



Financial Statements AUDIT

FIPAG - Water Supply Assets and Investment Fund
Integrated Growth Poles Project

Credit Agreement Number 52370 - MZ

for the nine months period ended 30 September 2020

Financial Statements

for the nine months period ended 31 December 2020

<i>Index</i>	<i>Page</i>
Management's responsibility statement	1
Independent auditor's report	2 - 3
Statement receipts and payments	4
Statement of designed account	5
Statement of direct payments	6
Notes to the financial statements	7 - 12

Management's responsibility statement

The Water Supply Asset and Investment Fund (FIPAG) through a dedicated Project Management Team (Management) is responsible for preparation and presentation of the financial statements of Integrated Growth Poles Project for the nine months period ended 30 September 2020, which comprise the statement of receipts and payments, the statement of designated accounts, the statement of direct payments and the accompanying notes, in accordance with the cash basis of accounting described in note 3.

The Management is also responsible for determining that the basis of accounting is an acceptable basis for preparing and presenting the financial statements in the circumstances; for such internal control as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and for maintaining adequate accounting and an effective system of risk management.

The Management is also responsible for the other project internal controls and for compliance with the relevant agreement terms, local laws and regulations applicable to the project. The responsibility for the prevention and detection of non-compliance rests with Management.

Approval of the financial statements

The financial statements of Integrated Growth Poles Growth Project and related notes, as identified in the first paragraph, were approved by the Project Management Team on 21 September 2021 and are signed on its behalf by:


Administration and Finance Director


General Director



KPMG Auditores e Consultores, SA
Edifício KPMG
Rua 1.233, Nº 72 C
Maputo, Moçambique

Telefone: +258 (21) 355 200
Telefax: +258 (21) 313 358
Caixa Postal, 2451
Email: mz-fminformation@kpmg.com
web: www.kpmg.co.mz

Independent auditors' report

To the Water Supply Asset and Investment Fund (FIPAG)

Opinion

We have audited the financial statements of Integrated Growth Poles Project - Credit Agreement Number 52370 MZ ("project") for the nine months period ended 30 September 2020, set out on pages 4 to 12, which comprises the statement of receipts and payments, the statements of designated accounts, the statement of direct payments and notes to the financial statements, including a summary of significant basis of accounting and other explanatory notes.

In our opinion, the statement of receipts and payments of Integrated Growth Poles Project - Credit Agreement Number 52370 MZ for the nine months period ended 30 September 2020 has been prepared, in all material respects, in accordance with the basis of accounting described in note 3.

In our opinion the statement of designated account of Integrated Growth Poles Project - Credit Agreement Number 52370 MZ for the nine months period ended 30 September 2020 was prepared, in all material respects, in accordance with IDA's guidelines.

With respect to statement of expenditure (SOE), we confirm that adequate supporting documentation has been maintained to support claims to International Development Association (IDA) for reimbursement of expenditure incurred and these are eligible for financing under the IDA Grant Agreement.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International independence Standards)* (IESBA Code) together with the ethical requirements relevant to our audit of the financial statements in Mozambique, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Restriction on use and limitation of liability

We draw attention to Note 3 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Project to comply with the financial reporting provisions of the agreement with International Development Associations (IDA). As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for FIPAG and IDA and should not be used by or distributed to parties other than FIPAG and IDA. Our opinion is not modified in respect of this matter.

Other Information

The Management is responsible for the other information. The other information comprises the Management's responsibility statement. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Management for the Financial Statements

The Management is responsible for the preparation and presentation of the financial statements in accordance with the basis of accounting described in note 3 and for such internal control as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG, Registered Audit Firm, 04/SCA/OCAM/2014

Represented by:

Hem Chandra Joshi 57/CA/OCAM/2014

Partner

24 September 2021

FIPAG - Water Supply Assets and Investment Fund
Integrated Growth Poles Project
IDA Credit Agreement Number 52370 – MZ
for the nine months period ended 30 September 2020

Statement of receipts and payments
for the nine months period ended 30 September 2020

	<i>Notes</i>	USD
Receipts/sources		
Opening balance		325 777
Replenishments	5	639 170
Direct payments	6	2 950 910
Total receipts		<u>3 915 857</u>
 Payments/uses (by category)		
Direct Payment		
Works, goods and consultants services (2)		2 950 910
Eligible expenditure paid		
Works, goods and consultants services (2)	7	964 947
Total payments		<u>3 915 857</u>

FIPAG - Water Supply Assets and Investment Fund
Integrated Growth Poles Project
IDA Credit Agreement Number 52370 – MZ
for the nine months period ended 30 September 2020

Statement of designated account
for the nine months period ended 30 September 2020

	<i>Notes</i>	USD
Receipts/sources		
Opening balance		325 777
Replenishments	5	639 170
		964 947
Total receipts		
 Payments/uses (by category)		
Eligible expenditure paid		
Works, goods and consultants services (2)	7	964 947
		964 947
Total payments		

FIPAG - Water Supply Assets and Investment Fund
Integrated Growth Poles Project
IDA Credit Agreement Number 52370 – MZ
for the nine months period ended 30 September 2020

Statement of direct payments

for the nine months period ended 30 September 2020

	<i>Note</i>	USD
Receipts/sources		
Direct payments	6	2 950 910
Total direct payments		<u>2 950 910</u>
Payments/uses (by category)		
Works, goods and consultants services (2)		2 950 910
Total Payments		<u>2 950 910</u>

Notes to the financial statements

for the nine months period ended 30 September 2020

1. Nature of the project

On 27 May 2013 a development credit agreement was signed between the Republic of Mozambique and International Development Association (IDA), wherein IDA agreed to provide a credit of an amount equivalent to SDR 66 100 000 to implement the integrated Growth Poles Project - Credit Agreement Nr.5237-MZ.

The objective of the Project is to improve the performance of enterprises and Smallholders in the Zambezi Valley and Nacala Corridor, focusing on identified high growth potential zones (growth poles).

The objectives of the Project are:

- (i) Support for the Tete agribusiness growth polo in the Zambezi Valley;
 - A. Upgrading of local infrastructure;
 - B. Innovation and Demonstration Catalytic Fund investments in the Zambezi Valley.
- (ii) Support for the Nacala Special Economic Zone (SEZ)
 - A. Upgrading of the Nacala (SEZ) physical infrastructure;
 - B. Innovation and Demonstration Catalytic Fund Investment in Nacala Corridor.
- (iii) Institutional development and capacity building:
 - A. Strengthening of the capacity of the Ministry of Planning and Development for Planning, coordination, implementation and monitoring and evaluation of public investment programs and support for the ministry of industry and commerce;
 - B. Strengthening of the capacity of the Zambezi Valley Development Agency (ZVDA) and the provincial authorities in the Zambezi Valley;
 - C. Strengthening of the capacity of the GAZEDA UCODIN and the provincial authorities in the Nacala Corridor.

(iv) Project implementation

Provision of comprehensive support for Project implementation, including as required the provision of consultants' services, goods. Training and the financing of operating Cost for the Project Coordination Unit.

In addition, FIPAG is the Project implementing entity responsible to carry out the expansion and extension of approximately 110 kilometers of water supply networks and distribution systems in Nacala including drilling of about six boreholes, construction of transmission lines, rehabilitation and construction of distribution centers, and installation of connections to approximately 26 000 new households, all through provision of works, goods, services and technical assistance recruited for the purpose, under Part II .A. I of the project. The amount of the financing allocated is SDR 16.190.000.

Notes to the financial statements

for the nine months period ended 30 September 2020

2. Procedures of designated account for the IDA credit

The Development Credit Agreement requires the opening of a Designated Account in USD. The purpose of the Designated Account is for payment of eligible expenditures.

These payments will be subsequently justified to IDA with respective documentation or issuance of SOEs (Statement of Expenditures) for replenishment of the Designated Account or refunding of the initial deposit.

3. Accounting policies

The following paragraphs describe the main accounting policies applied consistently by the project.

3.1 Basis of Preparation

The financial statement, compiled from FIPAG accounting records, are prepared on a cash basis from the information reflected in the financial and accounting reports of the Project. Under this basis, receipts are not recorded until received in cash and disbursements are assigned to the year in which the respective cash payment is made.

3.2 Receipts recognition

Receipts are recorded in the books on deposit of the funds by the donor into the Program's bank account.

3.3 Payments

Payments are recorded in the books on disbursement of the funds.

3.4 Foreign Currency Transactions

The books of account of the Project are maintained in United States Dollars (USD). The financial statements are also expressed in United States Dollars (USD) unless otherwise stated. The transactions in other currencies are translated to USD at the official exchange rate ruling at the date of the transactions. The closing balance in other currencies are translated at the exchange rate ruling at the period end date.

3.5 Fixed assets

Fixed assets acquired by the project are expensed in the year of purchase.

3.6 Procedures

The disbursements of the funds, made available by the International Development Association (IDA), are carried out by:

- Direct payments - direct transfers from IDA to the suppliers; or by
- Replenishments - disbursements into the bank accounts (designated account – FNB Bank) opened for funds made available by IDA.

Notes to the financial statements

for the nine months period ended 30 September 2020

4. Advances from IDA

In line with the Project Grant Agreement, an amount of USD 571 280 was advanced and withdraw from the credit balance and maintained in the designated account DA-A for the project use during the year.

4.2 Project Termination

The project was terminated on 30 September 2020 (30 April 2020 per agreement), and the remaining amount advanced to designated account, amounting to USD 163 630 was refunded to world bank.

FIPAG - Water Supply Assets and Investment Fund
Integrated Growth Poles Project
IDA Credit Agreement Number 52370 – MZ
for the nine months period ended 30 September 2020

Notes to the financial statements

for the nine months period ended 30 September 2020

5. Replenishment to Designated Account

Application number	Category	USD	SDR
53	2	570 372	413 592
54	2	68 798	51 003
		639 170	464 595

6. Direct payments

Application number	Supplier name	Category	USD	SDR
55	Sotux	2	206 207	151 506
56	Luis Paulo Mondlane	2	89 370	65 430
57	Jiangsu Geology Engineering	2	481 285	353 138
58	Nicholas Odwyer	2	580 309	426 369
60	Sinohydro Corporation, Ltd	2	178 992	130 940
61	Sinohydro Corporation, Ltd	2	474 455	347 360
63A	Sinohydro Corporation, Ltd	2	150 883	107 339
64	Sinohydro Corporation, Ltd	2	409 890	297 582
65	Jiangsu Geology Engineering	2	379 519	275 533
			2 950 910	2 155 197

7. Designated account payments during the year

Supplier name	USD
Jiangsu Geology	67 177
Nicholas O'Dwyer	50 706
Sinohydro	194 264
AMPHOS 21	44 903
COBA	171 762
Jiangsu Geology	59 651
Jiangsu Geology & Enginee	77 961
Luis Paulo Mandlate	5 094
Recovery Solutions	73 247
Others	56 401
Refund to world Bank	163 630
Bank Charges	150
	964 946

Notes to the financial statements

for the nine months period ended 30 September 2020

8. Designated account advance reconciliation

	USD
Advance to designated account	<u>1 000 000</u>
Represented by:	
a) Amount deducted on 28th July 2019 under WA 46	37 096
b) Amount deducted on 27th August 2019 under WA 48	66 756
c) Amount deducted on 2nd June 2020 under WA 59A	159 169
d) Amount deducted on 18th June 2020 under WA 62	9 243
e) Amount deducted on 23rd July 2020 under WA 66	173 218
f) Amount deducted on 24th September 2020 under WA 68	391 197
g) Amount deducted on 08th September 2020	163 321
	<u>1 000 000</u>

FIPAG - Water Supply Assets and Investment Fund
Integrated Growth Poles Project
IDA Credit Agreement Number 52370 – MZ
for the nine months period ended 30 September 2020

Disbursement summary
at 30 September 2020

IDA Credit agreement No. 52370 – MZ

Category	Budget per credit agreement SDR	Disbursements in prior periods SDR	Disbursements during the period 2020 SDR	Total Disbursements up 30 September 2020 SDR	Available balance as at 30 September 2020 SDR
Works, goods and consultants services (2)	16 190 000	12 697 009	2 619 792	15 316 801	873 199
Designated account	-	571 282	-	571 282	(571 282)
	16 190 000	13 268 291	2 619 792	15 888 083	301 917