O DIRECTOR DE ADMINISTRAÇAO E FINANÇAS

Com os melhores cumprimentos,

a 31 de Dezembro de 2018 para apreciação e possíveis comissões.

Em 31 de Junho de 2019, em anexo, o Relatório Financeiro da Empresa Interfaces, da qual é Relator, para a realização pela KPMG Relatório do Orçamento Financeiro da KPMG.

Assinado:

Envio do Relatório Financeiro da KPMG

BANCO MUNDIAL
AO

Maputo, 27 de Junho de 2019

Nº Rel: 56/MINEDEH/DAF-PASE/2019

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Av. 24 de Julho N.º 167, Maputo, Mocambique
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1 Introduction

1.1 The Program

The Education Sector Support Fund (FASE) is a program of the Government of Mozambique that is implemented by the Ministry of Education and Human Development (MINED) that corresponds to the second phase of the strategic plan of the Government for the Education Sector (ESSP II - Education Sector Strategic Plan - signed on 13 December 2012), formulated in context of the general programme for socio-economic development and poverty reduction strategy.

The ESSP II establishes the vision of the Government of Mozambique for the future of the education system in Mozambique emphasizing on the provision of quality basic education to all in the context of the creation of a general system of education that consolidates the progress in the area of basic education. The programme finances the following fundamental activities:

- Basic education (including primary education, informal and basic education for adults);
- Secondary education (also including academic, technical, vocational education and training);
- Training of professors (all levels);
- Higher Education;
- Cross cutting themes (including a gender equality in the education sector, and approach on the HIV/AIDS issues); and
- Enhancing education (including school sports and use of Information Technology and Communication - TIC's).

1.2 Financing

FASE is financed by the following donors:

- Canadian International Development Agency – Canada (CIDA)
- Embassy of Ireland;
- Flamenga Corporation;
- Government of the Federal Republic of Germany - KFW
- DFID – United Kingdom;
- World Bank;
- UNICEF;
- Ministry of Foreign Affairs of Portugal;
- Cooperation of Italy;
- Ministry of Foreign Affairs of Finland.
2 Independent auditors’ report

2.1 Introduction
KPMG was contracted by the Ministry of Education and Human Development to conduct the financial audit of the Education Sector Support Fund – FASE (“Program”) for the year ended 31 December 2018.

2.2 Our Engagement
The scope of the financial audit is:

- To perform an audit in accordance with the International Standards on Auditing in order to express an opinion on whether the statement of receipts and payments of the Education Sector Support Fund (FASE) for the year ended 31 December 2018 has been prepared, in all material respects, in accordance with the basis of accounting adopted by FASE.
- To evaluate the design of the program internal controls over the key transaction streams and assess whether the controls have been operating effectively during the year.
- To evaluate whether the program receipts and payments are in compliance with the relevant program agreement terms, local laws and regulations.

2.3 Reporting
We have presented our report as follows:

- Audit of the statement of receipts and payments (See section 4);
- Evaluation of the program internal controls (See section 6); and
- Evaluation of whether the program receipts and payments are in compliance with the relevant program agreement terms, local laws and regulations (See section 7).
2.4 Summary of results

- Audit of the statement of receipts and payments – Our report for the year ended 31 December 2018 contains an unmodified opinion.

- Evaluation of the program internal controls – Our report indicates that there are deficiencies in the design and operation of controls which have come to our attention and these are dealt with in a separate letter. There is no effect on the statement of receipts and payments.

- Compliance with program agreement terms, local laws and regulations – Our report indicates that there are instances of non-compliance which have come to our attention and these are dealt with in a separate letter. There is no effect on the statement of receipt and payments.

2.5 Restriction on Distribution or Use

The statement of receipts and payments is prepared in accordance with the basis of accounting described in note 5.3 to provide information to the donor in accordance with the Memorandum of Understanding signed between donors and the Government of Mozambique, as referred in Section 1. As a result, the statement of receipts and payments and our reports in Sections 4, 6 and 7 may not be suitable for another purpose. Our report is intended solely for the donors and may not be suitable for another purpose and may not be distributed without our written consent. To the fullest extent permitted by law, our liability is restricted to those who engaged us.
Management's responsibility statement

The Management of FASE is responsible for the preparation and presentation of the statement of receipts and payments for the year ended 31 December 2018 and the accompanying notes, in accordance with the basis of accounting policies as described in note 5.3.

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

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

Approval of the statement of receipts and payments

The statement of receipts and payments for the year ended 31 December 2018 and the accompanying notes, was approved by management on 28 June 2019 and are signed on its behalf by:

[Signatures]

Permaent Secretary

[Director of Administration and Finance]
Report on the statement of receipts and payments

Independent auditors’ report

To the Management of Education Sector Support Fund - FASE

Opinion

We have audited the statement of receipts and payments of Education Sector Support Fund - FASE, (“the project”) for the year ended 31 December 2018 and the accompanying notes which includes a summary of the basis of accounting and other explanatory notes set out on pages 7 to 14.

In our opinion, the statement of receipts and payments of the Education Sector Support Fund – FASE for the year ended 31 December 2018 has been prepared in all material respects, in accordance with the accounting policies described in Note 5.3.

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 5.3 of the statement of receipts and payments, which describes the basis of accounting. The statement of receipts and payments is prepared to assist the project to comply with the financial reporting provision of the contract with the donors. As a result, the statement of receipts and payments may not be suitable for another purpose. Our report is intended solely for Education Sector Support Fund - FASE and the donors and should not be used by or distributed to parties other than the project and the donors. Our opinion is not modified in respect of this matter.

Other information

The Management is responsible for the other information. The other information comprises the Management responsibility statement. The other information does not include the statement of receipts and payments and our auditors’ report thereon.

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

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

The Management is responsible for the preparation and presentation of the statement of receipts and payments in accordance with the basis of accounting described in note 5.3, for determining the acceptability of the basis of accounting, and for such internal control as management determines is necessary to enable the preparation of the statement of receipts and payments that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the statements of receipts and payments

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

- Identify and assess the risks of material misstatement of the statement of receipts and payments, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the statement of receipts and payments, including the disclosures, and whether the statement of receipts and payments represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 we identify during our audit.

Represented by:

KPMG, Registered Audit Firm, 04/SCA/OCAM/2014

Heu Chandra Kashi, 57/CA/OCAM/2014
28 June 2014
Maputo
5 Statement of receipts and payments

5.1 Statement of Funds received from the Donors
(Values expressed in Meticais)

Funds received from donors in the Forex Account in the Banco de Moçambique account and transferred to MINEDH Central and Provinces including districts

<table>
<thead>
<tr>
<th>Note</th>
<th>1 January to 31 December 2018</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MT</td>
<td>MT</td>
</tr>
<tr>
<td>Opening balance as at 1 January 2018</td>
<td>1 268 489 278</td>
<td>-</td>
</tr>
<tr>
<td>Funds received during the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DFID – UK</td>
<td>-</td>
<td>1 998 686 817</td>
</tr>
<tr>
<td>Swiss Foreign Agency</td>
<td>-</td>
<td>78 541 200</td>
</tr>
<tr>
<td>KFW – Germany</td>
<td>971 115 053</td>
<td>9 422 697 874</td>
</tr>
<tr>
<td>Ireland</td>
<td>431 589 924</td>
<td>3 705 735 976</td>
</tr>
<tr>
<td>Finland</td>
<td>549 754 238</td>
<td>4 189 321 484</td>
</tr>
<tr>
<td>GIZ – Germany</td>
<td>-</td>
<td>13 159 046</td>
</tr>
<tr>
<td>CIDA – Canada</td>
<td>393 622 398</td>
<td>6 199 752 452</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-</td>
<td>2 672 329 707</td>
</tr>
<tr>
<td>European Union</td>
<td>-</td>
<td>467 330 047</td>
</tr>
<tr>
<td>Spain</td>
<td>-</td>
<td>409 118 731</td>
</tr>
<tr>
<td>Denmark</td>
<td>-</td>
<td>779 017 888</td>
</tr>
<tr>
<td>World Bank</td>
<td>3 528 733 003</td>
<td>15 335 126 746</td>
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<tr>
<td>Portugal</td>
<td>17 332 500</td>
<td>148 242 150</td>
</tr>
<tr>
<td>UNICEF</td>
<td>29 760 000</td>
<td>299 660 000</td>
</tr>
<tr>
<td>Italy Cooperation</td>
<td>68 143 185</td>
<td>425 691 549</td>
</tr>
<tr>
<td>Flamenga Cooperation</td>
<td>-</td>
<td>123 096 000</td>
</tr>
<tr>
<td>Interest received</td>
<td>-</td>
<td>128 833</td>
</tr>
<tr>
<td>Total funds received during the year</td>
<td>5 990 028 299</td>
<td>46 268 833 472</td>
</tr>
<tr>
<td>Total funds</td>
<td>7 258 517 577</td>
<td>46 268 833 472</td>
</tr>
</tbody>
</table>

Payments through MINEDH/MF

<table>
<thead>
<tr>
<th></th>
<th>1 January to 31 December 2018</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MT</td>
<td>MT</td>
</tr>
<tr>
<td>MINEDH</td>
<td>2 250 636 919</td>
<td>26 362 250 282</td>
</tr>
<tr>
<td>Maputo city</td>
<td>71 994 932</td>
<td>951 822 465</td>
</tr>
<tr>
<td>Maputo Province</td>
<td>180 837 761</td>
<td>1 167 081 906</td>
</tr>
<tr>
<td>Gaza Province</td>
<td>194 466 283</td>
<td>1 424 376 529</td>
</tr>
<tr>
<td>Inhambane Province</td>
<td>245 790 699</td>
<td>1 553 886 150</td>
</tr>
<tr>
<td>Sofala Province</td>
<td>280 180 384</td>
<td>1 543 156 951</td>
</tr>
<tr>
<td>Manica Province</td>
<td>170 044 710</td>
<td>1 369 717 332</td>
</tr>
<tr>
<td>Zambézia Province</td>
<td>301 403 272</td>
<td>2 772 742 729</td>
</tr>
<tr>
<td>Tete Province</td>
<td>207 575 672</td>
<td>1 720 900 443</td>
</tr>
<tr>
<td>Nampula Province</td>
<td>310 523 948</td>
<td>2 960 264 739</td>
</tr>
<tr>
<td>Niassa Province</td>
<td>138 113 270</td>
<td>1 398 898 810</td>
</tr>
<tr>
<td>Cabo Delgado Province</td>
<td>106 923 354</td>
<td>1 486 549 063</td>
</tr>
<tr>
<td>Total of payments through MINEDH/MF</td>
<td>4 458 296 184</td>
<td>44 711 747 519</td>
</tr>
<tr>
<td>Foreign exchange loss and bank charges</td>
<td>(66 149 600)</td>
<td>(1 309 285 040)</td>
</tr>
<tr>
<td>Total of payments</td>
<td>4 392 146 584</td>
<td>43 402 462 479</td>
</tr>
<tr>
<td>Balance as at 31 December 2018</td>
<td>5 5</td>
<td>2 866 378 995</td>
</tr>
</tbody>
</table>
### 5.2 Statement of receipts and payments

(Values expressed in meticais)

Funds transferred from CUT and expenses incurred at Central and Provinces level including districts

<table>
<thead>
<tr>
<th>Note</th>
<th>1 January to 31 December</th>
<th>Accumulated September 03 to 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January 2018</td>
<td>971 869 416 MT</td>
<td>- MT</td>
</tr>
</tbody>
</table>

#### Receipts

- Funds received from Ministry of Finance: 5.6
  - 4 458 296 184 MT
  - 44 711 747 519 MT

#### Payments

- MINEDH: 2 196 623 430 MT
  - Maputo Province: 215 447 884 MT
  - Maputo City: 108 040 526 MT
  - Gaza Province: 281 665 498 MT
  - Inhambane Province: 247 737 137 MT
  - Sofala Province: 231 999 613 MT
  - Manica Province: 173 569 740 MT
  - Zambézia Province: 412 171 237 MT
  - Tete Province: 249 560 322 MT
  - Nampula Province: 417 924 533 MT
  - Niassa Province: 155 961 222 MT
  - Cabo Delgado Province: 196 607 198 MT

- Total payments: 5.6
  - 4 887 308 340 MT
  - 44 168 890 260 MT

- Balance as at 31 December 2018: 5.6
  - 542 857 269 MT
  - 542 857 269 MT
Notes to the Statement of receipts and payments
for the year ended 31 December 2018

5.3 Accounting Policies

The statement of receipts and payments has been prepared in accordance with the following basis of accounting, applied consistently with that of the previous years:

5.3.1 Basis of preparation

The statement of receipts and payments is prepared on the cash basis of accounting. Under the cash basis of accounting, receipts and payments are only recorded when the respective amounts are either received in the bank account of the program or when amounts are paid during the year.

5.3.2 Accounting convention

The statement of receipts and payments are prepared under the historical cost convention.

5.3.3 Statement of compliance

The statement of receipts and payments has been prepared in accordance with the requirements of the Memorandum of Understanding signed between the Government of Mozambique and the Funding signatories.

5.3.4 Currencies

The statement of receipts and payments are presented in Meticais (MT), unless indicated otherwise.

The accounting records as well as the statement of receipts and payments are maintained in Meticais. Receipts and payments in other currencies are converted into Meticais at the prevailing official exchange rate on the date of the transaction and the year end balances in other currencies are converted at the prevailing exchange rate published by the Banco de Moçambique at the last day of the year. Exchange translation differences are recorded in the statement of receipts and payments.
Notes to the statement of receipts and payments (cont.)
for the year ended 31 December 2018

5.3.5 Funds received during the year
These funds are transferred by the donors directly to the Forex Account, a US Dollar bank account maintained with the Banco de Moçambique with authorised signatories from the Ministry of Finance (MF). These amounts are registered in the books of the Program at the exchange rate prevailing on the date of receipt of funds in the Banco de Moçambique.

5.3.6 Payments through MINEDH/MF
Payments through MINEDH / MF are the amounts transferred from the Forex Account to the Central Office of FASE in the Ministry of Education and provincial offices of FASE in the Provincial Directorates of Education (DPECs) through e-SISTAFE, the Government’s integrated budget, treasury management and internal control system in accordance with the budgeted amounts. When transfers are made through e-SISTAFE, the movement of funds and balances are through the Conta Única do Tesouro (CUT) which is a central treasury account holding the funds of the Government of Moçambique in which each institution of the Government has a separate account.

5.3.7 Fixed Assets
Fixed assets are recorded as expenditure in the year of purchase.

5.3.8 Expenses and Advances
The expenses are recorded in the period of the payment or the presentation of the supporting documents. The amounts paid as advance are recorded as receivables. When these advances are reimbursed or justified with supporting documentation they are recorded as payments in the period of receipt of the supporting documents.

5.3.9 Balances with districts
The closing balances of District offices of Education, Youth and Technology (SDJET) include amounts for which supporting documents have not yet been presented to the DPECs.
Notes to the Statement of receipts and payments (cont.)
for the year ended 31 December 2018
(Values expressed in USD)

5.4 Funds received during the year

<table>
<thead>
<tr>
<th>Date</th>
<th>World Bank</th>
<th>Italy Cooperation</th>
<th>Portugal</th>
<th>Germany KFW</th>
<th>Ireland</th>
<th>Finland</th>
<th>UNICEF</th>
<th>CIDA-Canada</th>
<th>Total USD</th>
<th>Exchange rate</th>
<th>Method</th>
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<tr>
<td>05/04/18</td>
<td>750 668</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>750 668</td>
<td>60.73</td>
<td>45 588 438</td>
</tr>
<tr>
<td>17/04/18</td>
<td>9 737 858</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>9 737 858</td>
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<td>583 881 935</td>
</tr>
<tr>
<td>26/04/18</td>
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<td>-</td>
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<td>1 500 000</td>
<td>59.36</td>
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<td>29/05/18</td>
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<td>-</td>
<td>500 000</td>
<td>500 000</td>
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<td>29 760 000</td>
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<tr>
<td>30/05/18</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>6 618 840</td>
<td>6 618 840</td>
<td>59.47</td>
<td>393 622 398</td>
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<td>31/05/18</td>
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<td>-</td>
<td>6 886 057</td>
<td>-</td>
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<td>60.33</td>
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<td>15/06/18</td>
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<td>1 137 426</td>
<td>59.91</td>
<td>68 143 185</td>
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<td>09/07/18</td>
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<td>20/08/18</td>
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<td>04/12/18</td>
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<td>3 356 457</td>
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<td>-</td>
<td>17 668 871</td>
<td>59.48</td>
<td>1 056 950 455</td>
</tr>
</tbody>
</table>

Total      59 710 176  1 137 426  279 016  15 807 677  7 078 726  9 028 565  500 000  6 618 840  100 160 426  5 990 028 596
Notes to the statement of receipts and payments (cont.)
for the year ended 31 December 2018
(Values expressed in Meticais)

5.5 Closing balance

<table>
<thead>
<tr>
<th>Description</th>
<th>USD</th>
<th>MT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance in Forex Account (USD) (5.5 (a))</td>
<td>25 307 926</td>
<td>2 458 574 659</td>
</tr>
<tr>
<td>Balance in CUT (USD) (5.5 (b))</td>
<td>14 301 783</td>
<td>407 796 334</td>
</tr>
<tr>
<td><strong>Total balance in USD</strong></td>
<td><strong>39 609 709</strong></td>
<td><strong>2 866 370 993</strong></td>
</tr>
</tbody>
</table>

Average exchange rate of Banco de Moçambique at balance sheet date: 62.07

<table>
<thead>
<tr>
<th>Description</th>
<th>MT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance converted to MT</td>
<td>2 800 221 393</td>
</tr>
<tr>
<td>Balance in CUT (MT)</td>
<td>407 796 334</td>
</tr>
<tr>
<td><strong>Total balance in MT</strong></td>
<td><strong>2 866 370 993</strong></td>
</tr>
</tbody>
</table>

Book balance in MT (5.5 (c)) 2 800 221 393

Exchange gain in MT (66 149 600)

5.5 (a) The balance in the Forex Account represents the receipts of funds from the donors and subsequent transfers to the Central and Provincial offices of FASE and CUT.

5.5 (b) This balance represents transfers from the Forex Account.

5.5 (c) This balance is the actual closing balance calculated as follows: (opening balance + funds received during the year – amount transfer to MINEDH Central and DPEC’s).
### 5.6 Receipts and payments of the year

Receipts and payments during the year are presented below:

<table>
<thead>
<tr>
<th>Description</th>
<th>MINEDH</th>
<th>Maputo City</th>
<th>Maputo Province</th>
<th>Gaza</th>
<th>Inhambane</th>
<th>Sofala</th>
<th>Manica</th>
<th>Zambézia</th>
<th>Tete</th>
<th>Namibe</th>
<th>Niassa</th>
<th>Cabo Delgado</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 January 2018</td>
<td>111 773 673</td>
<td>41 822 289</td>
<td>90 734 365</td>
<td>119 896 617</td>
<td>19 009 236</td>
<td>16 464 065</td>
<td>16 020 660</td>
<td>175 646 406</td>
<td>83 432 125</td>
<td>153 966 085</td>
<td>42 457 657</td>
<td>99 865 214</td>
<td>971 259 421</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td>2 250 636 919</td>
<td>71 994 932</td>
<td>180 837 761</td>
<td>194 466 263</td>
<td>245 790 699</td>
<td>280 180 364</td>
<td>170 044 710</td>
<td>301 403 272</td>
<td>207 575 672</td>
<td>310 323 948</td>
<td>138 118 270</td>
<td>106 923 354</td>
<td>4 458 296 184</td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>-</td>
<td>178 192</td>
<td>16 196 724</td>
<td>9 489 332</td>
<td>4 300 500</td>
<td>-</td>
<td>200 000</td>
<td>2 913 950</td>
<td>10 317 623</td>
<td>12 275 540</td>
<td>-</td>
<td>7 512 260</td>
<td>63 384 121</td>
</tr>
<tr>
<td>Other personnel costs</td>
<td>36 854 063</td>
<td>1 095 727</td>
<td>8 888 262</td>
<td>13 992 643</td>
<td>20 227 087</td>
<td>7 434 270</td>
<td>11 401 642</td>
<td>14 427 485</td>
<td>8 794 771</td>
<td>14 395 854</td>
<td>7 836 784</td>
<td>7 687 828</td>
<td>153 102 016</td>
</tr>
<tr>
<td>Goods and services (note 5.7)</td>
<td>1 935 751 881</td>
<td>42 350 789</td>
<td>76 234 488</td>
<td>92 148 285</td>
<td>88 610 146</td>
<td>68 883 668</td>
<td>73 431 209</td>
<td>214 038 411</td>
<td>133 528 869</td>
<td>223 970 290</td>
<td>86 792 912</td>
<td>98 765 412</td>
<td>3 129 506 360</td>
</tr>
<tr>
<td>Family transfers</td>
<td>239 800</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>239 800</td>
</tr>
<tr>
<td>Fixed assets (note 5.8)</td>
<td>235 292 107</td>
<td>64 415 818</td>
<td>114 158 410</td>
<td>166 013 238</td>
<td>134 554 404</td>
<td>155 681 075</td>
<td>88 536 839</td>
<td>183 791 391</td>
<td>96 919 059</td>
<td>167 282 849</td>
<td>61 281 526</td>
<td>84 641 698</td>
<td>1 552 594 564</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(11 515 421)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(11 515 421)</td>
</tr>
<tr>
<td><strong>Balance in:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank account (5.6.1)</td>
<td>160 102 141</td>
<td>-</td>
<td>4 280</td>
<td>1 990</td>
<td>-</td>
<td>486 515</td>
<td>-</td>
<td>13 580</td>
<td>454 980</td>
<td>34 290</td>
<td>25 185</td>
<td>-</td>
<td>161 122 961</td>
</tr>
<tr>
<td>Balances with SDEJT</td>
<td>-</td>
<td>706 545</td>
<td>51 155 042</td>
<td>22 586 792</td>
<td>14 272 458</td>
<td>56 775 861</td>
<td>13 178 700</td>
<td>56 776 551</td>
<td>36 813 815</td>
<td>43 380 430</td>
<td>18 076 170</td>
<td>1 614 290</td>
<td>315 286 154</td>
</tr>
<tr>
<td>Balance in CUT (MT)</td>
<td>336 000</td>
<td>5 070 150</td>
<td>4 964 920</td>
<td>10 108 600</td>
<td>2 781 348</td>
<td>7 382 460</td>
<td>117 150</td>
<td>8 083 310</td>
<td>4 168 680</td>
<td>2 905 790</td>
<td>6 563 350</td>
<td>8 567 080</td>
<td>61 079 130</td>
</tr>
<tr>
<td>Advances</td>
<td>5 349 021</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5 349 021</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2018</strong></td>
<td><strong>165 787 162</strong></td>
<td><strong>5 776 695</strong></td>
<td><strong>56 124 242</strong></td>
<td><strong>32 697 382</strong></td>
<td><strong>17 053 798</strong></td>
<td><strong>64 644 836</strong></td>
<td><strong>13 295 650</strong></td>
<td><strong>64 878 441</strong></td>
<td><strong>41 437 475</strong></td>
<td><strong>46 365 510</strong></td>
<td><strong>24 614 705</strong></td>
<td><strong>10 181 370</strong></td>
<td><strong>5 452 157 225</strong></td>
</tr>
</tbody>
</table>

5.6.1 Included in the MT 160 102 141 MINEDH bank balance as at 31 December 2018, is an amount of MT 118 051 189 related to Letter of Credit.
Notes to the Statement of receipts and payments (cont.)
For the year ended 31 December 2018
(Values expressed in Meticais)

5.7 Payments for goods and services
The amounts recorded under the line of goods and services are expenses paid under the scope of the implementation of the program and are mainly expenses related to the purchase of office material, school text books, consultancy services, transport, repairs and maintenance and are shown as follows.

<table>
<thead>
<tr>
<th></th>
<th>MEC Central</th>
<th>Maputo City</th>
<th>Maputo Province</th>
<th>Gaza</th>
<th>Inhambane</th>
<th>Sofala</th>
<th>Manica</th>
<th>Zambézia</th>
<th>Telè</th>
<th>Nampula</th>
<th>Niassa</th>
<th>Cabo Delgado</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goods</strong></td>
<td>1 190 915 557</td>
<td>27 603 177</td>
<td>49 234 932</td>
<td>32 878 352</td>
<td>75 196 131</td>
<td>39 129 683</td>
<td>53 307 029</td>
<td>153 337 595</td>
<td>56 059 657</td>
<td>154 233 868</td>
<td>61 485 194</td>
<td>60 783 105</td>
<td>1 961 766 413</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>744 836 324</td>
<td>14 857 612</td>
<td>27 010 416</td>
<td>59 269 933</td>
<td>13 414 015</td>
<td>29 753 985</td>
<td>20 034 160</td>
<td>57 210 926</td>
<td>57 460 212</td>
<td>69 746 332</td>
<td>80 309 718</td>
<td>36 527 301</td>
<td>1 167 719 947</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 935 751 881</td>
<td>42 460 789</td>
<td>76 234 488</td>
<td>92 148 285</td>
<td>88 610 446</td>
<td>73 431 389</td>
<td>111 338 411</td>
<td>223 970 209</td>
<td>56 792 912</td>
<td>96 766 412</td>
<td>512 506 369</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.8 Payments for fixed assets (capital goods)

<table>
<thead>
<tr>
<th></th>
<th>MEC Central</th>
<th>Maputo City</th>
<th>Maputo Province</th>
<th>Gaza</th>
<th>Inhambane</th>
<th>Sofala</th>
<th>Manica</th>
<th>Zambézia</th>
<th>Telè</th>
<th>Nampula</th>
<th>Niassa</th>
<th>Cabo Delgado</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction</strong></td>
<td>147 719 749</td>
<td>64 415 818</td>
<td>114 158 410</td>
<td>166 035 238</td>
<td>134 554 401</td>
<td>155 681 075</td>
<td>58 536 899</td>
<td>103 791 391</td>
<td>96 919 059</td>
<td>167 282 810</td>
<td>61 321 536</td>
<td>81 641 608</td>
<td>1 552 591 464</td>
</tr>
<tr>
<td><strong>Equipments</strong></td>
<td>87 573 358</td>
<td>2 987 830</td>
<td>38 109 930</td>
<td>33 876 234</td>
<td>18 955 149</td>
<td>15 401 070</td>
<td>8 766 313</td>
<td>25 319 926</td>
<td>7 781 19</td>
<td>56 114 027</td>
<td>14 395 972</td>
<td>377 912 423</td>
<td></td>
</tr>
<tr>
<td><strong>Other Equipments</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>235 293 107</td>
<td>67 403 648</td>
<td>152 268 340</td>
<td>209 811 462</td>
<td>154 430 470</td>
<td>171 182 145</td>
<td>66 313 216</td>
<td>129 110 307</td>
<td>104 634 076</td>
<td>223 396 837</td>
<td>75 717 508</td>
<td>81 641 608</td>
<td>1 552 591 464</td>
</tr>
</tbody>
</table>
Report on evaluation of program internal controls

Independent auditors’ report

To the management of the Education Sector Support Fund - FASE

As an extension of our audit of the statement of receipts and payments of the FASE for the year ended 31 December 2018, reported in section 4, we are required to assess that “there are adequate internal controls over the key transaction streams which have been operating effectively during the year” and report on deficiencies in the design or operation of internal controls that have come to our attention during our financial audit.

Management’s responsibility for the program internal controls

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

Auditors’ responsibility

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

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

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

Matters coming to our attention

These are dealt with in a separate management letter.

KPMG, Registered Audit Firm, 04/SCA/OCAM/2014

Represented by:

[Signature]

Hem Chandra Joshi, SF/CA/OCAM/2014

Partner

28 June 2019
7

Report on evaluation of whether the program receipts and payments are in compliance with the relevant program agreement terms, local laws and regulations

Independent auditors’ report

To the Management of the Education Sector Support Fund – FASE

As an extension of our audit of the statement of receipts and payments of the FASE for the year ended 31 December 2018, reported in Section 4, we are required to report on whether the program receipts and payments are in compliance with the relevant agreement terms, local laws and regulations.

Management responsibility

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

Auditors’ responsibility

There are no established frameworks for evaluating the effectiveness of compliance with the relevant program agreement terms, local laws and regulations applicable to a project of this nature. Accordingly, we applied our professional judgement in determining the procedures selected and the extent of our procedures.

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

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

Earmarked activities

The earmarked activities IDA – 60750, has approved and spent USD 39,342,453 during the year. The World Bank has advanced USD 59,710,176 to support these activities.
The amounts spent during the year are as follows:

(Amounts in USD)

<table>
<thead>
<tr>
<th>PdA</th>
<th>Activities allowed as per Agreement</th>
<th>1st Quarter 2018</th>
<th>2nd Quarter 2018</th>
<th>3rd Quarter 2018</th>
<th>4th Quarter 2018</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EP</td>
<td>ADE</td>
<td>8 052 780</td>
<td>-</td>
<td>-</td>
<td>2 682 621</td>
<td>10 735 401</td>
</tr>
<tr>
<td>2.2.16</td>
<td>Books</td>
<td>2 533 840</td>
<td>1 729 281</td>
<td>3 903 090</td>
<td>12 546 015</td>
<td>20 712 22</td>
</tr>
<tr>
<td>IFP DPEC</td>
<td>Teachers Training</td>
<td>324 704</td>
<td>733 333</td>
<td>1 242 249</td>
<td>1 435 792</td>
<td>3 736 07</td>
</tr>
<tr>
<td>2.2.12/0.3.18</td>
<td>Monitor and Evaluation</td>
<td>-</td>
<td>139 683</td>
<td>53 289</td>
<td>386 479</td>
<td>579 45</td>
</tr>
<tr>
<td>SDJET</td>
<td>District supervision</td>
<td>351 841</td>
<td>526 086</td>
<td>844 461</td>
<td>1 846 908</td>
<td>3 579 29</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>11 263 165</td>
<td>3 158 382</td>
<td>6 043 090</td>
<td>18 897 816</td>
<td>39 342 45</td>
</tr>
</tbody>
</table>

Compliance with the Audit’s Terms of Reference

In addition to compliance with relevant program agreement terms, local laws and regulations, we have tested the compliance of the procedures mentioned in Audit’s Terms of Reference as detailed below:

- Verified the financial execution of FASE at Central Provincial and District levels to enable corrections as soon as problems are identified;
- Verified that the FASE funds are used in accordance with the FASE Activity Program – PDA – agreed yearly between MINEDH and the Cooperation Partners;
- Verified that the funds have been managed in accordance with agreed procedures;
- We have report on initial and closing balances for all bank accounts, including Forex account. CUT’s-parallel bank account;
- We have verified that the assets procured from CF Partners exist and there is verifiable ownership by the implementing agency or beneficiaries in line with financing agreement.

Vouchers

We have verified the supporting documentation for the expenses and conclude on their integrity, quality of Underlying documentation and reconciliation against the Head Accounting.

Inventory

We have verified the adequacy of the defined routines and its application.
Management letter

We have issued our management letter separately which included the following:

- Identified weakness in the internal control and recommendations for their improvements;
- Reported on the degree of compliance with the FASE Memorandum of Understanding, and matters that have come to our attention during the audit which might have a significant impact on the implementation of the agreement;
- Commented on the existing controls on bank accounts, especially in regard to the parallel bank accounts executed on e-SISTAFE;
- Commented on the review of the monthly reconciliations of the FASE Forex account, the CUI’s and parallel bank accounts. Verified and reported on the total of number of bank accounts within e-SISTAFE and at commercial banks;
- Prioritised as high, medium or low on all issues arising in the Management letter;
- Commented on previous audit’s recommendations that have not been satisfactorily dealt with and assessed on their implementation especially the following:
  - Advances not justified for a period over 4 years;
  - Lack of control on fuel and consumption;
  - Non-compliance with procurement law;
  - Misclassification of expenses;
  - Distribution of materials;
  - Lack of supporting documents.
- Ensured management comments from MINEDH are included for each of the audit recommendation;
- Brought to MINEDH attention any other matters that we considered pertinent, including ineligible expenditures.

Bilingual Education

We have verified the budgeted expenditure of Meticais 98.5 million and actual expenditure of Meticais 55.8 million, representing 56.60% as at 31 December 2018.

Matters coming to our attention

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

KPMG, Registered Audit Firm, 04/SCA/OCAM/2014

Represented by:

Hem Chandri Joshi, 57/CA/OCAM/2014

Partner

28 June 2019