FEDERATION OF DISABILITY ORGANISATIONS IN MALAWI (FEDOMA)

JAPANESE SOCIAL DEVELOPMENT FUND (JSDF)
GRANT FOR PROMOTING INCLUSION OF
CHILDREN WITH DISABILITIES INTO BASIC EDUCATION
FOR ALL PROGRAM PROJECT: GRANT NUMBER TF 099386.

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED

30 JUNE 2015
# Table of Contents

1. Introduction  
   1.1 Project Objective and Description  
   1.2 Situational Analysis  
   1.3 Campaign to Promote Inclusive Education  
   1.4 Block Grants  
   1.5 Capacity Building  
   1.6 Monitoring and Evaluation  
   1.7 Policy Dialogue  
   1.8 Funding  

2. Report of the independent auditors on the audit of the FEDOMA- JSDF Project  
   2.1 Introduction  
   2.2 Scope  
   2.3 Reporting  
   2.4 Summary of conclusions  

3. Statement of management and trustees responsibilities  

4. Independent auditor's report  

5. Financial Statement  
   5.1 Statement of Income and Expenditure  
   5.2 Notes to the Statement of Income and Expenditure  

6. Report on our review of compliance with Grant Agreement  
   6.1 Introduction  
   6.2 Scope and work performed  
   6.3 Findings  
   6.4 Conclusion  

7. Report on our review of expenditure  
   7.1 Introduction  
   7.2 Scope and work performed  
   7.3 Findings  
   7.4 Conclusion  

8. Report on our evaluation of internal controls  
   8.1 Introduction  
   8.2 Scope and work performed  
   8.3 Findings  
   8.4 Conclusion
1 Introduction

The Federation of Disability Organization in Malawi (FEDOMA) is an umbrella of eleven Disabled Peoples Organizations in Malawi whose aim is to lobby and advocate for the rights of persons with disabilities.

On April 2012, FEDOMA and Japanese Social Development Fund (JSDF) through International Bank for Reconstruction and Development (World Bank) signed a grant agreement for a project, Promoting Inclusion of Children with Disabilities into Basic Education for All. This is a multi-sectorial partnership involving FEDOMA, the Parents of Disabled Children in Malawi (PODCAM), and the Ministry of Education, Science and Technology (MOEST) through its Directorate of Special Needs Education (DSNE).

1.1 Project Objective and Description

The objective of the Project is to test innovative methods to promote the enrollment of children with disabilities currently excluded from mainstream schools and influence the development of an inclusive education policy.

1.2 Situational Analysis

Carrying out a program of activities designed to assess the strengths and weaknesses of the education enrollment and retention system of children with disabilities in Lilongwe, Mchinji and Salima Districts, such program to include:

(a) establishing the number of children ages 6 to 13 with disabilities, assessing the needs of such children, assessing their readiness for school and developing plans for their enrollment;

(b) assessing the institutional capacity of the education institutions; and

(c) assessing the inclusiveness of children with disabilities in households and the community.

1.3 Campaign to Promote Inclusive Education

Carrying out a sensitization campaign program designed to promote inclusive education for the disabled children.

1.4 Block Grants

Carrying out a program of activities designed to:

(i) increase the student-teacher ratio for children with disabilities; and

(ii) improve access, enrollment and retention of disabled children in Participating Schools, all through the provision of Block Grants.

1.5 Capacity Building

Carrying out a program of activities designed to build the capacity of the Recipient for Project management, including information management, procurement and financial management.
1.6 Monitoring and Evaluation

Carrying out a program of activities designed to enhance the Recipient's monitoring and evaluation capacity, such program to include support towards data collection and dissemination.

1.7 Policy Dialogue

Carrying out a program of activities aimed at developing the inclusive education policy and building consensus on including and addressing the needs of children with disabilities, such program to include stakeholder workshops and dialogue.

1.8 Funding

The funds for the project are provided by the Japanese government under the Japan Social Development Fund through International Bank for Reconstruction and Development (World Bank), who are the administrator of the grant funds.

The total grant amount is an amount not to exceed One Million Eight Hundred Thirty Two Thousand Eight Hundred Eighty United States Dollar (US$1,832,880).

This Grant is funded out of a Trust Fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Grant Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the Trust Fund, and the Recipient's right to withdraw the Grant proceeds are subject to the availability of such funds.

Accordingly, in the event that the donor cancels or fails to pay any contributions under the Trust Fund to the World Bank for any reason, or as the result of currency exchange variations the amount of funds available in the trust fund is insufficient for the purposes of the Grant, the Recipient shall bear the risk of such funding shortfall and the World Bank shall not have any liability whatsoever to the Recipient or any third parties.
2. Report of the independent auditors on the audit of the FEDOMA - Inclusive Education for Children with Disability Project

2.1 Introduction

We were engaged to perform the audit of the Statement of Income and Expenditure of the FEDOMA - Inclusive Education for Children with Disability Project for the year ended 30 June, 2015 in accordance with the engagement letter between Federation of Disability Organization in Malawi (FEDOMA) and KPMG. The audit was undertaken to address the following specific objectives:

- To perform an audit in accordance with International Standards on Auditing in order to express an opinion on the project’s Statement of Income and Expenditure for the year ended 30 June 2015.
- To confirm that the project is in compliance with relevant Project documents and applicable regulations;
- To report on significant control weaknesses and make recommendations to address these weaknesses as appropriate;
- To determine whether project income was used to further the project’s objectives.

The project Statement of Income and Expenditure and responsibility for establishing an effective system of internal controls are the responsibility of project management. This report is furnished solely for the information of the FEDOMA – Inclusive Education for Children with Disability Project and should be used only for this purpose.

2.2 Scope

We planned to conduct our audit in accordance with International Standards on Auditing as follows:

- Special Considerations - Audits of the Financial Statements and Specific Elements. Accounts on items of a Financial Statement in accordance with International Standards on Auditing ISA 805.
- Review of project expenditure compliance with project documents and evaluation of relevant internal controls in accordance with International Standards on Related Services ISRS 4400.

2.3 Reporting

We have presented our report as follows:

- Independent auditors report (Section 4)
- Statement of Income and Expenditure (Section 5)
- Review of compliance with Grant Agreement (Section 6)
2.4 Summary of conclusions

- Review of compliance with Grant Agreement
  
  Our review and evaluation of the compliance with Grant Agreement revealed the following on compliance:
  - Making purchases without soliciting quotations
  - Failure to deduct withholding taxes.

- Evaluation of internal controls
  
  No exceptions were noted during evaluations of internal control.

- Audit of the Statement of Income and Expenditure of the project: Our opinion on the audit of the Statement of Income and Expenditure is unqualified.

[Signature]

Chartered Accountants
Blantyre, Malawi
25/05/2016
3. **Statement of management and trustees responsibilities**

Management of FEDOMA is responsible for the preparation and fair presentation of the Statement of Income and Expenditure. They are also responsible for the maintenance of adequate accounting records and internal control, the selection and application of suitable accounting policies, and safeguarding the assets of the project.

Management accepts responsibility for the Statement of Income and Expenditure presented in Section 5 of this report, which has been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the requirements of the project.

Management further accepts responsibility for the maintenance of the accounting records, which may be relied upon in the preparation of Statement of Income and Expenditure, as well as adequate internal control.

Executive Director  
29-5-16  
2016

Finance Manager
4. Independent auditor's report

On the statement of income and expenses of FEDOMA - Inclusive Education for Children with Disability Project: Grant number TF.099386

Report on the Statement of Income and Expenditure

We have audited the accompanying Statement of Income and Expenditure of FEDOMA - Inclusive Education for Children with Disability for the year ended 30 June, 2015 as set out in Section 5 of this report and other explanatory information (together “the financial statements”).

Management's responsibility for the Financial Statement

As stated in Section 3, the project management is responsible for the preparation and fair presentation of this financial statement in accordance with the requirements of the Financing Agreement and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement present fairly, in all material respects, the Income and Expenditure of FEDOMA - JSDF Project for the year ended 30 June, 2015 in accordance with the accounting policies described in Section 5.2, and the financing agreement.

Basis of accounting

Without modifying our opinion, we draw attention to note 5.2 to the statement of Income and Expenditure which describes the basis of accounting. The statement of Income and Expenditure is prepared to provide information to FEDOMA and the Japanese Social Development Fund. As a result, the statement may not be suitable for another purpose.

Chartered Accountants
Blantyre, Malawi

.......................... 2016
5. **Financial Statement**

5.1 **Statement of Income and Expenditure**

For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Notes</th>
<th>2015</th>
<th>2015</th>
<th>2014</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actuals</td>
<td>Budget</td>
<td>Actuals</td>
</tr>
<tr>
<td></td>
<td>USS</td>
<td>USS</td>
<td>USS</td>
<td>USS</td>
</tr>
<tr>
<td>Opening balances brought forward</td>
<td>164,007</td>
<td>164,007</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Withdrawal applications 5.2.3</td>
<td>592,568</td>
<td>492,940</td>
<td>652,136</td>
<td>652,136</td>
</tr>
<tr>
<td>Interests 5.2.8</td>
<td>-</td>
<td>742</td>
<td>1,789</td>
<td>1,789</td>
</tr>
<tr>
<td></td>
<td>756,575</td>
<td>657,689</td>
<td>653,925</td>
<td>653,925</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Goods, consultant, training &amp; operation 5.2.4</td>
<td>309,215</td>
<td>222,640</td>
<td>413,026</td>
<td>413,026</td>
</tr>
<tr>
<td>2. Works, training, service &amp; goods for school blocks 5.2.5</td>
<td>357,061</td>
<td>338,048</td>
<td>60,778</td>
<td>60,778</td>
</tr>
<tr>
<td>3. Bank charges 5.2.9</td>
<td>-</td>
<td>1,160</td>
<td>750</td>
<td>750</td>
</tr>
<tr>
<td>4. Unrepresented cheques 5.2.7</td>
<td>-</td>
<td>5,542</td>
<td>-</td>
<td>15,364</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>666,276</td>
<td>567,390</td>
<td>474,554</td>
<td>489,918</td>
</tr>
<tr>
<td>Excess of income over expenditure</td>
<td>90,299</td>
<td>179,371</td>
<td>164,007</td>
<td></td>
</tr>
</tbody>
</table>

Represented By:

- Cash at the end of the year- Dollar Account 5.2.6 | 62,682 | 173,414 |
- Cash at the end of the year- Operating account 5.2.6 | 27,617 | (9,407) |

The Statement of Income and Expenditure was approved by the FEDOMA Management on 2016 and is signed on its behalf by:

Executive Director

Finance Manager
5.2 Notes to the Statement of Income and Expenditure

5.2.1 Significant accounting policies

The principal accounting policies adopted in the preparation of the Statement of Income and Expenditure are as follows:

(a) **Accounting convention**

The Statement of Income and Expenditure has been prepared under the historical cost convention.

(b) **Basis of accounting**

The Statement of Income and Expenditure, except for audit fees and related expenses accrued, has been prepared on the basis of cash accounting whereby income is recognized on receipt of cash or cash equivalents and the expenditures recognized on the disbursement of cash or cash equivalents.

(c) **Revenue recognition**

Grant income is recognized on a cash receipt basis.

(d) **Reporting currency**

The Statement of Income and Expenditure is presented in United States Dollars.

(e) **Foreign currency**

Transactions in Malawi Kwacha are translated to US Dollars using exchange rates ruling at the date of transactions or average exchange rate.

(f) **Motor vehicles and equipment**

Motor vehicles and equipment are expenses in the period of purchase.
5.2 Notes to the Statement of Income and Expenditure (continued)

<table>
<thead>
<tr>
<th></th>
<th>2014/15</th>
<th>2014/15</th>
<th>2013/14</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>MK</td>
<td>US$</td>
<td>MK</td>
</tr>
</tbody>
</table>

5.2.2 Cash at the beginning of the year

Opening balances as per audited figures

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>164,007</td>
<td>63,962,823</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.2.3 Withdrawal applications

<table>
<thead>
<tr>
<th></th>
<th>Date Received</th>
<th>Exchange rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>US$</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7th Withdrawal Application</td>
<td>08 July 2014</td>
<td>80,705</td>
</tr>
<tr>
<td>8th Withdrawal Application</td>
<td>12 October 2014</td>
<td>119,668</td>
</tr>
<tr>
<td>9th Withdrawal Application</td>
<td>16 February 2015</td>
<td>158,737</td>
</tr>
<tr>
<td>10th Withdrawal Application</td>
<td>11 May 2015</td>
<td>133,830</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>492,940</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Withdrawal Application</td>
<td>27 November 2012</td>
<td>300,000</td>
</tr>
<tr>
<td>2nd Withdrawal Application</td>
<td>16 April 2013</td>
<td>56,616</td>
</tr>
<tr>
<td>3rd Withdrawal Application</td>
<td>23 September 2013</td>
<td>124,613</td>
</tr>
<tr>
<td>4th Withdrawal Application</td>
<td>01 November 2013</td>
<td>57,347</td>
</tr>
<tr>
<td>5th Withdrawal Application</td>
<td>31 January 2014</td>
<td>54,200</td>
</tr>
<tr>
<td>6th Withdrawal Application</td>
<td>23 April 2014</td>
<td>59,360</td>
</tr>
<tr>
<td></td>
<td></td>
<td>652,136</td>
</tr>
</tbody>
</table>

5.2.4 Goods, consultant, training & operation

<table>
<thead>
<tr>
<th></th>
<th>2014/15</th>
<th>2014/15</th>
<th>2013/14</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>MK</td>
<td>US$</td>
<td>MK</td>
</tr>
<tr>
<td>Total</td>
<td>222,640</td>
<td>98,847,485</td>
<td>413,026</td>
<td>152,733,162</td>
</tr>
</tbody>
</table>

a. Situation analysis

Consulting | 2015 US$ | 2014 US$ |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40,000</td>
<td>67,948</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>107,948</td>
</tr>
</tbody>
</table>

b. Campaign to promote inclusive education

Consulting | 12,684 | 25,125 |
Goods       | 64,774 | 15,506 |
Subtotal    | 77,458 | 40,631 |
5.2 Notes to the Statement of Income and Expenditure (continued)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USS</td>
<td>USS</td>
</tr>
<tr>
<td>c. Capacity building of implementing agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting</td>
<td>75,649</td>
<td>160,150</td>
</tr>
<tr>
<td>Goods</td>
<td>60,177</td>
<td>35,853</td>
</tr>
<tr>
<td>Subtotal</td>
<td>135,826</td>
<td>196,003</td>
</tr>
<tr>
<td>d. Monitoring and evaluation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting</td>
<td>-</td>
<td>47,845</td>
</tr>
<tr>
<td>Goods</td>
<td>9,356</td>
<td>20,599</td>
</tr>
<tr>
<td>Subtotal</td>
<td>9,356</td>
<td>68,444</td>
</tr>
<tr>
<td>Total goods, consultant, training &amp; operation</td>
<td>222,640</td>
<td>413,026</td>
</tr>
</tbody>
</table>

5.2.5 Works, training, service & goods for blockss

<table>
<thead>
<tr>
<th></th>
<th>2014/15</th>
<th>2014/15</th>
<th>2013/14</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USS</td>
<td>MK</td>
<td>USS</td>
<td>MK</td>
</tr>
<tr>
<td>Works, training, service &amp; goods for school block</td>
<td>338,048</td>
<td>147,942,923</td>
<td>60,778</td>
<td>22,761,327</td>
</tr>
<tr>
<td>Works</td>
<td>59,592</td>
<td>23,638,870</td>
<td>22,651</td>
<td>8,188,945</td>
</tr>
<tr>
<td>Training</td>
<td>53,122</td>
<td>24,712,474</td>
<td>6,947</td>
<td>5,373,137</td>
</tr>
<tr>
<td>Services</td>
<td>76,064</td>
<td>34,042,463</td>
<td>8,176</td>
<td>4,064,340</td>
</tr>
<tr>
<td>Goods for school blocks</td>
<td>149,270</td>
<td>65,549,116</td>
<td>23,004</td>
<td>5,134,905</td>
</tr>
<tr>
<td>Total</td>
<td>338,048</td>
<td>147,942,923</td>
<td>60,778</td>
<td>22,761,327</td>
</tr>
</tbody>
</table>

5.2.6 Bank Balances

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USS</td>
<td>MK</td>
<td>USS</td>
<td>MK</td>
</tr>
<tr>
<td>Dollar Account</td>
<td>62,682</td>
<td>27,517,385</td>
<td>173,414</td>
<td>67,631,495</td>
</tr>
<tr>
<td>Operating accounts</td>
<td>27,617</td>
<td>14,556,541</td>
<td>(9,407)</td>
<td>(3,668,672)</td>
</tr>
<tr>
<td>Total</td>
<td>90,299</td>
<td>42,073,926</td>
<td>164,007</td>
<td>63,962,823</td>
</tr>
</tbody>
</table>
5.2 Notes to the Statement of Income and Expenditure (continued)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrepresented cheques</td>
<td>5,542</td>
<td>2,433,488</td>
<td>15,364</td>
<td>5,361,984</td>
</tr>
</tbody>
</table>

5.2.8 Bank Interests

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar Account</td>
<td>702</td>
<td>308,494</td>
<td>1,765</td>
<td>688,253</td>
</tr>
<tr>
<td>Kwacha Accounts</td>
<td>40</td>
<td>17,385</td>
<td>24</td>
<td>9,574</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>742</strong></td>
<td><strong>325,879</strong></td>
<td><strong>1,789</strong></td>
<td><strong>697,827</strong></td>
</tr>
</tbody>
</table>

5.2.9 Bank Charges

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar Account</td>
<td>107</td>
<td>46,855</td>
<td>104</td>
<td>40,139</td>
</tr>
<tr>
<td>Kwacha Accounts</td>
<td>1,053</td>
<td>462,439</td>
<td>646</td>
<td>252,236</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,160</strong></td>
<td><strong>509,294</strong></td>
<td><strong>750</strong></td>
<td><strong>292,375</strong></td>
</tr>
</tbody>
</table>
6. **Report on our review of compliance with Grant Agreement**

6.1 **Introduction**

We were engaged to perform the review of the compliance with grant agreement in accordance with agreed upon procedures. The compliance review covered the period from 1 July 2014 to 30 June 2015.

In accordance with the terms of our engagement, we were required to perform certain agreed-upon procedures which have been detailed in Section 6.2 below.

6.2 **Scope and work performed**

Our review was carried out in accordance with International Standards on Related Services ISRS 4400. The review was conducted at the offices of FEDOMA.

We performed the following procedures as agreed in the terms of reference:-

- Assessed if all the funds had been used in accordance with the conditions set in the Grant Agreement and operational manual with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- Checked if goods, services and works financed had been procured in accordance with agreed procurement policies and procedures.
- Checked if all the necessary supporting documents, records, and accounts had been kept in respect to all activities;
- Assessed whether the financial reports prepared by FEDOMA – JSDF Project met the Trustees reporting requirements by examining the completeness of income and expenditure and reviewing whether expenditure is classified in accordance with the budget;
- Assessed management’s procedures for control of cash resources;
- Assessed the controls in respect of financial transactions used of funds and segregation of duties and responsibilities; and
- Verified the existence and ownership of the equipment acquired using the grant.
- Checked that the costs were relevant to the organization’s objectives;
- Checked that the costs were incurred during the period 1 July 2014 to 30 June 2015; and
- Checked that the costs were actually incurred, recorded in the accounts, are identifiable and verifiable and are backed by originals of supporting documents.
6.3 Findings

We did not find exceptions with respect to all the procedures listed in 6.2 above except as listed below. These have been included in our report to management:

- Some purchases are being made without the required three quotations.
- Payments being made on proforma invoices which is not recommended by Malawi Revenue Authority.
- Late payment of Taxes to Malawi Revenue Authority.
- No withholding Tax certificates on deducted payments are being attached to payment vouchers.
- Withholding tax was not being deducted on some purchases made and services received.
- Payment receipts from Malawi Revenue authority are not being properly documented.
- Other attachments of expenditure are not being attached to the payment vouchers e.g. District Coordinators expenses.
- Some payment vouchers are not being stamped paid.

6.4 Conclusion

Except for findings under 6.3 above which have also been detailed in our management report, nothing came to our attention that indicates that FEDOMA - Inclusive Education for Children with Disability Project was not in compliance with the Grant Agreement.

[Signature]
Chartered Accountants
Blantyre, Malawi

29/05/2016

2016
7. Report on our review of expenditure

7.1 Introduction

In accordance with the terms of our engagement letter, we were required to review the Statement of Income and Expenditure set out in Section 5 in order to determine whether the costs charged to the project are eligible under the conditions set out in the grants agreements and to report on any exceptions identified.

7.2 Scope and work performed

Our review was carried out in accordance with International Standards on Related Services ISRS 4400. The review was conducted at the offices of FEDOMA in Blantyre to assist you in evaluating the validity of the expenditure.

We performed the following procedures on a sample basis:
- Checked that the costs were relevant to the organization’s projects objectives;
- Checked that the costs were incurred during the period 1 July 2014 to 30 June 2015; and
- Checked that the costs were actually incurred and recorded in the accounts, are identifiable, verifiable and are backed by originals of supporting documents.

7.3 Findings

We report our findings as follows:
- Costs incurred were relevant to the organization’s project objectives;
- Costs were incurred during the period 1 July 2014 to 30 June 2015; and
- Costs were actually incurred and recorded in the accounts, were identifiable, verifiable and supported by relevant documents.

7.4 Conclusion

Nothing significant has come to our attention that indicates that the costs charged to the organization are not eligible under the conditions set out in the grant agreements.

[Signature]
Chartered Accountants
Blantyre, Malawi
[Date: 29/05/2016]
8. Report on our evaluation of internal controls

8.1 Introduction

In accordance with the terms of our engagement letter, we were required to ascertain whether the internal controls set up by the project management were properly designed and working effectively.

8.2 Scope and work performed

Our review was carried out in accordance with International Standards on Related Service (ISRS4400).

We evaluated the internal control system as set up by the Project’s management in order to:

(a) Assess the design of relevant control policies and procedures and determine whether those policies and procedures have been placed in operation at the Project.

(b) Identify conditions that are deficient in the design or operation of internal controls.

8.3 Findings

Internal control system were designed and implemented for the project, the exceptions noted on their operation have been included in a separate management letter.

8.4 Conclusion

Except for the items noted in the separate management letter, nothing else has come to our attention that indicates that internal controls were not properly designed or were not placed in operation during the period.

Chartered Accountants
Blantyre

29/05/2016