



**MINISTRY OF AGRICULTURE,  
IRRIGATION AND WATER DEVELOPMENT**

**SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT**

PROJECT ID NUMBERS P117617 AND P127866

IDA GRANT No. H7750

IDA LOAN No. 51250

GEF GRANT No. TF 12920

LDCF GRANT No. TF 12921

**FINANCIAL STATEMENTS  
FOR THE ELEVEN (11) MONTH PERIOD ENDING 31<sup>ST</sup> MAY 2019**

**NATIONAL AUDIT OFFICE  
P. O. BOX 30045  
LILONGWE**



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## **CONTROLLING OFFICER'S REPORT ON THE IMPLEMENTATION OF SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT**

### **INTRODUCTION**

The Shire River Basin Management Programme (Phase 1) Project was 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 (LCDF)-USD1.5million. The Government of Malawi made contribution in cash and kind amounting to USD11.3 million in the Project.

The project addressed 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 promoted 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 also supported 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 also improved flood risk management in the lower shire. Project investments was designed to support the Government's economic growth and development plans for the basin.

The first phase of the program was for a period of 6.5 years spanning from the year 2012 to 31<sup>st</sup> January 2019 and became effective on 7<sup>th</sup> September 2012.

The project was organized in three major components namely:

#### **➤ Component A – Shire Basin Planning**

Shire Basin Planning aimed at laying 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 was to rehabilitate and manage target sub-catchment areas so as to reduce erosion and improve people's livelihoods.

↓ **Component C – Water Related Infrastructure**

Water Related Infrastructure main objective was to support new investments that would enable improved regulation of the Shire flows and strengthen climate resilience. In this regard, the component supported 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 was 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 Water Development and Irrigation (MoAIWD) was designated as lead implementing agency, and overall project coordination was housed in the Department of Irrigation and Water Development. In order to ensure broad Government ownership, each component, sub component and activity was implemented through the relevant Ministries and Departments.

**PROJECT OBJECTIVES AND OUTPUTS**

The overall program development objective was 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 was 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. Specifically, the project was to:

- 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.

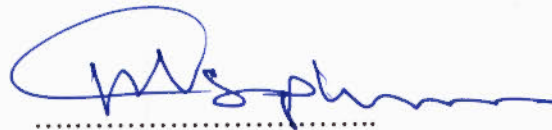
## PROJECT KEY ACHIEVEMENTS DURING THE PROJECT

The following are the key achievements that the Project registered during the implementation period;

- a. The development process for the Shire Basin Plan was fully concluded and the Plan was formally adopted by the GoM. This signifies attainment of a key precursor aspect that embodied the Project's PDO, namely: *development of the Shire Basin Planning Framework*. The adopted Basin Plans were subsequently printed and distributed to all participating District Councils with a view to facilitating their incorporation into and/or synchronization with the District Development Plans (DDPs);
- b. The development of an integrated Shire Basin Knowledge base with various products including the State of the Shire Basin report; the updated Shire Basin Atlas; various analytical tools that were subsequently used to model and compile the various elements of the Shire Basin Plan; 17 thematic and sectoral reports; and the biodiversity specific knowledge products such as forest cover and habitat maps, biodiversity atlas, amongst others;
- c. The construction and supervision a purpose-built Shire River Basin Agency office building in Blantyre was successfully completed;
- d. The rehabilitation of eight government buildings for some participating departments which included the following: i) Department of Land Resources Conservation Offices in Lilongwe; ii) the Water Resources Office block at Ngabu; iii) the Southern Region Water Laboratory in Blantyre; iv) the Department of Surveys and Department of Climate Change and Meteorological Services Archive building in Blantyre; v) the Department of Irrigation Conference Room and ablution block; vi) the Neno EPA Office; vii) the Zomba Land Resources Training Centre; and viii) the Mangochi District Forestry Office;
- e. The modernization of Hydrological and Meteorological Monitoring Networks through procurement and installation of 88 stations, comprising 23 Hydrological near-real-time stations and 65 Meteorological near-real-time stations which has modernized the collation and transmission of hydrometric data from the installed stations to the centrally installed base stations at Tikwere House and DCCMS office in Blantyre;
- f. The successful development, deployment and operationalization of the Operational Decision Support System (ODSS) through the enhanced Hydrological and meteorological monitoring with inherent analysis and visualization platforms as well as automatic transmission of processed information for decision making by targeted stakeholders and the general public;
- g. The project also completed Hydrogeological and Water Quality Mapping in the Shire River Basin which included the following activities: (i) mapping out

- groundwater aquifers, including yields, and water quality parameters; (ii) Assessing the groundwater resources including aquifer characteristics, determination of sustainable yields; (iii) improving the existing hydrogeological and water quality database; (iv) producing hydrogeological and water quality maps, and (v) building capacity in groundwater and water quality aspects.
- h. The project managed to develop National Integrated Catchment Management and Rural Infrastructure Development Guidelines which are already being put to use by District Councils and other stakeholders;
  - i. The project managed to subject a total of 25,212 hectares of land to sustainable land and water management (SLWM) practices through various interventions, surpassing the project end-of-project target of 24,460 hectares. At this level, the Project involved about 77 percent of targeted households;
  - j. The Project completed development of all planned catchment management plans at all levels including the four catchment-wide plans, 17 sub-catchment-wide plans, and 305 Village Level Management Plan. These plans outlines the specific interventions that communities will continue implementing with a view to addressing the identified environmental and/or catchment management issues;
  - k. The project successfully established and trained 366 Common Interest Groups (CIGs) through which a total amount of MK620.5 million livelihood investment start-up grants was disbursed surpassing the end-of-Project revised targets of 306 CIGs and MK220 million livelihoods investment grants;
  - l. The Project completed construction works for four targeted rural feeder roads, covering a combined distance of about 80 kms;
  - m. The Project completed upgrading works for 13 market centres. The Project completed Chingale, Chinseu, Masaula, Msoa, Senzani, Manjawira, Doviko, Tsangano Turn-Off, Chawe and Kundembo markets. The Project also substantially completed, Kambale and Ligowe Markets;
  - n. The Project completed the construction of rural bridges and culverts at all 11(eleven) targeted sites, and all these sites were certified by GoM Engineers from the Department of Roads;
  - o. The Project managed to complete design and construction of two sets of Ranger Camps and the Conference Centre at Lengwe National Park, representing a momentous attainment of the key result objectives of the GEF financed component of the Project that was aimed at enhancing financial sustainability of the two targeted national parks;
  - p. The project supported promotion of the community participatory forest co-management approach in five forest reserves of Neno Eastern Escarpment, Mangochi, Liwonde, Zomba/Malosa and Matandwe through establishment of co-management structures including 27 Co-Management Plans and Agreements;

- q. The project completed the core works relating to the upgrading of the Kamuzu Barrage works which included the core concrete works involving construction a new bridge and ancillary energy dissipaters; the mechanical works involving procuring and installation of all 14 automated gates and their ancillary components; as well as the installation of the Jib Crane and the Weed Boom for management of the weeds;
- r. The project completed construction of nine flood protection structures in the Lower Shire, including dykes at Gooke, Masenjere, Nafafa, and Tengani as well as the safe crossing/bridge at Mafale II, Monica river diversion structures, Livunzu storm water management structures, Nchalo bridge upgrading works and another Tengani causeway crossing;
- s. The project completed the development of the first and second generation Guidelines on Community Flood Management, which have since been adopted by government;
- t. The Project procured and distributed flood warning equipment to 45 targeted CPCs constituting 59 Mega phones with sirens, 100 mobile phones, 45 solar powered inverter chargers, and 60 Solar Lamps with a view to enhancing the efficacy of community response in times of imminent flood risks;
- u. 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;
- v. The Project successfully facilitated the designation of the Elephant Marsh as a site of World ecological importance under the RAMSAR convention through successful conclusion of the climate resilience studies whose outcomes were used to prepare the RAMSAR nomination file; and
- w. The Project successfully carried out two preparation studies for water-related infrastructure namely; (1). Water availability Study, Aquatic Weeds Management at Kamuzu Barrage; (2). Feasibility Study for the Rehabilitation of Mpira-Balaka Dam for Gravity-Fed Rural Water Supply Scheme.



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Gray S.V.K. Nyandule-Phiri

**SECRETARY FOR AGRICULTURE, IRRIGATION  
AND WATER DEVELOPMENT**

**STATEMENT OF MANAGEMENT RESPONSIBILITIES  
FOR THE 11 MONTH PERIOD ENDING 31<sup>ST</sup> MAY 2019**

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:



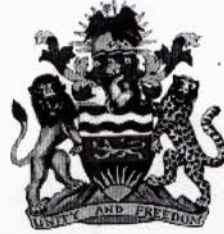
.....  
Gray S.V.K. Nyandule- Phiri  
**SECRETARY FOR AGRICULTURE,  
IRRIGATION AND WATER DEVELOPMENT**



.....  
Sydney L. Kamtukule  
**PROJECT COORDINATOR**



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## AUDITOR GENERAL'S REPORT

**TO THE SECRETARY FOR AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT ON  
THE FINANCIAL STATEMENTS OF SHIRE RIVER BASIN MANAGEMENT PROGRAM – IDA  
GRANT NO. H775, IDA LOAN NO.51250, GEF GRANT NO. TF 12920 AND LDCF GRANT NO. TF  
12921  
FOR THE ELEVEN (11) MONTH PERIOD ENDING 31<sup>ST</sup> MAY 2019**

### Opinion

I have audited the Financial Statements comprising the Statement of Financial Position, Statement of Receipts and Payments and Designated Account Activity Statement of the Shire River Basin Management Program for the eleven (11) month ended 31<sup>st</sup> May, 2018 and the related notes to the accounts for the period then ended as set out on pages 11 to 23.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Shire River Basin Management Program for the eleven (11) month period ended 31<sup>st</sup> May, 2019 in accordance with the International Public Sector Accounting Standards (IPSAS).

### Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Shire River Basin Management Program and the Ministry of Agriculture, Irrigation and Water Development in accordance with the International Standards of Supreme Audit Institutions - *Code of ethics* (ISSAI 30) as promulgated by the International Organisation of Supreme Audit Institutions (INTOSAI), and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of Matter

I draw attention to note 8.0 to the financial statements which describes the project's failure to settle all claims due to contractors who worked on the Kamuzu Barrage amounting to **USD5,346,835** equivalent to K3.9 billion. The amount was owed to Conduril Engenharia SA (USD4,222,440) and CMC di Ravenna (USD1,124,395). My opinion is not qualified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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 (IPSAS) 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 K.B. MAKIWA**  
**ACTING AUDITOR GENERAL**  
**NATIONAL AUDIT OFFICE**  
**LILONGWE**  
**MALAWI**

Date: 16<sup>TH</sup> SEPTEMBER 2019




**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 11 MONTHS PERIOD ENDING 31ST MAY 2019**

**STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> MAY 2019**

	NOTES	Period 2019		Period 2018	
		MK	USD	MK	USD
<b>ASSETS</b>					
Non-Current Assets	3	26,625,858,514	43,125,881	22,229,141,863	37,062,484
<b>Current Assets</b>					
Bank & Cash Balances	4	94,863,501	131,667	8,436,797,034	11,602,590
<b>TOTAL ASSETS</b>		<b><u>26,720,722,016</u></b>	<b><u>43,257,548</u></b>	<b><u>30,665,938,897</u></b>	<b><u>48,665,074</u></b>
<b>FINANCED BY</b>					
IDA Q7630- MAI		177,125,629	1,136,869	177,125,629	1,136,869
IDA 51250-Loan		58,218,979,904	84,709,295	54,719,605,333	79,925,461
IDA H7750-Grant		12,064,538,961	29,449,938	12,064,538,961	29,449,938
GEF TF12920-Grant		3,192,742,836	5,078,000	3,007,858,906	4,825,520
LDCF TF12921-Grant		919,471,391	1,500,000	873,213,789	1,435,669
<b>Total Loans and Grants</b>	5	<b><u>74,572,858,721</u></b>	<b><u>121,874,101</u></b>	<b><u>70,842,342,618</u></b>	<b><u>116,773,457</u></b>
Other Income	6	144,004,885	255,843	132,402,585	239,982
Cumulative Costs	7	(47,996,141,590)	(78,872,396)	(40,308,806,305)	(68,348,366)
<b>TOTAL FINANCES</b>		<b><u>26,720,722,016</u></b>	<b><u>43,257,548</u></b>	<b><u>30,665,938,898</u></b>	<b><u>48,665,074</u></b>

Signed.....  
  
 Sydney L. Kamtukule  
 Project Coordinator

Signed.....  
  
 Chisomo E. Nayeja  
 Financial Management Specialist

Signed.....  
  
 Gray S.V.K. Nyandule-Phiri  
 Secretary for Agriculture, Irrigation  
 & Water Development

Date.....  
 12/9/19

Date.....  
 12/9/19

Date.....  
 12/9/19

**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 11 MONTHS PERIOD ENDING 31ST MAY 2019**

**STATEMENT OF RECEIPTS & PAYMENTS FOR THE II MONTHS PERIOD ENDED 31<sup>ST</sup> MAY 2019**

	Notes	Period 2019		Period 2018	
		MWK	USD	MWK	USD
<b>Opening Balances</b>	4	<b>8,436,797,034</b>	<b>11,602,590</b>	<b>12,911,695,346</b>	<b>17,760,930</b>
<b>Receipts</b>					
IDA 51250	5	3,499,374,571	4,783,834	16,776,598,661	23,020,217
GEF TF 12920	5	184,883,930	252,480	526,149,244	719,522
LDCF TF 12921	5	46,257,602	64,331	49,220,207	67,298
Other Income	6	<u>11,602,300</u>	<u>15,861</u>	<u>23,258,789</u>	<u>34,590</u>
<b>Total receipts</b>		<b><u>3,742,118,403</u></b>	<b><u>5,116,506</u></b>	<b><u>17,375,226,901</u></b>	<b><u>23,841,627</u></b>
<b>Total Funds Available</b>		<b><u>12,178,915,438</u></b>	<b><u>16,719,095</u></b>	<b><u>33,135,176,172</u></b>	<b><u>30,286,922,247</u></b>
<b>Less Uses of funds by disbursement categories</b>					
1 Goods, works, const, training & Operating costs (loan)		9,061,744,183	24,462,704	17,809,360,603	24,462,704
2 Grants to sub groups		-	-	-	-
3 Kamuzu Barrage		2,921,896,064	4,004,900	4,040,764,610	5,537,264
4 GOM – Project closure activities		<u>100,411,690</u>	<u>137,550</u>	<u>0</u>	<u>0</u>
<b>Total Expenditure</b>		<b><u>12,084,051,937</u></b>	<b><u>16,587,429</u></b>	<b><u>21,850,125,213</u></b>	<b><u>29,999,968</u></b>
<b>Surplus Funds</b>	4	<b><u>94,863,501</u></b>	<b><u>131,667</u></b>	<b><u>8,436,797,034</u></b>	<b><u>11,602,590</u></b>

**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 11 MONTHS PERIOD ENDING 31ST MAY 2019**

**SCHEDULE OF WITHDRAWALS APPLICATIONS FOR IDA H7750 AND IDA 51250**

	Period 2019	Period 2018	Available resources
	USD	USD	USD
<b>Sources of Funds</b>			
IDA Credit no 51250	93,750,000	93,750,000	83,971,602
IDA Grant no H7750	<u>31,250,000</u>	<u>31,250,000</u>	<u>30,586,807</u>
<b>Total Funds Available</b>	<b><u>125,000,000</u></b>	<b><u>125,000,000</u></b>	<b><u>114,558,409</u></b>
<b>Drawings</b>			
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	28,897,554
Drawing on SRBM F/Y 2018	23,020,217	23,020,217	23,020,217
Drawing on SRBM F/Y 2019	4,783,834	-	4,783,834
<b>Total Drawings</b>	<b><u>115,296,102</u></b>	<b><u>110,512,268</u></b>	<b><u>115,296,102</u></b>
<b>Funds Available less drawings</b>	<b><u>9,703,898</u></b>	<b><u>14,437,732</u></b>	<b><u>0</u></b>
<b>Undisbursed Balance</b>			
IDA Credit no 51250	9,040,705	13,774,539	0
IDA Grant no H7750	<u>663,193</u>	<u>663,193</u>	<u>0</u>
<b>Total Balance</b>	<b><u>9,703,898</u></b>	<b><u>14,437,732</u></b>	<b><u>0</u></b>

*Note: The project incurred losses amounting to USD9,703,898 as of 31<sup>st</sup> May 2019 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 11 MONTHS PERIOD ENDING 31ST MAY 2019**

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

	GEF TF 12920	LDCF TF 12921	TOTAL
	USD	USD	USD
Sources of Funds	<u>5,078,000</u>	<u>1,500,000</u>	<u>6,578,000</u>
<b>Total Funds Available</b>	<b><u>5,078,000</u></b>	<b><u>1,500,000</u></b>	<b><u>6,578,000</u></b>
<b>Drawings</b>			
Drawing on SRBM F/Y 2012	-	-	-
Drawing on SRBM F/Y 2013	297,454	99,152	396,606
Drawing on SRBM F/Y 2014	773,107	257,782	1,030,888
Drawing on SRBM F/Y 2015	767,716	255,867	1,023,583
Drawing on SRBM F/Y 2016	860,042	286,648	1,146,690
Drawing on SRBM F/Y 2017	1,407,679	468,922	1,876,601
Drawing on SRBM F/Y 2018	719,522	67,298	786,820
Drawing on SRBM F/Y 2019	252,480	64,331	316,811
<b>Total Drawings</b>	<b><u>5,078,000</u></b>	<b><u>1,500,000</u></b>	<b><u>6,578,000</u></b>
<b>Funds Available less drawings</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Undisbursed Balance</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

**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 11 MONTHS PERIOD ENDING 31ST MAY 2019**

**STATEMENT OF USES OF FUNDS BY COMPONENT**

Project Sub-Component	Period 2019	Period 2018	Cumulative	Revised Budget (as per project closing date)
	USD	USD	USD	USD
<b>A. Shire Basin Planning</b>				
A1 Develop Shire Basin Plan	1,559,137	3,665,061	10,560,034	10,560,034
A2 Build Institutional Capacity for Coordinated Basin Mgt	726,640	1,515,510	10,194,484	10,194,484
A3 Improve Water Resources Information Systems	1,445,845	2,159,336	10,673,220	10,673,220
A4 Program Management, Motoring and Evaluation	700,078	1,698,453	10,192,676	10,192,676
PPA			<u>788,244</u>	<u>788,244</u>
<b>Subtotal</b>	<b><u>4,431,670</u></b>	<b><u>9,038,360</u></b>	<b><u>42,408,658</u></b>	<b><u>42,408,658</u></b>
<b>B. Catchment Management</b>				
B1 Build Institutional Capacity for Sub catchment Planning /monit.	46,476	1,906,630	11,005,771	11,005,771
B2 Rehabilitated targeted Sub catchment	151,981	2,141,055	6,964,980	6,964,980
B3 Alternative Rural livelihood	157,349	717,535	3,610,988	3,610,988
B4 sustainable Management of the Shire Forest	<u>452,378</u>	<u>875,364</u>	<u>4,339,010</u>	<u>4,339,010</u>
<b>Subtotal</b>	<b><u>808,185</u></b>	<b><u>5,640,583</u></b>	<b><u>25,112,565</u></b>	<b><u>25,112,565</u></b>
<b>C. Water Related Infrastructure</b>				
C1 Kamuzu Barrage Upgrade	9,793,072	12,312,855	45,274,687	45,274,687
C2 Flood Management	672,309	3,008,171	7,478,516	7,478,516
C3 New Water Investment	<u>744,614</u>		<u>791,491</u>	<u>791,491</u>
<b>Subtotal</b>	<b><u>11,209,996</u></b>	<b><u>15,321,026</u></b>	<b><u>53,544,695</u></b>	<b><u>53,544,695</u></b>
<b>D. Government Financed activities</b>				
<b>Subtotal</b>	<b><u>137,550</u></b>		<b><u>137,550</u></b>	<b><u>137,550</u></b>
<b>TOTAL EXPENDITURE</b>	<b><u>16,587,430</u></b>	<b><u>29,999,968</u></b>	<b><u>122,011,653</u></b>	<b><u>122,011,653</u></b>



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**RECEIPTS AND PAYMENTS - MALAWI GOVERNMENT ACCOUNTING**

RECEIPTS	Period 2019		Period 2018	
	MWK	USD	MWK	USD
<b>Opening Balance</b>	<b>8,436,797,034</b>	<b>11,602,590</b>	<b>12,911,695,346</b>	<b>17,760,930</b>
Total Receipts	3,730,516,103	5,100,645	17,351,968,112	23,807,037
Other Income	11,602,300	15,861	23,258,789	34,590
<b>TOTAL INCOME</b>	<b><u>12,178,915,438</u></b>	<b><u>16,719,095</u></b>	<b><u>30,286,922,247</u></b>	<b><u>41,602,557</u></b>
<b>PAYMENTS</b>				
<b>Personal Emoluments &amp; Benefits</b>				
Salaries-Permanent Staff			0	0
Temporary Employment	<u>8,187,000</u>	<u>11,087</u>	<u>12,142,660</u>	<u>16,619</u>
	<b><u>8,187,000</u></b>	<b><u>11,087</u></b>	<b><u>12,142,660</u></b>	<b><u>16,633</u></b>
<b>Internal Travel</b>				
Hiring Costs	590,000	806	5,600,800	7,686
Hiring of Motor vehicle	435,000	595	1,766,000	2,417
Subsistence Allowances	376,987,519	520,509	716,547,817	983,196
Hotel Charges	<u>55,007,147</u>	<u>75,185</u>	<u>115,130,225</u>	<u>157,666</u>
	<b><u>433,019,667</u></b>	<b><u>597,095</u></b>	<b><u>839,080,342</u></b>	<b><u>1,150,965</u></b>
<b>Foreign Travel</b>				
Airfares and Fees	0	0	13,847,329	18,972
External Travel Allowance	<u>0</u>	<u>0</u>	<u>13,903,808</u>	<u>19,037</u>
	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>27,751,137</u></b>	<b><u>38,009</u></b>
<b>Public Utilities</b>				
Heating and Lighting	4,134,656	5,653	3,369,970	4,609
Telephone & Internet	41,492,562	56,711	72,987,573	99,981
Water and Sanitation	<u>3,654,445</u>	<u>4,997</u>	<u>2,963,269</u>	<u>4,054</u>
	<b><u>49,281,660</u></b>	<b><u>67,361</u></b>	<b><u>79,320,812</u></b>	<b><u>108,644</u></b>
<b>Office Supplies</b>				
Computer Expenses	12,106,853	16,553	6,032,514	8,252
Consumables	16,721,169	28,494	48,393,594	66,786
Postal Charges	0	0	895,000	1,230
Printing Costs	700,445	959	45,786,362	62,674
Publications and Advertising	8,560,895	11,717	37,420,096	51,251
Stationery	19,131,728	26,735	62,393,524	85,504
Uniform & Protective wear	3,257,740	4,459	8,262,800	11,429
Freight Charges	0	0		
Hire of Security Services	1,045,049	1,430	1,290,093	1766
Hospitality Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<b><u>61,523,888</u></b>	<b><u>90,347</u></b>	<b><u>210,473,982</u></b>	<b><u>288,892</u></b>

**SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT**  
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<b>Rent Expenses</b>				
Rent of Offices	<u>28,777,413</u>	<u>39,383</u>	<u>41,663,190</u>	<u>57,042</u>
	<b><u>28,777,413</u></b>	<b><u>39,383</u></b>	<b><u>41,663,190</u></b>	<b><u>57,043</u></b>
<b>Training Expenses</b>				
Internal Training	0	0	7,821,240	10,702
External Training	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>7,821,240</u></b>	<b><u>10,702</u></b>
<b>Acquisition of Technical Services</b>				
Consultancy	6,354,203,529	8,686,786	10,599,966,302	14,581,116
Prof. & Tech Services	183,953,778	251,328	301,707,784	413,192
Reimbursables	55,221,096	75,490	3,114,190	4,267
Non Consultancy Services	<u>8,883,975</u>	<u>12,167</u>	<u>52,626,673</u>	<u>72,062</u>
	<b><u>6,602,262,378</u></b>	<b><u>9,025,771</u></b>	<b><u>10,957,414,949</u></b>	<b><u>15,070,637</u></b>
<b>Insurance of Vehicles</b>				
Insurance of other Assets	<u>20,145,860</u>	<u>27,534</u>	<u>2,604,326</u>	<u>3,566</u>
	<b><u>20,145,860</u></b>	<b><u>27,534</u></b>	<b><u>2,604,326</u></b>	<b><u>3,566</u></b>
<b>Other Services</b>				
Bank Charges	7,619,357	10,408	15,047,592	20,611
City Rates	<u>224,400</u>	<u>307</u>	<u>765,500</u>	<u>1,048</u>
	<b><u>7,843,757</u></b>	<b><u>10,714</u></b>	<b><u>15,813,093</u></b>	<b><u>21,659</u></b>
<b>M/Vehicle Expenses</b>				
Fuels & Lubricants	<u>284,311,647</u>	<u>391,743</u>	<u>503,529,308</u>	<u>690,202</u>
	<b><u>284,311,647</u></b>	<b><u>391,743</u></b>	<b><u>503,529,308</u></b>	<b><u>690,202</u></b>
<b>Assets Maintenance</b>				
Vehicle maintenance	110,937,664	152,174	174,301,992	238,827
Equipment maint.	3,858,582	5,275	3,748,722	5,130
Buildings maintenance	<u>544,090</u>	<u>744</u>	<u>74,129,999</u>	<u>101,899</u>
	<b><u>115,340,336</u></b>	<b><u>158,193</u></b>	<b><u>252,180,713</u></b>	<b><u>345,856</u></b>
<b>Grants to Subprojects</b>				
Grants to Subprojects	<u>76,641,679</u>	<u>104,803</u>	<u>235,189,223</u>	<u>322,515</u>
	<b><u>76,641,679</u></b>	<b><u>104,803</u></b>	<b><u>235,189,223</u></b>	<b><u>322,515</u></b>
<b>TOTAL</b>	<b><u>7,687,335,286</u></b>	<b><u>10,524,031</u></b>	<b><u>13,184,949,475</u></b>	<b><u>18,125,308</u></b>
Non-Current assets for Year	4,396,716,650	6,063,397	8,665,175,738	11,874,660
<b>TOTAL EXPENDITURE</b>	<b><u>12,084,051,936</u></b>	<b><u>16,587,429</u></b>	<b><u>21,850,125,213</u></b>	<b><u>29,999,968</u></b>
<b>BALANCES</b>	<b><u>94,863,502</u></b>	<b><u>131,667</u></b>	<b><u>8,436,797,034</u></b>	<b><u>11,602,589</u></b>

**SHIRE RIVER BASIN MANAGEMENT PROGRAM (PHASE I) PROJECT  
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**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 22<sup>nd</sup> August 2012 and the project became effective on 7<sup>th</sup> September, 2012. This is the sixth 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 31<sup>st</sup> May 2019 was MK719 to \$1.00**

**2.3 Receipts**

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

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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.

Non-Current Assets	Opening Balance as at 1st July 2018	Additions for the year	Closing Balance as at 31 <sup>st</sup> May 2019
	Mwk	Mwk	Mwk
Vehicles	<u>900,574,893</u>	<u>0</u>	<u>900,574,893</u>
<b>Sub Total</b>	<b><u>900,574,893</u></b>	<b><u>0</u></b>	<b><u>900,574,893</u></b>
<b>Property, Plant and Equipment</b>			
Equipment	2,119,405,748	12,232,500	2,131,638,248
Office Furniture	46,049,866	0	46,049,866
Software	<u>86,629,275</u>		<u>86,629,275</u>
<b>Sub Total</b>	<b><u>2,252,084,889</u></b>	<b><u>12,232,500</u></b>	<b><u>2,264,317,389</u></b>
<b>Construction of Buildings</b>			
Construction & Rehabilitation of Boreholes & Water Pumps	115,890,732	-	115,890,732
Construction of Buildings and Fence	4,021,930,156	1,258,914,555	5,280,844,711
Construction & Rehabilitation of Roads and Bridges	2,076,986,565	203,673,532	2,280,660,097
Construction of Kamuzu Barrage, Install Gates & Weed Boom	<u>12,861,674,629</u>	<u>2,921,896,064</u>	<u>15,783,570,693</u>
<b>Sub Total</b>	<b><u>19,076,482,082</u></b>	<b><u>4,384,484,150</u></b>	<b><u>23,460,966,232</u></b>
<b>Grand Total</b>	<b><u>22,229,141,864</u></b>	<b><u>4,396,716,650</u></b>	<b><u>26,625,858,514</u></b>

Non-Current Assets	Opening Balance as at 1st July 2018	Additions for the year	Closing Balance as at 31 <sup>st</sup> May 2019
	USD	USD	USD
Vehicles	<u>2,319,697</u>	=	<u>2,319,697</u>
<b>Sub Total</b>	<b><u>2,319,697</u></b>	<b>=</b>	<b><u>2,319,697</u></b>
<b>Property, Plant &amp; Equipment</b>			
Equipment	3,259,322	16,722	3,676,615
Office Furniture	112,795	-	112,795
Software	<u>213,949</u>	<u>0</u>	<u>213,949</u>
<b>Sub Total</b>	<b><u>3,579,982</u></b>	<b><u>16,722</u></b>	<b><u>4,003,359</u></b>

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**Construction and Rehabilitation of Buildings**

Construction & Rehabilitation of Boreholes & Water Pumps	168,609	0	168,609
Construction of Buildings & Fence	1,772,802	1,765,931	7,295,978
Construction & Rehabilitation of Roads and Bridges	675,810	275,843	3,128,497

Construction of Kamuzu Barrage, Install of Gates & Weedboom	<u>22,204,840</u>	<u>4,004,900</u>	<u>26,209,740</u>
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<b>Sub Total</b>	<b><u>30,756,150</u></b>	<b><u>6,046,675</u></b>	<b><u>36,802,825</u></b>
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<b>Grand Total</b>	<b><u>37,062,484</u></b>	<b><u>6,063,397</u></b>	<b><u>43,125,881</u></b>
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**4.0 Bank Balances**

	Period 2019		Period 2018	
	MWK	USD	MWK	USD
IDA FCDA	16,572,551	22,778	7,950,913,965	10,876,922
GEF FCDA	0	0	116,436,136	159,284
LDCF FCDA	0	0	67,739,555	92,667
Operating Account	78,290,950	108,889	267,064,401	406,577
Advances / Debtors 8	<u>0</u>	<u>0</u>	<u>34,642,977</u>	<u>67,140</u>
<b>TOTAL</b>	<b><u>94,863,501</u></b>	<b><u>131,667</u></b>	<b><u>8,436,797,034</u></b>	<b><u>11,602,590</u></b>

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**5.0 Donor Funding**

	IDA Q7630- MAI	IDA 51250 Loan	IDA H7750 Grant	GEF Grant TF 12920	LDCF Grant TF 12921	Total
	USD	USD	USD	USD	USD	USD
Opening Balance	1,136,869	79,925,461	29,449,938	4,825,520	1,435,669	116,773,457
Additions	<u>0</u>	<u>4,783,834</u>	<u>0</u>	<u>252,480</u>	<u>64,331</u>	<u>5,100,645</u>
Closing Balance	<u>1,136,869</u>	<u>84,709,295</u>	<u>29,449,938</u>	<u>5,078,000</u>	<u>1,500,000</u>	<u>121,874,102</u>

	IDA Q7630- MAI	IDA 51250 Loan	IDA H7750 Grant	GEF Grant TF 12920	LDCF Grant TF 12921	Total
	MWK	MWK	MWK	MWK	MWK	MWK
Opening Balance	177,125,629	54,719,605,333	12,064,538,961	3,007,858,906	873,213,789	70,842,342,618
Additions	<u>0</u>	<u>3,499,374,571</u>	<u>-</u>	<u>184,883,930</u>	<u>46,257,602</u>	<u>3,730,516,103</u>
Closing Balance	<u>177,125,629</u>	<u>58,218,979,904</u>	<u>12,064,538,961</u>	<u>3,192,742,836</u>	<u>919,471,391</u>	<u>74,572,858,721</u>

**6.0 Other Income**

	2019 – MWK	2019– USD	2018 – MWK	2018– USD
Opening Balance	132,402,585	239,982	109,143,796	205,392
Interest Received	11,602,300	15,861	23,258,789	34,590
Sale of Tender Documents	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total for the Year	<u>11,602,300</u>	<u>15,861</u>	<u>23,258,789</u>	<u>34,950</u>
TOTAL	<u>144,004,885</u>	<u>255,843</u>	<u>132,402,585</u>	<u>239,982</u>

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**7.0 Cumulative Costs**

	Period 2019		Period 2018	
	MWK	USD	MWK	USD
Opening Balance	40,308,806,306	68,348,366	27,123,856,831	50,223,058
Additions	7,687,335,284	10,524,031	13,184,949,475	18,125,307
<b>TOTAL</b>	<b><u>47,996,141,590</u></b>	<b><u>78,872,396</u></b>	<b><u>40,308,806,306</u></b>	<b><u>68,348,366</u></b>

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

**8.0 Outstanding Obligations as at Closing date**

As at the closing date the project had outstanding payments to be made by Government to Kamuzu Barrage contractors amounting to **USD5,346,834.75** (Five Million three hundred and forty six thousand eight hundred and thirty five United States Dollars). Detailed as follows

Item	Contract	Name of Contractor	Amount to be paid (USD)
1	B01	Conduril Engenharia SA	4,222,440
2	M01	CMC di Ravenna	1,124,395
		<b>Total</b>	<b><u>5,346,835</u></b>

During the period under review, an amount of MWK2,030,634,868 (USD 2,829,483) inclusive of penalties amounting to MWK 913,423,638 was garnished by Malawi Revenue Authority on 6th November, 2018. This was in connection with taxes for Norplan AS, the Supervising Engineer for the Upgraded Kamuzu Barrage.

The Ministry of Finance committed to reimburse this amount to the project through the Ministry of Agriculture, Irrigation and Water Development in a letter dated 12th April 2019 and Ref: No. FIN/DAD/RM/5/2/2 as these funds were already committed to project activities. Since the grace period is now over, the Ministry of Finance will have to pay directly to the contractors.

In accordance with the provisions in the Financing Agreement for the project, Government is also expected to honour all remaining obligations to the contractors for all the works completed beyond the project closing date.

The budget for the works at the Upgraded Kamuzu Barrage was based on the consultant's Engineers Cost Report. The consultant (Norplan AS) indicated that the costs would be USD19,337,109.00 and USD9,079,397.00 for civil works and mechanical works (Gates and Weed Boom) respectively. The Amicable Settlement Process (Articles 20.5 and 46.4 of the GCC of the B01 Contract and M01 Contract, respectively) led to the closing amounts on the contracts of USD23,576,577.24 (for civil works) and USD9,130,266.04 making a total of USD32,706,843.28.

The following are the reasons that led to the increase in the projected costs :

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- a. The consultant's costs exclude some asphalt works and ancillary works instructed after 31st January 2019. The consultant's costs also exclude partial time related costs after 31st January 2019 compensated to the contractor as part of the amicable settlement.
- b. The consultant's costs excludes ancillary works instructed under provisional sums after 31st January 2019
- c. The consultant's costs exclude variations covered after 31st January 2019. The amounts at 31st January 2019 were not 100% confirmed between the contractor and consultant as the contractor was still to confirm on the pricing of some Variation Orders.
- d. The consultant's amounts includes for works dayworked as part of the commissioning and ancillary works
- e. A settlement of USD700,000.00 was reached as part of the amicable settlement procedure. As part of the settlement further claims by the contractor and all further deductions of delayed damages were waived.
- f. The price adjustment of MWK-13,000,000.00 and USD-1,600,000.00 was the estimate of the Norplan AS but detailed calculations had not been done by the consultant. The contractor had calculated a price adjustment of USD877,247.00 as accrual to them. The contractor contested that during the project period there was no where that prices of the main materials had actually gone down. This was an item under dispute and was therefore waived as part of the amicable settlement.
- g. The Engineer had estimated the full liquidated damages i.e. 7.5% of the Accepted Contract Amount. The contractor contested the full liquated damages. The Client managed to deduct USD825,000.00 before the amicable settlement procedure. The deducted amounts largely went to support the extension of the consultant's supervision contract. This was an item under dispute. Further deductions of liquidated damages were waived as part of the amicable settlement.