



Financial Statements AUDIT

FIPAG – Water Supply Assets and Investment Fund
Greater Water Supply Project
IDA Credit Agreement Number 52900 - MZ
for the year ended 31 December 2020

Financial Statements

for the year ended 31 December 2020

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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 Greater Water Supply Project for the year ended 31 December 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 Greater Water Supply 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



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Independent auditors' report

To the Water Supply Assets and Investment Fund (FIPAG)

Opinion

We have audited the financial statements of Greater Water Supply Project - Credit Agreement Number 52900 MZ ("project") for the year ended 31 December 2020, set out on pages 4 to 13, 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 Greater Water Supply Project - Credit Agreement Number 52900 MZ for the year ended 31 December 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 Greater Water Supply Project - Credit Agreement Number 52900-MZ for the year ended 31 December 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' 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

Statement of receipts and payments

for the year ended 31 December 2020

	<i>Notes</i>	USD
Receipts/sources		
Opening balance		131 613
Replenishments	5	3 286 959
Direct payments	6	23 917 355
Total receipts		<u>27 335 927</u>
Payments/uses (by category)		
Direct Payment		
Civil works, Goods, Consultants services and training (1)		23 917 355
Eligible expenditure paid		
Civil works, Goods, Consultants services and training (1)	7	2 554 378
Total payments		<u>26 471 733</u>
Closing balance	8	<u>864 194</u>

FIPAG - Water Supply Assets and Investment Fund
 Greater Water Supply Project
 IDA Credit Agreement Number 52900 - MZ

Statement of designated account
for the year ended 31 December 2020

	<i>Notes</i>	USD
Receipts/sources		
Opening balance		131 613
Replenishments	5	3 286 959
Total receipts		3 418 572
Payments/uses (by category)		
Eligible expenditure paid		
Works, goods and consultants services (1)	7	2 554 378
Total payments		2 554 378
Closing balance	8	864 194

Statement of direct payments
for the year ended 31 December 2020

	<i>Note</i>	USD
Receipts/sources		
Direct payments	6	23 917 355
Total direct payments		<u>23 917 355</u>
Payments/uses (by category)		
Works, goods and consultants services (1)		23 917 355
Total Payment		<u>23 917 355</u>

Notes to the financial statements

for the year ended 31 December 2020

1. Nature of the project

On 31 January 2014 a development Loan agreement was signed between the Republic of Mozambique and International Development Association (IDA), wherein IDA agreed to provide a Loan of an amount equivalent to SDR 118 800 000 to implement the Great Maputo Project, Loan Agreement Number 52900-MZ.

The objective of the Project is to increase access to clean water for residents in the Greater Maputo Area.

The project consists of the following parts:

Part A: Investment in Water Supply Network System

(i) Expansion and extension of water supply system capacity in the Greater Maputo Area through the construction of an abstraction point and transmission pipeline from the Corumana Dam, a water treatment plant, and a transmission pipeline to the Machava distribution center.

Part B: Investment in Water Supply Network Distribution System

The Part B of the Project consists of the following:

- (i) Expansion and extension of water distribution system in Greater Maputo Area through installation of approximately 300 kilometers of water supply distribution network and 100.000 new connections, including associated water meters.
- (ii) Supervision of Works as well as implementation of Resettlement Action Plan and other Safeguard Documents under the Project
- (iii) Preparation of the second phase of the program to increase the amount of water available to Greater Maputo Area to meet residential household demand by 2025, including technical assistance for engineering, dam safety, safeguards and economic analyses;
- (iv) Preparation of a follow-on project to cover other select cities of the Recipient;
- (v) Project implementation including support to the transition of the operator of Greater Maputo Area in 2014;
- (vi) Carrying out of financial and technical audits and;
- (vii) Carrying out of training and capacity building for FIPAG and the operator of Maputo Area staff.

Part D: Capacity Building and Operational Support to CRA

Support to CRA to enhance its capacity to discharge its regulatory role in the territory of the Recipient including:

- (i) Expanding the scope of CRA's regulatory framework and oversight capabilities, particularly in relation to peri-urban areas and;
- (ii) Reviewing the financial means-and sanitations services to the urban poor, all of the above through provision of goods, technical assistance, Training and Operating Costs required for the purpose.

Notes to the financial statements

for the year ended 31 December 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 Expenditure) 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 – Bank ABC) opened for funds made available by IDA.

Notes to the financial statements
for the year ended at 31 December 2020

4. Advance from IDA

In line with the Project Grant Agreement, an amount of USD 709 306 was advanced and withdrawn from the credit balance and maintained in the designated account DA-A for the project uses.

5. Replenishment to Designated Account

Application number	Replenished USD	Equivalent SDR
113	868 194	629 263
120	421 889	309 133
123	305 029	223 427
129	3 446	2 496
139	437 479	314 641
143	198 944	140 695
149	254 106	180 025
154	179 775	126 683
157	400 212	280 747
160	217 885	151 098
	3 286 959	2 358 208

Notes to the financial statements
 for the year ended at 31 December 2020

6. Direct payments

Application number	Supplier name	Category	USD	Equivalent SDR
109	Dowha	1	171 663	124 279
112	Aarvee associates	1	153 331	110 992
114	Chico	1	1 427 520	1 033 970
115	Chico	1	2 136 347	1 548 415
116	Sinohydro	1	300 197	217 436
117	Chico	1	1 173 984	852 536
118	Sinohydro	1	125 508	91 142
119	Ceta	1	280 484	205 547
121	Gitec	1	242 080	177 662
122	Conduril	1	423 628	310 298
124	Hico	1	349 153	253 832
125	Chico	1	1 168 024	855 551
126	Conduril	1	508 552	372 503
127	Conduril	1	590 129	427 509
128	Sinohydro	1	154 746	112 103
130	Chico	1	245 393	178 092
131	Chico	1	826 171	598 505
132	Denys	1	989 720	716 404
133	Denys	1	333 383	241 318
134	Denys	1	1 674 762	1 215 445
135	Chico	1	2 215 766	1 608 658
136	Chico	1	657 946	476 251
137	Gitec	1	415 191	300 534
138	Sinohydro	1	128 208	93 046
140	Conduril	1	217 906	154 358
141	Aarvee associates	1	204 695	145 000
143	Conduril	1	2 003 809	1 419 219
144	Sinohydro	1	126 266	89 130
145	Conduril	1	270 224	190 750
146	Chico	1	701 638	499 700
147	Chico	1	201 894	143 434
150	Gitec	1	476 747	337 790
151	Sinohydro	1	475 180	336 680
152	Sinohydro	1	217 155	153 225
153	Conduril	1	485 244	342 288
155	Chico	1	276 561	194 029
156	Chico	1	980 110	690 661
158	Aarvee associates	1	153 941	106 883
159	Conduril	1	434 099	302 622
			23 917 355	17 227 797

Notes to the financial statements
for the year ended at 31 December 2020

7. Designated account payment during the year

Supplier name	USD
Aarvee Associetes	
Abeyla Trading	100 485
Cartorio Notarial Privativo	606 521
CETA	353 150
Chico	108 802
China Geo	139 564
Coba	112 972
Dohwa	21 969
Enoque Mendes	51 646
Ernst & Young	24 365
Integrated Science	48 045
Jiangsu Geology	23 030
Maximaize	38 649
Maximize	13 090
Perdiem	30 170
Politejo	2 856
Procomputers	226 970
Shah Technical	3 367
Shah Technical Consultant	87 253
Sinohydro	9 588
Sodel	107 118
WSP Group Africa	61 282
Bank Charges	24 147
CETA	2 740
COBA	29 616
DOHWA	75 529
Enoque Mendes	15 380
Integrated Science	10 830
MAXIMIZE	83 905
Taxa liberatória	54 520
Bank charges	86 127
	694
	2 554 378

Notes to the financial statements
for the year ended 31 December 2020

8. Closing Balance

The closing balance at 31 December is represented by:

	2020
	USD
Banco ABC – designated account DA-A	864 194
	<u>864 194</u>

9. Designated account advance reconciliation

	USD
Advance to designated account DA-A	<u>1 000 000</u>
Represented by:	
a) Bank balance	864 194
b) Expenses submitted on 15 January 2021 under WA 164 (already reimbursed in February 2021)	135 613
c) Others	193
	<u>1 000 000</u>

FIPAG - Water Supply Assets and Investment Fund
 Greater Water Supply Project
 IDA Credit Agreement Number 52900 - MZ

Disbursement summary
 at 31 December 2020

IDA Credit agreement No. 52900 – MZ

Category	Budget per credit agreement SDR	Disbursed in prior years SDR	Disbursed during the year 2020 SDR	Total Disbursed up to 31 December 2020 SDR	Available balance as at 31 December 2020 SDR
Civil Works, Goods, Consultants Services, Training (1) Designated account	115 500 000 -	66 396 872 709 306	19 586 006 -	85 982 878 709 306	29 517 122 (709 306)
	115 500 000	67 106 178	19 586 006	86 692 184	28 807 816