

Audited Project Financial Statements

Project Number: 53043-001

Grant Number: 0713

Period covered: 1 January 2021 to 31 December 2021

Kiribati: Outer Islands Transport Infrastructure Investment Project

Prepared by Ministry of Finance and Economic Development

For the Asian Development Bank

Date received by ADB: 6 July 2022

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 Access to Information Policy and as agreed between ADB and the Ministry of Finance and Economic Development.

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Audit for an impact for the public

File Ref: F3/28

Date: 29/6/2022

**Secretary
Ministry of Infrastructure and Sustainable Energy
Betio, Tarawa**

Cc: Project Manager (Paul Takabiri)

Independent Auditor's Report

To the readers of

**Kiribati Outer Island Transport Infrastructure Investment Project Financial statements for
the year ended 31 December 2021**

I have audited the financial statements of the **Kiribati Outer Island Transport Infrastructure Investment Project** financed by Asian Development Bank and **International Development Association** which comprise the Statement of Cash Receipts and Payments as of December 31, 2021, and for the year then ended, and a summary of significant accounting policies and other explanatory information.

The auditing was carried out in accordance with the Project Financing Agreement.

Management's Responsibilities

Management (Executing Agency) is responsible for the preparation and fair presentation of these financial statements in accordance with the Modified Cash Basis of accounting and for such internal control as management determines is necessary to enable the preparation of the Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

My 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

- I also, identify and assess the risks of material misstatement of the ***Kiribati Outer Island Transport Infrastructure Investment Project financial statements 31 December 2021***, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management of the Project.

Unqualified Audit Opinion

In my opinion, the **Kiribati Outer Island Transport Infrastructure Investment Project Financial Statements 31 December 2021** and appended notes, present fairly in all material respects, the Cash Receipts and Disbursements of the Project for the year ended December 31, 2021 in accordance with the Modified Cash Basis of accounting and that Expenditures have been applied to the purposes intended for in the Grant agreements and within the project's budget.

The audit was completed on **29 June 2022** and was the date at which my opinion was expressed.

Independence

When carrying out the audit I followed the independence requirements stipulated under Section 114 (4) of the Kiribati Constitution and the requirements of the International Standards of Auditing.

Communication with those charged with governance

I communicate with the Secretary for Ministry of Infrastructure and Sustainable Energy and Project Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings that I identify during my audit.

29th June 2022



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Mr. Eriati Tauma Manaima
Auditor General.



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**KIRIBATI OUTER ISLAND TRANSPORT INFRASTRUCTURE INVESTMENT
PROJECT**

KI: KOITIIP PROJECT

Funded by:

Asian Development Bank – Grant Number 0713 – KIR (SF)

&

International Development Association – Grant Number D559 – KI

**FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021**



Rec'd 16/06/22.

Government of Kiribati
Financial Statements for the Kiribati Outer Island Transport Infrastructure Investment Project
(IDA Grant No. D559 – KI & 0713 - KIR)
For the Year Ended 31 December 2021

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Financial Statements for the Kiribati Outer Island Transport Infrastructure Investment project
(IDA Grant No. D559 – KI & 0713-KIR)
For the Year Ended 31st December 2021

Introduction

KIRIBATI OUTER ISLAND TRANSPORT INFRASTRUCTURE INVESTMENT PROJECT

The Financial Reports for the project for its first year of implementation ending 31st December 2021 are being presented for auditing.

In compliance with the project agreements the audit report is required to be submitted to the Asian Development Bank and World Bank by 30th June, 2022. It is a humble request to the Kiribati Audit Office if the audit report could be completed by the due date.

All financial records for the project are held within the Kiribati Fiduciary Service Unit at the Ministry of Finance & Economic Planning.


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Paul Takabiri
Project Manager


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Secretary
Ministry of Finance & Economic
Development

Date: 14/06/2022

Government of Kiribati
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(IDA Grant No. D559 – KI & 0713-KIR)
For the Year Ended 31st December 2021

Statement of Receipt and Payment Summary

STATEMENT OF RECEIPTS AND PAYMENTS SUMMARY
FOR THE PERIOD ENDED DECEMBER 31, 2021

Account Description	Notes	KOITIIP Asian Development Bank	KOITIIP World Bank	Cumulative
CASH RECEIPT (Per Grant Component)				
Cash Receipt	1	103,502.06	500,000.00	603,502.06
Direct Payment	1	65,498.06		65,498.06
Total Cash Receipt		<u>169,000.12</u>	<u>500,000.00</u>	<u>603,502.06</u>
CASH PAYMENTS (Per Grant)				
CASH PAYMENTS	2	50,002.30	530,042.43	580,044.73
Direct Payment	2	65,498.06		65,498.06
Total Cash payments		<u>115,500.36</u>	<u>530,042.43</u>	<u>645,542.79</u>
NET CASH RECEIPTS				
Payable	3	26,282.85	46,925.02	73,207.87
Receivable			24,543.12	
NET CHANGE IN CASH		<u>79,782.61</u>	<u>- 7,660.53</u>	<u>31,167.14</u>
ENDING CASH BALANCES				
Designated Account	4	79,782.61	-7,660.53	72,122.08
		<u>79,782.61</u>	<u>-7,660.53</u>	<u>72,122.08</u>

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For the Year Ended 31st December 2021

Statement of Funds Received by Source

Statement of Fund Received by Source
For the period ended December 31, 2021

Note 1

Designated
Account

IDA D559 (GRTN)

Date Received by WB	WA No.	Paid to	Details	Amount Disbursed by WB	Equivalent in AUD	Value Date
19-Mar- 2021	WA 00001	KOITIIP	DA Reinstate	500,000.00	500,000.00	25/03/2021

Advance Account

Date Received By ADB	WA No.	Amount Disbursed by ADB	Exchange Rate	Equivalent in AUD
24/09/2021	0001	USD \$77,013.44	0.744	\$ 103,497.69
14/12/2021	0002	USD\$46,518.82	0.710232043	\$ 65,498.06

KOITIIP ADB

Date	Details	Amount
31/08/2021	Opening of KOITIIP ADB Account	\$ 4.37

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Statement of Funds Paid by Category

STATEMENT OF FUNDS PAID BY CATEGORIES (AUD)
For the Period Ended 31 December 2021

Note 2

	KOITIIP ADB	KOITIIP World Bank	Consolidated
Category 1: Safe Inter-Island Navigation			
Consultant Fee to UKHO	65,498.06	72,575.87	138,073.93
Category 3: Support to Outer Island Implementation Unit			
3.2.1 Project Manager	12,335.60	24,876.04	37,211.64
3.2.2 Hydrographic Surveyor	5,209.53	12,155.80	17,365.33
3.2.3 Monitoring & Evaluation	2,697.91	6,353.53	9,051.44
3.2.4 Community Liaison Officer	2,926.25	7,090.86	10,017.11
3.2.5 Gender Based Violence Specialist	2,797.08	6,526.51	9,323.59
3.2.7 Outer Island Trip	12,142.36	29,022.19	41,164.55
3.2.9 Workshops & Advertising	629.40	1,309.40	1,938.80
3.2.10 Office Equipment & furniture	10,164.50	32,157.12	42,321.62
3.2.11 Stationeries	163.86	75.95	239.81
3.2.12 Internet & Telephone	867.00	2,023.00	2,890.00
3.2.16 Other Expenses	68.81		68.81
Category 4: Support to Kiribati Fiduciary Service Unit			
4.1.1 KFSU Manager		51,124.20	51,124.20
4.1.2 FMO 1		78,678.15	78,678.15
4.1.3 FMO 2		8,868.74	8,868.74
4.1.4 FMO 3		8,186.52	8,186.52
4.1.5 Procurement Officer 1		24,993.85	24,993.85
4.1.6 Procurement Officer 2		3,901.02	3,901.02
4.1.7 Safeguard Environment National		6,400.37	6,400.37

4.1.8 Safeguard Social National	26,497.63	26,497.63
4.1.10 Furniture and Equipment	18,302.62	18,302.62
4.1.11 Stationaries	310.40	310.40
4.1.12 Telephone and Internet	3,298.52	3,298.52
4.1.13 Advertising	1,434.20	1,434.20
4.1.14 Bank Charges	240.37	240.37

Category 6: Refund of Preparation Advance Account

6.1 PPA	103,639.57
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Total Expenditure	115,500.36	530,042.43	541,903.22
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Financial Statements for the Kiribati Outer Island Transport Infrastructure Investment project
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For the Year Ended 31st December 2021

Statement of Balances

STATEMENT OF BALANCES (AUD)
For the Period Ended December 31, 2021

Note 4

	KOITIIP ADB	KOITIIP WB
Designated Account Balance	79,782.61	- 7,660.53
Bank Reconciliation at 31 December 2021		
Balance as per Bank Statement	82,058.09	9,785.83
Less: Unpresented Cheques		
30/11/2021		17,446.36
08/12/2021	2,275.48	
	79,782.61	- 7,660.53

Note 3

	KOITIIP ADB	KOITIIP WB
Payable		
KOITIIP WB	23,967.12	
KCRP		13,833.50
Others		18.00
Payroll liabilities	2,315.73	33,073.52
Total	26,282.85	46,925.02
	KOITIIP ADB	KOITIIP WB
Receivable		
KOITIIP ADB		23,967.12
Paul Takabiri		271.00
Tion Uriam		85.00
Christina Reiher		370.00
Melinda C Koteta		- 150.00
		24,543.12

Government of Kiribati
Financial Statements for the Kiribati Outer Island Transport Infrastructure Investment project
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For the Year Ended 31st December 2021

Notes to the Financial Statement

BACKGROUND

1. The Kiribati Outer Island Transport Infrastructure Investment Project, KOITIIP, was officially commenced on July 23, 2020, being the effective date of the IDA Grant No D559. The closing date is currently set to June 30, 2026.
2. The Project is co-financed with the Asian Development Bank (ADB), through a US\$30 million IDA grant and a US\$12 million ADB grant.

PROJECT DEVELOPMENT OBJECTIVES

3. The objective of the Project is to improve the connectivity, safety and climate resilience of transport infrastructure on Abaiang, Nonouti, Beru and Tabiteuea South, and in the event of an Eligible Crisis or Emergency, to provide an immediate response to the Eligible Crisis or Emergency.

PROJECT IMPLEMENTATION & ADMINISTRATION

4. The Project Management Unit consists of the Outer Island Implementation Unit (OIIU) and Kiribati Fiduciary Services Unit (KFSU), which are currently housed at the Ministry of Finance and Economic Development (MFED). The OIIU provides the overall project management; activity design; contract management of all activities; payment approvals; safeguards compliance and Monitoring and Evaluation, while the KFSU provides procurement and financial management supports. KFSU does not only provide procurement and financial management supports to KOITIIP, but to all ongoing WB projects.
5. The Ministry of Information, Communication and Transport (MICT) involves in the technical implementation of Component 1: Safe Inter-Island Navigation, Sub-Component 2.1 Improvement of Ships Safety Navigation, and Sub-Component 2.2 Rehabilitation of Island Access Infrastructure. Similarly, the Ministry of Infrastructure and Sustainable Energy (MISE) leads the technical implementation of civil works associated with Sub-Component 2.2 Rehabilitation of Island Access Infrastructure and Sub-Component 2.3 Rehabilitation of Lagoon Crossings. MICT and MISE only involve in the technical implementation on the relevant sub-components, while the OIIU and KFSU cover all other aspects of project management and fiduciary compliance.
6. WB administers the IDA funding whilst the ADB administers the ADB funding. Two Designated Accounts (KOITIIP & KOITIIP ADB) have been opened in the ANZ Bank in Kiribati. The currency of is the Australian Dollars. Payments that exceed USD 100,000.00 are paid using a direct payment by both the ADB and WB rather than channeled through the Designated Accounts.

Accounting Policy

7. The Financial Statements are prepared by the Project under the historical cost convention and in accordance with the modified cash basis of accounting; expenditures are charged when paid excepts:
 - Advances (which are given for approved official purposes only) are charged against a Receivables Account initially, and are charged to expenditure based on advance acquittals with supporting documents; and
 - Payables are taken up for income tax, provident fund liabilities at the time of payment of salaries and retention fees deducted from payments to contractors. These are cleared through the settlement of liabilities to the respective authorities and contractors, as they fall due.
8. The reporting currency is Australian Dollars (AUD).
9. Transactions in currencies other than AU\$ are translated into AU\$ using the actual exchange rate applied by the bank (where the transactions are paid from the Designated Accounts). Where the transactions are paid directly by WB, the applicable rate is determined as follows:
 - a. Payments against invoices in AU\$ are converted to AU\$ at 1:1
 - b. Payments against invoices in other currencies (for example, US\$) are converted to AU\$ based on the exchange rate as www.xe.com on the value date.
10. This is the first and half year operation for the project.