

Project Number: 49320-001
Loan/Grant Number: 9181
Period covered: 01 January 2020 to 31 December 2020

Vanuatu: Cyclone Pam School Reconstruction Project

Prepared by Ministry of Education and Training

For the Asian Development Bank
Date accepted by ADB: 27 January 2022

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FINANCIAL STATEMENTS

FOR THE

Cyclone Pam Schools Reconstruction

Project ADB Grant 9181VAN (16O954)

For the Financial Year Ended 31 December 2020



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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 (160954)

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 a grant (in-kind) contribution of USD\$0.75 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, namely Kwataparen Secondary School, Ienaula Bilingual School, Imaki Secondary School and Loweipeng Secondary School, and
- II. Increase community and Ministry of Education and Training (MoET) management capacities for disaster risk reduction and strengthen disaster preparedness.

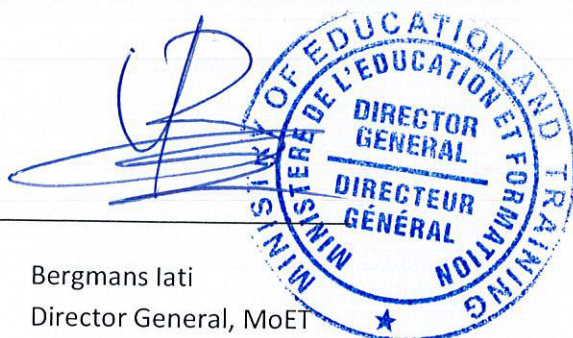
This Project was to be initially completed within 24 months. However delays in the commencement of the project meant it did not actually commence officially until January 2017 instead of January 2016.

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, and
- Project Management funds are paid 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 and that expenditure to date would be less than proposed estimates at year end, 2018 due to the processes in place to receive approval for contracts to award.

Disbursements for the project closed in August 2020 and was concluded with an End of Defect Liability Inspection carried out in early December 2020, undertaken by MoET, Kramer Ausenco and ADB project management consultant, with MoET.



Name: Bergmans Iati
Position: Director General, MoET
Date: 14 December 2021



Independent Auditors' Report

Cyclone Pam School Reconstruction Project for the year ended 31st December 2020

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 2020.

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 2020;
- 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 2020, have been stated fairly in accordance with International Public Sector Accounting Standards: Financial Reporting under Cash basis of Accounting (IPSAS).

SFAI

SFAI Barrett & Partners Vanuatu
Chartered Accountants

Mark Stafford F.C.A
Engagement Partner

16th December 2021

2020

*Commencement date January 2017

FINANCIAL STATEMENTS OF THE CYCLONE PAM SCHOOL RECONSTRUCTION PROJECT 160954

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

FOR THE 12 MONTHS ENDED 31 December 2020

	2020 RECEIPTS AND PAYMENTS			2019 RECEIPTS AND PAYMENTS			2018 RECEIPTS AND PAYMENTS			2017 RECEIPTS AND PAYMENTS			CONSOLIDATED RECEIPTS AND PAYMENTS 2017-2020				
	Notes	ACTUAL	FINAL BUDGET	VARIANCE	ACTUAL	FINAL BUDGET	VARIANCE	ACTUAL	FINAL BUDGET	VARIANCE	ACTUAL	FINAL BUDGET	VARIANCE	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE
CASH RECEIPTS																	
	Government Grant	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ADB grant contributions	3	37,838,182	-	(37,838,182)	370,851,066	-	(370,851,066)	106,421,048	-	(106,421,048)	42,461,282	553,050,000	510,588,718	553,050,000	553,050,000	(4,521,578)
	TOTAL CASH RECEIPTS		37,838,182	-	(37,838,182)	370,851,066	-	(370,851,066)	106,421,048	-	(106,421,048)	42,461,282	553,050,000	510,588,718	553,050,000	553,050,000	(4,521,578)
CASH PAYMENTS																	
	Personnel Expenses	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Operating expenditure	5	4,196,655	-	(4,196,655)	52,342,675	-	(52,342,675)	16,093,508	-	(16,093,508)	38,654,616	134,944,200	96,289,584	134,944,200	134,944,200	23,656,746
	Capital expenditure	6	33,641,527	-	(33,641,527)	318,508,391	-	(318,508,391)	90,327,540	-	(90,327,540)	3,806,666	418,105,800	414,299,134	418,105,800	418,105,800	(28,178,324)
	TOTAL CASH PAYMENTS		37,838,182	-	(37,838,182)	370,851,066	-	(370,851,066)	106,421,048	-	(106,421,048)	42,461,282	553,050,000	510,588,718	553,050,000	553,050,000	(4,521,578)
NET CASH FLOWS																	
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Commencement date January 2017. This includes in-kind Government contribution in the form of VAT exemptions which reduces vat expenses by 15%

FINANCIAL STATEMENTS OF CYCLONE PAM SCHOOL RECONSTRUCTION PROJECT (16O954)

**STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 December 2020**

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).

1b Authorization Date

The financial statements for the Cyclone Pam School Reconstruction Project are for the year ended 31 December 2020, and are to be approved by the Director General of the Ministry of Education and Training, on 14 December 2021. 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 year ended 31 December 2020 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 (VUV).

1e Foreign currency

The receipts received from the Japan Fund for Poverty Reduction administered by the Asian Development Bank (ADB) 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 Ministry of Education & Training Cyclone Pam School Reconstruction Project receives funding from the Japan Fund for Poverty Reduction via the Asian Development Bank (ADB) 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 Finance Officer enters the details of all payments in the ADB payment system which is then accepted by the MFEM and approved for payment by ADB treasury. 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 2017. Transactions have been disclosed in a separate column in the “Statement of Cash Receipts and Payments” under centrally controlled for civil works and 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 (MoET) 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 2020 represents 5.94% (2019 – 67.06%; 2018 - 19.24%; 2017 – 7.68%) 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 the Project Committee of the ADB, of VT 553,050,000, and was input into the Government financial management system in 2017. The system records the actual budget received each year, which is the total disbursement of grant proceeds to finance 100% of total eligible expenditure, paid under the Grant Agreement under the direct payment procedure.

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, and, its financial statements reflect a one year period ending 31st December 2020.

1i Changes in accounting policies

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

2 Government Grant

The project does not receive any funds from the Vanuatu Government as this project is fully funded by the ADB. The Government’s contribution is through aid-in-kind, in the form of VAT exemptions which reduces operating and capital expenses by 15%, approximating 4,930,377 vatu (2019 – 55,633,058 vatu; 2018 – 15,963,157 vatu; 2017 – 6,369,192 vatu).

3. 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 a final budget of 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 2020, a further VT 37,838,182 (2019: VT 370,851,066; 2018: VT 106,421,048; and 2017: VT 42,461,282) has been drawn down from the ADB loan fund.

4 Personnel Expenses

Personnel Expenses consist of payments made under contract to Kramer Ausenco for consultancy fees as Design Supervision Consultant.

5 Operating expenditure

ADB TOTAL OPERATING EXPENDITURE 2017-2020 (160954)

Account	Account Description	2020	2019	2018	2017	TOTAL
8CEC	Local Consultancy Fee	-	43,530,123	15,313,424	37,832,448	96,675,995
8CKT	Telephone	-	127,425	69,334	122,624	319,383
8CNO	Office Rent	-	500,386	256,703	2,349	759,438
8COD	Other Rent	-	-	-	33,257	33,257
8COI	Other Incidentals	-	367,231	-	-	367,231
8COP	Official Entertainment	1,195,355	-	-	-	1,195,355
8CSR	Food Supplies	3,001,300	-	-	-	3,001,300
8CTI	International Travel	-	60,757	269,188	214,179	544,124
8CTL	Local Travel	-	323,984	183,754	187,923	695,661
8CWL	Local Workshops	-	7,464,333	-	-	7,464,333
8FCB	Bank Charges	-	4,424	1,106	261,838	267,368
Total Operating Expenditure		4,196,655	52,378,663	16,093,509	38,654,618	111,323,445

In 2020, following the volcanic ashfall disaster in Tanna, food supplies and rations were paid for affected schools in Tanna, procured from suppliers Chuan Store and Au Bon Marche, totaling 4,196,655 vatu.

6 Capital expenditure

ADB TOTAL CAPITAL EXPENDITURE 2017-2020 (160954)

Account	Account Description	2020	2019	2018	2017	TOTAL
8EBN	New Buildings	-	311,231,705	89,669,134	-	400,900,839
8EEC	Computer	-	1,123,673	658,406	3,806,666	5,588,745
8EFO	Furniture	33,641,527	-	-	-	33,641,527
8EHN	New Houses	-	6,153,013	-	-	6,153,013
Total Capital Expenditure		33,641,527	318,508,391	90,327,540	3,806,666	446,284,124

In 2020, furniture were procured, from suppliers Sharper Image (chairs), Hotels Kitchen Furniture Ltd (dining tables), Sebel Pty Ltd (chairs and desks), Loli constructions (bunk beds) and Read Pacific Limited (laboratory equipment for the science laboratories), totaling 33,641,527 vatu.

7 Closing cash balance

As at 31 December 2020, there was a cash shortfall of 35,988 VT. (The remaining cash shown in Smartstream is immaterial thus closing cash balances were reduced to 0 vatu for all earlier years: 2019: -35,988 VT; 2018: -1 VT; 2017: 0 VT).

8 Budget

About 101% (2019: 93.98%; 2018: 26.92%; 2017: 7.68%) of the total Project Budget has been expended to date. This does not take into account a calculation for in-kind contributions in the form of VAT exemptions.

8a Revenue variance between budget and actual

By 31 December 2020, there was no variance between actual amount received and original budget approved for the project.

8b Expenditure variance between total project budget and actual

By 31 December 2020, there was a negative variance between total project budgets and actual approved for the project of 4,521,578 vatu.

8 Related parties

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

9 Imprests

As at 31 December 2020, there are no standing or accountable Imprests outstanding (2019: NIL).

10 Creditors and payables

As at 31 December 2020, there are no payables outstanding by Cyclone Pam School Reconstruction Project to any suppliers (2019: NIL)

11 Statement of Commitments

As at 31 December 2020, there were no outstanding commitments (2019: NIL).

As at 31 December 2020, there were no LPOs committed in Smart stream waiting finalization of payment (2019: NIL).

12 Debtors and receivables

As at 31 December 2020, the Cyclone Pam School Reconstruction Project does not have any debtors as it is under donor funding (2019: NIL).