



# ORGANISME DE MISE EN OŒUVRE DU MILLENNIUM CHALLENGE ACCOUNT -TOGO

# INDEPENDENT AUDITOR'S REPORTS

AUDIT OF MILLENNIUM CHALLENGE CORPORATION RESOURCES; FEBRUARY 2019 TO MARCH 2022

PRESENTED BY CROWE TG ICAAF SARL

www.omcatogo.tg

# TABLE OF CONTENTS

LETT	FER OF TRANSMISSION	3
Ι.	BACKGROUND	4
II.	THE THRESHOLD PROGRAM	4
III.	AUDIT OBJECTIVE	5
IV.	AUDIT SCOPE	5
V.	SCOPE LIMITATION	8
VI.	SUMMARY OF THE AUDIT RESULTS	8
VII.	REPORTS	10
Indep	pendent Auditor's Report on the Fund Accountability Statement	11
Fund	Accountability Statement	13
Note	s to the Fund Accountability Statement	14
	pendent Auditor's Report on Internal Control over Financial Reporting and on pliance and Other Matters	
VIII.	SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS	
Secti	on I – Summary of Auditor's Results	34
Secti	on II - Questioned Costs	34
Secti	on III – Schedule of Audit Findings	35
INTE	RNAL CONTROL	35
CON	IPLIANCE	40
APPI	ENDIX: SIGNED FUND ACCOUNTABILITY STATEMENT	42



#### LETTER OF TRANSMISSION

To The MCC,

In accordance with the audit engagement agreed on in the contract 016/22/OMCA/LCS/DPM and its amendment dated November 29, 2022, we are pleased to hereby present in draft versions, the following reports:

- 1. Independent auditor's report on the Fund Accountability Statement (FAS)
- 2. Independent auditor's report on internal control over financial reporting and on compliance and other matters
- 3. Schedule of audit findings and questioned costs

The audit was performed from November 2,2022 to December 9, 2022 (date of the end of the field work) in the premises of the Millennium Challenge Account in Togo (OMCA-Togo), which acts as the Togolese government agent for the agreement implementation and therefore, is the accountable entity for the purpose of this audit.

The total costs incurred by the program for the period audited (February 15, 2019 to March 31, 2022) is nine hundred thirty-eight thousand three hundred fifty-three United States dollars and eighty-three cents (U.S. \$938,353.83).

The scope of the audit is Millennium Challenge Corporation resources in Togo through the agreement signed February 14, 2019 between the Government of Togo and that of the United States of America for the Threshold program. The results are as follows:

Unmodified opinion on the FAS
Four internal controls deficiencies reported
One compliance deficiency reported.

We have identified instances of non material deficiencies related to compliance that we have communicated directly to the management of OMCA-TOGO through a Management letter.

We would like to thank the MCC Audit team and OMCA-Togo for their cooperation during this audit.

The independent auditor,

TCOM

Lomé, TOGO Crowe TG Icaaf Sarl ONECCA-TOGO member, registered under number 024.10.A2

February 15, 2023

Crowe TG Icaaf Sarl au capital social de 1000 000 FCFA RCCM: Lomé-Togo 2010B-1262 / NIF: 1000117099 / Banque ECOBANK: Numéro de compte 01721 140776310001 59

Crowe TG lcaaf is a member of Crowe Global, a swiss verein. Each member firm of Crowe Global is a separate and indepedant legal entity. Crowe TG lcaaf and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. © 2023 Crowe TG lcaaf Sarl

#### I. BACKGROUND

The Millennium Challenge Corporation ("MCC") and the Government of Togo (the "Government") have entered into a Millennium Challenge Corporation Threshold Program Grant Agreement for Millennium Challenge Account assistance to help facilitate poverty reduction through economic growth in Togo on February 14, 2019. It is a four (4) years program from the date of entry in force of the agreement. The grant amount is budgeted for thirty-five million United States dollars (U.S. \$35,000,000) (the "Grant") to support implementation of the Program from which up to five hundred ninety-three thousand United States dollars (U.S. \$593,000) is considered a "Reimbursable Cost Funding".

The overall goal of the Agreement is to assist Togo to become eligible for a Millennium Challenge Compact by supporting the implementation of critical institutional and policy reforms that address binding constraints to economic growth in Togo (the "Program Goal"). MCC's assistance provided under this Agreement seeks to strengthen good governance, economic freedom, and investments in the people of Togo.

The Millennium Challenge Account - Togo (OMCA-Togo), was created by decree n°2020-092/PR on November 11, 2020, with the purpose to implement, on behalf of the Togolese Government, the provisions of the Grant Agreement signed between the Togolese Government and that of the United States of America. It acts as the government's agent to oversee the management and implementation of the program including, without limitation, the management of the implementation of projects and their activities, the allocation of resources and the management of procurements. OMCA-Togo is governed by a board of director. It's being assisted by GFA Consulting Group GMBH as a fiscal agent.

The MCC-managed fund of a budget of three hundred fifty thousand United States dollars (U.S. \$350,000), and actual amount of two hundred forty-seven thousand three hundred sixty United States dollars (U.S. \$247,360) are out of scope for the purpose of this audit.

The audit report does not contain any previous year audit findings and recommendation follow up since this is the first year au OMCA-Togo audit.

#### II. THE THRESHOLD PROGRAM

The Program consists of two projects:

# 1. Increased Competition for the Benefit of Consumers, Independent Regulation, and Expanded Access in the ICT Sector Project (the "ICT Project")

The objective of the ICT Project is to increase firm efficiencies, productivity, investments and growth through improved access to high quality, reasonably priced ICT services in Togo.

The total amount budgeted for the project is twenty million five hundred United States dollars (U.S. \$20,500,000).

#### 2. Land Reform to Accelerate Agricultural Productivity Project ("LRAP Project")

The objective of the LRAP Project is to improve land tenure security for increased investment in the agricultural sector.

The total amount budgeted for the project is eight million United States dollars (U.S. \$8,000,000).

#### III. AUDIT OBJECTIVE

The grant agreement requires, in its section 4.8 (a and b), the audit of the resources consumed within the framework of its implementation, and this report is the result of the audit of the resources implemented by OMCA-Togo for the period from February 15, 2019 to March 31, 2022.

The audit is performed in accordance with the auditing standards of the United States Government published by the Comptroller General of the United States and the "AE Audit Guidelines" approved on May 26, 2021 and effective on October 1, 2021 for audit periods beginning after September 30, 2021. The specific objectives of the MCC resources audit are to:

1. Express an opinion on whether the funds accounting statement (FAS) of OMCA-Togo presents fairly and in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by Millennium Challenge Corporation (MCC) for the period of February 15, 2019 to March 31, 2022 then ended, in accordance with the terms of the agreements and in conformity with the basis of accounting provided for in the Financial Accountability Plan (FAP), cash basis.

2. Assess and have a sufficient understanding of internal controls as they relate to MCC-funded programs, and identify situations worth mentioning, including internal control weaknesses and deficiencies.

3. Check compliance to the agreement, laws and regulation by OMCA-Togo.

The Fund Accountability Statement is the basic financial statement to be audited that presents the Accountable Entity's revenues, costs incurred, cash balance of funds provided to the Accountable Entity or foreign organization by MCC, and assets and technical assistance directly procured by MCC for the Accountable Entity's or foreign organization's use.

#### IV. AUDIT SCOPE

The scope of the audit is based on the chapter 6 of AE Audit guidelines and involves steps as follows:

#### Pre-audit steps

Review of the applicable documents considered necessary to perform the audit:

- The Grant Agreement between the United States of America, acting through the Millennium Challenge Corporation and the Republic of Togo, acting through OMCA-Togo under the Threshold Program dated February 14, 2019
- 2. The terms of reference of the audit
- 3. U.S. Government Auditing Standards
- 4. Guidelines for Financial Audits Contracted by OMCA-Togo's (May 2021 Revision)
- 5. The accounting and financial procedures used during the period under review
- 6. The Policies and Procedures for Common Payment System dated July 31, 2008
- 7. Interviews with OMCA-Togo's management
- 8. Financial reports, general ledger, balance sheet for the audited period
- 9. Etc...

#### Fraud risk assessments during the planning stage

Assessing the fraud risk during the audit, is to:

- 10. Identify the risk factors of fraud by analysing the financial statements, based on OMCA-Togo activities; analysing facts and reports
- 11. Identify possible conflicts and lack of separation of duties
- 12. Carry discussions with management regarding, the existing procedures against fraud and their view of potential misstatements relating to fraud that would be in the financial statements
- 13. Brainstormed within the audit team to agree on the level of the fraud risk in OMCA- Togo.

#### Fund Accountability Statement (FAS)

- 14. Examine the Consolidated Fund Accountability Statement for MCC-funded programs, including the budgeted amounts by category and major items; the revenues received from MCC for the period covered by the audit; the costs reported by OMCA-Togo, as incurred during that period; and the assets and technical assistance directly procured by MCC for OMCA-Togo's use.
- 15. Ensure the Fund Accountability Statement includes all MCC funding identified by each specific program or agreement.
- 16. Evaluate program implementation actions and accomplishments to determine whether specific costs incurred are allowable, allocable, and reasonable under the agreement terms, as well as to identify areas where fraud and illegal acts have occurred or are likely to have occurred as a result of inadequate internal control.
- 17. Review costs billed to and reimbursed with MCC funds, as well as costs incurred but pending reimbursement by MCC, identifying and quantifying any questioned costs.
- 18. Review general and program ledgers to determine whether costs incurred were properly recorded.
- 19. Reconcile direct costs billed to, and reimbursed by, MCC to the program and general ledgers.
- 20. Review the procedures used to control the funds, including transfer of funds to contracted financial institutions.
- 21. Review the bank statements and the controls on those bank accounts. Perform positive confirmation of balances, as necessary.
- 22. Determine whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available.
- 23. Ensure that all funding received by OMCA-Togo was appropriately recorded in it's accounting records and that those records were periodically reconciled with information provided by MCC.
- 24. Review procurement procedures to determine whether they were conducted in a manner consistent with the MCC Program Procurement Guidelines to ensure the use of sound commercial practices, including competition and price reasonableness, as well as ensuring that adequate controls were in place over the qualities and quantities received.
- 25. Review direct salary charges to determine whether salary rates were reasonable for that position, in accordance with those approved by MCC when MCC approval is required and supported by appropriate payroll records.
- 26. 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.
- 27. Question unallowable salary charges in the Fund Accountability Statement.
- 28. Review 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, are questioned in the Fund Accountability Statement.

- 29. Review assets (e.g., supplies, materials, vehicles, equipment, tools), 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 assets.
- 30. Review technical assistance and services, consultant services, and grant activity procured by OMCA-Togo. Determine whether technical assistance, services, and grants were used for their intended purposes in accordance with the terms of the agreements.
- 31. Determine the likelihood of effective Information System (IS) controls.

#### Internal Control

- 32. Review and evaluate the Accountable Entity's internal control related to MCC programs to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures are in operation.
- 33. The major internal control components studied and evaluated include, but are not limited to, the controls related to each revenue and expense account on the Fund Accountability Statement. Procedures include:

a) Obtain a sufficient understanding of internal control to plan the audit and to determine the nature, timing, and extent of tests to be performed.

b) Assess inherent risk and control risk, as well as determine the combined risk.

c)Summarize the risk assessments for each assertion in a working paper.

d) Evaluate the control environment, the adequacy of the accounting systems, and control procedures. Emphasize the policies and procedures that pertain to OMCA-Togo's ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the Fund Accountability Statement. This includes, but is not limited to, the control systems and to specifically, evaluate compliance with the Procurement Agreement and Procurement Guidelines, as well as the Fiscal Accountability Plan.

e) Include in the study and evaluation other policies and procedures that may be relevant if they pertain to data use in applying auditing procedures.

#### Compliance with agreements terms and applicable laws and regulations

In fulfilling the audit requirement to determine compliance with agreement terms and applicable laws and regulations related to MCC programs, we followed at a minimum the guidance contained in AICPA SAS No. 122 (AU-C Section 935), Compliance Audits. Therefore, nonmaterial instances of noncompliance are included in a separate management letter to the OMCA-Togo.

In planning and conducting the tests of compliance, these procedures are executed:

- 34. Identify the agreement terms and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material effect on the Fund Accountability Statement. Special attention is given to the Procurement Agreement and Procurement Guidelines, MCC Policies and Procedures for Common Payment System.
- 35. List all standard and program-specific provisions contained in the agreements that cumulatively, if not observed, could have a direct and material effect on the Fund Accountability Statement.
- 36. Assess the inherent and control risk that material noncompliance could occur for each of the compliance requirements listed in the bullet above.
- 37. Determine the nature, timing, and extent of audit steps and procedures to test for errors, fraud, and illegal acts that provide reasonable assurance of detecting both intentional and unintentional

instances of noncompliance with agreement terms and applicable laws and regulations that could have a material effect on the Fund Accountability Statement.

- 38. Determine if payments have been made in accordance with agreement terms, the Cost Principles, and applicable laws and regulations.
- 39. Determine whether the Accountable Entity is accurately tracking advance payments
  - 40. Determine whether OMCA-Togo is accurately tracking amounts retained from their contractors as a percentage of amounts invoiced, consistent with the terms and conditions of contract agreements.
  - 41. Determine whether OMCA-Togo has an adequate system for ensuring that MCC funding is free of Value-Added Taxes (VAT), as well as other such taxes, tariffs, duties, and levies per the Threshold Program agreement.
- 42. Determine if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms and Cost Principles.
- 43. Identify any costs not considered appropriate, classifying and explaining why these costs are questioned in accordance with the Cost Principles, applicable laws, and regulations.
- 44. Determine whether assets, whether procured by the Accountable Entity or directly procured by MCC for OMCA-Togo's use, exist or were used for their intended purposes in accordance with the terms of the agreements. if not, cost of such assets is questioned.
- 45. Determine whether OMCA-Togo complied with MCC's Common Payment System Policy and Procedures.

#### Other audit responsibilities

- 46. Hold Entrance and Exit Conferences with the Accountable Entity. An Entrance Conference is held before the audit starts and an Exit Conference informing OMCA- Togo of the audit results and findings is also held.
- 47. Institute QC procedures to ensure that sufficient competent evidence is obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the Fund Accountability Statement under audit.

#### 46. SCOPE LIMITATION

The audit engagement contract has been signed between OMCA-Togo and our firm and therefore OMCA-Togo is the sole auditee. Due to the above, the review of internal controls for the audit purpose, has been limited to OMCA-Togo structure and has not covered the "government Cellule". However, for the period of February 15, 2019 to March 31, 2022, Reimbursable Costs of two hundred five thousand seven hundred seventeen United States dollars (U.S. \$205,717) have been spent directly by "Togolese government Cellule".

#### 47. SUMMARY OF THE AUDIT RESULTS

#### Fund Accountability Statement

The audit opinion is that the Fund Accountability Statement (FAS) presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by Millennium Challenge Corporation (MCC) for the period of February 15, 2019 to March 31, 2022 in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 0.

#### **Questioned costs**

The audit revealed questioned costs in the amount of ten thousand one hundred forty-five United States dollars and seventy-one cents (U.S. \$10,145.71). They represent these below two instances:

- 1. U.S. \$5,245.01 of expenses from the Reimbursable Costs Funding, of two hundred five thousand seven hundred seventeen United States dollars (U.S. \$205,717) not supported by any documentation.
- 2. U.S. \$4,900.70 of uncollected and unremitted withholding taxes on payments made to consultants and service providers, contrary to the article 99 of the book of tax procedures in Togo and to the section 2.5 of the grant agreement.

#### Internal control

For the period of February 15, 2019 to March 31, 2022, the review of the internal controls over Financial Reporting has resulted in four (4) findings considered material deficiencies in internal controls. The review of internal controls over Financial Reporting conducted, was not intended to obtain assurance on the internal control systems of OMCA-Togo. Its purpose, in accordance with auditing standards, was to provide the audit with the nature and extent of the verifications to be carried out on the accounts, to be able to express our opinion on the FAS.

#### Compliance with agreement terms and applicable laws and regulations

For the period of February 15, 2019 to March 31, 2022, we have identified one (1) instance of noncompliance with the terms of the grant agreement and applicable laws or regulations, considered material.

#### Status of prior audit recommendations

There was no prior audit to this audit, and, therefore, the report does not include a review of prior audit findings and recommendations.

#### Cost-sharing/government contributions and the results of their review

Cost sharing contributions were not required by the agreement and, therefore, a review of cost-sharing contributions was not applicable and was not performed.

#### Provisional Indirect cost rate

OMCA-Togo does not have an MCC-authorized provisional indirect cost rate.

#### Management letter

In addition to the internal control and the compliance deficiencies reported here, the audit has identified other three (3) non material deficiencies relating to compliance that have been communicated directly to OMCA-Togo through a Management letter.

\_

•

VII. REPORTS



#### Independent Auditor's Report on the Fund Accountability Statement

ORGANISME DE MISE EN OEUVRE DU MILLENIUM CHALLENGE ACCOUNT – TOGO (OMCA – Togo)

Rue du Désarmement, face à la LONATO PO Box : 05 BP 587 Lomé 05 Email : contact@omcatogo.tg <u>Web site</u>: www.omcatogo.tg Tel: +228 22 20 17 34,

#### Lomé - TOGO

#### **Report on the Financial statements**

We have audited the accompanying Fund Accountability Statement of Organisme de Mise en Oeuvre de Millennium Challenge Account (OMCA-Togo) and related notes to the Fund Accountability Statement for the audit period from February 15, 2019 to March 31, 2022 and have issued our report on it dated February 15, 2023.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Fund Accountability Statement in accordance with United States generally accepted accounting principles (GAAP) or other comprehensive basis of accounting; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of Fund Accountability Statement that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit. Except as discussed in the following paragraphs, we conducted our audit in accordance with 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.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraph 4.16 of Government Auditing Standards. However, our current program provides for at least 40 hours of continuing education and training every year. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

Crowe TG Icaaf Sarl au capital social de 1000 000 FCFA RCCM: Lomé-Togo 2010B-1262 / NIF: 1000117099 / Banque ECOBANK: Numéro de compte 01721 140776310001 59

Crowe TG lcaaf is a member of Crowe Global, a swiss verein. Each member firm of Crowe Global is a separate and indepedant legal entity. Crowe TG lcaaf and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. © 2023 Crowe TG lcaaf Sarl



We did not have an external quality control review (QCR) by an unaffiliated audit organization, as required in Chapter 5, paragraph 5.60 of Government Auditing Standards, since no such program is offered by professional organizations in Togo.

We believe that the effect of this departure from Government Auditing Standards is not material because we follow the International Standard of Quality Control (ISQC1 of the IFAC) and are transitioning to the International System of Quality Management (ISQM 1).

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Fund Accountability Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Fund Accountability Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Fund Accountability Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Fund Accountability Statement.

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

#### Opinion

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by Millennium Challenge Corporation (MCC) for the period of February 15, 2019 to March 31, 2022 in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 0.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our reports dated February 15, 2023, on our consideration of Organisme de Mise en Oeuvre du Millennium Challenge Account – Togo (OMCA-Togo)'s Internal Control Over Financial Reporting (ICOFR) and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of ICOFR and compliance and the results of that testing, not to provide an opinion on the effectiveness of the OMCA-Togo's ICOFR or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

Crowe TG Icaaf Sarl au capital social de 1000 000 FCFA RCCM: Lomé-Togo 2010B-1262 / NIF: 1000117099 / Banque ECOBANK: Numéro de compte 01721 140776310001 59

Crowe TG lcaaf is a member of Crowe Global, a swiss verein. Each member firm of Crowe Global is a separate and indepedant legal entity. Crowe TG lcaaf and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. © 2023 Crowe TG lcaaf Sarl



This report is intended for the information of OMCA-Togo and MCC. However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

The Independent Auditor,

TOOL some. 19 0 80

Lomé, TOGO

Crowe TG Icaaf Sarl ONECCA-TOGO member, registered under number 024.10.A2 Lomé, TOGO

February 15, 2023

Crowe TG Icaaf Sarl au capital social de 1000 000 FCFA RCCM: Lomé-Togo 2010B-1262 / NIF: 1000117099 / Banque ECOBANK: Numéro de compte 01721 140776310001 59

Crowe TG Icaaf is a member of Crowe Global, a swiss verein. Each member firm of Crowe Global is a separate and indepedant legal entity. Crowe TG Icaaf and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. © 2023 Crowe TG Icaaf Sarl

# OMCA - Togo

# Fund Accountability Statement February 15, 2019 to March 31, 2022 Amounts in U.S. \$

		<u> Г</u>		Questioned Costs				
		Budget	Period	Current Period	Cumulative	Ineligible	Unsupported	Notes
REVENUE	r							
Funds from MCC		34,407,000.00	-	488,671.56	488,671.56			1
Reimbursable Cost Funding		243,000.00		205,717.07	205,717.07			2
MCC-Managed Funds		350,000.00	<u>-</u>	247,360.45	247,360.45			3
TOTAL REVENUE		35,000,000.00	-	941,749.08	941,749.08		ĺ	
COSTS INCURRED							ĺ	
1. ICT Project		20,500,000.00	-	1,631.00	1,631.00			4.1
(a) Institutional Strengthening	Activity	6,250,000.00	-	1,631.00	1,631.00			4.1.1
(b) Technical Assistance Activ	vity	7,000,000.00	-	-	-			
(c) Market Study Activity		5,000,000.00	-	-	-			
(d) Analysis and Communicat	ion Act	2,250,000.00	-	-	-			
2. LAND PRODUCTIVITY Pro	oject	8,000,000.00	-	1,045.00	1,045.00			4.2
(a) Governance Activity		1,250,000.00	-	-	-			
(b) Improv. of Land Priv.& Reg	gistr	6,750,000.00	-	1,045.00	1,045.00			4.2.2
3. MONITORING & EVALUA	TION	1,300,000.00	-	-	, -			
(a) Monitoring & Evaluation		1,300,000.00	-	-	-			
4. PROGRAM	ADMINISTRATIO	5,200,000.00	-	935,677.83	935,677.83			4.3
(a) Program	Administratio	5,200,000.00		935,677.83	935,677.83	<u>4900.70</u>	5,245.01	11
TOTAL COSTS	INCURRE	35,000,000.00		938,353.83	938,353.83	-		4
(Deficit)/Excess of Revenue	· · · · · · · · · · · · · · · · · · ·	-	-	3,395.25	3,395.25			5
Cash Bas	is .	-			· ·			
Opening Fund Balance	f	-		· _ ·	· _ ·		ŀ	
(Deficit)/Excess of Revenue		-		3,395.25	3,395.25		ŀ	
Plus : Interest Income		-	-				ŀ	6
(Less : Interest Transferred)		-	-	· _ ·	· _ ·			7
Closing Fund Balance				3,395.25	3,395.25	-		
Modified Cash	Basis			3,000.20	<u>0,000.20</u>			
Closing Cash Basis Fund B							ļ	\$
Plus : Receivables (Tax, Accounts, etc)/Advances					3,395.25		ļ ŀ	ç
(Less : Payables/Accrued Exp			-	1,170.86	1,170.86		ļ ŀ	10
Closing Modified Cash Basi			-	<u>- 79,953.77</u>	<u>- 79,953.77</u>			
				- 75,387.66	- 75,387.66	4,900.70	5,245.01	

Prepared By:

Approved By:

Submitted to

Date and Signature

Date and Signature

Date and Signature

## Note 0 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### Significant accounting

policies0.1.Basis of

#### presentation

The Fund Accountability Statement (FAS) is prepared in accordance with the modified cash basis method of accounting.

The reporting currency is in United States Dollars (USD).

#### 0.2. Accounting information system

The accounting information system used is SunSystems with Q&A.

#### 0.3. Exchange rate

For XOF payment transactions handled via the Common Payment System (CPS), the translation rate of thepayment is used to post the payment entries. For XOF payments

handled via the local bank account, the exchange rate given by Oanda when the expense is paid.

#### The authorized exchange rates used during the audit period are indicated below:

#### 0.4. Property and equipment

Fixed Assets are defined as assets with a useful life of more than one year and a value more than USD 500.Fixed Assets are recorded at cost as assets and thereafter depreciated 100%.

#### 0.5. Tax Exemption

In accordance with Threshold agreement, all MCC Funding is free from the payment or imposition of anyexisting or future taxes, duties, levies, contributions or other similar charges.

From currency	To currency	Transaction Date	Rate
XOF	USD	October 05, 2021	565.96
XOF	USD	October 31, 2021	563.44
XOF	USD	November 12, 2021	572.10
XOF	USD	November 30, 2021	576.25
XOF	USD	December 15, 2021	581.44
XOF	USD	December 30, 2021	579.52
XOF	USD	January 18, 2022	574.75
XOF	USD	February 02, 2022	574.75
XOF	USD	February 14, 2022	577.98
XOF	USD	March 01, 2022	586.02
XOF	USD	March 16, 2022	597.85
XOF	USD	March 31, 2022	588.96
	Ave	rage	578.25

## Note 1 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

These are transfers made by MCC, through the Interior Business Center (IBC) either as direct payments to OMCA vendors or as transfers to OMCA Togo local permitted account.

#### 1. Funds from MCC

Description	Total amount USD	Amount transferred to OMCA Togo Permitted account	Direct payments to vendors
September 2021	-		
October 2021	32,149.03		32,149.03
November 2021	31,537.89		31,537.89
December 2021	139,383.36		139,383.36
January 2022	84,743.05	64,000.00	20,743.05
February 2022	59,610.01		59,610.01
March 2022	141,248.22		141,248.22
Total	488,671.56	64,000.00	424,671.56

### Note 2 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### 2. Reimbursable Cost Funding

Funds managed by Cellule / Government of Togo before August 31, 2021

205,717.07

This amount of U.S. \$205,717.07 is part of the reimbursable cost funding that was managed by the Cellule. The Agreement allowed for up to U.S. \$593,000 and only U.S. \$205,717.07 was used by the Cellule through this methodology, and that the Government of Togo will not be requesting further reimbursement using this methodology now that OMCA is stood up and the Fiscal Agent is in place.

## Note 3 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### 3. MCC-Managed Funds

Funds managed by MCC with Government of Togo before August 31, 2021

247,360.45

# Note 4 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### **4. TOTAL COSTS INCURRED**

Description	Amount USD	Notes
1. ICT Project		4.1
(a) Institutional Strengthening Activity	1,631.00	4.1.1
2. LAND PRODUCTIVITY Project		4.2
(b) Improv. of Land Priv.& Registr	1,045.00	4.2.2
4. PROGRAM ADMINISTRATION	935,677.83	4.3
Managed by MCC before August 31, 2021	247,360.45	
(a) Program Administration	688,317.38	
TOTAL COSTS INCURRED	<u>938,353.83</u>	
4.1 ICT Project		
These payments have been made by Cellule/Gvt of Togo		
before August 31, 2021	1,631.00	4.1.1
<b>4.1.1 (a) Institutional Strengthening Activity</b> No further cost incurred after August 31, 2021 related to the ICT Project and up to the end of the audit period (March 31, 2022). The main reason explaining this fact is that the project was updated and execution of activities did not started as planned.		
4.2 LAND PRODUCTIVITY Project		
These payments have been made by Cellule/Gvt of Togo before August 31, 2021	1,045.00	4.2.2
<b>4.2.2 (b) Improv. of Land Priv.&amp; Registr</b> No further cost incurred after August 31, 2021 related to the LAND PRODUCTIVITY Project and up to the end of the audit period (March 31, 2022). The main reason explaining this fact is that the project was updated and execution of		

activities did not started as planned.

#### **4.3 PROGRAM ADMINISTRATION**

Description	Amount USD	Notes
Administrative Support Service	33,439.45	4.3.1
Salaries and Benefits	264,341.21	4.3.2
Office Premises Management	4,230.94	4.3.3
Procurement Agent	219,134.36	4.3.4
Office Supplies & Materials	28,226.38	4.3.5
IT Equipment, Software & Imple	1,591.26	4.3.6
Professional Services	29,233.46	4.3.7
Vehicle Operations	1,170.86	4.3.8
Media and Public Relations	9,449.46	4.3.9
Fiscal Agent	97,500.00	4.3.10
Total	<u>688,317.38</u>	

#### 4.3.1 Administrative Support Service

These payments were for :		
Spent by Cellule/Gvt of Togo before August 31, 2021	29,440.45	4.3.1.1
Zoom subscription	1,999.00	4.3.1.2
DG Market newspaper Subscription	2,000.00	4.3.1.3
	33,439.45	

#### 4.3.1.1 Spent by Cellule/Gvt of Togo before August 31, 2021

These payments have been made by Cellule/Gvt of Togo before August 31, 2021 and reimbursed directly by MCC.

#### 4.3.1.2 Zoom subscription

This payment has been made after August 31, 2021 through the Fiscal Agent.

#### 4.3.1.3 DG Market newspaper Subscription

This payment has been made after August 31, 2021 through the Fiscal Agent.

#### 4.3.2 Salaries and Benefits

	264,341.21
Mobilisation expenses DAF	7,483.06
Staff Insurance NSIA	24,171.03
CNSS August 2021 to February 2022	30,400.06
<b>c</b> ,	202,287.06
Net salaries from August 2021 to February 2022	202 287 00
These payments were for :	

#### 4.3.3 Office Premises Management

These payments were for :	
CEET Electricity November 2021 to January 2022	1,818.81
Covid supplies	2,412.13
	4,230.94

#### 4.3.4 Procurement Agent

	219,134.36	
Mobilisation expenses Senior PA	7,689.51	4.3.4.4
Senior PA Fees November 2021 to January 2022	13,287.71	4.3.4.3
Junior PA Fees July 2021 to January 2022	24,556.52	4.3.4.2
Spent by Cellule/Gvt of Togo before August 31, 2021	173,600.62	4.3.4.1
These payments were for :		

#### 4.3.4.1 Spent by Cellule/Gvt of Togo before August 31, 2021

These payments have been made by Cellule/Gvt of Togo before August 31, 2021 and reimbursed directly by MCC.

#### 4.3.4.2 Junior PA Fees from July 2021 to January 2022

This payment has been made after August 31, 2021 through the Fiscal Agent.

#### 4.3.4.3 Senior PA Fees from July 2021 to January 2022

This payment has been made after August 31, 2021 through the Fiscal Agent.

#### 4.3.4.4 Mobilisation expenses for Senior PA

This payment has been made after August 31, 2021 through the Fiscal Agent.

#### 4.3.5 Office Supplies & Materials

These payments were for :	
Office supplies	21,555.80
Kitchen supplies	5,848.07
Air conditioner	822.51
	28,226.38

#### 4.3.6 IT Equipment, Software & Imple

•

.

These payments were for :	
1 Laptop	926.05
1 Printer	665.21
	1,591.26
4.3.7 Professional Services	
These payments were for :	
Panelists December 2021 to January 2022	26,705.24
SGIC assistance to staff insurance	2,528.22
	29,233.46
4.3.8 Vehicle Operations	
These payments were for :	
TotalEnergies Fuel card caution	<u> </u>
4.3.9 Media & Public Relations	1,170.80
These payments were for :	
Dir Agence Graphic chart, Logo, visit cards	<u>9,449.46</u> 9,449.46
4.3.10 Fiscal Agent	
These payments were for :	
FA Fees for August 2021 to January 2022	<u>97,500.00</u> <b>97,500.00</b>

# Note 5 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

5. (Deficit)/Excess of Revenue	3,395.25	
Description	Amount USD	
Amount transferred to OMCA Togo Permitted account during the period	64,000.00	
Payments made out of the local permitted account during the period	-60,604.75	
Amount in Permitted Account	<u>3,395.25</u>	

## Note 6 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### 6. Plus : Interest Income

No interest was credited on Ecobank interests account before March 31, 2022

0.00

# Note 7 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### 7. (Less : Interest Transferred)

No interest was transfered before March 31,

2022

0.00

## Note 8 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (amounts in U.S. \$)

.

#### 8. Closing Cash Basis Fund Balance

Description	Amount USD
Initial Balance February 14, 2019	
Revenue	941,749
Costs Incurred	938,354
Fund Balance	3,395.25

#### 8.1 Reconciling Items

As of March 31, 2022 there were not reconciling items Total reconciling items

# 8.2 Details of cash on hand and in the bank account

Description	Amount USD		
Threshold Permitted Account Petty cash	3,395.25		

3,395.25

# Note 9 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

9. Plus : Receivables (Tax, Accounts, etc)/Advances

TotalEnergies Fuel card caution

1,170.86 **1,170.86** 

# Note 10 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

# 10. (Less : Payables/Accrued Expenses/Retentions)

Total Payables	79,953.77
PA Senior Fees for February 2022	5,017.98
PA Junior Fees for February 2022	3,345.32
BARRY Aliou payment to Mali refused	2,000.00
February 2022	50,102.25
Income Tax Staff (OTR) August 2021 to	
to February 2022 to civil servants to CRT	19,488.22
Soc Sec staff (CNSS) for period of August 2021	40,400,00

## Note 11 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### **11. Questioned Costs**

#### 11.1 Unsupported

Costs incurred of U.S. \$5,245.01 for reimbursable administrative expenses are determined as questioned costs, as they did not have any supporting documentation. See Internal Control Finding No 2 within Section III – Schedule of Audit Findings.

Please note that all supported documents have been given to MCC Finance before the reimbursement.

#### 11.2 Ineligible

U.S. \$4,900.70 of uncollected and unremitted withholding taxes on payments made to consultants and service providers are determined as questioned costs, as they are contrary to the article 99 of the book of tax procedures in Togo and to the section 2.5 of the grant agreement.

See compliance within Section III- Schedule of Audit Findings.

See also OMCA-Togo management response under compliance within Section III-Schedule of Audit Findings for comment regarding the amount of U.S. \$4,900.70.



# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

OMCA-Togo Rue du Désarmement, face à la LONATO PO Box : 05 BP 587 Lomé 05 Email : contact@omcatogo.tg <u>Web site</u>: www.omcatogo.tg Tel: +228 22 20 17 34,

Except as discussed in the following paragraphs, we have audited in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Fund Accountability Statement of OMCA-Togo for the audit period from February 15, 2019, to March 31, 2022, and have issued our report on it dated February 15, 2023.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraph 4.16 of Government Auditing Standards. However, our current program provides for at least 40 hours of continuing education and training every year. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We did not have an external quality control review (QCR) by an unaffiliated audit organization, as required in Chapter 5, paragraph 5.60 of Government Auditing Standards, since no such program is offered by professional organizations in Togo. We believe that the effect of this departure from Government Auditing Standards is not material because we follow the International Standard of Quality Control (ISQC1 of the IFAC) and are transitioning to the International System of Quality Management (ISQM 1).

#### Internal Control over Financial Reporting (ICOFR)

In planning and performing our audit of the financial statements, we considered OMCA-Togo's ICOFR (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OMCA-Togo's internal control. Accordingly, we do not express an opinion on the effectiveness of OMCA-Togo's internal control.

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.

Crowe TG Icaaf Sarl au capital social de 1000 000 FCFA

RCCM: Lomé-Togo 2010B-1262 / NIF: 1000117099 / Banque ECOBANK: Numéro de compte 01721 140776310001 59

Crowe TG Icaaf is a member of Crowe Global, a swiss verein. Each member firm of Crowe Global is a separate and indepedant legal entity. Crowe TG Icaaf and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. © 2023 Crowe TG Icaaf Sarl



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings and questioned costs as items that we considered to be significant deficiencies.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether OMCA-Togo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of non-compliance or other matters that is required to be reported under Government Auditing Standards and which are described in the accompanying schedule of audit findings and questioned costs as items.

We noted certain immaterial instances of non-compliance that we have reported to the management of OMCA-Togo in a separate letter dated February 15, 2023.

#### **OMCA-Togo's Response to Findings**

OMCA-Togo's response to the findings identified in our audit is described in the accompanying schedule of audit findings and questioned costs. OMCA-Togo's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

RCCM: Lomé-Togo 2010B-1262 / NIF: 1000117099 / Banque ECOBANK: Numéro de compte 01721 140776310001 59



#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Independent Auditor,

TCOC

Lomé, TOGO

Crowe TG Icaaf Sarl ONECCA-TOGO member, registered under number 024.10.A2

February 15, 2023

Crowe TG Icaaf Sarl au capital social de 1000 000 FCFA RCCM: Lomé-Togo 2010B-1262 / NIF: 1000117099 / Banque ECOBANK: Numéro de compte 01721 140776310001 59

.

#### OMCA-Togo

#### VIII. SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS For the Period from February 15, 2019 to March 31, 2022

#### Section I – Summary of Auditor's Results

Financial Accountability Statement			
Unmodified Opinion			
Internal Control over Financial reporting			
Material weaknesses identified	0 YES	0 NO	
Significant deficiencies identified	4 YES	0 NO	
Non-Compliance material to financial statements noted?	1 YES	0 NO	

#### Section II - Questioned Costs

N°	TITLE		Related		
		DESCRIPTION OF ISSUE	INELIGIBLE	UNSUPPORTED	Finding No
1	Expenses not supported by any documentation	For the total funds reimbursed to the government of Togo during the period of February 15, 2019 to March 31 2022 amount of U.S. \$205,717, the audit could not obtain supporting documents for U.S. \$ 5,245.01		U.S. \$5,245.01	Internal Control : finding #2
2	Absence of withholding taxes from the fees of consultants and other service providers	Fees paid to consultants and service providers during the period audited have not beer subject to any withholding taxes. Withholding taxes or fees paid are made mandator by article 99 of the book of tax procedures. In addition, the agreement in its section 2.8 cites payments made to residents of Togo as an exception to the tax exemptior status of the MCC funds. The total amount of these non deducted taxes, excluding penalties and late paymen surcharges, is estimated to U.S. \$4,900.70	U.S. \$4,900.70		Compliance finding
TOTAL			U.S. \$4,900.70	U.S. \$5,245.01	
			U.S. \$10,145.71		

#### Section III – Schedule of Audit Findings

#### INTERNAL CONTROL

#### 1. <u>Discrepancy between Grant agreement duration and the duration of the projects funded by</u> the program

#### **Condition**

During our work, a discrepancy was noted between the program completion deadline as provided for in the grant agreement (4 years from the effective date of the agreement) and the current deadlines for the projects funded by the program. We noticed that the two projects funded (The ICT and LRAP projects) did not yet started as of March 31, 2022, i.e., 17.5 months from November 13, 2020; (date of entry in force). The accountable entity (OMCA-Togo) was created on November 1, 2020 and started it's activity on August 1<sup>st</sup> 2021. Based on the date of start of the projects, LRAP shall end in 2025 and TIC in 2026, more than four years after the entry in force of the agreement.

#### <u>Criteria</u>

The Grant Agreement in it's Section 6.1 states that "Unless the Parties agree otherwise, the date four years after this Agreement enters into force in accordance with Article 8 is the date by which the Parties estimate that all of the activities related to the implementation of the Program and the achievement of the Project Objectives are expected to be completed (the "Completion Date").

"Unless MCC agrees otherwise, Grant funding may not be used for expenditures incurred after the Completion Date".

#### <u>Cause</u>

We noticed a delay between the creation of OMCA-Togo, it's date of start of activities and the starting date of the projects. Project LRAP contract was signed in June 2022 but started in August 2022 and project ICT has entered in an agreement during the month of December 2022. OMCA-Togo needed to start activities before launching the procurement process of hiring consulting firms that drive the two projects. It started its activities after the entry in force date.

#### Effect

Difficulties in completing Togo's Threshold Program given the duration of the grant agreement and the time that has already elapsed since its date of entry in force date (November 13, 2020), before the start of activities.

#### **Recommendation**

We recommend that OMCA- Togo discusses with the MCC in order to find solutions that will guarantee the completion of the projects.

#### Management response

An agreement will be reached with MCC to extend the implementation period to ensure that all project deliverables of the program are met

© 2023 \_ Crowe TG Icaaf Sarl

#### 2. <u>Expenses of U.S. \$5,245.01 from the Reimbursable costs funding not supported by any</u> <u>documentation</u>

#### **Condition**

During the audit of the program expenditures, we found expenses for an amount of five thousand two hundred forty-five United States dollars and one cent (U.S. \$5.245.01) that did not have any supporting documentation. Those expenses are part of the reimbursable costs fund managed directly by the government before the set-up of OMCA-Togo. The total funds managed and expenses incurred during that period is two hundred five thousand seven hundred seventeen United States dollars (U.S. \$205,717).

#### <u>Criteria</u>

Based on generally accepted accounting principles, expenses must be recognized based on proper documentation. Moreover, the Grant agreement states in its section 4.7 that " the Government agrees to maintain, and to use its best efforts to ensure that the Accountable Entity and any Covered Providers maintain, accounting books, records, documents, and other evidence relating to the Program adequate to show, to MCC's satisfaction, the use of all Grant funding (collectively, the "Records")". By not providing any documents, these expenses existence are being questioned.

#### <u>Cause</u>

Lost documents.

#### **Effect**

Payment of expenses not corresponding to services actually consumed by the program.
Unsupported expenses because they are not documented.

#### **Recommendation**

We recommend that OMCA-Togo, which is responsible for the financial information produced, take the necessary steps to ensure the availability of supporting documents for every expenditure accounted and paid for.

#### Management response

We agree:

OMCA-Togo is still working with the government to find the missing evidences of U.S. \$ 5,245.01.

## 3. <u>Errors in the personal taxes deducted from employee salaries</u>

## **Condition**

During the audit, we have identified a discrepancy between the personal income tax deducted from employees' salaries and the amounts that it should be, according to our calculation. Payroll taxes (IRPP) is determined for each employee based on tax table and personal situation of the employee (such as marital status, number of dependents etc.).

Based, on our calculations, over the period of August 2021 (date of start of OMCA) to March 31, 2022, OMCA-Togo should have deducted a total IRPP of FCFA 19 442 080 (U.S. \$33,622), instead of FCFA 28.891.369 (U.S. \$49,963). The difference is FCFA 9 449 289 (U.S. \$16,341) to the disadvantage of the employees.

Moreover, the deductions have been remitted late to the government (April 14, 2022) which situation, the audit reported more extensively in the management letter (refer finding 2 of the management letter). The review of the remittance to the government also indicates an extra overpayment of FCFA 1 768 853 (U.S. \$2,964). This extra payment has been deducted from employee's salaries from April 2022 to June 2022.

## <u>Criteria</u>

Income is subject to the IRPP according to the tax table of the tax code in Togo in addition to the requirements of articles 25 and 26 of the same code.

## <u>Cause</u>

The major cause is that during 2021 and the three months period of 2022, employees have not worked full year, therefore their total salary is much lower than their annual salary. However, the taxation rates used by OMCA-TOGO are those of annual income rates. OMCA-Togo, did not adjust for each employee the amount deducted based on their final level of income which is much lower than the annual income. In Togo, there is no annual personal income tax declaration that guarantees the refund of any overpayments by OTR directly to the employees. Any overpayment must be declared by the employer in the DAS

(Declaration annuelle des salaires), and OTR might grant credit to the employer against other future payment. In this instance, the 2021 DAS has not been produced yet (refer to finding 2 of the management letter).

## Effect

Underpayment to employees. Since the accounting is based on cash methods, the revenue is understated, because of the portion underpaid to the employees (employee's expenses are understated). Moreover, the liabilities on the FAS to the government is overstated.

## **Recommendation**

We recommend that OMCA-Togo adjusts the discrepancies, before issuing the Annual Declaration of Salaries (DAS) on January 31, 2023. Additional payments are required to employees. The amount of IRPP paid to OTR, must be claimed back.

## Management response

We agree: the DAS correction process is ongoing.

## 4. Information system Management

## **Condition:**

During the audit, we noticed that IT is not managed as a system. The IT management that exists only takes into account internet and acquisition and maintenance of the personal computers (PC). The situation is as follows:

## Governance

- 1. The lack of an information system master plan (it is the strategic framework of any information system)
- 2. The lack of an IS policy or IS procedure within OMCA-Togo
- 3. The non-existence of the IS function within the management of OMCA-Togo, (problems of roles and responsibilities; IS is not under any one's responsibility as per job description)
- 4. The absence of risk mapping and a permanent control system

## Operational

- 5. Operation (systems and networks) not centralized at OMCA-Togo; inexistence of Server
- 6. Financial information production system not 100% integrated (non-existence of an ERP)
- Incomplete contingency plan: the audit noted the existence of a disaster recovery plan which covers only the Fiscal Agent activities and systems. The plan does not cover OMCA-Togo operational or administrative aspects such as project management, secretarial etc.

Moreover, some of the requirements listed in the annex 12 of the FAP that guarantee the functioning of the existing disaster recovery plan are not available at the site (example: redundant computer with software, system administrator-local IT etc.).

## Security and access

- 8. Insufficient physical protection of installations (lack of camera, fire extinguisher)
- 9. Non-existent documentation on the logical protection of assets

## <u>Criteria</u>

In OMCA- Togo's procedure manual (FAP), it states in the section 2.3 that "An effective internal control system includes the checks and balances required for the appropriate authorization and recording of transactions and ensuring that access to assets is limited to authorized personnel".

By not having a proper IS, IT assets and key information are not properly safeguarded.

## <u>Cause</u>

Non existence of IT department.

## Effect

IS Systems are not managed in all their aspects (Lack of steering, anticipation, inadequate services to users, possible confidentiality issues, no contingency plan) leading to possible issues with data integrity well as assets integrity.

#### Recommendation

We recommend that OMCA- Togo, increases its involvement by:

- development and adoption of an information system master plan;
- □ development and adoption of an IT charter;
- development and adoption of various policies related to the management of the information system;
- implementation of a secure network system (access with double authentication);
- setting up authentication and file management servers;
- □ the insertion of clauses in SLA (Service Level Agreement) contracts, which define the level of service expected and the associated guarantees;
- the implementation of perimeter security which consists of protecting the information system from the outside or isolating internal areas;
- etc.

## Management response

We Partially agree :

- MCC does not allow the use of Iron Vine or equivalent in Threshold programs to design and build out the IT infrastructure. Consequently, IT department is not part of OMCA-Togo's organigram approved by MCC and MCC did not take it into account in the administration budget. The report of MCCs DIS security mission in Togo mentioned it.
- In addition, smoke detectors and fire extinguishers were well and truly installed in the corridors and offices.

## Auditor's response

This finding is based on the AE guidelines, generally accepted standards as well as best practices.

## COMPLIANCE

## Absence of withholding taxes from the fees of consultants and other service providers estimated to U.S. \$4,900.70 excluding possible penalties.

## **Condition**

During our audit we noticed that OMCA-Togo does not apply the withholding taxes on consulting or service fees paid. Fees paid to consultants and service providers during the period audited have not been subject to any withholding taxes.

## <u>Criteria</u>

Withholding taxes on fees paid are made mandatory by article 99 of the book of tax procedures. Fees payment are subject to (5% to 20%) depending on the existence of tax identification number of the consultant or not and depending if the consultant is foreign or national. In addition, the agreement in its section 2.5 cites payments made to residents of Togo as an exception to the tax exemption status of the MCC funds.

## <u>Cause</u>

Misunderstanding with the withholding taxes treatment in lien with the tax exemption status of the MCC funds.

## Effect

The total amount of these non-deducted taxes, excluding penalties and late payment surcharges, is estimated to four thousand nine hundred United States dollars and seventy cents (U.S. \$4,900.70), deemed payable to tax office (OTR), upon any tax audit. In addition, penalties rate is of 10% of the amount not withheld and paid according to article 115 of the book of tax procedures of Togo.

## **Recommendation**

We recommend that OMCA-Togo complies with local laws and regulations pertaining to article 99 of the book of tax procedures as well as with the section 2.5 of the grant agreement.

## Management response

We agree:

However, it should be specified that the amount of (\$) 4,900.7 that the auditor has identified: The auditor applied a 10% rate to the consultants who are subject to a 5% rate of withholding taxes because they have the tax identification number (NIF). There is also an international consultant who is not a Togolese resident is therefore not subject to the payment of this tax.

•

## Auditor's response

The amount of uncollected taxes calculated, is based on the documentation obtained from OMCA-Togo at the time of the audit and on our interpretation of the Grant agreement in conjunction with the Togolese tax code.

•

## APPENDIX: SIGNED FUND ACCOUNTABILITY STATEMENT

# OMCA - Togo Fund Accountability Statement February 15, 2019 to March 31, 2022 Amounts in U.S. \$

					Questio	ned Costs	
	Budget	Prior Period	Current Period	Cumulative	Ineligible	Unsupported	Notes
REVENUE							
Funds from MCC	34,407,000.00		488,671.56	488,671.56			
Reimbursable Cost Funding	243,000.00		205,717.07	205,717.07		1 I I I I I I I I I I I I I I I I I I I	
MCC-Managed Funds	350,000.00	-	247,360.45	247,360.45			
TOTAL REVENUE	35,000,000.00	-	941,749.08	941,749.08			
COSTS INCURRED							
1. ICT Project	20,500,000.00	-	1,631.00	1,631.00			4.
(a) Institutional Strengthening Activity	6,250,000.00	-	1,631.00	1,631.00			4.1.
(b) Technical Assistance Activity	7,000,000.00	-		-			
(c) Market Study Activity	5,000,000.00	-		( <b>_</b> );			
(d) Analysis and Communication Act	2,250,000.00	-	_				
2. LAND PRODUCTIVITY Project	8,000,000.00	-	1,045.00	1,045.00			4.2
(a) Governance Activity	1,250,000.00	-	-	-			
(b) Improv. of Land Priv.& Registr	6,750,000.00		1,045.00	1,045.00		2	4.2.2
3. MONITORING & EVALUATION	1,300,000.00	-	-	-		1	
(a) Monitoring & Evaluation	1,300,000,00	-	-	-			
4. PROGRAM ADMINISTRATION	5,200,000.00	-	935,677.83	935,677.83			4.3
(a) Program Administration	5,200,000.00		935.677.83	935,677.83	4900.70	5,245.01	11
TOTAL COSTS INCURRED	35,000,000.00	( <b>-</b>	938,353.83	938,353.83	-	-	4
(Deficit)/Excess of Revenue	-	1. S	3,395.25	3,395.25			
Cash Basis				and the shear of			
Opening Fund Balance			-	-			
(Deficit)/Excess of Revenue			3,395.25	3.395.25			
Plus : Interest Income	10 I I I I I I I I I I I I I I I I I I I					No	e
(Less : Interest Transferred)	and the second se	-		-	distances in the		7
Closing Fund Balance			3,395.25	3,395.25	(0 <del></del> )	-	
Modified Cash Basis					medic 1 dette		
Closing Cash Basis Fund Balance			3,395.25	3,395.25			8
Plus : Receivables (Tax, Accounts, etc)/Advances		-	1,170.86	1,170.86	Long Charles	977 57 1 1 1 1 1	9
(Less : Payables/Accrued Expenses/Retentions)	so all usua	-	- 79,953.77 -	79,953.77			10
Closing Modified Cash Basis Fund Balance			- 75,387.66 -	75,387.66	4,900.70	5,245.01	

Prepared By:

Vue due ogo Idrusson Date and Signature Une in Februsory 14, 2023

Approved By: maz and Signature

Submitteo Date 14.02.23 and Signature BOULONOU N'agnanne Jeanne

Questioned Costs



2023

#### Note 0 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### Significant accounting policies

#### 0.1.Basis of presentation

The Fund Accountability Statement (FAS) is prepared in accordance with the modified cash basis method of accounting.

The reporting currency is in United States Dollars (USD).

#### 0.2. Accounting information system

The accounting information system used is SunSystems with Q&A.

#### 0.3. Exchange rate

For XOF payment transactions handled via the Common Payment System (CPS), the translation rate of the payment is used to post the payment entries. For XOF payments handled via the local bank account, the exchange rate given by Oanda when the expense is paid.

From currency	To currency	Transaction Date	Rate
XOF	USD	October 05, 2021	565.96
XOF	USD	October 31, 2021	563.44
XOF	USD	November 12, 2021	572.10
XOF	USD	November 30, 2021	576.25
XOF	USD	December 15, 2021	581.44
XOF	USD	December 30, 2021	579.52
XOF	USD	January 18, 2022	574.75
XOF	USD	February 02, 2022	574.75
XOF	USD	February 14, 2022	577.98
XOF	USD	March 01, 2022	586.02
XOF	USD	March 16, 2022	597.85
XOF	USD	March 31, 2022	588.96
	Ave	rage	578.25

#### The authorized exchange rates used during the audit period are indicated below:

#### 0.4. Property and equipment

Fixed Assets are defined as assets with a useful life of more than one year and a value more than USD 500. Fixed Assets are recorded at cost as assets and thereafter depreciated 100% .

#### 0.5. Tax Exemption

In accordance with Threshold agreement, all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges.

## Note 1 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

These are transfers made by MCC, through the Interior Business Center (IBC) either as direct payments to OMCA vendors or as transfers to OMCA Togo local permitted account.

#### 1. Funds from MCC

Description	Total amount USD	Amount transferred to OMCA Togo Permitted account	Direct payments to vendors
September 2021	_		
October 2021	32,149.03		32,149.03
November 2021	31,537.89		31,537.89
December 2021	139,383.36		139,383.36
January 2022	84,743.05	64,000.00	20,743.05
February 2022	59,610.01		59,610.01
March 2022	141,248.22		141,248.22
Total	488,671.56	64,000.00	424,671.56

## Note 2 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### 2. Reimbursable Cost Funding

Funds managed by Cellule / Government of Togo before August 31, 2021

205,717.07

This amount of U.S. \$205,717.07 is part of the reimbursable cost funding that was managed by the Cellule. The Agreement allowed for up to U.S. \$593,000 and only U.S. \$205,717.07 was used by the Cellule through this methodology, and that the Government of Togo will not be requesting further reimbursement using this methodology now that OMCA is stood up and the Fiscal Agent is in place.

## Note 3 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

3. MCC-Managed Funds

Funds managed by MCC with Government of Togo before August 31, 2021

247,360.45

audit period (March 31, 2022). The main reason explaining this fact is that the project was updated and execution of

activities did not started as planned.

## Note 4 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### 4. TOTAL COSTS INCURRED

Description	Amount USD	Notes
. ICT Project		4.1
a) Institutional Strengthening Activity	1,631.00	4.1.1
LAND PRODUCTIVITY Project		4.2
b) Improv. of Land Priv.& Registr	1,045.00	4.2.2
. PROGRAM ADMINISTRATION	935,677.83	4.3
Managed by MCC before August 31, 2021	247,360.45	
a) Program Administration	688,317.38	
OTAL COSTS INCURRED	<u>938,353.83</u>	
.1 ICT Project		
hese payments have been made by Cellule/Gvt of Togo		
efore August 31, 2021	1,631.00	4.1.1
.1.1 (a) Institutional Strengthening Activity		
o further cost incurred after August 31, 2021 related to		
he ICT Project and up to the end of the audit period		
March 31, 2022). The main reason explaining this fact is		
hat the project was updated and execution of activities did not started as planned.		
.2 LAND PRODUCTIVITY Project		
hese payments have been made by Cellule/Gvt of Togo	1 0 45 00	
efore August 31, 2021	1,045.00	4.2.2
.2.2 (b) Improv. of Land Priv.& Registr		
lo further cost incurred after August 31, 2021 related to		
he LAND PRODUCTIVITY Project and up to the end of the		

#### **4.3 PROGRAM ADMINISTRATION**

Description	Amount USD	Notes
Administrative Support Service	33,439.45	4.3.1
Salaries and Benefits	264,341.21	4.3.2
Office Premises Management	4,230.94	4.3.3
Procurement Agent	219,134.36	4.3.4
Office Supplies & Materials	28,226.38	4.3.5
IT Equipment, Software & Imple	1,591.26	4.3.6
Professional Services	29,233.46	4.3.7
Vehicle Operations	1,170.86	4.3.8
Media and Public Relations	9,449.46	4.3.9
Fiscal Agent	97,500.00	4.3.10
Total	688,317.38	

	33,439.45	
DG Market newspaper Subscription	2,000.00	4.3.1.3
Zoom subscription	1,999.00	4.3.1.2
Spent by Cellule/Gvt of Togo before August 31, 2021	29,440.45	4.3.1.1
These payments were for :		

#### 4.3.1.1 Spent by Cellule/Gvt of Togo before August 31, 2021

These payments have been made by Cellule/Gvt of Togo before August 31, 2021 and reimbursed directly by MCC.

#### 4.3.1.2 Zoom subscription

This payment has been made after August 31, 2021 through the Fiscal Agent.

## 4.3.1.3 DG Market newspaper Subscription

This payment has been made after August 31, 2021 through the Fiscal Agent.

#### 4.3.2 Salaries and Benefits

	264,341.21
Mobilisation expenses DAF	7,483.06
Staff Insurance NSIA	24,171.03
CNSS August 2021 to February 2022	30,400.06
Net salaries from August 2021 to February 2022	202,287.06
These payments were for :	

## 4.3.3 Office Premises Management

	4.230.94
Covid supplies	2,412.13
CEET Electricity November 2021 to January 2022	1,818.81
These payments were for :	

## 4.3.4 Procurement Agent

Mobilisation expenses Senior PA	7,689.51 219.134.36	4.3.4.4
Senior PA Fees November 2021 to January 2022	13,287.71	4.3.4.3
Junior PA Fees July 2021 to January 2022	24,556.52	4.3.4.2
Spent by Cellule/Gvt of Togo before August 31, 2021	173,600.62	4.3.4.1
These payments were for :		

#### 4.3.4.1 Spent by Cellule/Gvt of Togo before August 31, 2021

These payments have been made by Cellule/Gvt of Togo before August 31, 2021 and reimbursed directly by MCC.

#### 4.3.4.2 Junior PA Fees from July 2021 to January 2022

This payment has been made after August 31, 2021 through the Fiscal Agent.

#### **4.3.4.3 Senior PA Fees from July 2021 to January 2022** This payment has been made after August 31, 2021 through the Fiscal Agent.

#### 4.3.4.4 Mobilisation expenses for Senior PA

This payment has been made after August 31, 2021 through the Fiscal Agent.

#### 4.3.5 Office Supplies & Materials

These payments were for :	
Office supplies	21,555.80
Kitchen supplies	5,848.07
Air conditioner	822.51
	28,226.38
4.3.6 IT Equipment, Software & Imple	
These payments were for :	
1 Laptop	926.05
1 Printer	665.21
	1,591.26

.

## 4.3.7 Professional Services

.

These payments were for :	
Panelists December 2021 to January 2022	26,705.24
SGIC assistance to staff insurance	2,528.22
	29,233.46
4.3.8 Vehicle Operations	
These payments were for :	
TotalEnergies Fuel card caution	1,170.86
	1,170.86
4.3.9 Media & Public Relations	
These payments were for :	
Dir Agence Graphic chart, Logo, visit cards	9,449.46
	9,449.46
4.3.10 Fiscal Agent	
These payments were for :	
FA Fees for August 2021 to January 2022	97,500.00
	97,500.00

www.crowe.com/tg

## Note 5 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

5. (Deficit)/Excess of Revenue	3,395.25	
Description	Amount USD	
Amount transferred to OMCA Togo Permitted account during the period	64,000.00	
Payments made out of the local permitted account during the period	-60,604.75	
Amount in Permitted Account	3,395.25	

## Note 6 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

6. Plus : Interest Income

No interest was credited on Ecobank interests account before March 31, 2022

0.00

## Note 7 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### 7. (Less : Interest Transferred)

No interest was transfered before March 31, 2022

0.00

www.crowe.com/tg

## Note 8 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (amounts in U.S. \$)

8. Closing Cash Basis Fund Balance

Description	Amount USD
Initial Balance February 14, 2019	-
Revenue	941,749
Costs Incurred	938,354
Fund Balance	3,395.25

8.1 Reconciling Items

As of March 31, 2022 there were not reconciling items Total reconciling items

8.2 Details of cash on hand and in the bank account

Description	Amount USD
Threshold Permitted Account	3,395.25
Petty cash	
	3,395.25

www.crowe.com/tg

## Note 9 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

9. Plus : Receivables (Tax, Accounts, etc)/Advances

TotalEnergies Fuel card caution

1,170.86 **1,170.86** 

## Note 10 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

## 10. (Less : Payables/Accrued Expenses/Retentions)

Total Payables	79.953.77
PA Senior Fees for February 2022	5,017.98
PA Junior Fees for February 2022	3,345.32
BARRY Aliou payment to Mali refused	2,000.00
Income Tax Staff (OTR) August 2021 to February 2022	50,102.25
Soc Sec staff (CNSS) for period of August 2021 to February 2022 to civil servants to CRT	19,488.22

## Note 11 OMCA Togo FAS (February 01, 2019 - March 31, 2021)

Notes to the Fund Accountability Statement for THRESHOLD funding for the period February 15, 2019 to March 31, 2022 (Amounts in U.S. \$)

#### **11. Questioned Costs**

#### 11.1 Unsupported

Costs incurred of U.S. \$5,245.01 for reimbursable administrative expenses are determined as questioned costs, as they did not have any supporting documentation. See Internal Control Finding No 2 within Section III – Schedule of Audit Findings.

Please note that all supported documents have been given to MCC Finance before the reimbursement.

#### 11.2 Ineligible

U.S. \$4,900.70 of uncollected and unremitted withholding taxes on payments made to consultants and service providers are determined as questioned costs, as they are contrary to the article 99 of the book of tax procedures in Togo and to the section 2.5 of the grant agreement.

See compliance within Section III- Schedule of Audit Findings.

See also OMCA-Togo management response under compliance within Section III-Schedule of Audit Findings for comment regarding the amount of U.S. \$4,900.70.