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1. Introduction

1.1 Background information

Foundation for Active Civic Education is a locally development agency registered with the NGO Board and Council for Non-Governmental Organisation in Malawi (CONGOMA). Its registered address is:
P.O. Box 27,
Chiromo
Nsanje.

1.2 Operational activities and objectives

The program focuses on an integrated approach to support vulnerable communities through a participatory and empowering process to access improved livelihood and health services to insure improved food and health security in Nsanje district. The principal components of the programme are in the following areas: -

- Community Health
- HIV and AIDS prevention and support
- Nutritional behaviour
- Wash and sanitation health
- Health and systems strengthening
- Livelihoods support through sustainable intensification of farming practices and off farm income diversification support
- Strengthening farmer networks and groups for inclusion into the value chain
- Disaster risk reduction and climate change adaptation to build resilient communities

1.3 Funding

Foundation for Active Civic Education is financed by All We Can Methodist Relief and Development, an international Christian faith organization that works through partnership alongside global neighbors most impacted by disasters, poverty and injustice to enable flourishing and resilient communities.

1.4 The strategic objectives of the funding were: -

- Improved income and food security at household level of communities especially the rural poor households in Lower Shire.
- Increased community resilience in managing disasters.

2. Report of the Independent Auditor's on the Audit of the Organisation's Projects

2.1 Introduction

Audit Consult has been contracted by Foundation for Active Civic Education (FACE) to conduct a financial audit of the project Statements of Income and Expenditure. The audit was undertaken to address the following specific objectives: -

- To perform an audit in accordance with International Standards on Auditing in order to provide an opinion on the truth and fairness of the organization's Statement of Income and Expenditure for the year ended 31 December 2020;
- To confirm that the organisation is in compliance with relevant project's documents and applicable regulations;
- To report on significant control weaknesses and make recommendations to address those weaknesses as appropriate; and
- To report on the analytical review of specific identified lines of expenditure.
- Project expenditure report (Section 11)

The organisation's Statement of Income and Expenditure and the establishment of an effective system of internal controls are the responsibility of the Management.

2.2 Scope

We planned to conduct our audit as follows:

- Audit of the organization's Statement of Income and Expenditure in accordance with International Standards on Auditing.
- Evaluation of compliance with donor requirements in accordance with International Standards on Related Services applicable to Agreed Upon Procedures.
- Evaluation of internal controls in accordance with International Standards applicable to Assurance Engagements.

2.3 Reporting

We have presented our report as follows;

- Auditor's report (Section 4)
- Review of expenditure (Section 7).
- Evaluation of internal controls report (Section 8)
- Review of specific identified lines of expenditure (Section 9)

2.4

Summary of results

We planned to conduct our audit as follows:

- Audit of the Organisation's Statement of Income and Expenditure – Our report on the Statement of Income and Expenditure for the year ended 31 December 2020 is unqualified.
- Review of the Organisation's Expenditure - Nothing has come to our attention that indicates that the costs charged to the project are not eligible under the conditions set out in the donors' agreements.
- Evaluation of Internal Controls – Nothing has come to our attention, which indicates that internal controls were not properly designed or were not in operation during the period under review.
- Analytical Review of Specific Identified Line of Expenditure – except for the matter reported in 9.3, nothing has come to our attention that indicates that expenditure was out of the budgeted amounts and project's objections.
- Compliance with national laws and regulations - Except for the matter reported in 10.3, nothing has come to our attention that indicates that activities of the organisation were not conducted in compliance with national laws in regulations.

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Chartered Accountants
Isaac Kayira, CA (M), MBA
Blantyre

29 June 2021

3. Statement of Management's Responsibilities

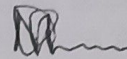
Management is responsible for preparing the Statements of Income and Expenditure that reflects true and fair view of the organization's receipts and payments. It is also responsible for the maintenance of adequate accounting records and internal controls, the selection and application of suitable accounting policies, and safeguarding the assets of the organization and projects.

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 donors.

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



Chairman



Trustee

29 June 2021

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4. Independent Auditor's Report

Report of the Independent Auditor to the Trustees of Foundation for Active Civic Education (FACE)

In our opinion,

- The Statement of income and expenditure present fairly the financial activities of the organisation for the year ended then ended.
- The Statement of Income and Expenditure is maintained, and the activities of the project operations are being conducted, in accordance with local finance and tax laws and regulations in Malawi;
- There are adequate internal controls over the key transaction streams which have been operating effectively during the period;
- There are adequate procedures showing that the project exercises due consideration in the administration of its funds; and
- The donated funds have been applied in accordance with the project's application.

The statement of income and expenditure for FACE for the year ended 31 December 2020 is set out in Sections 5 and 6 of this report.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement of Income and Expenditure section of our report. We are independent of the organisation operations and management in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Statement of Income and Expenditure

The Management is responsible for the preparation and fair presentation of the Statement of Income and Expenditure in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of Statement of Income and Expenditure that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statement of Income and Expenditure

Our objectives are to obtain reasonable assurance about whether the Statement of Income and Expenditure as a whole is free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement of Income and Expenditure.

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Chartered Accountants
Isaac Kayira, CA (M), MBA
Blantyre

29 June 2021

5 FINANCIAL REPORTS

5.1 STATEMENT OF INCOME AND EXPENDITURE

	Notes	<u>2020</u>
		K
Income		
Donation	6.2	23,961,061
Interest		<u>2,989</u>
		<u>23,964,050</u>
 Expenditure		
Program costs	6.5	11,896,576
Personnel costs	6.6	8,720,400
Administration costs	6.7	<u>2,823,296</u>
		<u>23,440,272</u>
 Surplus for the year		523,778
Opening balance		<u>58,549</u>
		<u>582,327</u>
 <i>The amount is represented as follows:</i>		
Account's payables	6.4	(1,679,302)
Bank balance	6.3	<u>2,261,629</u>
		<u>582,327</u>

5.2 STATEMENT OF FINANCIAL POSITION

	Notes	2020 K
Assets		
Current assets		
Cash and cash equivalents	6.3	<u>2,261,629</u>
Fund balances and liabilities		
Accumulated project fund		<u>582,327</u>
Current liabilities		
Accounts payable	6.4	<u>1,679,302</u>
Total fund and liabilities		<u>2,261,629</u>

6. NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE

6.1 Significant accounting policies

The significant accounting policies adopted in the preparation of this Statement of Income and Expenditure are set out below: -

(i) Basis of preparation

The financial statements are presented in Malawi Kwacha and are prepared on a cash basis.

(ii) Incoming resources

Revenue grants are credited to the Statement of Income and Expenditure when received or receivable whichever is earlier, unless they relate to a specific future period, in which case they are deferred.

(iii) Resources expended

Resources expended are recognized in the period in which they are incurred. They include Value Added Tax, which cannot be recovered.

(iv) Furniture and equipment

Items of furniture and equipment procured under projects' funding are expensed in the Statement of Income and Expenditure in the year of purchase.

6 NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE (Continued)

		<u>2020</u>
		K
6.2 Donation		
All We Can Methodist Relief and Development		<u>23,961,061</u>
	<u>Date of receipt</u>	
	28- 2-2020	11,961,031
	28- 9-2020	<u>12,000,030</u>
		<u>23,961,061</u>
6.3 Bank balance		
All We Can Methodist Relief and Development		2,182,327
Build Back Better Initiative project		<u>79,302</u>
		<u>2,261,629</u>
	Build Back Better Initiative is a project funded by All We Can. The donor has approved the use of the same bank account so as to serve costs.	
6.4 Account's payables		
Audit fee		1,600,000
Build Back Better Initiative project		<u>79,302</u>
		<u>1,679,302</u>

NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE (Continued)

6.5	PROGRAM COSTS	Actual	Budget	Rate
		K	K	%
	1.1.2.1 Conduct Baseline survey to establish benchmarks for hectares under SMART agriculture and status on crop production	386,680	387,000	99
	1.1.2.2 Conduct non-residential training for 45 farmers on climate SMART agriculture technologies for one day at Magoti TDC	509,225	510,600	99
	1.1.2.3 Conduct Biannual review meeting with 45 cluster leaders and stakeholders panel committee at Magoti TDC	898,830	899,100	99
	1.2.1.1 Conduct baseline survey to establish benchmarks for status on knowledge and skills in animal management, cross breeding diversification and production	386,780	387,000	99
	1.2.1.6 Conduct 5 radio panel discussions programs to promote cross breeding and deworming on goats and chickens	300,000	300,000	100
	1.3.1.1 Promote guinea fowl and quail production	7,440	7,440	100
	1.4.1.1 Conduct baseline survey to establish benchmarks for status for household income levels, livelihoods activities and savings culture.	386,324	387,000	99
	1.4.1.2 Conduct non-residential training for 45 women and other vulnerable groups of people on business marketing and entrepreneurship skills for 3 days at Magoti TDC	868,150	868,800	99
	1.4.1.3 Facilitate small scale businesses among women and other minority groups	12,440	12,440	100
	2.1.1.1 Establish disaster management alliances at T/A level to be held at Kalimba hall targeting 40 people	468,770	469,200	99
	2.1.1.2 Conduct biannual alliance radio panel discussions and feedback on disaster resilience and adaption mechanism to be held at Gaka radio station	218,000	218,000	100
	2.2.1.1 Conduct non-residential training for 15 journalists on DRM for 2 days at Katemba hall	260,920	261,660	99
	2.3.1.2 Conduct residential workshop for 6 people from agriculture, health and Gaka radio on message design, production and development on disaster management for 3 days at Nchalo Kukhala motel hall	735,960	736,200	99
	2.4.1.1 Facilitate 8 awareness meetings on benefits of indigenous forests targeting VCPs, VNRCs and VDCs	7,440	7,440	100

6 NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE (Continued)

6.5	PROGRAM COSTS	Actual	Budget	Rate
		K	K	%
	2.4.1.2 Facilitate establishment of 8 community natural woodlots (cupping and regeneration) for the 8 communities	7,440	7,440	100
	2.5.1.1 Train 20 farmers Apiary	238,430	238,600	99
	2.5.1.2 Facilitate identification of 8 community places for Apiary farming that will involve 5% of the targeted project beneficiaries	7,440	7,440	100
	2.5.1.3 Procure 40 beehives and harvesting equipment	577,880	578,600	99
	2.5.1.4 Conduct non-residential grafting orientation to 30 community members from Khembo village for 2 days	93,300	93,300	100
	2.5.1.5 Conduct quarterly radio panel discussions on fruit production	475,200	475,200	100
	2.5.1.6 Conduct monthly monitoring visits on implemented activities	238,298	241,391	99
	3.3.1.3 Train finance staff in appropriate areas	400,000	400,000	100
	3.1.1.3 Board meeting: Held in Nchalo Arrows lodge	530,000	530,000	100
	COVID -19 response programs	4,041,629	4,593,810	88
		<u>11,896,576</u>	<u>12,617,661</u>	<u>94</u>
6.6	PERSONNEL COSTS			
	Executive Director	2,340,000	2,340,000	100
	Project Co-Ordinator	1,940,400	1,940,400	100
	Project Officer	2,640,000	2,640,000	100
	Finance Officer	1,200,000	1,200,000	100
	Guard	600,000	600,000	100
		<u>8,720,400</u>	<u>8,720,400</u>	<u>100</u>
6.7	ADMINISTRATION COSTS			
	Audit fees	1,600,000	1,600,000	100
	Bank charges	311,521	321,000	97
	Fuel	360,000	360,000	100
	Motor bikes insurance	41,775	50,000	84
	Motor bikes service and maintenance	90,000	90,000	100
	Office communication	120,000	120,000	100
	Office internet	60,000	60,000	100
	Office utilities	180,000	180,000	100
	Stationery	60,000	60,000	100
		<u>2,823,296</u>	<u>2,841,000</u>	<u>99</u>
	GRAND TOTAL	<u>23,440,272</u>	<u>24,179,061</u>	<u>97</u>

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7 Report on our Review of Expenditure

7.1 Introduction

In accordance with the terms of our engagement letter dated 1 December 2020, 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 organisation's are eligible under the conditions set out in the financiers' agreements and to report on any exceptions identified.

7.2 Scope and work performed

Our review was carried out in accordance with International Standards applicable to Review Engagement ISRE 4400.

- We performed the following procedures on a sample basis:
- Checked that the costs were relevant to the project's objectives;
- Checked that the costs were incurred during the period between 1 January 2020 and 31 December 2020; and
- Checked that the costs were actually incurred, recorded in the accounts, are identifiable and verifiable and are backed by originals of supporting documents.

7.3 Findings

- Costs were relevant to respective objectives.
- All expenditure incurred relates to the projects.
- Costs were actually incurred and recorded in the accounts.

7.4 Conclusion

Nothing has come to our attention that indicates that the costs charged to the project are not eligible under the conditions set out in the financiers' agreements.

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8. Report on Our Evaluation of Internal Controls

8.1 Introduction

In accordance with the terms of our engagement letter dated 1 December 2020, we were required to review the design and implementation of the internal control system.

8.2 Scope

We evaluated the internal control system as set up by the Organisation's 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 both at the Project Management level.
- (b) Identify conditions that are deficient in the design or operation of internal controls both at Project Management level.

8.3 Findings

- There is always relevant approval when every expense is incurred;
- Expenses are properly supported and authorized by appropriate senior officials
- Expenses were correctly allocated to budget lines;
- Plant and equipment register was maintained.

8.4 Conclusion

Nothing has come to our attention that indicates that internal controls were not properly designed or were not placed in operation during the year.

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9. Report on our analytical review of specific identified line of expenditure

9.1 Introduction

In accordance with the terms of our engagement letter dated 1 December 2020, we were engaged to perform analytical review on specific identified lines of expenditure.

9.2 Scope and work performed

Our analytical review was performed on the following:

- Level of expenditure on strategic objectives versus budget.

9.3 Findings

- (i) Expenditures were within budgets and projects' objectives.
- (ii) Programme costs were overspent by 14%. This was a result of an 84% over expenditure of covid – 19 response programs.
- (iii) The total funding received during the year was 8% more than the actual budget. This questioned the overall total expenditure to be within the acceptable range of 6%.

9.4 Conclusion

Nothing has come to our attention that indicates that expenditure was out of the budgeted amounts and objectives.

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29 June 2021

10. Report of the Independent Auditors on the Verification of the Project Operations and Compliance with National Laws and Regulations**10.1 Introduction**

In accordance with the terms of our engagement letter, we were required to verify the project operations' compliance with national laws and regulations.

10.2 Scope and work performed

The verification was conducted at FACE Office in Bangula, Nsanje district.

We performed the following procedures:-

a) Checked compliance with:

- Malawi Taxation Act;
- Agreement signed between All We Can and Foundation for Active Civic Education;
- The Employment Act, Cap. 55: 02;
- Pension Act, 2011;
- Immigration Act.
- Tevet levy

b) Checked that the Foundation for Active Civic Education has relevant legal status.

10.3 Findings

- Tevet levy of K87,000 was not provided nor remitted.

10.4 Conclusion

Except for matters mentioned in 10.3, the financial statements are maintained and the activities of the operations are being conducted in accordance with relevant national laws and regulations.

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Isaac Kayira, CA (M), MBA

Blantyre

29 June 2021

11 FIXED ASSET REGISTER

	Item	Date of Purchase	Serial No.	Cost
Land and buildings				
		2004	FC2004	5,500,000
1	Land	2004	FC2004	3,500,000
1	Building			
				9,000,000
	Sub-Total			
Furniture and equipment's				
		2010	F0001-F0008	1,500,000
8	Office Desk	2020	F0009	230,000
1	office desk Donation by Medecins sans frontiers	2010	F00010	30,000
1	Office Table	2016	F0011 -F0031	400,000
20	Office Chairs	2020	F0032- F0034	100,000
2	Office chairs donated by Médecins	2015	F0035-F0040	300,000
5	Cushioned chairs	2015	F0041	200,000
1	Refrigerator	2015	F0042	10,000
1	Punch	2015	F0043-F0045	2,170,000
3	Laptop	2013	F0046	590,000
1	HP desktop Sets Pro 3300	2015	F0047-F0049	180,000
3	Wooden Office filing shelves	2015	F0050	40,000
1	wooden Office filing Cabinet	2016	F0051-F0052	72,000
2	Office Telephone Handset	2013	F0053	1,500,000
1	Motor bike (BQ8203)	2013	F0054	1,500,000
1	Motor bike (BS 6204)	2013	F0055	1,500,000
1	Motor bike (Bs 1052)	2013	F0056	1,200,000
1	Motor bike (BN 9804)	2013	F0057	200,000
1	Cash safe	2013	F0058 -F0059	50,000
2	Office clock	2013	F0060	30,000
1	Flip chart stand	2015	F0061	300,000
1	Notice Board	2014	F0062 -F0064	30,000
3	Office Tray	2016	F0065	25,000
1	Calculator		F0066	640,750
1	HP ProBook 450 Laptop		F0067	516,000
1	HP Laser jet Printer			13,313,750
	Sub-Total			22,313,750
GRAND TOTAL VALUE				

**FOUNDATION FOR ACTIVE CIVIC EDUCATION
(FACE)**

STATEMENT OF INCOME AND EXPENDITURE
For the year ended

31 December 2020