

REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL SITUATION OF THE ASSOCIATION MAMI SIARA NA DE KONKOURONA

FINAL REPORT



Cabinet Nel'Yam
Expertise et conseils.
IFU No.: 00125479L
RCCM: BFBD2019A1136
Tel: (+226)
76504104/51135050
Email:
cabinetnelyam@gmail.com

**October
2020**

TO

**Mr. President of the Association
MAMI SIARA NA DE KONKOURONA
04 BP 34 Bobo-Dioulasso 04
Tel: (+226) 70 66 90 19/70 67 12 64
E-mail: mamisiarana@gmail.com**

**Bobo DIOULASSO
BURKINA FASO**

Bobo-Dioulasso, October 27, 2020

Dear Mr. President,

In line with the mission entrusted to us, we have audited the financial statements for the period from **January 1 to September 30, 2020** relating to the financing of the projects "construction of 3 classrooms + 1 office + 1 store" and "construction of 4 housing units and rehabilitation of 2 housing units", funded by the **Konkourona Alliance Foundation (KAFO)**.

These financial statements were made under the responsibility of the association **MAMI SIARA NA DE KONKOURONA**.

We conducted our audit in accordance with international auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements in the presented report are free from material misstatements. An audit includes examination on a sample basis, evidence supporting amounts, and disclosures in the accounts. An audit also includes evaluating the appropriateness of accounting policies used and the way management has applied them; significant estimates made by management in the preparation of the financial statements as well as evaluating the overall presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion as set out below.

PRESENTED REPORTS

- 2.** The audit of the accounting, administrative and internal control procedures, as well as the work on the financial statements are the subject of two (2) separate reports.
- 3.** This report presents our opinion on the association's accounts from the 1st of January to the 30th of September, 2020.

We would like to thank you for the warm welcome and good cooperation extended à to our team by the managers and staff of your organization during the course of our work.

We remain at your disposal to provide you with any additional information you may require on the content of this report.

Yours sincerely, **Mr. Chairman,**



For the Auditor

Ibrahim SAWADOGO

Accounting and Financial Auditor
Graduate DESCOGEF-UEMOA

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TO

**Mr. President of the Association
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**Bobo DIOULASSO
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Bobo-Dioulasso, October 27, 2020

Dear Mr. President,

<p style="text-align: center;">REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL SITUATION OF THE MAMI SIARA NA ASSOCIATION OF KONKOURONA</p>
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In compliance with the assignment of auditing the accounts of the MAMI SIARA NA association entrusted to us, we have audited the financial statements of the said association for the period from **January 1** to September **30, 2020**.

- 2.** Our responsibility is to give an opinion on the financial statements that have been drawn up under the responsibility of the President and to carry out a diagnosis of the organization system and the project management.
- 3.** Except for the situations described in paragraph 5 below, we conducted our audit in accordance with generally accepted international auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
- 4.** An audit includes a test examination of the justification of the amounts and disclosures contained in the financial statements.

An audit also includes an assessment of the accounting principles used and significant estimates made by managers, as well as an evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion.

- 5.** Fixed assets are not depreciated due to the specific nature of funding and the purpose of the associated organizations. This accounting practice is generally accepted in the programs.

OVERVIEW OF THE MISSION OBJECTIVES

The overall objective of the mission is to verify that the accounts and financial statements presented by the association give an exact/true picture of the financial situation of the organization and that the resources made available to it have been used

in accordance with the objectives of the KONKOURONA ALLIANCE FOUNDATION (KAFO).

This objective entails the following aspects:

- Advise on the accounts from January 1 to September 30, 2020;
- Analyze and assess the administrative, financial, and accounting management procedures and the internal control system in force within the association;
- Assess consistency between decision-making procedures and daily practice;
- Review the parties' compliance with the terms of the contracts or project agreements;
- Assess the consistency between the financial report and the activity report;
- Examine compliance with the association's goals by monitoring and evaluating transactions, expenditures and revenues in relation to the project's basic documents (description, business plan, contracts, budgets, agreement, etc.)

7. WORK PERFORMED

The work we performed included the following procedures.

Audits:

- The financial report covers the entire action;
- The financial report shall be drawn up in the language of the grant contract;
- The accounts kept by the beneficiary for the implementation of the projects are accurate and up to date;
- Ensure that the beneficiary has a double entry accounting system;

- The accounts and expenses relating to the action are easily identifiable and verifiable;
- Expenses are in line with the budget;
- The implemented budget reflects the budget agreed with the Contracting Authority;
- The selected expenses are eligible in relation to:
 - the costs actually incurred,
 - implementation phase,
- that the resources received from other donors and the income generated by the Beneficiary under the Action have been attributed to the Action and declared in the financial report
- expenditures are easily identifiable, verifiable and traceable within the beneficiary's accounting systems;
- the principles of regularity of the financial information are in conformity;
- the supporting documents relating thereto are true and correspond to the level of financial implementation recorded in the accounts;
- expenditures correspond to actual and material commitments/services.
- the organization has fulfilled all its administrative and tax obligations with regard in particular to the treatment of social security charges, income tax on salaries and any other tax aspects inherent in this activity (if applicable).
- tenders have been executed in full compliance with the procedures and provisions of the lessors;
- the accounting and financial management system contributes to the proper execution of the budget (processing and monitoring);
- the clauses of the project agreement are complied with;
- the expenditures incurred correspond to the budgets accepted by the various parties;
- the project's transactions are as follows:
 - validity of supporting documents;
 - arithmetic accuracy and nature of the accounts of the supporting documents and financial statements;
 - any other verifications deemed useful by the Agent in the execution of his contract.

8. CONCLUSIONS OF OUR WORK

8.1. Evaluation of internal control

The findings of our audit and review of administrative, financial, accounting and internal control procedures are reported separately. They are not likely to call into question the opinion expressed below.

8.2. Auditing

RESOURCES

The resources for the period under review are made up of subsidies received from the KAFO foundation, the start-up fund made available by the association for the opening of the bank account for FCFA 100,000, and pre-financing carried out on work awaiting regularization for FCFA 635,559.

8.2.1 Status of grants received

The funds received represent an amount of FCFA 89,031,246 and are as follows:

Period	Amount
January 2020	11,570,325
February 2020	11,670,311
March 2020	11,950,073
April 2020	202,300
May 2020	70,958
June 2020	11,464,410
July 2020	23,113,399
August 2020	18,989,470
Total	89,031,246

No need to comment on our work.

8.2.2 Debt situation

Debts represent pre-financing made by certain project participants pending regularization. These include:

Mrs. BATIONO ANGRA Constance	FCFA 240,509
Mr. SEBRE AYOUBA	FCFA 395,050
Total	FCFA 635,559

No comments on our work

PERFORMED WORK

8.2.3 Expenditure Status

Construction project of 3 classrooms and 1 officeFCFA 35 706 679

With regard to this project, the summary statement of expenditures provided to us is as follows:

Period	Amount
From 7 to 31 January 2020	12,033,650
From 1 to 22 February 2020	11,391,375
From 1 to 12 March 2020	4,411,000
From April 1 to May 31, 2020	7,886,000
Total	FCFA 35,706,679

1. Expenditures are justified by periodic statements summarizing the activities subject to expenditures. These statements shall be signed only by the treasurer and the president of the association. The statements issued by the beneficiaries shall not be attached to the supporting documents. The situation is as follows:

Date	Amount
21 to 01/23/2020	905,000
01/24/2020	621 000
01/27/2020	415,000
01/30/2020	252.000
01/31/2020	341,000
01 to 02/07/2020	907,500
10 to 02/15/2020	201,000
02/21/2020	14,000
01 to 03/10/2020	1,536,000
Total	5,192,500

2. We have not obtained the supporting documents for certain transactions mentioned in the summary statements prepared by the accounting department. These operations are as follows:

Date	Description	Amount
02/02/2020	Transport Bobo Konkourona	10,000
02/05/2020	Purchase of wood and transport	95,000
	Electrical labor	250,000
	Merchandise Bobo konkourouna	150,000
Total		505,000

**Project for the construction of 4 housing units and the rehabilitation of 2 housing units
FCFA 51,932,550**

3. With regard to this project, the summary statement of expenditures provided to us is as follows:

Period	Amount
From 1 to 30 June 2020	7,838,750
From 1 to 31 July 2020	21,159,300
From 1 to 31 August 2020	10,992,000
From 1 to 30 September 2020	11,942,500
Total	51,932,550

We found that expenditures were recorded only on the basis of discharges in the amount of CFAF 1,696,000. Suppliers' invoices are not attached to the set of supporting documents. Our selection covered expenditures of more than one hundred thousand (100,000) FCFA. The details are as follows:

Date	Description	Amount
06/16/2020	Cement transportation Bobo-Konkourona	150,000
06/30/2020	Purchase of aggregates in Konkourona	300,000
07/06/2020	Purchase of gravel and water in Konkourona	150,000
07/09/2020	2nd advance mason labor	1,000,000
07/09/2020	Excavation of buildings and septic tanks	360,000
07/29/2020	2nd advance mason labor	1,000,000
08/03/2020	Purchase of sand	200,000
08/06/2020	Purchase of gravel	500,000
08/18/2020	Purchase of plywood and boards	1,700,000
08/18/2020	Advance mason	650,000
08/19/2020	Purchase of sand	150,000
08/29/2020	Purchase and transport of fine sand for coating and zip line	875,000
08/29/2020	Workforce construction kitchens and toilets	500,000
08/29/2020	Painting labor old housing	750,000
09/01/2020	Purchase of water and sand in Konkourona	241,000
09/02/2020	Purchase of plywood planks for false ceilings	2,990,000
09/02/2020	Purchase of polyam film + anti-termite products	250,000
09/16/2020	Purchase of sand + miscellaneous	400,000
09/21/2020	Purchase and transportation of 10 tons of cement	1,150,000

Date	Description	Amount
09/21/2020	Purchase of cement + transporation	230,000
09/21/2020	Electric bill balance	950,000
09/21/2020	Balance of mason's bill for kitchen and toilets	300,000
09/21/2020	Balance of mason's bill for housing	500,000
09/21/2020	Balance of painter's bill	500,000
09/21/2020	Balance of tiler bill	400,000
09/23/2020	Intervention by members of the association on the project	300,000
TOTAL		16,496,000

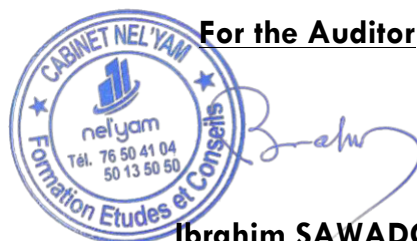
Textbooks

FCFA 1,674,369

A disbursement of CFAF 1,674,369 was made for the payment of textbooks to Konkourona students. The amount of disbursements justified by discharges (FCFA 1,674,369) is greater than the amount justified by purchase receipts or invoices (FCFA 1,274,000) of FCFA 403,369. The manager waits for new expressions of needs for which this remainder can be used.

Notice

In our opinion, and subject to the impact of paragraphs 8.2.3, the financial statements of the MAMI SIARA NA DE KONKOURONA Association for the period from January 1 to September 30, 2020 are regular and fair and give a true and fair view of the funds received and the use made of them in accordance with the instructions of the Konkourona Alliance Foundation (KAFO).



Ibrahim SAWADOGO

Accounting and Financial Auditor
Graduate DESCOGEF-UEMOA

***SPECIAL REPORT ON THE ABSENCE OF A UNIQUE TAX
IDENTIFICATION NUMBER ON SOME INVOICES***

TO

**Mr. President of the Association
MAMI SIARA NA DE KONKOURONA
04 BP 34 Bobo-Dioulasso 04
Tel: (+226) 70 66 90 19/70 67 12 64
E-mail: mamisiarana@gmail.com**

**Bobo DIOULASSO
BURKINA FASO**

Bobo-Dioulasso, October 27, 2020

**SPECIAL REPORT ON THE ABSENCE OF A UNIQUE TAX
IDENTIFICATION NUMBER (UTIN) ON SOME INVOICES AND
RECEIPTS**

Dear Mr. President,

Within the framework of our mission to audit the financial statements of the MAMI SIARA NA of KONKOURONA association, you wished to obtain a special report on the absence of UFI numbers on certain suppliers' invoices. We hereby submit our report to you in this regard.

The purpose of this report is to present to you the fiscal environment and the obligations of taxpayers as defined in the General Tax Code.

The purpose of this report is not to express an opinion on the invoices concerned or to take a position on the eligibility or otherwise of the expenditure in question.

We are confident that this special report presented in the form of a memorandum will meet your expectations.

Yours sincerely,

 **For the Auditor**

Ibrahim SAWADOGO

Accounting and Financial Auditor
Graduate DESCOGEF-UEMOA

I. PRESENTATION OF THE DIFFERENT TAXATION SYSTEMS in force IN BURKINA FASO.

The General Tax Code of Burkina Faso specifies the existence of a number of tax systems, the most important of which are as follows:

A. Real profit regimes

A.1 Regime of actual normal taxable profit (RNI)

Pursuant to articles 527 and 528 of the General Tax Code (CGI), taxpayers who are natural or legal persons whose annual turnover excluding taxes is equal to or greater than fifty million (50,000,000) CFA francs or more are placed under the normal real profit tax regime.

This threshold is adjusted on a pro rata basis for taxpayers who start their business within a year.

A.2 Simplified real profit tax regime (SRI)

Pursuant to article 529 et seq., taxpayers who are individuals or legal entities whose annual turnover before tax is equal to or greater than fifteen million (15,000,000) CFA francs and less than fifty million (50,000,000) CFA francs are placed under the simplified real profit tax regime. Taxpayers subject to the simplified real profit system must keep accounts in accordance with the provisions of the normal SYSCOHADA system.

A.3 Contribution of micro-enterprises

Article 533 of the CGI specifies that taxpayers exercising a professional activity on a self-employed basis with an annual turnover of less than fifteen million (15,000,000) CFA francs are liable to pay the micro-company contribution.

If this threshold is exceeded during the course of the year, the micro-company contribution regime is automatically null and void.

Taxpayers subject to the micro-enterprise contribution must file a declaration of existence to the tax authorities of their local jurisdiction within thirty (30) days of the start of their activities.

II. INVOICING OBLIGATIONS

The General Tax Code of Burkina Faso makes a special mention in its article 562 on the obligations to issue invoices and mandatory particulars that must appear therein. This article specifies that manufacturers, traders, service providers

as well as public establishments with industrial or commercial activities are required to issue an invoice to their customers, regardless of their tax regime.

The invoice must clearly state:

1. the invoice number of an ongoing series;
2. the date of the invoice;
3. the precise purpose of the transaction;
4. the amount of the invoice, including the total of all taxes owed by the customer;
5. the precise identification of the person responsible for issuing the invoice:

surname and first name(s) if it is a physical person, legal form and company name if it is a legal person;

geographic, cadastral, post office box and telephone number;

the registration number in the Trade and Personal Property Credit Register, in the Register of Civil Companies, Professions and Trades or in the Register of Crafts and Trades;

the references of the bank account(s);

the unique financial identifier number (UTIN);

the tax system and the tax department the taxpayer belongs to;

6. customer identifier.

surname and first name(s) if it is a physical person, legal form and company name if it is a legal person;

geographic addresses, post office box and telephone number;

if applicable, the registration number in the Trade and Personal Property Credit Register, in the Register of Civil Companies, Professions and Trades or in the Register of Crafts and Trades;

the unique financial identification number (UFI) for sales to legal entities or traders.

In addition, for companies under this tax regime, the issuance of a standardized invoice is made mandatory by the Communiqué No. 00044 of February 15, 2017 of the Director General of Taxes relating to the obligation to issue standardized invoices by companies under the normal tax regime.

III. EXCEPTIONS TO THE USE OF STANDARDIZED INVOICES

Reading through article 566, the general tax code, are exempt from the use of standardized invoices:

1. the State, the local authorities and their public establishments not engaged in industrial or commercial activities;
2. companies that do not have a permanent establishment in Burkina Faso;
3. companies with multiple departments for retail sales operations giving rise to the issuance of receipts or sales slips;
4. pharmacies for retail operations giving rise to the issue of receipts or cash receipts;
5. airline companies;
6. urban public transport companies for passenger transport operations giving rise to the issue of tickets;
7. gas stations selling fuel;
8. banks, financial institutions and decentralized financial systems;
9. insurance and reinsurance companies;
10. water and electricity utility companies;
11. telephone companies holding an operating license;
12. private television operators only for individual subscriptions and re-subscriptions;
13. Motor Vehicle Control Center (MVCC);
14. Burkina Faso National Hydrocarbon Company (SONABHY);
15. Burkina Faso Post Office;
16. Burkinabe National Lottery (LONAB).

Apart from the exceptions mentioned above, all other taxpayers under the normal tax regime are required to issue standardized invoices.

IV. SPECIAL CASE OF THE INFORMAL SECTOR

Burkina Faso has a category of predominant agents in economic activity referred to as the informal sector. This category includes low capacity sellers and traders who do not have a tax registration.

Informal activities in general are made up of micro-enterprises that "are neither recorded nor registered in official statistics and operate on a very small scale with a very low level of organization. The majority of them involve a very low level of capital, productivity and income".

The informal sector in Burkina Faso employs the majority of the urban labor force. There is therefore an enormous difficulty in monitoring and organizing the activities of this sector.

V. OUR COMMENTARY ON THE GIVEN SITUATION

The basic principle concerning Burkinabe taxation is that any person exercising a self-employed activity must have an UFI number. However, in reality, the tax administration is aware that there are taxpayers who are not declared and do not have UFI numbers. As a result, there are tax provisions that have been taken, which tend to penalize those who do not have UFI numbers by taxing them more heavily than others. For example, the withholding tax on services provided by suppliers who do not have UFI numbers is increased to 25%, compared to 5% for suppliers who have an UFI number.

It is therefore understandable that through this measure, the tax administration implicitly recognizes the existence of persons who do not fulfil the obligation to have UFI numbers but who carry out economic activities in the territory. It is therefore to sanction them and force them to regularize their situation that certain measures are taken.

In addition, the tax authorities work to ensure that all those who do not engage in salaried work can be registered. Unfortunately, the context in Burkina Faso means that not all actors are registered and therefore not all have the capacity to issue invoices and receipts with UFI numbers.

In the case of the MAMI SIARA NA association in Konkourona, it is therefore up to the financial partner to specify in future financing agreements whether it is necessary for all purchases to be made from merchants who must have an UFI number.

***FINANCIAL SITUATION OF THE ASSOCIATION
MAMI SIARA NA DE KONKOURONA***

FINANCIAL SITUATION OF MAMI SIARA NA ASSOCIATION FROM 01 JANUARY TO 30 SEPTEMBER 2020

WORK	NOTE	F/CFA	RESOURCES	NOTE	F/CFA
EXPENDITURES		89,594,655	FINANCING KONKOURONA ALLIANCE FOUNDATION (KAFO)		89,031,246
Construction of 3 fully equipped classrooms + office		35,706,679			
Construction of 4 housing units + rehabilitation of 2 old housing units		51,932,550	OTHER RESOURCES		100,000
School Textbooks		1,674,369			
Teachers' support		226,500	DEBTS		635,559
Bank fees		54,557			
CASHFLOW		172,150			
Banks		172,150			
Cash		0			
TOTAL		89,766,805	TOTAL		89,766,805

Bobo-Dioulasso, October 27, 2020

Ousmane ZIDA