## 1. Non compliance with labour laws

<table>
<thead>
<tr>
<th>Financial statement caption</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade</td>
<td>Significant deficiency</td>
</tr>
<tr>
<td>Observation</td>
<td>Section 54 of the employment act mandates the Minister of Labour to fix a minimum wage for a group of labourers and publish the same in gazette. In the year 2014 this was set at Mk551.00 per day. However, we noted that the project was paying, in some instance, wages below this minimum wage. For instance, the wages paid on Payment vouchers number PV000685 and PV 001018 were below this minimum wage at MK500 and MK550 respectively.</td>
</tr>
<tr>
<td>Risk</td>
<td>The project may be penalized as stipulated in the Employment Act</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Management should ensure that it complies with all relevant laws</td>
</tr>
<tr>
<td>Management’s response and action plan</td>
<td>The fluctuation of minimum wage between MK550 and MK551 is noted and management will ensure compliance with the stipulated minimum wage and avoid the fluctuations.</td>
</tr>
</tbody>
</table>
2. Review of time sheets

<table>
<thead>
<tr>
<th>Financial statement caption</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade</td>
<td>Control deficiency</td>
</tr>
<tr>
<td>Observation</td>
<td>Good internal controls require that an entity should have an independent person that reviews time sheets and work of labourers before payments of wages is made. During the review of payments of wages to part-time employees, we noted that there was no evidence to show that the time sheets were reviewed by the works supervisor before payment was made.</td>
</tr>
<tr>
<td>Risk</td>
<td>There is a risk that the project may be paying ghost labourers if an independent person does not review the time sheets</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Management should ensure that time sheets are reviewed at all times</td>
</tr>
<tr>
<td>Management’s response and action plan</td>
<td>Management ensures that all wages for the temporary labourers are reviewed by the Managers and certified by the Work supervisor. Nonetheless, management has taken note of the concerns and will make sure the system put in place is always adhered to.</td>
</tr>
</tbody>
</table>
Thank you
The contacts at KPMG in connection with this report are:

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Scope and objective

Performance improvement observations - Prior year

Performance improvement observations – Current year

1. Non compliance with labour laws

2. Review of time sheets
The Project Manager
Nyika Transfrontier conservation Area Project
P.O. Box 498
Mzuzu

We have completed our audit of the financial statements of Nyika Transfrontier Conservation Area Project for the year ended 31 December 2014 and we wish to record our appreciation for the assistance given to us by your management and staff.

The primary purpose of our audit was to enable us to express an opinion as to whether or not the financial statements fairly present, in all material respects, the financial results in accordance with the applicable financial reporting framework.

We reviewed and evaluated the system of internal accounting control across the company only to the extent we considered necessary, in order to establish the nature, timing and extent of auditing procedures necessary for expressing an opinion on the financial statements.

Our audit of the financial statements for the year ended 31 December 2013 would not necessarily disclose all weaknesses in the system because it is based on selective tests of accounting records.

This report summarises certain observations and recommendations which resulted from our audit. The implementation of these recommendations should assist management in improving internal accounting controls.

Grade

Significant deficiency

- A significant deficiency in internal control is a deficiency or combination of deficiencies in internal control that, in our professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Control deficiency

- A deficiency in internal control exists when:
  - a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis, or
  - a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

Other matter

- Any other matter is a deficiency in the administrative processes that, in our professional judgment, does not meet the definition of a significant deficiency or control deficiency.

Finally, we shall be pleased to discuss and explain these recommendations and to provide the assistance you may require to put them into effect. We wish to record our appreciation of the assistance given to us by management and staff during the course of the audit.

This report is provided on the basis that it is for your information only and that it will not be copied or disclosed to any third party or otherwise quoted or referred to, in whole or in part, without KPMG's prior written consent.

Certified Public Accountants and Business Advisors
Lilongwe, Malawi

[Signature]

30th June 2015

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Residents Partners: L.M. Gama, H.B. Nyirenda, B.J. Mwenelupembe, J.C. Gondwe, G. Tembo

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## Performance improvement observations – Prior year update

<table>
<thead>
<tr>
<th>Status of prior year performance improvements observations.</th>
<th>Observation and recommendation</th>
<th>KPMG update from prior year</th>
<th>Management update from prior year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>During our review of expenses, we noted that the processed invoices or payment documentation were not stamped “PAID” nor have any indication that they had already been paid for.</td>
<td>Issue resolved</td>
<td>• No necessary comment</td>
</tr>
<tr>
<td></td>
<td>All payment documents or invoices should be stamped “PAID” or marked with an indication showing they were paid.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>During the audit, we noted that some transactions were recorded twice in the cash book and were not identified by the project accounts team. This shows that the entries in the cash book are not reviewed once they are entered by the accounts assistant.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Management should ensure that there is segregation of duties between the individual entering transaction in the cashbook and another one reviewing the cashbook for any errors or duplication</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Performance improvement observations – Current year