

Audited Project Financial Statements

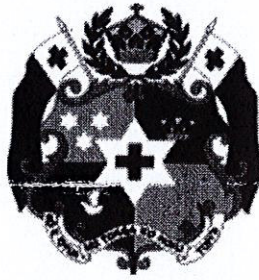
Project Number: 44172
Grant Number: 0256
Period covered: 1 July 2015 to 30 June 2016

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: 21 March 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 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
FOR THE PERIOD
1st JULY 2015 - 30th JUNE 2016

PACIFIC REGIONAL CONNECTIVITY PROGRAMME
FIJI – TONGA CONNECTIVITY CABLE PROJECT



INDEPENDENT AUDITOR'S REPORT

To the Chief Executive Officer for Ministry of Meteorology, Energy, Information, Disaster, Management, Environment, Communication and Climate Change
Fiji – Tonga Connectivity Cable Project

We have audited the accompanying Statement of Receipts and Payments and the accompanying notes to the Financial Statements for the Fiji-Tonga Connectivity Cable Project as set out on pages 4 to 11 for the financial period ended 30th June 2016.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the Financial Statement on the cash basis accounting as accordance with the Public Finance Management Act 2002 and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards *Financial Reporting under the Cash Basis of Accounting* and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Supreme Audit Institution (ISSAIs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also included evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

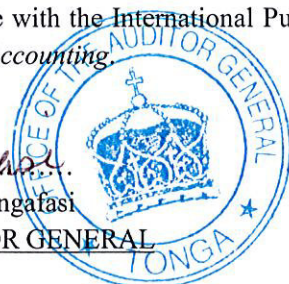
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified audit opinion.

Unqualified Opinion

In my opinion, the Financial Statements as shown on page 4 to 11, have been presented fairly in all material respects the receipts and payments of Fiji-Tonga Connectivity Cable Project for the year ended 30th June 2016 in accordance with the International Public Sector Accounting Standards *Financial Reporting under the Cash Basis of Accounting*.


Lotomo'ua F. Tu'ungafasi

ACTING AUDITOR GENERAL



Nuku'alofa

27th December, 2016

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PACIFIC REGIONAL CONNECTIVITY PROGRAMME

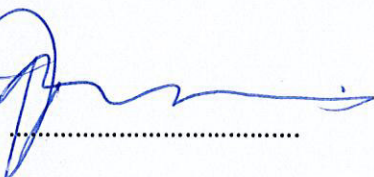
FIJI – TONGA CONNETIVITY CABLE PROJECT

STATEMENT OF MANAGEMENT RESPONSIBILITY

Grant No.H7310 & TF099368

In accordance with the World Bank guidelines the Financial Reports of the Fiji to Tonga Connectivity Project (HT7310 & TF099368) as at 30th June 2016 statements of receipts and payments for the year ended. Management is responsible for this financial information.

20th December 2016



Mr. Paula Pouvalu Ma'u

Chief Executive Officer

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PACIFIC REGIONAL CONNECTIVITY PROGRAMME

FIJI-TONGA CONNECTIVITY CABLE PROJECT

Statement of Receipt and Payment (in TOP) For the Period 1st July 2015 – 30th June 2016

	Expenditure-by Component	Note	Cumulative Balance as at 30 th June 2015 (TOP)	2015	2016	Balance as at 30 th June 2016 (TOP)
	<u>Opening Cash Balance</u>			101,731.16	323,931.45	
	<u>Receipts</u>					
	Direct Payment			221,776.08	31,079.25	
	IDA			368,179.75	184,530.37	
	PRIF			90,073.25	91,567.01	
	TOTAL Cash Available			781,760.24	631,108.08	
1	<u>Submarine Cable System</u>					
1.1	World Bank		25,598,866.33	-	-	25,598,865.58
1.2	ADB		15,065,334.03	31,079.25	31,079.25	15,096,413.28
	Sub-total Component 1		40,664,200.37	31,079.25	31,079.25	40,695,279.61
2	<u>Enabling Environment</u>					
2.1	PRIF		425,100.26	282,265.74	85,700.88	510,801.14
2.2	IDA		928,025.93	144,332.99	230,580.49	1,158,606.42
	Sub-total Component 2		1,353,126.19	426,598.73	316,281.36	1,669,407.56
3	<u>Project Management & Administration</u>					
3.1	WB- Funds		655,715.37	152.74	356.42	656,071.79

	Sub-total Component 3		655,715.37	305.50	356.42	656,071.79
	Total Expenditure		42,673,041.93	457,982.66	347,717.03	43,020,758.96
	<u>Total Cash Balance 30th June</u>	4		323,777.60	283,391.05	

PACIFIC REGIONAL CONNECTIVITY PROGRAMME

FIJI-TONGA CONNECTIVITY CABLE PROJECT

Statement of Receipt and Payment (in USD) For the Period 1st July 2015 – 30th June 2016

	Expenditure-by Component	Cumulative Balance as at 30 th June 2015 (USD)	2015	2016	Balance as at 30 th June 2016 (USD)
	<u>Opening Cash Balance</u>		49,950.00	159,050.34	
	<u>Receipts</u>				
	Direct Payment		108,892.99	15,259.91	
	IDA		180,776.26	90,604.41	
	PRIF		44,225.97	44,959.40	
	TOTAL Cash Available		383,845.22	309,874.06	
1	<u>Submarine Cable System</u>				
1.1	World Bank	12,569,043.37	-	-	12,569,043.37
1.2	ADB	7,397,079.01	15,259.91	15,259.91	7,412,338.92
	Sub-total Component 1	19,966,122.38	15,259.91	15,259.91	19,981,382.29
2	<u>Enabling Environment</u>				
2.1	PRIF	208,724.23	138,592.08	42,079.13	250,843.96
2.2	IDA	455,660.73	70,867.50	113,215.02	568,875.75
	Sub-total Component 2	664,384.96	209,459.58	155,294.15	819,679.11
3	<u>Project Management & Administration</u>				
3.1	WB- Funds	321,956.25	75.00	175.00	322,131.25

	Sub-total Component 3	321,956.25	75.00	175.00	322,131.25	
	Total Expenditure	20,952,463.59	224,794.49	170,729.06	21,123,319.65	
	Total Cash Balance 30 th June		159,050.73	139,145.00		

**PACIFIC REGIONAL CONNECTIVITY PROGRAMME
FIJI-TONGA CONNECTIVITY CABLE PROJECT**

Statement of Funds Received and Expenditure - By Donor and Component (in TOP)
For the Period 1st July 2015– 30th June 2016

		Cumulative up to year ended 2013	Year Ended 2014		Year ended 2015		Year ended 2016		Cumulative
			PRIF	World Bank - IDA	PRIF	World Bank - IDA	PRIF	World Bank- IDA	
1	Component 1 Submarine Cable Sys								
	Total Funds received for Component 1	10,194,687.19 17,358,521.51		4,839,567.60 8,240,344.83		31,079.25 "		15,096,413.28 25,598,866.33	
	Asian Development Bank World Bank								
2&3	Components 2&3 – Enabling Environment and Project Management	Cumulative up to year ended 2013	PRIF	World Bank- IDA	PRIF	World Bank - IDA	PRIF	World Bank- IDA	Cumulative
	Funds received for component 2&3 in Designated Account	101,832.99	142,834.77	659,704.54	90,073.26	368,179.76	91,567.01	184,530.37	1,900,709.98
	Funds received through Direct payments	85,700.88	365,161.18	69,843.18	190,698.74	-	-	555,859.92	155,544.05
	Total funds received for components 2&3	773,996.19	507,995.95	729,547.72	280,772.00	368,179.76	91,567.01	184,530.37	2,056,254.03
	Less Funds expended in component 2	(85,700.88)	(57,133.91)	(525,737.74)	(282,265.74)	(144,332.99)	(85,700.88)	(230,580.49)	(1,158,606.42)
	Less Funds expended in component 3	(464,590.79)	(190,971.83)	(190,971.83)		(152.75)		(356.42)	(656,071.79)
	Balance of Funds	16,132.12	85,700.86	(57,005.03)	(1,493.75)	223,846.76	5,866.13	(46,436.54)	85,879.02

PACIFIC REGIONAL CONNECTIVITY PROGRAMME

FIJI-TONGA CONNECTIVITY CABLE PROJECT

Notes to the Financial Statement

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Reporting Entity

Tonga Fiji Connectivity 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).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.

The Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications (Implementing Agency) as well as Ministry of Finance and National Planning (Executing Agency).

1.2 Basis of Preparation

The financial statements have been prepared on a Cash basis. The accounting policies have been applied consistently by the project.

1.3 Reporting Period

This Financial Statement was prepared from the period 1st July 2015 – 30th June 2016.

1.4 Measurement Base

The financial statement was prepared from Bank Statements of the two accounts IDA and PRIF account. The report was recorded quarterly, and figures for each quarterly expenses was taken from the Quarterly Interim Financial Report (IFR) which was send quarterly to the World Bank. The information for Withdrawals on the Project Funds was also taking from the World Bank Client Connection website .Withdrawals on Project Funds were as follows

<u>Component 1 – Submarine Cable System</u>	Asian Development Bank	World Bank – IDA	Consultant
Withdrawal Application 10	15,259.91		Alcatel Lucent
Total Withdrawals under Component 1	15,259.91		
<u>Components 2&3 – Enabling Environment and Project Management</u>	PRIF	World Bank – IDA	
TFCP PRIF 13	44,959.40		Incyte Consulting
TFCP 14		64,596.32	Incyte Consulting
TFCP 15		26,008.09	Alcatel Lucent
Total Withdrawals under Component 2&3	44,959.40	90,604.41	

1.5 Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on basis consistent with those used in the previous year.

1.6 Foreign Currency

The financial statement presented in Tongan currency at Bank of South Pacific (BSP) rates of exchange ruling at balance date.

1.7 Fixed Asset

There was no additional fixed asset during the financial period

1.8 Related Parties

The expenditure of the project are met by World Bank and ADB.

1.9 Going Concern

Tonga Fiji 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. The status of the project is still under negotiation of Digicel buying the Government share for the extension of domestic cable.

2. The Balance at the beginning as at 30th June 2015 was TOP 42,673,041.92. This was the overall Expenditure of the 3 Components as follows

- World Bank – TOP 25,598,866.33
- ADB – TOP 15,065,334.03
- PRIF – TOP 425,100.26
- IDA – TOP 928,025.93
- WB-Funds – TOP 655,715.37

3. However, Balance at the end of this Financial Report as at 30th June 2016 is TOP 43,020,758.21 .This balance is the total up of all expenditures during this financial period plus the Balance at the beginning as at 30th June 2014 .Details of this balance as follows:

- World Bank – TOP 25,598,865.58
- ADB – TOP 15,096,413.28
- PRIF – TOP 510,801.14
- IDA – TOP 1,158,606.42
- WB-Funds – TOP 656,071.79

4. Cash Balance as at 30th June 2016

	TOP
IDA – USD (01-77-645-2027)	\$238,742.90
PRIF – USD (01-77-645-2029)	<u>\$44,648.17</u>
	<u>\$283,391.10</u>