

# Audited Project Financial Statements

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Project Number: 48141-001  
Loan Number: L3210  
Period covered: 1 August 2017 to 31 July 2018

## FIJ: Transport Infrastructure Investment Sector Project

Prepared by Fiji Roads Authority

For the Asian Development Bank  
Date received by ADB: 6 September 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 2018**

**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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## INDEPENDENT AUDITORS' REPORT

### TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ WORLD BANK – WN LOAN No. 8482-FIJ

#### 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 2018, including a summary of significant accounting policies and other explanatory information as set out on notes 1 to 6.

In my opinion, except for the matter discussed in the Basis for Qualified Audit Opinion:

- 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, 2018 in accordance with Cash Basis International Public Sector Accounting Standards and ADB Loan Agreement of Loan No. 3210-FIJ and WB Loan Agreement No. 8482-FIJ;
- ii. Transport Infrastructure Investment Sector Project utilized 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 utilized for other purposes for the year ended 31 July 2018; and
- iii. The covered loan portfolio complies with the terms of the Executing Agency Operations Manual.

#### Basis for Qualified Audit Opinion

The Authority did not comply with the Implementation Arrangements set forth in the Project Administration Manual stated in the Loan Agreement. The Project Administration Manual required that the ADB Procurement Guidelines be followed for the procurement of goods and works. The Authority prepared the contract agreement for Contract Number FRA/TIISP/16-01 Suva Arterial Roads Upgrading Project (SARUP 1) under FRA general terms and conditions but ADB has determined a misprocurement as some amendments were made to the FIDIC clauses. As a result, SARUP 1 project will no longer be funded by ADB and World Bank, the Government of Fiji will incur the full cost of the project totalling \$30,429,323 VIP. The funds that have been disbursed by ADB as at 31/07/18 totalling \$5,720,715 and World Bank totalling \$3,004,762 will be substituted with FRA/TIISP/16-03 Road Reseals Programme of Roads in Western, Central and Northern Division of Fiji. The Government of Fiji will be responsible to pay the full remaining balance of \$20,413,451.

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 the 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 for 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  
5 September 2019

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 2018  
MANAGEMENT DECLARATION

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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 2018, together with the 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 2<sup>nd</sup> day of September 2019



Mr. Sonal Goundar  
Financial Controller / ADB Project Accountant



Mr. Robert Sen  
Chief Financial Officer




Mr. Jonathan Moore  
Chief Executive Officer


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 2018  
 STATEMENT OF CASH RECEIPTS AND PAYMENTS

	Notes	31-Jul-18	31-Jul-17
		\$	\$
<b>CASH RECEIPTS</b>			
<b>Receipts Paid Directly to Contractors</b>			
ADB Loan No. 3210-FIJ	2	3,655,743	2,064,972
World Bank Loan No. 8482-FIJ	2	-	749,416
<b>Reimbursement</b>			
ADB Loan No. 3210-FIJ	2	-	1,030,864
World Bank Loan No. 8482-FIJ	2	-	515,432
<b>Advances</b>			
Imprest Account ADB		868,826	1,023,332
Designated Account World Bank		550,050	5,000,000
<b>Interest Payment</b>			
ADB Loan No. 3210-FIJ	5	462,376	327,881
World Bank Loan No. 8482-FIJ	5	408,318	496,501
(Loss)/Gain on Exchange Rates		(8,852)	2,598
<b>Government of Fiji</b>		1,581,344	1,014,457
<b>Interest Received WB Account</b>		67,062	14,760
<b>Total Cash Receipts</b>		<u>7,584,867</u>	<u>12,240,213</u>
<b>PAYMENTS</b>			
<b>A. Investment Costs</b>			
Civil Works	2	6,865,657	6,535,368
<b>B. Recurrent Costs</b>			
Salaries	3	515,281	315,108
Project Audits			
Operational Costs	4	44,467	18,030
<b>C. Financing Charges</b>			
Interest & Commitment Charges	5	870,694	824,382
Bank Chargers & WHT		6,807	1,502
<b>Total Cash Payments</b>		<u>8,302,906</u>	<u>7,694,390</u>
<b>Cash at Beginning of Year</b>		4,545,824	-
<b>Increase/(Decrease) in Cash</b>		(718,039)	4,545,824
<b>Cash at End of Year</b>		<u>3,827,785</u>	<u>4,545,824</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  
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018  
 PROJECT EXPENDITURE AND FINANCING

Sub-Project/ Component Description	Notes	BUDGET ALLOCATION		FINANCING SOURCE			FINANCING SOURCE			TOTAL PROJECT COST				VARIANCE (BUDGET - PROJECT COST)		
		USD	FJD	Actuals for the year ended 31/7/18			31/07/2017			ADB	WB	GOVT	ADB		WB	GOVT
				ADB	WB	GOVT	ADB	WB	GOVT							
<b>A. Investment Costs</b>																
1. Civil Works	2	109,920,000	224,969,300	3,655,743	2,188,317	1,021,598	3,972,123	1,881,926	681,319	7,627,866	4,070,243	1,702,917	211,568,274			
2. Consultants	3	17,660,000	36,144,085	-	-	-	-	-	2,202,623	-	-	2,202,623	33,941,462			
3. Land Acquisition		7,500,000	15,349,980	-	-	-	-	-	-	-	-	-	15,349,980			
<b>B. Recurrent Costs</b>																
1. Salaries - PMU	4	2,050,000	4,195,661	-	-	515,281	-	-	477,860	-	-	993,141	3,202,520			
2. Project Audits		90,000	184,200	-	-	-	-	-	-	-	-	-	184,200			
3. Operational Costs	5	-	-	-	-	44,467	-	-	28,735	-	-	73,202	(73,202)			
<b>C. Contingencies</b>																
1. Physical		13,730,000	28,100,696	-	-	-	-	-	-	-	-	-	28,100,696			
2. Price		8,670,000	17,744,576	-	-	-	-	-	-	-	-	-	17,744,576			
<b>Sub-Total</b>		<b>159,620,000</b>	<b>326,688,498</b>	<b>3,655,743</b>	<b>2,188,317</b>	<b>1,581,346</b>	<b>3,972,123</b>	<b>1,881,926</b>	<b>3,390,537</b>	<b>7,627,866</b>	<b>4,070,243</b>	<b>4,971,883</b>	<b>310,018,506</b>			
<b>D. Financing Charges</b>																
Charges (100% funded by bank)	6	7,050,000	14,428,981	462,376	408,318	6,807	757,150	496,501	1,502	1,219,526	904,819	8,309	12,296,327			
<b>Grand Total</b>		<b>166,670,000</b>	<b>341,117,479</b>	<b>4,118,119</b>	<b>2,596,635</b>	<b>1,588,153</b>	<b>4,729,273</b>	<b>2,378,427</b>	<b>3,392,039</b>	<b>8,847,392</b>	<b>4,975,062</b>	<b>4,980,192</b>	<b>322,314,833</b>			

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  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018  
STATEMENT OF IMPREST AND DESIGNATED ACCOUNT

STATEMENT OF IMPREST ACCOUNT - ADB	Notes	31-Jul-18	31-Jul-17
Opening Cash Balance		149,643	-
<u>Add Reimbursement</u>		868,826	1,023,332
<u>Less Payments</u>	2	-	(876,287)
Exchange Rate (Loss)/ Gain		(8,852)	2,598
Net Cash Available		<u>1,009,617</u>	<u>149,643</u>
STATEMENT OF DESIGNATED ACCOUNT - WORLD BANK		31-Jul-18	31-Jul-17
Opening Cash Balance		4,396,181	-
<u>Add Reimbursement</u>			
World Bank		550,050	5,000,000
Fiji Government		-	3,000
<u>Less Payments</u>	2	(2,188,317)	(620,078)
Interest, WHT & Bank Chargers		60,254	13,259
Net Cash Available		<u>2,818,168</u>	<u>4,396,181</u>
<b>Total Cash Available</b>		<u><b>3,827,785</b></u>	<u><b>4,545,824</b></u>

The accompanying notes form an integral part of this Financial Statements

## 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 generally accepted accounting principles and the Banks's 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 31/07/2018 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.

(i) 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.

TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT  
 ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FJ WORLD BANK – WB LOAN No. 8482-FJ  
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018  
 NOTES TO AND FORMING PART OF THE FINANCIALS

2 CIVIL WORKS

Contract No.	Description	30-Jul-18			31-Jul-17		
		ADB	SFJD WB	GOVT	ADB	SFJD WB	GOVT
FRA15/84	Construction of Village Street Lighting Works - Western Division	-	111,906	43,866	847,112	423,556	160,484
FRA/TIISP/15-63	Construction of Irish Crossing , Matewale **	-	-	-	300,716	150,358	50,119
FRA/TIISP/16- 19	Guardrail Improvement Works	-	-	-	759,323	379,661	126,554
FRA/TIISP/16-01	Suva Arterial Roads Upgrading Project (SARUP 1) ***	3,655,743	2,076,411	946,233	2,064,972	928,351	344,162
FRA/TIISP/16-03	Road Reseals Programme of Roads In Western, Central and Northern Division of Fiji	-	-	31,499	-	-	-
		<b>3,655,743</b>	<b>2,188,317</b>	<b>1,021,598</b>	<b>3,972,123</b>	<b>1,881,926</b>	<b>681,319</b>

The total of \$6,865,657 and \$6,535,368 for Civil Works has been derived by adding the project costs listed above for both years.

Represented By:

Direct Payment	3,655,743	2,064,972	749,416
Reimbursement To FRA		1,030,864	515,432
Imprest / Designated Account	2,188,317	876,287	617,078

**\*\* (i) FRA/TIISP/15-63 Construction of Irish Crossing , Matewale**

The construction of Matewale Crossing has been called off and this project wont go ahead to which both ADB and WB has agreed. The contract has been terminated and a final claim of \$545,000 has been accepted by the contractor which is yet to be reimbursed by ADB as at balance date.

The reason for this is during the construction phase, firm ground for footing of the crossing could not be achieved. The box culverts already purchased by the contractor has been handed over to FRA to be utilised for future crossing.

**\*\*\* (ii) FRA/TIISP/16-01 Suva Arterial Roads Upgrading Project (SARUP 1)**

SARUP 1 project is no longer funded by ADB & WB. This project has been removed from the ADB & WB project list. The funds that have already been disbursed under this project will be substituted with FRA/TIISP/16-03 Road Reseals Programme of Roads In Western, Central and Northern Division of Fiji.

This contract agreement was made under FRA general terms and conditions. However, later on ADB determined this as misprocurement as some ammendements were made to FIDIC clauses.

3 SALARIES

The total expenditure of \$515,281 as at 31 July 2018 (2017 : \$315,107) 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)

4 OPERATIONAL COSTS

The total expenditure of \$44,467 as at 31 July 2018 (2017: \$18,030) 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.

5 FINANCING CHARGES

The total expenditure of F\$870,694 as at 31 July 2018, (2017 : \$824,382) comprises of interest and commitment fee charged and is 100% funded by ADB and WB.

Asian Development Bank – ADB Loan No. 3210-FJ	31-Jul-18	31-Jul-17
	462,376	327,881
World Bank – WB Loan No. 8482-FJ	408,318	496,501
	<b>870,694</b>	<b>824,382</b>

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 2018  
 NOTES TO AND FORMING PART OF THE FINANCIALS

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**6 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:

<b>Project</b>	<b>Project Code</b>	<b>31-Jul-18</b>	<b>31-Jul-17</b>
Village Street Lighting Works - Western Division	FRA 15/84	110,726	178,315
Construction of Irish Crossing, Matewale	FRA 15/63	55,688	55,688
Guardrail Improvement Works	FRA 16/19A	66,607	66,607
Suva Arterial Roads Upgrade Project (SARUP 1)	FRA 16/01	878,262	104,841
Road Reseals Programme of Roads In Western, Central and Northern Division of Fiji	FRA 16/03	34,999	-
	<b>Total Retention</b>	<b>1,146,282</b>	<b>405,451</b>