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**EXPENDITURE VERIFICATION REPORT FOR  
PEACE DIRECT RESOURCES MANAGED BY  
FOUNDATION CHIREZI (FOCHI)  
FOR THE PERIOD 1 FEBRUARY 2015 TO 31 DECEMBER 2016**

**20 February 2020**



Accountants &  
business advisers

**Our Ref: PKF/015/2017**

**20 February 2020**

Daniel Tamene  
Finance Manager  
Peace Direct

**Dear Sir,**

**EXPENDITURE VERIFICATION REPORT FOR PROJECT “STRENGTHENING THE RESILIENCE OF COMMUNITIES TO VIOLENCE IN RUZIZI PLAIN” (REFERENCE NUMBER PD/FOCHI-003)**

We have completed the Expenditure Report of the project “Strengthening the resilience of communities to violence in Ruzizi plain” Implemented by Fondation Chirezi (FOCHI) for the period 1 February 2015 to 31 December 2016 in accordance to the terms of engagement with Peace Direct.

The matters dealt with in this report and the factual findings report with Ref: PKF/014/2017 issued separately came to our attention during the course of our normal audit as per agreed upon procedures in line with our contract dated 29 September 2016. Our comments, therefore, cannot be expected to include all possible improvements to the entire FOCHI as an organization in internal control that a more extensive special examination might reveal since this was an expenditure verification report.

This report has been prepared for and only for Peace Direct and FOCHI in accordance with the terms of our contract and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our consent in writing.

We take this opportunity to express our appreciation to the staff and management of FOCHI for their cooperation and hospitality accorded to us during the audit. We also wish to express our appreciation to the officials of Peace Direct for their input into this audit.

We appreciate the opportunity to be of service to Peace Direct and FOCHI.

Yours Faithfully,

**Enock Barimo**  
Managing Director  
PKF Accountants and Business Advisers

Tel +252 659722999 • +252 2511228 • Email: info@pkf.so • www.pkf.so  
PKF Accountants and Business Advisors Ltd • Near Mansoor Hotel • Koodbuur District • Hargeisa • Somaliland • Somalia  
Directors: Abdifatah Rashid, Enock Barongo (Managing), James Nganga and Mohammed Abdi

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*Project: Strengthening the resilience of communities to violence in Ruzizi plain*

*Grant Number: PD/FOCHI-003*

*Implemented by Fondation Chirezi (FOCHI)*

*Verification report for the period 1 February 2015 to 31 December 2016*

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>ABBREVIATION&amp; ACRONYM</b>	<b>DETAILED DESCRIPTION</b>
FOCHI	Fondation Chirezi
IPR	The Personal Income Tax
INSS	National Institute for Social Security
INPP	National Institute for Professional Preparation
US\$	United States Dollar

## **1.0 INTRODUCTION**

### **1.1. Background**

FOCHI (Fondation Chirezi) is a Congolese NGO, founded in 2002 and formalised in 2003. Based in Uvira, it works in Ruzizi, Uvira, Fizi and Walungu in South Kivu. In addition to the justice work, FOCIH works to reintegrate former child soldiers, and has created a Farm of Hope school for orphans.

It has created 15 Barazas and all-female peace courts in Ruzizi and elsewhere in South Kivu. It has established three village savings and loan schemes and small livelihood assistance programmes to vulnerable youth.

FOCHI will be implementing the Baraza, all-female peace courts, community driven development and village savings and loans schemes of this programme, overseen by Peace Direct.

The FOCIH team has extensive experience in peacebuilding and conflict transformation. They have also received intensive training in village savings and loan schemes and community driven development.

Peace Direct entered into collaboration with Fondation Chirezi (FOCHI) under Collaboration Agreement since 2008 for a project called strengthening the resilience of communities to violence in Ruzizi plain.

### **1.2. Audit Objectives**

Specifically the audit addresses the following:

- The disbursements are made in accordance with the activities and budgets of the project document;
- The disbursements are supported by adequate documentation;
- The financial reports are fairly and adequately presented;
- An appropriate management structure, internal controls and record keeping systems are maintained; and
- The procurement, use, control and disposal of non-expendable equipment.

### **1.3. Scope of Verification**

The audit covers all financial aspects of the project during the period 1 February 2015 to 31 December 2016

Our verification scope involved the review of the following:

- The Financial reports and the Fund Accounting Statement of project spending for the period above;
- The present budget and variation, if any, between planned and actual expenditure;
- Financial accounting, monitoring and reporting;
- Management systems for recording, documentation and reporting on resources utilization;
- Asset and equipment use and management; and
- Management, structure, including adequacy of appropriate internal control and record keeping mechanisms.

#### **1.4. Consultations with concerned parties**

Prior to the start of verification work we consulted both Fochi and Peace Direct. Further, upon completion of the draft verification report and Factual Findings report, we have met with management of Fochi to debrief them on our key major findings from the verification and its recommendations for future improvements as well as to seek their feedback thereon.

#### **1.5. Deliverables**

This assignment requires us to issue the following reports:

- Expenditure Verification report for the period ended 31 December 2016; and
- Factual findings Report for the period 1 February 2015 to 31 December 2016.

We understand that the expected contents of the Expenditure Verification Report and Factual Findings Report and the areas to covered are as below.

#### **1.6. Verification Report**

The verification report clearly indicates the auditor's opinion. This includes at least the following:

- That the report is a specific purpose report and it's intended use;
- The Accounting Standards that have been applied and indicate the effect of any deviations from those standards;
- The Auditing Standards that have been applied;
- The period covered by the audit opinion; and
- Whether the financial report and supporting schedules present fairly in all material aspects the cash receipts and disbursement for the project rebuilding lives in Eastern Dr Congo Fund and that the funds were utilized for the intended purposes.

#### **1.7. Factual Findings Report**

The report covers the following topics / issues:

- A general review of project progress and timeliness in relation to progress milestones and the planned completion date, both of which should be stated in the project document. This is not intended to address whether there has been compliance with specific covenants relating to specific performance criteria or outputs. However general compliance with broad covenants such as implementing the project with economy and efficiency might be commented upon but not with the legal force of an audit opinion;
- An assessment of the project's internal control system with equal emphasis on the effectiveness of the system in providing the Project Management with useful and timely information for the proper management of the project and the general effectiveness of the internal control system in protecting the assets and resources of the project;
- A description of any specific internal control weaknesses noted in the financial management of the project and the audit procedures followed to address or compensate for the weaknesses. Recommendations to resolve/ eliminate the internal control weaknesses noted are included;
- Management comments/ response (Project Management and/ or Peace Direct, as applicable); and

- Follow up of prior period management letter points (if any).

## **1.8. Expenditure Verification methodology and work approach**

PKF follows a risk-based approach which aims at focusing our effort on the more risky areas of an audit. This approach ensures that the audit is efficient and focuses on areas of concern to Project Management, the funding agency and to us as auditors, specifically areas of the statement of income and expenditure which are at greatest risk of containing a material misstatement. Our methodology is:

- Based on the knowledge of Project's activities;
- Applied by PKF firms, assuring the highest quality audit; and
- Specifically tailored to the Project's activities and to the way the Project is managed and controlled.

Our methodology in respect of the project has been specially tailored to ensure that the audit process adds value to the assignment. Our audit has been divided into three distinctive phases. These phases are discussed below:

### **1.8.1. Strategic planning**

Careful planning at the beginning of the audit was done to ensure that the set objectives are met and the audit is carried out in the most effective and efficient manner. Our strategic planning for this assignment commenced immediately on appointment. During this phase the audit team met with officials of the project to obtain a better understanding of the project activities.

Through discussions with the Project Management team and review of available documents and other information, we identified and analyzed the risk factors and developed a risk profile for each area to determine the scope of work.

We reviewed applicable agreements, contracts and Policies and Procedures and considered any specific requirements and compliance issues that will need to be incorporated into our audit report.

We determined the overall audit strategy to be adopted in auditing the various areas.

### **1.8.2. Detailed planning**

During the detailed planning stage, we:

- Developed specific audit steps, which addressed the issues raised in the strategic planning above;
- Documented the systems currently in use and identified those controls that we intended to rely on for the purposes of our audit;
- Worked out those areas where we needed to perform substantive tests and developed other value for money audit tests as appropriate; and
- Discussed with Project Management issues that are likely to affect the audit

### **1.8.3. Execution**

This phase entailed:

- Testing of key controls and procedures that we planned to rely on for the purposes of forming our audit opinion;
- Analytical review comparing the actual versus budget and obtained explanations for variances;
- Substantive testing of expenditures based on the selected sample; and

- Verification of income received from Peace Direct.

#### **1.8.4. Verification period**

This report covers the period 1 February 2015 to 31 December 2016.

#### **1.8.5. Verification coverage**

Based on our control and risk assessment, we selected and audited 65% of total expenditure in the statement of income and expenditure for the financial period under audit.

## **2.0 STATEMENT OF PROJECT MANAGEMENT'S RESPONSIBILITIES**

The Project Management accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies, in accordance with the project agreement between Fochi and Peace Direct. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that are free of material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies that are reasonable in the circumstances.

The Project Management is of the opinion that the financial report presents fairly the state of the financial affairs of the project and of its sources and uses of funds. The Management further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

The Project Management's responsibilities were approved by the Project Management on 2 August 2017 and signed on its behalf by:



..... **Finance Manager**  
**Bipemacho Ramazani**



..... **Project Coordinator**  
**Kazingufu Floribert**

### 3.0 FUND ACCOUNTABILITY STATEMENT

	Notes	Budget US\$	Actual US\$	Variance US\$
<b><u>REVENUE</u></b>				
Grant received	3.1	365,259.03	338,035.76	27,223.27
Direct payments by Peace Direct		-	22,500.00	(22,500.00)
<b>Total Revenue</b>		<b>365,259.03</b>	<b>360,535.76</b>	<b>4,723.27</b>
<b><u>EXPENDITURE</u></b>				
Personnel costs	3.2	63,134.85	61,420.00	1,714.85
Expanding New Courts	3.3	7,182.71	9,249.00	(2,066.30)
Maintaining Existing Courts	3.4	24,852.97	27,849.50	(2,996.53)
Community Driven Development	3.5	197,662.03	198,238.00	(575.97)
Village Savings & Loan Schemes	3.6	14,390.07	14,790.00	(399.93)
Office cost and Transport	3.7	27,451.33	37,307.10	(9,855.77)
Office Costs	3.8	16,535.07	17,309.80	(774.73)
Contractual Works	3.9	14,050.00	13,687.60	362.40
Bank Charges	4.0	-	666.46	(666.46)
<b>Total Expenses</b>		<b>365,259.03</b>	<b>380,517.46</b>	<b>(15,258.43)</b>
<b>Fund Balance for the year</b>			(19,981.70)	
<b>Balance B/F</b>			-	
<b>Balance C/F</b>			<b>(19,981.70)</b>	



..... Finance Manager  
**Bipemacho Ramazani**



..... Project Coordinator  
**Kazingufu Floribert**

## **APPENDIX 1: NOTES TO FUND ACCOUNTABILITY STATEMENT**

### **3.1 Income Schedule**

FOCHI received **US\$ 338,035.76** as at 31 December 2016 as per bank statement and as confirmed by Peace Direct as detailed below;

Installment	Funds Disbursed by Peace Direct		Funds received by FOCIH	
	Date	Amount (US\$)	Date	Amount (US\$)
<b>1<sup>st</sup> Year</b>				
First Instalment	12-Mar-15	57,147.50	12-Mar-15	56,815.88
Second Instalment	10-Jun-15	36,747.50	11-Jun-15	36,516.91
Third Instalment	6-Aug-15	35,371.80	7-Aug-15	36,747.50
Fourth Instalment	9-Oct-15	36,747.50	14-Oct-15	36,747.50
Fifth Instalment	13-Nov-15	67,102.50	16-Nov-15	67,102.50
<b>Subtotal Year 1</b>		<b>233,116.80</b>		<b>233,930.29</b>
<b>2<sup>nd</sup> Year</b>				
First Instalment	16-Nov-15	37,635.00	28-Jan-16	37,535.00
Second Instalment	1-Apr-16	42,885.00	14-Apr-16	42,880.76
Third Instalment	6-Jun-16	12,373.00	13-Jun-16	12,368.64
	20-Oct-16	6,328.53	24-Oct-16	6,324.85
	12-Dec-16	5,000.00	24-Dec-16	4,996.22
<b>Subtotal Year 2</b>		<b>104,221.53</b>		<b>104,105.47</b>
<b>Total funds</b>		<b>337,338.33</b>		<b>338,035.76</b>

Direct payments by Peace Direct of **US\$ 22,500** have not been included in the above receipts but reflected in the fund accountability statements and forms part of total receipts from Peace Direct.

### **3.2 Staff Costs**

	<b>Budget US\$</b>	<b>Actual US\$</b>	<b>Variance US\$</b>
Programme Manager (100%)	13,100.01	12,600.00	500.01
Livelihoods Project Manager (100%)	10,859.94	10,800.00	59.94
Accountant (50%)	4,851.00	4,500.00	351.00
Project Finance Officer (100%)	8,280.09	8,100.00	180.09
Guard	3,699.78	3,600.00	99.78
Court clerk	5,399.94	5,400.00	(0.06)
Insurance etc..)10% salaries	8,214.09	8,165.00	49.09
M&E Officer	5,160.00	5,000.00	160.00
CDD support staff (x2) 100%	3,570.00	3,255.00	315.00
<b>Sub-total</b>	<b>63,134.85</b>	<b>61,420.00</b>	<b>1,714.85</b>

### 3.3 Expanding new courts

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Contribution to court volunteers	1,350.00	2,700.00	(1,350.00)
Venue hire	1,874.70	2,375.00	(500.30)
Furniture	750.00	750.00	-
Training Volunteers	954.00	954.00	-
Stationary	850.01	850.00	0.01
Reconciliation ceremonies	1,404.00	1,620.00	(216.00)
<b>Sub-total</b>	<b>7,182.71</b>	<b>9,249.00</b>	<b>(2,066.29)</b>

### 3.4 Maintaining existing courts

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Supervisor	3,990.00	7,200.00	(3,210.00)
Contribution to court volunteers	9,675.06	8,415.00	1,260.06
Venue hire	5,974.99	6,750.00	(775.01)
Training	2,950.05	2,950.00	0.05
Stationary	914.49	914.50	(0.01)
Reconciliation ceremonies	1,348.38	1,620.00	(271.62)
<b>Sub-total</b>	<b>24,852.97</b>	<b>27,849.50</b>	<b>(2,996.53)</b>

### 3.5 Community driven development

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Supervisor	14,380.00	14,400.00	(20.00)
Trainer	6,600.03	7,000.00	(399.97)
Vehicle purchase for logistical support	12,000.00	12,000.00	-
Other logistical support (technical consul	14,385.00	14,348.00	37.00
Materials	7,797.00	7,990.00	(193.00)
Project inputs	120,000.00	120,000.00	-
Spark contractual support services	22,500.00	22,500.00	-
<b>Sub-total</b>	<b>197,662.03</b>	<b>198,238.00</b>	<b>(575.97)</b>

### 3.6 Village savings loan scheme

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Trainer (100%)	7,500.15	7,900.00	(399.85)
Training	4,849.92	4,850.00	(0.08)
Set-up	2,040.00	2,040.00	-
<b>Sub-total</b>	<b>14,390.07</b>	<b>14,790.00</b>	<b>(399.93)</b>

### 3.7 Office cost and Transport

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Motorbike for supervisors	6,200.00	6,200.00	-
Insurance & maintenance & fuel	18,751.32	28,507.10	(9,755.78)
Computers and Cameras	2,500.01	2,600.00	(99.99)
<b>Sub-total</b>	<b>27,451.33</b>	<b>37,307.10</b>	<b>(9,855.77)</b>

### 3.8 Office expenses

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Rent	6,300.00	7,000.00	(700.00)
Internet	3,640.77	3,978.80	(338.03)
Solar panels	1,800.00	1,800.00	-
Communications	4,221.00	3,825.50	395.50
Stationary	573.30	705.50	(132.20)
<b>Sub-total</b>	<b>16,535.07</b>	<b>17,309.80</b>	<b>(774.73)</b>

### 3.9 Contractual works

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Market analysis costs	12,550.00	12,550.00	-
Market analysis consultant	1,500.00	1,137.60	362.40
<b>Sub-total</b>	<b>14,050.00</b>	<b>13,687.60</b>	<b>362.40</b>

### 4.0 Bank charges

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Bank Charges	-	666.46	(666.46)
<b>Sub-total</b>	<b>-</b>	<b>666.46</b>	<b>(666.46)</b>