



**Grant Thornton**

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## Common Market for Eastern and Southern Africa (COMESA)

### Report to Management

Year ended 31 December 2017

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# Grant Thornton

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The Secretary General  
Common Market for Eastern and  
Southern Africa (COMESA)  
Secretariat  
Ben Bella Road  
P O Box 30015  
Lusaka

22 October 2019

Dear Madam,

Further to our audit of Common Market for Eastern and Southern Africa - Secretariat (hereinafter referred to as COMESA) financial statements for the year ended 31 December 2017, we now have pleasure in presenting this report. In it we draw attention to matters which we noted and believe should receive your attention. Most of the matters were discussed with the Secretariat's management during the course of the audit.

### **Audit scope and approach**

Our audit scope and approach is designed principally to enable us to express an opinion on the fairness of the information contained in the organisation's financial statements, accordingly, not all aspects of your organisation's activities and procedures will have been examined. The audit was conducted in accordance with International Standards on Auditing (ISA).

#### **Chartered Accountants**

Member firm within Grant Thornton International Ltd  
Grant Thornton is a partnership registered in Zambia  
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There was no restriction placed on the scope of our audit. We were granted access to the required documents and information that was necessary in order for us to complete our audit.

### **Independence**

We are not aware of any relationships between COMESA and ourselves that would impair the independence and objectivity of the engagement partner or the audit team.

### **Fraud and illegal acts**

The responsibility for the prevention of fraud and error rests with management through the implementation and continued operation of adequate accounting and internal control systems.

**Disagreements with management**

During the course of our audit there were no disagreements with management. All differences were resolved through discussion and dialogue.

**Use of report by third parties**

This report is intended solely for the information and use by management and Committees of COMESA Secretariat. It aims to assist management over and above our responsibility to report on the financial statements and forms part of continuing dialogue between us. Accordingly, it is not intended to include every matter that came to our attention. For these reasons we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy without our prior written consent, we would not accept any responsibility for any reliance that they might place on it.

**Audit adjustments**

All audit adjustments noted during the course of the audit were recorded and considered by management while preparing the financial statements.

**Conclusion**

In conclusion, we would like to express our appreciation for the co-operation and assistance given to us by both management and staff during the conduct of our audit.

Yours faithfully,



Grant Thornton

Chartered Accountants

LUSAKA

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# Section 1 Current year audit findings

01. Current year audit findings

02. Conclusion



## Section 1 Summary of current year audit findings

1. Fully depreciated assets
2. Motor Vehicles registration
3. Payable balances
4. Policies on journals and payables
5. Staff receivables
6. Mis-post of balances

## Accounting and internal control issues

### 1. Fully Depreciated Assets in the Fixed assets Register

#### Observation

- 1.1 We noted that some assets, which were fully depreciated and were disposed off in prior period still appeared in the asset register as highlighted below:

GMW STEED	CS/DMV0001
Nissan Hardbody D/Cab	CS/DMV0005
Mitsubishi Pajero	SEC/MV0003
Mitsubishi Outl	SEC/MV0008
Mercedes Benz E	SEC/MV0011
Nissan Hardbody	SEC/MV0012
Mitsubishi Fuso	SEC/MV0014
Toyota Hilux Ra	SEC/MV0017
Opel Corsa Class	SEC/MV0020
TOYOTA HILUX D/CAB Chassis No 880814	SEC/MV0023

#### Effect

- 1.2 The asset register is not up-to-date and is not reflecting the assets held by COMESA.

#### Recommendations

- 1.3 Management should ensure that all Assets that were disposed off in prior periods be removed from the Asset register.
- 1.4 Management should ensure that people in charge of the assets and asset register keep an up to date record of the assets for easy of tracking the assets.

#### Management response

- 1.5: *After purchase, the vehicles are given official registration book from ZRA since they are duty-free -initially the book has no registration number.*
- 1.6: *After MOFA allocates a number, the book is taken to RTSA to endorse/include the number in the ZRA book. This is an official ownership document – these were availed to the auditors.*
- 1.7: *The absolute ownership books that the auditors are referring to, is issued in the following instances (and this explains why some vehicles have the Absolute ownership books, while others don't):*
- a) *when the vehicle is due for sale – Secretariat have to obtain a Customs clearance certificate at this point to show that no duty is payable, and then surrender the ZRA white book before RTSA issues the Absolute ownership book; or*
- b) *when the vehicle Secretariat purchases is pre-registered while in the showroom/bond and a white book is issued - in this case, when Secretariat purchases such a vehicle, RTSA will issue an absolute ownership book (change from a private number to a COM number) since the vehicle is already in their system.*

## Accounting and internal control issues

### 2. Motor Vehicles registration

#### Observation

2.1 During the audit, we could not verify absolute ownership of some vehicles owned by COMESA since the registration documents were not availed to us. These have been listed below:

	Mitsubishi Pajero (Former COM 103 CD)	SEC/MV0004
COM102 CD	Mitsubishi Pajero	CS/MVP0001
COM109	Toyota Landcruiser Prado GX (ACTESA)	SEC/MV0027
COM110 CD	Mitsubishi Fuso	SEC/MV0005
COM115 CD	Mitsubishi Pajero	CS/DMV0010
COM138 CD	VW Jetta	SEC/MV0010
COM155 CD	TOYOTA - Corolla	SEC/MV0024
COM169	FORD RANGER	CS/DMV0002
COM177	Honda CT 110 Mo	SEC/MV0021
COM182 CD	TOYOTA HILUX	CS/MVT0002
COM211 CD	Toyota Hilux Ra	SEC/MV0013
COM217 CD	Proton Arena	CS/DMV0009
COM258	MITSUBISHI BUS	CS/MVB0001
COM260 CD	Toyota Prado	SEC/MV0019
COM274 T	Trailer	SEC/MV0026
COM312	Nissan Hardbody 2WD	CS/DMV0007
COM313 CD	Nissan Pathfinder 4WD	CS/DMV0006
COM317	Toyota Corolla	CS/DMV0008

#### Effects

2.2 There is a risk of having placed the registration documentation.

#### Recommendation

2.3 Management should ensure that all the registration documents are properly kept and secured.

#### Management response

2.4 For a diplomatic entity, such as COMESA the white registration book is issued as the final stage, after receipt of Diplomatic Immunities and Privileges Motor Vehicle Registration.

2.5 Compensatory control: All the vehicles, identified in the audit finding, do have Diplomatic Immunities and Privileges Motor Vehicle Registration signifying ownership by COMESA.

2.6 Next step: Secretariat will submit to obtain the white registration book, which is required under the Laws of Zambia. Time-frame: December 2019.



## Accounting and internal control issues

### 3. Payable balances

#### Observation

3.1 It has come to our attention that the payables with the codes as presented below have different balances between the ledger and the Trail Balance and have not been reconciled.

Code	Description	TB Balance	Adj	TB Adj Balance	As Per Ledger	Difference
2-4-05-5010	Accent Networks	(3,258.43)	(14,879.10)	(18,137.53)	(6,516.85)	(11,620.67)
2-4-05-8022	Hai Alive	(2,670.37)	2,670.37	(0.00)	(5,833.05)	5,833.05

#### Effect

3.2 The balance for payables may be misstated.

#### Recommendation

3.3 There is need to reconcile the sales ledgers to the general ledger regularly. This would forestall the risk of preparing the creditor when the balance fall due.

#### Management response

3.4 Trial balance (TB) is linked and integrated with individual ledger accounts. Sun systems accounting has a unified ledger framework. It is thus not possible for a balance on a TB to be different from Ledger balance.

3.5 The difference raised by the audit is attributed to the reports being generated at different times. In this matter, the TB reflected the most up-to-date transactions. The new ledger balance is exactly equal to TB.

3.6 Based on the above, the auditors are requested to re-visit the findings.

## Accounting and internal control issues

### 4. Policies on Journals

#### Observation

- 4.1 It has come to our attention that the organization has no clear policies to govern the treatment of Journals. We noted that journals are generated and posted by almost every accounting personnel.

#### Effects

- 4.2 Journals are vulnerable to risk of fraud and it is important to have policies in place to avoid the risk of fraud.

#### Recommendation

- 4.3 Management should ensure that policies on Journals are incorporated in the finance manual.

#### Management response

- 4.4 Data is entered into sim systems via four control stages, being -

*Stage 1: Accounting record generation*

*Stage 2: Accounting record authorisation*

*Stage 3: Extracting and capturing of data from a physical accounting record*

*Stage 4: Review and posting of data [review of provisional data and physical accounting record]*

- 4.2 Policies on journals have since been adopted and are fully operational. Permission and security apply to ensure that separate individuals carry out: -

*Key input control 1: Extracting and capturing of data from a physical accounting record*

*Key input control 2 : Review and posting of data [review of input provisional data and physical accounting record]*

## Accounting and internal control issues

### 5. Staff receivables

#### Observation

5.1 It was observed that the following staff advances remained outstanding as at 31<sup>st</sup> December 2017 and have not been recovered until now. These have been listed below:

Account Code	Description	Name	Balance
1-2-30-0026	Medical advance	MUMBA H ESTELLA	36.20
1-2-30-0026	Medical advance	BANDA BEAUTY	299.76
1-2-30-0024	Salary Advance	CHIZOKA MATONGO CHARLES	1.80
1-2-30-0024	Salary Advance	George Wamulume Kalunga Simushi	100.02
1-2-30-0024	Salary Advance	Patrick Chikalipa	187.50
1-2-30-0024	Salary Advance	MAFUNDA ARON	351.07
1-2-30-0024	Salary Advance	Lazarous Mulenga	383.35
1-2-30-0024	Salary Advance	MATAA N DORIS	431.48
1-2-30-0024	Salary Advance	BANDA BEAUTY	714.14
1-2-30-0024	Salary Advance	KAUSENI DAVY	899.62
1-2-30-0026	Medical advance	ELIMU MARTHA	790.18
1-2-30-0024	Salary Advance	KAMBAFWILE S PHILIP	2,132.91

Account Code	Description	Name	Balance
1-2-30-0024	Salary Advance	TEMP STAFF	2,511.48
1-2-30-0024	Salary Advance	KABISA ROIDER LUBINDA	4,583.31
1-2-30-0024	Salary Advance	Seperated Staff	7,106.54
1-2-30-0026	Medical advance	MINYOI FRIDA	9.89
1-2-30-0026	Medical advance	MUGUNGA ANN	10.91
1-2-30-0026	Medical advance	KIRAMBAIRE A CISSY	23.80
1-2-30-0026	Medical advance	CHISHA TITUS	229.69
1-2-30-0024	Salary Advance	MIRINDI MONGANE HODARI	50.00
1-2-30-0024	Salary Advance	Nakena Mwanangombe	86.98
1-2-30-0024	Salary Advance	MINYOI FRIDA	500.00
TOTAL			21,440.64

## Accounting and internal control issues

### 5. Staff receivables (continued)

#### Effect

5.2 There is a risk that the amount outstanding may not be recovered.

#### Recommendation

5.3 Management should enhance the recovery procedures of salary advances and other receivables to avoid a write off of non-recoverable balances.

#### Management response

5.4 *Agree with the recommendation.*

5.5 *Plan to address the matter.*

*Intervention 1: Secretariat has requested for operationalization of an alert framework on receivables, past their due date. This shall enable to follow-up.*

*Intervention 2: Secretariat shall operationalize a corrective plan. This shall enable Officials to action on monitoring reports that are availed each month. A monthly report shall be presented to management.*

*Intervention 3: Exit formalities' Implementation Procedure to be issued, highlighting the checks.*

*Time-frame to update: December 2019.*

## Accounting and internal control issues

### 6. Mis-post of balances

#### Observation

- 6.1 It was observed that the following account balances were wrongly posted to the staff receivables account instead of the salary advance account.

1-2-30-0024	Salary Advance	MANDA KALESHI CREDO	1,515.95
1-2-30-0024	Salary Advance	KAMAU M JOYCE	5,355.47

#### Effect

- 6.2 There is a risk of not recovering the salary advance on time.

#### Recommendation

- 6.3 Management should ensure that the amounts wrongly posted are corrected and recovered on time.

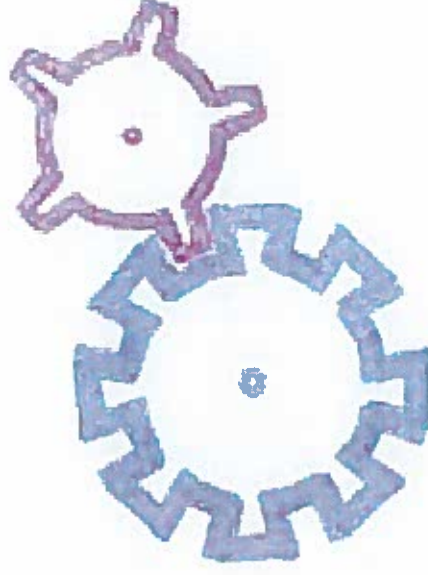
#### Management response

- 6.4 *Root-cause: mapping of earnings; deductions; and employee object codes between HR payroll (system 1) and general ledger payroll (system 2) yet to be synchronized. In general ledger, the above amount incorrectly recorded as a receivable (under education advance), instead of being correctly treated as expense (under education allowance).*
- 6.5 *Status: Corrected before finalization of accounts.*
- 6.6 *Next step: Payroll System Vendor engaged to assist in synchronization and alignment of codes, between HR payroll (system 1) and general ledger payroll (system 2). Time-frame: By December 2019.*

## Section 2 Conclusion

01. Current year audit findings

02. Conclusion



Conclusion

## Conclusion

### **Management judgement and accounting estimates**

The areas where management has used judgement are given in accounting policies.

### **Other services provided by the firm**

We have not provided other services to COMESA during the period under review.

### **Subsequent events**

At the date of finalising this report, we are not aware of any significant post balance sheet events that require adjustment to the annual financial statements.

### **Other matters**

There are no matters which warrant our communication to management and the Audit Committee, such as material weaknesses and significant deficiencies in internal control (including those that prevent or detect fraud), questions regarding management integrity, and fraud involving management or employees who have significant roles in internal control or other fraud that results in material misstatements.

### **Conclusion**

We would like to express our appreciation to the management and staff of COMESA for their invaluable co-operation during the audit.

**Thank you**

