

Audited Project Financial Statements

Project Number: 49320-001
Loan/Grant Number: G9181
Period covered: 01 March 2016 to 31 December 2017

VAN: Cyclone Pam School Reconstruction Project

Prepared by Ministry of Education and Training

For the Asian Development Bank
Date accepted by ADB: 02 July 2018

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 Education and Training.



NATIONAL AUDIT OFFICE
BUREAU DU CONTRÔLEUR GÉNÉRAL
DES COMPTES DE VANUATU



10 July 2018

Mr Bergmans Iati
Director-General
Ministry of Education and Training
PMB 9028
Port Vila
VANUATU

Dear Director-General

**MANAGEMENT REPORT FOR THE CYCLONE PAM SCHOOL RECONSTRUCTION PROJECT FOR
THE 22 MONTH PERIOD ENDED 31 DECEMBER 2017**

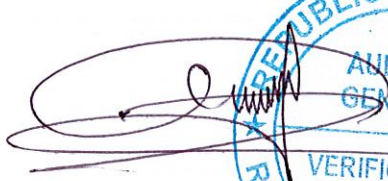
AJC Chartered Accountants have now completed the audit of the Cyclone Pam School Reconstruction Project for the 22 month period ended 31 December 2017 on behalf of the Office of the Auditor-General.

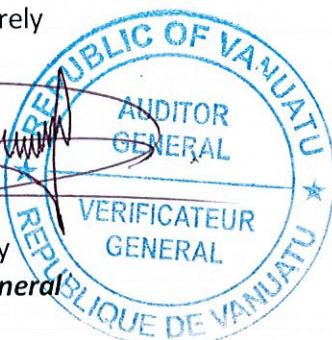
Please find attached the final report issued which includes the:

- Audit opinion; and
- Financial statements.

Please let me know if you have any questions or wish us to clarify any matters raised in the report.

Yours sincerely


Caleb Sandy
Auditor General



cc: Hon. Jean Pierre Nirua, Minister, Ministry of Education and Training

Mrs. Sharyn Bow, Infrastructure Specialist, Pacific Liason and Coordination Office, Asian Development Bank, Sydney, Australia

Hon. Gaetan Pikioune, Minister of Finance and Economic Management

Mr Letlet August, Director General, Ministry of Finance and Economic Management

Leon Teter, Acting Clerk, Parliament House

Damien Mullins, Senior Audit & Accounting Manager, AJC Chartered Accountants

FINANCIAL STATEMENTS

FOR THE

Cyclone Pam Schools Reconstruction Project ADB Grant 9181VAN (G16309)

For the 22 month period ended 31 December 2017

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GLOSSARY

ADB – Asian Development Bank

MFEM - Ministry of Finance, Economic Management

MoET – Ministry of Education and Training

PMU – Project Management Unit

IPSAS - International Public Sector Accounting Standard

CYCLONE PAM SCHOOLS RECONSTRUCTION PROJECT – ADB GRANT 9181VAN (G 16309)

BACKGROUND INFORMATION AND SUMMARY OF FINANCIAL RESULTS

The Cyclone Pam School Reconstruction Project was designed to support the Government of Vanuatu to rebuild Junior Secondary Schools in Tafea Province devastated by Cyclone Pam in March 2015. The project concept is to build back better and strengthen resilience and disaster preparedness in communities providing community centres for shelter in times of disaster in the process of improving school buildings.

The Education Sector in Tafea was severely affected by Cyclone Pam and the Government of Vanuatu had instituted in 2016 a recovery plan in conjunction with Donor agencies and bilateral agreements.

The Asian Development Bank (ADB) agreed to fund USD\$5 million through the Japan Fund for Poverty Reduction with an in-kind contribution of USD\$0.72 from the Vanuatu Government in the form of taxes and duties exemptions

The Scope of this particular project is:

- I. To rebuild or upgrade Schools in Tafea Province
- II. Increase Community and Ministry of Education and Training (MoET) management capacities for disaster risk reduction and strengthen disaster preparedness

This Project was to be initially completed within 24 months. However, delays in the commencement of the project meant it did not actually commence officially until January 2017 instead of January 2016.

In addition, it was agreed that the funds would be disbursed in accordance with ADB's Loan disbursement policies and agreed between the Government and ADB.

- A letter of intent has been issued for the civil works contract and a date has been set for the signing of the contract (6 July 2018)
- All funds expended to date have gone through direct to the Design Supervision Consultant Kramer Ausenco

Also, this report summarises the financial management of the Cyclone Pam Schools Reconstruction Project and that expenditure to date would be less than proposed estimates at period end, 2017 due to the processes in place to receive approval for contracts to award.

This report has been prepared by the Finance Team, Project Management Unit (PMU)/Education Recovery Program (ERP), MoET and Design Supervision Consultant Project Team who are tasked to do implementation on the project.

AUDITORS REPORT



CHARTERED
PROFESSIONAL
ACCOUNTANTS
& BUSINESS
ADVISORS

Independent Auditors' Report

To the Office of the Auditor-General

The Auditor-General is the auditor of Cyclone Pam Schools Reconstruction Project for Asian Development Bank's Funding Arrangement with the Government of Vanuatu. The Auditor-General has appointed AJC to undertake the audit of Cyclone Pam School Reconstruction Project.

We have audited the statement of cash receipts and payments of the Reconstruction of Schools Project ("The Project"), and the statement of comparison of budget and actual, the statement of accounting policies and notes to the accounts for the 22 months ended 31 December 2017. These financial statements are the responsibility of the Ministry of Education and Training. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standard on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, in all material respects, the statement of cash receipts and payment of the Project for the 22 months ended 31 December 2017 are in accordance with IPSAS Cash "Financial Reporting under the Cash Basis of Accounting".

Port -Vila

29th June 2018

A handwritten signature in blue ink, appearing to read 'MSH', is placed above the printed name of the firm.

SAINT HILAIRE & ASSOCIATES
AJC

Chartered Accountants

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

FINANCIAL STATEMENTS OF THE CYCLONE PAM SCHOOL RECONSTRUCTION PROJECT
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE 22 MONTHS ENDED 31st DECEMBER 2017

	Notes	VT		
		Receipts/Payments Entity controlled	Receipts/Payments Centrally controlled	Receipts/Payments 3rd party controlled
CASH RECEIPTS				
Donor grant assistance	2	-	-	42,461,282
TOTAL CASH RECEIPTS		-	-	42,461,282
CASH PAYMENTS				
Operating expenditure	3	-	-	38,654,616
Capital expenditure	4	-	-	3,806,666
TOTAL CASH PAYMENTS		-	-	42,461,282
CASH RECEIPTS LESS CASH PAYMENTS		-	-	-
ADD OPENING CASH BALANCE AS AT 1 January 2017		-	-	-
CLOSING CASH BALANCE AS AT 31 December 2017	5	-	-	-

FINANCIAL STATEMENTS OF THE CYCLONE PAM SCHOOL RECONSTRUCTION PROJECT (G 16309)
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
FOR THE 22 MONTHS ENDED 31st DECEMBER 2017

	Notes	VT			
		Receipts/Payments ACTUAL	Receipts/Payments ORIGINAL BUDGET	Receipts/Payments FINAL BUDGET	Receipts/Payments VARIANCE
CASH RECEIPTS					
Government grant		-	-	-	-
Donor grant assistance		42,461,282	127,210,000	553,050,000	(84,748,718)
TOTAL CASH RECEIPTS	6a	42,461,282	127,210,000	553,050,000	(84,748,718)
CASH PAYMENTS					
Operating expenditure		38,654,616	86,280,000	134,944,200	(47,625,384)
Capital expenditure		3,806,666	40,930,000	418,105,800	(37,123,334)
TOTAL CASH PAYMENTS	6b	42,461,282	127,210,000	553,050,000	(84,748,718)
NET CASH FLOWS		-	-	-	-

FINANCIAL STATEMENTS OF CYCLONE PAM SCHOOL RECONSTRUCTION PROJECT (G16309)

**STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS
FOR THE 22 MONTHS ENDED 31 DECEMBER 2017**

1 Accounting Policies

1a Reporting entity

The Cyclone Pam School Reconstruction Project is An ADB Donor Grant Tropical Cyclone PAM Recovery Project under the Ministry of Education & Training (MoET).

The primary objective of the project is to assist the Ministry of Education on its PAM recovery initiative towards:

- Rebuilding or upgrading Schools in Tafea Province
- Increasing Community and Ministry of Education and Training management capacities for disaster risk reduction and strengthening disaster preparedness

1b Authorization Date

The financial statements for the Cyclone Pam School Reconstruction Project are for the 22 months ended 31 December 2017, and have been approved by the Director-General of the Ministry of Education and Training. 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 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 22 months ended 31 December 2017 and are compliant with ADB Project Financial Reporting and Auditing Guidance note of 2015.

1d Presentation currency

The financial statements are presented in Vanuatu VATU

1e Foreign currency

The receipts received from the Japan Fund for Poverty Reduction administered by the Asian Development Bank in foreign currency (USD) and reported in these financial statements have been converted at the rate of the day of transaction. All payments are recorded at the rate of the date of purchase.

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.

The Cyclone Pam School Reconstruction Project receives funding from the Japan Fund for Poverty Reduction via the Asian Development Bank which is managed in part through the centralized Smart Stream system. Under this arrangement funds are drawn direct from the ADB once approved by the MoET. The MoET PMU Finance Officer enters the details of all payments in the ADB payment system which is then reviewed by the MFEM and approved for payment by ADB treasury. Hence the Design Supervision Consultancy Fees are paid direct from ADB using the above approval process. No Payments have yet been made for civil works by the MoET/MFEM/ADB. Transactions have been disclosed in a separate column in the "Statement of Cash Receipts and Payments" under third party entity which refers to the Consultant Kramer Ausenco.

1g Property, plant & equipment

The fixed assets purchased under this project code will be retained by the Ministry of Education and Training at the completion of the Project as per the Grant Agreement unless requested to be released earlier by the authority of MoET

1h Budget

The budget is prepared on a cash basis when cash is expected to be received and paid. The classification of the budget is prepared according to the expenditure developed from the project plan. The budget for the period 2017 represents 20% of the total Project Budget including aid in kind contributions. Capital expenditure are all related costs to school building constructions which is yet to commence apart from purchase of a Motor Vehicle and Office Equipment in use by the Design Consultant.

The final budget is the total budget that was approved in February 2017 by project Committee of the ADB.

The Cyclone Pam Schools Reconstruction Project is a single entity that is controlled by MoET. It is a new unit set up to operate separately and manage this MoET Civil Works Project.

The approved budget is developed on the same accounting basis, classification basis, however, its financial statements reflect an extension on the budget time line over one year (extending from November 2016 to 31 December 2017).

1i Changes in accounting policies

There have been no changes in accounting policies during the period.

2 Donor grant assistance

On the 16th November, 2015, the ADB approved a grant from the Japan Fund for Poverty to the Government of Vanuatu

The grant agreement specifically sets out the areas for spending of which VT553,050,000 would be all paid through the centralized Smart Stream system to cover costs. Restrictions on these funds are those specified in the grant agreement.

As at 31 December 2017, VT42,461,282 has been drawn down from the ADB loan fund with a remaining VT510,588,716 to be drawn down before the 3rd or 4th quarter of 2019.

3 Operating expenditure

	<u>2017</u>
Consultants fees	VT 37,832,446
Advertising/Telephone - Communication	VT 122,624
Office supplies -Office Rental	VT 2,349
Research & Development	VT 33,257
Local Travel	VT187,923
International Travel	VT214,179
Bank Charges	VT 261,838
Total	VT 38,654,616

4 Capital expenditure

	<u>2017</u>
Computer/Furniture – Equipment	VT 3,806,666
Total	VT 3,806,666

5 Closing cash balance

	<u>2017</u>
Made up as follows:	
Cash at bank	VT 0
Smart stream central account	VT 0
Total	VT 0

6 Budget

Less than 8% of the total Project Budget has been expended to date as the majority of the Project will commence in 2018 once the Civil Works Contract has been awarded

6a Revenue variance between budget and actual

There is a variance of VT 84,748,718 which represents the actual amount received being less than the annual budget for 2017. This is due to the following reasons:

- Project commencement date was 16th January 2017 however had commenced in November 2016 with the commitment of some VT413,913 in establishment costs included in these Financial Statements and civil works contract is under tender and not yet awarded.
- It took some time to set up project and process request to receive funding. To date only Consultancy fees have been paid to Kramer Ausenco

- The funding agreement arrangement is to receive funds in tranches subject to progress reports for Design Supervision. Civil works funding will be managed by the Ministry of Education and Training approval process subject to the contract for building construction being awarded.

6b Expenditure variance between total project budget and actual

There is a variance of VT 510,588,716 between project budget and actual expenditure.

There was an underspend of VT84,748,718 against the 2017 Budget which represented 20% of the total project budget. The reason for this underspend relates to

- The process involved to receive actual funds to date;
- Project mobilized in November 2016 and the office set up later in January 2017;
- Milestone 5 - Bid Evaluation and contract award was moved to Q2-2018 due to bids for the civil works contract closed on the 15th of December 2017 and bid evaluation report being finalized in early 2018;
- Delay of works due to tendering process and approvals of contract awards to locals to carry out work.

7 Related parties

All related party transactions have been entered into on an arm's length basis.

8 Imprests

As at 31 December 2017, all imprests have been retired

9 Creditors and payables

As at 31 December 2017 there are no payables outstanding for the Cyclone Pam School Reconstruction Project to any suppliers.

10 Statement of Commitments

As at 31 December 2017, the Cyclone Pam Schools Reconstruction Project has not signed up to any contract awards that extend beyond balance date.

As at 31 December 2017, there were no LPOs committed in Smart stream waiting finalization of payment (2016: VT413,913 equivalent of USD3,524.76).

11 Debtors and receivables

As at 31 December 2017, the Cyclone Pam School Reconstruction Project does not have any debtors as it is under Donor funding.

12 Procurement processes

The Project received an exemption from the Central Tenders Board on 30 June 2017 to waive Vanuatu Government Procurement Procedures and instead follow ADB Procurement Guidelines.


Name: _____
Position: Director General
Date: 29 / 06 / 2018

