

PROJECT COORDINATOR

S.L Kamtukule

Yours Faithfully,

I attach the Audit and Management report for the Shire River Basin Management Project (Phase 1) for the year ended 30th June 2018 for your information and records as per the project financing agreement with the World Bank.

AUDIT REPORT: SHIRE RIVER BASIN MANAGEMENT PROJECT FOR THE YEAR ENDED 30TH JUNE 2018

Dear Sir,

The Country Manager
World Bank
Malawi Office
Lilongwe 3

21st December 2018

Ref. No. IWD/SRBM/16

MINISTRY OF AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT

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NATIONAL AUDIT OFFICE
P. O. BOX 30045
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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018

IDA GRANT No. H7750
IDA LOAN No. 51250
GEF GRANT No. TF 12920
LDCF GRANT No. TF 12921

PROJECT ID NUMBERS P117617 AND P127866

MINISTRY OF AGRICULTURE,
IRRIGATION AND WATER DEVELOPMENT
SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT



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**CONTROLLING OFFICER'S REPORT
FOR THE YEAR ENDED 30TH JUNE, 2018**

INTRODUCTION

The Shire River Basin Management Programme (Phase I) project is financed by a loan and grant from the International Development Association (IDA) to the combined total of USD 125 million and other grant financing from Global Environmental Facility (GEF)-USD5.078 million and Least Developed Countries Fund (LDCF)-USD1.5million. The Government of Malawi will make contribution in cash and kind amounting to USD11.3 million in the Project. The project will address the interlinked challenges of poverty and a deteriorating natural resource base in the Shire Basin to reduce the process of environmental degradation and improve the productive potential of natural resources. The project will promote integrated climate resilient investment planning in the basin, including institutional capacity building to plan and monitor changes in land use patterns at a basin level. Project activities will also support strategic planning and implementation of large-scale infrastructure investments; adoption of sustainable land, forest and water management practices to reduce land degradation in production and natural landscapes, to build resilience to climate risk and to improve the productivity and incomes of smallholder farmers in priority catchments. The project will also improve flood management in the lower shire. Project investments will be designed to support the Government's economic growth and development plans for the basin. The first phase of the program is for a period of 6.5 years spanning from the year 2012 to 31st January 2019 and became effective on 7th September 2012.

The project is organized in three major components namely:

➤ Component A – Shire Basin Planning

Shire Basin Planning seeks to lay the foundation for more integrated investment planning and modernized system operations for the Shire River Basin whose major outputs are the Shire River Basin Management Plan, Shire River Basin Knowledge base and Shire River Basin Institution.

➤ Component B – Catchment Management

Catchment Management objective is to rehabilitate and manage target sub-catchments areas so as to reduce erosion and improve people's livelihoods.

Component C – Water Related Infrastructure

Water Related Infrastructure aims at supporting new investments that would enable improved regulation of the Shire flows and strengthen climate resilience. In this regard, the component will support the upgrading of the Kamuzu Barrage, community-level flood adaptation investments in Chikwawa and Nsanje and the preparation of new water infrastructure projects.

The project is complex and of multi-sectoral nature, but centered around water and its different roles, functions and uses. Therefore, the Department of Irrigation and Water Development under the Ministry of Agriculture, Irrigation and Water Development (MoAIWD) has been designated as lead implementing agency, and overall project coordination is housed in the Department of Irrigation and Water Development. In order to ensure broad Government ownership, each component, sub component and activity is implemented through the relevant Ministry and Department.

PROJECT OBJECTIVES AND OUTPUTS

The overall program development objective is to increase sustainable social, economic and environmental benefits by effectively and collaboratively planning, developing and managing the Shire River Basin's natural resources.

The first phase is designed to develop a strategic planning and development framework for the Shire River Basin so as to improve land and water resources management for ecosystem and livelihood benefits in the targeted areas. The project will:

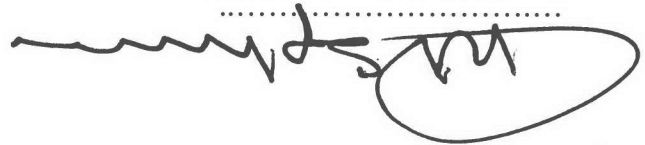
- a. Strengthen the institutional capacities and mechanisms for Shire Basin monitoring, planning, management and decision support systems;
- b. Invest in water related infrastructure that sustainably improves water resources management and development;
- c. Reduce erosion in priority catchments and sedimentation and flooding downstream, while enhancing environmental services, agricultural productivity and improving livelihoods;
- d. Improve flood management in the Lower Shire and provide community level adaptation and mitigation support; and
- e. Protect and enhance ecological services infrastructure in the Basin.

PROJECT KEY ACHIEVEMENTS DURING THE FY 2017/2018

The following are the key achievement that the Project registered during the 2017/2018 financial year;

- a. The Shire Basin Plan was formally adopted by the GoM. To this end, the Project Secretariat prepared the *Foreword, Preface and Executive Summary* to the Shire Basin Plan, which were subsequently signed by the Director of Water Resources, the PS for Agriculture, Irrigation and Water Development and the Minister of Agriculture, Irrigation and Water Development, respectively;
- b. The Project professionally printed 25 sets of the Shire Basin Plan and distributed the same to all participating District Councils during a dissemination workshop aimed at orienting the District Council to synchronize the District Development Plans (DDPs) with the Shire Basin Plan;
- c. The construction and supervision of the Shire River Basin Agency building in Blantyre progressed significantly well during the year, from 37% at the start of the financial year to about 90.6% completion level in June 2018;
- d. The Project completed carrying out biodiversity surveys and development of ancillary products, through a consultant. These products feed into the integrated Shire Basin Knowledge base and constitutes the following specific products: forest cover and habitat maps for six protected areas; biodiversity atlas for the Basin; reports on the ecosystem services; the regeneration potential study; the birds survey; the butterflies survey; and the economic valuation of forest products;
- e. The rehabilitation of the four government buildings under the second lot was fully completed during the year, including: i) the Department of Land Resources Conservation Offices in Lilongwe; ii) Water Resources Office block at Ngabu; iii) Southern Region Water Laboratory in Blantyre; and iv) the Survey/Department of Climate Change and Meteorological Services Archive building in Blantyre products;
- f. The installation of 23 of the 25 hydrological and 65 of the 75 Meteorological stations under the first batch was completed during the reporting year such that about half of these stations were assessed to be automatically transmitting data to the base stations installed centrally at Department of Water Resources and Department of Climate Change and Meteorological Services offices thereby feeding data directly into the Operational Decision Support System (ODSS);
- g. The development of the ODSS was completed and the system was successfully deployed on the cloud, using AZURE as the international host;
- h. The Project completed upgrading works at eight of the 13 targeted market centres, including Chingale, Chinsu, Masaula, Senzani, Manjawira, Doviko, Tsangano Turn-Off, and Chawe market centre and seven of these were handed-over to district councils to facilitate occupancy and utilization by the communities;

- i. The Project completed the construction of rural bridges and culverts at 10 of the 11 targeted sites, and all these 10 sites were certified by GoM Engineers from the Department of Roads;
- j. During the reporting year, the Project established 152 more Common Interest Groups (CIGs), adding to the first lot of 186 CIGs that had been established before the start of this fiscal year;
- k. The Project managed to complete design work for the Ranger Camps and Conference Centre in Lengwe National Park and progressed to engage the contractor. At the end of the reporting year on 30th June 2018, the construction works progressed to about 65% for the Ranger Camps and about 40% for the Conference Centre;
- l. The upgrading of the Kamuzu Barrage works progressed significantly such that concrete works were completed for five more pillars at the end of June 2018, adding to the 8 pillars that had been completed at the start the year in July 2017 while six more energy dissipaters were completed adding to the five that had been completed at the start of the reporting year;
- m. Fabrication of all the 14 gates was completed in India compared to only five gates that had been completed at the start of the financial year;
- n. The supply and installation of the Jib Crane was successfully completed in June 2018, representing a momentous milestone at the Kamuzu Barrage;
- o. The construction of all five flood protection structures was completed in the Lower Shire, including those at Gooke, Masenjeje, Nafafa, Mafale II, and Tengani.
- p. The Project completed the development of the Budgeted Management Plan for the Elephant Marsh, representing delivery of a key Project Result Indicator under the GEF funded improved wetland management interventions for the Marsh.


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Gray S.V.K. Nyandule-Phiri

SECRETARY FOR AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT

**STATEMENT OF MANAGEMENT RESPONSIBILITIES
FOR THE YEAR ENDED 30TH JUNE, 2018**

The management of Shire River Basin Management Program (Phase I) Project is required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the project as at the end of the financial year/period and of the operating results for that year.

The management is also required to ensure that the project keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the project and enable them to ensure that the financial statements comply with the financial agreements and statutes.

In preparing the financial statements the management accepts responsibility for the following:

- ✦ Maintenance of proper accounting records;
- ✦ Selection of suitable accounting policies and applying them consistently;
- ✦ Making judgment and estimates that are reasonable and prudent;
- ✦ Compliance with applicable accounting standards when preparing the consolidated financial statements, subject to any material departures being disclosed and explained in the consolidated financial statements.

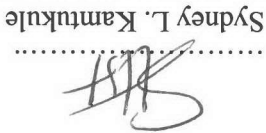
The management also accepts responsibility for taking such steps as are reasonably open to them to safeguard the assets of the project and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

The management is of the opinion that the financial statements give a true and fair view of the financial affairs of the project and of its operating results.

The financial statements have been approved by the Ministry of Agriculture, Irrigation and Water Development and are signed on its behalf by:



Gray S.V.K. Nyandule-Phiri
SECRETARY FOR AGRICULTURE,
IRRIGATION AND WATER DEVELOPMENT



Sydney L. Kamtukule
PROJECT COORDINATOR

I have determined that there is no need to communicate key audit matters in my report due the nature of the audited entity.

Responsibilities of Management for the Project's Financial Statements
 The Shire River Basin Management Program Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSSAS) Financial Reporting under the Cash Basis of Accounting, Donor terms of agreement and financial provisions, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Project's Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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 Project's Financial Statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement auditor on the audit resulting in this independent Auditor General's report is:

Signature:.....


THOMAS KB MAKIWA
ACTING AUDITOR GENERAL
NATIONAL AUDIT OFFICE
LILONGWE
MALAWI

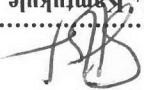
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**SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT
(IDA) H7750 / 51250 ; (GEF) GRANT NO. TF 12920; (LDCF) GRANT NO. TF 12921
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

	NOTES	Period 2018 USD	Period 2017 MK	USD
ASSETS				
Non-Current Assets	3	22,229,141,863	37,062,484	13,563,966,126
Current Assets				
Bank & Cash Balances	4	8,436,797,034	11,602,590	12,911,695,346
TOTAL ASSETS		<u>30,665,938,897</u>	<u>48,665,074</u>	<u>26,475,661,472</u>
FINANCED BY				
IDA Q7630- MAI		177,125,629	1,136,869	177,125,629
IDA 51250-Loan		54,719,605,333	79,925,461	37,943,006,672
IDA H7750-Grant		12,064,538,961	29,449,938	12,064,538,961
GEF TF12920-Grant		3,007,858,906	4,825,520	2,481,709,663
LDCF TF12921-Grant		873,213,789	1,435,669	823,993,582
Total Loans and Grants	5	<u>70,842,342,618</u>	<u>116,773,457</u>	<u>53,490,374,507</u>
Other Income	6	132,402,585	239,982	109,143,796
Cumulative Costs	7	(40,308,806,305)	(68,348,366)	(27,123,856,831)
TOTAL FINANCES		<u>30,665,938,898</u>	<u>48,665,074</u>	<u>26,475,661,472</u>
		<u>42,948,754</u>	<u>42,948,754</u>	<u>42,948,754</u>

Signed: 
Sydney L. Kamtukule
Project Coordinator
Date: 21-12-18

Signed: 
Chisomo E. Nayeja
Financial Management Specialist
Date: 21-12-18

Signed: 
Gray S.V.K. Nyandule-Phiri
Secretary for Agriculture, Irrigation
& Water Development
Date: 21-12-18

**SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT
 (IDA) H7750 / 51250 ; (GEF) GRANT No. TF 12920; (LDCF) GRANT No. TF 12921
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2018

	Notes	Period 2018	Period 2017
		MWK	USD
		MWK	USD
Opening Balances	4	12,911,695,346	17,760,930
Receipts			
IDA 51250	5	16,776,598,661	23,020,217
GEF TF 12920	5	526,149,244	719,522
LDCF TF 12921	5	49,220,207	67,298
Other Income	6	23,258,789	34,590
Total receipts		17,375,226,901	23,841,627
Total Funds Available		30,286,922,247	41,602,557
Less Uses of funds by disbursement categories			
Goods, works, const, training & Operating costs (loan)	1	17,809,360,603	24,462,704
Grants to sub groups	2	-	-
Kamuzu Barrage	3	4,040,764,610	5,537,264
Total Expenditure		21,850,125,213	29,999,968
Surplus Funds	4	8,436,797,034	11,602,590
		12,911,695,346	17,760,930

SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT
 (IDA) H7750 / 51250 ; (GEF) GRANT No. TF 12920; (LDCF) GRANT No. TF 12921
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

DESIGNATED ACCOUNT (DA) ACTIVITY STATEMENT FOR THE YEAR ENDED 30TH JUNE 2018

	IDA H7750	IDA 51250	TOTAL	TF12920	TF12921
Part I	USD	USD	USD	USD	USD
1. Cumulative advances to end of current reporting period	30,586,807	79,925,461	110,512,268	4,825,520	1,435,669
2. Cumulative expenditures to end of last reporting period	30,586,807	63,320,593	93,907,400	4,301,444	1,330,853
3. Outstanding advance to be accounted for (line 1 minus line 2)	-	16,604,868	16,604,868	524,076	104,816
Part II					
4. Opening DA Balance at beginning of reporting period	-	11,921,344	11,921,344	509,053	25,369
5. Add/ Subtract : Cumulative Adjustments (if any)	-	1,120,453	1,120,453	-135,108	12,149
6. Advances from World Bank during period	-	3,563,071	3,563,071	150,131	67,298
-7. lines 5 and 6 and 7	-	-	-	15,023	79,447
8. Outstanding balances to be accounted for (add lines 4 and 7)	-	16,604,868	16,604,868	524,076	104,816
9. Closing DA balance at end of current reporting period (as of quarter)	-	10,876,922	10,876,922	159,283	92,667
10. Add / Subtract : Cumulative adjustments		91,626	91,626	157,952	- 29,219
11. Expenditures for current reporting period		5,636,319	5,636,319	206,840	41,368
12. Add lines 10 and 11	-	5,727,946	5,727,946	364,793	12,149
13. Add lines 9 and 12	-	16,604,868	16,604,868	524,076	104,816
The adjustment is made up of the following					
Closing balance from operating account		339,142		(135,108)	12,149
Transfer from FCDA				500,000	-
Less GEF operating account balance				(206,840)	
Less LDCF operating account balance					(41,368)
Accumulated Interest		(214,869)		(114)	
Charges inc. in expenses above					15
Adjusted expenses		(32,647)			
Total adjustment		91,626		157,952	(29,219)

SCHEDULE OF WITHDRAWALS APPLICATIONS FOR IDA H7750 AND IDA 51250

	Period 2018	Period 2017	Available resources
	USD	USD	USD
Sources of Funds			
IDA Credit no 51250	93,750,000	93,750,000	83,971,602
IDA Grant no H7750	31,250,000	31,250,000	30,586,807
Total Funds Available	125,000,000	125,000,000	114,558,409
Drawings			
Drawing on SRBM F/Y 2012	1,336,869	1,336,869	1,336,869
Drawing on SRBM F/Y 2013	4,261,837	4,261,837	4,261,837
Drawing on SRBM F/Y 2014	14,386,918	14,386,918	14,386,918
Drawing on SRBM F/Y 2015	22,869,380	22,869,380	22,869,380
Drawing on SRBM F/Y 2016	15,739,493	15,739,493	15,739,493
Drawing on SRBM F/Y 2017	28,897,554	-	28,897,554
Drawing on SRBM F/Y 2018	9,644,082	-	9,644,082
Drawing on SRBM F/Y 2018	4,242,917	-	4,242,917
Drawing on SRBM F/Y 2018	5,570,147	-	5,570,147
Drawing on SRBM F/Y 2018	3,563,071	-	3,563,071
Total Drawings	110,512,268	87,492,051	110,512,268
Funds Available less drawings	14,487,732	37,507,949	4,046,141
Undisbursed Balance			
IDA Credit no 51250	13,774,539	36,794,756	4,046,141
IDA Grant no H7750	663,193	663,193	=
Total Balance	14,437,732	37,507,949	4,046,141

Note: The project incurred losses amounting to USD10,441,591 as of 30th due to XDR/USD fluctuations so the available resources have been reduced by this amount.

SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT
 (IDA) H7750 / 51250 ; (GEF) GRANT No. TF 12920; (LDCF) GRANT No. TF 12921
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

SCHEDULE OF WITHDRAWAL APPLICATIONS FOR GEF TF 12920 AND LDCF TF 12921

GEF TF 12920	LDCF TF 12921	TOTAL
USD	USD	USD
5,078,000	1,500,000	6,578,000
Sources of Funds		
Total Funds Available		
Drawings		
Drawing on SRBM F/Y 2012	-	-
Drawing on SRBM F/Y 2013	99,152	396,606
Drawing on SRBM F/Y 2014	257,782	1,030,888
Drawing on SRBM F/Y 2015	255,867	1,023,583
Drawing on SRBM F/Y 2016	286,648	1,146,690
Drawing on SRBM F/Y 2017	468,922	1,876,601
Drawing on SRBM F/Y 2018	35,620	317,854
Drawing on SRBM F/Y 2018	31,678	139,826
Drawing on SRBM F/Y 2018	-	179,009
Drawing on SRBM F/Y 2018	-	150,131
Total Drawings	1,435,669	6,261,188
Funds Available less drawings	64,331	316,812
Undisbursed Balance	64,331	316,812

**SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT
(IDA H750 / 51250 ; (GEF) GRANT No. TF 12920; (LDCF) GRANT No. TF 12921
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

STATEMENT OF USES OF FUNDS BY COMPONENT

	Period 2018	Period 2017	Cumulative	
	USD	USD	USD	
	Period 2018	Period 2017	Cumulative	Revised Budget as per MTR (reallocation)
A. Shire Basin Planning				
A1 Develop Shire Basin Plan	3,665,061	2,073,038	9,000,897	10,365,873
A2 Build Institutional Capacity for Coordinated Basin Mgt	1,515,510	1,880,331	9,467,844	9,668,273
A3 Improve Water Resources Information Systems	2,159,336	2,976,177	9,227,375	11,975,363
A4 Program Management, Monitoring and Evaluation	1,698,453	1,869,023	9,492,599	8,114,313
PPA			788,244	788,244
Subtotal	<u>9,038,360</u>	<u>8,798,569</u>	<u>37,976,959</u>	<u>40,912,065</u>
B. Catchment Management				
B1 Build Institutional Capacity for Sub catchment Planning /monit.	1,906,630	3,457,725	10,959,295	10,536,043
B2 Rehabilitated targeted Sub catchment	2,141,055	2,756,239	6,812,999	11,974,951
B3 Alternative Rural livelihood	717,535	2,140,413	3,453,639	6,177,329
B4 sustainable Management of the Shire Forest	875,364	1,339,621	3,886,632	4,277,074
Subtotal	<u>5,640,583</u>	<u>9,693,998</u>	<u>25,112,565</u>	<u>32,965,397</u>
C. Water Related Infrastructure				
C1 Kamuzu Barrage Upgrade	12,312,855	8,587,765	35,481,615	37,079,447
C2 Flood Management	3,008,171	1,507,999	6,806,207	8,995,585
C3 New Water Investment		7,711	46,877	2,231,783
Subtotal	<u>15,321,026</u>	<u>10,103,475</u>	<u>42,334,699</u>	<u>48,306,915</u>
TOTAL EXPENDITURE(Excludes Government & Beneficiary Contribution)	<u>29,999,968</u>	<u>28,596,041</u>	<u>105,424,223</u>	<u>122,184,276</u>

**SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018
RECEIPTS AND PAYMENTS - MALAWI GOVERNMENT ACCOUNTING**

	Period 2018		Period 2017	
	MWK	USD	MWK	USD
RECEIPTS				
Opening Balance	12,911,695,346	17,760,930	10,616,989,588	15,528,855
Total Receipts	17,351,968,112	23,807,037	22,479,133,064	30,774,155
Other Income	23,258,789	34,590	39,053,520	53,961
TOTAL INCOME	<u>30,286,922,247</u>	<u>41,602,557</u>	<u>33,135,176,172</u>	<u>46,356,971</u>
PAYMENTS				
Salaries-Permanent Staff	-	-	1,476,000	2,042
Temporary Employment	12,142,660	16,619	9,130,000	12,620
Internal Travel	5,600,800	7,686	7,942,629	10,907
Hiring Costs	1,766,000	2,417	431,300	592.27
Hiring of Motor vehicle	716,547,817	983,196	859,281,517	1,185,781
Subsistence Allowances	115,130,225	157,666	160,520,318	221,955
Hotel Charges	839,080,342	1,150,965	1,028,175,764	1,419,234
Airfares and Fees	13,847,329	18,972	62,668,363	87,678
External Travel Allowance	13,903,808	19,037	83,071,838	120,469
Public Utilities	3,369,970	4,609	2,654,303	3,688
Heating and Lighting	72,987,573	99,981	62,569,361	86,515
Telephone & Internet	2,963,269	4,054	2,179,096	3,035
Water and Sanitation	79,320,812	108,644	67,402,760	93,238
Office Supplies	6,032,514	8,252	19,157,097	26,339
Computer Expenses	48,393,594	66,786	132,930,506	183,447
Consumables	895,000	1,230	23,469	32
Postal Charges	45,786,362	62,674	27,672,301	38,053
Printing Costs	37,420,096	51,251	30,292,863	41,957
Publications and Advertising	62,393,524	85,504	38,577,385	53,258
Stationery	8,262,800	11,429	6,225,488	8,525
Uniform & Protective wear	1,290,093	1,766	321,192	446
Freight Charges	-	-	-	-
Hire of Security Services	-	-	-	-
Hospitality Expenses	210,473,982	288,892	255,200,300	352,058

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Rent Expenses	41,663,190	57,042	57,043	41,663,190
Rent of Offices	41,663,190	57,042	57,043	41,663,190
Training Expenses	7,821,240	10,702	10,702	7,821,240
Internal Training	7,821,240	10,702	10,702	7,821,240
External Training	0	0	0	0
Acquisition of Technical Services	10,599,966,302	14,581,116	14,581,116	10,599,966,302
Consultancy	301,707,784	413,192	413,192	301,707,784
Prof. & Tech Services	3,114,190	4,267	4,267	3,114,190
Reimbursables	52,626,673	72,062	72,062	52,626,673
Non Consultancy Services	10,957,414,949	15,070,637	15,070,637	10,957,414,949
Insurance of Vehicles	2,604,326	3,566	3,566	2,604,326
Insurance of other Assets	2,604,326	3,566	3,566	2,604,326
Other Services	15,047,592	20,611	20,611	15,047,592
Bank Charges	765,500	1,048	1,048	765,500
City Rates	15,813,093	21,659	21,659	15,813,093
M/Vehicle Expenses	503,529,308	690,202	690,202	503,529,308
Fuels & Lubricants	503,529,308	690,202	690,202	503,529,308
Assets Maintenance	174,301,992	238,827	238,827	174,301,992
Vehicle maintenance	3,748,722	5,130	5,130	3,748,722
Equipment maint.	74,129,999	101,899	101,899	74,129,999
Buildings maintenance	252,180,713	345,856	345,856	252,180,713
Grants to Subjects	235,189,223	322,515	322,515	235,189,223
Grants to Subjects	235,189,223	322,515	322,515	235,189,223
TOTAL	13,184,949,475	18,125,308	18,125,308	13,184,949,475
Non-Current assets For Year	8,665,175,738	11,874,660	11,874,660	8,665,175,738
TOTAL EXPENDITURE	21,850,125,213	29,999,968	29,999,968	21,850,125,213
BALANCES	8,436,797,034	11,602,589	11,602,589	8,436,797,034
	17,739,967	12,592,476,357	12,592,476,357	17,739,967
	2,823,549	2,056,443,060	2,056,443,060	2,823,549
	2,823,549	2,056,443,060	2,056,443,060	2,823,549
	170,217	123,207,033	123,207,033	170,217
	3,030	2,176,766	2,176,766	3,030
	0	0	0	0
	176,276	127,560,566	127,560,566	176,276
	732,064	530,230,450	530,230,450	732,064
	732,064	530,230,450	530,230,450	732,064
	30,738	21,624,568	21,624,568	30,738
	0	0	0	0
	30,738	21,624,568	21,624,568	30,738
	35,189	25,612,995	25,612,995	35,189
	35,189	25,612,995	25,612,995	35,189
	10,936,330	7,667,984,935	7,667,984,935	10,936,330
	355,157	251,874,640	251,874,640	355,157
	2,639	1,807,564	1,807,564	2,639
	440,598	318,005,384	318,005,384	440,598
	11,734,724	8,239,672,523	8,239,672,523	11,734,724
	94,092	65,286,875	65,286,875	94,092
	68,790	47,224,705	47,224,705	68,790
	25,302	18,062,170	18,062,170	25,302
	29,040	21,097,061	21,097,061	29,040
	29,040	21,097,061	21,097,061	29,040

NOTES TO THE FINANCIAL STATEMENTS

1.0 NATURE OF THE PROGRAM

The Shire River Basin Management Program (Phase I) Project is designed to develop a strategic planning and development framework for the Shire River Basin so as to improve land and water resources management for ecosystem and livelihood benefits in the targeted areas.
 The Government of Malawi (GoM) and World Bank signed Financing Agreements on 22nd August 2012 and the project became effective on 7th September, 2012. This is the fifth year of project implementation.

Financial Management and Accounting

The Ministry of Agriculture, Irrigation and Water Development through the Secretariat coordinates, controls, accounts and monitors the utilization of project funds.

The Secretariat manages the Investment Partner's fiduciary policies and procedures. The Secretariat supports the implementation and maintenance of centralized financial management, internal controls, disbursements and financial reporting procedures for the project.

The accounting system operates within the general framework of the Government Financial Management system, which is governed by the Public Finance Management Act No. 7 enacted in 2003. The overall direction for the GoM budget process is stipulated in Public Finance Management Act and is operationalized by Treasury Circulars and Instructions. The Acts and the Treasury Instructions and Circulars stipulate the accounting guidelines for the GoM and GoM managed projects.

The project uses Tompro accounting package for processing and reporting on project transactions and activities.

2.0

ACCOUNTING POLICIES

2.1

Basis

The accounts have been prepared using the historic cost convention and IPSAS cash basis. All receipts and expenses incurred in the period are reflected in the financial statements.

2.2

Foreign Currency Transactions

Local currency Receipts and Payments Account transactions are translated back to foreign currency using the exchange rate at the date of draw down, while payments in foreign currency are translated to local currency using actual exchange rate on the transaction date.

Expenditures in local currency are translated back to foreign currency using the exchange rate at which the draw down was converted.

Closing bank balances are translated back to foreign currency using the rate of exchange on the last day of the accounting period. The closing rate at 30th June, 2017 was MK730 to \$1.00

2.3

Receipts

Receipts are stated at actual amounts withdrawn from the World Bank accounts

2.4

Prior Period error

Prior year amounts relating to debtors in the statement of receipts and payments have been restated to comply with IPSAS presentation.

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3.0 Non-Current Assets

Property and equipment is stated at historical cost. Assets are not depreciated. Historical cost includes expenditure that directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

	Opening Balance as at 1st July 2017	Additions for the year	Closing Balance as at 30th June 2018
Non-Current Assets	Mwk	Mwk	Mwk
Vehicles	900,574,893	=	900,574,893
Sub Total	900,574,893	=	900,574,893
Property, Plant and Equipment			
Office Equipment	1,826,630,467	292,775,281	2,119,405,748
Office Furniture	46,049,866	-	46,049,866
Software	82,188,026	4,441,249	86,629,275
Sub Total	1,954,868,359	297,216,530	2,252,084,889
Construction of Buildings			
Construction & Rehabilitation of Boreholes & Water Pumps	115,890,732	-	115,890,732
Construction of Buildings and Fence	1,278,561,170	2,743,368,986	4,021,930,156
Construction & Rehabilitation of Roads and Bridges	490,716,665	1,586,269,900	2,076,986,565
Construction of Kamuzu Barrage, Install Gates & Weed Boom	8,823,354,307	4,038,320,322	12,861,674,629
Sub Total	10,708,522,874	8,367,959,208	19,076,482,082
Grand Total	13,563,966,126	8,665,175,738	22,229,141,864
Non-Current Assets	USD	USD	USD
Vehicles	2,319,697	=	2,319,697
Sub Total	2,319,697	=	2,319,697
Property, Plant & Equipment			
Office Equipment	3,259,322	400,571	3,259,322
Office Furniture	112,795	-	112,795
Software	207,865	6,084	207,865
Sub Total	3,579,982	1,814,928	3,986,637

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	168,609	1,772,802	675,810	168,609	1,772,802	675,810
Construction and Rehabilitation of Buildings						
Construction & Rehabilitation of Boreholes & Water Pumps	168,609	1,772,802	675,810			
Construction of Buildings & Fence						
Construction & Rehabilitation of Roads and Bridges						
Construction of Kamuzu Barrage, Install of Gates & Weedboom	16,670,924	19,288,145	25,187,824			
Sub Total	16,839,524	19,486,967	25,865,644			
Grand Total	16,839,524	19,486,967	25,865,644	11,874,660	37,062,484	11,874,660

4.0 Bank Balances

	Period 2018		Period 2017	
	MWK	USD	MWK	USD
IDA FCDA	7,950,913,965	10,876,922	11,662,040,681	15,975,399
GEF FCDA	116,436,136	159,284	174,096,109	238,473
LDCF FCDA	67,739,555	92,667	18,519,348	25,369
Operating Account	267,064,401	406,577	943,753,413	1,344,068
Advances / Debtors 8	34,642,977	67,140	113,285,795	177,621
TOTAL	8,436,797,034	11,602,590	12,911,695,346	17,760,930

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5.0 Donor Funding

	Opening Balance	Additions	Closing Balance		Opening Balance	Additions	Closing Balance
IDA Q7630- MAI	1,136,869	=	1,136,869	USD	177,125,629	=	177,125,629
IDA 51250 Loan	56,905,244	23,020,217	79,925,461	USD	37,943,006,672	16,776,598,661	37,943,006,672
IDA H7750 Grant	29,449,938	=	29,449,938	USD	12,064,538,961	=	12,064,538,961
GEF Grant TF 12920	4,105,998	719,522	4,825,520	USD	2,481,709,662	526,149,244	2,481,709,662
LDCF Grant TF 12921	1,368,371	67,298	1,435,669	USD	823,993,582	49,220,207	823,993,582
Total	92,966,420	23,807,037	116,773,457	USD	53,490,374,506	17,351,968,112	70,842,342,618

6.0 Other Income

	Opening Balance	Interest Received	Sale of Tender Documents	Total for the Year	TOTAL
2018 - MWK	109,143,796	23,258,789	=	23,258,789	132,402,585
2018 - USD	205,392	34,590	=	34,950	239,982
2017 - MWK	70,090,275	20,693,600	18,359,920	39,053,520	109,143,795
2017 - USD	151,430	28,687	25,274	53,961	205,392

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

7.0 Cumulative Costs

	Period 2018		Period 2017	
	MWK		USD	
Opening Balance	27,123,856,831	50,223,058	19,018,035,412	42,906,686
Additions	13,184,949,475	18,125,307	12,592,476,357	17,739,967
Capitalization	=	=	(4,486,654,938)	(10,423,595)
TOTAL	40,308,806,306	68,348,366	27,123,856,831	50,223,058

Cumulative costs comprises of Capital & Operational expenditures incurred since the project became effective.

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8.0 Debtors / District Advances

District	Opening Balance as at 1st July 2017	Opening Balance as at 1st July 2017	Amount Funded	Amount Funded	Amount Justified	Amount Justified	Debtors during the Year	Debtors during the Year	Debtors as at 30th June 2018	Debtors as at 30th June 2018
	MK	USD	MK	USD	MK	USD	MK	USD	MK	USD
Ntcheu	15,095,414	23,462	26,702,192	36,566	41,211,770	56,377	(14,509,578)	(19,812)	585,836	3,651
Mangochi	-	-	18,562,647	25,614	18,562,647	25,614	-	(0,25)	-	(0,25)
Machinga	7,004,518	13,351	25,948,924	35,520	28,128,193	39,975	(2,179,269)	(4,455)	4,825,249	8,896
Zomba	24,790,751	35,625	23,357,002	31,962	47,461,558	64,956	(24,104,556)	(32,995)	686,195	2,630
Neno	10,759,596	21,187	51,117,898	69,988	47,121,067	64,506	3,996,831	5,482	14,756,427	26,669
Blantyre	37,234,539	53,928	38,340,471	52,475	65,686,230	91,655	(27,345,759)	(39,180)	9,888,780	14,749
Blantyre - RFO	-	-	12,351,000	16,986	13,416,876	18,366	(1,065,876)	(1,381)	(1,065,876)	(1,381)
Chikwawa	9,117,851	12,619	2,932,250	4,013	10,315,532	14,119	(7,383,282)	(10,106)	1,734,569	2,513
Nsanje	5,503,960	8,265	16,677,978	22,830	20,625,650	28,239	(3,947,672)	(5,409)	1,556,288	2,856
NHBM	2,076,237	2,713	-	-	1,835,000	2,555	(1,835,000)	(2,555)	241,236	158
Lengwe Park	1,694,685	6,457	96,211,049	131,936	96,473,196	131,999	(262,147)	(63)	1,432,538	6,395
Office Support-Advances	8,245	13	-	-	6,512	9	(6,512)	(9)	1,733	4
Total	113,285,795	177,621	312,201,412	427,889	390,844,230	538,370	(78,642,818)	(110,481)	34,642,977	67,140