

Audited Project Financial Statements

Project Number: 48141-001
Loan Number: L3210
Period covered: 1 August 2016 to 31 July 2017

FIJ: Transport Infrastructure Investment Sector Project

Prepared by Fiji Roads Authority

For the Asian Development Bank
Date received by ADB: 14 January 2019

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. This document is being disclosed to the public in accordance with ADB's Access to Information Policy and as agreed between ADB and Ministry of Economy, Executing Agency.

TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT

ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ

WORLD BANK – WB LOAN No. 8482-FJ

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT
ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
WORLD BANK – WB LOAN No. 8482-FJ
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

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TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT
ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
WORLD BANK – WB LOAN No. 8482-FJ
MANAGEMENT DECLARATION
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

We, **Mr. Jonathan Moore**, *Chief Executive Officer*; **Mr. Robert Sen**, *Chief Financial Officer*; and **Mr. Sonal Goundar**, *Project Accountant*, of Fiji Roads Authority declare that the accompanying Project Financial Statements as at 31 July, 2017, together with notes attached to the Project Financial Statements, are to the best of our knowledge and give a true and fair view.

Dated at Suva this 31st day of October 2018



Mr. Sonal Goundar
Financial Controller / ADB Project Accountant



Mr. Robert Sen
Chief Financial Officer



Mr. Jonathan Moore
Chief Executive Officer

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INDEPENDENT AUDITORS' REPORT

TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT ASIAN DEVELOPMENT BANK - ADB LOAN No. 3210-FIJ WORLD BANK - WB LOAN No. 8482-FIJ FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

Opinion

I have audited the accompanying special purpose financial statements of the Transport Infrastructure Investment Sector Project, ADB Loan No. 3210-FIJ and WB Loan No. 8482-FIJ which comprise the statement of cash receipts and payments, statement of project expenditure and financing, statement of imprest and designated account for year ended 31 July 2017, including a summary of significant accounting policies and other explanatory information as set out in notes 9 to 11.

In my opinion, the:

- i. accompanying special purpose financial statements present fairly, in all material respects, the financial performance of the Transport Infrastructure Investment Sector Project for the year then ended 31 July, 2017 in accordance with Cash Basis International Public Sector Accounting Standards and the ADB Loan Agreement of Loan No. 3210 – FIJ and World Bank Loan Agreement of Loan No. 8482 – FIJ;
- ii. Transport Infrastructure Investment Sector Project utilised the proceeds of the loan from the Asian Development Bank and the World Bank only for the purposes of the Project as agreed between the Asian Development Bank, the World Bank and the Government of the Republic of Fiji in accordance with the Loan Agreement and no proceed of the loans have been utilised for other purposes for the year ended 31 July 2017; and
- iii. The covered loan portfolio complies with the terms of the Executive Agency Operations Manual.

Basis for Opinion

I have conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fiji Roads Authority and the Transport Infrastructure Investment Sector Project in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Fiji and I have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of Fiji Roads Authority is responsible for the preparation and fair presentation of these financial statements in accordance with, Cash Basis International Public Sector Accounting Standards and the ADB Loan Agreement of Loan No. 3210-FIJ and WB Loan Agreement No. 8482-FIJ 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 entity or to cease operations, or has no realistic alternative but to do so.

The management of Fiji Roads Authority is responsible of overseeing the project's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) 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 ISA, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, 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 my 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 controls.
- 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Ajay Nand
AUDITOR-GENERAL



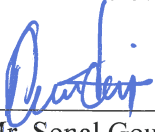
Suva, Fiji
31 October 2018


TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT
 ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
 WORLD BANK – WB LOAN No. 8482-FJ
 STATEMENT OF CASH RECEIPTS AND PAYMENTS
 FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

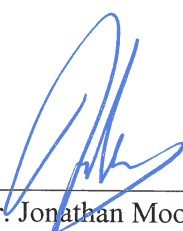
	Notes	31-Jul-17 \$	31-Jul-16 Restated \$
CASH RECEIPTS			
Receipts Paid Directly to Contractors			
ADB Loan No. 3210-FIJ	2	2,064,972	-
World Bank Loan No. 8482-FIJ	2	749,416	-
Reimbursement			
ADB Loan No. 3210-FIJ	2	1,030,864	-
World Bank Loan No. 8482-FIJ	2	515,432	-
Advances			
Imprest Account ADB		1,023,332	-
Designated Account World Bank		5,000,000	-
Gain on Exchange rate		2,598	-
Interest Payment			
ADB Loan No. 3210-FIJ	6	327,881	429,269
World Bank Loan No. 8482-FIJ	6	496,501	-
Government of Fiji		1,014,457	2,376,080
Interest Received World Bank Account		14,760	-
Total Cash Receipts		<u>12,240,213</u>	<u>2,805,349</u>
PAYMENTS			
A. Investment Costs			
Civil Works	2	6,535,368	-
Consultants		-	2,202,623
Land Acquisition		-	-
B. Recurrent Costs			
Salaries	4	315,107	162,752
Project Audits		-	-
Operational Costs	5	18,030	10,705
C. Financing Charges			
Interest & Commitment Charges	6	824,382	429,269
Bank Chargers & Withholding Tax		1,502	-
Total Cash Payments		<u>7,694,389</u>	<u>2,805,349</u>
NET CHANGE IN CASH		<u>4,545,824</u>	<u>-</u>

The accompanying notes form an integral part of this Financial Statements.

Certified to be correct Financial Statements


 Mr. Sonal Goundar
 Financial Controller
 ADB Project Accountant


 Mr. Robert Sen
 Chief Financial Officer
 Fiji Roads Authority


 Mr. Jonathan Moore
 Chief Executive Officer
 Fiji Roads Authority

TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT
 ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FJ
 WORLD BANK – WB LOAN No. 8482-FJ
 PROJECT EXPENDITURE AND FINANCING
 FOR THE YEAR ENDED 31 JULY 2017

Sub-Project/ Component Description	Notes	BUDGET ALLOCATION		FINANCING SOURCE				FINANCING SOURCE				TOTAL PROJECT COST				VARIANCE (BUDGET - PROJECT COST)
		USD	FJD	31/07/2017				31/07/2016				ADB	WB	GOVT	GOVT	
				ADB	WB	GOVT	ADB	WB	GOVT							
A. Investment Costs																
1. Civil Works	2	109,920,000	224,969,300	3,972,123	1,881,926	681,319	-	-	-	3,972,123	1,881,926	681,319	-	-	681,319	218,433,932
2. Consultants	3	17,660,000	36,144,085	-	-	-	-	-	2,202,623	-	-	-	-	-	2,202,623	33,941,463
3. Land Acquisition		7,500,000	15,349,980	-	-	-	-	-	-	-	-	-	-	-	-	15,349,980
B. Recurrent Costs																
1. Salaries - PMU	4	2,050,000	4,195,661	-	-	315,108	-	-	162,752	-	-	-	-	-	477,860	3,717,801
2. Project Audits		90,000	184,200	-	-	-	-	-	-	-	-	-	-	-	-	184,200
3. Operational Costs	5	-	-	-	-	18,030	-	-	10,705	-	-	-	-	-	28,735	(28,735)
C. Contingencies																
1. Physical		13,730,000	28,100,696	-	-	-	-	-	-	-	-	-	-	-	-	28,100,696
2. Price		8,670,000	17,744,576	-	-	-	-	-	-	-	-	-	-	-	-	17,744,576
Sub-Total		159,620,000	326,688,498	3,972,123	1,881,926	1,014,457	-	-	2,376,080	3,972,123	1,881,926	3,390,537	-	-	3,390,537	317,443,912
D. Financing Charges																
Charges (100% funded by bank)	6	7,050,000	14,428,981	327,881	496,501	1,502	429,269	-	-	757,150	496,501	1,502	-	-	1,502	13,173,828
Grand Total		166,670,000	341,117,479	4,300,004	2,378,427	1,015,959	429,269	-	2,376,080	4,729,273	2,378,427	3,392,039	-	-	3,392,039	330,617,740

The accompanying notes form an integral part of this Financial Statements

TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT
 ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
 WORLD BANK – WB LOAN No. 8482-FJ
 STATEMENT OF IMPREST AND DESIGNATED ACCOUNT
 FOR THE YEAR ENDED 31 JULY 2017

STATEMENT OF IMPREST ACCOUNT - ADB	Notes	31-Jul-17	31-Jul-16
Opening Cash Balance		-	-
<u>Add Reimbursement</u>		1,023,332	-
Less Payments	2	(876,287)	-
Add Exchange Rate Gain		2,598	-
Net Cash Available		<u>149,643</u>	<u>-</u>
STATEMENT OF DESIGNATED ACCOUNT - WORLD BANK		31-Jul-17	31-Jul-16
Opening Cash Balance		-	-
<u>Add Reimbursement</u>			
World Bank		5,000,000	-
Fiji Government		3,000	-
<u>Less Payments</u>	2	(620,078)	-
Interest, WHT & Bank Chargers		13,259	-
Net Cash Available		<u>4,396,181</u>	<u>-</u>
 Total Cash Available		 4,545,824	 -

The accompanying notes form an integral part of this Financial Statements

TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT
ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
WORLD BANK – WB LOAN No. 8482-FJ
NOTES TO AND FORMING PART OF THE FINANCIALS
FOR THE YEAR ENDED 31 JULY 2017

1 GENERAL

(a) The Transport Infrastructure Investment [Sector] Project is a project of the Government of Fiji, estimate to cost US\$166.67 million. The project is being implemented with financial assistance from ADB Loan No. 3210-FIJ for US\$100 million, WB Loan No. 8482-FJ for US\$50 million and Government of Fiji Funds. The Project Management Unit at Fiji Roads Authority (FRA) (called the Implementing Agency) implements the project, effecting payments through the Ministry of Economy (called the Borrower and Executing Agency). The Project Management Unit of the FRA is responsible for the preparation of the Project Financial Statements.

(b) The loan drawdown process is on the basis of reimbursement claim, direct payment and through ADB's Imprest Fund Account and World Bank's Designated Account.

ADB loan proceeds are disbursed in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time), and detailed arrangements agreed upon between the Government and ADB.

Direct payment and reimbursement procedures are used for civil works and consulting services.

(c) The financial statements have been prepared in accordance with Cash Basis IPSAS, Financial Reporting Under The Cash Basis of Accounting.

The accounting policies have been applied consistently throughout the period.

(d) The Project Management Unit of the FRA is responsible for the fair presentation of Financial Statements in accordance with Cash Basis IPSAS and the Banks' guidelines, including appropriate disclosures where necessary. The Project Management Unit of FRA maintains its records and prepares its financial statements on the cash basis of accounting. The projected Financial Statements for the year ended 31/07/2017 has been prepared on cash basis and data extracted are from the FRA's financial information system (Navision).

(e) The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of project expenditure.

Actual results may differ from these estimates.

(f) The financial statements are presented in Fiji Dollars rounded to the nearest dollar.

(g) Provisions of the Income Tax Act, VAT Decree, and the Fiji National Provident Fund Act have been duly complied with.

(h) The ADB Loan No. 3210-FIJ became effective on 27 March 2015 and WB Loan No. 8482-FJ became effective on 10 August 2016. The project financial loan closing date is on 31 October 2020.

(i) Relevant documentation relating to details of expenditure are maintained at project management unit of FRA. The Project Management Unit of FRA is not aware of any breaches or possible breaches of relevant legislations, contracts or agreements.

TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT
ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
WORLD BANK – WB LOAN No. 8482-FJ
NOTES TO AND FORMING PART OF THE FINANCIALS
FOR THE YEAR ENDED 31 JULY 2017

2 CIVIL WORKS

Total Payments for Civil Cost of \$6,535,368 is made of the payments borne by ADB, World Bank and the Government of Fiji, in accordance to the loan agreement as detailed below:

Contract No.	Description	31-Jul-17			31-Jul-16		
		ADB (FJD)	WB (FJD)	GOVT (FJD)	ADB (FJD)	WB (FJD)	GOVT (FJD)
FRA15/84	Construction of Village Street Lighting Works - Western Division	847,112	423,556	160,484	-	-	-
FRA/THISP/15-63	Construction of Irish Crossing , Matewale	300,716	150,358	50,119	-	-	-
FRA/THISP/16- 19	Guardrail Improvement Works	759,323	379,661	126,554	-	-	-
FRA/THISP/16-01	Suva Arterial Roads Upgrading Project (SARUP 1)						
		2,064,972	928,351	344,162	-	-	-
		<u>3,972,123</u>	<u>1,881,926</u>	<u>681,319</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payments by ADB & WB are represented by:

Direct Payments	2,064,972	749,416
Reimbursement to FRA	1,030,864	515,432
Imprest/Designated Account	876,287	617,078

3 CONSULTATION COSTS

	Previously Reported	Ajusement	Restated 2016 FJD
	FJD		FJD
Street Lights Queens Road Village - FRA 15/84	26,581	5,840	32,421
Matewale Crossing Fees - FRA 15/63	12,465	4,569	17,034
Suva Arterial Road Upgrading Project	639,264	64,429	703,693
Street Lights Renewal	2,174	196	2,369
Street Lights New Villages and Urban Centers	98,872	12,346	111,218
Traffic Signals and SCATS	99,101	12,367	111,468
Mass Action Plans	147,075	16,684	163,759
Sealing Programme - Reseals & Second Coat	265,021	27,299	292,320
Unsealed Roads Rehabilitation	30,607	6,202	36,809
Unsealed Roads Rural	53,099	8,226	61,326
Rabaraba Crossing	570	51	622
Solovi 1 & 2 Irish Crossing	78,693	10,530	89,223
Taveuni Bridges	18,106	5,077	23,184
Ovalau Bridges	127,425		142,340
ADB Overall Program Management	374,259	40,578	414,837
	<u>1,973,311</u>	<u>214,394</u>	<u>2,202,623</u>

The adjustments relates to VAT as it was shown as a separate line item in the 31/07/2016 financials.

TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT
ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
WORLD BANK – WB LOAN No. 8482-FJ
NOTES TO AND FORMING PART OF THE FINANCIALS
FOR THE YEAR ENDED 31 JULY 2017

4 SALARIES

The total expenditure of \$315,107 as at 31 July 2017 (2016 : \$165,752) as indicated in the Statement of Cash Receipts and Payments comprises of salary for PMU (Environmental Safeguard Specialist, Social Safeguard Specialist and Financial Management Accountant).

5 OPERATIONAL COSTS

The total expenditure of \$18,030 as at 31 July 2017 (2016: \$10,705) as indicated in the Statement of Cash Receipts and Payments comprises of operational costs incurred by PMU. These operational costs are travelling, purchase of office equipments and supplies and other miscellaneous costs.

6 FINANCING CHARGES

The total expenditure of F\$1,020,674 as at 31 July 2017, (2016 : \$429,269) comprises of interest and commitment fee charged and is 100% funded by ADB and World Bank.

	31-Jul-17	31-Jul-16
Asian Development Bank – ADB Loan No. 3210-FIJ	327,881	429,269
World Bank – WB Loan No. 8482-FJ	<u>496,501</u>	<u>-</u>
	<u><u>824,382</u></u>	<u><u>429,269</u></u>

7 RESTATEMENT OF 2016 FINANCIAL STATEMENTS

The statement of cash receipts and payments was restated on the basis of incorrect recognition of financing charge. The World Bank – WB Loan No. 8482-FJ interest portion was overstated by \$35,411. This has been corrected in the current financial year.

8 RETENTION SUM

The Retention Sum deducted from progressive payments are deposited into the FRA Westpac Trust Account. The details of the Retention deposits are as follows:

Project	Project Code	Retention Sum (\$)
Village Street Lighting Works - Western Division	FRA 15/84	178,315
Construction of Irish Crossing, Matewale	FRA 15/63	55,688
Guardrail Improvement Works	FRA 16/19A	66,607
Suva Arterial Roads Upgrade Project (SARUP 1)	FRA 16/01	104,841
	Total Retention Sum	405,451

9 SUBSEQUENT EVENTS

The Construction of the Matawale Crossing is on hold due to redesigning from the Irish Crossing to construction of a one lane modular bridge.