Audited Project Financial Statements

Project Number: 42291
Loan Numbers: 2870, 3128
Period covered: 1 January to 31 December 2016

Regional: Higher Education in the Pacific Investment Program

Prepared by the University of the South Pacific

For the Asian Development Bank
Date received by ADB: 23 August 2017

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the borrower's executing agency.
UNIVERSITY OF THE SOUTH PACIFIC

HIGHER EDUCATION IN THE PACIFIC INVESTMENT PROGRAM – PROJECT 1

SPECIAL PURPOSE FINANCIAL REPORT

31 DECEMBER 2016
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UNIVERSITY OF THE SOUTH PACIFIC
HIGHER EDUCATION IN THE PACIFIC
INVESTMENT PROGRAM – PROJECT 1

SPECIAL PURPOSE FINANCIAL REPORT
31 DECEMBER 2016

STATEMENT BY PROJECT STEERING COMMITTEE

We certify that, to the best of our knowledge and belief:

(a) the accompanying statement of receipts and payments of the project is drawn up so as to give a true and fair view of the amounts received and payments made relating to the project funded by Asian Development Bank for the year ended 31 December 2016, and

(b) at the date of this statement there are reasonable grounds to believe that the loan proceeds were fully and solely expended on the project for which approval had been given by the University of the South Pacific as set out in the Loan Agreement dated 19 June 2012

Signed for and on behalf of the project steering committee of the University of the South Pacific Higher Education in the Pacific Investment Program – Project 1.

Dated at Suva, this 11th day of August 2017.

[Signature]
Professor Rajesh Chandra
Vice Chancellor & President

[Signature]
Kolinio Boila
Executive Director Finance
Independent Auditor’s Report

To the Project Steering Committee of the University of the South Pacific Higher Education in the Pacific Investment Program – Project 1


Opinion

We have audited the accompanying special purpose financial report of the University of the South Pacific Higher Education in the Pacific Investment Program – Project 1 (referred hereafter as ‘USP HEPIP’), which comprise the statement of receipts and payments for the year ended 31 December 2016, and notes to the special purpose financial report, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial report give a true and fair view of the amounts received and payments made relating to USP HEPIP for the year ended 31 December 2016 in accordance with the USP HEPIP’s accounting policies.

Emphasis of Matter - Basis of accounting

We draw attention to Note 2 to the special purpose financial report, which describes the basis of accounting. The special purpose financial report are prepared in accordance with the accounting policies described in Note 2 to the special purpose financial report. As a result, the special purpose financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 Special Purpose Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of USP HEPIP in accordance with the ethical requirements of the International Ethics Standards Board for Accountant’s Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the special purpose financial report in Fiji, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Responsibilities of the Project Steering Committee for the special purpose financial report

The Project Steering Committee are responsible for the preparation and fair presentation of the special purpose financial report in accordance with USP HEPIP’s accounting policies, and for such internal control as the Project Steering Committee determine is necessary to enable the preparation of the special purpose financial report that are free from material misstatement, whether due to fraud or error.
In preparing the special purpose financial report, the Project Steering Committee are responsible for assessing USP HEPIP'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 the Project Steering Committee either intend to liquidate USP HEPIP or to cease operations, or have no realistic alternative but to do so.

The Project Steering Committee are responsible for overseeing USP HEPIP's financial reporting process.

**Auditor’s Responsibilities for the Audit of the Special Purpose Financial Report**

Our objectives are to obtain reasonable assurance about whether the special purpose financial report as a whole is 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 the 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 the special purpose financial report.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial report, 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 USP HEPIP’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Project Steering Committee.

- Conclude on the appropriateness of the Project Steering Committee’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 USP HEPIP’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause USP HEPIP to cease to continue as a going concern.

We communicate with the Project Steering Committee 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.
Restriction on Distribution or Use

This report is made solely to USP HEPIP’s Project Steering Committee. Our audit work has been undertaken so that we might state to USP HEPIP’s Project Steering Committee those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than USP HEPIP and the Project Steering Committee as a body, for our audit work, for this report, or for the opinions we have formed.

7 August 2017
Suva, Fiji

PricewaterhouseCoopers
Chartered Accountants
UNIVERSITY OF THE SOUTH PACIFIC
HIGHER EDUCATION IN THE PACIFIC
INVESTMENT PROGRAM – PROJECT 1

<table>
<thead>
<tr>
<th></th>
<th>Actual 2016 USD</th>
<th>Actual 2016 SDR</th>
<th>Actual 2015 USD</th>
<th>Actual 2015 SDR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADB loan withdrawals</td>
<td>195,942</td>
<td>145,755</td>
<td>1,930,714</td>
<td>1,392,148</td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil works</td>
<td>195,942</td>
<td>145,755</td>
<td>1,930,714</td>
<td>1,392,148</td>
</tr>
<tr>
<td>Total payments</td>
<td>195,942</td>
<td>145,755</td>
<td>1,930,714</td>
<td>1,392,148</td>
</tr>
<tr>
<td>Balance of funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The above statement of receipts and payments should be read in conjunction with the accompanying notes.
1. GENERAL INFORMATION

The project is a part of the Asian Development Bank’s (‘ADB’) investment program aimed towards supporting the University of the South Pacific (‘USP’) in enhancing access to higher education in its 12 member Pacific Island Countries by improving the physical environment and learning programmes.

The objectives of the tranche 1 project is to expand and provide equitable access to higher education in Kiribati.

The project has been co-funded by ADB and USP. This is a special purpose financial report comprising only the loan proceeds received from ADB for the project and the amounts spent from those proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out hereunder are the significant accounting policies adopted by the project in the preparation of the special purpose financial report of Higher Education in the Pacific Investment Program – Project 1 for the year ended 31 December 2016

(a) Basis of accounting

The special purpose financial report has been prepared on a cash basis and reflects amounts received and paid as and when they occur.

(b) Translation of local currency financial report

The loan proceeds are disbursed to suppliers in United States dollars. Therefore the amounts reflected in the receipts and payments statement are stated in United Stated dollars (USD) and translated to Special Drawing Rights (SDR) currency using the year end exchange rate. The exchange rate used to translate expenses from USD to SDR is 0.7439 (2015: 0.7211)

(c) Foreign currency

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

(d) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in the presentation for the current year.
3. PROJECT BUDGET

The Project had an approved budget of SDR 2,336,000. The University has incurred project expenditures of SDR 2,125,375 at year end as presented in the following table:

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Budget To date USD</th>
<th>Budget To date SDR</th>
<th>Actual To date USD</th>
<th>Actual To date SDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB loan withdrawals</td>
<td>3,140,355</td>
<td>2,336,000</td>
<td>2,857,206</td>
<td>2,125,375</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payments</th>
<th>Budget To date USD</th>
<th>Budget To date SDR</th>
<th>Actual To date USD</th>
<th>Actual To date SDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil works</td>
<td>2,509,864</td>
<td>1,867,000</td>
<td>2,657,636</td>
<td>1,976,922</td>
</tr>
<tr>
<td>Equipment</td>
<td>87,381</td>
<td>65,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Consulting services</td>
<td>174,763</td>
<td>130,000</td>
<td>182,817</td>
<td>135,991</td>
</tr>
<tr>
<td>Project administration</td>
<td>44,363</td>
<td>33,000</td>
<td>16,753</td>
<td>12,462</td>
</tr>
<tr>
<td>Interest charge</td>
<td>61,839</td>
<td>46,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unallocated</td>
<td>262,145</td>
<td>195,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total payments</td>
<td>3,140,355</td>
<td>2,336,000</td>
<td>2,857,206</td>
<td>2,125,375</td>
</tr>
<tr>
<td>Balance of funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
</tbody>
</table>