

Audited Project Financial Statements

Project Number: 48141-001

Loan Number: L3210

Period covered: 1 August 2018 to 31 July 2019.

FJI: Transport Infrastructure Investment Sector Project

Prepared by Fiji Roads Authority

For the Asian Development Bank

Date received by ADB: 19 August 2020

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 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 2019

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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 2019

We, **Mr. Jonathan Moore**, *Chief Executive Officer*; and **Mr. Sonal Goundar**, *Project Accountant*, of Fiji Roads Authority declare that the accompanying Project Financial Statements as at 31 July 2019, 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 7th day of August 2020



Mr. Sonal Goundar
Acting Chief Financial Officer / ADB & WB Project Accountant



Mr. Jonathan Moore
Chief Executive Officer

OFFICE OF THE AUDITOR GENERAL

Promoting Public Sector Accountability and Sustainability Through Our Audits



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INDEPENDENT AUDITOR'S REPORT

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

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 2019, including a summary of significant accounting policies and other explanatory information as set out on notes 1 to 6.

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, 2019 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 2019; and
- iii. The covered loan portfolio complies with the terms of the Executing 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 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
10 August 2020

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 2019

	Notes	31-Jul-19 \$	31-Jul-18 \$
CASH RECEIPTS			
Receipts Paid Directly to Contractors			
ADB Loan No. 3210-FIJ	2	3,970,552	3,655,743
World Bank Loan No. 8482-FIJ	2	1,608,205	-
Reimbursement			
ADB Loan No. 3210-FIJ	2	-	-
World Bank Loan No. 8482-FIJ	2	-	-
Advances			
Imprest Account ADB		-	868,826
Designated Account World Bank		-	550,050
Interest Payment			
ADB Loan No. 3210-FIJ	5	661,041	462,376
World Bank Loan No. 8482-FIJ	5	535,995	408,318
Gain on Exchange Rates		30,601	(8,852)
Government of Fiji		2,074,151	1,581,344
Interest Received WB Account		56,830	67,062
Total Cash Receipts		<u>8,937,375</u>	<u>7,584,867</u>
PAYMENTS			
A. Investment Costs			
Civil Works	2	7,237,628	6,865,657
Consultants			-
Land Acquisition			-
B. Recurrent Costs			
Salaries	3	349,745	515,281
Project Audits			
Operational Costs	4	38,035	44,467
C. Financing Charges			
Interest & Commitment Charges	5	1,197,036	870,694
Bank Chargers & WHT		5,743	6,807
Total Cash Payments		<u>8,828,187</u>	<u>8,302,906</u>
Cash at Beginning of Year		3,827,785	4,545,824
Increase / (Decrease) in Cash		109,188	(718,039)
Cash at End of Year		<u>3,936,973</u>	<u>3,827,785</u>

The accompanying notes form an integral part of this Financial Statements

Certified to be correct Financial Statements



Mr. Sonal Goundar
 Acting Chief Financial Officer - FRA
 ADB / WB Project Accountant



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
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

Sub-Project/ Component Description	Notes	BUDGET ALLOCATION		FINANCING SOURCE Actuals For The Year Ended 31/07/2019			FINANCING SOURCE Actuals As At 31/07/2018			TOTAL PROJECT COST (ACTUALS)			VARIANCE (BUDGET - PROJECT COST)	
		USD	FJD	ADB	WB	GOVT	ADB	WB	GOVT	ADB	WB	GOVT		
A. Investment Costs														
1. Civil Works	2	109,920,000	224,969,300	3,970,552	1,608,205	1,658,871	7,627,866	4,070,243	1,702,916	11,598,418	5,678,448	3,361,787	204,330,647	
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. Recurrent Costs														
1. Salaries - PMU	4	2,050,000	4,195,661	-	-	349,745	-	-	993,141	-	-	1,342,886	2,852,775	
2. Project Audits		90,000	184,200	-	-	-	-	-	-	-	-	-	184,200	
3. Operational Costs	5	-	-	-	-	38,035	-	-	73,201	-	-	111,236	(111,236)	
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	3,970,552	1,608,205	2,046,651	7,627,866	4,070,243	4,971,881	11,598,418	5,678,448	7,018,532	302,393,100	
D. Financing Charges														
Charges (100% funded by bank)	6	7,050,000	14,428,981	661,041	535,995	5,743	1,219,526	904,819	8,309	1,880,566	1,440,814	14,052	11,093,548	
Grand Total		166,670,000	341,117,479	4,631,592	2,144,201	2,052,394	8,847,392	4,975,062	4,980,191	13,478,984	7,119,262	7,032,584	313,486,648	

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 FINANCIAL YEAR ENDED 31 JULY 2019

STATEMENT OF IMPREST ACCOUNT - ADB	Notes	31-Jul-19	31-Jul-18
Opening Cash Balance		1,009,617	149,643
<u>Add Reimbursement</u>		-	868,826
<u>Less Payments</u>	2	-	-
Exchange Rate Gain		30,601	(8,852)
Net Cash Available		<u>1,040,218</u>	<u>1,009,617</u>
STATEMENT OF DESIGNATED ACCOUNT - WORLD BANK		31-Jul-19	31-Jul-18
Opening Cash Balance		2,818,168	4,396,181
<u>Add Reimbursement</u>			
World Bank		-	550,050
Fiji Government			-
<u>Less Payments</u>	2	-	(2,188,317)
Interest, WHT & Bank Chargers		51,087	60,254
Net Cash Available		<u>2,869,255</u>	<u>2,818,168</u>
Total Cash Available		<u>3,909,473</u>	<u>3,827,785</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 31/07/2019 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 30 November 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.

2 CIVIL WORKS

Contract No.	Description	31-Jul-19				31-Jul-18			
		ADB (FJD)	WB (FJD)	GOVT (FJD)	TOTAL (FJD)	ADB (FJD)	WB (FJD)	GOVT (FJD)	TOTAL (FJD)
FRA15/84	Construction of Village Street Lighting Works - Western Division			10,755	10,755		111,906	43,866	155,772
FRA/TTISP/15-63	Construction of Irish Crossing, Matewale **			54,500	54,500				
FRA/TTISP/16- 19	Guardrail Improvement Works								
FRA/TTISP/16-01	Suva Arterial Roads Upgrading Project (SARUP 1) ***					3,655,743	2,076,411	946,233	6,678,387
FRA/TTISP/16-03	Road Reseals Programme of Roads In Western, Central and Northern Division of Fiji	3,970,552	1,608,205	1,593,615	7,172,372			31,499	31,499
TOTAL		3,970,552	1,608,205	1,658,871	7,237,628	3,655,743	2,188,317	1,021,598	6,865,657

The total of \$7,237,628 and \$6,865,657 for civil works has been derived by adding the project costs listed above for both years

Represented By:

Direct Payment	3,970,552	1,608,205	3,655,743
Reimbursement To FRA			2,188,317
Imprest / Designated Account			

(i) FRA/TTISP/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 was subsequently paid off after the balance date.

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

(ii) FRA/TTISP/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 TTISP project list. The funds that have already been disbursed under this project is substituted with FRA/TTISP/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 amendments were made to FIDIC clauses.

3 SALARIES

The total expenditure of \$349,745 as at 31 July 2019 (2018 : \$515,281) as indicated in the Statement of Cash Receipts and Payments comprises of salary for Project Management Unit inclusive of all benefits and taxes.

4 OPERATIONAL COSTS

The total expenditure of \$38,034.78 as at 31 July 2019 (2018: \$44,467) 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\$1,228,467 as at 31 July 2019, (2018 : \$870,694) comprises of interest and commitment fee charged and is 100% funded by ADB and WB.

Asian Development Bank – ADB Loan No. 3210-FJ
 World Bank – WB Loan No. 8482-FJ

	31-Jul-19	31-Jul-18
	661,041	462,376
	535,995	408,318
	<u>1,197,036</u>	<u>870,694</u>

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:

Project	Project Code	31-Jul-19	31-Jul-18
Village Street Lighting Works - Western Division	FRA 15/84		110,726
Construction of Irish Crossing, Matewale	FRA 15/63	-	55,688
Guardrail Improvement Works	FRA 16/19A	66,607	66,607
Suva Arterial Roads Upgrade Project (SARUP 1)	FRA 16/01	1,249,027	878,262
Road Reseals Programme of Roads In Western, Central and Northern	FRA 16/03	1,577,591	34,999
	Total Retention Sum	2,893,225	1,146,282