

Audited Project Financial Statements

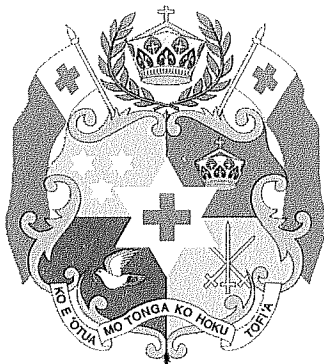
Project Number: 44172
Grant Number: 0256
Period covered: 30 June 2012 to 30 June 2013

Kingdom of Tonga: Tonga-Fiji Submarine Cable Project

Prepared by Ministry of Information and Communication, Implementing agency

For the Asian Development Bank
Date received by ADB: 24 February 2014

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 Ministry of Finance and National Planning, Executing Agency.



PACIFIC REGIONAL CONNECTIVITY PROGRAMME

FIJI – TONGA CONNECTIVITY CABLE PROJECT

Funded by:

World Bank (International Development Association - IDA)

Asian Development Bank (ADB)

Pacific Region Infrastructure Facility (PRIF)

Government of the Kingdom of Tonga (GoT)

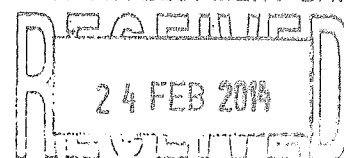
FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

and

YEAR ENDED 30 JUNE 2013

ASIAN DEVELOPMENT BANK



SOUTH PACIFIC
SUBREGIONAL OFFICE

PACIFIC REGIONAL CONNECTIVITY PROGRAMME

FIJI – TONGA CONNECTIVITY CABLE PROJECT

Contents

Statement of Management Responsibility	2
Independent Auditor's Report	3
Statement of Expenditures – By Component In USD For 2013	4
Statement of Funds Received and Expenditure – By Donor and Component in USD\$ For 2013	5
Statement of Expenditures – By Component in USD For 2012	6
Statement of Funds Received and Expenditure – By Donor and Component in USD\$ For 2012	7
Notes to the Financial Statements	8-10

PACIFIC REGIONAL CONNECTIVITY PROGRAMME


FIJI – TONGA CONNECTIVITY CABLE PROJECT

STATEMENT OF MANAGEMENT RESPONSIBILITY

Grant No. H7310 & TF099368

We have compiled, the statements of receipts and payments of the Fiji to Tonga Connectivity Project (HT7310 & TF099368) for two years; as at 30th June 2012 and 30th June 2013 in accordance with the Project Guidelines. Management is responsible for this financial information.

December, 2013


Paula P Ma'u
Chief Executive Officer
Ministry of Information and Communications





INDEPENDENT AUDITOR'S REPORT

**TO THE CHIEF EXECUTIVE OFFICER FOR INFORMATION AND COMMUNICATIONS
(THE MANAGEMENT) OF THE TONGA – FIJI CONNECTIVITY CABLE PROJECT**

Audit Assignment

I have audited the accompanying Statements of Funds Received and Expenditure of the Tonga – Fiji Connectivity Cable Project as set out on pages 4 to 10 for the two financial period ended 30th June 2012 and for the financial period ended 30th June 2013. The preparation of the financial statements and the maintenance of effective control measures are the responsibility of the Management. My responsibility is to express an opinion on these project statements based on my audit.

Nature and scope

I have conducted my audit in accordance with the Audit Office Auditing Standards. These standards follow the INTOSAI Auditing Standards which require that I plan and perform the audit to obtain reasonable assurance as to whether the Statements are free of material misstatements. The audit includes an examination on a test basis, of evidence supporting the amounts and disclosures in the project statements. An audit also includes assessing the accounting principles used and the significant provisions made by the management as well as evaluating the overall presentation of the project statements. I believe that my audit provides a reasonable assurance basis for the audit opinion.

Unqualified Audit Opinion

In my opinion these project statements as shown on pages 4 to 10 present fairly in all material respects the statement of funds received and expenditure and expenditure by component of Tonga Fiji Connectivity Cable Project for the two year ended 30th June 2012 and 30th June 2013 are in accordance with the project guidelines.

Compliance

In my opinion, the transactions of Tonga – Fiji Connectivity Cable Project, which I have tested as part of my audit, have in all significant respects been in accordance with the project agreement and guidelines.

Audit Observations

The management in respect of all matters arose during the audit provided pertinent information and explanations and no material observations, which require reporting, were revealed.

Appreciation

The courtesy which was extended to me and my staffs and the assistance rendered by the management throughout the audit is greatly appreciated.


Dr Pohiva Tu'i'onetoa
AUDITOR GENERAL



Nuku'alofa
TONGA
12th February, 2014

PACIFIC REGIONAL CONNECTIVITY PROGRAMME

FIJI – TONGA CONNECTIVITY CABLE PROJECT

Statement of Expenditure – By Component (in USD) For the Year Ended 30 June 2013

Expenditure - by component	Budget (USD)	QTR 1	QTR 2	QTR 3	QTR 4	Year Ended 30 June 2013	Year Ended 30 June 2012	Cumulative Expenditure to date
1 Submarine Cable System								
1.1 World Bank	11,333,031.60	-	42,525.00	2,695,160.79	4,595,380.02	7,333,065.81	1,199,968.25	8,523,034.06
1.2 ADB	7,555,354.40	-	24,975.00	822,239.50	3,459,505.66	4,306,721.16	698,870.25	5,005,591.41
Sub-total Component 1	18,888,386.00	-	67,500.00	3,517,400.29	8,054,885.68	11,639,786.97	1,898,838.50	13,528,625.47
2 Enabling Environment								
2.1 PRIF	500,000.00	-	-	-	42,079.00	42,079.00	-	42,079.00
2.2 IDA	500,000.00	-	-	56,105.50	70,550.90	126,656.40	-	126,656.40
Sub-total Component 2	1,000,000.00	-	-	56,105.50	112,629.90	168,735.40	-	168,735.40
3 Project Management & Administration								
WB Funds	595,200.00	24,491.37	21,398.62	64,519.86	117,704.23	228,114.08	-	228,114.08
Sub-total Component 3	595,200.00	24,491.37	21,398.62	64,519.86	117,704.23	228,114.08	-	228,114.08
Total	20,483,586.00	24,491.37	88,898.62	3,638,025.65	8,285,220.81	12,036,636.45	1,898,838.50	13,925,474.95

FIJI – TONGA CONNECTIVITY CABLE PROJECT

		Year ended 2012	Year ended 2013	Cumulative
1	Component 1 -Submarine Cable System			
	Total Funds received for component 1			
	Asian Development Bank	698,870.25	4,306,721.16	5,005,591.41
	World Bank	1,189,968.26	7,333,065.81	8,523,034.06
				13,528,625.48
	Total Funds Expended in Component 1			
	Asian Development Bank	698,870.25	4,306,721.16	5,005,591.41
	World Bank:	1,189,968.26	7,333,065.81	8,523,034.06
				13,528,625.48
	Balance of funds	-	-	
				Year ended 2013
2 & 3	Components 2 & 3 -Enabling Environment and Project Management			World Bank-IDA
	Funds received for components 2 & 3 in Designated Account			
	Funds received through Direct Payments		50,000.00	337,953.00
	Total funds received for components 2 & 3			42,079.13
				380,032.13
	Less Funds expended in component 2		(42,079.13)	(126,656.40)
	Less Funds expended in component 3			(228,114.08)
	Balance of funds		7,920.87	25,261.65

PACIFIC REGIONAL CONNECTIVITY PROGRAMME

FIJI – TONGA CONNECTIVITY CABLE PROJECT

Statement of Expenditure – By Component (in USD) For the Year Ended 30 June 2012

	Expenditure - by component	Budget (USD)	QTR 1	QTR 2	QTR 3	QTR 4	Year Ended 30 June 2012
1	Submarine Cable System						
1.1	World Bank	11,333,031.50	-	-	-	1,189,968.25	1,189,968.25
1.2	ADB	7,555,354.40	-	-	-	698,870.25	698,870.25
	Sub-total Component 1	18,888,386.00	-	-	-	1,888,838.50	1,888,838.50
2	Enabling Environment						
2.1	PRIF	500,000.00	-	-	-	-	-
2.2	IDA	500,000.00	-	-	-	-	-
	Sub-total Component 2	1,000,000.00	-	-	-	-	-
3	Project Management & Administration						
	WB Funds	595,200.00	-	-	-	-	-
	Sub-total Component 3	595,200.00	-	-	-	-	-
	Total	20,483,586.00	-	-	-	1,888,838.50	1,888,838.50

PACIFIC REGIONAL CONNECTIVITY PROGRAMME

FIJI – TONGA CONNECTIVITY CABLE PROJECT

Statement of Funds Received and Expenditure – By Donor and component (in USD) For the Year Ended 30 June 2012

		Year ended 2012	Cumulative
1	Component 1 -Submarine Cable System		
	Total Funds received for component 1		
	Asian Development Bank	698,870.25	698,870.25
	World Bank	1,189,968.26	1,189,968.26
			1,888,838.51
	Total Funds Expended In Component 1		
	Asian Development Bank	698,870.25	698,870.25
	World Bank	1,189,968.26	1,189,968.26
		1,888,838.51	1,888,838.51
	Balance of funds	-	-
2 & 3	Components 2 & 3 -Enabling Environment and Project Management		World Bank-IDA
	Funds received for components 2 & 3 in Designated Account		-
	Funds received through Direct Payments		-
	Total funds received for components 2 & 3		-
	Less Funds expended in component 2		-
	Total funds expended in IDA Designated Account		-
	Less Alcatel Payment for Component 1 from IDA Designated Account		-
	Total funds expended in component 3		-
	Balance of funds		-

PACIFIC REGIONAL CONNECTIVITY PROGRAMME

FIJI – TONGA CONNECTIVITY CABLE PROJECT

Notes to the Financial Statements

1. The Fiji to Tonga Connectivity Project is a project financed under the Pacific Regional Connectivity Programme which officially commenced in August 2011. The closing date is currently set as 30 August 2016.
2. The Project is being financed jointly by the World Bank (WB; through its International Development Association – IDA), the Asian Development Bank (ADB), the Pacific Region Infrastructure Facility (PRIF) and the Government of the Kingdom of Tonga (GoT), as follows:
 - IDA – Grant of Special Drawing Rights (SDR) 10.8 million (with estimated United States Dollar {USD} equivalent of USD 17.2 million); established through a Financing Agreement dated 9 September 2011.
 - PRIF – Grant of USD 500,000, established through a Financing Agreement dated 9 September 2011.
 - ADB – Grant of USD9.7 million, established through a Grant Agreement dated 9 September 2011
 - GoT – estimated contribution of USD 6.6 million.
3. The objective of the project is to improve the enabling environment for telecommunications and ICT in Tonga, including greater competition and increased access to infrastructure and services by reducing the costs of international connectivity and strengthening the telecommunications regulatory framework. Access to the capacity on this new infrastructure will be available on an open-access basis. Expected sector-specific outcomes are: a) increased international connectivity (b) improved enabling environment and (c) increased access to ICT services.
4. The project is being implemented in three components as follows:
 - **Component 1:** Submarine Cable System. This component includes the (a) construction of an 827km repeatered cable linking Nuku'alofa (Tonga) with Suva (Fiji) and a (b) cable landing station in Tonga. This component is being implemented by Tonga Cable Limited (TCL).
 - **Component 2:** Enabling Environment. This component will finance technical assistance for the Ministry of Information and Communications (MIC) on (a) telecommunications policy, legal and regulatory development, licensing harmonization and on the legal and regulatory environment for Internet and e-transactions and (b) regulatory capacity building. This component is being implemented by MIC.
 - **Component 3:** Project Management and Administration. This component is being implemented by MIC.
5. The project is implemented under the overall guidance, coordination and monitoring of the Cabinet sub-committee on Communications which is chaired by the Hon Deputy Prime Minister.

The Construction of the Cable is being implemented by Tonga Cable Limited and management and disbursement of funds under Component 1 is being managed by TCL.

6. The implementation of the Regulatory and Legal Work is being coordinated by MIC. The Project Management Unit within MIC is responsible for the management and disbursement of funds under component 2 and 3 of the project. The Project Management Unit is also responsible for the overall reporting of the Project financials to the World Bank.
7. The World Bank administers both the IDA and PRIF funding. Two bank accounts ("Designated Accounts") have been established in Tonga – one for the IDA funding and one for the PRIF funding. Also, larger payments under WB-administered funding is made directly by WB and charged directly to the respective grant, rather than being channeled through the Designated Accounts, in accordance with agreed WB procedures.
8. The ADB payments are made directly by the ADB office to the supplier under Component 1. ADB's financing contribution is only for Component 1 of the overall Project. Percentage of financing for Component 1 is being split between ADB and WB as follows in accordance with the Grant Agreement signed on 9 September 2011:
 - Payments by IDA for Component 1 = 67% only
 - Payments by ADB for Component 1 = 33% only
 - Please note that the total payments of \$228,114.08 for Component 3 in 2013 include a payment of \$42,525 to ALCATEL that was paid from the IDA designated account due to the amount being less than the \$50,000 threshold.
9. Tonga Government's contribution of 6.6 million is to support the construction of a Landing Station for Tonga Cable Limited. Payments were made directly from Tonga Communications Corporation (TCC) directly to the contractors of the building on behalf of Tonga Cable Limited. Finances relating to Tonga Government's contribution for TCL was managed and administered by TCC.
10. The reporting currency and the books are maintained in USD, including the Financial Statements included in this report. Project Income (Funding) and Expenditure in the Financial Statements is converted from USD to TOP at 1 USD = 1.743 TOP (for FY 2012) and 1 USD = 1.751 TOP (for FY 2013) being the rate of the Reserve Bank of Tonga for the last working day of the fiscal year.
11. Transactions in currencies other than USD are translated into USD using the actual exchange rate applied by the bank (where the transaction are paid from the Designated Accounts) or at the applicable rate (where the transactions are paid directly by WB).
12. These Financial Statements are prepared covering two fiscal years (FY) – FYs ended 30 June 2012 (the first year of operation) and 2013; the requirement for an audit for FY 2012, was waived by both the WB and the ADB, as the level of activity and expenditure was considered minimal to warrant an audit solely for FY 2012.
13. Withdrawals on Project Funds were as follows:

<u>Component 1 -Submarine Cable System</u>	Asian Development Bank	World Bank -IDA
Withdrawal Application 1	698,870.25	1,189,968.26
Withdrawal Application 2	822,239.50	1,400,029.47
Withdrawal Application 3	760,632.68	1,295,131.32
Withdrawal Application 4	2,698,873.98	4,595,380.02
Withdrawal Application 5	24,975.00	42,52,00
Total Withdrawals under Component 1	5,005,591.41	8,523,034.06
<u>Components 2 & 3 -Enabling Environment and Project Management</u>	PRIF	World Bank - IDA
Withdrawal Application 1	-	200,000.00
Withdrawal Application 2	-	32,069.22
Withdrawal Application 3	-	105,884.41
Withdrawal Application 4	50,000.00	-
Withdrawal Application 5	-	42,079.13
Total Withdrawals under Component 2 & 3	50,000.00	380,032.76