



Financial Audit Report

AUDIT

United Purpose Mozambique
For the year ended 31 March 2019

Contents

1	Introduction	1
1.1	The project	1
1.2	Funding	1
2	Independent auditor's report	2
2.1	Introduction	2
2.2	Our engagement	2
2.3	Reporting	2
2.4	Summary of results	3
2.5	Restriction on use and limitation of liability	3
3	Management's responsibility statement	4
4	Report on statement of receipts and payments	5
5	Financial statements	7
5.1	Statement of financial position	7
5.2	Consolidated statement of receipts and payments	8
5.3	Statement of receipts and payments by fund	9
5.4	Basis of accounting	10
5.5	Cash at bank	11
5.6	Donations	12
5.7	Other receipts	13
5.8	Interest income	13
6	Report on evaluation of project internal controls	14
7	Report on evaluation of whether the financial statements payments are in compliance with the relevant project agreement terms and local laws and regulations	15

1 Introduction

1.1 The project

United Purpose is an international non-profit and non-governmental organisation registered as a charity with number 272465 in 1976 in the United Kingdom. It operates in ten countries in Africa, South America and Asia. United Purpose has over 22 years of experience in implementing development and relief projects in Mozambique.

United Purpose's approach in Mozambique is to be involved in partnerships and capacity building with local organizations (including civil society organizations, private sector and public sector). United Purpose Program in Mozambique has thematic focus on Social Accountability and Good Governance along with integrated local development aspects with emphasis on: (i) Food Security and Nutrition; (ii) Water, Sanitation and Hygiene; (iii) Community Health; (iv) Capacity Building, Education and Advocacy; and (v) Social Protection. Program focuses cross-cutting themes of Gender, HIV, Climate Changes and Disability. Through partnerships with local Civil Society Organisations (CSOs), local communities, Local Government and the private sector, United Purpose Mozambique works to:

- (i) assist citizens and CSOs to monitor and demand transparency and accountability from the Government regarding provision of services and public resources allocation;
- (ii) improve incomes, health and well-being indicators of vulnerable communities; and
- (iii) improve the effectiveness and efficiency of local CSOs by ensuring that they have skills, confidence and apply necessary approaches to achieve their objectives.

Geographically, activities of United Purpose in Mozambique, in partnership with national organizations, are carried out in 6 provinces namely, Niassa, Maputo, Manica, Zambézia, Nampula and Cabo Delgado with 3 local offices', head office in Lichinga and support offices in Maputo and Chimoio.

1.2 Funding

Funds are transferred by the donors to the organisation's bank accounts and implementation of the projects are in accordance with the specific funding agreements signed between United Purpose and the donors. During the year under audit, United Purpose Mozambique received funds from the following donors:

- United Purpose UK;
- World Bank;
- Swiss Agency for Development and Cooperation (SDC);
- Programa de Desenvolvimento Municipal (PRODEM) – joint funding from Sweden, Ireland, Denmark and Switzerland managed by consultants company COWI;
- Action on Poverty (AOP);
- Food Security Through Climate Adaptation and Resilience in Mozambique (FAR) - funding from Swedish embassy managed by Swiss contact;

2 Independent auditor's report

2.1 Introduction

KPMG Mozambique was contracted by United Purpose Mozambique to conduct a financial audit for the year ended 31 March 2019.

2.2 Our engagement

The scope of the financial audit is:

- To perform an audit in accordance with the International Standards on Auditing in order to express an opinion on whether the financial statements for the year ended 31 March 2019 have been prepared, in all material respects, in accordance with the basis of accounting adopted by United Purpose.
- To evaluate the design of the internal controls over the key transaction streams and assess whether the controls have been operating effectively during the year.
- To evaluate whether the financial statements are in compliance with the relevant agreement terms, local laws and regulations.

2.3 Reporting

We have presented our report as follows;

- Audit of the financial statements (See section 4);
- Evaluation of the internal controls (See section 6);
- Evaluation of whether the financial statements are in compliance with the relevant agreement terms, and local laws and regulations (See section 7).

2.4 Summary of results

- **Audit of the financial statements** – Our report for the year ended 31 March 2019 contains an unqualified opinion.
- **Evaluation of the internal controls** – Our report indicates that there are deficiencies in the design and operation of controls which have come to our attention and these are dealt with in a separate letter.
- **Compliance with agreement terms, local laws and regulations** - Our report indicates that there are no instances of non-compliance which have come to our attention.

2.5 Restriction on use and limitation of liability

The financial statements are prepared in accordance with the basis of accounting described in note 5.4 to provide information to the donors in accordance with the funding agreements signed between United Purpose Mozambique and the donors, as referred in Section 1. As a result, the financial statements and our reports in Sections 4, 6 and 7 may not be suitable for another purpose. Our report is intended solely for United Purpose and donors and should not be distributed to or used by parties other than those specified above. To the fullest extent permitted by law our liability is restricted to those who engaged us.

3 Management's responsibility statement

The Management of United Purpose Mozambique is responsible for the preparation and presentation of the financial statements for the year ended 31 March 2019 and the accompanying notes, in accordance with the basis of accounting, as described in note 5.4.

Management is also responsible for determining that the basis of accounting is an acceptable basis for preparing and presenting the financial statements in the circumstances; for such internal control as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and for maintaining adequate accounting records and an effective system of risk management.

Management is also responsible for the other internal controls and for compliance with the relevant agreement terms, local laws and regulations applicable to United Purpose Mozambique. The responsibility for the prevention and detection of non-compliance rests with management.

Approval of the financial statements

The financial statements for the year ended 31 March 2019 and the accompanying notes, were approved by management on 6 August 2019 and are signed on their behalf by:



Helena Skember
Country Director



KPMG Auditores e Consultores, SA
Edifício KPMG
Rua 1.233, Nº 72 C
Maputo, Moçambique

Telefone: +258 (21) 355 200
Telefax: +258 (21) 313 358
Caixa Postal, 2451
Email: mz-fminformation@kpmg.com
Web: www.kpmg.co.mz

4 Report on statement of receipts and payments

Independent auditors report

To the Management of United Purpose Mozambique

Opinion

We have audited the financial statements of United Purpose Mozambique, set out on pages 7 to 13, which comprise the statements of financial position as at 31 March 2019 and the statement of receipts and payments for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of United Purpose Mozambique for the year ended 31 March 2019 have been prepared, in all material respects, in accordance with the cash receipts and disbursement basis of accounting described in Note 5.4.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements relevant to our audit of the financial statements in Mozambique, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 5.4 to the financial statements, which describes the basis of accounting. The financial statements are prepared to provide information to the management of United Purpose and the donors. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for United Purpose and the donors and should not be distributed to parties other than United Purpose and the donors. Our opinion is not modified in respect of this matter.

Other Information

The management is responsible for the other information. The other information comprises the Managements' Report and the Managements' Responsibility Statement. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and presentation of the financial statements in accordance with the cash receipts and disbursement basis of accounting described in Note 5.4, for determining the acceptability of the basis of accounting, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's 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.

We communicate with management among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG, Sociedade de Auditores Certificados, 04/SCA/OCAM/2014

Representada por:



Hem Chandra Joshi, 57/CA/OCAM/2014
Partner
6 August 2019

5 Financial statements

5.1 Statement of financial position *as at 31 March 2019*

	<i>Note</i>	31 March 2019 MT	31 March 2018 MT
Current assets			
Cash at bank	5.5	35 557 939	32 922 134
Total assets		35 557 939	32 922 134
Accumulated funds			
Opening balance		32 922 134	24 939 789
Excess of receipts over payments		2 506 930	7 982 345
Payables		128 875	-
Total accumulated funds		35 557 939	32 922 134

5.2 Consolidated statement of receipts and payments
for the year ended 31 March 2019

	<i>Note</i>	April 2018 - March 2019 MT	April 2017 - March 2018 MT
Receipts			
Donations	5.6	62 283 014	75 168 511
Interest income	5.8	1 016 489	87 215
Other receipts	5.7	14 878 492	5 760 385
Total receipts		78 177 995	81 016 111
Payments			
Staff cost		40 429 805	24 900 830
Project activities		27 038 160	41 371 350
Equipment		-	1 364 205
Monitoring and evaluation		7 325 100	5 397 381
Other cost		878 000	-
Total payments		75 671 065	73 033 766
Excess of receipts over payments		2 506 930	7 982 345

5.3 Statement of receipts and payments by fund
for the year ended 31 March 2019

	AOP	World Bank	PRODEM 1	PRODEM 2	SDC	P19	FAR	United Purpose Moz	Total
	MT	MT	MT	MT	MT	MT	MT	MT	MT
Receipts									
Donations	4 391 396	1 736 074	-	16 500 000	18 133 696	709 961	13 741 300	7 070 587	62 283 014
Funds channelled to core account	-	-	-	-	-	-	-	14 170 523	14 170 523
Interest income	-	-	-	-	-	-	-	1 016 489	1 016 489
Other income	-	-	-	-	-	-	-	707 969	707 969
Total receipts	4 391 396	1 736 074	-	16 500 000	18 133 696	709 961	13 741 300	22 965 568	78 177 995
Payments									
Staff cost	3 165 334	-	-	10 952 213	1 892 303	-	8 076 826	16 343 128	40 429 804
Project activities	4 172 750	-	-	9 200 463	1 442 557	688 678	11 529 894	246 386	27 280 728
Monitoring and evaluation	1 997 769	-	-	1 693 561	165 606	-	570 076	2 655 520	7 082 532
Other expenses	-	-	-	-	-	-	-	878 000	878 000
Total payments	9 335 853	-	-	21 846 237	3 500 466	688 678	20 176 796	20 123 034	75 671 065
Excess of receipts/(payments) over payments (receipts)	(4 944 457)	1 736 074	-	(5 346 237)	14 633 230	21 283	(6 435 496)	2 842 534	2 506 930
Opening balance	(8 488 289)	(1 885 101)	(38 059)	5 346 824	-	-	11 004 193	26 982 566	32 922 134
Payables	-	-	-	-	-	-	-	128 875	128 875
Closing balance	(13 432 746)	(149 027)	(38 059)	587	14 633 230	21 283	4 568 697	29 953 975	35 557 939

Notes to the financial statements *for the year ended 31 March 2019*

5.4 Basis of accounting

The financial statements have been prepared in accordance with the following basis of accounting, applied consistently with that of the previous year.

a) *Accounting convention*

The financial statements are prepared under the historical cost convention.

b) *Cash basis*

The financial statements have been drawn up on the cash basis from the information reflected in the financial reports and accounting records of the project.

c) *Currencies*

The functional currency of the project is MT. Transactions in other currencies are translated into Metical at weighted average exchange rate. Monetary assets and liabilities denominated in currencies other than MT are translated to MT at the year end exchange rate.

d) *Fixed assets*

Fixed assets are expensed in the year of purchase.

e) *Funds received*

Funds received comprise donations received from donors and are recorded on receipt of the funds into the bank account.

f) *Payments*

Payments are recorded in the books on disbursement of the funds from the bank account.

h) *Payables*

Payables are measured at cost.

g) *Advances*

Advances represent payments which have been made but which are yet to be reimbursed or justified with supporting documents.

Notes to the financial statements
for the year ended 31 March 2019 (Continued)

5.5 Cash at bank

Bank	Currency	Account	31 March 2019 MT	31 March 2018 MT
Millennium bim	MZN	21143091	1 812 003	5 045 085
Millennium bim	MZN	10905032	4 568 697	11 433 805
Millennium bim	MZN	79743507	908 193	95 062
Millennium bim	MZN	262450088	187 640	6 089 348
Millennium bim	MZN	107005454	173 092	122 362
Millennium bim	MZN	131685843	2 782	2 782
Millennium bim	USD	21143188	18 729 157	977 924
Millennium bim	USD	75235723	6 946	6 903
Millennium bim	USD	91619023	3 269 429	3 248 863
Millennium bim	MZN	402389660	5 900 000	5 900 000
			35 557 939	32 922 134

Notes to the financial statements
for the year ended 31 March 2019 (Continued)

5.6 Donations

The donations received during the year are detailed as follows:

Donor	Date	Original currency		Equivalent in MZN
AOP	24.05.2018	Aus\$	1 217	54 483
AOP	29.09.2018	Aus\$	15 000	642 190
AOP	14.02.2019	Aus\$	100 000	4 426 354
				5 123 027
SDC	15.02.2019	USD	292 500	18 273 938
				18 273 938
World Bank	17.05.2018	USD	28 037	1 685 598
				1 685 598
SNV	30.04.2018	USD	52 857	3 298 638
SNV	16.05.2018	USD	3 969	238 590
SNV	16.10.2018	USD	56 537	3 421 924
				6 959 152
FAR/Swiss contact	08.11.2018	SEK	2 050 000	13 741 300
				13 741 300
PRODEM	03.04.2018	MZN	16 500 000	16 500 000
				16 500 000
Total				62 283 014

Notes to the financial statements
for the year ended 31 March 2019

5.7 Other receipts

	Current year	Prior year
Prodem contribution	8 878 000	5 760 385
FAR contribution	2 930 400	-
Reimbursement from Staff	105 400	-
Swiss Contact rent contribution	242 569	-
Vehicle Disposal income	360 000	-
Salaries contribution for CORE	2 362 123	-
	14 878 492	5 760 385

5.8 Interest income

Month		
April 2018	89 446	87 215
May 2018	86 560	-
June 2018	89 445	-
July 2018	86 560	-
August 2018	89 446	-
September 2018	89 446	-
October 2018	86 560	-
November 2018	89 446	-
December 2018	86 560	-
January 2019	89 446	-
February 2019	89 446	-
March 2019	44 129	-
	1 016 489	87 215

The interest income results from a MT 5 900 000 term deposit at Millennium bim. The deposit was made on 5 February 2018 with maturity of one month, at an interest rate of 17.85% and it is automatically renewable.



KPMG Auditores e Consultores, SA
Edifício KPMG
Rua 1.233, Nº 72 C
Maputo, Moçambique

Telefone: +258 (21) 355 200
Telefax: +258 (21) 313 358
Caixa Postal, 2451
Email: mz-fminformation@kpmg.com
Web: www.kpmg.co.mz

6 Report on evaluation of project internal controls

Independent auditor's report

To the management of United Purpose Mozambique

As an extension of our audit of the financial statements of United Purpose Mozambique for the year ended 31 March 2019, reported in Section 4, we are required to assess that “there are adequate internal controls over the key transaction streams which have been operating effectively during the year” and report on deficiencies in the design or operation of internal controls that have come to our attention during our financial audit.

Management's responsibility for the internal controls

Management is responsible for determining the project's control objectives and for the design and implementation of internal controls, including key controls, to achieve those control objectives and for ensuring that such controls operate effectively.

Auditors' responsibility

There are no established frameworks for evaluating the effectiveness of internal controls applicable to an entity of this nature. Accordingly, we applied our professional judgment in determining the procedures selected and the extent of our procedures, as well as the matters to be reported.

The extent of our procedures comprised enquiries and discussions with those responsible for financial and accounting matters and performing such tests of detail as we considered necessary for the purpose of our audit of the financial statements; and additional enquiries and discussions where we considered it appropriate having regard to our knowledge of the entity.

However, our objective was not to provide an opinion on project internal controls. Accordingly, we do not express such an opinion.

Matters coming to our attention

These are dealt with in a separate management letter.

KPMG, Sociedade de Auditores Certificados, 04/SCA/OCAM/2014

Representada por:


Hem Chandra Joshi, 57/CA/OCAM/2014

Partner

6 August 2019

7 **Report on evaluation of whether the financial statements payments are in compliance with the relevant project agreement terms and local laws and regulations**

Independent auditor's report

To the management of United Purpose Mozambique

As an extension of our audit of the financial statements of United Purpose Mozambique for the year ended 31 March 2019, reported in Section 4, we are required to report on whether the financial statements are in compliance with the relevant project agreement terms, local laws and regulations.

Management responsibility

Management is responsible for compliance with the relevant project agreement terms, local laws and regulations applicable to the United Purpose Mozambique. The responsibility for the prevention and detection of non-compliance rests with management.

Auditors' responsibility

There are no established frameworks for evaluating the effectiveness of compliance with the relevant project agreement terms, local laws and regulations applicable to an entity of this nature. Accordingly, we applied our professional judgment in determining the procedures selected and the extent of our procedures, as well as the matters to be reported.

The extent of our procedures comprised enquiries and discussions with those responsible for financial and accounting matters and inspecting correspondence with the relevant licensing or regulatory authorities as we considered necessary for the purpose of our audit on the financial statements; and additional enquiries and discussions where we considered it appropriate having regard to our knowledge of the project.

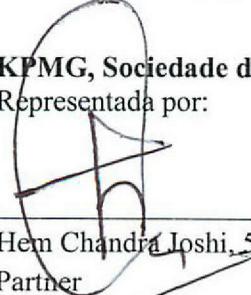
However, our objective was not to provide an opinion on overall compliance with project agreement terms, local laws and regulations. Accordingly, we do not express such an opinion.

Matters coming to our attention

Matters of non-compliance are dealt with in a separate letter.

KPMG, Sociedade de Auditores Certificados, 04/SCA/OCAM/2014

Representada por:



Hem Chandra Joshi, 57/CA/OCAM/2014

Partner

6 August 2019