

Audit report on the Project Financial Statements (PFS)

Independent auditors' report to:

Board of Directors
Water and Sanitation for the Urban Poor
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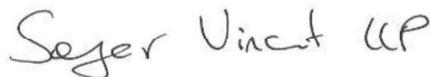
We have audited the PFS of Water and Sanitation for the Urban Poor for the period ended 30 June 2017. The PFS are the responsibility of Water and Sanitation for the Urban Poor's management. Our responsibility is to express an opinion on the PFS based on our audit.

We conducted our audit of the PFS in accordance with the Audit Terms of Reference outlined by the World Bank. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the PFS are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the PFS. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the PFS referred to above present fairly, in all material respects, program revenues, costs incurred and reimbursed by World Bank for the period then ended in accordance with the terms of the agreements and in conformity with the basis of accounting described in note 1 to the PFS.

In accordance with World Bank Audit Terms of Reference, we have also included details of key internal control weaknesses and non-compliance with the financing agreement terms.

This report is intended for the information of Water and Sanitation for the Urban Poor and World Bank.



Sayer Vincent LLP
Chartered accountants and statutory auditors
London, UK
10 November 2017

Project Financial Statements (PFS)

JSDF Grant for Maputo Peri-Urban Sanitation Project (Grant No. 11077)

Project Financial Statements

Summary of Sources and Uses of Funds

For the period 1 January to 30 June 2017

	US\$	US\$	US\$
INCOMING RESOURCES			111,720
OUTGOING RESOURCES – Components & Activities			
COMPONENT 1: Sanitation Infrastructure			
ACTIVITY A: User Facilities	107,056		
TOTAL COMPONENT 1		107,056	
COMPONENT 2: Development of Desludging Services			
ACTIVITY A: Development of Desludging Services	716		
TOTAL COMPONENT 2		716	
COMPONENT 3: Community Level Sanitation and Hygiene Promotion and Monitoring			
ACTIVITY A: Preparation and Training	(2,038)		
ACTIVITY B: Hygiene Promotion and Monitoring	18,439		
TOTAL COMPONENT 3		16,401	
COMPONENT 4: Monitoring and Evaluation and Project Management			
A: WSUP PROGRAMME MANAGEMENT COSTS	(4,440)		
B: BASELINE AND FINAL SURVEYS	18		
D: FINAL IMPACT EVALUATION	(18)		
E. DISSEMINATION WORKSHOP	(2,047)		
F. AUDIT	16,636		
TOTAL COMPONENT 4		10,149	
TOTAL OUTGOING RESOURCES			(134,322)
NET INCOMING RESOURCES			(22,603)

JSDF Grant for Maputo Peri-Urban Sanitation Project (Grant No. 11077)
Project Financial Statements
Statement of Designated Account
For the period 1 January to 30 September 2017

	US\$	US\$
Opening balance		93,990
Amounts transferred during the period		111,720
Less		
Expenditure reimbursed to WSUP from the designated account	205,696	
Bank charges incurred on designated account	<u>14</u>	
		(205,710)
Balance at 30 September 2017		<u><u>0</u></u>



Chris Wilde, Director of Finance & Resource

Notes to project financial statements

1 Accounting Policies

a) Basis of preparation

The PFS have been prepared in accordance with applicable accounting standards. Expenditure has been included in the PFS on an accruals basis. Income is based on actual receipts in the period. Funding for the project has only been received from the World Bank.

b) Exchange rates

Transactions in foreign currencies are translated into USD at the rate prevailing at the date of reimbursement from the designated account.

c) Fixed assets

Items of equipment are capitalised at cost where the purchase price exceeds £1,000. Depreciation costs are allocated to activities on the basis of the use of related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

No capital assets have been purchased for this project.

2 Reconciliation of Funds Received

	\$
Amount received by the Project from the World Bank per PFS	111,720
Amount disbursed per World Bank Payment Advice documents	111,750
Difference due to bank transfer charges	30

Schedule of findings on internal controls

Internal control

During the audit for the period ended 30 June 2017, we assessed Water and Sanitation for the Urban Poor's systems and controls and made recommendation where improvements could be made.

The detail of our findings and recommendations is included below.

Current year points

No new findings were identified during our testing.

Prior year points

We followed up on findings raised in last year's report.

Posting of transactions

In previous periods, we noted a number of errors being made to the statements of expenditure. We followed up on these findings and found that although such errors have been reduced, there were still some incorrect entries in the current period.

Contract retentions

In the prior period we found that accruals of retention expenditure were not included in the reports. This year retentions had been included in accruals, however we noted some errors in the accrual calculations that resulted in immaterial differences.

For one construction project, the retention was accounted for twice leading to an over accrual and in another, formula errors and an incorrect total contract value used led to an under accrual. Neither of these were individually material and netted off to an under accrual of \$777 as detailed in the adjustments to the project financial statements section below.

We recommend that accruals ledger is regularly reconciled so that any errors or unreconciled balances can be identified and correctly on a timely basis.

Management response

As part of the introduction of a regular month end process the accruals ledger is planned to be reconciled on an ongoing basis beginning for the Financial year 17-18. Retention amounts included in Financial Reports to donors are now also reviewed by the Funder

Reporting and Budget Manager as well as the Country Finance Manager and the relevant Project Director.

Staff costs

Several immaterial errors were noted for staff costs in the prior year which were due to human error. Some similar issues were noted this year.

Some employee taxes were again included as expenditure. These amounts represent taxes deducted from the employee's salary and are not an expense incurred by WSUP. Expenditure was overstated by \$378 in this respect.

Costs for staff bonus and gratuity pay were incorrectly calculated. This appears to have resulted from confusion about what figures should have been included in the calculations of the bonus and gratuity payments. This has resulted in expenditure being understated by \$62 which partially offsets the above overstatement.

We recommend that WSUP clarifies what figures form the basis of bonus and gratuity payments and ensure amounts deducted from gross salaries (such as national insurance) are correctly treated.

Management response

As part of the introduction of a regular month end process the accruals of bonus and gratuity payments are reconciled on an ongoing basis beginning for the Financial year 17-18. New control accounts for payroll postings have been set up on a country by country basis to aid this process.

A new process for posting salary costs to projects using an Access Database has aided in highlighting any incorrect calculations and helped minimise errors caused by using incorrectly linked excel sheets.

Contract payments

An interim payment in relation to a contract signed in December was not included in the financial report to December 2016 and as a result, expenditure was understated by \$10,589 in the report.

We noted no similar issues in the report for the period to 30 June 2017

Exchange rates

In the prior year, as per WSUP's exchange rate policy, we noted some expenditure had been included in the report near the year end using an estimated rate rather than the actual rate. This was subsequently changed in February. As a result expenditure in the report was \$3,886 higher than it should have been.

As the project has ended this year and all disbursements have been made to the JSDF account, no estimated rates have been used in the report.

Schedule of findings on compliance

During the audit for the period ended 30 June 2017, we assessed Water and Sanitation for the Urban Poor's compliance with specific terms and conditions of the World Bank and the Procurement Plan agreed with the World Bank in December 2014.

We identified no material compliance issues in the current year or prior year.

Amendments to the project financial statements

We did not identify any material audit adjustments.

Immaterial unadjusted items

During the audit we identified other potential adjustments which are small and insignificant. These unadjusted items are outlined below.

As Directors who are responsible for the preparation of the project financial statements, you are responsible for reviewing the unadjusted items. You are asked to confirm in the letter of representations that adjustments are not required for these items.

Unadjusted Item	Impact on net outgoing resources \$
1 Over accrual where retention accrual has been included but also already charged for all payments	1,864
2 Under-accrual due to error in accrual calculation	(2,641)
3 Removing charge for employee taxes when these were already included in the expenditure recognised with gross salary	378
4 Error on calculation of bonus payments	(62)
TOTAL	(461)

Management response

WSUP can confirm that these items are immaterial and do not require adjustment on the project financial statements. As all project funds had already been expended there are no further funds available for these adjustments and we agree with the auditor findings.