

**Audit of the USAID Resources Managed by Global AIDS Interfaith Alliance (GAIA) Under the  
Subaward NO. APA/2020/GAIA101 and Cooperative Agreement No. 72061220CA00004 between  
World Education, Inc. (WEI) And GAIA: Ana Patsogolo Activity (APA)**

**For the Year Ended 31 December 2021**

## **AuditConsult**

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7 October, 2022

The Chairperson

Board of Trustees

Global AIDS Interfaith Alliance

4th Plot Partridge Avenue, along the Limbe Leaf Tobacco Company

P.O Box 51428

Limbe.

Dear Sir,

### TRANSMITTAL LETTER

We have completed the audit of the Schedule of Expenditures of USAID Awards managed by Global AIDS Interfaith Alliance under the Subaward No. APA/2020/GAIA101 and Grant number 72061220CA00004 Between World Education, Inc. (WEI) and GAIA towards the implementation of Ana Patsogolo Activity (APA) for the year ended 31 December 2021 in accordance with U.S. Government Auditing Standards issued by U.S Government Accountability Office and the USAID Office of Inspector General.

The Audit has been conducted in consistency with Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) as adopted by USAID in 2 CFR 700, "USAID Financial Audit Guidelines for Foreign organisations". The Ana Patsogolo activity (APA) Audit covered expenditures totalling K1.125 billion for the year ended 31 December 2021.

The Schedule of Expenditures is the responsibility of Ana Patsogolo Activity (APA) Project Management -Global AIDS Interfaith Alliance Malawi.

As one of our audit objectives, we evaluated and obtained sufficient understanding of the Subrecipients internal controls related to the USAID-funded programs, assessed control risk and identified reportable conditions, including material internal control weaknesses.

As practicing members of the Institute of Chartered Accountants in Malawi (ICAM), we are expected to acquire at least 40 Continuing Professional Education (CPE) hours per annum. This is enforced by Malawi Accountants Board (MAB). Currently, the reviewers are outsourced from Association of Certified Chartered Accountants in the United Kingdom.

This report is intended solely for the use of Ana Patsogolo Activity Project implemented by GAIA Malawi and Bantwana/World Education Inc. However, upon submission to USAID and release by USAID, this report is a matter of public record and its distribution is not limited.

We would like to place on record our appreciation of the courtesy and consideration extended to us by management and staff during the course of our audit and should you wish to discuss any of the above matters in greater detail please do not hesitate to contact us.

*Yours faithfully,*



## **AuditConsult**

Chartered Accountants

Stephenson Kamphasa CA (M), FCCA

Engagement Partner

Lilongwe, Malawi

**Audit of the USAID Resources Managed by Global AIDS Interfaith Alliance (GAIA) Under the Subaward NO. APA/2020/GAIA101 and Cooperative Agreement No. 72061220CA00004 Between World Education, Inc. (WEI) And GAIA: Ana Patsogolo Activity (APA) for the Year Ended 31 December 2021.**

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**ACRONYMS**

APA	Ana Patsogolo Activity	
AGYW	Adolescent girls and young women	
GAGAS	Generally Accepted Government Auditing Standards	
GAIA	Global AIDS Interfaith Alliance	
OIG	Office of the Inspector General	
OVC	Orphan and Vulnerable Children	
USAID	United States Agency for International Development	
USG	United States Government	
VSLA	Village Savings and Loan Association	
WEI	World Education, Inc.	

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**1. Audit Summary**

**1.1 Background and Project Identification**

The project is a sub-award to Global AIDS Interfaith Alliance from World Education Inc. under Cooperative Agreement No. 72061220CA00004. The purpose of the subaward is to support USAID/Ana Patsogolo (APA) Activity implemented by WEI. The goal of Ana Patsogolo (APA) Activity is to change life trajectories for orphans and vulnerable children (OVC) and highly vulnerable adolescent girls and young women (AGYW) in Malawi's southern region.

The objectives of the project are to:

- Enhance the capacity of families and communities to support OVC and AGYW
- Increase uptake of health, HIV, prevention, care and treatment services among OVC and AGYW
- Reduce sexual violence and GBV among OVC and AGYW
- Enhance child protection systems

This subaward is made on condition that the funds are administered in accordance with the terms of the cooperative agreement No. 72061220CA00004 and 2 CFR 200, 2 CFR 700 and USAID's "Standard Provisions for Non-U.S. Nongovernmental Organizations" (USAID Standard Provisions). This is an incrementally funded, cost-reimbursement subaward.

**Amount of Subaward and Obligation**

The Subaward run from 1 October 2020 to 30 September 2021 and this has been modified for the second year from 1 October 2021 to 30 September 2022. The total estimated amount of the Subaward is MWK 1,219,755,216 of which WEI obligated MWK 609,877,608 program expenditures. This was subject to notification in writing to WEI when 75% of the funds obligated were spent. The modified subaward is MWK2,607,247,135 which WEI obligated MWK1,578,584,828.27.

**1.2 Implementation**

The project began on October 1, 2020 and is expected to run through 30 September 2025.

The project is being implemented in Mulanje, Thyolo and Phalombe districts in Malawi's southern region. The target populations are; Extreme high-risk OVC ages 0-17, High-risk OVC ages 0-17 Girls and boys ages 9-14, and AGYW ages 10-24.

**Audit of the USAID Resources Managed by Global AIDS Interfaith Alliance (GAIA) Under the Subaward NO. APA/2020/GAIA101 and Cooperative Agreement No. 72061220CA00004 Between World Education, Inc. (WEI) And GAIA: Ana Patsogolo Activity (APA) for the Year Ended 31 December 2021.**

**1.3 Audit Objectives and Scope**

Audit Consult was appointed by Global AIDS Interfaith Alliance (GAIA) to conduct a financial audit of USAID resources managed by GAIA for the year ended 31 December 2021 in accordance with the engagement letter dated 25 July 2022 and U.S. Government Auditing Standards issued by U.S Government Accountability Office and the USAID Office of Inspector General. The APA project is a subaward from Bantwana/World Education, Inc. under the Cooperative Agreement No. 72061220CA00004.

The Audit has been conducted in consistency with Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) as adopted by USAID in 2 CFR 700, "USAID Financial Audit Guidelines for Foreign organisations". The Ana Patsogolo activity (APA) Audit covered expenditures totalling K1.125 billion for the year ended 31 December 2021. Pursuant to the requirements of the agreement, the financial audit was performed in accordance with United States Generally Accepted Auditing Standards (GAGAS).

The Schedule of Expenditures of USAID Award is the basic financial schedule to be audited and presents the subrecipient's revenues, costs incurred, cash balance of funds and commodities directly procured by Bantwana/World Education Inc for subrecipient's use. This is in consideration of the non-availability of a current negotiated (including provisional) indirect costs rate, NICRA.

**1.3.1 Audit Objectives**

- To express an opinion on whether the Schedule of Expenditures of USAID Award for the Ana Patsogolo Activity presents fairly in all material respects in relation to the recipients financial statements as a whole and revenues received and costs incurred and assets, commodities and technical assistance directly procured with USAID funding for the period audited in conformity with the terms of the award and generally accepted accounting principles or applicable basis of accounting including supplemental schedules to reflect accruals for items such as accounts payables and other related expenses
- To evaluate and obtain a sufficient understanding of the Projects internal controls related to the USAID-funded programs, assess control risk, and identify significant deficiencies, including material weaknesses.



**Audit of the USAID Resources Managed by Global AIDS Interfaith Alliance (GAIA) Under the Subaward NO. APA/2020/GAIA101 and Cooperative Agreement No. 72061220CA00004 Between World Education, Inc. (WEI) And GAIA: Ana Patsogolo Activity (APA) for the Year Ended 31 December 2021.**

**1.3.1 Audit Objectives (Continued)**

- To perform tests to determine whether GAIA complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID funded programs. All material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred must be identified.
- To verify whether the correct rate for charging indirect costs to USAID using the predetermined, fixed, or de minimis 10 percent rate was applied in accordance with the agreement with Bantwana/World Education Inc.
- To determine if the project has taken adequate corrective action on the prior review recommendations.
- To report on the adequacy of the procedures in administration of funds by ensuring that transactions are supported with proper documentation, correctly classified, accurate and recorded in the correct period and comply with related agreement terms, applicable laws and regulations; and to report on significant control weaknesses and make recommendations to address these weaknesses as appropriate.
- To determine whether expenditures are allowable, allocable, and reasonable under the agreement terms and applicable cost principles, and to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control.

**Audit of the USAID Resources Managed by Global AIDS Interfaith Alliance (GAIA) Under the Subaward NO. APA/2020/GAIA101 and Cooperative Agreement No. 72061220CA00004 Between World Education, Inc. (WEI) And GAIA: Ana Patsogolo Activity (APA) for the Year Ended 31 December 2021.**

**1.3.2 Audit Scope**

The scope of the Audit included Income received and expenditures incurred during the year ended 31 December 2021.

**1.3.3 Compliance with the requirements of GAGAS**

**Scope Limitation**

Audit Consult has not had a GAGAS external quality control review by an unaffiliated organisation as required by chapter 3, paragraph 3.97 of U.S. GAGAS, because no such programme is offered by professional organisation within Malawi. We participate in the RSM global assurance quality review and Malawi Accountants Board (MAB) review which are every three years. Currently, the MAB review is performed by outsourced reviewers from the Association of Chartered Certified Accountants (ACCA) in the United Kingdom.

The Partner and Manager have prior experience with USAID audits. We believe the supervision by the engagement leader and the manager was sufficient to compensate for lack of training by the junior team members.

As practicing members of the Institute of Chartered Accountants in Malawi (ICAM), we are expected to acquire at least 40 Continuing Professional Education (CPE) hours per annum. This is enforced by the Institute of Chartered Accountants in Malawi (ICAM). The reviewers are outsourced from Association of Certified Chartered Accountants in the United Kingdom

**1.4 Methodology**

We conducted the audit in accordance with the Statement of Work for Financial Audits of Foreign organisations. We reviewed the following documents at the planning stage of the audit.

- The Subaward No. APA/2020/GAIA101 between World Education, Inc. (WEI) and Global AIDS Interfaith Alliance (GAIA) in support of the Ana Patsogolo Activity (APA) and;
- Modification to the Subaward Agreement
- Contracts and subcontracts with third parties.
- Budgets, implementation letters and written procedures approved by Bantwana/World Education Inc.
- 2 CFR 200 Subpart F Audit Requirements, 2 CFR 200 Subpart E Cost principles, and 2 CFR 700 on Cost principles
- Mandatory Standard Provisions for Non-US. Nongovernmental Grantees (ADS Chapter 303, Grants and Cooperative Agreements to Non-governmental Organisations.
- All program financial and progress reports, organisational charts, accounting systems descriptions, procurement policies and procedures and receipt, warehousing and distribution procedures for materials.
- Previous financial reviews by Bantwana/World Education Inc directly related to the objectives of the audit.

#### **1.4 Methodology (Continued)**

**The Audit procedures performed included the following;**

**Schedule of Expenditures**

- We obtained and reviewed the Schedule of Expenditures and;
- Reviewed direct and indirect costs billed to and reimbursed by Bantwana/World Education Inc identifying and quantifying any questioned costs. All costs that are not supported with adequate documentation or are not in accordance with the agreement terms are reported as questioned and identified in the notes to the schedule of expenditures of USAID awards.
- We reviewed the accounting records of the program to determine whether expenditure incurred was properly recorded, accurate, complete and
- On a sample basis we tested expenditure for support by appropriate documentation and agreement terms and summarise questioned costs (ineligible and unsupported).
- We reviewed the procedures used to control the funds and examined the bank reconciliations and performed positive confirmation of bank balances at the period end.
- Reconciled the funds received from Bantwana/World Education Inc to the Accounting records and ensured that all differences were resolved.
- We determined whether advances of funds were justified with documentation including reconciliation of funds advanced, disbursed, and available. We reviewed all funding received from Bantwana and examined that these were appropriately recorded in GAIA's accounting records and that those records were periodically reconciled with information provided by Bantwana. This was compared with period report made to Bantwana whether they were accurate in conformity with specific reporting requirement and that they agreed to the records.
- We reviewed procurement procedures to determine whether sound commercial practices including competition were used, reasonable prices obtained and adequate controls in place over the qualities and quantities received.
- We reviewed direct salary charges to determine whether salary rates are charged as presented in the agreement with Bantwana/World Education Inc. and are approved and supported by appropriate payroll records.
- We examined whether allowances and stipends, and fringe benefits received by employees are in accordance with the agreements and applicable laws and regulations.
- We reviewed travel and transportation charges to determine whether they are adequately supported and approved.
- We Physically verified assets procured under the project to ensure existence and usage for APA related activities and evaluate if adequate controls are in place for safeguarding.



#### 1.4 Methodology (Continued)

##### **Internal control over financial reporting**

- We evaluated the control environment, the adequacy of the accounting systems, and control procedures.
- We evaluated the internal controls of the APA Project with regard to financial reporting on the projects, these covered authorisations and supporting documents for expenditures, managing cash and bank accounts, procuring of goods and services, managing personnel functions and managing and disposing of assets and commodities;
- Where key controls were identified, we validated them to determine the effectiveness of the controls and whether they operated throughout the period; and
- The results of the tests of controls were considered in determining the extent of substantive audit procedures.

##### **Compliance with agreement terms**

- We identified the grant agreement terms and pertinent laws and regulations that could have a direct and material effect on the Schedule of expenditures of USAID Awards;
- We compared expenditure categories reported in the Schedule of Expenditures of USAID Awards to the categories in the grant agreements to determine whether the expenditure was allowed; and
- We assessed selected expenditure for compliance with the requirements of the grant agreements and pertinent laws and regulations.
- We evaluated whether payments have been made in accordance with agreement terms and applicable laws and regulations and determined if funds were expended for purposes not authorised.
- We reviewed if GAIA held funds in interest bearing account and whether interest in excess of US\$500 a year was remitted/disclosed to Bantwana.
- A current account was opened for receiving and managing funds from Bantwana for the APA project and there was no interest reported on the account.

##### **Follow up on Prior Audit Findings**

- The first 3 months ended 31 December 2020 were not audited and these are outside our audit scope. As such, there were no audit recommendations to be followed up.

##### **Other Audit responsibilities**

- We held an entrance and exit meetings with Global AIDS Interfaith Alliance; on 3 August 2022 and 13 September 2022 respectively.
- We communicated information to GAIA regarding the nature and extent of planned testing and reporting on compliance with laws and regulations and internal control over financial reporting. Such communication stated that the auditors do not plan to provide opinions on compliance with laws and regulations and internal control over financial reporting;
- We performed quality control procedures to ensure that sufficient appropriate evidence is obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit; and
- We obtained a management representation letter.

## 1.5 Summary of Conclusions

### **Audit of the Schedule of Expenditures of USAID Awards:**

Our opinion on the Schedule of Expenditures of USAID Awards is unqualified.

### **Compliance with the agreements, applicable laws and regulations:**

Our evaluation on the compliance with agreement terms and applicable laws and regulations did not identify material instance of non-compliance. The immaterial occasion of non-compliance has been reported in the report to management.

### **Evaluation of internal controls:**

Our evaluation of the internal control identified two deficiencies in internal controls. These have been presented on note 13.1 & 2.

### **Follow Up on prior audit recommendations**

The first 3 months ended 31 December 2020 were not audited and these are outside our audit scope. As such, there were no prior audit findings to be followed up.

### **Evaluation of Cost sharing requirements**

In accordance with the Agreement for the APA project, there are no Cost-sharing requirements.

### **Evaluation of Indirect cost rate**

The APA project has obtained approval to charge a de-Minimis indirect cost rate of 10% modified total direct costs (MTDC) per 2 CFR200.331 and the Standard Provisions which may be used indefinitely in the absence of a Negotiated Indirect Cost Rate Agreement (NICRA).

**Independent Auditor's Report on the Schedule of Expenditures of USAID Awards**

Global AIDS Interfaith Alliance

4th Plot Partridge Avenue, along the Limbe Leaf Tobacco Company

P.O Box 51428

Limbe.

We have audited the schedule of expenditures of USAID Awards for Ana Patsogolo Activity (APA) for the year ended 31 December 2021. The preparation of the financial statements is the responsibility of GAIA management. Our responsibility is to express an opinion on the schedule of expenditures of USAID Award for Ana Patsogolo Activity (APA).

We conducted our audit of the schedule of expenditures in accordance with U.S. Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of expenditures of USAID Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of expenditures of USAID awards. 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.

Audit Consult did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.97 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Malawi. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in the RSM global assurance quality review program. In addition, the Malawi Accountants Board (MAB) performs a review of the firm's compliance with International Standard on Quality Control (ISQC 1) every three years. The MAB review is performed by outsourced reviewers from the Association of Chartered Certified Accountants (ACCA).

The engagement leader and manager have prior experience on USAID audits. We believe the supervision by the engagement leader was sufficient to compensate for the lack of training by the junior team members.

The trustees and management of GAIA are responsible for the other information. The other information comprises the information included in cumulative expenditures which includes income and expenditures reported in the 3 months to 31 December 2020. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In our opinion the schedule of expenditures of USAID awards referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by WEI for the year then ended in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 6.2(i).

In accordance with US Government Auditing Standards, we have considered the GAIA-APA internal controls over financial reporting and performed test of its compliance with certain provisions of laws and regulations and have nothing to report in this regard. These 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 Auditors Report in considering the results of our audit.



Chartered Accountants  
Stephenson Kamphasa FCCA CA (M)  
Engagement Partner  
Lilongwe, Malawi

7 October 2022



Audit of the USAID Resources Managed by Global AIDS Interfaith Alliance (GAIA) Under the Subaward NO. APA/2020/GAIA101 and Cooperative Agreement No. 72061220CA00004 Between World Education, Inc. (WEI) And GAIA: Ana Patsogolo Activity (APA) for the Year Ended 31 December 2021.

SCHEDULE OF EXPENDITURES OF USAID AWARD

Elements	Agreement Budget	Actual Revenues and Expenditure Unaudited	Actual Revenues and Expenditure Audited	Cumulative Revenues and Expenditure	Questioned (2021)		Notes
					Ineligible	Unsupported	
	01 October 2020 to 31 December 2021	01 October 2020 to 31 December 2020	01 January 2021 to 31 December 2021	01 October 2020 to 31 December 2021			
	K	K	K	K	K	K	
<b>Revenues</b>							
Program Income	2,689,272,800	<u>212,032,827</u>	<u>1,137,603,384</u>	<u>1,349,636,211</u>			7
<b>Total Revenues</b>	2,689,272,800	212,032,827	1,137,603,384	1,349,636,211			
<b>Costs</b>							
Salaries	761,698,597	37,723,353	283,625,373	321,348,726			12
Transportation	29,757,040	650,424	6,973,110	7,623,534			12
Program activities	1,609,385,819	91,339,215	700,277,864	791,617,079			12
Other costs	<u>288,431,344</u>	<u>54,306,183</u>	<u>134,520,191</u>	<u>188,826,374</u>	-		12
<b>Total Costs</b>	2,689,272,800	184,019,175	1,125,396,538	1,309,415,713			
Surplus	-	28,013,652	12,206,846	40,220,498			
Opening Balance	-	-	<u>28,013,652</u>	-			
	-	<u>28,013,652</u>	<u>40,220,498</u>	<u>40,220,498</u>			
Cash Balance	-	28,581,514	46,473,200	40,220,498			10
Payables	-	<u>(567,862)</u>	<u>(6,252,702)</u>	-			11
	-	<u>28,013,652</u>	<u>40,220,498</u>	<u>40,220,498</u>			

Country Director.....

JOYCE A.M. - JERE

Trustee.....

ELLEN CHIRWA



## **6.1 General**

### **6.2 Accounting Policies**

The significant accounting policies adopted in the preparation of these financial statements are set out below:

#### **(i) Basis of preparation**

The financial statements, expressed in Malawi Kwacha, have been prepared under the modified cash basis of accounting. The organisation has separate accounts for recording revenues received and costs incurred which are prepared on month by month. The accumulation of revenue and costs generates the schedule of revenue and expenditures, which is audited for the period closed as at 31 December 2021. The schedule of expenditures corresponds to flow of funds received from World Ed Inc/Bantwana. Costs of the schedule of expenditures corresponds to funds disbursed in payment of the costs incurred.

The principal accounting policies adopted in the preparation of the financial statements are set out below:

#### **(ii) Basis of Preparation of Budget**

Budget of the project presented at the schedule of expenditures has been prepared in accordance with the budget approved by World Ed Inc/Bantwana. The budget is expressed in Malawi Kwacha.

#### **(iii) Basis of Measurement**

The functional currency of GAIA is Malawi Kwacha. Funds received from Bantwana in Malawi Kwacha.

#### **(iv) Revenues**

Revenues are received from Bantwana every month in line with the requests made and grant agreement.

#### **v) Expenditure**

Expenditure is recognised when payments are made and liquidated.

#### **vi) Capital expenditure**

Capital expenditure is expensed towards the cost of the project.

#### **vii) Cash and cash equivalents**

Cash equivalents consists of short term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance. Project advances are also included as cash and cash equivalents.

**Audit of the USAID Resources Managed by Global AIDS Interfaith Alliance (GAIA) Under the Subaward NO. APA/2020/GAIA101 and Cooperative Agreement No. 72061220CA00004 Between World Education, Inc. (WEI) And GAIA: Ana Patsogolo Activity (APA) for the Year Ended 31 December 2021.**

**6.3 Fund balance reconciliation**

As at 31 December 2021, the bank balance reconciled with the balance recorded in the accounting records and the schedule of expenditures for the APA project. The reconciling items have been reported as payables on note 11.

**6.4 Reconciliation with Accounting Balances**

The amounts recorded by Bantwana are consistent with amounts recorded by GAIA and the schedule of expenditures balance reconciles with the bank statements except for the expenditure's differences reported in the management letter.

**7 Revenue**

This comprises grants received from the WEI/Bantwana as follows:

<b>Date received</b>	<b>Year ended 31 December 2021</b>
	K
1/31/2021	96,042,558
1/31/2021	86,033,666
2/2/2021	83,745,884
5/10/2021	143,522,126
6/23/2021	30,000,000
6/25/2021	52,120,130
7/7/2021	106,052,057
8/16/2021	166,118,716
9/10/2021	91,324,971
10/27/2021	87,577,099
12/13/2021	<u>195,066,177</u>
	<u>1,137,603,384</u>

**Audit of the USAID Resources Managed by Global AIDS Interfaith Alliance (GAIA) Under the Subaward NO. APA/2020/GAIA101 and Cooperative Agreement No. 72061220CA00004 Between World Education, Inc. (WEI) And GAIA: Ana Patsogolo Activity (APA) for the Year Ended 31 December 2021.**

**8 Indirect cost**

**K**

**10% De-Minimis**

107,089,140

GAIA-APA has obtained approval to charge a de-minimis rate of 10% modified total direct costs (MTDC) which may be used indefinitely in the absence of a Negotiated Indirect Cost Rate Agreement (NICRA) and in accordance with the 2CFR200.414 (f).

The amount has been analysed derived as follows:

Total program cost	1,125,396,539
Less: Indirect cost	<u>(40,348,907)</u>
Total program costs before indirect costs	1,085,047,632
<b>Less:</b>	
Fixed cost and rentals	(53,936,656)
payables	<u>(5,649,150)</u>
Modified total direct costs	<u>1,025,461,827</u>
10% de-minimis rate	107,089,140
Amount reported in the FAS	<u>(40,348,907)</u>
Difference	<u>66,740,233</u>

**9 Taxation**

Taxation is not provided for in these financial statements. Ana Patsogolo Activity project is exempted from income tax in Malawi in recognition of its charitable nature under the Taxation Act Cap. 59. Laws of Malawi First Schedule, Paragraph 1.

**10 Cash balance**

APA-Standard bank account 46,473,200

**11 Payables**

Payments not to have cleared through the bank 6,252,702  
The list of these transactions has been reported in the management Letter

**Independent Auditor's Report on Internal Control**

Global AIDS Interfaith Alliance

4th Plot Partridge Avenue, along the Limbe Leaf Tobacco Company

P.O Box 51428

Limbe.

We have audited the schedule of expenditures of USAID Awards for Ana Patsogolo Activity (APA) project for the year ended 31 December 2021. The preparation of the schedule of expenditures of USAID Awards is the responsibility of GAIA management. Our responsibility is to express an opinion on the schedule of expenditures of USAID Award for Ana Patsogolo Activity (APA).

We conducted our audit of the schedule of expenditures in accordance with U.S. Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of expenditures of USAID Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of expenditures of USAID awards. 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.

The management or those charged with governance of the APA project 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 a 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 Schedule of expenditures of USAID Awards in conformity with the basis of accounting described in Note 6.2(i).

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 we considered APA Project's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we do not express an opinion on the effectiveness of the entity's internal control. Our consideration of internal control was for the limited purpose described in the paragraph above and would not necessarily identify all deficiencies in internal control that might be considered significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The results of our tests disclosed two deficiencies that are required to be reported here under U.S GAGAS as explained below;

1. There were delays in resolving reconciling items on the monthly bank reconciliations.
2. The financial reports for the project were not being reconciled to the organisations financial statements and general ledger resulting in variances of K2 million.

This report is intended for the information of GAIA and Bantwana/World Education Inc. However, upon release by the USAID this report is a matter of public record and its distribution is not limited

  
**AuditConsult**

Chartered Accountants  
Stephenson Kamphasa FCCA CA (M)  
Engagement Partner  
Lilongwe, Malawi

7 October 2022



## **AuditConsult**

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### **Independent Auditor's Report on Compliance with Agreement Terms and Applicable Laws and Regulations**

The Board of Trustees

Global AIDS Interfaith Alliance

4th Plot Partridge Avenue, along the Limbe Leaf Tobacco Company

P.O Box 51428

Limbe.

We have audited the schedule of expenditures of USAID awards for Ana Patsogolo Activity (APA) project for the year ended 31 December 2021. The preparation of the financial statements is the responsibility of GAIA management. Our responsibility is to express an opinion on the schedule of expenditures of USAID awards for Ana Patsogolo Activity (APA).

We conducted our audit of the schedule of expenditures in accordance with U.S. Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of expenditures of USAID Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of expenditures of USAID awards. 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.

Compliance with agreement terms and laws and regulations applicable to the programs is the responsibility of Global AIDS Interfaith Alliance management. As part of obtaining reasonable assurance about whether the schedule of expenditures of USAID Awards is free of material misstatement, we performed tests of GAIA's compliance with certain provisions of the 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.

Our audit did not identify any material instance of non-compliance with agreement terms and laws and regulations. We noted immaterial instance of non-compliance which has been reported in the report to management.

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Chartered Accountants

Stephenson Kamphasa FCCA CA (M)

Engagement Partner

Lilongwe, Malawi

7 October 2022