AUDIT REPORT
ON THE
ANNUAL FINANCIAL STATEMENTS
OF
GOL LESOTHO MATERNAL HEALTH PBF
MINISTRY OF HEALTH
GOVERNMENT OF LESOTHO
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
# HEALTH SECTOR REFORM PROJECT
## MINISTRY OF HEALTH
### GOVERNMENT OF LESOTHO
#### LESOTHO MATERNAL AND NEW BORN PBF (HSPE) PROJECT
#### FINANCIAL STATEMENTS
##### FOR THE YEAR ENDED 31 MARCH 2018

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</tr>
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The accompanying financial statements set out on pages to were approved on 2018 and signed by:

PRINCIPAL SECRETARY
MINISTRY OF HEALTH

DIRECTOR, FINANCE
MINISTRY OF HEALTH
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF
LESOTHO MATERNAL AND NEW BORN PBF (HSPE) PROJECT
MINISTRY OF HEALTH
FOR THE YEAR ENDED 31 MARCH 2018

Opinion
Sheeran and Associates, under Section 24 (1) of the Audit Act 2016, have audited the financial statements of Lesotho Maternal and New Born PBF (HSPE) Project (the Project) set out on pages 3 to 12, which comprise the statement of sources and uses of funds for the year ended 31 March 2018, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

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).

Basis for Opinion
I conducted my audit in accordance with International Standards on Auditing (ISAs). 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 Project 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.

There were no key audit matters identified during the course of the audit.

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 IPSAS, 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 Project’s 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 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 these financial statements.

As part of an audit in accordance with ISAs, 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 my 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 LIPHAFA (MRS)
AUDITOR-GENERAL

OFFICE OF THE AUDITOR-GENERAL

DATE
AUDITOR GENERAL
2 8 SEP 2018
P.O. BOX 502
MASERU100, LESOTHO
### SOURCES AND USES OF FUNDS - PBF (HSPE) Project

Year finishing at 31/03/2018

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Year</th>
<th>Cumulative</th>
<th>6 Months Planned</th>
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</thead>
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<td>Lesotho Maternal Health PBF PPA</td>
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<td>1,324,000</td>
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<td>61,188,376</td>
<td>97,284,170</td>
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| Total Financing                                      | 61,188,376  | 97,284,170  |

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<thead>
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<th>Uses of Funds By Category</th>
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<td>Training</td>
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<td>PPF Refinancing</td>
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<td>Proc of goods other than Sub 1A</td>
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<td><strong>Total Uses of Funds By Category - PBF IDA</strong></td>
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<td>43,719,768</td>
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<td>Operating Costs</td>
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<table>
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<th>Uses of Funds By Category</th>
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<tbody>
<tr>
<td>Consultancy Services</td>
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</tr>
<tr>
<td>Civil Works</td>
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<tr>
<td>Goods</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td></td>
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</table>
### SOURCES AND USES OF FUNDS - PBF (HSPE) Project

**Year finishing at 31/03/2018**

<table>
<thead>
<tr>
<th></th>
<th>Year</th>
<th>Cumulative</th>
<th>6 Months Planned</th>
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<tr>
<td><strong>Operating Costs</strong></td>
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<td><strong>Total Uses of Funds By Category - UNFPA</strong></td>
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<td>1,324,800</td>
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<td><strong>Total Uses of Funds By Category</strong></td>
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<tr>
<td><strong>Total Expenditures</strong></td>
<td>60,913,828</td>
<td>95,890,436</td>
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<td><strong>Receipts Less Expenditures</strong></td>
<td>272,548</td>
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<td><strong>Foreign Exchange Difference</strong></td>
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<td><strong>Encashement Evolution</strong></td>
<td>-516,844</td>
<td>486,430</td>
<td>496,430</td>
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<td><strong>Opening Cash Balances</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Opening Cash Balance</strong></td>
<td></td>
<td></td>
<td>496,430</td>
</tr>
<tr>
<td>Lesotho Maternal Health PBF USD A/c</td>
<td>-703,160</td>
<td>-703,160</td>
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<tr>
<td>Lesotho Maternal Health PBF LSL A/c</td>
<td>1,511,272</td>
<td>1,511,272</td>
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<tr>
<td><strong>Total Opening Cash Balance</strong></td>
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<tr>
<td><strong>Total Opening Cash</strong></td>
<td>807,294</td>
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<tr>
<td><strong>Net Cash Available</strong></td>
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<td>496,430</td>
<td>496,430</td>
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<td><strong>Closing Cash Balances</strong></td>
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<td>Lesotho Maternal Health PBF USD A/c</td>
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<td>3,322</td>
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<td>Lesotho Maternal Health PBF LSL A/c</td>
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<td>403,108</td>
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<td><strong>Total Closing Cash Balances</strong></td>
<td>496,430</td>
<td>496,430</td>
<td>496,430</td>
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## SOURCES AND USES OF FUNDS - PBF (HSPE) Project

**Year finishing at 31/03/2018**

*US Dollars (1 USD = 13 LSL)*

### Sources of Funds

<table>
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<tr>
<th>Source of Funds</th>
<th>Year</th>
<th>Cumulative</th>
<th>6 Months Planned</th>
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<tr>
<td>Lesotho Maternal Health PBF PPA</td>
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<td>393,087</td>
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<td>102,200</td>
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<td>UNFPA Purchase of PBF FP Indicators</td>
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Total Sources of Funds: 4,786,099

Total Financing: 4,786,099

### Uses of Funds By Category

#### Uses of Funds By Category - PBF PPA

<table>
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<th>Category</th>
<th>Year</th>
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<tr>
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<td>Goods</td>
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<tr>
<td>Training</td>
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</tr>
<tr>
<td>Operating Costs</td>
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Total Uses of Funds By Category - PBF PPA: 393,667

#### Uses of Funds By Category - PBF IDA

<table>
<thead>
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<th>Category</th>
<th>Year</th>
<th>Cumulative</th>
<th>6 Months Planned</th>
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<tr>
<td>Goods, S/works &amp; POC for Health Serv Proj</td>
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<td>PPF Refinancing</td>
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<td>1,330</td>
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<td>Proc of goods other than Sub 1A</td>
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Total Uses of Funds By Category - PBF IDA: 5,103,582

#### Uses of Funds By Category - PBF IBRD

<table>
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<th>Cumulative</th>
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Total Uses of Funds By Category - PBF IBRD: 1,732,283

#### Uses of Funds By Category - UNFPA

<table>
<thead>
<tr>
<th>Category</th>
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<th>Cumulative</th>
<th>6 Months Planned</th>
</tr>
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<tbody>
<tr>
<td>Consultancy Services</td>
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<tr>
<td>Civil Works</td>
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<td>Training</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Year</td>
<td>Cumulative</td>
<td>6 Months Planned</td>
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<td>------------------</td>
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<td>Total Uses of Funds By Category</td>
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<td>7,382,813</td>
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<td>Total Expenditures</td>
<td>4,722,018</td>
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<td>Closing Cash Balances</td>
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### USES OF FUNDS BY PROJECT ACTIVITIES - PBF (Health Sector Performance Enhancement) Project

**Year finishing at 31/03/2018**

#### Maloti

<table>
<thead>
<tr>
<th>Project Activities</th>
<th>Year</th>
<th>Cumulative</th>
<th>Doc of Eval of the project</th>
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<td>Variance</td>
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<td>60,913,828</td>
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<td>33000000 Lesotho Maternal Health - PBF</td>
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<td>11,588,199</td>
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<tr>
<td>330001 Improve MNH services delivery at community, primary &amp; second</td>
<td>54,964,960</td>
<td>43,984,239</td>
<td>10,980,721</td>
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<tr>
<td>33000010 Delivery of Maternal and Neonatal Health services through PBF</td>
<td>25,273,635</td>
<td>27,418,971</td>
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<tr>
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<td>16,565,268</td>
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<td>330002 Capacity building support to MOH</td>
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<td>14,221,326</td>
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<tr>
<td>33000020 Training of Health professionals</td>
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<td>2,206,193</td>
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<td>843,000</td>
<td>843,000</td>
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</tr>
<tr>
<td>Project Activities</td>
<td>Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------</td>
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<tr>
<td></td>
<td></td>
<td>Planned</td>
<td>Actual</td>
</tr>
<tr>
<td>330003 PPP capacity building support</td>
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<td>4,840,593</td>
<td>1,115,088</td>
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<td>33000301 PPP Unit strengthening</td>
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<td>4,270,743</td>
<td>1,092,328</td>
</tr>
<tr>
<td>33000302 Support to PPP Policy and Regulation</td>
<td></td>
<td>569,850</td>
<td>22,760</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>78,653,238</td>
<td>60,913,828</td>
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</tbody>
</table>
# USES OF FUNDS BY PROJECT ACTIVITIES - PBF (Health Sector Performance Enhancement) Project

**Year finishing at 31/03/2018**

**US Dollars (1 USD = 13 LSL)**

<table>
<thead>
<tr>
<th>Project Activities</th>
<th>Year Activities</th>
<th>Cumulative</th>
<th>Doc of Eval of the project</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Planned</td>
<td>Actual</td>
<td>Variance</td>
</tr>
<tr>
<td>03 Communicable Diseases</td>
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<tr>
<td>0307 IDA SATB HSS PPA</td>
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<tr>
<td>030700 IDA SATB HSS Project Preparation Advance</td>
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<tr>
<td>0307000X IDA SATB HSS Project Preparation Advance</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>33 Lesotho Maternal Health PBF</td>
<td>6,050,249</td>
<td>4,722,010</td>
<td>1,328,239</td>
</tr>
<tr>
<td>33000 Lesotho Maternal Health - PBF</td>
<td>6,050,249</td>
<td>4,722,010</td>
<td>1,328,239</td>
</tr>
<tr>
<td>330000 Lesotho Maternal Health - PBF/ HSPE</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3300000X Lesotho Maternal Health - PBF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3300001 Improve MNH services delivery at community, primary &amp; second</td>
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<td>3,407,997</td>
<td>820,077</td>
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<td>33000010 Delivery of Maternal and Neonatal Health services through PBF</td>
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<td>33000020 Training of Health professionals</td>
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<td>152,638</td>
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<td>33000020H Health System Strengthening related support</td>
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<td>180,637</td>
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<td>33000020I Improved integration of GMMH into the rest of Health system</td>
<td>64,846</td>
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</table>

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# USES OF FUNDS BY PROJECT ACTIVITIES - PBF (Health Sector Performance Enhancement) Project

**Year finishing at 31/03/2018**

**US Dollars (1 USD = 13 LSL)**

<table>
<thead>
<tr>
<th>Project Activities</th>
<th>Year</th>
<th>Cumulative</th>
<th>Doc of Eval of the Project</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Planned</td>
<td>Actual</td>
<td>Planned</td>
</tr>
<tr>
<td>330003 PPP capacity building support</td>
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<td>33000301 PPP Unit strengthening</td>
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<td>33000302 Support to PPP Policy and Regulation</td>
<td>43,635</td>
<td>1,758</td>
<td>42,076</td>
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<tr>
<td>Grand Total</td>
<td>6,050,249</td>
<td>4,722,010</td>
<td>1,328,239</td>
</tr>
</tbody>
</table>

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HEALTH SECTOR REFORM PROJECT
MINISTRY OF HEALTH
GOVERNMENT OF LESOTHO
LESOTHO MATERNAL AND NEW BORN PERFORMANCE PBF
(HSPE) PROJECT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS

1. SCOPE

The period covered by the financial statements is from 1 April 2017 to 31 March 2018.

The Project Accounting Unit (PAU) maintains accounts in respect of funding provided by donors.

The accompanying financial statements, cover funding under WORLD BANK-PERFORMANCE BASED FINANCING.

Separate statements have been prepared in respect of each of the donors. A consolidated set of financial statements has also been prepared to include all donors providing finance for the Health Reforms and for which the Ministry of Health and Social Welfare Project Accounting Unit maintains accounts or keeps track of expenditure.

2. BACKGROUND:

The Government of Lesotho is undergoing comprehensive reform of its health sector. This endeavour is being led by the ministry of Health and Social and supported by the Ministry’s external partners through a sector-wide programme towards coordination and harmonization of all the Health Sector partners, with the objective of the operationalisation of a Sector Wide Approach (SWAP).

In broad terms, the efforts are directed towards achieving universal access to essential health care services, social justice (so that those in greatest needs will be given priority) and equity, such that every person regardless of social standing will receive the same treatment.
NOTES TO THE FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES:

Basis of Accounting

The financial statements have been prepared on the IPSAS Cash basis. On this basis revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

Foreign Currency Translation:

Foreign currency receipts and payments in Lesotho have been translated at the rate ruling on the date of the translation.

Monthly Financial Statements are converted to Maloti and/or US Dollar equivalent at the average rate for the month in which the transactions occur using exchange rates supplied by the Central Bank of Lesotho for purposes of comparison.

The conversion of the financial statements for the year has been made at the weighted average rate for all the monthly transactions throughout the year.