

GRAHAM CARR 

Certified Public Accountants



**UNITED NATIONS DEVELOPMENT
PROGRAMME (UNDP)**

**STRENGTHENING CLIMATE INFORMATION
AND EARLY WARNING SYSTEMS IN MALAWI
FOR CLIMATE RESILIENT
DEVELOPMENT AND ADAPTATION
TO CLIMATE CHANGE
BEING IMPLEMENTED BY THE DEPARTMENT OF
DISASTER
MANAGEMENT AFFAIRS (DoDMA)**

PROJECT NUMBER: 00077203

**INDEPENDENT AUDITOR'S REPORT
ON THE STATEMENT
OF EXPENSES/COMBINED DELIVERY REPORT (CDR) AND
STATEMENT OF ASSETS AND EQUIPMENT'**

FOR THE YEAR ENDED 31 DECEMBER 2015

Contents	Page
Audit summary	1 - 4
Statement of Expenses – the CDR	
Auditor's report	5 -6
Statement of Expenses	7
Combined Delivery Report	8 - 11
Statement of Cash Position	
Auditor's report	12
Statement of Cash Position	13
Notes to Statement of Expenses	14
There is no independent auditor's opinion on assets and equipment since the project does not have assets	
Management Report	
Executive summary	15 - 20
Management letter	21 - 25
Follow-up Action Plan	26

AUDIT SUMMARY

Background and project identification

The accompanying reports are given in connection with UNDP Project No: 00077203 and cover the period from 1 January 2015 to 31 December 2015.

Strengthening climate information and early warning systems in Malawi for Climate resilient development and adaptation to climate change project is implemented by the Department of Disaster Management Affairs (DoDMA) in collaboration with key responsible parties, namely Department of Climate Change and Meteorological Services and Department of Water Resources and it is expected to be completed by December 2017. The project aims to achieve the following:

- Environment , natural resources , climate change and disaster risk management mainstreamed in policies development plans and programmes at national level and implemented in 14 disaster – prone districts
- Establishing a functional network of meteorological and hydrological monitoring stations and associated infrastructure to better understand climatic changes
- Developing and disseminating tailored weather and climate information to meet the needs of the end users in particular local farmers and fishermen in at least 7 disaster prone areas namely; Phalombe, Dedza, Kasungu, Salima, Karonga, Nkhatabay and Lilongwe.
- Integrate weather and climate information and Strengthening climate information and early warning systems in Malawi for Climate resilient development and adaptation to climate change into national sector specific and district development plans in at least 7 priority disaster prone areas.
- Establish cooperation agreements with national meteorological counterparts in Mozambique to improve warnings for tropical cyclones, flooding Mweru winds and drought

Outputs

- Environment , natural resources , climate change and disaster risk management mainstreamed in policies development plans and programmes at national level and implemented in 14 disaster – prone districts
- Data and knowledge on the impact of climate change , environmental and natural resources degradation and natural disaster collected and made accessible to decision makers in Government , private sector and civil society
- Targeted population in selected districts benefit from effective management of environment , natural resources , climate change and disaster by 2016
- Innovative renewable and energy saving technologies piloted in targeted locations in rural and peri - urban areas enabling the development of a natural programme

Project specific outcomes

- Enhanced capacity of the Department of climate change and Meteorological Services and Department of Water Resources to monitor and forecast extreme weather , hydrology and climate change
- Efficient and effective use of hydro-meteorological and environmental information for making early warnings and long-term development plans

AUDIT SUMMARY (CONTINUED)

Project workplan

As per Annual Workplan (AWP) for the year 2015 financial year, funds aggregating to US\$1,500,000 were budgeted under various account codes as per UNDP chart of accounts. The expenditure incurred in this financial year was reported by the project in face format to UNDP.

Audit scope, objectives and procedures

The scope of the audit, as set out in the Terms of Reference (TOR) is:

- The scope of the audit is limited to the implementing partner expenses, which are defined as including (i) All disbursements listed in the quarterly financial reports submitted by the implementing partners (ii) The direct payments processed by UNDP at the request of the implementing partner.
- To verify the mathematical accuracy of the CDR by ensuring that the expenses described in the supporting documentation (the quarterly financial reports, the list of direct payments processed by UNDP at the request of the government) are reconciled to the expenses, by disbursing source, in the CDR.
- To state in the audit report the amount of expenses excluded from the scope of the audit because they were made by UNDP as part of direct support services and the amount of total expenses excluded because they were made by a UN agency. This scope limitation is not a valid reason for the auditors to issue a qualified audit opinion on the CDR.
- To state in the audit report if the audit was not in conformity with either ISA or INTOSAI auditing standards and indicate the alternative standards or procedures followed.
- To express an opinion as to the overall financial situation of the project for the period 1 January to 31 December 2015 and certify:
 1. The (CDR) for the period from 1 January to 31 December 2015;
 2. The Statement of Cash Position (cash and bank balances of the project) reported by the project as at 31 December 2015; and
 3. The Statement of Assets and Equipment held by the project as at 31 December 2015.
- To report in monetary value, where applicable, the net financial impact of any modified audit opinion (modified opinions can be qualified, adverse, or disclaimer) on the (CDR) where applicable. This should also include prior year non resolved NFI.

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Our audit was conducted in accordance with International Standards on Auditing. The scope of the audit covers the overall management of the projects implementation, monitoring and supervision. The audit scope includes the review of work plans, progress reports , project resources , project budgets, project expenses, project delivery, recruitment, operational and financial closing of projects and disposal or transfer of assets. To this effect, the scope of the covers the following areas as performed at the level of the project:-

- Human resources;

The competitiveness, transparency and effectiveness of the recruitment and hiring of personnel and include performance appraisal, attendance control, calculation of salaries and entitlements, payroll preparation and payment, and management of personnel records.

- Finance;

The adequacy of the accounting and financial operations and reporting systems. These include budget control, cash management, certification and approving authority, receipt of funds, and disbursement of funds, recording of all financial transactions in expense reports, records maintenance and control.

- Procurement;

The competitiveness, transparency and effectiveness of the procurement activities of the project in order to ensure that the equipment and services purchased meet the requirement of either the government (or NGO) or UNDP and include the following:

- As applicable, delegations of authorities, procurement thresholds, call for bids and proposals, evaluation of bids and proposals and approval/signature of contracts and purchase orders
- Receiving and inspection procedures to determine the conformity of equipment with the agreed specifications and, when applicable, the use of independent experts to inspect the delivery of highly technical and expensive equipment
- Evaluation of the procedures established to mitigate the risk of purchasing equipment that do not meet specifications or is later proven to be defective
- Management and control over the variation orders

The audit work in the area of procurement also covered the use of consulting firms and the adequacy of procedures to obtain fully qualified and experienced personnel and assessment of their work before final payment is made.

- Asset management

The work covers equipment (typically vehicles and office equipment) purchased for use of the project. The procedures for receipt, storage, and disposal were also be reviewed.

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

- Cash management

Review of all cash funds held by the project and procedures for safeguarding of cash.

- General administration;

The work covers travel activities, vehicle management, shipping services, office premises and lease management, office communications and IT systems, and records maintenance

The above scope covered transactions performed at the level of the project to include transactions at the level of the project to include direct payments made by UNDP office at the request of the project.

Limitation of scope

Transactions /actions that are performed by the UNDP office at the request and on behalf of the project (i.e UNDP direct services to NIM) where there is a signed Letter of Agreement are not included in the scope.

Department of Disaster Risk Management Affairs – Strengthening climate information and early warning systems in Malawi for Climate resilient development and adaptation to climate change project management did not prevent us from conducting any tests and procedures deemed necessary to form a reasonable basis for our opinion.

Audit results

Statement of Expenses

In our opinion, the Statement of Expenses presents fairly, in all material respects the expenditure of US\$501,395.57 as recorded under Government expenditure and US\$897,032.17 under direct payments, totalling to US\$1,398,427.74 incurred by the project for the period 1 January 2015 to 31 December 2015 in accordance with the UNDP accounting requirements.

Statement of Cash Position

In our opinion, the attached Statement of Cash Position presents fairly, in all material respects the cash and bank of the Strengthening climate information and early warning systems in Malawi for Climate resilient development and adaptation to climate change Project amounting to US\$ 0 as at 31 December 2015, in accordance with Generally Accepted Accounting Principles, the requirement of UNDP's Accounting Policies.

Statement of Assets and Equipment

There is no independent auditor's opinion on assets and equipment since the project does not have assets

Please do not hesitate to contact us should you require any further information or clarification.

**INDEPENDENT AUDITOR'S REPORT
ON THE STATEMENT OF EXPENSES/COMBINED DELIVERY REPORT (UNDP CDR)
FOR STRENGTHENING CLIMATE INFORMATION AND EARLY WARNING
SYSTEMS IN MALAWI FOR CLIMATE RESILIENT DEVELOPMENT AND
ADAPTATION TO CLIMATE CHANGE**

We have audited the accompanying Statement of Expenses - Combined Delivery Report (the CDR) of the Strengthening climate information and early warning systems in Malawi for Climate resilient development and adaptation to climate change project number: 00077203 for the period 1st January 2015 to 31st December 2015.

Management's responsibility for the Statement of Expenses

Management of the project is responsible for the preparation and fair presentation of the statement for Strengthening climate information and early warning systems in Malawi for Climate resilient development and adaptation to climate change project in accordance with Generally Accepted Accounting Principles (GAAP) and in the manner required by the Grant Agreement and UNDP's Accounting Requirements, and for such internal control as management determines is necessary to enable preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Statement of Expenses /Combined Delivery Report based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Statement of Expenses/Combined Delivery Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement of Expenses/Combined Delivery Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement of Expenses/Combined Delivery Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement of Expenses/Combined Delivery Report 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by project management, as well as evaluating the overall presentation of the Statement of Expenses/Combined Delivery Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the Statement of Expenses presents fairly, in all material respects the expenditure of US\$ 501,395.57 as recorded under Government expenditure and US\$897,032.17 under direct payments, totalling to US\$1,398,427.74 incurred by the project for the period 1st January 2015 to 31st December 2015 in accordance with the agreed upon accounting policies and were:

- in conformity with the approved project budgets;
- for the approved purposes of the project;
- in compliance with the relevant UNDP regulations and rules, policies and procedures; and
- Supported by properly approved vouchers and other supporting documents.

This report is intended solely for the use of UNDP, Department of Disaster Risk Management Affairs and Malawi Government and is not intended for any other purposes.

Graham Carr
11th April 2016

**UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
STRENGTHENING CLIMATE INFORMATION AND EARLY WARNING SYSTEMS
IN MALAWI FOR CLIMATE RESILIENT DEVELOPMENT AND ADAPTATION TO
CLIMATE CHANGE BEING IMPLEMENTED BY THE DEPARTMENT OF
DISASTER MANAGEMENT AFFAIRS (DoDMA)
PROJECT NO: 00077203**

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

**STATEMENT OF EXPENSES FOR THE STRENGTHENING CLIMATE
INFORMATION AND EARLY WARNING SYSTEMS IN MALAWI FOR CLIMATE
RESILIENT AND DEVELOPMENT AND ADAPTATION TO CLIMATE CHANGE
PROJECT**

Description of expenses	2015 MK	2015 US\$
Capacity of the Department of climate change and Meteorological services and Ministry of Irrigation , Agriculture and Water Development (MoIAWD)	174,757,278.16	395,681.28
Hydro - meteorological and environmental information for early warnings and long term development	31,700,883.66	71,776.39
Project management	14,989,075.18	33,937.90
<i>Total government expenses</i>	<u>221,447,237.00</u>	<u>501,395.57</u>
Expenses directly incurred by UNDP		897,032.17
Total expenses directly by UN Agencies		26,882.21
<i>Total expenses</i>		<u><u>1,425,309.95</u></u>
Balance as per Combined Delivery Report		<u><u>1,425,309.95</u></u>



UN Development Programme
 Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 4
 Run Time: 08-02-2016 13:02:03

Selection Criteria :

Business Unit : MW110
 Period : Jan-Dec (2015)
 Selected Project Id : 00077203
 Selected Fund Code : ALL
 Selected Dept. IDs : B0350
 Selected Outputs : ALL

Project Id : 00077203 Early Warning Systems	Period : Jan-Dec (2015)
Output # : 00088137 Early Warning Systems	Impl. Partner : 99999 UNDP
	Location : RES. REP OFFICE

Dept: 35003 (Malawi - Crisis Prev & Rcvry)

Fund : 62160 (GEF LDC/NAPA Programme Actv)

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
71305 - Local Consult-Sht Term-Tech	1,190.52	0.00	0.00	1,190.52
71605 - Travel Tickets-International	0.00	6,647.49	0.00	6,647.49
71620 - Daily Subsistence Allow-Local	79,877.14	0.00	0.00	79,877.14
71625 - Daily Subsist Allow-Mtg Partic	4,077.03	0.00	0.00	4,077.03
71635 - Travel - Other	87.84	0.00	0.00	87.84
72105 - Svc Co-Construction & Engineer	1,085.94	0.00	0.00	1,085.94
72145 - Svc Co-Training and Educ Serv	17,391.65	0.00	0.00	17,391.65
72210 - Machinery and Equipment	140,693.15	0.00	0.00	140,693.15
72311 - Fuel, petroleum and other oils	53,089.27	0.00	0.00	53,089.27
72399 - Other Materials and Goods	1,389.47	0.00	0.00	1,389.47
72410 - Acquisition of Audio Visual Eq	159.01	0.00	0.00	159.01
72425 - Mobile Telephone Charges	2,036.13	0.00	0.00	2,036.13
72505 - Stationery & other Office Supp	37,276.07	0.00	0.00	37,276.07
72510 - Publications	4,281.17	0.00	0.00	4,281.17
73406 - Maintenance of Equipment	3,333.11	0.00	0.00	3,333.11
74110 - Audit Fees	10,225.51	0.00	0.00	10,225.51
75705 - Learning costs	140,912.69	26.20	0.00	140,938.89
75707 - Learning - subsistence allowan	4,162.44	0.00	0.00	4,162.44
76120 - Unrealized Loss	0.00	7,518.89	0.00	7,518.89
76130 - Unrealized Gain	0.00	-170,339.15	0.00	-170,339.15
76135 - Realized Gain	0.00	-132.65	0.00	-132.65
Total for Fund 62160	501,268.14	-156,279.22	0.00	344,988.92

Total for Dept : 35003

501,268.14 -156,279.22 0.00 344,988.92

Dept: 35005 (Malawi - Energy & Envirnmnt)

Fund : 62160 (GEF LDC/NAPA Programme Actv)

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
71305 - Local Consult-Sht Term-Tech	0.00	15,204.70	0.00	15,204.70
71605 - Travel Tickets-International	0.00	7,280.34	0.00	7,280.34
71615 - Daily Subsistence Allow-Intl	0.00	50,437.09	0.00	50,437.09
71620 - Daily Subsistence Allow-Local	0.00	46,235.41	0.00	46,235.41
71625 - Daily Subsist Allow-Mtg Partic	0.00	513.29	0.00	513.29
71630 - Shipment	0.00	3,623.00	0.00	3,623.00
72125 - Svc Co-Studies & Research Serv	0.00	29,815.50	0.00	29,815.50
72145 - Svc Co-Training and Educ-Serv	0.00	2,917.07	0.00	2,917.07
72210 - Machinery and Equipment	0.00	14,364.61	0.00	14,364.61
72311 - Fuel, petroleum and other oils	46.03	11,926.16	0.00	11,972.19
72330 - Medical Products	0.00	489,046.94	0.00	489,046.94
72405 - Acquisition of Communic Equip	0.00	38,289.20	0.00	38,289.20
72425 - Mobile Telephone Charges	0.00	627.89	0.00	627.89



Combined Delivery Report By Project

Project Id : 00077203 Early Warning Systems	Period :	Jan-Dec (2015)
Output # : 00088137 Early Warning Systems	Impl. Partner :	99999 UNDP
	Location :	RES. REP' OFFICE

	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
72505 - Stationery & other Office Supp	0.00	729.28	0.00	729.28
73120 - Utilities	0.00	102,013.55	0.00	102,013.55
73216 - Construction Cost	0.00	2,893.05	0.00	2,893.05
73410 - Maint, Oper of Transport Equip	0.00	776.94	0.00	776.94
73420 - Leased Vehicles	0.00	1,390.93	0.00	1,390.93
73505 - Reimb to UNDP for Supp Srvs	0.00	4,817.54	0.00	4,817.54
74505 - Insurance	0.00	2,608.30	0.00	2,608.30
74510 - Bank Charges	81.40	0.00	0.00	81.40
74520 - Storage	0.00	4,636.52	0.00	4,636.52
74525 - Sundry	0.00	23.57	0.00	23.57
74696 - PP&E Expensed Items	0.00	19,993.00	0.00	19,993.00
74965 - Low value equipment	0.00	0.00	0.00	0.00
75705 - Learning costs	0.00	51,096.71	0.00	51,096.71
75706 - Learning - ticket costs	0.00	8,211.97	0.00	8,211.97
75707 - Learning - subsistence allowan	0.00	3,414.59	0.00	3,414.59
75711 - TrnWkshp&Conf - Stipends	0.00	1,789.25	0.00	1,789.25
76120 - Unrealized Loss	0.00	191,841.42	0.00	191,841.42
76125 - Realized Loss	0.00	174.21	0.00	174.21
76130 - Unrealized Gain	0.00	-27,043.35	0.00	-27,043.35
76135 - Realized Gain	0.00	-449.52	0.00	-449.52
77630 - Dep Exp Owned - ITC	0.00	185.44	0.00	185.44
Total for Fund 62160	127.43	1,079,384.60	0.00	1,079,512.03
Total for Dept : 35005	127.43	1,079,384.60	0.00	1,079,512.03
Dept: 35006 (Malawi - HIV/AIDS)				
Fund : 62160 (GEF LDC/NAPA Programme Actv)				
71615 - Daily Subsistence Allow-Intl	0.00	809.00	0.00	809.00
Total for Fund 62160	0.00	809.00	0.00	809.00
Total for Dept : 35006	0.00	809.00	0.00	809.00
Total for Output : 00088137	501,395.57	923,914.38	0.00	1,425,309.95
Project Total :	501,395.57	923,914.38	0.00	1,425,309.95

AmBWR
Partner
General Manager
P.O. BOX 1338,
LILONGWE.

SECRETARY AND COMMISSIONER
FOR DISASTER
MANAGEMENT AFFAIRS
26 APR 2016
PROMISE BAG 333,
CAPITAL CITY, LILONGWE

Signed By: J.M.U. CHUSIMA
Signed By: K. Haniemia

Date: 6/4/16
Date: 6/4/2016

NATIONALS
PROGRAMME



Selection Criteria :

Business Unit : MWI10
Period : Jan-Dec (2015)
Selected Project Id : 00077203
Selected Fund Code : ALL
Selected Dept. IDs : B0350
Selected Outputs : ALL

Project Id : ALL	Period : Jan-Dec (2015)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
35003 - Malawi - Crisis Prev & Rcvry	501,268.14	- 156,279.22	0.00	344,988.92
35005 - Malawi - Energy & Envmnt	127.43	1,079,384.60	0.00	1,079,512.03
35006 - Malawi - HIV/AIDS	0.00	809.00	0.00	809.00



Combined Delivery Report By Project

UN
DP UN Development Programme
Report ID: unglodrp

Page 4 of 4
Run Time: 08-02-2016 13:02:08

Funds Utilization

Selection Criteria :

Business Unit : MWI10
Period : Jan-Dec (2015)
Selected Project Id : 00077203
Selected Fund Code : ALL
Selected Dept. IDs : B0350
Selected Outputs : ALL

Project/Award: 00077203 Early Warning Systems

Period : As at Dec 31, 2015

Output #	00088137	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			44,831.88



INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH POSITION

We have audited the accompanying Statement of Cash Position of the Strengthening climate information and early warning systems in Malawi for Climate resilient development and adaptation to climate change project number: 00077203 as at 31 December 2015.

Management's responsibility for the Statement of Assets and Equipment

Management of the Strengthening climate information and early warning systems in Malawi for Climate resilient development and adaptation to climate change project is responsible for the preparation of the statement for the project and for such internal control as management determines is necessary to enable preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Statement of Cash Position is free from material misstatement.

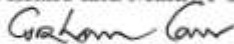
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement of Cash Position. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement of Cash Position, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement of Cash Position 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by project management, as well as evaluating the overall presentation of the Statement of Cash Position.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the attached Statement of Cash Position presents fairly, in all material respects the cash and bank of the Strengthening climate information and early warning systems in Malawi for Climate resilient development and adaptation to climate change Project amounting to US\$ 0 as at 31 December 2015, in accordance with Generally Accepted Accounting Principles, the requirement of UNDP's Accounting Policies.

This report is intended solely for the use of UNDP, Department of Disaster Risk Management Affairs and Malawi Government and is not intended for any other purposes.


Graham Carr
11th April 2016

- 12 -


UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
 EARLY WARNING SYSTEMS PROGRAMME SUPPORT TO MALAWI BEING IMPLEMENTED
 BY THE DEPARTMENT OF DISASTER MANAGEMENT AFFAIRS (DoDMA)

PROJECT NO: 00077203

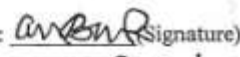

STATEMENT OF CASH POSITION
 FOR THE YEAR ENDED 31 DECEMBER 2015

Country Office: Malawi
Project title: Early Warning Systems
Project ID: 00077203
Period covered: 1 January to 31 December 2015

	Amount Local currency	Amount US\$
A Opening Fund Balance		
Bank Overdraft	-	-
Advance	-	-
Payables	-	-
Sub Total	-	-
B Advance Received from UNDP during 2015	221,447,237.00	503,373.38
C Total Funds Available(A+B) for 2015	221,447,237.00	503,373.38
D Payments/Expenditure for 2015	221,447,237.00	501,395.57
E Exchange Gain/(Loss)	NA	(1,977.81)
F Closing Fund Balance (C-D)	-	-
G Closing Balance represented by:		
Bank Overdraft	-	-
Advance	-	-
Payables	-	-
Total	-	-

Signed by:  (signature)
 Name: James Chiusiwa
 Title: Director

Signed by:  (signature)
 Name: 
 Title: 
 Date: 04/2016

Certified by:  (signature)
 Name: 
 Title: Partner

Name of Audit Firm: Graham Carr
 Date: 11/4/16

GRAHAM CARR
P.O. Box 988,
LILONGWE.



NOTES TO THE STATEMENT OF EXPENSES AND STATEMENT OF ASSETS AND EQUIPMENT

1. Basis of preparation

The Statement of Expenses is expressed in terms of the historic cost convention and has been prepared on cash accounting basis where expenses are recognised when paid than when incurred. The statement is presented in Malawi Kwacha (MK) and United States Dollars (US\$).

No other procedures have been adopted to reflect the impact on the statement of specific price changes or changes in the general level prices.

2. Programme expenditure

The programme expenditure represents total expenditure incurred by the project. The total expenditure initiated by the project and paid by the UNDP is US\$1,398,427.74 (US\$ 501,395.57 as recorded under Government expenditure project and US\$897,032.17 under direct payments) .

3. Foreign currency transaction

The Statement of Expenses of assets and equipment and Statement of Cash Position are expressed in Malawi Kwacha, which is the functional and presentation currency of the project.

Transactions in currencies other than the project's functional currency are recorded at the rates of exchange prevailing on the date of the transactions.

4. Exchange rate and inflation

The average of the year-end buying and selling rates of the major foreign currencies affecting the performance of the school are stated below, together with the increase in the National Consumer Price Index, which represent an official measure of inflation.

	2015	2014
Kwacha/US Dollar	662.1620	468.9488
Inflation rate	24.9%	24.2%

Inflation rate

At the time of signing the exchange rates were as follows:-

Kwacha/US Dollar	682.6759
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**UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
STRENGTHENING CLIMATE INFORMATION AND EARLY WARNING SYSTEMS
IN MALAWI FOR CLIMATE RESILIENT DEVELOPMENT AND ADAPTATION TO
CLIMATE CHANGE BEING IMPLEMENTED BY THE DEPARTMENT OF
DISASTER MANAGEMENT AFFAIRS (DoDMA)
PROJECT NO: 00077203**

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Management Report



11th April 2016

Our ref: LU/201/G

CONFIDENTIAL

The Resident Representative
United Nations Development Programme
P.O. Box 30135
Lilongwe 3

The Programme Coordinator
Early Warning Systems
Department of Disaster Management Affairs
Private Bag A330
Lilongwe 3.

Dear Sir,

REPORT TO MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

We have now completed our audit of the Strengthening climate information and early warning systems in Malawi for Climate resilient development and adaptation to climate change, Project Number; 00077203 being implemented by the Department of Disaster Risk Management Affairs with funding from United Nations Development Programme (UNDP) for the year ended 31 December 2015, during which we examined various aspects of the project's systems of internal control. As a result of this examination, certain areas came to our attention where we feel control weaknesses exist or where improvements could be made. Our detailed recommendations on these areas are contained in a report, which accompanies this letter.

This report is intended to offer some constructive assistance to management, but it must be appreciated that the matters included came to our notice as a result of our normal audit procedures, which are designed primarily to enable us to express an opinion on the combined delivery report. Consequently our report cannot be expected to include all possible improvements in internal control, which a more extensive, special examination might develop.

Finally, we would like to take this opportunity to express our thanks to management for the co-operation and assistance offered to us during our audit.

We hope you will find the recommendations useful. Should you require explanation on any of the points raised, please do not hesitate to contact us.

Yours faithfully,

GRAHAM CARR

/stp/tc

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CONTENTS

	Page
1. Executive Summary	
1.1 Background	17 - 18
1.2 Summary of findings	18 - 20

DETAILED FINDINGS AND RECOMMENDATIONS

2. Review of project progress	
3.1 Implementation of planned activities	21 – 22
3. Assessment of internal controls	
3.2 Unsupported payments	22 - 23
3.3 Stores records	24 - 25
3.4 Inadequate procurement procedures	25

1. EXECUTIVE SUMMARY

1.1 Background

As part of the audit of Strengthening climate information and early warning systems in Malawi for climate resilient development and adaptation to climate change Project for the year ended 31 December 2015, we are required to assess and express an opinion on the projects internal controls and systems and we have conducted the audit in accordance with the following terms of reference which requires that a management letter should be attached to the audit report covering the following topics/issues:

- a) A general review of a project's progress and timeliness in relation to progress milestones and the planned completion date, both of which should be stated in the project document or Annual Work Plan (AWP).
- b) An assessment of a project's internal control system with equal emphasis on:
 - (i) the effectiveness of the system in providing the project management with useful and timely information for the proper management of the project; and
 - (ii) The general effectiveness of the internal control system in protecting the assets and resources of the project.
- c) A description of any specific internal control weaknesses noted in the financial management of the project and the audit procedures followed to address or compensate for the weaknesses. Recommendations to resolve/eliminate the internal control weaknesses noted should be included.

Review of project progress

As part of the general review of project progress, specific steps included the following:

- Review annual and quarterly work plans, quarterly and annual financial reports, and requests for direct payments and assess in terms of their timeliness and their compliance with the project document or the AWP, and the UNDP Programme Operations Policies and Procedures (POPP) on Results Management.
- Review the annual project report prepared by the implementing partner and assess in terms of compliance with UNDP guidelines and whether the implementing partner met its responsibilities for monitoring described in the project document or AWP.
- Review whether the decisions and/or recommendations of the above activities have been followed through by the implementing partner.
- Review the pace of project progress and comment on the causes for delays.

- Comment on whether implementation services of the UN Agency were provided in line with the project document or AWP.

Assessment of internal controls

As part of assessment internal controls, specific steps included the following:

- Review the expenses made by the implementing partner and assess whether they are in accordance with the project document, AWP and budgets; and are in compliance with the UNDP POPP on Results and Accountability.
- Review the process for procurement/contracting activities and assess whether it was transparent and competitive.
- Review the use, control and disposal of non-expendable equipment and assess whether it is in compliance with UNDP POPP on Results and Accountability; and also whether the equipment procured met the identified needs and whether its use was in line with intended purposes.
- Review the process for recruiting project personnel and consultants and assess whether it was transparent and competitive.
- Review the implementing partner accounting records and assess their adequacy for maintaining accurate and complete records of receipts and disbursements of cash; and for supporting the preparation of the quarterly financial report.
- Review the records of requests for direct payments and ensure that they were signed by authorized government officials.

1.2 Summary of findings

Review of Project progress

- We reviewed the annual and quarterly work plan, quarterly and annual financial reports, requests for direct payments in terms of their timeliness and compliance with the project document and annual work plan and the UNDP Programme Operations Policies and Procedures. The results of review indicate that annual financial reports were prepared and submitted on timely and request for direct payments were also timely submitted. Project document, annual work plan and the UNDP Programme Operations Policies were complied with except for the following:
 - Some planned activities were not fully implemented. Refer finding no 2.1.

**UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
STRENGTHENING CLIMATE INFORMATION AND EARLY WARNING
SYSTEMS IN MALAWI FOR CLIMATE RESILIENT DEVELOPMENT AND
ADAPTATION TO CLIMATE CHANGE BEING IMPLEMENTED BY THE
DEPARTMENT OF DISASTER MANAGEMENT AFFAIRS (DoDMA)
PROJECT NO: 00077203
REPORT TO MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

- We reviewed the annual project report to assess compliance with UNDP guidelines and whether the project management met its responsibility and the results indicate that annual project report was prepared in compliance with UNDP guidelines and the project management met its responsibility.
- The pace of the project is satisfactory except where some planned activities were not implemented as stated above.
- Implementation services of the UN Agency were provided in line with the project document and the Annual Work Plan except for the following:
 - Procurement procedures were not followed on some payments. Refer finding no 3.3.

Assessment of internal control

We assessed the project's internal control system with emphasis on effectiveness of the system providing the project management with useful and timely information for proper management of the project and the general and the general effectiveness of the internal control system in protecting the assets and resources of the project and the results indicate that the system in place is adequate and internal controls satisfactory except for the findings that were noted upon when we were performing the specific steps as detailed below :

- We reviewed the expenses made by the project to assess whether they are in accordance with the project document, annual work plan and budgets and in compliance with the UNDP POPP on results and accountability. Results of our review indicate that expenses were in accordance with the project document, annual work plan and budget except for the following:
 - A payment amounting to MK235, 641 was not adequately supported by valid third party documentation. Refer to finding no 3.1
 - No stores records for stationery purchased amounting to MK4, 081,432. Refer to finding no 3.2
- We reviewed the process for procurement/contracting activities to assess whether it was transparent and competitive and the results of our review indicate that the procurement process is adequate except for the following:
 - Procurement procedures followed on payments amounting to MK1, 887, 350 (US\$3,183.94) were inadequate. Refer finding no 3.3.

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REPORT TO MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

- We reviewed the use, control and disposal of non-expendable equipment to assess whether it is in compliance with UNDP POPP on results and accountability and whether its use was in line with intended purpose.
- We reviewed the process of recruiting project personnel and consultants to assess whether it was transparent and competitive and the results of our review indicate that the process was transparent and competitive.
- We reviewed the accounting records for the project to assess their adequacy and completeness for supporting the preparation of the quarterly financial report and the results of our review indicate that the accounting records are adequate and complete to support the preparation of quarterly financial reports.
- We reviewed the records for requesting direct payments and the results of our review indicate that these were authorised by the Director.

DETAILED FINDINGS AND RECOMMENDATIONS

2. REVIEW OF PROJECT PROGRESS

2.1 Implementation of planned activities

Observation

We noted that that the following activities were not fully implemented:

- Procure and install automatic hydrological stations.
- Installation of 12 Data Loggers into the Integration into EWS Project
- Undertake repairs of hydrological monitoring stations
- Construct ten Data Collection Platforms and carry out related works
- Procure 6 AWSs and 4 Special Automated Weather Observing Systems for Karonga, Mzuzu, KIA and Chileka Aviation Stations
- Rehabilitate priority meteorological stations. Bolero, Salima, Nkhata-bay, Mangochi, Chitipa, Mzimba, Nkhotakota
- Procure and install 30 Evaporation Pans for 21 Met stations and 9 Agro meteorological Research stations
- Extend the DCCMS WAN to all 21 Principal Stations for enhanced communication including Upgrading DCCMS website/
- Procure and equip meteorological instrument calibration laboratory for thermometers, hygrometers, barometers and tipping bucket rain gauges
- Replace 10 obsolete CASELA Data Loggers for AWS
- Procure audio-visual equipment for weather related disasters awareness and seasonal rainfall forecast programs including Portable beamers, Laptops and interactive screen.
- Procure and install 25 desktop computers and accessories for decentralization and installation of CLIMSOFT database and information management system in all Principal Met stations
- Conduct training of all ACPC/DCPC / VCPC and District media staff and community radio stations in Karonga, Salima, Nkhota-kota, Mangochi Rumphi, Nkhata-bay, Dedza and Phalombe., Nsanje, Chikwawa on Weather and climate forecast interpretation in relation to disasters
- Conduct training of 5 meteorological forecasters in WMO Class II weather forecasting course
- Develop training packages and toolkits for weather and climate observations.
- Conduct training of 25 weather forecasters in forecast verification and satellite applications and Numerical Model Output interpretation as well as production of tailor-made products for early warning

Implication

Activities not implemented as per approved work plans.

Recommendation

Management should ensure all planned activities are carried out in time. This will help to ensure that planned outputs are achieved.

Risk severity

High

Management comment

Installation of equipment was not done as planned due to delayed procurement which was centrally done by UNDP headquarters on behalf of the IP because the equipment was not locally available in the country.

CO comment

UNDP agrees with the auditors' recommendation and will work with the project to ensure that procurement is done timely. However not all the issues in the list were procured by UNDP, a significant share of procurements on the list were done using the government procurement system and ODPP did not issue authorisation for the procurement processes to continue because some processes did not meet all requirements. As a remedy, UNDP will ensure that there is targeted training of the implementing partner on procurement and that activities planned are within the capacity of the IP to deliver.

3. ASSESSMENT OF INTERNAL CONTROLS

Finance

3.1 Unsupported payment

Observation

We noted a payment to Blantyre Newspaper Ltd amounting to MK235,641 was not supported by valid third party documentation as detailed below.

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PROJECT NO: 00077203
REPORT TO MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Date	Details	Cheque number	Amount MK	Questioned Amount MK	Quantity invoice
21/05/15	Blantyre Newspaper Ltd	000055	235,641	235,641	Payment not supported by a receipt
			235,641	235,641	

Implication

In absence of supporting documentation, it is difficult to prove validity of payments.

Recommendation

Management should ensure all payments are supported by valid third party documentation to support payments made. This is an internal control procedure that would provide justification that all payments are valid in relation to the organisation's activities.

Risk severity

High

Management comment

Management agrees with the observation and a follow will be made with Blantyre Newspaper to get a duplicate copy. This payment was for a toolkit advert which was published in the newspaper and a payment was made only that the receipt was miss filed.

CO comment

UNDP agrees with the auditors' recommendation and will ensure that implementation of this recommendation if being adhered to during subsequent spot checks; and that the misfiled receipt is located and properly filed by 30th April 2016

3.2 Stores records

Observation

We noted that there was no evidence that bin cards were maintained for the following purchases of stationery and vehicle tyres:

Date	Details	Cheque number	Amount MK	Comment
16/04/15	Office World	24	355,325	Stationery for administration
03/06/15	Millie Distribution	61	2,519,895	Vehicle tyres
09/06/15	Office World	65	189,021	Stationery for bid administration
10/07/15	Office World	86	529,493	Stationery
29/07/15	Office World	103	487,698	Stationery for climate database
			4,081,432	

Implication

It is difficult to ensure that all items purchased were used for the project.

Recommendation

Management should ensure that bin cards are properly maintained. This will ensure proper control of items purchased for project usage.

Risk severity

Low

Management comment

No stores record was maintained just because the stationery was for training activities and was supplied directly to the training place on just in time basis. Management agrees to the observation and stores ledger will be opened for every stationery procured for the project.

CO comment

UNDP agrees with the auditors recommendations and will closely monitor its implementation through regular spot check spots and will ensure that the ledger is opened by 30th April 2016

PROCUREMENT

3.3 Procurement procedures

Observation

We noted that there was no evidence that standard procurement procedures were followed on a payment to Caring Motor Services for motor vehicle services amounting to MK1,887,300 as three quotations from different suppliers were not obtained before making the payment and there was also no attachment of IPC minutes.

Implication

Purchase may not have been done at a competitive price.

Recommendation

Project administration should ensure 3 quotations are obtained on purchases above MK1million and less than MK4 million in complying with procurement policies. This will ensure that purchases are done at competitive price.

Risk severity

High

Management comment

Management agrees with the observation that three quotations were not sourced just because the vehicle was returned from the dealer CFAO Malawi because the replacement part could not be found in the country due to the old age of the vehicle. Three quotations were not sourced because the part that was to be replaced was not available from the dealers of Nissan Vehicles as such a single supplier was used.

CO comment

UNDP will ensure that the project strictly follows the procurement procedures. Where only one quotation is sourced, it needs to be justified and this should be noted in the minutes of the IPC.

EARLY WARNING SYSTEMS BEING IMPLEMENTED BY THE DEPARTMENT OF DISASTER MANAGEMENT AFFAIRS (DoDMA)

PROJECT NO: 00077203

REPORT TO MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
UPDATED ACTION PLANS FOR PRIOR YEAR AUDIT OBSERVATIONS AND RECOMMENDATIONS

Observation	Recommendation	Risk severity	Management comment	Actions Planned	Target Date	Action Unit	Status
1 Finance Not all payment vouchers and supporting documents were stamped PAID	All payment vouchers should be stamped PAID when a payment has been made	Low	Management agreed that payments and supporting documents were not stamped PAID because the project was on direct payment modality and it was the responsibility of UNDP.	Management will ensure that all all subsequent payments are stamped PAID	January 2015	UNDP & DoDMA	Resolved
2 Purchase of goods from suppliers who were not on prequalified list	Management should ensure that only prequalified suppliers are dealt with	Medium	Purchases of the questioned items were done by UNDP on behalf of the Department upon submission of the request for procurements of goods because the project was under direct payment modality	Management will ensure that all all subsequent purchases of goods and apayments of services are procured from vendors who are on the prequalified list	14th April 2015	UNDP & DoDMA	Resolved

Signed by: *[Signature]*
Name: *[Name]*
Title: Programme Coordinator
Date: 6.14.16

Signed by: *[Signature]*
Name: *[Name]*
Title: Programme Manager (DRRG)
Date: 6.14.16



Signed by: *[Signature]*
Name: *[Name]*
Title: Deputy Managing Partner
Audit firm: Graham Carr
Date: 14.11.16
GRAHAM CARR
P.O. BOX 938,
LILONGWE.

[Handwritten notes and signatures]