



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

SHIRE VALLEY IRRIGATION PROJECT

IDA Q9550

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016**

**National Audit Office
P O Box 30045
Capital City
Lilongwe 3**

TABLE OF CONTENTS

ENDED 30

Controlling Officers' Report	1
Statement of Management Responsibilities	3
Auditors General's Report	4
Statement of Financial Position as at 30 th June 2016	6
Statement of Sources and Uses of Funds By Component	7
Statement of Sources and Uses of Funds By Activity	8
Designated Account Statement	9
Notes to the Financial Statement	

**SHIRE VALLEY IRRIGATION PROJECT
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

CONTROLLING OFFICER'S REPORT

1.0 INTRODUCTION

The Government of Malawi is carrying out Project Preparation Activities for Shire Valley Irrigation Project (SVIP) under the framework of the Green Belt Initiative. The SVIP and other related GBI projects are being implemented to attain objectives of the Malawi Growth and Development Strategy II (MGDS II). The MGDS II is the country's overarching operational medium-term strategy to attain the nation's Vision 2020. The MGDS II recognizes Irrigation as one of the key priority areas.

A joint WB/AfDB identification mission in January 2011 reviewed the feasibility report and proposals of CODA and concluded with the GoM that additional work would still be required to formulate a "bankable" project. The gaps identified by the joint mission led to development of the studies which included: (i) Technical Feasibility Study; (ii) Agricultural Development Planning Strategy; (iii) Environmental and Social Impact Assessment (ESIA) and The Pest Management Plan (PMP); (iv) Communications, Community Participation, Land Tenure and Resettlement Policy Framework; (v) Public – Private Partnership Feasibility Study for the proposed SVIP; (vi) Kapichira Dam Safety Report; and (vii) Hydraulic Modelling for the proposed Shire Valley Irrigation Project.

2.0 OBJECTIVES OF THE PROJECT

The development objective of the proposed Shire Valley Irrigation Project (SVIP) is to improve agricultural productivity and production in a sustainable manner leading to economic growth and reduction of rural poverty in the Lower Shire Valley, by establishing market-linked smallholder farming ventures and professionally operated irrigation services. For the project to take off there is need to prepare feasibility study to:

- Assist the government in selecting the best technical and institutional options before developing the full feasibility (water allocation optimization, inclusion or not of Illovo Estate, with-without lining, etc.; stage 1);
- Based on the selected options, prepare the preliminary design and assess the technical and economic feasibility of the project (stage 2), taking into consideration its phasing.

The project will be implemented in two phases, the first phase will cover a total area of 21,015 hectares and the second phase will cover an area of 21,485 hectares. The World Bank (WB) and the African Development Bank (AfDB) are supporting the studies through the International Development Association (IDA) and the African Water Facility (AWF) respectively.

3.0 PROJECT COMPONENTS

The Project has five components, namely;

- a) Preparation and Feasibility Studies;
- b) Social and Environmental Safeguards;
- c) Public Consultations and Capacity Building;
- d) Technical Assistance and Capacity Building for Project Management; and
- e) Operating Costs Associated with Implementation of Activities.

The preparation activities of the project are being carried out through seven separate but complementary studies. The various consultancy studies of the project are shown in table 3.1 below.

Table 3.1: SVIP Consultancy Studies

	Study	Consultant	Main assignment
1	Technical Feasibility Studies	Korian Rural Corporation Company (KRC)	Technical Options assessment, Preliminary Design and Final Feasibility Study
2	Communication, Community Participation Land Tenure & RPF	COWI	Community Development and Land Tenure and Resettlement Issues
3	Agricultural Planning Development Strategy	PricewaterhouseCoopers (PWC)	Agricultural Development Studies
4	ESIA and Pest Management Plan	BRL of France	Environmental and Social Impact Assessment and preparation of Pest Management Plan
5	Public Private Partnership	BRL of France	Public Private Partnership Feasibility Study
6	Hydraulic modelling of the Intake Structure	Artelia Eau and Environment of France	Selection of Optimum location for the Intake Structure
7	Panel of Experts	Individual International experts	Report on Safety of Kapichira Dam



Erica Maganga
Secretary for Agriculture, Irrigation and Water Development

**SHIRE VALLEY IRRIGATION PROJECT
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of Shire Valley Irrigation Project is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the project as at the end of the financial year 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:

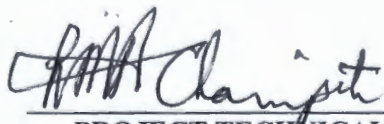
- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgment and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards when preparing the consolidated financial statements, subject to any 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 on.....28/11/16.....and are signed on its behalf by:


SECRETARY FOR AGRICULTURE,
IRRIGATION AND WATER DEVELOPMENT


PROJECT TECHNICAL
TEAM COORDINATOR

Telephone No.: +265 770 700
Fax: +265 01 773071/
01 776 125/01 774 138



National Audit Office
P. O. Box 30045
Capital City
Lilongwe 3
Malawi

AUDITOR GENERAL'S REPORT

TO THE SECRETARY FOR AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT ON THE FINANCIAL STATEMENTS OF THE SHIRE VALLEY IRRIGATION PROJECT FOR THE YEAR ENDED 30TH JUNE 2016

Report on the financial Statements

I have audited the accompanying Statement of Financial Position of the Shire Valley Irrigation Project for the year ended 30th June 2016, and related Statement of Receipts and Payments and Notes to the accounts for the year then ended as set out on pages 8 to 16.

Management's responsibility for the financial statements

Management of the Shire Valley Irrigation Project is responsible for the preparation and the fair presentation of the Financial Statements in accordance with International Public Sector Accounting Standards (IPSAS) and the Donor terms of agreement. The 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; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on the Financial Statements based on my audit. I conducted the audit in accordance with International standards of Supreme Audit Institutions (ISSAIs). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on my judgment, including assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the project's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control system. An audit also includes evaluating the appropriateness of accounting policies used, as well as evaluating the overall presentation of the financial statements.

AUDITOR GENERAL'S REPORT

TO THE SECRETARY FOR AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT ON THE FINANCIAL STATEMENTS OF THE SHIRE VALLEY IRRIGATION PROJECT FOR THE YEAR ENDED 30TH JUNE 2016

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a reasonable basis for my opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Shire Valley Irrigation Project for the year ended 30th June 2016 in accordance with the International Public Sector Accounting Standards and Donor terms of agreement and financial provisions.

S D E Kamphasa
S D E Kamphasa

Date... 1/12/2016
OFFICE OF THE AUDITOR
GENERAL
NATIONAL AUDIT OFFICE
01 DEC 2016
P.O. BOX 30045
LILONGWE 3



MINISTRY OF AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT
 GOVERNMENT OF MALAWI : SHIRE VALLEY IRRIGATION PROJECT
 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

ASSETS

		2016	
		MK	US\$
Non-Current Assets			
Motor Vehicles	4	63,826,026	96,023
Office Furniture	4	7,323,567	13,316
Office Equipment	4	12,425,531	20,883
Total Non-Current Assets		83,575,124	130,222
Current Assets			
Bank and Cash Balances	3	134,085,609	196,829
Total Assets		217,660,733	327,051
Financed By			
IDA Q 9550	7	1,511,208,066	2,492,269
ADB Grant Number 5600155003701	7	483,348,822	727,176
Goods	9	(8,009,511)	(12,070)
Non Consulting Services	9	(230,558,514)	(363,630)
Consulting Services	9	(1,028,794,756)	(1,678,068)
ADB Consulting Services	7	(483,348,822)	(727,176)
Operating Costs	9	(71,142,464)	(111,909)
Interest Received	6	306,169	459
Foreign Exchange Gain	8	44,651,743	-
Total Finances		217,660,733	327,051

Erica Maganga
 Erica Maganga

Secretary for Agriculture, Irrigation and Water Development

**SHIRE VALLEY IRRIGATION PROJECT
SOURCES AND USES OF FUNDS BY COMPONENT FOR THE
PERIOD ENDED 30TH JUNE 2016**

		Financial year 2015/2016	
Opening Balances	Notes	MWK	US\$
Designated Account USD		-	-
Holding Account		-	-
Local Account		-	-
Total Opening Balances		-	-
Add : Sources			
IDA Funds	7	1,511,514,235	2,492,727
		<u>1,511,514,235</u>	<u>2,492,727</u>
Cash Available			
Uses of Funds			
Preparation and Feasibility Studies		824,453,946	1,343,432
Social and Environmental Safeguards		40,843,425	74,261
Public Consultations and Conferences		209,803,759	327,440
Technical Assistance and Capacity Building for the Project		276,874,496	440,743
Operating Cost Associated with Implementation of Activities		70,104,744	110,022
		<u>1,422,080,369</u>	<u>2,295,898</u>
Total Expenditure			
Surplus/Deficit		89,433,866	196,829
Foreign Exchange Difference	8	<u>44,651,743</u>	
Net Cash Available		<u>134,085,609</u>	<u>196,829</u>
Closing Balances			
Designated Account USD	3	74,946,139	110,867
Holding Account	3	82,610,635	123,672
Local Account	3	(54,466,283)	(92,204)
Transtory Account	3	30,995,118	54,493
		<u>134,085,609</u>	<u>196,829</u>
Total Closing Balances			

**SHIRE VALLEY IRRIGATION PROJECT
SOURCES AND USES OF FUNDS BY CATEGORY FOR THE PERIOD ENDED 30TH
JUNE 2016**

Financial year 2015/2016

Opening Balances	Notes	MWK	US\$
Designated Account USD		-	-
Holding Account		-	-
Local Account		-	-
Total Opening Balances		-	-
Add : Sources			
IDA Funds	7	<u>1,511,514,235</u>	<u>2,492,727</u>
Cash Available		<u>1,511,514,235</u>	<u>2,492,727</u>
Uses of Funds			
Goods		91,584,635	142,291
Non-Consulting Services		230,558,514	363,630
Consultant's Services		1,028,794,756	1,678,068
Operating Costs		71,142,464	111,909
Total Expenditure		<u>1,422,080,369</u>	<u>2,295,898</u>
Surplus/Deficit		89,433,866	196,829
Foreign Exchange Difference	8	<u>44,651,743</u>	
Net Cash Available		<u>134,085,609</u>	<u>196,829</u>
Closing Balances			
Designated Account USD	3	74,946,139	110,867
Holding Account	3	82,610,635	123,672
Local Account	3	(54,466,283)	(92,204)
Transitory Account	3	<u>30,995,118</u>	<u>54,493</u>
Total Closing Balances		<u>134,085,609</u>	<u>196,829</u>

Ministry/Organisation: Agriculture Irrigation and Water Development

IDA Special Account

Project Name: Shire Valley Irrigation Project

Statement of Activity

IDA Credit No. Q9550

Report:

This Schedule:

Period of Report: 1st July 2015 to 30th June 2016

SA Deposit Bank: FDH Bank Limited

Quarterly Financial Monitoring Report

Account Number: 8600000020318

IDA Special Account (SA) Activity Statement (FMR)

Year Ended 30th June 2016

Currency of SA: United States Dollars	US Dollars		
Part I			
		in US\$	In US\$
1. Cumulative Advances to the end of current reporting period			1,755,754.20
2. Cumulative Expenditures to the end of last reporting period			
			1,755,754.20
3. Outstanding Advance to be accounted for (Line 1 minus line 2)			1,755,754.20
Part II			
4. Opening DA Balance at the beginning of the reporting period			
5. Add/subtract: Fund balance in project accounts and adjustments			
6. Add: Advances from the World Bank during the current reporting period			
7. Add Line 5 & Line 6			-
8. Outstanding Advances to be accounted for (Add line 4 and Line 7)			-
9. Closing DA balance as at the end of current reporting period		30-Jun-16	110,867.07
10. Add/Subtract: Fund balance in project accounts and adjustments			31,468.43
10. b. Bank Interest earned on DA			(458.68)
10. c. Funds Not Yet Claimed By FDH Bank			54,493.48
11. Add/Subtract: Expenditures for the current reporting period			1,559,383.90
Total			1,644,887.13
12. Add Line 10 and Line 11			1,644,887.13
13. Add line 9 and Line 12			1,755,754.20
14. Difference if any			
Part III			

SHIRE VALLEY IRRIGATION PROJECT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.0 NATURE OF BUSINESS

The Government of Malawi is implementing Project Preparation Activities for Shire Valley Irrigation Project (SVIP) under the framework of the Green Belt Initiative with funding from the International Development Agency. The project is implemented by the Ministry of Agriculture, irrigation and Water Development

The development objective of the proposed Shire Valley Irrigation Project (SVIP) is to improve agricultural productivity and production in a sustainable manner leading to economic growth and reduction of rural poverty in the Lower Shire Valley.

2.0 ACCOUNTING POLICIES

Basis

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

This is the first set of financial statements and there are no comparatives.

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, the average for the year has been K630.2311.

Closing bank balances are translated using the rate at which the funds were converted.

Receipts

Receipts are stated at actual amounts withdrawn from the World Bank IDA Q9550 replenishment to the special account, Charges and direct payments to suppliers of goods and services.

**SHIRE VALLEY IRRIGATION
PROJECT
FINANCIAL STATEMENTS FOR YEAR ENDING 30TH JUNE 2016**

3.0 Non-current Assets Schedule

SVIP procures and maintains its own office equipment and fixed assets register is maintained. No depreciation is charged since the project is still in progress. Herewith the schedule of the assets:

	Quantity	MK	US \$
Motor Vehicles	2	63,826,026.00	96,023.26
Office Furniture	39	7,323,567.03	13,315.77
Office Equipment			
Air Conditioners	7	3,934,808.30	7,154.21
Laptops	2	1,980,500.00	3,600.90
Office Server	1	1,062,923.18	1,932.59
Heavy Duty Printer	1	4,118,000.00	6,195.34
Filing Cabinets	7	1,329,300.00	1,999.87
Sub total		<u>12,425,531.48</u>	<u>20,882.91</u>
Total Non-Current Assets		<u>83,575,124.51</u>	<u>130,221.94</u>

4.0 Bank and Cash Balances

Closing Balances as at 30
June 2016

	MK	US \$
Designated Account - FDH Bank	74,946,139.32	110,867.07
Operating Account Holding Account	(54,466,283.05)	(92,203.50)
Transitory Account	82,610,634.75	123,671.93
	<u>30,995,117.71</u>	<u>54,493.48</u>
	<u>134,085,608.73</u>	<u>196,828.98</u>

5.0 Disbursement Method

The following Disbursement methods are available for use under the PPA:

- Reimbursement
- Advance
- Direct Payment

Interim Financial Reports (IFRs) are used for replenishment of the Designated Account.

4.0 Interest earned

Interest earned from Designated Account is recognized when credited into the account

Schedule of Interest Received

Month	Interest Received
February	128.01
April	216.82
May	67.12
June	46.73
Total Interest Received	458.68

7.0 Finance By

IDA

Borrower Reference	Application Type	Category	Payee	MWK	US \$
SVIP 1	Direct Payment	1	Cowi	202,541,460.00	368,257.20
SVIP 5	Direct Payment	1	Cowi	<u>202,541,460.00</u>	<u>368,257.20</u>
Total Direct Payments				<u>405,082,920.00</u>	<u>736,514.40</u>
SVIP 2	Replenishment	DA-A	Designated Account	<u>1,106,125,146.00</u>	<u>1,755,766.20</u>
Total Finances				<u>1,511,208,066.00</u>	<u>2,492,280.60</u>

ADB

Borrower Reference	Application Type	Category	Payee	Amount
DP 01	Direct Payment	1	Korea Rural Community Corporation	171,695,902.74 258,308.42
DP 02	Direct Payment	1	Korea Rural Community Corporation	<u>311,652,919.22</u> <u>468,867.18</u>
				<u>483,348,821.96</u> <u>727,175.60</u>

8.0 Foreign Exchange Differences

	Amount in USD	Conversion Rate	MWK
Opening Balances			
Designated Account	-		-
Operating Account	-		-
Holding Account	-		-
	-		-
Sources			
IDA Funding	1,755,754.20	630.00	1,106,125,146.00
Direct Payments	736,514.40	550.00	405,082,920.00
Interest Received	458.68	667.50	306,168.83
	<u>2,492,727.28</u>		<u>1,511,514,234.83</u>
Cash Available	2,492,727.28		1,511,514,234.83
Expenditure	2,295,898.30		1,422,080,369.39
Net Cash Available	196,828.98		89,433,865.44
Closing Balances			
Designated Account	110,867.07		74,946,139.32
Holding Account	123,671.93		82,610,634.75
Operating Account	(92,203.50)		(54,466,283.05)
Transitory Account	54,493.48		30,995,117.71
	<u>196,828.98</u>		<u>134,085,608.73</u>
Exchange Rate Difference	<u>-</u>		<u>44,651,743.29</u>

9.0 ANALYSIS OF PAYMENTS FROM OPERATING, DESIGNATED AND LOAN ACCOUNT

Payments from Operating Account

Category	MK	USD
Goods	8,009,510.92	12,069.51
Non Consulting Services	230,558,514.04	363,630.18
Consulting Services	97,234,423.87	146,784.75
Operating Costs	70,775,449.55	111,331.71

Payments from Designated Account

Category	MK	USD
Goods	-	-
Non Consulting Services		
Consulting Services	526,477,411.76	794,768.48
Operating Costs	367,018.42	577.33

Payments from Loan Account (Direct Payments)

Category	MK	USD
Goods	-	-
Non Consulting Services	-	-
Consulting Services	405,082,920.00	736,514.40
Operating Costs	-	-

Summary of Payments from All Accounts

Category	MK	USD
Goods	8,009,510.92	12,069.51
Non Consulting Services	230,558,514.04	363,630.18
Consulting Services	1,028,794,755.63	1,678,067.63
Operating Costs	71,142,464.29	111,909.04