

Audited Project Financial Statements

Project Number: 48141-001

Loan Number: L3210

Period covered: 1 August 2019 to 31 July 2020.

FJI: Transport Infrastructure Investment Sector Project

Prepared by Fiji Roads Authority

For the Asian Development Bank

Date received by ADB: 22 June 2021

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.

OFFICE OF THE AUDITOR GENERAL

Promoting Public Sector Accountability and Sustainability through our Audits



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File: 1383

14 June 2021

Mr. Kamal Prasad
The Acting Chief Executive officer
Fiji Roads Authority
Level 4, Fiji Development Bank Building
Victoria Parade
SUVA

Dear Mr. Prasad

AUDITED FINANCIAL STATEMENTS - TRANSPORT INFRASTRUCTURE INVESTMENT SECTOR PROJECT (TIISP) FOR THE YEAR ENDED 31 JULY 2020

Audited financial statements of the Transport Infrastructure Investment Sector Project for the year ended 31 July 2020 together with my audit report on them are enclosed.

Particulars of the errors and omission arising from the audit have been forwarded to the management of the Project for necessary action.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ajay Nand'.

Ajay Nand
AUDITOR-GENERAL

Encl.

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 2020

**TRANSPORT INFRASTRUCTURE 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 2020**

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**TRANSPORT INFRASTRUCTURE SECTOR PROJECT
ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
WORLD BANK – WB LOAN No. 8482 – FJ
MANAGEMENT DECLARATION
FOR THE YEAR ENDED 31 JULY 2020**

We, **Mr. Kamal Prasad**, *Acting Chief Executive Officer*; and **Mr. Sonal Goundar**, *Project Accountant*, of Fiji Roads Authority declare that the accompanying Project Financial Statements as at 31 July 2020, 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 14th day of June 2021



Kamal Prasad
Acting Chief Executive Officer



Sonal Goundar
Chief Financial Officer/ADB & WB Project
Accountant

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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

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 2020, including a summary of significant accounting policies and other explanatory information as set out on notes 1 to 7.

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, 2020 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 2020; 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.

Emphasis of Matter

I draw attention to Note 7, which relates to COVID-19 pandemic and its impact on the Project during the year and the on-going associated uncertainties post year end. In the event that the impact of the COVID-19 pandemic is prolonged than anticipated, this may result in the further reduction in funding in subsequent financial years and delay the completion of the respective projects.

My opinion is not modified in respect of this matter.

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.

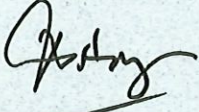
As part of an audit in accordance with ISA, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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.

Auditor's Responsibility for the Audit of the Financial Statements (con't)

- 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
14 June 2021

**TRANSPORT INFRASTRUCTURE 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 YEAR ENDED 31 JULY 2020**

	Notes	31-Jul-20 (\$)	31-Jul-19 (\$)
CASH RECEIPTS			
Receipts Paid Directly to Contractors			
ADB Loan No. 3210-FIJ	2	10,028,872	3,970,552
World Bank Loan No. 8482-FIJ	2	4,907,245	1,608,205
Reimbursement			
ADB Loan No. 3210-FIJ	2	4,460,310	-
World Bank Loan No. 8482-FIJ	2	-	-
Advances			
Imprest Account ADB		4,423,992	-
Designated Account World Bank		2,264,066	-
Interest Payment			
ADB Loan No. 3210-FIJ	5	935,236	661,041
World Bank Loan No. 8482-FIJ	5	676,269	535,995
(Loss)/Gain on Exchange Rates		(112,196)	30,601
Government of Fiji		2,747,609	2,046,650
Interest Received WB Account		31,239	56,830
Total Cash Receipts		30,362,642	8,909,874
PAYMENTS			
A. Investment Costs			
Civil Works	2	24,581,979	7,237,627
B. Recurrent Costs			
Salaries	3	376,744	349,745
Project Audits			
Operational Costs	4	40,583	38,035
C. Financing Charges			
Interest & Commitment Charges	5	1,611,505	1,197,036
Bank Chargers & WHT		3,226	5,743
Total Cash Payments		26,614,037	8,828,186
Cash at Beginning of Year		3,909,473	3,827,785
Increase in Cash		3,748,605	81,688
Cash at End of Year		7,658,078	3,909,473

The accompanying notes form an integral part of this Financial Statements

Certified to be correct Financial
Statements



.....
Sonal Goundar
Chief Financial Officer - FRA
ADB & WB Project Accountant



.....
Kamal Prasad
Acting Chief Executive Officer
Fiji Roads Authority

**TRANSPORT INFRASTRUCTURE SECTOR PROJECT
 ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
 WORLD BANK – WB LOAN No. 8482 – FJ
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE YEAR ENDED 31 JULY 2020**

Sub-Project/ Component Description	Notes	BUDGET ALLOCATION		FINANCING SOURCE Actuals For The Year Ended 31/07/2020			FINANCING SOURCE Actuals As At 31/07/2019			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	14,725,123	7,526,574	2,330,282	3,970,552	1,608,205	1,658,870	18,695,675	9,134,779	3,989,152	193,149,694
2. Consultants	3	17,660,000	36,144,085										36,144,085
3. Land Acquisition		7,500,000	5,349,980										15,349,980
B. Recurrent Costs													
1. Salaries – PMU	4	2,050,000	4,195,661			376,744			349,745			726,489	3,469,172
2. Project Audits		90,000	184,200										184,200
3. Operational Costs	5					40,583			38,035			78,618	(78,618)
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	14,725,123	7,526,574	2,747,609	3,970,552	1,608,205	2,046,650	18,695,675	9,134,779	4,794,259	294,063,785
D. Financing Charges													
1. Interest & Commitment Charges (100% funded by bank)	6	7,050,000	14,428,981	935,236	676,269	3,226	661,041	535,995	5,743	1,596,277	1,212,264	8,969	11,611,471
Grand Total		166,670,000	341,117,479	15,660,359	8,202,843	2,750,835	4,631,593	2,144,200	2,052,393	20,291,952	10,347,043	4,803,228	305,675,256

The accompanying notes form an integral part of this Financial Statements

**TRANSPORT INFRASTRUCTURE 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 2020**

STATEMENT OF IMPREST ACCOUNT - ADB	Notes	31-Jul-20 (\$)	31-Jul-19 (\$)
Opening Cash Balance		1,040,218	1,009,617
<u>Add Reimbursement</u>		4,423,992	-
<u>Less Payments</u>	2	(235,941)	-
Exchange Rate Gain		(112,196)	30,601
Net Cash Available		<u>5,116,073</u>	<u>1,040,218</u>
STATEMENT OF DESIGNATED ACCOUNT - WORLD BANK		31-Jul-20 (\$)	31-Jul-19 (\$)
Opening Cash Balance		2,869,255	2,818,168
<u>Add Reimbursement</u>			
World Bank		2,264,066	-
Fiji Government			
<u>Less Payments</u>	2	(2,619,329)	-
Interest, WHT & Bank Chargers		28,013	51,087
Net Cash Available		<u>2,542,005</u>	<u>2,869,255</u>
 Total Cash Available		 <u>7,658,078</u>	 <u>3,909,473</u>

The accompanying notes form an integral part of this Financial Statements

TRANSPORT INFRASTRUCTURE SECTOR PROJECT
ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
WORLD BANK – WB LOAN No. 8482 – FJ
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020

I 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) Foreign currency translations for the receipts and payments are converted using the exchange rate at the date of transaction.
- d) 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.

- e) 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 31/07/2020 has been prepared on cash basis and data extracted are from the FRA's financial information system (Navision).
- f) 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.
- g) The financial statements are presented in Fiji Dollars rounded to the nearest dollar.
- h) Provisions of the Income Tax Act, VAT Act 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 initial project financial loan closing date was on 30 November 2020. The revised closing dates are 30 November 2022 and 30 June 2023 for ADB and WB respectively.
- j) 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 SECTOR PROJECT
ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FJ
WORLD BANK – WB LOAN No. 8482 – FJ
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020**

2 CIVIL WORKS

<u>Contract No.</u>	<u>Description</u>	31-Jul-20			31-Jul-19			TOTAL
		ADB (FJD)	WB (FJD)	GOVT (FJD)	ADB (FJD)	WB (FJD)	GOVT (FJD)	
FRA15/84	Construction of Village Street Lighting Works - Western Division	275,214	109,852	---	---	---	10,755	10,755
FRA/TIISP/15-63	Construction of Irish Crossing, Matewale	327,000	163,500	---	---	---	54,500	54,500
FRA/TIISP/18-02	Suva Arterial Roads Upgrading Project (SARUP II)	8,379,053	4,148,627	1,382,876	---	---	---	---
FRA/TIISP/16-03	Road Reseals Programme of Roads In Western, Central and Northern Division of Fiji	4,122,127	2,293,730	677,118	3,970,552	1,608,205	1,593,615	7,172,372
FRA/TIISP/17-114	Vitilevu Crossing Renewal	1,621,729	810,865	270,288	---	---	---	---
		14,725,123	7,526,574	2,330,282	3,970,552	1,608,205	1,658,870	7,237,627

The total of \$24,581,979 and \$7,237,627 for civil works has been derived by adding the project costs listed above for both years.

Represented By:

Direct Payment	10,028,872	4,907,245	2,330,282	3,970,552	1,608,205	1,658,870
Reimbursement To FRA	4,460,310	-	-	-	-	-
Imprest / Designated Account	235,941	2,619,329	-	-	-	-

**TRANSPORT INFRASTRUCTURE SECTOR PROJECT
ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
WORLD BANK – WB LOAN No. 8482 – FJ
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020**

2. Civil Works (con't)

(i) FRA/IIISP/15-63 Construction of Irish Crossing , Matewale

The construction of Matewale Crossing has been called off and this project won't 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.

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/IIISP/18-02 Suva Arterial Roads Upgrading Project II

SARUP II project has been terminated due to non - performance of the Contractor. FRA has managed to encash the Performance Bond of \$13.8M. On 28th November 2019, FRA has also recovered the USD portion of Advance payment paid to the Contractor at the Commencement of the Project amounting to USD 3,448,927.43(FJD \$7,546,887.15) and has been subsequently reimbursed back to IIISP funds. However, the FJD portion amounting to FJD \$6,414,896.90 is in dispute by the Westpac Bank and the matter is currently being challenged in the High Court of Fiji.

(iii) FRA/IIISP/15-84 Village Street Lightening Works

The approved contract amount for this project was \$1,870,544. During the construction phase, additional sites were selected and consequently FRA board approved variations of \$280,503, bringing the total contract sum to \$2,151,047. For these variations objections from ADB & WB was not obtained, thus this becomes outside the scope of IIISP funding and FRA will bear the full variation cost. However, part of these variations were paid from World Bank designated account and Government share amounting to \$84,151.08 and \$28,050.37 respectively. These amount will be refunded back into the WB designated account and IIISP account in the 2020 / 2021 financial year.

3. SALARIES

The total expenditure of \$376,744 as at 31 July 2020 (2019: \$349,745) 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 \$40,583 as at 31 July 2020 (2019: \$38,035) 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 equipment and supplies and other miscellaneous costs.

5. FINANCING CHARGES

The total expenditure of F \$1,611,505 as at 31 July 2020, (2019: \$1,197,036) comprises of interest and commitment fee charged and is 100% funded by ADB and WB.

Asian Development Bank – ADB Loan No. 3210-FIJ	31-Jul-20	31-Jul-19
	935,236	661,041
World Bank – WB Loan No. 8482-FJ	676,269	535,995
	<u>1,611,505</u>	<u>1,197,036</u>

**TRANSPORT INFRASTRUCTURE SECTOR PROJECT
ASIAN DEVELOPMENT BANK – ADB LOAN No. 3210-FIJ
WORLD BANK – WB LOAN No. 8482 – FJ
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020**

6. RETENTION SUM

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

Project	Project Code	31-Jul-20	31-Jul-19
Guardrail Improvement Works	FRA 16/19A	66,607	66,607
Suva Arterial Roads Upgrade Project (SARUP 1)	FRA 16/01	1,249,027	1,249,027
Road Reseals Programme of Roads In Western, Central and Northern Division of Fiji	FRA 16/03	1,620,437	1,577,591
	Total Retention Sum	2,936,071	2,893,225

7. SIGNIFICANT EVENT DURING THE YEAR

The COVID-19 pandemic and the unprecedented uncertainty in the economic environment continues post year. The impact of COVID-19 pandemic adversely affected shipping and delivery of some equipment, materials, personnel, progress of projects and supply chain (production, shipping and delivery etc.).

In the event that the COVID-19 pandemic impact is prolonged than anticipated, this may result in the reduction of the grant funding of government contribution in the subsequent financial year and may affect the agreed closing dates of the projects.