

UNIVERSIDADE EDUARDO MONDLANE

**Regional Centre for Excellence in Engineering and Technology
Studies for Oil and Gas (CS-OGET) – Credit Number 5809 - MZ**

Financial Statements

For the year ended 31 December 2019



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STATEMENT OF RESPONSIBILITY AND APPROVAL OF THE FINANCIAL STATEMENTS

The responsibility for the preparation of financial statements that present a true and fair view of the financial position and the preparation of the various statements included in this report, in accordance with generally accepted accounting principles, applied consistently between the years, and the adoption of appropriate accounting policies and criteria is of the directors of the Regional Centre for Excellence in Oil and Gas Engineering and Technology Studies (CS-OGET).

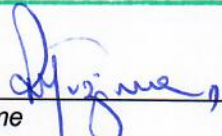
The financial statements were audited by the independent accounting firm Deloitte & Touche (Moçambique), Lda., who were provided with all accounting records of the Regional Centre for Excellence in Oil and Gas Engineering and Technology Studies (CS-OGET) and related supporting documentation, as well as all contracts, agreements, minutes and the relevant correspondence. The independent auditor's opinion is presented on pages 2 and 3.

The financial statements for the year ended 31 December 2019 presented on pages 4 to 12 have been prepared by the Regional Centre for Excellence in Engineering and Technology Studies for Oil and Gas (CS-OGET) having as a basis of preparation the historical cost, the cash modified basis and taking into account the generally accepted accounting principles (GAAPs) for public institutions. The selected principles have been applied consistently and are supported by a reasonable and prudent judgment and estimates.

The directors are also responsible for the company's system of internal controls. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability for the assets. These controls are monitored throughout the company by management and employees with the necessary segregation of authority and duties. Processes are in place to monitor internal controls, to identify material breakdowns and implement timely corrective action.

The financial statements on the pages 4 to 12 have been approved by the Regional Centre for excellence in Oil and Gas Engineering and Technology studies (CS-OGET) on 2 July 2020 and signed by its representatives:


Eduardo
Universidade Mondlane
Luis Helder Mendes Lucas
CS-OGET Director
REGIONAL DE EXCELÊNCIA EM
ENGENHARIA DO PETROLEO E GAS-UEM


Ruben Muzime
CS-OGET Accountant

INDEPENDENT AUDITOR'S REPORT

To the Management of

Regional Centre for Excellence in Engineering and Technology Studies for Oil and Gas (CS-OGET)

Opinion

We have audited the accompanying financial statements of the Regional Centre for Excellence in Oil and Gas Engineering and Technology Studies (CS-OGET) for the year ended 31 December 2019, which comprise the statement of financial position, the statement of receipts and payments, the statement of budget execution, as well as a summary of significant accounting policies and other explanatory notes, according to pages 4 to 12.

In our opinion, the accompanying financial statements present, in all material respects, a true and fair view of the statement of financial position and statement of receipts and payments from the Regional Centre for Excellence in Oil and Gas Engineering and Technology Studies (CS-OGET) for the year ended 31 December 2019, in accordance with accounting principles and criteria generally accepted for public institutions and the contract signed with the respective CS-OGET donors, as described in note 2.1.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance in terms of the code of ethics issued by the Order of Accountants and Auditors of Mozambique ("OCAM"), which comply with the Code of Ethics issued by the Ethics Standards Board for Accountants (IESBA), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Note 2.1 to the financial statements, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

While preparing the financial statements, the directors are responsible for assessing the entities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

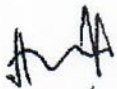
Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 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 based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

We communicate with the directors 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.



Deloitte & Touche (Moçambique), Limited

Certified Auditors n° 09/SCA/OCAM/2014

Represented by:

Aneliya Nikolova

Partner

Certified Auditor n° 56/CA/OCAM/2014

Maputo, 13 August 2020

STATEMENT OF FINANCIAL POSITION

For the period ended 31 December 2019

(Amounts in US Dollars)

	Notes	2019	2018
Opening Balance	3	707 753	994 006
Receipts:		50 709	-
IUCEA	4	21 570	-
DNAAS	4	27 897	-
AmbVeritas	4	1 242	-
Payments:		595 813	288 868
World Bank	<i>Page 6</i>	554 100	288 868
IUCEA	<i>Page 6</i>	20 107	-
DNAAS	<i>Page 6</i>	20 602	-
AmbVeritas	<i>Page 6</i>	1 004	-
Closing Balance		162 649	705 138
Exchange rates	16	13 756	(2 615)
Bank balance as at 31 December 2019	5	148 893	707 753

STATEMENT OF RECEIPTS AND PAYMENTS

For the period ended 31 December 2019

(Amounts in US Dollars)

Description	Notes	2019	2018
Opening Balance	3	707 753	994 006
Receipts		50 709	-
Funds received from donors		-	-
Other receipts	4	50 709	-
Exchange rate (gains)		-	-
Payments		595 813	288 868
Achieving learning excellence	6	231	76 498
Achieving research excellence	7	384 554	5 664
Quality assurance	8	-	2 422
Equity dimensions	9	14 013	10 283
Attracting academic staff and students from the region	10	53 991	55 108
Collaborative activities	11	15 529	5 847
Infrastructure development	12	4 697	22 465
Management and governance	13	67 535	110 398
Monitoring and evaluation	14	13 551	183
Other payments	15	41 712	-
Closing Balance		162 649	705 138
Exchange Rates	16	13 756	(2 615)
Closing Balance as at 31 December 2019	5	148 893	707 753

Regional Centre for Excellence in Oil and Gas Engineering and Technology Studies (CS-OGET)

STATEMENT OF BUDGET EXECUTION

For the period ended 31 December de 2019

(Amounts in US Dollars)

Expenditure	Notes	Budget	Actual	Variation	% Execution
Achieving Learning Excellence	6	93 000	231	92 769	0%
Achieving Research Excellence	7	449 000	384 554	64 446	86%
Quality Assurance	8	55 000	-	55 000	0%
Equity Dimensions	9	60 000	14 013	45 987	23%
Attracting Academic Staff and Students from the Region	10	105 000	53 991	51 009	51%
Collaborative Activities	11	130 000	15 529	114 471	12%
Infrastructure development Management and Governance	12	430 000	4 697	425 303	1%
Monitoring and Evaluation	13	148 000	67 535	80 465	46%
Other expenses	14	15 000	13 551	1 449	90%
	15	88 433	41 712	46 721	47%
		1 573 433	595 813	977 620	38%

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December de 2019

(Amounts in US Dollars)

1. INTRODUÇÃO

1.1 Regional Centre for Excellence in Engineering and Technology Studies (CS-OGET)

The Regional Centre for Excellence in Engineering and Technology Studies (CS-OGET) is an organic unit of Eduardo Mondlane University (UEM). It was launched in mid-2017 under the Africa Centers of Excellence for East and Southern Africa Project -ACE II, a World Bank-funded initiative by African governments. The project's development objectives for the proposed ACE II are to strengthen selected East and South African higher education institutions to provide quality postgraduate education and build collaborative research capacity in the regional priority areas.

With those objectives in mind, CS-OGET will help the region build local and regional Oil & Gas (O&G) capacity through scholarships, student and teacher exchanges, and joint research programs across the Eastern and Southern African region. CS-OGET aims to progressively implement masters, doctoral programs and research in Petroleum Engineering, Hydrocarbon Processing Engineering, Petroleum Geology and other cross-cutting O&G knowledge areas such as Safety, Environment Engineering, Economics and Management of oil.

The Centre is committed to ensuring competence in teaching, training, mentoring and supervising research, in partnership with world-class O&G Centers and ensuring up-to-date and appropriate curricula. In addition to all these activities, the Centre will value transparent conduct and best management and operating practices in accordance with the Financial Agreement signed between the Government of Mozambique and the World Bank, and all other relevant guidelines and institutional and national regulations.

2. ACCOUNTING POLICIES

2.1 Basis for preparation

The financial statements have been prepared in accordance with the historical cost convention and the cash modified basis. Based on this, the income and expenses are recognized when they are received and paid. The financial statements are prepared to assist CS-OGET in providing financial statements to the financing institution (Donor). As a result, the financial statements may only be used for this purpose and may not be appropriate for any other.

2.2 Reporting Currency

The reporting currency is the United States dollar (USD).

2.3 Transactions in local and foreign currency

The reporting currency is the US dollar. Transactions that occurred in local currency (Mozambican metical) are converted to this currency (USD) at a specific exchange rate. Favorable and unfavorable exchange differences are reflected in the income statement in the period in which they occur. The exchange rate for the preparation and presentation of the income statement is 1USD = 61.5 MT (Central Bank's buy rate as of 31.12.2019).

2. ACCOUNTING POLICIES (Cont.)

2.4 Address

Av. De Moçambique

Km 1.5

Maputo

Moçambique

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December de 2019

*(Amounts in US Dollars)***3. OPENING BALANCE**

The balance corresponds to the availability in the CS-OGET account as of 1 January 2019:

	<u>USD</u>	<u>MZN</u>
Central Bank	604 799	35 616 613
Banc ABC	102 954	7 844 759
	<u>707 753</u>	<u>43 461 372</u>

4. RECEIPTS

<u>Donor</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
World Bank	-	-
IUCEA	21 570	-
DNAAS	27 897	-
AmbVeritas	1 242	-
Total	<u>50 709</u>	<u>-</u>

5. BANKS

<u>Bank</u>	<u>Account Number</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
Cash	-	52	-
Central Bank	5 094 601 006	54 796	604 800
Banc ABC	1 460 010 132	94 045	102 953
Total		<u>148 893</u>	<u>707 753</u>

6. ACHIEVING LEARNING EXCELLENCE

This refers to the implementation of master's degree programs, course development, as well as the acquisition of study materials for scholarship holders.

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% Execution</u>
Implementation of Master programs	10 000	-	10 000	0%
Development, approval, and implementation of PhD Programs in the 4 O&G target areas: upstream, geology and environment	6 000	-	6 000	0%
Development and Implementation of short training courses	30 000	-	30 000	0%
Development and continuous update of teaching materials	12 000	-	12 000	0%
Acquisition of convenient teaching demonstration kits	-	-	-	0%
Library upgrade, acquisition of relevant O&G literature	15 000	-	15 000	0%

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December de 2019

(Amounts in US Dollars)

Description	Budget	Actual	Variance	% Execution
Acquisition of adequate computing hardware and educational software licenses	20 000	231	19 769	1%
Development and implementation of an e-learning platform	-	-	-	0%
	93 000	231	92 769	0%

7. ACHIEVING RESEARCH EXCELLENCE

This refers to expenses for seminars and workshops within the scope of national and international oil and gas conferences.

Description	Budget	Actual	Variance	% Execution
Building effective research teams and establishment of interdisciplinary O&G research topics	-	-	-	0%
Organizing research seminars	10 000	-	10 000	0%
Participation in national, regional and international O&G conferences	35 000	-	35 000	0%
Secure membership to the society of Petroleum Engineers	4 000	-	4 000	0%
Subscription of O&G scientific magazines and journals	-	-	-	0%
Procurement, acquisition, installation of relevant lab furniture, equipment and consumables	400 000	384 554	15 446	96%
	449 000	384 554	64 446	86%

8. QUALITY ASSURANCE

These costs relate to the accreditation of the Regional Centre programs.\

Description	Budget	Actual	Variance	% Execution
Arranging for national and international accreditation of program	25 000	-	25 000	0%
Arranging for external examination of MSc and PhD theses	30 000	-	30 000	0%
Monitoring, evaluation, verification and academic audit	-	-	-	0%
Continuous supervision of research, approval and peer review before publishing	-	-	-	0%
	55 000	-	55 000	0%

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December de 2019

*(Amounts in US Dollars)***9. EQUITY DIMENSIONS**

This expense category relates to the establishment of programs for master's and PHD in order to incentivize young students.

Description	Budget	Actual	Variance	% Execution
Gender and academic career awareness creation initiative for national and regional representativeness	10 000	-	10 000	0%
Engagement of people with disabilities and marginalized rural communities	-	-	-	0%
Establishment of a scholarship program for MSc and PhD to incentive national disadvantage young talented students	50 000	14 013	35 987	28%
	60 000	14 013	45 987	23%

10. ATTRACTING ACADEMIC STAFF AND STUDENTS FROM THE REGION

This expense category relates to the establishment of programs for master's and PHD in order to incentivize young students.

Description	Budget	Actual	Variance	% Execution
Building a strong advertisement program to attract regional students and staff	10 000	1 643	8 357	16%
Establishing special support services for non-national students	15 000	239	14 761	2%
Offering bridge courses	10 000	-	10 000	0%
Establishment of scholarship program for MSc and PhD to attract and incentive regional young talented students	70 000	52 109	17 891	74%
	105 000	53 991	51 009	51%

11. COLLABORATIVE ACTIVITIES

This expense class refers to payments made during study visits, supervisions and publications, and occupational hygiene and safety training.

Description	Budget	Actual	Variance	% Execution
National capacity building	-	442	(442)	0%
Professors, researchers and students exchange	75 000	9 972	65 028	13%
Internship and field visits	15 000	-	15 000	0%
Joint supervision, research and publications	40 000	5 115	34 885	13%
Research engagement (R&D)	-	-	-	0%
	130 000	15 529	114 471	12%

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December de 2019

*(Amounts in US Dollars)***12. INFRASTRUCTURE DEVELOPMENT**

This expense class refers to payments made during study visits, supervisions and publications, and occupational hygiene and safety training.

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% Execution</u>
Civil Works (upgrading and rehabilitation) for the building hosting the Center	420 000	2	419 998	0%
Acquisition of transport means, fuel and repairs	10 000	4 695	5 305	47%
	430 000	4 697	425 303	1%

13. MANAGEMENT AND GOVERNANCE

This expense class refers to payments made during study visits, supervisions and publications, and occupational hygiene and safety training.

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% Execution</u>
Recruit staff and faculty	25 000	12 737	12 263	51%
Participation in national regional and international coordination and benchmarking activities and events	70 000	15 821	54 179	23%
Administrative Costs	50 000	37 730	12 270	75%
Periodic performance reviews	-	-	-	0%
Staff development plan	3 000	1 247	1 753	42%
	148 000	67 535	80 465	46%

14. MONITORING AND EVALUATION

This expense class refers to Internal and External Audit Costs.

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% Execution</u>
Internal and external auditing	15 000	13 551	1 449	90%
	15 000	13 551	1 449	90%

15. OTHER PAYMENTS

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% Execution</u>
IUCEA	21 570	20 106	1 464	93%
DNAAS	65 621	20 602	45 019	31%
AmbVeritas	1 242	1 004	238	81%
	88 433	41 712	46 721	47%

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December de 2019

(Amounts in US Dollars)

16. EXCHANGE RATES

<u>Description</u>	<u>2019</u>	<u>2018</u>
Exchange Rates (gains)/loss	13 756	(2 614)
	<u>13 756</u>	<u>(2 614)</u>

17. SUBSEQUENT EVENTS

a) COVID-19

After the year ended December 31, 2019, the outbreak of COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. The situation is dynamic, with several cities and countries around the world responding in different ways on how to deal with the outbreak.

UEM recognizes the critical role it plays in combating and containing the spread of the Covid-19 virus.

Depending on the depth and time span of the impact of COVID-19, the Program's activities may be affected to a lesser or greater degree.

- b) In addition to the above, the Entity is not aware of the existence of facts or circumstances of a material nature that have occurred after year end, and that would have a significant effect on the program and the results of the operations.
