

Audited Project Financial Statements

Project Number: 49320-001

Loan/Grant Number: G9181

Period covered: 01 January 2019 to 31 December 2019

VAN: Cyclone Pam School Reconstruction Project

Prepared by Ministry of Education and Training

For the Asian Development Bank

Date accepted by ADB: 3 September 2020

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FINANCIAL STATEMENTS

FOR THE

Cyclone Pam Schools Reconstruction

Project ADB Grant 9181VAN (G16309)

For the year ended 31 December 2019

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GLOSSARY

ADB – Asian Development Bank

DSC – Design and Supervision Consultant

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 USD5 million through the Japan Fund for Poverty Reduction with an in-kind contribution of USD0.72 million 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.

- The civil works contract was awarded in June 2018
- Project Management funds go to the Design Supervision Consultant Kramer Ausenco, whilst civil works expenditure is paid direct to the contractor after MOET and Kramer Ausenco review.

Also, this report summarises the financial management of the Cyclone Pam Schools Reconstruction Project noting that expenditure was less than proposed estimates at year end 2018 due to the processes in place to receive approval for contracts to award but was thereafter expended and finalized in 2020.

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.


Name: Beryl Iati
Position: Director General

Date: 29/09/2020





Independent Auditors' Report

Cyclone Pam School Reconstruction Project for the year ended 31st December 2019

The Auditor-General is the auditor of all public funds and public entities. The Auditor-General has appointed Barrett & Partners as auditors pursuant to Section 24(1) of the Expenditure Review and Audit Act [CAP241].

We have audited the statement of cash receipts and payments of the Cyclone Pam Schools Reconstruction Project, and the statement of comparison of budget and actual, the statement of accounting policies and notes to the accounts for the year ended 31 December 2019.

These financial statements are the responsibility of the Ministry of Education and Training. The Ministry should ensure funds are managed in accordance with Government financial regulation and in accordance with the ADB funding arrangement.

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.

Audit Opinion

In our opinion we are satisfied:

- a) that the Financial Statements present fairly, in all material respects, the financial position and performance of the Cyclone Pam Schools Reconstruction project for the year ended 31 December 2019;
- b) with the general management of the fund including compliance of the systems and processes used for procuring goods and services in accordance with relevant Vanuatu Legislation;
- c) that grant funds were used for the purposes intended and complied with the requirement of section 4.02 of the grant agreement; and



- d) that the Financial Statements for Cyclone Pam School Reconstruction project for the year ended 31 December 2019, have been stated fairly in accordance with International Public Sector Accounting Standards: Financial Reporting under Cash basis of Accounting (IPSAS).

Barrett & Partners
Chartered Accountants

Mark Stafford F.C.A
Engagement Partner

10th September 2020

FINANCIAL STATEMENTS OF THE CYCLONE PAM SCHOOL RECONSTRUCTION PROJECT

STATEMENT OF CASH RECEIPTS AND PAYMENTS

FOR THE YEAR ENDED 31ST December 2019

	2019 (VT)	2018 (VT)	2017 (VT)	
	Receipts/Payments	Receipts/Payments	Receipts/Payments	Consolidated
Notes	3 rd party controlled	3 rd party controlled	3 rd party controlled	Project
	12 months	12 months	22 months	46 months
CASH RECEIPTS				
Donor grant assistance	370,851,066	106,421,048	42,461,282	519,733,396
TOTAL CASH RECEIPTS	370,851,066	106,421,048	42,461,282	519,733,396
CASH PAYMENTS				
Operating Expenditure	52,342,675	16,093,508	38,654,616	107,090,799
Capital expenditure	318,508,391	90,327,540	3,806,666	412,642,597
Value in kind				
TOTAL CASH PAYMENTS	370,851,066	106,421,048	42,461,282	519,733,396
CASH RECEIPTS LESS CASH PAYMENTS	0	0	0	0
Increase/ (Decrease) in cash				
ADD OPENING CASH BALANCE AS AT 1 January 2019	0	0	0	0
CLOSING CASH BALANCE AS AT 31 December 2019	0	0	0	0

This statement is read in conjunction with the accompanying notes and accounting policies.



Name: *Bergmeyer Tadi*
Position: Director General
Date: 09/09/2020

FINANCIAL STATEMENTS OF THE CYCLONE PAM SCHOOL RECONSTRUCTION PROJECT (G 16309)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
FOR THE YEAR ENDED 31ST December 2019

Notes	2019		2018		2017		2017-18		CONSOLIDATED PROJECT			
	Receipts & Payments		Receipts & Payments		Receipts & Payments		Receipts & Payments		Total		Total	
	ACTUAL	BUDGET	ACTUAL	Difference	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	VARIANCE	FINAL BUDGET
CASH RECEIPTS	12 Months	12 Months	12 Months		22 Months	34 Months	46 Months					
Donor grant assistance	370,851,066	4,377,800	106,421,048	366,473,266	42,461,282	548,672,200	519,733,396	553,050,000	519,733,396	553,050,000	(33,316,604)	553,050,000
TOTAL CASH RECEIPTS	370,851,066	4,377,800	106,421,048	366,473,266	42,461,282	548,672,200	519,733,396	553,050,000	519,733,396	553,050,000	(33,316,604)	553,050,000
CASH PAYMENTS												
Operating expenditure	52,342,675	(9,964,400)	16,093,508	62,307,075	38,654,616	144,908,600	107,090,799	134,944,200	107,090,799	134,944,200	(27,853,401)	134,944,200
Capital expenditure	318,508,391	14,342,200	90,327,540	304,166,191	3,806,666	403,763,600	412,642,597	418,105,800	412,642,597	418,105,800	(5,463,203)	418,105,800
TOTAL CASH PAYMENTS	370,851,066	4,377,800	106,421,048	366,473,266	42,461,282	548,672,200	519,733,396	553,050,000	519,733,396	553,050,000	(33,316,604)	553,050,000
NET CASH FLOWS	0	0	0	0	0	0	0	0	0	0	0	0

This statement is read in conjunction with the accompanying notes and accounting policies.

FINANCIAL STATEMENTS OF CYCLONE PAM SCHOOL RECONSTRUCTION PROJECT (G16309)

**STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 December 2019**

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 year ended 31 December 2019, and are approved by the Director General of the Ministry of Education and Training on 09/09/ 2020. 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 School 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 2019 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. Payments for civil works by the MoET/MFEM/ADB commenced in June 2018.

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 year 2019 represents 6% (2018 – 73%) of the total Project Budget including aid in kind contributions. Capital expenditure are all related costs to school building constructions which commenced in August 2018.

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.

1i Changes in accounting policies

There have been no changes in accounting policies during the financial year.

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.

In 2019 VT370,851,066 grant was received totaling Vt519,733,396 (2018: Vt148,882,330) that has been drawn down from the ADB loan fund with a remaining Vt33,316,604 to be drawn down before the closure of the project. The remaining balance has been identified for furniture required and is not currently included in the civil works expenditure. Vt8,991,456 (USD81,289.72) underspend on management fees and Vt24,325,148 variances.

3

Operating expenditure

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Consultants fees	43,530,123	15,313,424	37,832,446
Advertising/Telephone - Communication	127,425	69,334	122,624
Office supplies -Office Rental	500,386	256,703	2,349
Incidentals	-	-	33,257
Local Travel	323,984	183,754	187,923
International Travel	60,757	269,188	214,179
Bank Charges	4,424	1,105	261,838
Incidentals	367,231	-	-
Local Workshops	7,428,345	-	-
Total	52,342,675	16,093,508	38,654,616

4 **Capital expenditure**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Building Repairs & Maintenance (Civil Works contract)	317,384,718	89,669,134	-
Computer/Furniture – Equipment	1,123,673	658,406	3,806,666
Total	318,508,391	90,327,540	3,806,666

5 **Government in-kind contributions**

Government contributions in the form of VAT and duty exemptions for the year ended 2019 are VT55,633,058 (2018 VT15,963,157) which is 15% of the total expenditure for the year.

6 **Closing cash balance**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Made up as follows:			
Cash at bank	VT 0	VT 0	VT 0
Smart stream central account	VT 0	VT 0	VT 0
Total	VT 0	VT 0	VT 0

7 Budget

About 94 % (2018: 27%) of the total Project Budget has been expended to date with the majority of works on Civil Works completed. This does not take into account a calculation for in-kind contributions in the form of VAT exemptions.

7a Revenue variance between budget and actual

There is a variance of VT366,473,266 more than budget (2018 -VT399,789,870 less than budget) which represents the timing difference in delay of commencement. This is due to the following reasons:

- Project commencement date was 16th January 2017 but commenced in November 2016 however the civil works contract was not awarded until June 2018 commencing actual building works in August 2018.
- In 2017 only Consultancy fees had been paid to Kramer Ausenco with the Civil Works delayed until the third quarter of 2018. Therefore, the majority of the civil works expenditure occurred in 2019.
- The funding agreement arrangement was to receive funds in tranches subject to progress reports for Design Supervision. Subsequent to 2017 in 2018 only two tranches for procurement and award of contract were received with a third tranche being delayed until 2019. Civil works funding is being now managed by the Ministry of Education and Training with approval process managed by the Design and Supervision consultants.

7b Expenditure variance between total project budget and 2019 actual

There is a variance of VT33,316,604 (2017-2018 VT 399,789,870) between project budget and actual expenditure.

There was an underspend of VT399,789,870 against the Budget for 2017 & 2018 which represented 73% of the project budget to date and an underspend on the total project budget of 72%. The reason for this underspend relates to

- The process involved to receive actual funds to date
- Civil Works Contract awarded later in June 2018
- International NGO Care Vanuatu was subcontracted in May 2018 to carry out capacity building and awareness. This was billed in 2018 but paid in 2019 a total of Vt7,464,333.
- The prior year variance includes Vt88,493,400 allowance for in-kind contributions and contingency in the budget

The underspend in 2017-2018 was carried forward and expended in 2019 leaving a balance Vt33,316,604 after an allocation to be determined allocated to furniture purchases, Management Fees under budget by Vt8,991,456 and a variance of Vt24,325,148 underspend to the total project budget or 4.5%.

There is a negative budget in 2019 of VT9,964, 400 due to an over budget in prior years.

8 Related parties

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

9 Imprests

As at 31 December 2019 there were no provisional funds incurred that had not been reimbursed. (2018 - VT9,671,892) of Provisional funds for DSC had been incurred and is reimbursed in 2019

10 Creditors and payables

As at 31 December 2019- there are no payables outstanding by Cyclone Pam School Reconstruction Project to any suppliers

11 Statement of Commitments

As at 31 December 2019, the Cyclone Pam Schools Reconstruction Project had signed four contract awards of 394,112,976VT (USD 3,595,593) for Civil Works.

Variations during the project were approved bringing the total contract value to VT410,334,231 (USD3,709,739). Vt1,123,673 was expended on equipment by the management contractor in 2019 (2017-18 VT4,535,002). A remaining balance in the civil works budget is to be expended on furniture approved.

As at 31 December 2019, there were no LPOS committed in Smart stream waiting finalization of payment (2018:Nil).

12 Debtors and receivables

As at 31 December 2019, the Cyclone Pam Schools Reconstruction Project does not have any debtors as it is under Donor funding.