CHAZ/ Grant Management
Unit

26 August 2005

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Independent auditors report on the Fund Accountability Statement

We have audited the fund accountability statement of CHAZ/GMU for the eighteen month period ended 31 March 2002. The fund accountability statement is the responsibility of the CHAZ/GMU management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the following two paragraphs, we conducted our audit of the fund accountability statement in accordance with US Government Auditing Standards issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.6 of U.S. Government Auditing Standards. However, our current program provides for at least (number) hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We did not have an external quality control review by an unaffiliated audit organisation as required by Chapter 3, paragraph 3.33 of U.S. Government Auditing Standards, since no such program is offered by professional organisations in Zambia. We believe that the effects of this departure from U.S. Government Auditing Standards is not material because we participate in the PricewaterhouseCoopers worldwide internal quality control review program which requires our office to be subjected, every two years, to an extensive quality control review by partners and managers from other affiliate offices."

The results of our tests disclosed the following material questioned costs as detailed in the fund accountability statement, USD164,073 in costs that are not supported with adequate documentation. On 11 July 2005, time sheets were made available to us. However, under Guidelines for financial audits contracted by foreign recipients section 5.3 (b), "findings that involve monetary effect must be reported without regard to whether the conditions giving rise to them were corrected." Consequently, no adjustments have been made to our opinion"

Independent auditors report on the Fund Accountability Statement (continued)

In our opinion, except for the effects of the questioned costs discussed in the preceding paragraph, the fund accountability statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the eighteen month period ended 31 March 2002 in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1.

In accordance with US Government Auditing Standards, we have also issued our reports dated 26 August 2005 on our consideration of CHAZ/GMU internal control over financial reporting and out tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with US Government Auditing Standards and should be read in conjunction with this Independent's Auditor's Report in considering the results of our audit.

This report is intended for the information of CHAZ/GMU and USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

PriceWaterhouseCoopers

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Chartered Accountants

26 August 2005

Churches Health Association Of Zambia (CHAZ)
Grant Management Unit (GMU)
Fund Accountability Statement
from 1 October 2000 to 31 March 2002

	Budget	Actual	Questioned Costs Ineligible	Costs Unsupported	Note
	\$	\$	\$	\$	
Revenue					
USAID grant	<u>2,425,502</u>	<u>1,341,238</u>	-	-	
Costs incurred					
Subgrant					
ADRA	454,980	247,905	-	9,032	5
CCF	454,980	261,814	-	-	
DAPP	454,980	231,683	-	-	
WVI	454,980	226,019	-	2,054	5
	<u>1,819,920</u>	<u>967,421</u>	-	<u>11,086</u>	
Human resources	273,570	164,073	-	164,073	5
Indirect cost	150,257	93,303	-	-	
Other direct costs	60,593	44,309	-	-	
Transportation	66,185	21,241	-	-	
Workshops and training	54,977	45,950	-	-	
	<u>605,582</u>	<u>368,876</u>	-	<u>164,073</u>	
Total costs incurred	<u>2,425,502</u>	<u>1,336,297</u>	-	<u>175,159</u>	
Outstanding fund balance	-	<u>4,941</u>			
Represented by:					
Cash balance at 1 October 2000	-	(4,298)			
Translation difference	-	(4,435)			
Cash balance at 31 March 2002	-	<u>13,674</u>			
	-	<u>4,941</u>			

**Churches Health Association Of Zambia (CHAZ)
Grant Management Unit (GMU)
Notes to the fund accountability statement
for the eighteen month period ended 31 March 2002**

1. Basis of preparation

The fund accountability statement is prepared on a cash basis. Revenue and expenditure are recognised when cash is received and expenses are paid.

2. Revenue

Revenue represents the grant received from USAID. Bank interest and other income is included in the financial statement when received.

3. Foreign currencies

Transactions during the period in foreign currencies are converted to US Dollars at calculated monthly average rates of exchange. Balances expressed in foreign currencies at the period end are translated in US Dollars at rates ruling then. The resulting difference from conversion and translation is disclosed as a reconciling item in the fund balance reconciliation.

Average rate of Kwacha to the United States Dollar	
12 months	K3,651
18 months	K3,732

4. Costs incurred

Costs incurred represent monies spent on budget lines.

5. Unsupported Costs (see page 16)

These are costs that were not supported with either receipts or invoices from suppliers. Below are details of the unsupported expenses noted during the period under review in the following projects:

ADRA

A total expenditure of USD 241,355 was verified out of which USD 9,032 was unsupported; representing 3.7% of the total population. The following are details of the unsupported payments:

	Date	USD
Kacholola hotel	06/04/01	1,369.44
Nyimba health project	04/06/01	1,095.55
Passmore masenke	07/04/01	273.89
Chanon Hachandi	07/23/01	1,585.81
ZRA	07/25/01	3,190.18
Payment	09/09/01	219.11
ZRA	09/13/01	785.98
NAPSA	09/13/01	26.87
NAPSA	09/28/01	53.74
Maybin shamboko	11/19/01	213.08
Hapson Hamukali	11/23/01	164.33
Napsa	12/09/01	53.74
Total		9,031.72

**Churches Health Association Of Zambia (CHAZ)
Grant Management Unit (GMU)
Notes to the fund accountability statement
for the eighteen month period ended 31 March 2002**

World Vision

A total expenditure of USD 210,923 was verified out of which USD 2,054 was unsupported; representing 1% of the total population. The following are details of the unsupported payments:

	Date	USD
Kangwa Makasa	04/02/01	16.57
K Makasa	06/22/01	82.17
E Maumbi	07/30/01	1,583.40
Titanium paints	08/25/01	42.80
K Makasa	09/24/01	54.78
Maumbi	10/08/01	260.19
Taxi hire	01/23/02	13.69
		<u>2,053.60</u>

Human resources

Staff salary costs paid amounting to USD 164,073 were not supported by timesheets.

6. Currency

The fund accountability statement is prepared in United States Dollar.

7. Indirect costs (see page 13)

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Report on the Schedule of Computation of Indirect Cost Rate

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of computation of indirect cost rate contained on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Because the audited CHAZ general purpose financial statements for the year ended 31 March 2002 did not include the CHAZ/GMU fund accountability statement for the same period, the information used in calculating the indirect cost rate results from the consolidation of expenditure reported in the general purpose financial statements of CHAZ for the year ended 31 March 2002 with that for CHAZ/GMU for the same period.

In our opinion, except for any adjustments that might have been found necessary due to the effects of the issue discussed in the preceding paragraph, the indirect cost rate is fairly stated in all material respects in relation to the basic financial statements taken as whole.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

Chartered Accountants

26 August 2005

**Churches Health Association Of Zambia (CHAZ)
Grant Management Unit (GMU)
Indirect Cost Rate
for the year ended 31 March 2002**

Expenditure	Exclusion/ unallowable expenses		Direct cost base	Indirect costs pool
	USD	USD	USD	USD
Annual General Meeting expenses	27,127	-	-	27,127
Audit fees	9,998	-	-	9,998
Bank charges	10,934	-	-	10,934
Committee expenses	6,773	-	-	6,773
Depreciation	58,665	52,982	-	5,683
Electricity and water	10,994	-	-	10,994
Food relief expenses	32,402	-	32,402	-
Grant Management Unit (GMU)	1,024,738	*768,029	187,687	69,022
Insurance	2,085	-	-	2,085
Legal fees	3,041	3,041	-	-
Malaria control	8,765	-	8,765	-
Miscellaneous expenses	5,680	5,680	-	-
Motor vehicle expenses	5,486	-	5,486	-
Planning meeting expenses	3,413	-	-	3,413
Postage and telephone	11,496	-	-	11,496
Printing and stationery	5,691	-	-	5,691
Project expenses	**1,122,673	-	1,122,673	-
Rent and rates	1,757	-	-	1,757
Repairs and maintenance	15,731	-	-	15,731
Security	2,888	-	-	2,888
Staff costs	270,343	-	-	270,343
Training expenses	19,076	-	-	19,076
Traveling expenses	8,040	-	-	8,040
WCC workshop expenses	41,488	-	41,488	-
Total	***2,709,284	829,732	1,398,501	481,051

Indirect cost rate = $\frac{\text{Indirect cost pool}}{\text{Direct cost base}} = \frac{481,051}{1,398,501} = 34\%$

**Churches Health Association Of Zambia (CHAZ)
Grant Management Unit (GMU)
Indirect Cost Rate
for the year ended 31 March 2002**

Notes to the indirect cost rate computation

The indirect cost rate is based on 12 months figures to 31 March 2002.

* These are payment made to subgrants during the 12 months to 31 March 2002 excluded as direct costs from the computation as per Cooperative Agreement attachment 1 pg 5 (Indirect Costs).

** These are costs incurred on specific projects by CHAZ. See the general purpose financial statements note 5 (please note that the general purpose financial statements are in kwacha)

*** Reconciliation of total expenditure per indirect cost rate to the general purpose financial statements (GPFS)

	USD
- Balance per indirect cost computation	2,709,284
- Less GMU expenses	<u>(1,024,738)</u>
- Revised costs	<u>1,684,546</u>
- Balance per GPFS	<u>1,684,546</u>

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**Independent auditors report on the general purpose financial statements of CHAZ
for the year ended 31 March 2002**

We reviewed the general purpose financial statements for the year ended 31 March 2002 and note that the audit of them was done by Deloitte & Touche.

The audit reports on the general purpose financial statements for the years ended 31 March 2002 dated 17 June 2002 are unqualified.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

Chartered Accountants

26 August 2005

PricewaterhouseCoopers
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Board of Directors
Churches Health Association of Zambia (CHAZ)
Grant Management Unit (GMU)
PO Box 34511
Lusaka

Independent auditors report on compliance

We have audited the fund accountability statement of CHAZ/GMU as of and for the eighteen month period ended March 31, 2002, and have issued our report on it dated 26 August 2005.

Except for not conducting an external quality control review by an unaffiliated audit organisation and not having a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.6 of U.S. Government Auditing Standards (as described in our report on the fund accountability statement), we conducted our audit in accordance with US Government Auditing Standards issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the fund accountability statement amounts.

Compliance with agreement terms and laws and regulations applicable to CHAZ/GMU is the responsibility of CHAZ/GMU's management. As part of obtaining reasonable assurance about whether the funds accountability statement is free of material misstatement, we performed tests of CHAZ/GMU's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our compliance tests disclosed the following material instances of noncompliance, the effects of which are shown as questioned costs in CHAZ/GMU's 2002 fund accountability statement.

- Staff salary cost paid amounting to USD 164,073 were not supported by timesheets. (See appendix A for detailed findings). On 11 July 2005, time sheets were made available to us. However, under Guidelines for financial audits contracted by foreign recipients section 5.3 (b), "findings that involve monetary effect must, be reported without regard to whether the conditions giving rise to them were corrected." Consequently, no adjustments have been made to our opinion"



Independent auditors report on compliance (continued)

We considered these material instances of noncompliance in forming our opinion on whether CHAZ/GMU's 2002 fund accountability statement is presented fairly, in all material respects, in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1 to the fund accountability statement, and this report does not affect our report on the fund accountability statement dated 26 August 2005.

We noted certain immaterial instances of noncompliance that we have reported to the management of CHAZ/GMU's as noted below (See appendix A for detailed findings).

- Bonuses paid to employees were not taxed.
- The indirect cost rate recomputed was 34% compared to 33% used by CHAZ to claim indirect costs from USAID.

This report is intended for the information of CHAZ/GMU and the US Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers
PRICEWATERHOUSECOOPERS 

Chartered Accountants

26 August 2005

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P O Box 34511
Lusaka.

Independent auditors report on internal controls

We have audited the fund accountability statement of CHAZ/GMU as of and for the eighteen month period ended 31 March 2002 and have issued our report on it dated 26 August 2005.

Except for not conducting an external quality control review by an unaffiliated audit organization and not having a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.6 of U.S. Government Auditing Standards (as described in our report on the fund accountability statement), we conducted our audit in accordance with US Government Auditing Standards issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

The management of CHAZ/GMU is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting described in Note 1 to the fund accountability statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the fund accountability statement of CHAZ/GMU for the eighteen month period ended 31 March 2002, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

Independent auditors report on internal controls (continued)

- We noted certain matters involving internal control and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the recipient's ability to record, process, summarise, and report financial data consistent with the assertions of management in the fund accountability statement. We have reported these matters to the CHAZ/GMU management in this report as noted below (see appendix B for detailed findings)
- Income taxes and NAPSA not remitted to relevant authorities.
- Cashbook not analysed according to budget

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the fund accountability statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

- Our consideration of internal control would necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted the following material weakness staff salary cost paid amounting to USD 164,073 were not supported by timesheets. On 11 July 2005, time sheets were made available to us. However, under Guidelines for financial audits contracted by foreign recipients section 5.3 (b), "findings that involve monetary effect must, be reported without regard to whether the conditions giving rise to them were corrected." Consequently, no adjustments have been made to our opinion."

We also noted other matters involving internal control and its operation that we have reported to management of CHAZ/GMU in a separate letter dated 26 August 2005 (see appendix C).

This report is intended for the information of CHAZ/GMU and the US Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Price Waterhouse Coopers

PRICEWATERHOUSECOOPERS 

Chartered Accountants

26 August 2005

Detailed compliance findings

Appendix A



**Churches Health Association of Zambia (CHAZ)
Grant Management Unit (GMU)
Report on compliance detailed findings**

1. No timesheets for staff salary costs paid

Condition

Staff salary costs paid to GMU staff were not supported by timesheets.

Recommendation/criteria

All staff salary costs must be supported by timesheets as required by the OMB cost principle-122A attachment B 7 m (version dated 03/21/02).

Cause

Management believed that because all the GMU staff were employed on a fulltime basis by CHAZ/GMU project, there was no need to maintain separate timesheets.

Effect

Non compliance with OMB cost principles A-122 attachment B 7 m (version dated 03/21/02).

Management comment

None received up to the time of signing the report on 26 August 2005.

2. Payroll

Condition

Bonuses paid to employees USD441 were not taxed.

Recommendation/criteria

All staff related emoluments and benefits should be taxed and the taxes remitted to ZRA as required by the Zambia Income Tax Act section 46.

Cause

Lack of understanding of the tax laws by management.

Effect

Potential penalties and interest of USD 217 on taxes not paid. Non compliance with OMB cost principles A-122 attachment B 51 a

Management comment

None received up to the time of signing the report on 26 August 2005.

**Churches Health Association of Zambia (CHAZ)
Grant Management Unit (GMU)
Report on compliance detailed findings (continued)**

3. Napsa pension payments

Condition

We discovered that the amount being deducted for NAPSA for 7 employees exceeded the limit set of K51,483 (USD14) by K89,000 (USD24). In addition we also noted that the employer contribution to NAPSA was not being made.

Recommendation/criteria

Only 5% of an employees gross salary up to a limit of K51,483 (USD14) should be deducted for NAPSA. The employer should in turn also contribute a 100% of the employees contribution to NAPSA as required under section 14 (1) of the National pension Scheme Act.

Cause

Lack of understanding of the NAPSA laws by management.

Effect

Non-compliance with the laws and regulations which could lead to the project incurring fines and penalties and in addition possible legal action from employees for over deduction of pension contributions. Non compliance with OMB cost principles A-122 attachment B 51 a

Management comment.

None received up to the time of signing the report on 26 August 2005.

4. Supporting documents

Condition

We could not find supporting documents for payments amounting to K32,976,061 (USD 9,032).

Recommendation/criteria

All supporting documents for payments, ie suppliers' invoices or receipts, should be filed properly and retained for future reference as required under chapter 4 of paragraph 4.5 (a) of the USAID guidelines for financial audits contracted by foreign recipient.

Cause

Poor filing

Effect

Non-compliance with the cooperative agreement attachment 3 page 1 section 2(a).

Management comment

None received up to the time of signing the report on 26 August 2005.

**Churches Health Association of Zambia (CHAZ)
Grant Management Unit (GMU)
Report on compliance detailed findings (continued)**

5. Indirect Cost Rate

Condition

The indirect cost rate of 33% used to compute the indirect costs claims by CHAZ was less than the actual rate for the year by 1%.

Recommendation/criteria

All the indirect cost claims should be based on the actual indirect cost rate computed for the year audited by an independent auditor as required under chapter 4 of paragraph 4.25 and 4.26 of the USAID guidelines for financial audits contracted by foreign recipient.

Cause

The indirect cost claims were based on the provisional rate.

Effect

CHAZ has under recovered/claimed from GMU indirect costs incurred and should be reimbursed by USAID.

Management comment

None received up to the time of signing the report on 26 August 2005.

Detailed internal control findings

Appendix B

**Churches Health Association of Zambia (CHAZ)
Grant Management Unit (GMU)
Report on internal controls detailed findings**

1. No timesheets for staff salary costs paid

Condition

Staff salary costs paid to GMU staff were not supported by timesheets.

Recommendation/criteria

All staff salary costs must be supported by timesheets as required by the OMB cost principle-122A attachment B 7 m (version dated 03/21/02).

Cause

Management believed that because all the GMU staff were employed on a fulltime basis by CHAZ/GMU project, there was no need to maintain separate timesheets.

Effect

Non compliance with OMB cost principles A-122 attachment B 7 m (version dated 03/21/02).

Management comment

None received up to the time of signing the report on 26 August 2005.

2. Income taxes and NAPSA not remitted to the relevant authorities.

Condition

We noted failures in the design of the internal control structure resulting in the project failing to:

- Withhold and submit taxes on bonuses paid to employees,
- Compute accurate amounts of NAPSA pension deductions to be withheld from staff emoluments, and
- Observe statutory requirements for the project to contribute and remit an equivalent of 100% of it's employees' NAPSA pension contributions.

Recommendation/criteria

The Project should put in place a check list system to help ensure that all statutory deductions are made on all emoluments paid, their accuracy is checked by a responsible official and that proper and accurate remittances are made to the relevant authorities by the respective due dates.

Cause

Inadequate design of the internal control structure.

Effect

None compliance with laws and regulations, which could result in fines and penalties being suffer by CHAZ.

Management comment

None received up to the time of signing the report on 26 August 2005.

Churches Health Association of Zambia (CHAZ)
Grant Management Unit (GMU)
Report on internal controls detailed findings (continued)

3. Cashbooks not analysed according to the budget.

Condition

The cashbooks maintained by the projects were not analysed according to the budget lines agreed for reporting purposes.

Criteria

The budget should be used as a basis for the expenditure categorisation in the cashbook.

Cause

Poor communication between the GMU and the subgrants.

Effect

Loss of monitoring control over expenditure.

Management comment

None received up to the time of signing the report on 26 August 2005.

Management letter

Appendix C

Board of Directors
Churches Health Association of Zambia (CHAZ)
Grant Management Unit (GMU)
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Lusaka.

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26 August 2005

Dear Sir

Management letter

We have audited the fund accountability statement of CHAZ/GMU as of and for the eighteen month period ended 31 March 2002 and have pleasure in presenting our finding and recommendation to you.

The matter contained in this letter came to our notice during the course of our normal audit procedures, which are designed primarily for the purpose of expressing our opinion on the fund accountability statement of CHAZ/GMU. This letter may not, therefore, include all the weaknesses that a special examination of systems might identify.

This letter has been prepared solely for your use and should not be quoted, either in full or in part, without our prior written consent. No responsibility to any third party is accepted as the letter has not been prepared for, and is not intended for, any other purpose.

The matter referred to below in this letter has been communicated and discussed with the Project managers.

Despite the amounts involved not being significant, we noted that some petty cash vouchers were not approved. This is not in compliance with the CHAZ/GMU financial management procedures that require all petty cash vouchers to be approved before payment is made. No management comment was received on this matter up to the date of signing this report.

We would like to take this opportunity to thank management and staff of the Project for the co-operation accorded to us during the audit.

Yours faithfully

PricewaterhouseCoopers
PRICEWATERHOUSECOOPERS 

**CHURCHES' HEALTH ASSOCIATION OF
ZAMBIA**

FINANCIAL STATEMENTS
for the year ended 31 March 2002

CHURCHES' HEALTH ASSOCIATION OF ZAMBIA

FINANCIAL STATEMENTS

for the year ended 31 March 2002

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**Deloitte
& Touche**

REPORT OF THE AUDITORS

To: The Board of Management
Churches' Health Association of Zambia

We have examined the financial statements on pages 3 to 13 which have been prepared on the basis of accounting policies on pages 7 and 8.

RESPECTIVE RESPONSIBILITIES OF THE BOARD OF MANAGEMENT AND AUDITORS

As described on page 1, the Board of Management is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed. We consider that our audit procedures were appropriate in the circumstances to support our opinion presented below.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Association's affairs at 31 March 2002 and the net incoming resources and cash flows for the year then ended and comply with operative Zambia Accounting Standards.

Deloitte & Touche

DELOITTE & TOUCHE

17 June 2002

**Deloitte
Touche
Tohmatsu**

CHURCHES' HEALTH ASSOCIATION OF ZAMBIA**INCOME AND EXPENDITURE STATEMENT**

for the year ended 31 March 2002

Kwacha '000

	NOTES	Unrestricted funds	Restricted funds	2002	2001
Incoming resources					
Income	3	694,022	4,292,139	4,986,161	3,892,926
Other income	4	349,382	331,659	1,681,041	230,487
Total income resources		<u>2,043,404</u>	<u>4,623,798</u>	<u>6,667,202</u>	<u>5,123,413</u>
Resources expended					
Project expenses	5		4,098,879	4,098,879	3,187,163
Staff costs		987,024		987,024	529,400
Depreciation	7	214,187		214,187	158,823
Other operational costs		850,191		850,191	456,795
Total resources expended		<u>2,051,402</u>	<u>4,098,879</u>	<u>6,150,281</u>	<u>4,332,181</u>
Net (outgoing) incoming resources		<u>(7,998)</u>	<u>524,919</u>	<u>516,921</u>	<u>791,232</u>

CHURCHES' HEALTH ASSOCIATION OF ZAMBIA

**STATEMENT OF MOVEMENTS IN ACCUMULATED FUND
for the year ended 31 March 2002**

Kwacha '000	Contributed capital	Revaluation reserves	Accumulated fund	Total
Balance at 1 April 2000	1,574	1,194,151	924,326	2,120,051
Net incoming resources for the year			791,232	791,232
Transfer from revaluation reserve		(19,393)	19,393	
Balance at 31 March 2001	1,574	1,174,758	1,734,951	2,911,283
Net incoming resources for the year			516,921	516,921
Transfers from revaluation reserve		(19,393)	19,393	
Balance at 31 March 2002	1,574	1,155,365	2,271,265	3,428,204

CHURCHES' HEALTH ASSOCIATION OF ZAMBIA

STATEMENT OF CASH FLOWS

for the year ended 31 March 2002

Kwacha '000

	NOTES	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Net incoming resources for the year		516,921	791,232
Adjusted for:			
Amortisation of capital grants	6	(186,988)	(122,021)
Depreciation	7	214,187	158,823
Interest received		(2,721)	(13,586)
Operating cash inflows before changes in working capital		541,399	814,448
Decrease (increase) in stocks		304,557	(308,342)
(Increase) decrease in debtors		(34,454)	39,611
Increase in amounts payable to member institutions		45,861	61,315
Increase (decrease) in other creditors and accrued expenses		204,843	(111,485)
(Decrease) increase in employee provisions		(63,105)	27,749
Increase in deferred liabilities		220,372	55,869
Net cash inflows from operating activities		579,165	579,165
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets	7	(206,483)	(503,747)
Interest received		2,721	13,586
Net cash outflows to investing activities		(203,762)	(490,161)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital grants received during year	6	193,717	433,636
Net cash inflows from financing activities		193,717	433,636
Net cash inflows		1,209,428	522,640
Bank and cash balances at beginning of year		1,390,936	868,296
Net bank and cash balances at end of year		2,600,364	1,390,936
Comprised of:			
Bank and cash balances		2,604,169	1,390,936
Bank overdraft		(3,805)	
		2,600,364	1,390,936

CHURCHES' HEALTH ASSOCIATION OF ZAMBIA

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis of accounting, as modified by the revaluation of certain tangible fixed assets, and comply with operative Zambia Accounting Standards.

INCOME

Income represents donations received during the year.

PROJECT EXPENSES

These relate to expenses incurred on specific project activities and are included in the income and expenditure statement in the period in which the payment is made.

PROVISION

Provisions are recognised when the Secretariat has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

PROVISION FOR BAD AND DOUBTFUL DEBTS

Any debts identified as bad are written off. Where it is likely that a debt may eventually become bad, a specific provision is made in the financial statements to reflect the reality.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are accounted for at cost, but adjustments are made when the recoverable or payable amounts change from the carrying values. Fair values of financial instruments are disclosed where these differ from the carrying values. Income or expenditure relating to financial assets or liabilities is accounted for on an accruals basis.

TANGIBLE FIXED ASSETS

Leasehold buildings are stated in the balance sheet at valuation less depreciation.

Other assets are stated in the balance sheet at cost less depreciation.

DEPRECIATION

Depreciation is charged to write off the cost or valuation of tangible fixed assets over their expected useful lives on a straight line basis, at the following annual rates:

Leasehold buildings	remaining period of lease
Other equipment	20%
Motor vehicles	25%
Computer equipment	33%

CAPITAL GRANTS

Capital grants represent amounts received from foreign aid agencies for the purchase or construction of tangible fixed assets. The grants are credited to the income and expenditure statement in equal annual instalments over the expected useful lives of the related assets. Capital grants included in the balance sheet represent total grants receivable to date, less amounts so far transferred to the income and expenditure statement.

REVALUATION RESERVE

The surplus arising on revaluation of tangible fixed assets is credited to a revaluation reserve. A transfer is made from this reserve to the accumulated fund each year equivalent to the difference between the actual depreciation charge for the year and the depreciation charge based on historical values.

STOCKS

Stocks are stated in the balance sheet at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method and includes all costs incurred in bringing the stock to its present location and condition.

TRANSLATION OF FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into Zambian Kwacha at the rates of exchange ruling at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated into Kwacha at the rates of exchange ruling at the balance sheet date. Gains and losses arising on translation are included in the income and expenditure account in the period in which they arise.

RETIREMENT BENEFITS

Certain of the Association's employees are on 3 year contracts and gratuity is payable at 25% of the annual gross remuneration. The Association's employees that are on permanent contracts and have served for more than 10 years are eligible for three months pay for each year of service.

The portion of the provision which is estimated to become payable after more than one year is shown as a deferred liability.

CHURCHES' HEALTH ASSOCIATION OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

Kwacha '000

1. PRINCIPAL ACTIVITY

The Association's principal activity is the co-ordination of the activities of Church administered health institutions.

2. TAXATION

The Association is exempt from taxation under section 15 of the Income Tax Act 1996, as amended.

3. INCOME

Income represents donations from the following donors:

	Unrestricted funds	Restricted funds	2002	
DanChurchAid		√1,529,692	1,529,692√	2,068,588
CORDAID		√1,050,345	1,050,345√	614,575
NORAD	-	828,441	828,441√	312,321
Central Board of Health	426,448	-	426,448√	
Canadian Public Health	-	208,984	208,984√	
Leprosy Mission	-	203,714	203,714√	
World Health Organisation - UNAIDS	-	√178,793	178,793√	
Southern African AIDS Training Programme	-	140,675	140,675√	68,880
GRZ Disaster Management	137,354	-	137,354√	
World Council of Churches	130,220	-	√130,220√	-
International Family Health	-	109,547	√109,547√	175,439
Beit Trust	-	41,948	√41,948	-
Danish International Development Assistance	-	-	-	454,100
United States Agency for International Development	-	-	-	31,072
	694,022	4,292,139	4,986,161	3,892,926

4. OTHER INCOME	Unrestricted funds	Restricted funds	2002	2001
Administration, service and clearance fees	509,827		509,827	329,960
Sale of drugs, seeds and mosquito nets	493,329	-	493,329	479,472
Exchange gains	168,352	144,671	313,023	118,378
Amortisation of capital grants (note 6)	-	186,988	186,988	122,021
Rent receivable	81,901		81,901	84,909
Miscellaneous income	48,136		48,136	54,534
Members' contribution to Annual General Meeting expenses	14,714		14,714	9,369
Warehouse Project	14,549		14,549	
Membership fees	14,436		14,436	14,116
Interest receivable	2,721		2,721	13,586
Sale of miscellaneous equipment	1,417		1,417	4,142
	<u>349,382</u>	<u>331,659</u>	<u>1,681,041</u>	<u>1,230,487</u>

5. PROJECT EXPENSES

DanChurchAid - AIDS and Eye Projects	1,745,479	818,581
CORDAID - Planning and Development Project	454,854	157,899
CORDAID - Pharmaceutical Services Project	427,381	414,428
NORAD - Drug Revolving Fund Project	658,228	-
NORAD - Malaria Control Fund Project	191,125	27,739
Leprosy Mission Project	164,439	97,199
International Family Health Project	156,462	215,435
World Health Organisation - United Nations AIDS Project	91,707	-
Southern Africa Aids Training Program	84,162	72,855
Danish International Development Assistance - Drugs Fund	73,307	380,793
Canadian Public Health Project	40,315	-
Beit Trust Project	11,420	2,234
	<u>4,098,879</u>	<u>3,187,163</u>

Project expenses represents expenditure relating to specific projects.

It is outside the scope of these financial statements to cover the eventual utilisation of funds transferred to the beneficiary institutions.

6 CAPITAL GRANTS

	2002	2001
Balance at beginning of the year	790,045	478,430
Additions during the year	193,717	433,636
Amortisation (note 4)	<u>(186,988)</u>	<u>(122,021)</u>
Balance at end of the year	<u>796,774</u>	<u>790,045</u>

7 TANGIBLE FIXED ASSETS

	Leasehold buildings	Motor vehicle	Equipment	Total
COST				
At beginning of year	,750,201	542,301	267,192	2,559,694
Additions	-	168,796	37,687	206,483
At end of year	1,750,201	711,097	304,879	2,766,177
Cost or valuation at 31 March 2002 is represented by:				
Valuation - 1995	,609,601	-	-	1,609,601
Cost	140,600	711,097	304,879	1,156,576
	1,750,201	711,097	304,879	2,766,177
DEPRECIATION				
At beginning of year	124,496	158,824	206,516	489,836
Charge for year	20,750	162,502	30,935	214,187
At end of year	145,246	321,326	237,451	704,023
NET BOOK VALUE				
At end of year	1,604,955	389,771	67,428	2,062,154
At beginning of year	1,625,705	383,477	60,676	2,069,858

Leasehold buildings were revalued on the basis of open market value for existing use at 31 March 1995 by independent registered valuation surveyors.

The Board of Management consider that the fair values of the leasehold buildings exceed its carrying values as reflected in the balance sheet.

8 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2002 and 2001.

9 STOCKS

Stocks comprise medical supplies held for distribution to member institutions.

10. DEBTORS	2002	2001
Staff debtors	92,816	98,592
Other debtors and prepayments	57,456	28,202
Subscriptions	28,338	17,362
	<u>178,610</u>	<u>144,156</u>
11. BANK AND CASH BALANCES		
Project accounts - positive bank balances		
DanChurchAid - US Dollar Account	445,629	283,518
Canadian Public Health - US Dollar Account	165,356	8,318
Southern African Training - US Dollar Account	80,033	20,721
Cordaid Planning and Development - Kwacha Account	43,180	
DanChurchAid - Kwacha Account	29,889	240,544
Southern Africa Aids Training Program - Kwacha Account	28,431	3,596
DanChurchAid Eye Project - Kwacha Account	15,189	
Cordaid Pharmaceuticals Services - Kwacha Account	14,692	6,357
Canadian Public Health - Kwacha Account	-	6,731
	<u>822,399</u>	<u>569,785</u>
CHAZ accounts - positive bank balances		
CMAZ Main - US Dollar Account	1,346,824	509,925
CMAZ GRZ.Grant finance - Kwacha Account	169,699	35,094
Standard Chartered - Call Account	139,436	92,814
Standard Chartered Bank - Kwacha Current Account	53,921	40,492
Standard Chartered - GRZ Grants Kwacha Account	32,019	48,702
Citibank - US Dollar Account	23,766	17,365
CMAZ Loan Kwacha Account	9,061	2,787
Citibank - Kwacha Account	6,888	73,865
Cash in hand	156	107
	<u>1,781,770</u>	<u>821,151</u>
Total positive bank and cash balances	2,604,169	,390,936
Project account - Overdraft		
Canadian Public Health - Kwacha Account	(3,805)	
Net bank and cash balances	<u>2,600,364</u>	<u>1,390,936</u>

Designated bank accounts were maintained for certain projects as detailed above. Funds for other projects were merged with funds from other donors for other CHAZ activities. These funds were held in non-designated CHAZ Secretariat US Dollar and Kwacha bank accounts.

12. AMOUNTS PAYABLE TO MEMBER INSTITUTIONS

Amounts payable to member institutions represent funds received from the Central Board of Health and the Ministry of Health for onward remittance to member institutions.

13. DEFERRED LIABILITIES

Deferred liabilities comprise provisions for gratuity and retirement benefits estimated to become payable after more than one year.

14. CONTINGENT LIABILITIES

There were no known contingent liabilities at 31 March 2002 and 2001

CHURCHES' HEALTH ASSOCIATION OF ZAMBIA

DETAILED INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2002

Kwacha '000	2002	2001
Income		
Donations received	4,986,161	3,892,926
Other income	<u>1,681,041</u>	<u>1,230,437</u>
Total income	<u>6,667,202</u>	<u>5,123,413</u>
Expenditure		
Project expenses	4,098,879	3,187,163
Staff costs	987,024	529,400
Depreciation	214,187	158,823
WCC workshop expenses	151,472	
Food relief expenses	118,301	
Annual General Meeting expenses	99,041	85,992
Training expenses	69,647	30,478
Repairs and maintenance	57,434	35,792
Postage and telephone	41,972	34,932
Electricity and water	40,139	13,448
Bank charges	39,920	11,719
Audit fees	36,502	33,140
Malaria control	32,000	60,678
Travelling expenses	29,353	40,770
Committee expenses	24,728	23,660
Printing and stationery	20,779	21,873
Miscellaneous expenses	<u>20,737</u>	14,609
Motor vehicle expenses	20,030	26,826
Planning meeting expenses	12,461	-
Legal fees	11,101	-
Security	10,544	7,249
Insurance	7,614	7,254
Rent and rates	6,416	3,375
Bad debts		<u>5,000</u>
	<u>6,150,281</u>	<u>4,332,181</u>
Surplus of income over expenditure for the year	<u>516,921</u>	<u>791,232</u>

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