

Audited Project Financial Statements

Project Number: 49319-001

Loan/Grant Number: L3331, L3332, G0459, G0460, G0461

Period covered: 01 January 2017 to 31 December 2017

VAN: Cyclone Pam Road Reconstruction Project

Prepared by Ministry of Finance and Economic Management

For the Asian Development Bank

Date accepted by ADB: 09 July 2018

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FINANCIAL STATEMENTS
FOR THE
CYCLONE PAM ROAD RECONSTRUCTION
PROJECT

For the Year Ended 31 December 2017

Prepared under IPSAS: Financial Reporting under the Cash Basis of Accounting

CYCLONE PAM ROAD RECONSTRUCTION PROJECT –FINANCIAL STATEMENTS

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Cyclone Pam Road Reconstruction Project

BACKGROUND INFORMATION AND SUMMARY OF FINANCIAL RESULTS

Severe Tropical Cyclone Pam (TC Pam) was a category 5 cyclone that moved through Vanuatu on 13 March 2015. Passing just east of the island of Efate, the ensuing impact from extreme winds and moderate rainfall resulted in severe damage to infrastructure including roads, bridges, housing, telecommunications, and sewerage and water supply systems. 17,000 buildings were destroyed or damaged, livelihoods dependent on agriculture were compromised and 11 fatalities were suffered.

The major damage to the transport sector was to the Efate Ring Road. The 120 km sealed two-way road, provides transport services to the rural population around Efate Island and connects them to the capital, Port Vila. This disaster caused Vanuatu's Gross Domestic Product (GDP) growth to contract to 0.9 per cent in 2015, down from 2.3 per cent in 2014. TC Pam had a notable effect on tourism, with immediate and future bookings affected for up to 12 months.

The Government of the Republic of Vanuatu (the government) requested assistance of the Asian Development Bank (ADB) to assist in assessing the damage, scoping the restoration works and funding the reconstruction.

In November 2015, a grant and loan arrangement was agreed, to the value of USD 16,290,000, with USD 2,210,000 being provided by the government for tax and duty exemptions, in-kind audit fees and office space. A portion of this funding – the two loan components – were requested in various currencies, known as Special Drawing Rights (SDR). At loan approval, these were worth a combined total of SDR 3,805,000. As submitted in the draft feasibility study report, as a result of currency fluctuations, the value of these loans reduced by SDR 1,111,000 (as at 31 July 2016) and have now regained losses to by only SDR 104,495 less than their original value. Therefore, the current total value available for civil works construction is USD 13,375,505. This figure is subject to further currency fluctuations until it is disbursed.

AUDITORS REPORT



Independent Auditors' Report

To the Office of the Auditor-General

The Auditor-General is the auditor of Cyclone Pam Road Reconstruction Project. The Auditor-General has appointed Martin St-Hilaire of AJC to undertake the audit of Cyclone Pam Road Reconstruction Project.

Opinion

We have audited the statement of cash receipts and payments of the Cyclone Pam Road Reconstruction Project ("the Project"), and the statement of comparison of budget and actual, the statement of accounting policies and notes to the accounts for the period ended 31 December 2017.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Project as at 31st December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) "Financial Reporting under the Cash Basis of Accounting".

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 Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Vanuatu, 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cash Basis IPSAS, 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.

In preparing the financial statements, management is responsible for assessing the Project'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 management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Project's financial reporting process.

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 on the basis of these financial statements.

Audit Findings

In addition to our opinion on the statutory audit, as auditors of the Project we are required to form an opinion for the following items:

(a) Use of ADB Loan Funds

In our opinion the Project utilised ADB funds for purposes as indicated in the loan agreements, for the year ended 31 December 2017.

(b) Compliance with Specific and Financial ADB Covenants

In our opinion the Project has complied with the Particular Covenants set out in Article IV of the financing agreement.

31st October 2018



SAINT HILAIRE & ASSOCIATES
AJC

Chartered Accountants
(Qualified auditors under Section 130 of the
Companies Act No.25 of 2012 of the Republic of
Vanuatu)

CYCLONE PAM ROAD RECONSTRUCTION PROJECT – FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF THE CYCLONE PAM ROAD RECONSTRUCTION PROJECT

STATEMENT OF CASH RECEIPTS AND PAYMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

Notes	2017 (Vatu)		2016 (Vatu)		Cumulative ACTUAL
	Entity controlled	Centrally controlled 3rd party controlled	Entity controlled	Centrally controlled 3rd party controlled	
CASH RECEIPTS					
Direct Payment	-	470,534,055	-	42,518,946	513,053,001
TOTAL CASH RECEIPTS	<u>-</u>	<u>470,534,055</u>	<u>-</u>	<u>42,518,946</u>	<u>513,053,001</u>
CASH PAYMENTS					
Direct Payment	-	470,525,560	-	42,518,946	513,044,506
TOTAL CASH PAYMENTS	<u>-</u>	<u>470,525,560</u>	<u>-</u>	<u>42,518,946</u>	<u>513,044,506</u>
CASH RECEIPTS LESS CASH PAYMENTS	-	8,495	-	-	8,495
ADD OPENING CASH BALANCE AS AT 1 JANUARY 2017	-	-	-	-	-
CLOSING CASH BALANCE AS AT 31 DECEMBER 2017	<u>4</u>	<u>8,495</u>	<u>-</u>	<u>-</u>	<u>8,495</u>

The financial statements are to be read in conjunction with the accompanying notes & accounting policies.

CYCLONE PAM ROAD RECONSTRUCTION PROJECT –FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF THE CYCLONE PAM ROAD RECONSTRUCTION PROJECT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
 FOR THE PERIOD ENDED 31 DECEMBER 2017

	Notes	2017 (Vatu)				2016 (Vatu)				Cumulative ACTUAL
		ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE	
CASH RECEIPTS										
Direct Payment	5a	470,534,055	470,534,055	470,534,055	-	42,518,946	42,518,946	42,518,946	513,053,001	
TOTAL CASH RECEIPTS		<u>470,534,055</u>	<u>470,534,055</u>	<u>470,534,055</u>	-	<u>42,518,946</u>	<u>42,518,946</u>	<u>42,518,946</u>	<u>513,053,001</u>	
CASH PAYMENTS										
Direct Payment	2,3	470,525,560	470,534,055	470,534,055	8,495	42,518,946	42,518,946	42,518,946	513,044,506	
TOTAL CASH PAYMENTS		<u>470,525,560</u>	<u>470,534,055</u>	<u>470,534,055</u>	<u>8,495</u>	<u>42,518,946</u>	<u>42,518,946</u>	<u>42,518,946</u>	<u>513,044,506</u>	
CASH RECEIPTS LESS CASH PAYMENTS		8,495	-	-	8,495	-	-	-	8,495	
ADD OPENING CASH BALANCE AS AT 1 JANUARY 2017		-	-	-	-	-	-	-	-	
CLOSING CASH BALANCE AS AT 31 DECEMBER 2017	4	<u>8,495</u>	-	-	<u>8,495</u>	-	-	-	<u>8,495</u>	

The financial statements are to be read in conjunction with the accompanying notes & accounting policies.

CYCLONE PAM ROAD RECONSTRUCTION PROJECT –FINANCIAL STATEMENTS

FINANCIAL STATEMENT OF CYCLONE PAM ROAD RECONSTRUCTION STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

Accounting Policies & Notes

1 Accounting Policies

1a Reporting entity

The Cyclone Pam Road Reconstruction Project (CPRRP) is a Government service entity and is domiciled in Vanuatu. The Cyclone Pam Road Reconstruction Project (CPRRP)'s ultimate parent is the Vanuatu Government. These financial statements are prepared specifically for Cyclone Pam Road Reconstruction Project. The project is funded by Asian Development Bank (ADB) and implemented by Ministry of Infrastructure and Public Utilities (MIPU).

1b Authorization Date

The financial statements for Cyclone Pam Road Reconstruction Project are for the year ended 31 December 2017, and have been approved by the Acting Director-General of the Ministry of Infrastructure and Public Utilities on 31st October 2018. No other body has the power to amend these financial statements once they have been issued.

1c Basis of Preparation

The financial statements of the Cyclone Pam Road Reconstruction Project have been prepared in accordance with the requirements of the Public Finance and Economic Act [CAP. 244] which includes the requirement to comply with generally accepted accounting practice.

The financial statements comply with IPSAS Cash "Financial Reporting under the Cash Basis of Accounting" for the year ended 31 December 2017.

1d Presentation currency

The financial statements are presented in Vanuatu VATU.

1e Foreign Currency

The Direct Payments are in 3 currencies (AUD, USD, and VUV) and reported in these financial statements in Vatu amount have been converted by the Department of Finance at the rate of the date of transaction.

The Direct Payment made directly from funding agency to consultant base on invoices submitted. Figures reported in these financial statements have been converted by the Department of Finance at the rate of the day of transaction.

CYCLONE PAM ROAD RECONSTRUCTION PROJECT –FINANCIAL STATEMENTS

1f Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cyclone Pam Road Reconstruction Project (CPRRP) receives a grant from Asian Development Bank (ADB) which is a Direct Payment made from funding agencies Asian Development Bank (ADB). Under this arrangement the Cyclone Pam Road Reconstruction Project (CPRRP) does not control their grant as their own bank account, but rather ADB will make payments on behalf of the Cyclone Pam Road Reconstruction Project (CPRRP) after appropriate authorization and documentation has been received. Direct Payments have been disclosed in a separate column in the "Statement of Cash Receipts and Payments".

1g Property, plant & equipment

Purchases of fixed assets are not included in the Statement of Cash Receipts and Payments. Purchases of fixed assets will be reflected in the 2017 reporting.

There are no fixed assets purchased on hire purchase schemes and no depreciation is being charged.

2 Operating expenditure

Consulting fees	VT 425,691,923
Total	VT 425,691,923

3 Capital expenditure

Infrastructure – Roads & Bridges	VT 44,833,637
Total	VT 44,833,637
TOTAL EXPENDITURE	VT 470,525,560

CYCLONE PAM ROAD RECONSTRUCTION PROJECT –FINANCIAL STATEMENTS

4 Closing Cash Balance

	2017	2016
Made up as follows:		
VUV in Country	30,876,699	2,006,159
USD and AUD offshore	439,657,356	40,512,787
Direct Payments	(470,525,560)	(42,518,946)
Total	8,495	-

5a Cash receipts by funding source

Loan/Grant	USD \$	AUD \$	VUV
G0459	2,203,024	808,076	30,876,699
G0460	374,173	-	-
G0461	357,546	-	-
L3331	158,657	-	-
L3332	315,273	-	-
Total	3,408,673	808,076	30,876,699
Total in VUV	371,340,567	68,316,789	30,876,699

5b Cash payments by category and funding source

Loan/Grant	Works	Consulting	Interest
G0459	12,836,047	328,254,236	-
G0460	9,933,071	28,661,402	-
G0461	9,491,696	30,785,370	-
L3331	3,299,672	9,989,437	-
L3332	9,273,151	28,001,478	-
Total	44,833,637	425,691,923	-

6 Budget

6a The total budget available for the Project is USD18.51 million, including USD2.2 million provided by the Government of Vanuatu in the form of import duty and VAT exemptions.

6b December 2017 – Variance in 2017 was Vt8,495 money held with and controlled by Asian Development Bank (ADB), no funds are held in Vanuatu.

7 Related Parties

There are no related party transactions during the year (2016: Nil).

CYCLONE PAM ROAD RECONSTRUCTION PROJECT –FINANCIAL STATEMENTS

8 Imprests

There are no Imprests issued as at 31st December 2017 (2016: Nil).

9 Creditors and Payables

As at 31 December 2017, there are no advances made by CPRRP to any third party or employees (2016: Nil).

As at 31 December 2017, there are no payables outstanding by CPRRP to any suppliers (2016: Nil).

10 Statements of Commitments

As at 31 December 2017 no commitments (2016: Nil).

11 Debtors and receivables

As at 31 December 2017 no outstanding debtors (2016: Nil).

12 Procurement processes

The Project received an exemption from the Central Tenders Board on 14 July 2017 to waive Vanuatu Government Procurement Procedures and instead follow ADB Procurement Guidelines.



Name: Samuel M. Namuri HARRISON LUEN
Position: Acting Director General
Date: 28/11/2018



Name: David Spring
Position: Team Leader
Date: 28/11/2018

