



UNIVERSITY OF MALAWI-COLLEGE OF MEDICINE
AFRICA CENTRE OF EXCELLENCE IN PUBLIC HEALTH AND HERBAL
MEDICINE
(ACEPHEM)

PROJECT NUMBER : ACEH 048
CREDIT NUMBER : IDA
GRANT NUMBER : (P151847)

SECTOR : HEALTH

FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30TH JUNE 2017

National Audit Office
Lilongwe 3
February 2019

ACEPHEM
PROJECT IDENTITY NUMBER-ACEII 048
INTERNATIONAL DEVELOPMENT ASSOCIATION-CREDIT NUMBER IDA
EUROPEAN UNION-GRANT NUMBER: P151847

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Controlling Officer's Report

For the year ended 30th June, 2017

1.1 Project Background and Description

The African region is faced with a double burden of communicable and non-communicable diseases. Diseases such as malaria, tuberculosis, HIV and AIDS and neglected tropical diseases (NTD) as well as physical injuries, cardiovascular diseases and diabetes cause significant morbidity and mortality on the continent. Further, Africa is urbanizing quickly to the extent that the proportion of countries with 20% or more of their population living in urban areas is increasing. Urban areas are suffering from communicable diseases such as those related to water, sanitation and hygiene (WASH) as well as non-communicable diseases associated with smoking, alcohol, stress, obesity and illicit drug use. Disparities between the wealthy and the poor contribute to the deteriorating health status of communities.

Natural products (e.g. herbs) are a source of many medicines even though there is increased prominence of synthetic medicines. The drug of choice for malaria in Malawi, i.e. Artemisinin-combination drugs resulted from herbal medicine research. The growing antimicrobial resistance globally also calls for alternative effective therapies, some of which may have origins from herbs. While these herbal remedies may be used, often, the dosage and toxicity remain undetermined for many natural remedies. Heavy metal contamination for instance, is a real concern so is modern drug-herbal interactions that may negatively affect the health of users.

In order to increase Malawi's capacity to train postgraduate students in public health and herbal medicine, Africa Centre of Excellence in Public Health and Herbal Medicine was established.

1.2 Project objectives

The ACEPHEM aims are to:

1. Build education capacity through training at the MSc, MMED (Master in Medicine) and MPhil/PhD levels in Public Health and Herbal Medicine for the Eastern and Southern Africa. The Centre will establish basic and applied research programs for African scientists in collaboration with relevant researchers from outside the region to engage in high-impact (research) projects in urban public health on the one hand and herbal medicine in collaboration with traditional healers on the other.
2. Develop the human capacity for herbal medicine in practice, research, identification and industrialization. Such human capacity development will further contribute to the training and education of themselves, others, engage in multi-disciplinary endeavours of teaching and research and establish linkages or networks with colleagues in the region and elsewhere as well as rural communities from which many herbs are obtained
3. Engage sustainably with various stakeholders including the private sector and civil society.

1.3 Project Activities

The project will engage in the following:

- Train MSc/MPhil/MMED students in urban public health/herbal medicine
- Train PhD students in fields that are relevant to public health (e.g. adolescent health, and herbal medicine)
- Conduct research in public health practice
- Build the capacity of partner research and academic institutions in urban public health and herbal medicine
 - Upgrade the center's premises for office space, teaching and meeting venues
- Conduct short term training workshops, support publications in peer-reviewed journals,
- Implement faculty and student exchanges
- Network with traditional healers and industry to commercialize products with the potential for the market

1.4 Nature of Project

Africa Centre of Excellence in Public Health and Herbal Medicine (ACEPHEM) is a government of Malawi project that is being financed by World Bank through the IDA. The project's implementation start date is 26th May, 2016 and was declared effective on 30th September, 2016. The closing date of the project is 4th October, 2021, and the application deadline is 31st December, 2022.

The objectives of the project are:

1. Build education capacity through training at the MSc, MMED (Master in Medicine) and MPhil/PhD levels in Public Health and Herbal Medicine for the Eastern and Southern Africa.
2. Develop the human capacity for herbal medicine in practice, research, identification and industrialization.
3. Engage sustainably with various stakeholders including the private sector and civil society

Project Achievements

	Target	Achieved	Overall Percentage	
1. Regional students enrolled in ACEs: (i) Masters (No. of Female) (ii) PhD (No. of female)	Masters (Total)	17	0	0
	Masters (Female)	5	0	0
	PhD (Total)	10	0	0
	PhD (Female)	4	0	0
	Short courses	84	0	0
Masters (Total)	70	0	0	

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2. Students (national and regional) enrolled in ACEs: (i) Masters (No. of female) (ii) PhD (No. of female)	Masters (Female)	31	0	0
	PhD (Total)	26	0	0
	PhD (Female)	12	0	0
	Short courses (Total)	651	0	0
3. MOUs on partnerships for collaboration in applied research and training entered into by the ACEs		11	4	36%
4. Faculty and PhD students exchanges to promote research and teaching (No. of female)	Total	18	3	17%
	Female	4	0	0
5. Internationally recognized research publications in disciplines supported by the ACE Program and with regional co-authors	Total	20	0	0
	No. co-authored with regional collaborators	9	0	0
6. Knowledge sharing events with ACEs, partner institutions, academia and diaspora		17	2	12%


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Dr M. Mipando

Principal, College of Medicine

**Statement of Management Responsibilities
For the year ended 30th June, 2017**

The management of ACEPHEM is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the project as at the end of the financial year/period and of the operating results for that year.

The management is also required to ensure that the project keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the project and enable them to ensure that the financial statements comply with the financial agreements and statutes.

In preparing the financial statements the management accepts responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgment and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards when preparing the consolidated financial statements, subject to any material departures being disclosed and explained in the consolidated financial statements.

The management also accepts responsibility for taking such steps as are reasonably open to them to safeguard the assets of the project and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities

The management is of the opinion that the financial statements give a true and fair view of the financial affairs of the project and of its operating results.

The financial statements have been approved by the College of Medicine and are signed on its behalf by:



Dr M. Mipando
Principal, College Of Medicine



Prof. A. Muula
ACEPHEM Director- Malawi

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NATIONAL AUDIT OFFICE
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CAPITAL CITY
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MALAWI

**AUDITOR GENERAL'S REPORT
TO THE PRINCIPAL ON THE FINANCIAL STATEMENTS OF AFRICA CENTRE OF
EXCELLENCE IN PUBLIC HEALTH AND HERBAL MEDICINE (ACEPHEM)
FOR THE YEAR ENDED 30TH JUNE, 2017**

Opinion

I have audited the accompanying Financial Statements of the Africa Centre of Excellence in Public Health and Herbal Medicine (ACEPHEM) for the year ended 30th June, 2017 comprising of Statement of Financial Position, Statement of Receipts and Payments and Notes to the Financial Statements for the period then ended as set out on pages 10 to 20.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the ACEPHEM Project as at 30th June, 2017 in accordance with the Donor terms of agreement and financial provisions.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 ACEPHEM Project and the College of Medicine in accordance with the International Standards of Supreme Audit Institutions 30 - *Code of ethics* (ISSAI 30) as promulgated by the International Organisation of Supreme Audit Institutions (INTOSAI), and I have fulfilled my other ethical responsibilities in accordance with these requirements. 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.

I have determined that there is no need to communicate key audit matters in my report due the nature of the audited entity.

The ACEPHEM Project Management's Responsibility for the Project's Financial Statements

The ACEPHEM Project Management is responsible for the preparation and fair presentation of the financial statements in accordance with Donor terms of agreement and financial provisions, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Project's 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 auditor's 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 International Standards of Supreme Audit Institutions (ISSAIs) 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 Project's Financial Statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

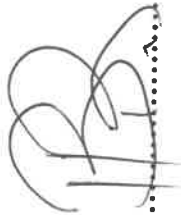
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 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 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 auditor's 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

The engagement auditor on the audit resulting in this Independent Auditor General's report is:

Signature:.....

**THOMAS K.B. MAKIWA
ACTING AUDITOR GENERAL
NATIONAL AUDIT OFFICE
LILONGWE
MALAWI**

Date: 17th MAY 2019

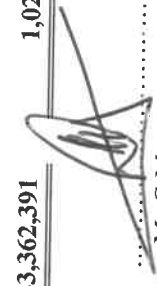
ACEPHEM
 PROJECT IDENTITY NUMBER-ACEII 048
 INTERNATIONAL DEVELOPMENT ASSOCIATION-CREDIT NUMBER IDA
 EUROPEAN UNION-GRANT NUMBER: P151847

Statement of Financial Position
 as at 30 June 2017

	Note	K	USD
Non-current Assets			
Property, Plant and Equipment	3	<u>1,218,366</u>	<u>1,679</u>
Current Assets			
Cash and Bank	4	<u>742,144,025</u>	<u>1,022,730</u>
Total Assets		<u>743,362,391</u>	<u>1,024,409</u>
Financed by Funds, Reserves and Liabilities			
World Bank funds		787,667,677	1,085,465
Exchange gain	5	500,002	689
Bank interest	6	<u>1,151,454</u>	<u>1,587</u>
Total Income		789,319,133	1,087,741
Total Expenses		47,175,108	65,011
Less: Fixed Assets		<u>1,218,366</u>	<u>1,679</u>
Total expenditure		45,956,742	63,332
Total Equities and Liabilities		<u>743,362,391</u>	<u>1,024,409</u>



 Dr M Mipando
 The Principal, College of Medicine



 Mr G Mugawa
 COM Finance Officer

**Statement of Receipts and Payments
 For the year ended 30th June, 2017**

	Note	K	USD
Receipts			
World Bank funds	7	787,667,677	1,085,465
Exchange gain	5	500,002	689
Bank interest	6	1,151,454	1,587
Total Receipts		<u>789,319,133</u>	<u>1,087,741</u>
Payments			
Advertising programs at ACE PHEM		1,695,822	2,337
Development of a core team		5,937,370	8,182
Procurement of vehicles and maintenances		2,416,001	3,329
Institutionalize faculty exchange programs		9,301,112	12,818
Official inauguration of ACEPHEM		20,436,162	28,163
Conduct management meetings of ACEPHEM		4,347,130	5,991
ACEPHEM Administration offices furnished and equipped		1,485,377	2,047
Exchange Loss		1,361,733	1,877
Bank charges		380,763	525
Total Payments		<u>47,361,469</u>	<u>65,268</u>

ACEPHEM
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Surplus	<u>741,957,663</u>	<u>1,022,473</u>
Represented by		
Local Account	14,412,135	19,861
FCDA Account	<u>727,732,890</u>	<u>1,002,869</u>
Total	<u>742,144,025</u>	<u>1,022,730</u>
Tax	<u>186,362</u>	<u>257</u>
Total	<u>186,362</u>	<u>257</u>
Grand Total	<u>741,957,663</u>	<u>1,022,473</u>

ACEPHEM
 PROJECT IDENTITY NUMBER-ACEII 048
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Statement of Designated Account, Account Number: 0006708000177,
 FMB BANK

For the year ended 30th June, 2017

	K	USD
Receipts		
Cash Receipts	787,667,677	1,085,465
Interest received	923,752	1,273
Transfer to operating account	<u>(58,052,000)</u>	<u>(80,000)</u>
Total Receipts	<u><u>730,539,430</u></u>	<u><u>1,006,738</u></u>
Payments		
Total amount paid in respect of subsistence, training, bank charges, management meetings and other services	2,807,540	3,869
Total payments	<u><u>2,807,540</u></u>	<u><u>3,869</u></u>
Balance	<u><u>727,731,890</u></u>	<u><u>1,002,869</u></u>

**ACEPHEM
PROJECT IDENTITY NUMBER-ACEII 048
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EUROPEAN UNION-GRANT NUMBER: P151847**

**Statement of Sources and Uses of Funds
For the year ended 30th June, 2017**

	Note	K	USD
Sources and Uses of Funds			
World Bank funds	7	787,667,677	1,085,465
Interest received	6	923,752	1,273
Transfer to operating account	7	(58,052,000)	(80,000)
Total Receipts		<u><u>730,539,429</u></u>	<u><u>1,006,738</u></u>
Application of Funds			
Component 1 - Building education capacity			
Development of a core team		5,937,370	8,182
Institutionalize faculty exchange programs		<u>9,301,120</u>	<u>12,818</u>
Sub – Total		15,238,490	21,000
Component 2 - Governance and Management			
Advertising programs at ACE PHEM		1,695,822	2,337
Procurement of vehicles and maintenances		2,416,001	3,329
Official inauguration of ACEPHEM		20,436,162	28,163
Conduct management meetings of ACEPHEM		4,347,130	5,991
ACEPHEM Administration offices furnished and equipped		1,485,377	2,047
Exchange Loss		1,361,733	1,877
Bank charges		<u>380,763</u>	<u>525</u>
Sub – Total		<u><u>32,122,987</u></u>	<u><u>44,268</u></u>
Total Funds Applied		<u><u>7,361,477</u></u>	<u><u>65,268</u></u>

Notes to the Financial Statements

For the year ended 30th June, 2017

1.0 Nature of Project

Africa Centre of Excellence in Public Health and Herbal Medicine (ACEPHEM) is a government of Malawi project that is being financed by World Bank through the IDA. The project's implementation start date is 26th May, 2016 and was declared effective on 30th September, 2016. The closing date of the project is 4th October, 2021, and the application deadline is 31st December, 2022. The objects are: To build education capacity through training at the MSc, MMED (Master in Medicine) and MPhil/PhD levels in Public Health and Herbal Medicine for the Eastern and Southern Africa, to develop the human capacity for herbal medicine in practice, research, identification and industrialization and engage sustainably with various stakeholders including the private sector and civil society

2.0 Accounting Policies

African Centre of Excellence for Public Health and Herbal Medicine (ACEPHEM) is using existing College of Medicine Accounting policies in the management of project funds. The guiding accounting policies are as hereunder;

2.1 Basis of preparing the Accounts

The Accounts have been prepared using the historical cost convention and on a cash basis. All receipts and expenses incurred in the period are reflected in the financial statements.

2.2 Foreign Currency Translation

Foreign currency translation for income and expenditure account items are converted using the actual exchange rate at the date of draw down. All local expenditures paid from the local accounts/currency are translated back to the US Dollar at the actual rate at which draw-down was converted at date of transfer from special account to local account. Where the expenditure cannot be fully met from the proceeds of a draw down, and part of the expenditure should be met from the proceeds of the subsequent draw down, which may have come at a different rate, the conversion rate of the total expenditure from the local currency to the US dollar is on First in First out (FIFO) basis. Thus, the preceding draw down should be exhausted before the subsequent draw down. Current assets and special fund balances are translated using the rate at the closing date (Closing Rate Method). The closing exchange rate to one US Dollar was MK725.65 as at 30 June 2017 and there was exchange gain or loss recognized during the year.

2.3 Receipts

These are stated at actual amounts drawn from the World Bank – Grant No. P151847 and IDA 56360 by way of Designated Account replenishment into the FMB Bank account and direct payments through FMB Local account.

2.4 Interest Received

Interest received from the two Designated Accounts and the Local account are recognized then credited into the account.

2.5 Taxation

In accordance with financing agreements, all the project receipts are eligible to tax.

2.6 Non-Current Assets

Capital expenditures are capitalized in the year they are incurred and provision for depreciation is made on all Non-Current Assets.

2.7 Cash and cash equivalent

Cash and cash equivalent comprises cash at hand and deposits with banks in local and foreign dominated currency.

2.8 Financial risk management

2.8.1 Market risk

2.8.1.1 Foreign exchange risk

The project operates wholly in Malawi; however, its transactions are done in both Malawi Kwacha and United States dollars. The project receives its funding in United States dollars and the funds received are deposited in a US\$ dominated account, transfers to Malawi Kwacha are done only when fund are require for utilization. The project's presentation currency is United States dollars. The consequence of this is that the project does not have a significant exposure to foreign exchange risk.

2.8.1.2 Cash flow and fair value interest rate

As the project has no significant interest-bearing assets, the project's income and operating cash flows are substantially independent of changes in market interest rates.

2.8.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation to cause the other party to incur a financial loss. Financial assets,

which potentially subject the project to credit risk, consist of principally of fixed and short notice bank deposits. With regard to the bank deposit, the project manages this risk by placing bank deposits with high credit rating financial institutions. These are no independent financial positions, past experience and other factors as a selecting the financial institution.

2.8.3 Liquidity risk

Liquidity risk is the risk that the project may not be able to meet its funding requirements. Liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The project has received and committed sufficient cash resources from its donors to meet the budgeted costs of all project activities up to the end of the project.

2.8.4 Critical accounting estimates and judgments

The project makes estimates and assumptions concerning the future. The resulting estimates will by definition rarely equal the related actual results. No significant estimates have been made in the current financial period.

3.0 Schedule of Non-Current Assets

	K	USD
Property, Plant and Equipment		
Office		
Equipment	698,801	963
Computers	<u>786,605</u>	<u>1,084</u>
Total	1,485,406	2,047
Depreciation		
Office		
Equipment	125,537	173
Computers	<u>141,502</u>	<u>195</u>
Total	267,039	368
Closing balance 30 June 2017	<u><u>1,218,366</u></u>	<u><u>1,679</u></u>

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4.0	Bank & Cash Balances		
	FCDA Account	K	USD
	(Designated Account)	727,731,890	1,002,869
	FMB Bank - Local Account	<u>14,412,135</u>	<u>19,861</u>
		<u>742,144,025</u>	<u>1,022,730</u>

5.0 Exchange Gain for the period

Date	Details	K	USD
6/30/2017	Exchange gain	500,000	689

The project only realized an exchange gain in the month of June 2017.

6.0 Interest Received (FCDA and Local Accounts)

1/31/2017	Bank interest	819.76	1.13
2/28/2017	Bank interest	1,120.53	1.54
3/2/2017	Bank interest	285.03	0.39
4/12/2017	Bank interest	2,712.57	3.74
4/24/2017	Bank interest	298,249.41	411.01
5/8/2017	Bank interest	2,082.16	2.87
5/24/2017	Bank interest	322,362.76	444.24
5/31/2017	Bank interest	217,499.99	299.73
6/30/2017	Bank interest	3,195.87	4.40
6/30/2017	Bank interest	<u>303,125.77</u>	<u>417.73</u>
Total		<u>1,151,454</u>	<u>1,587</u>

ACEPHEM
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7.0 Funds Movement In The Designated Account

	K	USD
Receipts		
0701/2017 Receipts	(787,667,677)	(1,085,465)
Transfer to operating Account		
4/3/2017 Transfer from 6438165 to 6439	21,769,500	30,000
5/19/2017 Transfer from 6438165 to 6439	<u>36,282,500</u>	<u>50,000</u>
Total	<u>58,052,000</u>	<u>80,000</u>
Interest Received		
4/24/2017 Interest for the month of April	(298,249)	(411)
5/24/2017 Interest for the month of May	(322,377)	(444)
6/30/2017 Interest for the month of June	(303,126)	(418)
Total	<u>(923,752)</u>	<u>(1,273)</u>
Payments made through Designated account		
4/30/2017 Payment of subsistence allowance for April	2,082,906	2,870
4/24/2017 Bank Charges for the month of April	59,648	82
5/24/2017 Bank Charges for the month of May	72,993	101
5/24/2017 Payment of subsistence allowance for May	531,176	732
6/30/2017 Bank Charges for the month of June	60,817	84
Total	<u>2,807,540</u>	<u>3,869</u>
Balance	<u>(727,731,890)</u>	<u>(1,002,869)</u>