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MINISTRY OF AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT

AGRICULTURAL PRODUCTIVITY PROGRAM FOR SOUTHERN AFRICA

PROJECT NUMBER : P 094183

CREDIT NUMBER: IDA 52030-MW

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

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Table of Contents

CONTENT **PAGE**

CONTROLLING OFFICER'S REPORT 3
STATEMENT OF MANAGEMENT RESPONSIBILITY 6
STATEMENT OF FINANCIAL POSITION 10
STATEMENT OF SOURCES AND USES OF FUNDS 11
DESIGNATED ACCOUNT ACTIVITY STATEMENT 12
NOTES TO THE FINANCIAL STATEMENTS 14

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

1.0 Project Background and Description

Government of Malawi prioritised the Agricultural Sector and included it in its priority within priorities as contained in the Malawi Growth and Development Strategy (MDGS). According to the MGDS, Agriculture remains the main driver of economic growth in Malawi and it contributes about 75% of foreign exchange earnings and approximately 30% of the total Gross Domestic Product. Therefore, the importance and impact of Agricultural activities on the national economy cannot be overemphasized.

The Agricultural Productivity Program for Southern Africa (APPSA) was designed by the Malawi Government (GoM), the Department of Agricultural Research Services (DARS) in particular, in order to increase the availability of improved agricultural technologies in Malawi. The Project became effective on 1st September, 2013.The overall coordination, management and implementation of the Project is carried by the Department of Agricultural Research Services. The Project is being financed by a loan in the amount of US$29.8 million from International Development Agency (IDA).

The Project is part of a network of similar Projects funded by the IDA in the Countries of Malawi, Zambia and Mozambique. In this arrangement, Malawi is taking a lead in Maize based agricultural research system, Mozambique is taking a lead in Rice based agricultural research systems while Zambia is taking a lead in Legume based agricultural research systems. Therefore, there is a lot of collaboration taking place among these three countries with similar research carried out in either two or all of the three countries.

The Project Development Objective (PDO)

The project development objective is to improve availability of improved agricultural technologies in Malawi and to Strengthen the capacity of the Regional Centre of Leadership (which is Chitedze Research Station) by among other improving the infrastructure that support and facilitate agricultural research activities across the country.

The PDO will be achieved by:

- Supporting a wide range of Research and Development sub-projects
- Disseminating the new agricultural technologies to farmers in the country
- Construction and maintenance of infrastructure in all the five research stations across the country to support and facilitate agricultural research activities and
- Developing human capacity for carrying out agricultural research.

1.1 Project Components

The project design comprises activities to be implemented under two components plus project implementation and management, as a third component. Highlights of the Projects Components are given below:

1.1.1 Component 1: Technology Generation and Dissemination

The objective of this project component is to support a wide range of scientific research and development projects that are researching on new agricultural technologies and then to disseminate the results to farmers.

1.1.2 Component 2: Strengthening the Regional Centre of Leadership (RCoL)

The objective of this project component is to support the Government to construct up to date infrastructure in all the five research stations in the country to support and facilitate agricultural research activities. This component will also support the Government of Malawi to build capacity of its scientists involved in agricultural research by sending them to Universities both locally and abroad to pursue specialised courses in agriculture at PhD, Masters and Bachelors degrees' levels. Scientists are also supported to attend specialised short courses. Component 2 will also aim at strengthening the management systems in the Regional Centre of Leadership.

1.1.3 Component 3: Project Management

This component provides implementation support to Department of Agricultural Research Services in undertaking project management in accordance with the Bank's fiduciary and other guidelines, including managing operating costs, equipment, training on fiduciary and project management issues, managing project audits and engagement of technical experts and contractors at both local and international levels to provide technical services and advice on construction of research infrastructure and other project performance initiatives.

1.2 Key Achievements

1.2.1 Number of Technologies released

The Agricultural Productivity Program for Southern Africa (APPSA) is supporting 22 Research &Development (R & D) projects led by Malawi and collaborating in about 42 projects from Mozambique and Zambia. Malawi is leading in 7 R&D projects from each of 1st, 2nd and 3rd calls and one project in the 4th call. So far, the program has released 21 technologies: two on rice varieties, 8 maize hybrids, 6 bean varieties, 5 agronomic practices (4 rice agronomic and one on irrigation). It is anticipated that more technologies will be released at the end of the current agricultural season from the 4 new generated ones under

maize research. The program through 4 R&D projects led by Malawi rcommended18 technologies as follows; 4 rice agronomic practices, 8 maize hybrids and 6 bean varieties to the national extension service through the Agricultural Technology Clearing Committee (ATCC).

1.2.2 The Program has exceeded the targeted number of beneficiaries

The program reached out to 1,021, 363 direct beneficiaries against a target of 234, 000 where, Lead farmers constituted 12,278 (4,242 Females). The beneficiaries are enumerated by including all individuals that are benefiting in one way or another from the products of the program. The program supported 97 field days where 82,540 farmers participated.

1.2.3 Infrastructure development

Infrastructural development has been completed for Bvumbwe and Kasinthula Research Stations and have been handed over to the department. Construction works for Chitedze Research Station are progressing well where Laboratory and office complexes and Rehabilitation of Tarmac and Gravel Roads are under construction. Roads construction and rehabilitation for Chitedze Research Station are expected to be finished by December 2018.

G. Nyandule Phiri
SECRETARY FOR AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT

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

The management of Agricultural Productivity Program for Southern Africa (APPSA) 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/period and of the operating results for that year.

The management is also required to ensure that the project maintains a proper system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and all liabilities are recognized. It is Management's responsibility to prepare financial statements which disclose with reasonable accuracy at any time the financial position of the project and 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 for the year ended 30th June 2018.

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G. Nyandule Phiri

SECRETARY FOR AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT

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Mackson H P Banda

PROJECT COORDINATOR

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 project.

Responsibilities of Management for the Financial Statements

Management of the Agriculture Productivity Programme for Southern Africa 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 historical cost convention 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 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 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.

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

DATE	DESCRIPTION	AMOUNT (USD)
01.07.2017	Opening Balanace	613,889.92
04.07.2017	Transfer from FCDA to holding account	(600,000.00)
03.08.2017	IDA Loan - Funds received from IDA	2,162,924.45
15.08.2017	Transfer from FCDA to holding account	(700,000.00)
15.08.2017	Transfer from FCDA to holding account	(100,000.00)
12.09.2017	Payment to MSV International 12% of Technologa Invoice	(14,321.24)
12.09.2017	Transfer from FCDA to holding account	(800,000.00)
04.10.2017	Payment to CIMMYT - Maize double Haploid project	(11,000.00)
04.10.2017	Stipend allowance for Horace Kakhiwa -Asian Inst. of Technology	(1,396.55)
13.10.2017	Payment of Student stipend to Louis Mwamlima - Egerton University	(2,600.00)
19.10.2017	Transfer from FCDA to holding account	(400,000.00)
13.11.2017	IDA Loan - Funds received from IDA	1,772,626.58
16.11.2017	Student Stipend for Nollipher Mponya University of Birmingham	(1,733.73)
04.12.2017	Payment Molecular characterization fees - Maize germplasm	(6,061.13)
04.12.2017	Bench fees for Nollipher Mponya University of Birmingham	(10,773.60)
04.12.2017	Excess baggage allowance for Horace Kakhiwa Asian Institute	(1,339.97)
04.12.2017	Transfer from FCDA to holding account	(800,000.00)
04.12.2017	Tuition fees for Louis Mwamlima Egerton University	(4,748.75)
14.12.2017	Student stipend for Kelvin Dambuleni University of Reading	(7,888.69)
14.12.2017	Transfer from FCDA to holding account	(200,000.00)
27.12.2017	Tuition fees for Elisa Mazuma University of Nottingham	(20,938.14)
19.01.2018	Transfer from FCDA to holding account	(600,000.00)
25.01.2018	Student stipend for Lloyd Liwimbi University of Bristol	(6,003.48)
31.01.2018	IDA Loan - Funds received from IDA	1,664,802.60
25.01.2018	Student stipend for Mwamlima Egarton University Kenya	(4,055.00)
06.02.2018	Tuition fees for Ulemu Msiska - Makerere University	(4,749.00)
06.02.2018	Tuition fees for Kelvin Dambuleni University of Reading	(15,281.82)
06.02.2018	Tuition fees for Nollipher Mponya University of Birmingham	(22,919.24)
14.02.2018	Transfer from FCDA to holding account	(1,000,000.00)
08.03.2018	Tuition fees for Lloyd Mwamlima University of Bristol	(25,696.50)
16.03.2018	Transfer from FCDA to holding account	(700,000.00)
16.03.2018	Transfer from FCDA to holding account	(50,000.00)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30TH JUNE 2018

3.0 Funding

Funding from IDA

DATE	REFERENCE	DETAILS	AMOUNT (USD)
01.07.2017	Opening balance		613,889.92
03.08.2017	001FIC1172150001	Funds from IDA	2,162,924.45
13.11.2017	001FIC1173180001	Funds from IDA	1,772,626.58
31.01.2018	001FIC1180310001	Funds from IDA	1,664,802.60
11.04.2018	001FIC1181010001	Funds from IDA	2,023,377.57
30.06.2018		**Total Cumulative funding**	**7,623,731.20**

4.0 Non-current assets

	BUILDINGS	COMPUTERS	PLANTS	MOTORVEHICLES	FURNITURE AND EQUIP	TOTAL
Opening Balance	4,460,900.00	130,941,912	138,789,009	341,688,149	193,243,109	809,123,078
Additions	-	296,948,519	-	-	-	296,948,519
Closing Balances	4,460,900	427,890,431	138,789,009	341,688,149	193,243,109	1,106,071,597

5.0 Cash and Bank

ACCOUNT	MWK	USD
IDA Designated Account (US$)	36,006,499	50,359
Holding Account (MWK)	656,357,841	917,983
Bvumbwe Holding account (MWK)	21,867,416	30,584
Operating account (MWK)	-	
Bvumbwe Operating account (MWK)	-	
	714,231,757	**998,926**

6.0 Advances

01.07.2017	Opening Balance	4,930,000
30.06.2018	Closing Balance	5,000,000

7.0 Total Expenditures

Total Expenditures			
	2018	**2017**	**Cumulative**
Consultants	1,430,281,740	462,428,277	1,892,710,017
Non-Consulting	123,130,956	471,127,756	594,258,712
Training	423,447,226	654,472,656	1,077,919,882
Workshops	1,688,733,934	1,411,543,304	3,100,277,238
Operating costs	2,441,021,507	704,935,237	3,145,956,744
	6,106,615,362	**3,704,507,230**	**9,811,122,592**

8.0 Government of Malawi Funding

DATE	AMOUNT(MWK)	BALANCE(MWK)
28/08/2017	600,000.00	600,000.00
10/10/2017	287,200.00	887,200.00
12/10/2017	991,660.00	1,878,860.00
1/12/2017	287,500.00	2,166,360.00
1/12/2017	80,000.00	2,246,360.00
11/12/2017	1,600,000.00	3,846,360.00
3/1/2018	433,754.00	4,280,114.00
8/2/2018	717,000.00	4,997,114.00
14/2/2018	300,000.00	5,297,114.00
6/6/2018	107,700.00	5,404,814.00
TOTAL		**5,404,814.00**

9.0 Foreign Exchange Gain

Date	**Amount($)**	**System Amount**	**Amount realized**	**Gain**	
				MWK	**USD**
4/7/2017	600,000.00	429,000,000	502,600,000	73,600,000	102,937
15/8/2017	700,000.00	500,500,000	574,400,000	73,900,000	103,357
15/8/2017	100,000.00	71,500,000	71,800,000	300,000	420
12/9/2017	800,000.00	572,000,000.	574,400,000	2,400,000	3,357
19/10/2018	400,000.00	286,000,000.	287,500,000	1,500,000	2,098
4/12/2017	800,000.00	572,000,000	574,400,000	2,400,000	3,357
14/12/2017	200,000.00	143,000,000	143,600,000	600,000	839
19/1/2018	600,000.00	429,000,000	430,800,000	1,800,000	2,517
14/2/2018	1,000,000.00	715,000,000	717,000,000	2,000,000	2,797
16/3/2018	700,000.00	500,500,000	501,900,000	1,400,000	1,958

16/3/2018	50,000.00	35,750,000	35,850,000	100,000	140
20/4/2018	800,000.00	572,000,000	573,600,000	1,600,000	2,238
20/4/2018	200,000.00	143,000,000	143,400,000	400,000	559
17/5/2018	800,000.00	572,000,000	574,400,000	2,400,000	3,357
11/6/2018	150,000.00	107,250,000	107,700,000	450,000	629
11/6/2018	50,000.00	35,750,000	35,900,000	150,000	210
					-
		Gain for the year		**165,000,000**	**230,769**
		Opening Balance		740,983,068	
		Cumulative gain		**905,983,068**	