

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022



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GENERAL INFORMATION

Name	Title	Email address
Mr. Gabriel Dégbègni	National Coordinator	gdegbegni@mcabenin2.bj
Mr. Wilfried Kanhonou	Director of Administration and Finance	wkanhonou@mcabenin2.bj
Mr. Tianarisoa Rakotoveloa	Fiscal Agent Manager	Tianarisoa.Rakotoveloa@cardno.com
Mr. Valèriu Rotaru	Procurement Agent Manager	vrotaru@charleskendall.com
Mr. Edmund Fudzie	MCC Director of Program Financial Services	fudzies@mcc.gov
Ms. Lori Giblin	MCC Chief Risk Officer	giblin@mcc.gov

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LIST OF ACRONYMS

Abbreviations	Meaning
AICPA	American Institute of Certified Public Accountants
ARG	Other Government of Benin resources
AU	AICPA Codification of Statements on Auditing Standards
CDF	Compact Development Funding (Formerly 609G)
CFF	Compact Facilitation Funding (Formerly CIF)
CIF	Compact Implementation Funding
COM	Compact Program
CPS	Common Payment System
DRP	Disaster Recovery Plan
ESOC	Environmental and Social Oversight Consultant
FA	Fiscal Agent
FAP	Fiscal Accountability Plan
FAS	Fund Accountability Statement
GoB	Government of Benin
IFAC	International Federation of Accountants
MCC	Millennium Challenge Corporation
MCA	Millennium Challenge Account
MSME	Micro, Small and Medium-sized Enterprise
NDCC	National Dispatch and Control Center
PMC	Program Management Consultant
SAS	Statement on Auditing Standards
SBEE	Société Beninoise d'Énergie Electrique
WBS	Work Breakdown Structure

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SECTION 1

TRANSMITTAL LETTER

Signature date

The National Coordinator
Millennium Challenge Account Benin II
Immeuble Kouglénou
Zongo Nima, Cotonou
République du Bénin.

Attention: Mr. Gabriel DÉGBÈGNI

Subject: Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA - Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

Dear Mr. DÉGBÈGNI,

We are pleased to present our audit report on the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA - Benin II for the year ended March 31, 2022.

Our report is structured as follows:

- Section 1: This Transmittal Letter
- Section 2: Executive Summary
- Section 3: Financial statements (Fund Accountability Statements for the period April 1, 2021 to March 31, 2022 and Notes to the Fund Accountability Statements)
- Section 4: Report on Internal control structure and compliance
- Section 5: Status of prior year recommendations

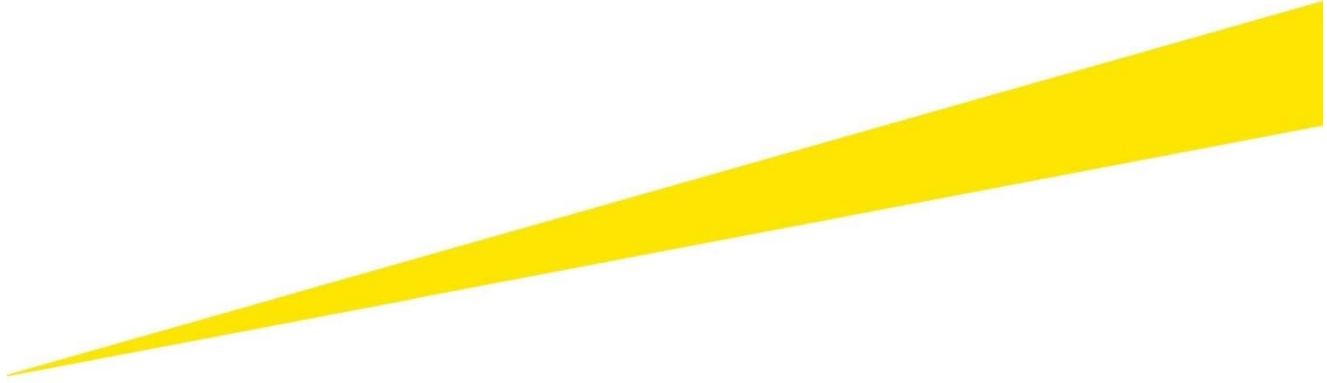
Total costs incurred to the period are as follows:

MCC funds - Costs incurred	105,353,233
Government of Benin – Compact cost share	7,116,966
Government of Benin – other costs	26,958

We would like to express our appreciation to the management and staff of MCA - Benin II and MCC for their cooperation and assistance during the course of the assignment.

Yours truly,

Ferdinand GUNN
PARTNER



SECTION 2

EXECUTIVE SUMMARY

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

2. EXECUTIVE SUMMARY

2.1 – BACKGROUND

The Millennium Challenge Corporation (MCC) and the Government of Benin entered into a Compact Program Agreement on September 9, 2015 to help facilitate poverty reduction through economic growth in Benin in the amount of US\$375,000,000 including a contribution of US\$28,000,000 from the Government of Benin. The Millennium Challenge Account-Benin II (MCA - Benin II) was therefore created by the Government of Benin to implement the program agreed between the two parties.

The final objective of the program is to increase the productivity and production of enterprises, generate more economic opportunities for households and improve the ability to provide public and social services by improving the quantity and quality of electricity supply. There are four (4) projects under the energy program:

- Policy reforms and Institutional Strengthening Project: The objective of this Project is to improve governance in the electricity sector. Interventions in this area aim at improving the management and intervention capacities of the Benin Electric Energy Company (SBEE) as well as the Electricity Regulatory Authority (ARE). The project will help establish a favorable framework for independent power production (IPP [Independent Power Production]). Other objectives include the reform of electricity tariffs, the improvement of energy efficiency and the sensitization of the population on the effect of electricity.
- Electricity Production Project: Its objective is to increase Benin's national production capacity up to 46 MW while reducing the country's dependence on external energy sources. To this end, a production capacity will be set up through the construction of new electricity production units and the rehabilitation of existing ones.
- Electricity Distribution Project: Its objective is to modernize Benin's electricity distribution infrastructure in order to expand grid capacity to accommodate future growth, improve reliability, and reduce losses and interruptions. In order to achieve these objectives, the Electricity Distribution Project focuses on improving the network serving Cotonou (and regional networks selected as a complement to the proposed investments in solar production), as well as on a national scale by building a modern distribution control and regulation center in order to manage the network more efficiently.
- Access to off-grid electricity: The objective of the Off-Grid Electricity Access Project is to provide funding for off-grid electrification, including for institutional and household-level PV solar panel systems, mini-grids, as well as funding for off-grid energy efficiency activities at the national level by distributing funds through a subsidy mechanism, as well as by funding necessary for political and institutional strengthening to support the entire off-grid electricity sector in Benin.

In addition to the four programs there are also:

- Monitoring and Evaluation: Responsible for the economic analysis and the monitoring and evaluation of the Compact projects, providing support to implementing entities.
- Program Administration: Covers administrative costs incurred in the implementation of the Compact.

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Furthermore, the two projects below are presented in the Fund Accountability Statement CDF and the Consolidated Fund Accountability Statement (CDF, CFF and Compact):

- Infrastructure Project
- Access to Electricity Project

Both projects are exclusively related to the CDF Fund and do not fall under any of the six main projects. Their objective is to facilitate the development and implementation of the Compact.

The budgeted costs incurred as reported on each Fund Accountability Statement differ from amounts reported in the prior audit report. This was a result of changes in, initial assumptions during the Compact implementation period necessitating periodic budget reallocations in order to achieve the Compact objectives.

2.2 – AUDIT OBJECTIVES AND SCOPE

The objective of this engagement is to conduct a financial audit of the Fund Accountability Statement of the MCC and the Government of Benin resources managed by MCA - Benin II under the Compact Program between the Millennium Challenge Corporation, representing the U.S. Government, and the Government of the Republic of Benin for the period from April 1, 2021 to March 31, 2022 in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States and the Accountable Entities Guidelines for Contracted Financial Audits issued by the Millennium Challenge Corporation (Audit Guidelines).

The Fund Accountability Statement is the basic financial statement that has been audited and it presents MCC and the Government of Benin's revenues, costs incurred, cash balance of MCC and the Government of Benin-provided funds, and assets and technical assistance directly procured by MCC and the Government of Benin for MCA - Benin II's use.

The specific objectives of the audit of MCC and the Government of Benin resources are to:

- Express an opinion on whether the Fund Accountability Statement for the MCC and the Government of Benin -funded programs presents fairly, in all material respects, revenues received, costs incurred, and assets and technical assistance directly procured by MCC and the Government of Benin for the period audited in conformity with the terms of the Compact Program Agreement and related ancillary agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
- Evaluate and obtain a sufficient understanding of MCA - Benin II's internal controls related to the MCC and the Government of Benin-funded programs, assess control risk, and identify reportable conditions, including significant deficiencies or material weakness in the design and effectiveness of internal controls. This evaluation includes the internal controls related to required cost-sharing contributions.
- Perform tests to determine whether MCA - Benin II complied, in all material respects, with the Compact Program Agreement and related ancillary agreements, and applicable laws and regulations relating to MCC and the Government of Benin-funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred must be identified. Such tests must include the compliance requirements related to required cost-sharing contributions, if applicable. Specifically, we are required to perform tests to determine whether MCA - Benin II complied, in all material respects, with the Procurement Agreement and the Fiscal Accountability Plan (FAP) in effect during the audit period.

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- Review prior audit recommendations to ensure corrective actions have been taken.

Based on the aforementioned, we performed the following audit procedures in respect of the year ended March 31, 2022:

Pre-Audit Steps

We reviewed the following documents:

1. The Compact Program Agreement between MCC and MCA - Benin II;
2. Detailed Financial Plans (DFPs) of MCA - Benin II;
3. Work Plan of MCA - Benin II;
4. Tax Agreement;
5. Bank Agreement
6. Agreements between MCA - Benin II and contractors and grantees;
7. The Fiscal Accountability Plan (FAP);
8. Program financial and progress reports, organizational charts, accounting systems descriptions, and written policies and procedures.

Fund Accountability Statements

We examined the Fund Accountability Statements for activities funded with MCC resources, the revenues received for the period covered by the audit; the costs reported by MCA - Benin II as incurred during the period; and technical assistance directly procured by MCC for the recipient's use.

MCA - Benin II accepted responsibility for the statements' accuracy before the audit commenced.

Cost-Sharing Schedule

We reviewed the cost-sharing schedule based on the multi-year financial plan for the Compact which indicates the expected contributions of the Government of Benin. According to the Compact Program Agreement, the Government will make a contribution of no less than seven-and-a half percent (7.5%), in addition to any other fiscal cost of the Government, of the amount of MCC Funding provided under the compact towards meeting the program and Project objectives.

Internal Control Structure

We reviewed and evaluated MCA – Benin II's internal control structure related to program activities to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation and in compliance with the Fiscal Accountability Plan. The internal control was documented in the working papers. The major internal controls studied and evaluated include, but are not limited to, each revenue and expense account on the Fund Accountability Statements.

Compliance with Agreement Terms and Applicable Laws and Regulations

In fulfilling the audit requirement to determine compliance with agreement terms and applicable laws and regulations related to donor activities, we at a minimum, followed guidance contained in AICPA SAS AU-C 935 entitled "Compliance Audits."

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Other Audit Responsibilities

We performed the following steps:

- Submitted the Planning Documents to MCC and MCA - Benin II for approval on April 20, 2022.
- Held an entrance conference with MCA - Benin II staff on April 26, 2022.
- Held an exit interview with MCA – Benin II management on May 16, 2022
- We instituted quality control procedures within our Firm to ensure that sufficient competent evidence was obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for our opinion regarding the Fund Accountability Statements audited. While we used our standard procedures for ensuring quality control, those procedures, at a minimum, ensured that:
 - audit reports and supporting working papers were reviewed by an Audit Partner who was not involved in the audit;
 - all quantities and monetary amounts involving calculations were footed and cross-footed; and
 - All factual statements, numbers, conclusions and monetary amounts were cross-indexed to supporting working papers.

Scope limitations

Scope limitations were not applicable to this current audit.

Provisional Indirect cost-rate

MCA - Benin II has no provisional indirect cost rate.

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2.3 SUMMARY OF AUDIT RESULTS

2.3.1 FINANCIAL

The tables below show the summary of the consolidated Fund Accountability Statements of MCA - Benin II for the period under audit.

2.3.1.1 CONSOLIDATED FUND ACCOUNTABILITY STATEMENT (COMPACT, CFF and CDF)

Consolidated	March 31, 2022	Program cumulative
	US\$	US\$
Funds received	105,477,851	236,127,866
Costs incurred	105,353,233	235,963,993
Surplus / (Deficit)	124,618	163,873
Interest income	(31,645)	(187,523)
Interest transferred	28,182	177,110
Interest to transfer to treasury	(3,463)	(10,413)
Opening Fund balance	32,305	-
Closing Fund balance	153,460	153,460

2.3.1.2 COST-SHARING SCHEDULE (GOB and ARG)

According to the Compact Program Agreement, the Government of Benin's contribution is no less than seven-and-a half percent (7.5%) (in addition to any other fiscal costs of the Government) of the amount of MCC Funding provided under the compact towards meeting the program and Project objectives

	Total budget	2022 Actual	2022 Cumulative
	US\$	US\$	US\$
MCC Total project cost	399,607,181	105,353,233	235,963,993
GoB Cost-share contribution	30,445,000	7,116,966	13,642,065
Cost-share contribution %	7.6%	6.8%	5.8%

Following the Compact amendment that increased the Compact amount by USD 16 million and extended the Compact duration by one year, the GOB funding was increased as well for two reasons. On one hand, according to the Compact, the GOB contribution must be at least 7.5% of the Compact amount. On the other hand, some contracts are co-funded by the Compact and the GOB contribution. The GOB contribution increase ensures that GOB funding is enough to cope with the additional disbursements during the one-year extension of the Compact. Therefore, the budget of the GOB cost share increased from US \$28,820,019 in 2021 to US \$30,445,000 in 2022.

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We performed a review the separate cost-sharing schedules of the Government of Benin contributions.

2.3.1.3 QUESTIONED COSTS

No questioned costs were identified.

2.3.2 INTERNAL CONTROL

There were no internal control findings for the period.

2.3.3 COMPLIANCE

There were no Compliance findings for the period

2.4 SYNOPSIS OF MANAGEMENT COMMENTS

No separate management letter was issued.

2.5 STATUS OF PRIOR AUDIT RECOMMENDATIONS

We reviewed prior audit recommendations on internal control and compliance to ensure management has implemented the recommendations. Our review showed that all of the recommendations have been implemented.

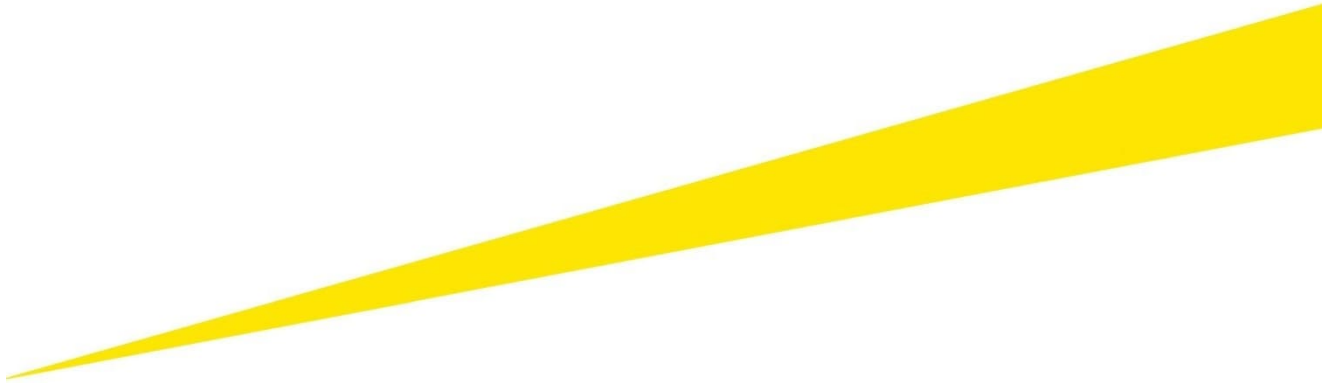
2.6 CONCLUSION AND APPRECIATION

We would like to express our appreciation to the management and staff of MCA – Benin II for their cooperation and support during the course of the assignment.

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SECTION 3

FINANCIAL STATEMENTS



SECTION 3.1

INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENTS

INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENTS

Board of Directors
Millennium Challenge Account Benin II
Immeuble Kouglénou
Zongo Nima, Cotonou
République du Bénin.

Report on the Financial Statements

We have audited the Fund Accountability Statements of the Millennium Challenge Account (MCA) Benin II and related notes to the Fund Accountability Statements for the period April 1, 2021 to March 31, 2022 and have reported on it dated Signature date. We also reviewed the separate cost-sharing schedules.

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 Statements based on our audit. Except as discussed in the following paragraph, 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 Statements are free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 5, paragraph 5.60 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Ghana. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in Ernst & Young Global's worldwide internal quality control review program which requires each audit partner in our office to be subjected, every three years, to an extensive quality control review by partners and senior managers from other affiliate offices.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Fund Accountability Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Fund Accountability Statements, 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 Statements 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 Statements.

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 Statements referred to above present fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by Millennium Challenge Corporation for the period April 1, 2021 to March 31, 2022 in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statements.

Other Reporting Required by Government Auditing Standards

In accordance with U.S. Government Auditing Standards, we have also issued our report dated Signature date on our consideration of MCA - Benin II's Internal Control Over Financial Reporting (ICOFR) and our tests of its compliance with certain provisions of laws and 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 MCA - Benin II's ICOFR or on compliance. That report is an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

This report is intended for the information of the Millennium Challenge Account Benin II and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the Fund Accountability Statements as a whole. The Notes providing the supplementary information are presented for purposes of additional analysis and are not a required part of the Fund Accountability Statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Fund Accountability Statements.

The information has been subjected to the auditing procedures applied in the audit of the Fund Accountability Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Fund Accountability Statements or to the Fund Accountability Statements themselves, and other additional procedures in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States of America.

In our opinion, the supplementary information is fairly stated in all material respects in relation to the Fund Accountability Statements as a whole.

Ernst & Young
Chartered Accountants
Accra

Date: Signature date



SECTION 3.2

CONSOLIDATED FUND ACCOUNTABILITY STATEMENT AND NOTES

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

CONSOLIDATED FUND ACCOUNTABILITY STATEMENT – (COMPACT, CFF and CDF)FOR THE PERIOD APRIL 1, 2021 TO MARCH 31, 2022

	Budget	Cumulative as of Mar 31, 2021	Current Period as of Mar 31, 2022	Cumulative as of Mar 31, 2022	Questioned costs Unsupported	Ineligible	Notes
	US\$	US\$	US\$	US\$	US\$	US\$	
Revenue							
Funds from MCC							
IBC Banks Inside US-USD		18,615,411	17,299,532	35,914,943			
IBC Banks outside US Non-USD		5,912,486	1,156,287	7,068,773			
IBC Banks outside US-USD		<u>106,122,118</u>	<u>87,022,032</u>	<u>193,144,150</u>			
Total Program Revenue		130,650,015	105,477,851	236,127,866			
Costs incurred							
1. Policy Reform and Institutional Strengthening							2
1.1 Policy, Regulation and Institutional Support Activity	29,442,266	13,224,367	4,830,161	18,054,529			
1.2 Utility Strengthening Activity	13,090,465	7,315,133	766,283	8,081,416			
1.3 Public Information & Education Activity	16,002,741	5,790,637	4,032,972	9,823,609			
	349,060	118,597	30,907	149,504			
2. Electricity Generation	12,668,140	4,789,294	4,857,951	9,647,245			
2.1 Photovoltaic Generation Activity (Tranche 1)	12,084,870	4,206,024	4,857,951	9,063,975			
2.2 Photovoltaic Generation Activity (On-Grid Tranche)	-	-	-	-			
2.3 Thermal Generation Activity	583,270	583,270	-	583,270			
2.4 Hydroelectric Generation Activity	-	-	-	-			
3. Electricity Distribution	257,281,287	71,873,961	83,929,693	155,803,655			
3.1 Regional Grid Strengthening Activity	80,628,785	17,786,340	24,321,825	42,108,165			
3.2 Cotonou Grid Strengthening Activity	145,287,537	42,399,210	54,650,739	97,049,949			
3.3 National Electricity Dispatch Activity	31,364,965	11,688,412	4,957,129	16,645,541			
4. Off-Grid Electricity Access	44,654,241	7,726,922	4,696,863	12,423,785			
4.1 Off-Grid Clean Energy Facility Activity – Tranche 1	20,541,588	5,122,679	2,284,411	7,407,090			
4.2 Off-Grid Clean Energy Facility Activity (Off-Grid Tranche)	21,599,975	576,000	2,265,682	2,841,682			
4.3 Enabling Environment for Off-Grid Electricity Activity	2,512,678	2,028,243	146,770	2,175,013			
5. Monitoring and Evaluation	4,406,052	1,542,458	1,184,802	2,727,259			
5.1 Monitoring and Evaluation	4,327,687	1,464,093	1,184,802	2,648,895			
5.2 Data Quality Activity - 609(g)	78,365	78,365	-	78,365			
6. Program Administration	45,307,433	25,605,994	5,853,763	31,459,758			
6.1 MCA - Benin II	29,862,743	15,865,232	4,039,364	19,904,597			
6.2 Fiscal Agent	7,041,470	4,160,447	956,649	5,117,096			
6.3 Procurement Agent	5,735,175	3,690,771	762,932	4,453,703			
6.4 Audit	959,750	181,250	94,818	276,068			
6.5 Fiscal & Procurement Agent Activity 609g	1,708,294	1,708,294	-	1,708,294			
7. Infrastructure Project	4,597,762	4,597,762	-	4,597,762			
7.1 Power Activity - 609(g)	4,597,762	4,597,762	-	4,597,762			
8. Access to Electricity Project	1,250,000	1,250,000	-	1,250,000			
8.1 Energy Facility Management Activity	1,250,000	1,250,000	-	1,250,000			
Total Program cost	399,607,181	130,610,760	105,353,233	235,963,993			
Excess of revenue over costs incurred/(Deficit)		39,255	124,618	163,873			
Interest to transfer to treasury							
Interest income		(155,878)	(31,645)	(187,523)			
Interest transferred		148,928	28,182	177,110			
Opening Fund balance		-	32,305	-			
Closing Fund balance		<u>32,305</u>	<u>153,460</u>	<u>153,460</u>			

*Totals may vary due to rounding

National Coordinator

Date:

Director of Administration and Finance

Date:

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

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NOTES TO THE FUND ACCOUNTABILITY STATEMENT - CONSOLIDATED

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation:

The Fund Accountability Statements of the Millennium Challenge Account (MCA) have been prepared in accordance with the modified cash basis of accounting. This implies that all receipts are recognized and all expenditure, whether revenue or capital are expensed in the period they are incurred. However, Advances are expensed when disbursed. Adjustments occur for personnel travel advances if the actual expense differs from the advance. Supplementary schedules are prepared for advances listing the following:

- Advance payments outstanding.
- Amounts payable to vendors or retained from vendor payments.

The significant accounting policies adopted are as follows:

Receipts from MCC

Income relates to funds from the Millennium Challenge Cooperation (MCC);

- disbursed via the Common Payment System into Permitted Accounts at a local bank where the funds are subsequently disbursed from the local bank accounts to pay vendors or other payees, and
- transferred directly from the U.S. Treasury to the vendors of goods, works, and services received by MCA - Benin II.

Costs incurred

All expenditures are recognized in the books when actual cost is incurred.

Currency Conversion

- Transfers between the Permitted Accounts that require an exchange of currency occur at the Bank's U.S. Dollar to CFA Franc rates.
- Payments through the Permitted Account: The translation rate used is the actual exchange rate at which transfers from MCC in USD were exchanged into the CFA Permitted Account by the bank. A weighted average translation rate is calculated by the Fiscal Agent, stored in the financial accounting system, and used to translate all CFA Franc payments (re-disbursements) until the next transfer from USD permitted to CFA permitted account.
- Any foreign exchange gain or loss arising is recognized into the WBS involved in the transaction. Exchange gains or losses resulting from the revaluation of Permitted accounts is recorded in the foreign exchange gain/loss code under the Program Administration Activity.
- The weighted average rate for USD to CFA for the year was 1: 559.2178099

Interest

The Bank pays interest on all Funds in the Permitted Accounts, and this accrues and is calculated on a daily basis based on the average daily balance in the Permitted Accounts, using the rate mentioned in the bank agreement.

Interest is paid into the Accrued Interest Account on a monthly basis. Interest accrues in the currency of each Permitted Account.

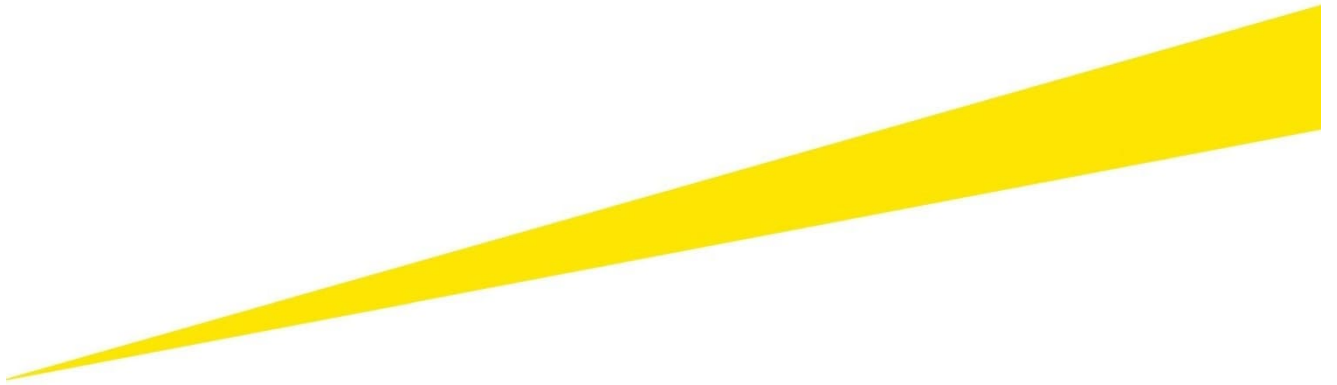
Interest or other earnings accrued are transferred to MCC by MCA - Benin II.

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

2. COSTS INCURRED

CDF and CFF funds were closed before the beginning of the current period. Amounts in the current period column therefore correspond to Compact funding. For additional information regarding each program line item, please refer to the notes on the individual Compact Fund Accountability Statement.



SECTION 3.3

COMPACT FUND ACCOUNTABILITY STATEMENT AND NOTES

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

FUND ACCOUNTABILITY STATEMENT – COMPACT FUNDS
FOR THE PERIOD APRIL 01, 2021 TO MARCH 31, 2022

	Budget US\$	Cumulative as of March 31, 2021 US\$	Current Period as of Mar 31, 2022 US\$	Cumulative as of Mar 31, 2022 US\$	Questioned costs Unsupported US\$	Ineligible US\$	Notes
Revenue							
Funds from MCC							
IBC Banks Inside US-USD		15,201,020	17,299,532	32,500,552			2
IBC Banks outside US Non-USD		2,825,333	1,156,287	3,981,620			
IBC Banks outside US-USD		<u>86,527,634</u>	<u>87,022,032</u>	<u>173,549,666</u>			
Total Program Revenue		104,553,987	105,477,851	210,031,838			
Costs incurred							
1. Policy Reform and Institutional Strengthening							
	24,835,115	8,617,217	4,830,161	13,447,378			
1.1 Policy, Regulation and Institutional Support Activity	9,588,561	3,813,230	766,282	4,579,512			3
1.2 Utility Strengthening Activity	14,897,494	4,685,390	4,032,972	8,718,362			4
1.3 Public Information & Education Activity	349,060	118,597	30,907	149,504			5
2. Electricity Generation							
	9,038,634	1,159,788	4,857,951	6,017,738			
2.1 Photovoltaic Generation Activity (Tranche 1)	9,038,634	1,159,788	4,857,951	6,017,738			6
2.2 Photovoltaic Generation Activity (On-Grid Tranche)	-	-	-	-			
2.3 Thermal Generation Activity	-	-	-	-			
2.4 Hydroelectric Generation Activity	-	-	-	-			
3. Electricity Distribution							
	257,281,287	71,873,962	83,929,693	155,803,655			
3.1 Regional Grid Strengthening Activity	80,628,785	17,786,340	24,321,825	42,108,165			7
3.2 Cotonou Grid Strengthening Activity	145,287,537	42,399,210	54,650,739	97,049,949			8
3.3 National Electricity Dispatch Activity	31,364,965	11,688,412	4,957,129	16,645,541			9
4. Off-Grid Electricity Access							
	42,818,208	5,890,889	4,696,863	10,587,752			
4.1 Off-Grid Clean Energy Facility Activity – Tranche 1	20,052,994	4,634,085	2,284,411	6,918,496			10
4.2 Off-Grid Clean Energy Facility Activity (Off-Grid Tranche)	21,599,975	576,000	2,265,682	2,841,682			11
4.3 Enabling Environment for Off-Grid Electricity Activity	1,165,239	680,804	146,770	827,574			12
5. Monitoring and Evaluation							
	3,782,603	919,009	1,184,802	2,103,811			
5.1 Monitoring and Evaluation	3,782,603	919,009	1,184,802	2,103,811			13
5.2 Data Quality Activity - 609(g)	-	-	-	-			
6. Program Administration							
	35,753,967	16,052,529	5,853,763	21,906,293			
6.1 MCA - Benin II	23,719,178	9,721,667	4,039,364	13,761,031			14
6.2 Fiscal Agent	6,152,685	3,271,662	956,649	4,228,311			
6.3 Procurement Agent	4,982,104	2,937,700	762,932	3,700,632			
6.4 Audit	900,000	121,500	94,818	216,318			
Total Program cost	373,509,814	104,513,393	105,353,233	209,866,626			
Excess of revenue over costs incurred / (Deficit)		40,594	124,618	165,212			
Interest to transfer to treasury							
Interest income		(66,221)	(31,645)	(97,866)			16
Interest transferred		59,270	28,183	87,453			17
Transfer of Withholding tax funds from CIF		95	-	95			18
Opening Fund balance		-	<u>33,738</u>	-			
Closing Fund balance		<u>33,738</u>	<u>154,894</u>	<u>154,894</u>			15a/15b

*Totals may vary due to rounding

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

NOTES TO THE FUND ACCOUNTABILITY STATEMENT-COMPACT FUNDS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation:

The Fund Accountability Statements of the Millennium Challenge Account (MCA) have been prepared in accordance with the modified cash basis of accounting. This implies that all receipts are recognized and all expenditure, whether revenue or capital are expensed in the period they are incurred. However, Advances are treated as a down payment when disbursed and expensed only when the actual activity has taken place. Adjustments occurs for personnel travel advances if the actual expenses amount differs from the advances disbursed. Supplementary schedules are prepared for advances listing the following:

- Advance payments outstanding.
- Amounts payable to vendors or retained from vendor payments.

The significant accounting policies adopted are as follows:

Receipts from MCC

Income relates to funds from the Millennium Challenge Cooperation (MCC):

- disbursed via the Common Payment System into Permitted Accounts at a local bank where the funds are subsequently disbursed from the local bank accounts to pay vendors or other payees, and
- transferred directly from the U.S. Treasury to the vendors of goods, works, and services received by MCA – Benin II.

Costs incurred

All expenditures are recognized in the books when actual cost is incurred.

Currency Conversion

- Transfers between the Permitted Accounts that require an exchange of currency occur at the Bank's U.S. Dollar to CFA Franc rates.
- Payments through the Permitted Account: The translation rate used is the actual exchange rate at which transfers from MCC in USD were exchanged into the CFA Permitted Account by the bank. A weighted average translation rate is calculated by the Fiscal Agent, stored in the financial accounting system, and used to translate all CFA Franc payments (re-disbursements) until the next transfer from USD permitted to CFA permitted account.
- Any foreign exchange gain or loss arising is recognized into the WBS involved in the transaction. Exchange gains or losses resulting from the revaluation of Permitted accounts is recorded in the foreign exchange gain/loss code under the Program Administration Activity.
- The weighted average rate for USD to CFA for the year was 1:559.2178099

Interest

The Bank pays interest on all Funds in the Permitted Accounts and this accrues and is calculated on a daily basis based on the average daily balance in the Permitted Accounts, using the rate mentioned in the Bank Agreement.

Interest is paid into the Accrued Interest Account on a monthly basis. Interest accrues in the currency of each Permitted Account.

Interest or other earnings accrued is used for Program purposes or transferred to MCC by MCA - Benin II.

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

NOTES TO THE FUND ACCOUNTABILITY STATEMENT-COMPACT FUNDS

2. FUNDS FROM MCC

This is funding received for project activities for the period April 1, 2021 to March 31, 2022.

	Cumulative as of March 31, 2021 US\$	Current Period as of March 31, 2022 US\$	Cumulative to date US\$
Direct vendor payments	93,769,577	97,049,857	190,819,434
Transfer to permitted accounts	<u>10,784,410</u>	<u>8,427,994</u>	<u>19,212,404</u>
	<u>104,553,987</u>	<u>105,477,851</u>	<u>210,031,838</u>

3. POLICY, REGULATION AND INSTITUTIONAL SUPPORT ACTIVITY

This cost mainly represents payments to Independent Power Production Transaction Advisor Consultants as well as payments to consultants hired to support the Ministry of Energy.

4. UTILITY STRENGTHENING ACTIVITY

This cost represents payments to SBEE management contracts (Operator, Auditor and Transaction Advisor).

5. PUBLIC INFORMATION & EDUCATION ACTIVITY

These costs are incurred to cover Information, Education and Communication activities related to policy reform and institutional strengthening.

6. PHOTOVOLTAIC GENERATION ACTIVITY (ON-GRID TRANCHE)

This cost represents compensation paid to persons affected by the “photovoltaic solar plants” projects in line with social and environmental performance standards.

7. REGIONAL GRID STRENGTHENING ACTIVITY

These costs mainly represent:

- interim payments under the Regional Grid Strengthening Activity contracts.
- payments to Engineer.
- payments related to Environmental and Social activities.

NOTES TO THE FUND ACCOUNTABILITY STATEMENT-COMPACT FUNDS

8. COTONOU GRID STRENGTHENING ACTIVITY

These are payments of the works and interim certificates for the contracts for grid strengthening in Cotonou on one hand, and the payments of HAZMAT contracts on the other hand. Furthermore, this line includes payments to the Supervisory Engineer, the PMC and the ESOC.

9. NATIONAL ELECTRICITY DISPATCH ACTIVITY

These costs relate to payments for works of the NDCC Buildings and the NDCC - SCADA & IT. Also, includes payments to the Engineer for the supervision of the works as well as the payment of ESOC.

10. OFF-GRID CLEAN ENERGY FACILITY ACTIVITY (TRANCHE 1)

These costs are mainly composed of Facility Manager fees and grant disbursements to Off-Grid Facility Grantees.

11. OFF-GRID CLEAN ENERGY FACILITY ACTIVITY (OFF-GRID TRANCHE)

These costs represent payments to Off-Grid Facility Grantees.

12. ENABLING ENVIRONMENT FOR OFF-GRID ELECTRICITY ACTIVITY

In connection with the support provided to Grantees under the Off-Grid Facility activities, this line mainly corresponds with costs incurred to cover fees to consultants in charge of finalizing the concession agreements for the mini Off-Grid Networks.

13. MONITORING AND EVALUATION

These costs are related to the acquisition and installation of Smart Meters as well as baseline Data collection.

14. PROGRAM ADMINISTRATION – MCA - BENIN II

These are administrative expenses such as salaries, travels, meetings, trainings and payments to administrative consultants.

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

NOTES TO THE FUND ACCOUNTABILITY STATEMENT-COMPACT FUNDS

15a. FUND BALANCE RECONCILIATION TO CASH

	2021 Prior Period US\$	2022 US\$
Closing Fund Balance	33,738	154,894
CIF WHT payment	(95)	(95)
Interest income not yet transferred	<u>6,951</u>	<u>10,413</u>
Closing Cash Balance	<u>40,594</u>	<u>165,212</u>

15b. CLOSING CASH BALANCE

	2021 Prior Period US\$	2022 US\$
CFA Bank Account	8,264	109,438
US Dollar Bank Account	30,360	53,669
Petty cash	1,809	1,708
Prepaid card	18	-
Debit card	<u>143</u>	<u>397</u>
	<u>40,594</u>	<u>165,212</u>

16. INTEREST INCOME

This relates to interest income earned on the Permitted Accounts of MCA - Benin II denominated in both US dollar and CFA Franc.

17. INTEREST TRANSFERRED

This represents interest received, which was subsequently transferred to the Federal Reserve Account (Bank of New York).

18. CIF WITHHOLDING TAX PAID THROUGH COMPACT

This concerns withholding tax for March 2019 on the CIF fund which was transferred to the Compact at the end of March 2019 but was recorded and paid for in April 2019.

19. SUPPLEMENTAL SCHEDULES

The following have been prepared as supplemental schedules to the Fund Accountability Statements as required by the FAP of MCA – Benin II:

19a) Advance payments to vendors¹

	2021 Prior Period US\$	2022 US\$
Advances	<u>21,385,651</u>	<u>7,881,242</u>

Note 1 – These are advance payments made to vendors per agreed contract terms.

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

NOTES TO THE FUND ACCOUNTABILITY STATEMENT-COMPACT FUNDS

19b) Amounts retained from vendors²

	2021 Prior Period US\$	2022 US\$
Retentions	<u>3,096,038</u>	<u>12,022,221</u>

Note 2 - These relate to fees retained from vendors under the various projects.



SECTION 3.4

CFF FUND ACCOUNTABILITY STATEMENT AND NOTES

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

FUND ACCOUNTABILITY STATEMENT – CFF FUNDS
FOR THE PERIOD APRIL 01, 2021 TO MARCH 31, 2022

	Budget US\$	Cumulative as of Mar 31, 2021 US\$	Current Period as of Mar 31, 2022 US\$	Cumulative as of Mar 31, 2022 US\$	Unsupported	Questioned costs US\$	Ineligible US\$	Notes
Revenue								
Funds from MCC								
IBC Banks Inside US-USD		2,537,372	-	2,537,372				
IBC Banks outside US Non-USD		2,354,455	-	2,354,455				
IBC Banks outside US-USD		12,449,343	-	12,449,342				
Total Program Revenue		17,341,169	-	17,341,169				
Costs incurred								
1. Policy Reform and Institutional Strengthening								
1.1 Policy, Regulation and Institutional Support Activity	4,607,151	4,607,151	-	4,607,151				2
1.2 Utility Strengthening Activity	3,501,904	3,501,904	-	3,501,904				
1.3 Public Information & Education Activity	1,105,247	1,105,247	-	1,105,247				
	-	-	-	-				
2. Electricity Generation								
2.1 Photovoltaic Generation Activity (Tranche 1)	3,629,506	3,629,507	-	3,629,507				
2.2 Photovoltaic Generation Activity (On-Grid Tranche)	3,046,236	3,046,237	-	3,046,237				
2.3 Thermal Generation Activity	583,270	583,270	-	583,270				
2.4 Hydroelectric Generation Activity	-	-	-	-				
3. Electricity Distribution								
3.1 Regional Grid Strengthening Activity	-	-	-	-				
3.2 Cotonou Grid Strengthening Activity	-	-	-	-				
3.3 National Electricity Dispatch Activity	-	-	-	-				
4. Off-Grid Electricity Access								
4.1 Off-Grid Clean Energy Facility Activity – Tranche 1	1,836,033	1,836,033	-	1,836,033				
4.2 Off-Grid Clean Energy Facility Activity (Off-Grid Tranche)	488,594	488,594	-	488,594				
4.3 Enabling Environment for Off-Grid Electricity Activity	-	-	-	-				
	1,347,439	1,347,439	-	1,347,439				
5. Monitoring and Evaluation								
5.1 Monitoring and Evaluation	107,674	107,674	-	107,674				
5.2 Data Quality Activity - 609(g)	107,674	107,674	-	107,674				
	-	-	-	-				
6. Program Administration								
6.1 MCA - Benin II	7,160,805	7,160,805	-	7,160,804				
6.2 Fiscal Agent	5,459,199	5,459,199	-	5,459,198				
6.3 Procurement Agent	888,785	888,785	-	888,785				
6.4 Audit	753,071	753,071	-	753,071				
	59,750	59,750	-	59,750				
Total Program cost	17,341,169	17,341,169	-	17,341,169				
Excess of revenue over costs incurred / (Deficit)		-	-	-				
Interest to transfer to treasury								
Interest income		(49,412)	-	(49,412)				4
Interest transferred		49,412	-	49,412				5
Transfer of Withholding tax funds to Compact		(95)	-	(95)				6
Opening fund balance		-	(95)	-				
Closing Fund balance		(95)	(95)	(95)				3a / 3b

*Totals may vary due to rounding

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

NOTES TO THE FUND ACCOUNTABILITY STATEMENT-CFF FUNDS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation:

The Fund Accountability Statements of the Millennium Challenge Account (MCA) have been prepared in accordance with the modified cash basis of accounting. This implies that all receipts are recognized and all expenditure, whether revenue or capital are expensed in the period they are incurred. However, Advances are expensed. Adjustments occur for personnel travel advances if the actual expense amount differs from the advance.

The significant accounting policies adopted are as follows:

Receipts from MCC

Income relates to funds from the Millennium Challenge Cooperation (MCC);

- disbursed via the Common Payment System into Permitted Accounts at a local bank where the funds are subsequently disbursed from the local bank accounts to pay vendors or other payees, and
- transferred directly from the U.S. Treasury to the vendors of goods, works, and services received by MCA – Benin II.

Costs incurred

All expenditures are recognized in the books when actual cost is incurred.

Currency Conversion

- Transfers between the Permitted Accounts that require an exchange of currency occur at the Bank's U.S. Dollar to CFA Franc rates.
- Payments through the Permitted Account: The translation rate used is the actual exchange rate at which transfers from MCC in USD were exchanged into the CFA Permitted Account by the bank. A weighted average translation rate is calculated by the Fiscal Agent, stored in the financial accounting system, and used to translate all CFA Franc payments (re-disbursements) until the next transfer from USD permitted to CFA permitted account.
- Any foreign exchange gain or loss arising is recognized into the WBS involved in the transaction. Exchange gains or losses resulting from the revaluation of Permitted accounts is recorded in the foreign exchange gain/loss code under the Program Administration Activity.
- Given that there was no activity on this fund during the year, there is no weighted average rate for USD to CFA

Interest

The Bank pays interest on all Funds in the Permitted Accounts and this accrues and is calculated on a daily basis based on the average daily balance in the Permitted Accounts, using a rate equal to the most favorable rate given to the Bank's corporate customers.

Interest is paid into the Accrued Interest Account on a monthly basis. Interest accrues in the currency of each Permitted Account.

Interest or other earnings accrued is used for Program purposes or transferred to MCC by MCA - Benin II.

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

NOTES TO THE FUND ACCOUNTABILITY STATEMENT-CFF FUNDS

2. COSTS INCURRED

The CFF fund was closed before the beginning of the current period. There are therefore no transactions that occurred during the period April 1, 2021 to March 31, 2022.

3a. FUND BALANCE RECONCILIATION TO CASH

	2021 Prior Period	2022
	US\$	US\$
Closing Fund Balance	(95)	(95)
CFF Withholding tax transferred to COM	95	95
Interest income not yet transferred	<u>-</u>	<u>-</u>
Closing Cash Balance	<u><u>-</u></u>	<u><u>-</u></u>

3b CLOSING CASH BALANCE

	2021 Prior Period	2022
	US\$	US\$
CFA Bank Account	-	-
US Dollar Bank Account	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

4. INTEREST INCOME

This relates to interest income earned on the Permitted Accounts of MCA - Benin II denominated in both US dollar and CFA Franc.

5. INTEREST TRANSFERRED

This represents interest received, which was subsequently transferred to the Federal Reserve Account (Bank of New York).

6. CIF WITHHOLDING TAX PAID THROUGH COMPACT

This concerns withholding tax for March 2019 on the CIF fund which was transferred to the Compact at the end of March 2019 but was recorded and paid for in April 2019.



SECTION 3.5

CDF FUND ACCOUNTABILITY STATEMENT AND NOTES

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

FUND ACCOUNTABILITY STATEMENT – CDF FUNDS
FOR THE PERIOD APRIL 01, 2021 TO MARCH 31, 2022

	Budget	Cumulative as of Mar 31, 2021	Current Period as of Mar 31, 2022	Cumulative as of Mar 31, 2022	Unsupported	Questioned costs	Ineligible	Notes
	US\$	US\$	US\$	US\$		US\$	US\$	
<u>Revenue</u>								
Funds from MCC								
IBC Banks Inside US-USD		877,019	-	877,019				
IBC Banks outside US Non-USD		732,698	-	732,698				
IBC Banks outside US-USD		7,145,142	-	7,145,142				
Total Program Revenue		8,754,859	-	8,754,859				
<u>Costs incurred</u>								
2								
<u>5. Monitoring and Evaluation</u>	515,775	515,775	-	515,775				
5.1 Monitoring and Evaluation	437,410	437,410	-	437,410				
5.2 Data Quality Activity - 609(g)	78,365	78,365	-	78,365				
<u>6. Program Administration</u>	2,392,661	2,392,661	-	2,392,661				
6.1 MCA - Benin II	684,367	684,367	-	684,367				
6.5 Fiscal & Procurement Agent Activity 609g	1,708,294	1,708,294	-	1,708,294				
<u>7. Infrastructure Project</u>	4,597,762	4,597,762	-	4,597,762				
7.1 Power Activity - 609(g)	4,597,762	4,597,762	-	4,597,762				
<u>8. Access to Electricity Project</u>	1,250,000	1,250,000	-	1,250,000				
8.1 Energy Facility Management Activity	1,250,000	1,250,000	-	1,250,000				
Total Program cost	8,756,198	8,756,198	-	8,756,198				
Excess of revenue over costs incurred / (Deficit)		(1,339)	-	(1,339)				
Interest to transfer to treasury								
Interest income		(40,246)	-	(40,246)				4
Interest transferred		40,246	-	40,246				5
Opening Fund balance		-	(1,339)	-				
Closing Fund balance		<u>(1,339)</u>	<u>(1,339)</u>	<u>(1,339)</u>				3a / 3b

*Totals may vary due to rounding

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

NOTES TO THE FUND ACCOUNTABILITY STATEMENT-CDF FUNDS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation:

The Fund Accountability Statements of the Millennium Challenge Account (MCA) have been prepared in accordance with the modified cash basis of accounting. This implies that all receipts are recognized and all expenditure, whether revenue or capital are expensed in the period they are incurred. However, Advances are expensed when disbursed. Adjustments occur for personnel travel advances if the actual expense amount differs from the advance.

The significant accounting policies adopted are as follows:

Receipts from MCC

Income relates to funds from the Millennium Challenge Cooperation (MCC);

- disbursed via the Common Payment System into Permitted Accounts at a local bank where the funds are subsequently disbursed from the local bank accounts to pay vendors or other payees, or
- transferred directly from the U.S. Treasury to the vendors of goods, works, and services received by MCA – Benin II.

Costs incurred

All expenditures are recognized in the books when actual cost is incurred.

Currency Conversion

- Transfers between the Permitted Accounts that require an exchange of currency occur at the Bank's U.S. Dollar to CFA Franc rates.
- Payments through the Permitted Account: The translation rate used is the actual exchange rate at which transfers from MCC in USD were exchanged into the CFA Permitted Account by the bank. A weighted average translation rate is calculated by the Fiscal Agent, stored in the financial accounting system, and used to translate all CFA Franc payments (re-disbursements) until the next transfer from USD permitted to CFA permitted account.
- Any foreign exchange gain or loss arising is recognized into the WBS involved in the transaction. Exchange gains or losses resulting from the revaluation of Permitted accounts is recorded in the foreign exchange gain/loss code under the Program Administration Activity.
- Given that there was no activity on this fund during the year, there is no weighted average rate for USD to CFA

Interest

The Bank pays interest on all Funds in the Permitted Accounts and this accrues and is calculated on a daily basis based on the average daily balance in the Permitted Accounts, using a rate equal to the most favorable rate given to the Bank's corporate customers.

Interest is paid into the Accrued Interest Account on a monthly basis. Interest accrues in the currency of each Permitted Account.

Interest or other earnings accrued is used for Program purposes or transferred to MCC by MCA - Benin II.

MILLENNIUM CHALLENGE ACCOUNT BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

NOTES TO THE FUND ACCOUNTABILITY STATEMENT-CDF FUNDS

2. COSTS INCURRED

The CDF fund was closed before the beginning of the current period. There are therefore no transactions that occurred during the period April 1, 2021 to March 31, 2022.

3a. FUND BALANCE RECONCILIATION TO CASH

	2021 Prior Period US\$	2022 US\$
Closing Fund Balance	(1,339)	(1,339)
Interest income not yet transferred	<u>-</u>	<u>-</u>
Closing Cash Balance	<u><u>(1,339)</u></u>	<u><u>(1,339)</u></u>

3b. CLOSING CASH BALANCE

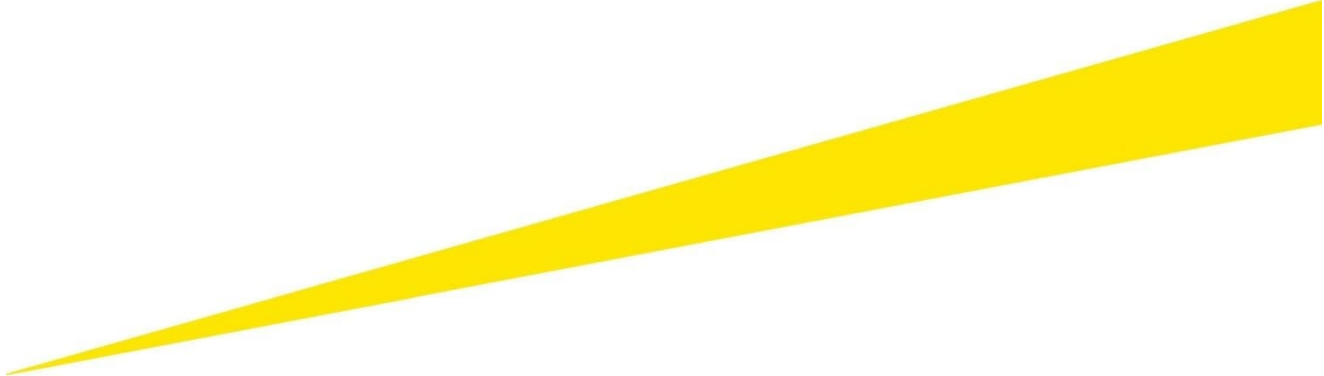
	2021 Prior Period US\$	2022 US\$
CFA Bank Account	(1,339)	(1,339)
US Dollar Bank Account	<u>-</u>	<u>-</u>
	<u><u>(1,339)</u></u>	<u><u>(1,339)</u></u>

4. INTEREST INCOME

This relates to interest income earned on the Permitted Accounts of MCA - Benin II denominated in both US dollar and CFA Franc.

5. INTEREST TRANSFERRED

This represents interest received, which was subsequently transferred to the Federal Reserve Account (Bank of New York).



SECTION 3.6

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE COST-SHARING SCHEDULE - GoB

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE COST-SHARING SCHEDULE FOR THE PERIOD
APRIL 1, 2021 TO MARCH 31, 2022

Board of Directors
Millennium Challenge Account Benin II
Immeuble Kougblénou
Zongo Nima, Cotonou
République du Bénin.

We have reviewed the accompanying cost-sharing schedule of MCA - Benin II for the period April 1, 2021 to March 31, 2022. A review includes primarily applying analytical procedures to financial data and making inquiries of Accountable Entity personnel. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion on the cost-sharing schedule. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the cost-sharing schedule in accordance with the basis of accounting described in note 1 to the cost-sharing schedule and for designing, implementing, and maintaining internal control related to the provision of and accounting for cost-sharing contributions.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services (SSARS) issued by the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the cost-sharing schedule. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying cost-sharing schedule in order for it to be in conformity with the basis of accounting used to prepare the cost-sharing schedule.

This report is intended for the information of MCA - Benin II and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Ernst & Young
Chartered Accountants
Accra

Date: Signature date



SECTION 3.7

COST-SHARING SCHEDULE AND NOTES - GoB

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

COST-SHARING SCHEDULE – GOVERNMENT OF BENIN FUNDS (GoB)
FOR THE PERIOD APRIL 1, 2021 TO MARCH 31, 2022

	Budget US\$	Cumulative as of Mar 31, 2021 US\$	Current Period as of Mar 31, 2022 US\$	Cumulative as of Mar 31, 2022 US\$	Questioned costs		Notes
					Unsupported US\$	Ineligible US\$	
<u>Cash</u>							
1. Policy Reform and Institutional Strengthening	2,239,800	-	-	-			
1.2 Utility Strengthening Activity	2,239,800	-	-	-			
<u>3. Electricity Distribution</u>							
3.1 Regional Grid Strengthening Activity	22,319,593	2,539,297	6,665,115	9,204,412			3
3.2 Cotonou Grid Strengthening Activity	10,434,227	1,100,000	3,024,877	4,124,877			4
3.3 National Electricity Dispatch Activity	11,365,711	1,335,366	3,640,238	4,975,604			
	519,655	103,931	-	103,931			
<u>6. Program Administration</u>							
6.1 MCA - Benin II	5,885,607	3,985,802	451,851	4,437,653			5
	5,885,607	3,985,802	451,851	4,437,653			
<u>In-Kind</u>							
	-	-	-	-			6
Total	<u>30,445,000</u>	<u>6,525,099</u>	<u>7,116,966</u>	<u>13,642,065</u>			

*Totals may vary due to rounding

National Coordinator
Date:

Director of Administration and Finance
Date:

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

NOTES TO THE COST-SHARING SCHEDULE – GOVERNMENT OF BENIN FUNDS (GoB)

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Basis of preparation:

The Cost-Sharing Schedule – GOB has been prepared in accordance with the modified cash basis of accounting. This implies that all receipts are recognized and all expenditures, whether revenue or capital are expensed in the period they are incurred. Advances are expensed when disbursed. Adjustment occurs for personnel travel advance if the actual expenses amount differs from the advance.

Supplementary schedules are prepared for advances listing the following:

- Advance payments outstanding.
- Amounts payable to vendors or retained from vendor payments.

Authorized exchange rate

- Payments through the Permitted Account: The translation rate used is the actual exchange rate at which transfers from MCC in USD were exchanged into the MCC Funds CFA Permitted Account by the bank. A weighted average translation rate is calculated by the Fiscal Agent, stored in the financial accounting system, and used to translate all CFA Franc payments (re-disbursements) until the next transfer from USD permitted account to CFA permitted account.

Any foreign exchange gain or loss arising is recognized into the WBS involved in the transaction.

Funds received from the Government of Benin are in FCFA and disbursements made from these funds are reported in USD using the prevailing weighted average translation rate. The closing balance of the Government of Benin fund is not retranslated at the end of the reporting period.

- The weighted average rate for USD to CFA for the year was 1:559.2178099

Interest

The Bank pays interest on the Funds in the Permitted Account and this accrues and is calculated daily based on the average daily balance in the Permitted Accounts, using the rate mentioned in the Bank Agreement.

Interest is paid into the Accrued Interest Account on a monthly basis. Interest accrues in the currency of the Permitted Account.

Interests or other earnings accrued are transferred to GoB by MCA.

Budget

Following the Compact amendment that increased the Compact amount by USD 16 million and extended the Compact duration by one year, the GOB funding was increased as well for two reasons. On one hand, according to the Compact, the GOB contribution must be at least 7.5% of the Compact amount. On the other hand, some contracts are co-funded by the Compact and the GOB contribution. The GOB contribution increase ensures that GOB funding is enough to cope with the additional disbursements during the one-year extension of the Compact. Therefore, the budget of the GOB cost share increased from US \$28,820,019 in 2021 to US \$30,445,000 in 2022.

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

2. QUESTIONED COSTS

No questioned costs were identified.

3. REGIONAL GRID STRENGTHENING ACTIVITY

This corresponds to payments for works and interim certificates for the Regional Grid Strengthening Activity contract, part allocated to the GOB fund.

4. COTONOU GRID STRENGTHENING ACTIVITY

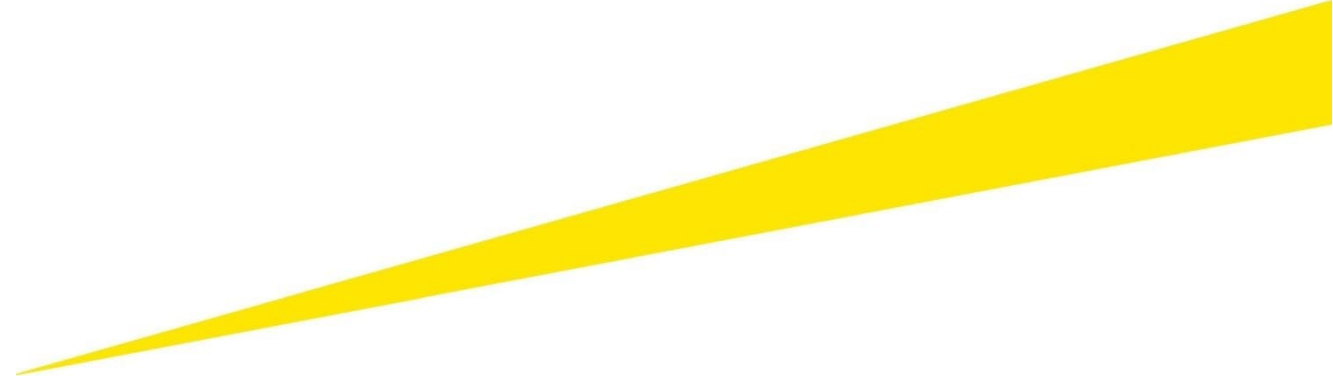
This is related to the payments for works and interim certificates for the Cotonou Grid Strengthening Activity contract, part allocated to the GOB fund.

5. PROGRAM ADMINISTRATION

These are administrative expenditures such as insurance for staff and vehicle repair costs.

6. TOTAL COST-SHARING AMOUNT

Amounts in the schedule relate to project costs incurred as at the end of the period using funds received from the Government of Benin. As of March 31, 2022, the Government of Benin had fully transferred to MCA - Benin II the total budgeted cost-sharing contribution as required by the Compact Agreement.



SECTION 3.8

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE COST-SHARING SCHEDULE - ARG

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE COST-SHARING SCHEDULE FOR THE PERIOD
APRIL 1, 2021 TO MARCH 31, 2022

Board of Directors
Millennium Challenge Account Benin II
Immeuble Kouglénou
Zongo Nima, Cotonou
République du Bénin.

We have reviewed the accompanying cost-sharing schedule of MCA – Benin II for the period April 1, 2021 to March 31, 2022. A review includes primarily applying analytical procedures to financial data and making inquiries of Accountable Entity personnel. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion on the cost-sharing schedule. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the cost-sharing schedule in accordance with the basis of accounting described in note 1 to the cost-sharing schedule and for designing, implementing, and maintaining internal control related to the provision of and accounting for cost-sharing contributions.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services (SSARS) issued by the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the cost-sharing schedule. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying cost-sharing schedule in order for it to be in conformity with the basis of accounting used to prepare the cost-sharing schedule.

This report is intended for the information of MCA - Benin II and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

Ernst & Young
Chartered Accountants
Accra

Date: Signature date

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SECTION 3.9

COST-SHARING SCHEDULE AND NOTES - ARG

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

COST-SHARING SCHEDULE – OTHER GOVERNMENT OF BENIN RESOURCES (ARG)
FOR THE PERIOD APRIL 1, 2021 TO MARCH 31, 2022

	Budget	Prior Period as of Mar 31, 2021	Current Period as of Mar 31, 2022	Cumulative as of Mar 31, 2022	Questioned costs		Notes
					Unsupported	Ineligible	
	US\$	US\$	US\$	US\$	US\$	US\$	
<u>Cash</u>							
Program Administration		37,439	26,958	64,397			
MCA - Benin II	82,541	37,439	26,958	64,397			
							3
In-Kind	-	-	-	-			
Total	82,541	<u>37,439</u>	<u>26,958</u>	<u>64,397</u>			

This cost schedule is in relation to funds set aside out of interest generated on the Government of Benin contributions and with the approval of the Government of Benin to pay meeting allowances to the members of the Board of Directors of MCA - Benin II. Allowances were paid based on approved rates by the Government of Benin and received a no objection from MCC.

*Totals may vary due to rounding

National Coordinator

Date:

Director of Administration and Finance

Date:

MILLENNIUM CHALLENGE ACCOUNT (MCA) BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

NOTES TO THE COST - SHARING SCHEDULE – OTHER GOVERNMENT OF BENIN RESOURCES (ARG)

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Basis of preparation:

Cost Schedule – Other GoB Fund has been prepared in accordance with the modified cash basis of accounting. This implies that all receipts are recognized and all expenditures, whether revenue or capital are expensed in the period they are incurred.

Authorized exchange rate

Payments through the Permitted Account: The translation rate used is the actual exchange rate at which transfers from MCC in USD were exchanged into the MCC Funds CFA Permitted Account by the bank. A weighted average translation rate is calculated by the Fiscal Agent, stored in the financial accounting system, and used to translate all CFA Franc payments (re-disbursements) until the next transfer from USD permitted account to CFA permitted account.

Any foreign exchange gain or loss arising is recognized into the WBS involved in the transaction.

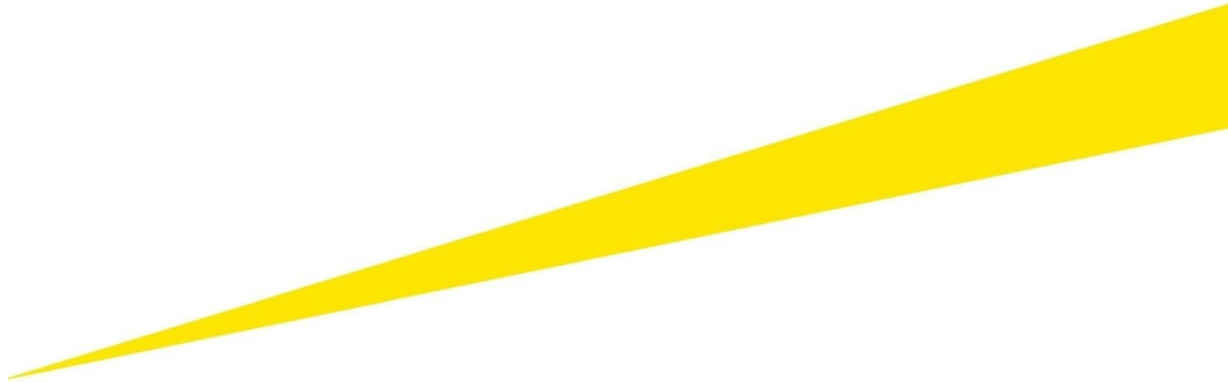
The weighted average rate for USD to CFA for the year was 1:559.2178099

2. QUESTIONED COSTS

No questioned costs were identified.

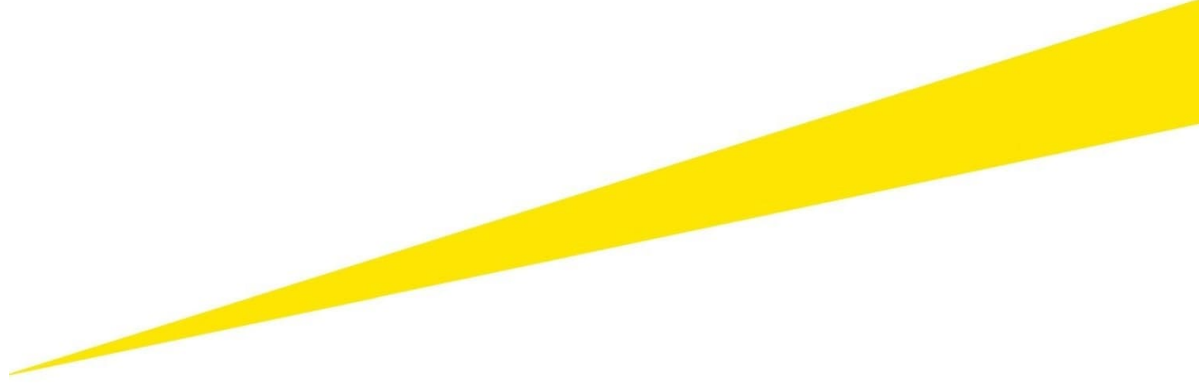
3. PROGRAM ADMINISTRATION COSTS

Relates to the payment of MCA – Benin II Board of Directors sit-in fees.



SECTION 4

REPORT ON INTERNAL CONTROL AND COMPLIANCE



SECTION 4.1

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Board of Directors
Millennium Challenge Account Benin II
Immeuble Kouglénou
Zongo Nima, Cotonou
République du Bénin.

Except as discussed in the following paragraph, 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 the Millennium Challenge Account - Benin II as of and for the audit period from April 1, 2021 to March 31, 2022 and have issued our report on it dated Signature date. We also reviewed the separate cost-sharing schedules.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 5, paragraph 5.60 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Ghana. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in Ernst & Young Global's worldwide internal quality control review program which requires each audit partner in our office to be subjected, every three years, to an extensive quality control review by partners and senior managers from other affiliate offices.

Internal Control over Financial Reporting (ICOFR)

In planning and performing our audit of the financial statements, we considered MCA - Benin II's internal control over financial reporting (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 MCA - Benin II's internal control. Accordingly, we do not express an opinion on the effectiveness of MCA - Benin II'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 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCA - Benin II's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with 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 no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

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, 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 MCA - Benin II's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young
Chartered Accountants
Accra

Date: Signature date

MILLENNIUM CHALLENGE ACCOUNT BENIN II

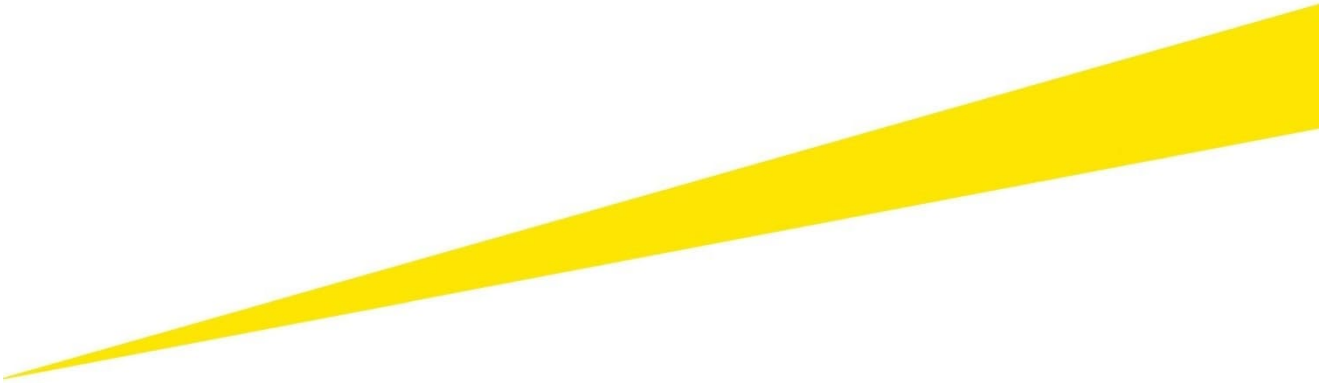
Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

MCA - BENIN II

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS FOR THE PERIOD FROM APRIL 1, 2021 TO MARCH 31, 2022

SECTION 4.2 – SUMMARY OF AUDITOR’S FINDINGS

Fund Accountability Statement		
Unmodified report		
Internal control over financial reporting:		
• Material weakness(es) identified	_____yes	___ X ___no
• Significant deficiency(ies) identified	_____yes	___ X ___none reported
Noncompliance material to financial statements noted?	_____yes	___X ___no



SECTION 5.1

STATUS OF PRIOR YEAR AUDIT RECOMMENDATIONS

MILLENNIUM CHALLENGE ACCOUNT BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

No	Condition	Recommendation	Status
5.1.1 Fixed Asset Register not comprehensive	We noted during our review that the Fixed Asset Register (FAR) does not fully document required information such as: <ul style="list-style-type: none"> ▪ The custodian and the history of the movement of the asset, ▪ Current location. Current locations documented in the FAR refers only to the city and not the specific office where the assets are located. 	We recommend that the Register be updated to include all the required details as stated in the Fiscal Accountability Plan.	Implemented.
5.1.2 Fixed Assets not labelled with unique ID assigned to them in the FAR	We noted during our physical verification of Fixed Assets that some assets were not physically labelled with the unique identification number assigned to them in the Fixed Assets Register.	We recommend that all assets are labelled with their assigned unique identification number to facilitate the identification of these assets.	Implemented
5.1.3 No formal detailed analysis of bank card balance documented and signed off	We noted that the bank card (s) of MCA - Benin II are consistently in use with a balance in excess of the limit set for the card (s) after use. However, no formal detailed analysis of the balance on the card (s) is prepared and signed off on a monthly basis as evidence of a monitoring control on the balance on the cards in use.	We recommend that a monthly formal detailed analysis of the balance on the bank card (s) of MCA - Benin II be prepared, reviewed and signed off by the Fiscal Agent and the DAF.	Implemented
5.1.4 No record keeping of Backup Tapes Transportation	There is no evidence of a formal record keeping of backup tapes stored on the premises and offsite location. The IT specialist only keeps record of the labels of the tapes and date of the backup; however, no record is kept for the acknowledgment of pick-up of the tapes nor movement to the offsite location.	Management should ensure that a physical logbook is kept at the MCA - Benin II server room. Logbooks should contain records of the tape labels, name of personnel responsible for data transfer and tape transportation and time these took place.	Implemented

MILLENNIUM CHALLENGE ACCOUNT BENIN II

Audit of the Millennium Challenge Corporation (MCC) and the Government of Benin Resources Managed by MCA – Benin II under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement dated September 9, 2015 between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022

No	Condition	Recommendation	Status
5.1.5 No report on Disaster Recovery Plan (DRP) test	MCA - Benin II does not prepare a report detailing the results of the test of its DRP although we were made to understand that the DRP is tested once every year as required by the FAP.	Management should ensure that a detailed report is prepared after the test stating the methodology used, observation, recommendations, if any. The documentation should include the detailed description of any weakness noted and the recommended solution.	Implemented