

**CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY
CHRISTIAN HEALTH ASSOCIATION OF MALAWI**

**OPTIMISING HUMAN RESOURCES FOR HEALTH
TO SUSTAIN EPIDEMIC CONTROL IN MALAWI
UNDER THE PRESIDENT'S EMERGENCY PLAN FOR
AIDS RELIEF(PEPFAR)**

**COOPERATIVE AGREEMENT NUMBER:
1 NU2GGH002263-01-00**

**FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2023
TO 31 DECEMBER 2023**

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

OPTIMISING HUMAN RESOURCES FOR HEALTH TO SUSTAIN EPIDEMIC CONTROL IN MALAWI UNDER THE PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF(PEPFAR) PROJECT

COOPERATIVE AGREEMENT NO.1 NU2GGH002263-01-00

FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

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CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

OPTIMISING HUMAN RESOURCES FOR HEALTH TO SUSTAIN EPIDEMIC CONTROL IN MALAWI UNDER THE PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF(PEPFAR) PROJECT COOPERATIVE AGREEMENT NO.1 NU2GGH002263-01-00

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 DECEMBER 2023

Management of Christian Health Association of Malawi is required to prepare a Fund Accountability Statement for each specified period which presents fairly the state of affairs of each project as at the end of the specified period and of the operating results for that period.

Management is also required to ensure that the project keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the project and enable them to ensure that the fund accountability statement complies with the CDC financing agreement.

In preparing the fund accountability statements, management accept responsibility for the following:

- maintenance of proper accounting records;
- selection of suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- compliance with applicable accounting standards subject to any material departures being disclosed and explained in the fund accountability statement;
- preparation of the fund accountability statements on a going concern basis unless it is inappropriate to presume that the project will continue its operations.

Management also accepts responsibility for taking such steps as are reasonably open to them to safeguard the assets of the project and to maintain adequate systems of internal control to prevent and detect fraud and other irregularities.

Management is of the opinion that the fund accountability statements present fairly in all material respect the state of the financial affairs of the projects and of its operating results.

The fund accountability statements have been approved by the management on 07/02/2024 and are signed on its behalf by:



EXECUTIVE DIRECTOR



DIRECTOR OF FINANCE

Transmittal Letter

The Board of Trustee
Christian Health Association of Malawi
P.O Box 30378,
Lilongwe 3,
Malawi.

Dear Sirs/Madam,

This report presents our opinion on whether the fund accountability statement for Christian Health Association of Malawi CDC programme Cooperative Agreement no. 1 NU2GGH002263-01-00 -Optimizing Human Resources for Health to Sustain Epidemic Control Under the Presidents Emergency Plan for Aid Relief (PEPFAR) for the period from 1 January 2023 to December 2023.

CDC program presents fairly in all material respects, revenues received and costs incurred, in conformity with the U.S. Government Auditing Standards for the above periods. The fund accountability statement is the responsibility of Christian Health Association of Malawi management.

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

With respect to these internal controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk in order to determine our audit procedures for the purpose of expressing an opinion on the fund accountability statement.

As practicing members of the Institute of Chartered Accountants in Malawi (ICAM),

- We are required to acquire at least 40 Continuing Professional Education (CPE) hours per annum. This is enforced by the Institute of Chartered Accountants in Malawi on all members on an annual basis.

All the auditors involved in this assignment complete at least 40 hours of continuous professional education in each two-year period.

This is in line with the GAGAS and peer review requirement. GAGAS Peer Review and continuing Education Section 3.76 requires 24 hours of continuing education every two years for auditors and 80 hours of continuing education every two years for audit leaders.

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Audit . Tax . Advisory

Partners: Cornwell Banda, Dorothy Ngwira Mrs, Martha Nyirongo Mrs

- As required by GAGAS Section 3.50 that each organization performing audits or attestation engagements in accordance must establish a system of quality control and also have an external peer review at least once every 3 years

Our audit firm is subjected to an external quality control peer review program which is administered by the Malawi Accountants Board (MAB). MAB's quality control peer review program complies with the International Federation of Accountants (IFAC) rules. The last review of the firm was carried out in 2019 and was satisfactory and the next one will be done after six years because the firm is not involved in the audit of listed companies. Additionally, all auditors within the firm and involved in this audit are members of ICAM which is a member of IFAC, and its members are required to comply with IFAC rules. The ICAM review is performed by outsourced reviewers from the Association of Certified Chartered Accountants (ACCA) in the United Kingdom.

Graham Carr has not had a GAGAs external quality control review by unaffiliated organisation as required by Chapter 5, paragraph 5.62 of GAO -21-368G Government Auditing Standards because no such programme is offered by professional organisations within Malawi. We believe the effects of this departure from GAGAS is not material because Graham Carr complies with ISA 220 Quality Control for Audits of Historical Financial Information and ISQC 1 International Standards on Quality Control.

This report is intended solely for the use of the Christian Health Association of Malawi management and CDC. However, upon release by CDC, this report is a matter of public record and its distribution is not limited.

If you have any questions concerning this report, please do not hesitate to contact us.



Graham Carr
12th February 2024

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

OPTIMISING HUMAN RESOURCES FOR HEALTH TO SUSTAIN EPIDEMIC CONTROL IN MALAWI UNDER THE PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF(PEPFAR) PROJECT

COOPERATIVE AGREEMENT NO.1 NU2GGH002263-01-00

FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

AUDIT SUMMARY

Background and project identification

The accompanying reports are given in connection with Christian Health Association of Malawi, **Cooperative Agreement no.1 NU2GGH002263-01-00** - Optimize Human Resources for Health Sustain Epidemic Control in Malawi under the president's Emergency Plan for AIDS Relief (PEPFAR).

In August 2020, the Centres for Disease Control (CDC), mission to Malawi issued the first Notice of award to Christian Health Association of Malawi (CHAM) to "Optimize Human Resources for Health Sustain Epidemic Control in Malawi under the President's Emergency Plan for AIDS Relief (PEPFAR), Malawi Project Cooperative agreement No 1 **NU2GGH002263-01-00** and in the period under review, a grant of US\$727,095.50 was awarded to CHAM.

Project objectives

- 1) Increase the number of healthcare workers trained at CHAM colleges to deliver HIV/AIDS services at high HIV burden PEPFAR supported sites
- 2) To strengthen linkages between HRH production, recruitment and deployment of preservice health worker graduates so that graduates are recruited and deployed to high HIV burden PEPFAR supported sites
- 3) To increase the proportion of healthcare graduates who successfully qualify HIV/AIDS services at High HIV burden PEPFAR supported sites.
- 4) Support the regulatory bodies to improve quality of education in all CHAM training colleges
- 5) Build capacity of faculty members and students in the provision of ART service

Title

Audit of the fund accountability statement of CDC Resources managed by Christian Health Association of Malawi (CHAM) under Program Optimizing Human Resources for Health Sustain Epidemic Control in Malawi under the President's Emergency Plan for AIDS Relief (PEPFAR) Cooperative agreement No 1 **NU2GGH002263-01-00** Project for the period ending 31 December 2023.

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AUDIT SUMMARY (CONTINUED)

Objectives of the engagement

The objective of this engagement is to conduct a financial audit of the CDC resources managed by the CHAM under Cooperative agreement No 1 NU2GGH002263-01-00 for the period from 1 January 2023 to 31 December 2023 in accordance with U.S. Government Auditing Standards issued by the **Comptroller General of the United States** and CDC Guidelines for Financial Audits Contracted by Foreign Recipients.

The fund accountability statement is the basic financial statement to be audited that presents the recipient's revenues, costs incurred, cash balance of funds provided by CDC. The fund accountability statement should be reconciled to the CDC funds included in the general-purpose financial statements by a note to the fund accountability statement. All currency amounts in the fund accountability statement, cost-sharing schedule and the report findings, if any, must be stated in U.S. dollars. The auditors should indicate the exchange rate(s) used in the notes to the fund accountability statement.

Specific Objectives of Audit of CDC Funds

A financial audit of the funds provided by CDC must be performed in accordance with U.S. *Government Auditing Standards issued by the Comptroller General of the United States*, and accordingly includes such tests of the accounting records as deemed necessary under the circumstances. The specific objectives of the financial audit of the CDC funds are to:

1. Express an opinion on whether the fund accountability statement for the CDC-funded programs presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by CDC for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modification of the cash basis).
2. Evaluate and obtain a sufficient understanding of the recipient's internal control related to the CDC-funded programs, assess control risk, and identify significant deficiencies or material weaknesses in the design and effectiveness of these internal controls. This evaluation should include the internal control related to required cost-sharing contributions.

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AUDIT SUMMARY (CONTINUED)

3. Perform tests to determine whether the recipient complied, in all material respects, with agreement terms and applicable laws and regulations related to CDC-funded programs. The testing should be in line with *chapter 6 paragraph 6.15 and 6.16 of U.S. Government Auditing Standards* issued by the *Comptroller General of the United States*. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified. Such tests should include the compliance requirements related to required cost-sharing contributions, if applicable.
4. Perform an audit of the indirect cost rate(s) if the recipient has been authorized to charge indirect costs to CDC using provisional rates or the minimum rate of 10% of modified total direct costs (MTDC) and if CDC (or other US Government agency) has not yet negotiated final rates with the recipient.
5. Determine if the recipient has taken adequate corrective action on prior audit report recommendations as required by *U.S. Government Auditing Standards (April 2021 edition)* issued by the *Comptroller General of the United States* and [45 CFR § 75.514 \(e\)](#).

AUDIT SCOPE

Our audit was conducted in accordance with *U.S. Government Auditing Standards* issued by the *Comptroller General of the United States*. It included such tests, as we considered necessary to enable us to obtain reasonable assurance that CDC funds are being managed in accordance with:

- The project agreement between CDC and the recipient.
- CDC financial regulations, rules, practices and procedures.
- The project implementation, monitoring, evaluation and reporting procedures.
- Accounting and reporting procedures for CDC.

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AUDIT SUMMARY (CONTINUED)

The following audit steps were used as the basis for conducting the audit programmes:

A) Pre –Audit Steps

In order to have a better understanding of Christian Health Association of Malawi – CDC Projects and their performance, we requested/reviewed the following documents:

- The agreement between CDC and the CHAM (NOFO and relevant budget year Notice of Awards);
- The sub agreements between CHAM and other implementing entities, as applicable;
- Contracts and subcontracts with third parties, if any;
- Title 45 Code of federal regulation part 75: Uniform Administrative Requirements, Cost Principles, and Audit requirements for HHS awards;
- Notice of Funding Opportunity (NOFO) for the program being audited;
- The budgets, implementation letters, and written procedures of recipient approved by CDC;
- Recipient's Financial Reference Guide for Managing CDC grants and Cooperative Agreements;
- All program financial and progress reports; charts of accounts; organizational charts; accounting systems descriptions; procurement policies and procedures, including but not limited to Procurement Operational Manual (POM); and receipt, Storage and distribution procedures for materials, as necessary, to successfully complete the required work;
- The U.S Department of Health and Human Services (HHS) Grants Policy Statement; and/or
- Any previous audits, financial reviews, etc., that directly relate to the objectives of the audit.

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AUDIT SUMMARY (CONTINUED)

Our detailed tests included the following:

B) Fund Accountability Statements

We examined the fund accountability statements for the CDC programs including the budgeted amounts by category and major items; the revenues received from CDC for the period covered by the audit; the costs reported by the recipient as incurred during that period; and the commodities directly procured by CDC for the recipient's use.

In order to fulfil these responsibilities on the fund accountability statement we:

- Reviewed costs billed to and reimbursed by CDC and costs incurred but pending reimbursement by CDC, identifying and quantifying any questioned costs.
- Reviewed general and program ledgers to determine whether costs incurred were properly recorded. Reconcile direct costs billed to, and reimbursed by, CDC to the program and general ledgers.
- Reviewed procedures used to control the funds, including transfer of funds to contracted financial institutions or other implementing entities. Reviewed bank statements and the controls on those bank accounts. Performed positive confirmation of balances, as necessary.
- Determined whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available. The Ensure that all funding received by the recipient from CDC was appropriately recorded in the recipient's accounting records and that those records were periodically reconciled with information provided by CDC.
- Determined whether program income was added to funds used to further eligible project or program objectives, to finance the non-federal share of the project or program, or deducted from program costs, in accordance with CDC regulations, other implementing guidance, or the terms and conditions of the award.

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AUDIT SUMMARY (CONTINUED)

B) Fund Accountability Statements (continued)

- Reviewed procurement procedures to determine whether they were conducted in a manner consistent with the CDC Program Procurement Guidelines as required by [45 CFR 75.327 General procurement standards](#). to ensure the use of sound commercial practices including competition and price reasonableness, following its written procedures for conflict of interest and adequate controls were in place over the qualities and quantities received.
- Reviewed direct salary charges to determine whether salary rates were reasonable for that position, in accordance with those approved by CDC when CDC approval is required and supported by appropriate payroll records. Determine if overtime was charged to the program and whether it was allowable under the terms of the agreements. Determine whether allowances and fringe benefits received by employees were in accordance with the agreements and applicable laws and regulations. The auditors should question unallowable salary charges in the fund accountability statement.
- Reviewed travel and transportation charges to determine whether they were adequately supported and approved. Travel charges that are not supported with adequate documentation or not in accordance with agreements and regulations must be questioned in the fund accountability statement.
- Reviewed assets (e.g., supplies, materials, vehicles, equipment, food products, tools, etc.) procured by the recipient or directly procured by CDC for the recipient's use. The auditors should determine whether assets exist or were used for their intended purposes in accordance with the terms of the agreements, and whether control procedures exist and have been placed in operation to adequately safeguard the commodities. As part of the procedures to determine if assets were used for intended purposes, the auditors should perform end-use reviews for an appropriate sample of all assets based on the control risk assessment.

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AUDIT SUMMARY (CONTINUED)

B) Fund Accountability Statements (continued)

End-use reviews may include site visits to verify that assets exist or were used for their intended purposes in accordance with the terms of the agreements.

The cost of all assets whose existence or proper use in accordance with the terms of the agreements cannot be verified must be questioned in the fund accountability statement. (The auditor should determine the cost of assets based on supporting documentation available from the recipient or CDC, as appropriate).

- Reviewed technical assistance and services, consultant services, and grant activity procured by the recipient. The auditors should determine whether technical assistance, services and grants were used for their intended purposes in accordance with the terms of the agreements. The cost of technical assistance, services and grants not properly used in accordance with the terms of the agreements must be questioned in the fund accountability statements.

C) Internal Controls

- Obtained a sufficient understanding of the entity and its environment, including its internal control, to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. In obtaining this understanding, we understood the design of the internal control related to CDC programs and determine whether they have been placed in operation.
- Assessed inherent risk and control risk, and determined detection risk.
- Summarized the risk assessments for each assertion in a single document included in the audit documentation. The risk assessments considered the following broad categories under which each assertion was classified:

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AUDIT SUMMARY (CONTINUED)

- (a) classes of transactions and events for the period under audit (occurrence, completeness, accuracy, cut-off, and classification),
 - (b) account balances at the period end (existence, rights, obligations, completeness, valuation, and allocation),
 - (c) presentation and disclosure (occurrence, rights, obligations, completeness, accuracy, and valuation).
- Evaluated the control environment, the adequacy of the accounting systems, and control procedures. Emphasized the policies and procedures that pertain to the recipient's ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the fund accountability statement. This included the control systems for:
 - Ensuring that charges to the program are proper and supported;
 - Managing cash on hand and in bank accounts;
 - Procuring goods and services;
 - Managing inventory and receiving functions;
 - Managing personnel functions such as timekeeping, salaries, and benefits;
 - Managing and disposing of commodities (such as supplies, materials, vehicles, equipment, food products, tools, etc.) purchased either by the recipient or directly by CDC;
 - Ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the fund accountability statement.
 - Evaluated internal control established to ensure compliance with cost sharing/counterpart contribution requirements, including both provision and management of the contributions.

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AUDIT SUMMARY (CONTINUED)

D) Compliance with Agreement Terms and Applicable Laws and Regulations

In fulfilling the audit requirement to determine compliance with agreement terms and applicable laws and regulations related to CDC programs, we:

- Identified the agreement terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the Fund Accountability Statements.
- Determined if payments have been made in accordance with agreement terms and applicable laws and regulations.
- Determined if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms and cost principles as required by [CFR : 45 CFR Part 75 Subpart E - Cost Principles.](#)
- Identified any costs not considered appropriate, classifying and explaining why these costs are questioned.
- Determine whether assets, whether procured by the recipient or directly procured by CDC for the recipient's use, exist or were used for their intended purposes in accordance with the terms of the agreements. If not, the cost of such assets must be questioned.
- Determine whether any technical assistance and services procured by the recipient or directly procured by CDC for the recipient were used for their intended purposes in accordance with the agreements. If not, the cost of such technical assistance and services should be questioned.
- Determine whether those who received services and benefits were eligible to receive them.
- Determine whether the recipient's financial reports and claims for advances and reimbursement contain information that is supported by the books and records.
- Determine whether the recipient held advances of CDC funds in interest-bearing accounts, and whether the recipient remitted to CDC any interest earned on those advances,

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D) Follow-Up on Prior Audit Recommendations

- We were required to review the status of actions taken on findings and recommendations reported in prior audits of CDC-funded programs. Chapter 6 Paragraph 6.11 of the U.S. *Government Auditing Standards (April 2021 edition)* issued by the Comptroller General of the United States.
- We were required to describe the scope of our work on prior audit recommendations in the summary section of the audit report.

E. Other review responsibilities

- Hold entrance and exit conferences with the recipient
- During planning stage of the audit, communicate information to the auditee regarding the nature and extent of planned tests and reporting on compliance with laws and regulations and internal control over financial reporting.
- Institute quality control procedures to ensure that sufficient appropriate audit evidence is obtained.

F) Closeout Audit

As a closeout audit, we carried out the following procedures :

- Reviewed advances made to the recipient by CDC as well as advances made by the recipient to contractors and ensure proper liquidation per the terms of the applicable agreement.
- Reviewed pending reimbursements by CDC to the recipient or by the applicable recipient to sub-recipients.
- Ensured that the recipient has returned any excess cash to CDC.
- Verified that the recipient complied with its closure plan.
- Ensured that all assets (e.g., inventories, fixed assets, commodities) procured with program funds were disposed of in accordance with the terms of the agreements.

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Compliance with continuing professional education and external quality peer review-amendment

Over a two-year period, the partner involved in planning, directing and reporting of this assignment completed at least 80 hours of continuous professional education (CPE), 24 hours of continuous professional education relating to subject matter directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates and 56 hours that related to subject matter that directly enhance auditor's professional expertise to conduct engagements.

All the auditors involved in this assignment complete at least 40 hours of continuous professional education in each two-year period.

Our audit firm is subjected to an external quality control peer review program which is administered by the Malawi Accountants Board (MAB). MAB's quality control peer review program complies with the International Federation of Accountants (IFAC) rules. The last review of the firm was carried out in 2019 and was satisfactory and the next one will be done after six years because the firm is not involved in the audit of listed companies. Additionally, all auditors within the firm and involved in this audit are members of ICAM which is a member of IFAC, and its members are required to comply with IFAC rules. The ICAM review is performed by outsourced reviewers from the Association of Certified Chartered Accountants (ACCA) in the United Kingdom. Graham Carr has not had a GAGAs external quality control review by unaffiliated organisation as required by Chapter 5, paragraph 5.62 of GAO -21-368G Government Auditing Standards because no such programme is offered by professional organisations within Malawi. We believe the effects of this departure from GAGAS is not material because Graham Carr complies with ISA 220 Quality Control for Audits of Historical Financial Information and ISQC 1 International Standards on Quality Control.

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

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Audit results

Fund accountability statement

In our opinion the fund accountability statement referred to above presents fairly, in all material respects program revenues, costs incurred and reimbursed by CDC for the period January 1, 2023 to 31 December 2023 in accordance with the terms of the agreements and in conformity with the basis of accounting described in note 1.1.

Internal control

Internal controls were adequate for the period.

Compliance with agreement terms

The results of our tests on compliance disclosed the following and for details refer separate report to management.

- Noncompliance with Taxation Act on PAYE and Withholding Tax. Findings 1 & 2
- Noncompliance with Pensions Act. Finding 3
- Non compliance with budget provisions. Findings 4
- Some planned activities were not fully implemented. Finding 5

In our opinion, except for the matters noted above the project has adequately complied with the agreement terms.

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Follow-Up on Prior Audit Recommendations

Finding	Recommendation	Status
We noted that there is no evidence that Payables and Receivable reconciliations are done monthly for control accounts and ledgers and are being checked and reviewed by a senior official.	Management should ensure that payables and receivables reconciliations are done monthly and should be checked and authorized by a senior official.	Resolved
Liquidation policy states that allowances are to be banked not later than 7 days paid after the activity. However, we noted that some balances outstanding as at 31/12/22 were not liquidated in time.	Management should put in place measures of controlling or monitoring balances so that Programme advances are liquidated in reasonable time.	Resolved
We noted that some planned activities were not fully carried out as evidenced by low expenditure.	Management should ensure that all project activities are achieved so that the organisation does not lose donor confidence.	Not resolved
The Taxation Act states that PAYE shall be paid to the Commissioner not later than fourteen-day of next month. However, during our review, we noted that PAYE was not remitted to the authorities on time.	Management should ensure that all applicable laws and regulations are complied with to avoid unnecessary penalties.	Not resolved

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Follow-Up on Prior Audit Recommendations (Continued)

Finding	Recommendation	Status
We noted that WHT deducted some payments was not remitted to Malawi Revenue Authority in time.	Management should ensure that withholding tax is deducted on all qualified payments is remitted to Malawi Revenue Authority not later than 15 th of the following month.	Not resolved
We noted that Pension contributions were not remitted to the pension's administrator on time.	We recommend that the project should remit pension contributions by the 14th day following the month of deduction; in line with the new Pensions Act.	Not resolved
We noted that there were inter borrowing of funds within the projects leading to VMC Preservice project having an overdrawn bank balance of MK 78,987,918 (US\$77,458)	We encourage management to ensure that funds for individual projects are strictly used for its activities and unspent funds are reconciled to bank balances. This will ensure that there is no inter-borrowing of funds.	Resolved

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

OPTIMISING HUMAN RESOURCES FOR HEALTH TO SUSTAIN EPIDEMIC CONTROL IN MALAWI UNDER THE PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF(PEPFAR) PROJECT

COOPERATIVE AGREEMENT NO.1 NU2GGH002263-01-00

FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

**INDEPENDENT AUDITOR'S REPORT ON
THE FUND ACCOUNTABILITY STATEMENT**

We have audited the fund accountability statement of the Christian Health Association of Malawi – "Optimizing Human Resources for Health Sustain Epidemic Control in Malawi under the President's Emergency Plan for AIDS Relief (PEPFAR) in Malawi Project for the period from January 1, 2023 to 31 December 2023. The fund accountability statement is the responsibility of Christian Health Association of Malawi management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

We conducted our audit of the fund accountability statement in accordance with the *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 fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. 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.

Opinion:

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, project revenues, costs incurred and reimbursed for the year ended December 2023 in accordance with the terms of the agreement and in conformity with the basis of accounting described in note 1.1.

In accordance with the *U.S. Government Auditing Standards*, we have also issued reports dated 12th February 2024 on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of the audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this Auditor's Report in consideration of the results of our audit.

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Audit . Tax . Advisory

Partners: Cornwell Banda, Dorothy Ngwira Mrs, Martha Nyirongo Mrs

This report is intended for the information of Christian Health Association and CDC. However, upon release by CDC, this report is a matter of public record and its distribution is not limited.



Graham Carr
12th February 2024

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI
OPTIMIZING HUMAN RESOURCES FOR HEALTH TO SUSTAIN EPIDEMIC CONTROL IN MALAWI UNDER THE PRESIDENT'S
EMERGENCY PLAN FOR AIDS RELIEF (PEPFAR)

GRANT NO: 1 NU2GGH002263-01-00

FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD ENDED 23 NOVEMBER 2023

REVENUE

	Budget Amount	Budget Amount	Actual Amount	Actual Amount	Unsupported payments	Ineligible costs	Note
	US\$	MK	US\$	MK	US\$	US\$	
Opening balance	-	-	378,931	386,411,137	-	-	
Grant Income	1,135,111	1,188,461,217	727,095	770,811,163	-	-	2
Other income	-	-	45,428	48,643,344	-	-	
	<u>1,135,111</u>	<u>1,188,461,217</u>	<u>1,151,454</u>	<u>1,205,865,644</u>	<u>-</u>	<u>-</u>	

Expenditure

Financial recovery and sustainability	130,700	136,842,900	130,661	137,457,169	-	-	
Salaries, wages and benefits	340,000	355,980,000	334,675	338,538,171	-	-	
Cordination and Technical Support for Health Services	262,000	274,314,000	261,925	268,521,685	-	-	
Monitoring Evaluation & research	9,000	9,423,000	8,759	8,969,315	-	-	
Secretariate operation costs	393,411	411,901,317	396,007	419,777,344	-	-	
Total expenditure	<u>(1,135,111)</u>	<u>(1,188,461,217)</u>	<u>(1,132,027)</u>	<u>(1,173,263,683)</u>	<u>-</u>	<u>-</u>	
Balance	<u>-</u>	<u>-</u>	<u>19,427</u>	<u>32,601,961</u>			

Represented by:

Operating Account			1,641	2,753,335	-	-	3
FCDA			17,786	29,848,626	-	-	3
			<u>19,427</u>	<u>32,601,961</u>			


EXECUTIVE DIRECTOR


DIRECTOR OF FINANCE

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

OPTIMISING HUMAN RESOURCES FOR HEALTH TO SUSTAIN EPIDEMIC CONTROL IN MALAWI UNDER THE PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF(PEPFAR) PROJECT

COOPERATIVE AGREEMENT NO.1 NU2GGH002263-01-00

FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

1. ACCOUNTING POLICIES ACCOUNTING POLICIES

The principal accounting policies, which are set out below have been consistently followed in all material respects. The principal accounting policies, which are set out below have been consistently followed in all material respects.

1.1 Basis of accounting

The fund accountability statement has been prepared using the cash basis as modified by the inclusion of receivables and payables. Revenues are recorded when credited to project bank account and expenses are recorded when paid.

1.2 Income

This represents US Dollar transfers received from CDC Washington into CHAM Project's bank account with Reserve Bank of Malawi. Other income relates to interest received in the project's bank accounts.

1.3 Equipment

Christian Association of Malawi project maintained some assets under this project is in maintenance of assets budget line in the fund accountability statement.

1.4 Foreign currency and exchange rates

All USD transactions in the month are booked in MWK by converting them using the Oanda exchange rates at the last day of the previous month. This is applied consistently with the exception of those transactions that we convert USD to MWK, which are converted at a rate negotiated with National Bank and booked with the negotiated rate.

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

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COOPERATIVE AGREEMENT NO.1 NU2GGH002263-01-00

FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

Monthly OANDA average exchange rates are used to convert all MWK values to USD for reporting purposes and the rates used in this period are as follows:

Month	Rate used
January-23	1010.50
February-23	1016.14
March-23	1019.21
April-23	1011.43
May-23	1014.52
June-23	1017.50
July-23	1046.13
August-23	1046.43
September-23	1071.65
October-23	1135.67
November-23	1664.31
December-23	1665.00

1.5 Balance of cash in CDC Bank account

The bank balances in the project books are reconciled to the amount on the statement by the bank at the same date.

1.6 Exchange rates

Exchange rates (1USD/MK) for the period from 1 January 2023 to 31 December 2023 were as follows:

(source: www.rbm.mw)

1 January 2023 1: MK1.026.4348

31 December 2023 1: MK1,700.000

As at the date of report the rate was MK1,683.3663

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

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COOPERATIVE AGREEMENT NO.1 NU2GGH002263-01-00

FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)

2. RECEIPTS

COOPERATIVE AGREEMENT NO.: 1 NU2GGH002263-01-00

Date	Details	Foreign Currency USD	Exchange rates	Amount	MK
07/07/2023	Funding from CDC	328,398	1,046.13	343,547,000	
05/09/2023	Funding from CDC	398,697	1,071.65	427,263,640	
		<u>727,095</u>		<u>770,810,640</u>	

3. BANK BALANCES

	US\$	MK
Operating account	1,641	2,753,335
FCDA dollar account	17,786	29,848,626
	<u>19,427</u>	<u>32,601,961</u>

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

**OPTIMISING HUMAN RESOURCES FOR HEALTH TO SUSTAIN EPIDEMIC CONTROL IN MALAWI UNDER THE PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF(PEPFAR) PROJECT
COOPERATIVE AGREEMENT NO.1 NU2GGH002263-01-00**

FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

AUDITOR'S REPORT ON INTERNAL CONTROLS

We have audited the fund accountability statement of Christian Health Association of Malawi - "Optimizing Human Resources for Health Sustain Epidemic Control in Malawi under the President's Emergency Plan for AIDS Relief (PEPFAR) in Malawi Project for the period from January 1, 2023 to 31 December 2023 and have issued our report on it dated 12th February 2024.

We conducted our audit in accordance with *U.S. Government Auditing Standard* issued by the Comptroller General of the United States. In planning and performing our audit, we considered the project's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of project's internal control. Our procedures were designed for the purpose of expressing an opinion on the fund accountability statement but not for the purpose of expressing an opinion on the effectiveness of the projects' internal control. Accordingly, we do not express an opinion on the effectiveness of project's internal control.

The management of the Christian Health Association of Malawi - "Optimizing Human Resources for Health Sustain Epidemic Control in Malawi under the President's Emergency Plan for AIDS Relief (PEPFAR) in Malawi Project for the period December 31, 2023" Project is responsible for establishing and maintaining internal control.

In fulfilling this responsibility, estimates and judgements 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 reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorised use or disposition; transactions are executed in accordance with management's authorisation and in accordance with the terms of agreements; and transactions are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting adopted described in note 1 to the fund accountability statement.

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Audit . Tax . Advisory

Partners: Cornwell Banda, Dorothy Ngwira Mrs, Martha Nyirongo Mrs

Because of inherent limitations in any 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be 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 controls exists when the design or operation of a control does allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency or 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. No significant deficiencies in internal control considered to be material weaknesses were identified.

This report is intended solely for the information Christian Health Association of Malawi and CDC. However, upon release by CDC, this report is a matter of public record and its distribution is not limited.



Graham Carr

12th February 2024

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

**OPTIMISING HUMAN RESOURCES FOR HEALTH TO SUSTAIN EPIDEMIC CONTROL IN MALAWI UNDER THE PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF(PEPFAR) PROJECT
COOPERATIVE AGREEMENT NO.1 NU2GGH002263-01-00**

FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

**AUDITOR'S REPORT ON
COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS**

We have audited the fund accountability statement of the Christian Health Association of Malawi "Optimizing Human Resources for Health Sustain Epidemic Control in Malawi under the President's Emergency Plan for AIDS Relief (PEPFAR) in Malawi Project for the period from January 1, 2023 to 31 December 2023 and have issued our report on it dated 12th February 2024

We conducted our audit 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 fund accountability statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the fund accountability statement amounts.

Compliance with the agreement terms and laws and regulations is the responsibility of Christian Health Association of Malawi "Optimizing Human Resources for Health Sustain Epidemic Control in Malawi under the President's Emergency Plan for AIDS Relief (PEPFAR) in Malawi Project management.

As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of Christian Health Association of Malawi "Optimizing Human Resources for Health Sustain Epidemic Control in Malawi under the President's Emergency Plan for AIDS Relief (PEPFAR) in Malawi, compliance with certain provisions of agreement terms and the laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

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Audit . Tax . Advisory

Partners: Cornwell Banda, Dorothy Ngwira Mrs, Martha Nyirongo Mrs

Material instances of non-compliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statement.

The results of our tests on compliance disclosed the following instances of noncompliance , for details refer separate report to management.

- Noncompliance with Taxation Act on PAYE and Withholding Tax. Findings 1 & 2
- Noncompliance with Pensions Act. Finding 3
- Non compliance with budget provisions. Findings 4
- Some planned activities were not fully implemented. Finding 5

We considered instances of non-compliance in forming an opinion on whether fund accountability statement is presented fairly, in all material respects, in accordance with the terms of agreements and in conformity with the basis of accounting described in Note 2.1 to the fund accountability statement, and this report does not affect our report on the fund accountability statement dated 12th February 2024.

This report is intended solely for the use of Christian Health Association of Malawi and CDC. However, upon release by CDC, this report is a matter of public record and its distribution is not limited.



Graham Carr
12th February 2024

CLOSE OUT AUDIT OF CDC RESOURCES MANAGED BY CHRISTIAN HEALTH ASSOCIATION OF MALAWI

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FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

BUDGET RECONCILIATION FOR 1 NU2GGH002263-01-00

APPENDIX I

CoAg Number NU2GGH002263

Audit period: [30th SEPTEMBER 2022 –29th SEPTEMBER 2023]

Associated Budget Period A: Start (01 January/2023) to End (29/September/2023)

Budget Category	Approved Budget (annual)	FY Period related to Budget Year	Actual PMS drawdowns made in the period under Audit	Actual expenditure incurred in the period under Audit	
Salary & Wages	\$189,194	January 2023 to September 2023	09/01/2023 \$398,697 07/03/2023 \$328,399	\$188,896	
Fringe Benefits	\$58,154			\$57,616	
Consultants					
Equipment					
Supplies	\$70,107			\$69,647	
Travel	\$20,636			\$19,432	
Other	\$661,217			\$660,073	
Contracts	\$76,544			\$77,654	
Total direct cost	\$1,075,852			\$1,073,316	
Indirect costs	\$59,259			\$58,710	
Total	\$1,135,111			\$727,099	\$1,132,027

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FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

Narrative

The Budget year for CDC is 30 September to 29 September the following year, whereas the Fiscal year for *Christian Health Association of Malawi (CHAM)* is 1 January to 31 December which overlaps two CDC budget period.

The tables above reconcile the budgets for CHAM budget fiscal period 01st January 2023 to 31st December 2023 against CDC budget period 30th September 2022 to 29th September 2023. Total funds approved for Budget Period A was \$1,135,111.00.

During the period under review, CHAM drew down from PMS a total of \$727,095.50 representing 85% of the budget period A. However, at the end of CHAM Fiscal year 01st January to 31st December 2022, CHAM had a cash on hand balance of \$378,931. During the budget period under review, \$45,428 was earned as exchange gain. The total available funds for project activities during period under review were US\$ 1,151,454.00.

In the same audit period, a total of \$1,132,026.98 was expended. Expenditure reported during the period under review was within available resources.