



GOVERNMENT OF LESOTHO

**AUDIT REPORT
ON THE
ANNUAL FINANCIAL STATEMENTS
OF**

**SOCIAL ASSISTANCE PROJECT
MINISTRY OF SOCIAL DEVELOPMENT
GOVERNMENT OF LESOTHO
FOR THE YEAR ENDED 31 MARCH 2018**

**AUDITOR - GENERAL
P.O. BOX 502
MASERU 100
LESOTHO**

MINISTRY OF SOCIAL DEVELOPMENT



SOCIAL ASSISTANCE PROJECT (P151442)

SOCIAL ASSISTANCE ORIGINAL FINANCING
AGREEMENT-SAP (5834-LS)

Annual Financial Report For Year Ended 31st
March 2018

SOCIAL ASSISTANCE PROJECT ORIGINAL FINANCING -SAP
(5834-LS)
MINISTRY OF SOCIAL DEVELOPMENT
GOVERNMENT OF LESOTHO
THE WORLD BANK-IDA
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

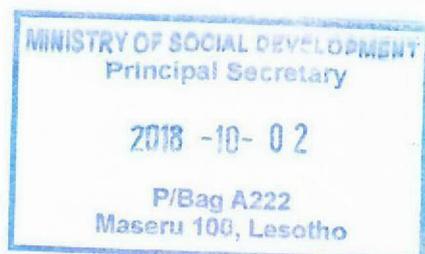
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The accompanying financial statements set out on pages to were approved on

.....*original*..... 2018 and signed by:

.....


Mr. MALEFETSANE MASASA
PRINCIPAL SECRETARY-MINISTRY OF SOCIAL DEVELOPMENT





**OFFICE OF THE AUDITOR - GENERAL
P.O. BOX 502, MASERU 100
LESOTHO**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF
SOCIAL ASSISTANCE ORIGINAL FINANCING
MINISTRY OF SOCIAL DEVELOPMENT
FOR THE YEAR ENDED 31 MARCH 2018**

Opinion

I have audited the accompanying financial statements of **Social Assistance Original Financing – Project Number 5834-LS**, which comprise the statement of cash receipts and payments for the year ended 31 March 2018, and notes to the financial statements, including a summary of the activity in the Designated Account, summary of significant accounting policies and other explanatory notes as set out on pages 4 to 11.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Project as at 31 March 2018, and its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

• **Report on internal controls**

There were no significant instances of control failures or overruns that could affect the completeness and accuracy of financial records as well as safeguarding of the Project's assets.

• **Report on compliance**

There were no material instances of non-compliance with financing agreement terms and laws and regulations governing the Project.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the

project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the the project financial reporting process.

Auditor's Responsibilities for the Audit of 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 audit 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 ISA 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 ISA, I exercise professional judgment and maintain professional skepticism throughout the audit.

I also:

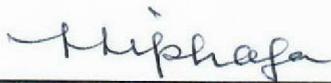
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



LUCY L. LIPHAFI (MRS)
AUDITOR-GENERAL

DATE:

OFFICE OF THE AUDITOR-GENERAL AUDITOR GENERAL 02 OCT 2018 P.O. BOX 502 MASERU100, LESOTHO

STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 MARCH 2018

Social Assistance Project Original Financing (SAP) 5834-LS

	Notes	USD	LSL
Opening Cash Balance		-	-
Add: Source of Funds			
IDA Funds Component 2	3B	546 542	7 630 482
Counterpart Funding			
Other Income			
Funds Available		546 542	7 630 482
Less: Uses of Funds by disbursement categories			
Component 2			
Goods		182 698	2 451 994
Consultants' services		117 745	1 621 279
non-consulting services		14 409	201 193
Training		4 436	64 292
Operating costs		3 454	47 940
Direct Transfer to Beneficiaries		-	-
Exchange Rate Difference		(2 794)	567 431
Total expenditures	5	319 948	4 954 129
Cash available less total expenditure		226 594	2 676 353
Standard Lesotho Bank (USD) A/c	7A	211 499	2 498 059
Standard Lesotho Bank (LSL) A/c	7B	15 095	178 293
Total Cash Balance		226 594	2 676 353

The following rates were used for conversion: 1US\$ = 13.4400 LSL & 1US\$ = 11.8112 LSL (opening and closing balances)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with Cash Basis IPSAS "Financial Reporting under the Cash Basis of Accounting".

The accounting policies have been applied consistently throughout the period.

Reporting entity

The Government of Lesotho (GoL) through Ministry of Social Development (MoSD) has received two credits (Credit number 5834-LS & 5932-LS) from the International Development Association (IDA) administered by the World Bank under a project called Social Assistance Project (P151442).

The objective of the Social Assistance Project and its Additional Financing (SAP+AF) is to support the Government of Lesotho in improving the efficiency, equity and shock responsive function of selected social assistance programs and, in the event of an eligible crisis or emergency, to provide immediate and effective response to the emergency/crisis.

For the purpose of the project, selected social assistance programs are the Child Grants Program (CGP), OVC Bursary Scheme (OVC)/Post-Primary Bursary Scheme (PPB), Public Assistance Program (PA) and Old Age Pension Program (OAP).

Reporting currency

The entity maintains its records and prepares financial statements in both Lesotho Maloti and US Dollars to satisfy the reporting requirements for both the donors and the government of Lesotho.

Assets and liabilities at the end of the reporting period are translated at the rate ruling at that date. Transactions during the year are translated at the selling rate used to transfer funds from the foreign currency bank to operational account over the reporting period. Gain and losses on exchange are dealt with in the Sources and Uses of Funds Statement.

Fixed Assets

Fixed assets are expensed in full on acquisition. A fixed assets register is maintained for all assets under the organizations control.

Financial Year

The Financial Year follows the Lesotho Government Financial Year April to March each year.

2. Cash

During the reporting period the accounting records were maintained on cash basis with cash being recognized when received rather than earned, and expenses recognized when paid rather than when incurred. The accounting records separately identify funds received from different sources and disbursements there from.

Cash comprises cash on hand, demand deposits and cash equivalents. Amounts received by the entity are deposited into the entity's dedicated bank accounts and are controlled by the entity.

Cash included in the Sources and Uses of Funds Statement comprise of cash balances with Central Bank of Lesotho and Standard Lesotho Bank as a commercial bank.

3. Disbursements from International Development Agency

- A. Component 1 is structured around 21 of Disbursement-Linked Indicators (DLIs) (see tables 2 and 6 for the list of DLIs). Disbursements take place once technical proof that the DLIs have been met, as well as financial evidence on adequate Government spending under the Eligible Expenditure Program, are presented to the World Bank. For the current FY, Four DLIs have been achieved out of 11 due this year, namely, DLI 1, 2, 3 and 15. The total value received is \$3, 198, 597 (equivalent to LSL 43, 740, 508) and all these funds has been deposited straight into the Consolidated Account of The Government of Lesotho.

DESCRIPTION	DATE	LSL	USD
Reimbursement-DLI 1 Achievement	08/09/2016	LSL 21 168 623,27	\$ 1 486 122,30
Reimbursement_DLI 2 Achievement	13/04/2017	LSL 13 232 778,65	\$ 962 937,90
Reimbursement_DLI 3 Achievement	08/12/2017	LSL 3 387 774,11	\$ 250 946,23
Reimbursement_DLI 15 Achievement	21/03/2018	LSL 5 951 332,35	\$ 498 591,05
TOTAL		LSL 43 740 508,38	\$ 3 198 597,48

- B. Component 2 directly finances activities, such as emergency top ups to the CGP, the livelihoods pilot, consultancies for technical assistance and goods, to support implementation of the key reforms and improvements planned under the project. This component follows standard World Bank procedures for investment financing. For the current reporting period, the Project received two disbursements to the value of \$546, 542 (equivalent to LSL 7, 630, 482). These funds were deposited into the project Designated Account held with Central Bank of Lesotho.

DESCRIPTION	VOUCHER NO.	DATE	USD	LSL
1st Disbursement SAP component 1	SAPJV1704001\$	03.04.17	\$ 339 962,00	LSL 4 746 339,40
2nd Disbursement- IDA 58340 001 005	SAPJV1803001\$	19.03.18	\$ 206 580,00	LSL 2 884 142,32
TOTAL			\$ 546 542,00	LSL 7 630 481,72

4. Eligible Expenditures Program (EEP)

The Eligible Expenditures Program are the expenditure on transfers to beneficiaries for the following five programs:

- Child Grants Program (CGP)
- Orphan, Vulnerable Children Bursary Program (OVC)
- Public Assistance program (PA)
- Old Age Pension (OAP)
- Post Primary Bursary program

As well as salaries for the MSD staff. The aggregate EEP is 100%. Thus, aggregate disbursements under SAP shall not exceed the aggregate EEP. The EEP is extracted from the GOL Financial System (IFMIS). The EEP for the current reporting period is LSL 119, 499, 088 (equivalent to \$9, 150, 007)

DESCRIPTION	DATE	LSL	USD
EEP	SAP Retroactive Financing Period	LSL 111 084 597,23	\$ 8 505 711,89
EEP	SAP July- September 2017	LSL 8 414 490,23	\$ 644 294,81
TOTAL		LSL 119 499 087,46	\$ 9 150 006,70

5. Component 2 Expenditure

In USD

Row Labels	MOF	MOSD	PIU	Grand Total
Consultants Services			117 745	117 745
Exchange Rate Diffence			(2 794)	(2 794)
Goods		83 193	99 505	182 698
Non-consulting Services	4 001	4 330	6 079	14 409
Operating Costs		1 383	2 070	3 454
Training		4 436		4 436
Grand Total	4 001	93 342	222 605	319 948

In LSL

Row Labels	MOF	MOSD	PIU	Grand Total
Consultants Services			1 621 279	1 621 279
Exchange Rate Diffence			567 431	567 431
Goods		1 118 062	1 333 932	2 451 994
Non-consulting Services	53 504	62 753	84 935	201 193
Operating Costs		18 500	29 440	47 940
Training		64 292		64 292
Grand Total	53 504	1 263 607	3 637 018	4 954 129

6. Disbursement Linked Indicator Control Account

The aggregate EEP is 100%. Thus, aggregate disbursements under SAP shall not exceed the aggregate EEP. The EEP is extracted from the GOL Financial System (IFMIS). The EEP for the current reporting period is LSL 119, 499, 088 (equivalent to \$9, 150, 007). For the current FY, Four DLIs have been achieved out of 11 due this year, namely, DLI 1, 2, 3 and 15. The total value received is \$3, 198, 597 (equivalent to LSL 43, 740, 508) and all these funds has been deposited straight into the Consolidated Account of The Government of Lesotho.

DISBURSEMENT LINKED INDICATORS FOR ORIGINAL SOCIAL ASSISTANCE FINANCING AGREEMENT CONTROL ACCOUNT							
DESCRIPTION	DATE	AMOUNTS IN LOCAL CURRENCY			AMOUNTS IN US DOLLARS		
		DR	CR	BALANCE	DR	CR	BALANCE
Eligible Expenditure Programme	SAP Retroactive Financing Pe	LSL 111 084 597,23		LSL 111 084 597,23	\$ 8 505 711,89		\$ 8 505 711,89
Eligible Expenditure Programme	SAP July- September 2017	LSL 8 414 490,23		LSL 119 499 087,46	\$ 644 294,81		\$ 9 150 006,70
Reimbursement-DLI 1 Achievement	08/09/2016		LSL 21 168 623,27	LSL 98 330 464,19		\$ 1 486 122,30	\$ 7 663 884,40
Reimbursement_DLI 2 Achievement	13/04/2017		LSL 13 232 778,65	LSL 85 097 685,54		\$ 962 937,90	\$ 6 700 946,50
Reimbursement_DLI 3 Achievement	08/12/2017		LSL 3 387 774,11	LSL 81 709 911,43		\$ 250 946,23	\$ 6 450 000,27
Reimbursement_DLI 15 Achievement	21/03/2018		LSL 5 951 332,35	LSL 75 758 579,08		\$ 498 591,05	\$ 5 951 409,22

7. Disbursement Linked Indicator Report

Description of a Disbursement Linked Indicator	DLI #	DLI Planned US\$	DLI Actual US\$	Burn Rate	Trigger Achieved Yes/NO
The NISSA-CBT targeting approach was designed and tested	DLI 1	1 500 000	1 486 122	99%	Yes
Data cross matching mechanism between the OAP and the Civil Service Pensions databases was established	DLI 2	1 000 000	962 938	96%	Yes
Post-primary OVC Bursary was consolidated in the OVC Bursary scheme	DLI 3	250 000	250 946	100%	Yes
OVC and PA adopted harmonized targeting procedures based on NISSA-CBT and categorical filters	DLI 4	250 000	-	0%	NO
Enrollment in CGP reached at least 38,000 households.	DLI 5	1 500 000	-	0%	NO
Key managerial positions of the Social Assistance Department have been included in the MoSD payroll	DLI 6	150 000	-	0%	NO
Harmonized procedures of application, enrollment, grievance and redress mechanism for CGP, OVC and PA were adopted	DLI 7	150 000	-	0%	NO
100% of OAP beneficiaries found to be ineligible through the regular cross checks with Civil Service Pensions databases are eliminated from the OAP roster	DLI 8	400 000	-	0%	NO
100% of ineligible OAP recipients detected June 30, 2017 are eliminated as a result of the new OAP proof of life verification requirements applied to all current beneficiaries	DLI 9	1 300 000	-	0%	NO
All new beneficiaries of PA and OVC entered in the calendar year were selected using the harmonized targeting procedures adopted in Year 1	DLI 10	500 000	-	0%	NO
The coverage of NISSA-CBT registry reached at least 75% of Community Councils in the country	DLI 15	500 000	489 591	98%	Yes
Total		7 500 000	3 189 597	43%	

8. Closing Cash & Bank Balances

In LSL

List A - LSL Denominated Bank Accounts Held at Standard Lesotho Bank

Bank/Account Title	Account Number	USD	LSL	RATE
* Social Assistance Project LSL	OLD '0140019339001 NEW 9080005469216	15 095,28	178 293,42	11,81
TOTALS	-	15 095,28	178 293,42	11,81
Notes:				

IN USD

List B - Foreign Currency Bank Accounts Held at with Central Bank of Lesotho

Bank/Account Title	Curr	Account Number	Balance at 31 March 2018		
			Currency Amt	Exchange Rate	M
Social Assistance (USD) Project	USD	100008-9405-USD-32	211 499,18	11,8112	2 498 059,11
TOTAL			211 499,18		2 498 059,11
Notes: All balances are restricted for use on specific projects.					

