

Audited Project Financial Statements

Project Number: 48192
Grant Number: 0389/0390
Period covered: 17 September 2014 to 30 June 2015

Kingdom of Tonga: Cyclone Ian Recovery Project

Prepared by Ministry of Infrastructure

For the Asian Development Bank
Date received by ADB: 30 December 2015

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 Public Communications Policy 2011 and as agreed between ADB and the Ministry of Finance and National Planning, Executing Agency.



CYCLONE IAN RECOVERY PROJECT

A Grant Agreement between the Government of Tonga and the Asian Development Bank



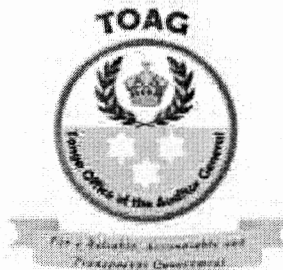
Project Management Unit

Financial Statements For the year ended 30 June 2015

December 2015

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AUDITOR GENERAL'S REPORT

To the Chief Executive Officer for Infrastructure.

I have audited the accompanying Statements of Consolidated Accounts, Direct Payment Summary, Imprest Funding Summary, and Notes to the Financial Statements for the Cyclone Ian Recovery Project ("the Project") as set out on pages 4 to 8 for the financial period ended 30th June 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the statements in accordance with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of these statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institution (ISSAIs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement whether due to fraud or error, and whether grant provided by Asian Development Bank ("ADB") were all used for the project in compliance with the financial covenants of the Grant Agreement.

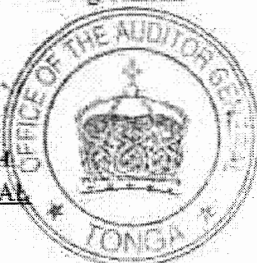
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also included evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate a basis for my unqualified audit opinion.

Unqualified Auditor's Opinion

In my opinion, the accompanying Financial Statements as shown on pages 4 to 8, present fairly in all material respects the consolidated accounts, direct payments, and imprest funding summary of the Cyclone Ian Recovery Project for the year ended 30th June 2015 in accordance with the Asian Development Bank (ADB) project guidelines. Thus, all financial grant from ADB for this project were used for the project only, in compliance with the covenants of this Grant Agreement.


Sefita Tangi FCPA
AUDITOR GENERAL



Nuku'alofa
30th December, 2015

MANAGEMENT REPORT

The financial reports for the first year ending 30 June 2015 (for Components 2 & 3) of the Cyclone Ian Recovery Project (CIRP) are presented herewith together with the independent auditor's opinion thereon.

Progress

Per the project scope by year end the following categories and activities were operative:

- i. Under School Reconstruction category over \$623k of Government of New Zealand's share of the cost of reconstructing the damaged primary schools and staff quarters throughout Ha'apai have been incurred. A total of 6 contractors were direct contracted for the construction work in April and are expected to be completed in November 2015.
- ii. Under Efficiency Management category over \$82k of Consultancy costs on the Project Architect have also been incurred according to the agreed costs sharing allocation involving ADB and Government of New Zealand.
- iii. Work on the removal of Asbestos from identified locations also incurred over \$150k.

Financial Management & Procurement

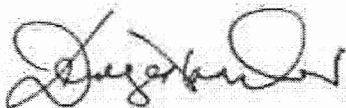
Grant proceeds have been disbursed in accordance with ADB's current Disbursement Policy and the detailed arrangement involving ADB, Government of New Zealand and HM Government. Direct payment, reimbursement and imprest account system have been established and operated efficiently under the authority and signatory of Ministry of Finance & National Planning – the Executing Agency of this project.

All goods and services incurred this year have been procured in accordance with ADB's Procurement Guidelines.

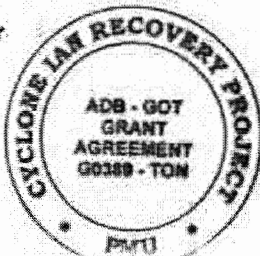
In the opinion of the management the accompanying statement for the year ended 30 June 2015 is drawn up in accordance with Government's accounting laws and regulations which are consistent with international accounting principles and practices, as to give a true and fair view of the cash flows and in-kind contributions on the overall project activities.

This report should be read in conjunction with the financial statements set out on pages 5 to 8.

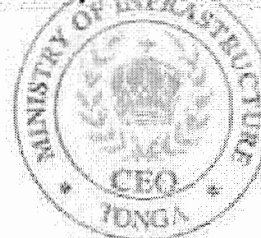
Dated at Nuku'alofa, Tonga, this 28th day of December 2015.



Daniel Hamala
Project Accountant &
Contracts Administrator



Pesallii Tuiano
Project Director &
Acting CEO of Ministry of Infrastructure.



**CYCLONE IAN RECOVERY PROJECT
CONSOLIDATED STATEMENT OF ACCOUNTS
as at 30 June 2015.**

Item	Budget (USD)				Total	Insurance (USD)				
	AOB G-0389	NZ G-0390	TPL			GoT Duties/Taxes	AOB G-0389	NZ G-0390	TPL Investment Cost	
			Investment Cost							
Z. Funding Revenue										
1 Emergency Fund	4,520,000 4,520,000	4,265,000 4,265,000	245,000 245,000	1,673,649 1,673,649	10,704,649 10,704,649	274,165 274,165	681,552 681,552	0 0	0 0	955,718 955,718
A. Power Sector										
1 Resilient grid reconstruction	2,349,868 2,048,600	0 0	245,000 180,000	445,543 379,411	3,040,411 2,508,011	0 0	0 0	0 0	0 0	0 0
2 Climate proofing of Mafua Hospital & HHS	213,200	0	30,000	46,880	280,080	0	0	0	0	0
3 Repairing & climate proofing of Street Lights	73,800	0	35,000	16,200	123,900	0	0	0	0	0
4 Temporary School Latrines for Community Systems	14,288	0	0	3,132	17,400	0	0	0	0	0
B. School Reconstruction										
1 Classroom Reconstruction	1,400,700 1,369,700	3,545,167 2,310,247	0 0	1,116,806 803,403	6,071,673 4,473,350	23,889 0	681,552 482,441	0 0	0 0	705,452 482,441
2 Staff Quarters Reconstruction		572,300	0	167,963	740,323	0	140,865	0	0	140,865
3 Classroom furniture & material		530,560	0	118,440	658,000	0	0	0	0	0
4 Efficient Management	50,000	123,000	0	27,000	200,000	23,889 58,247	0 0	0 0	0 0	82,145
C. School Reconstruction										
1 Removal of Asbestos	185,000 185,000	0 0	0 0	33,300 33,300	218,300 218,300	150,490 150,490	0 0	0 0	0 0	150,490 150,490
D. Recurrent costs										
1 Salaries	0	0	0	78,000	78,000	0	0	0	0	0
2 Accommodation	0	0	0	70,000	70,000	0	0	0	0	0
3 Equipment Operation & Maintenance	0	0	0	8,000	8,000	0	0	0	0	0
Sub-total	3,844,568	3,545,167	245,000	1,673,649	9,408,384	174,390	681,552	0	0	855,942
E. Contingencies										
1 Output 1	575,432	507,539	0	0	1,082,985	0	0	0	0	0
2 Output 2	285,432	0	0	0	285,432	0	0	0	0	0
3 Output 3	260,000	507,539	0	0	767,535	0	0	0	0	0
	30,000	0	0	0	30,000	0	0	0	0	0
X. Grand Total	4,520,000	4,052,700	245,000	1,673,649	10,491,349	174,390	681,552	0	0	855,942
Balance	0	213,300	0	0	213,300	99,776	0	0	0	99,776

CYCLONE IAN RECOVERY PROJECT
STATEMENT OF DIRECT PAYMENT SUMMARY
For the Year Ended 30 June 2015.

Item	Budget (USD)					Incurance (USD)					Total Amount
	ADB G-0389	NZ G-0380	TPL Investment Cost	GoT Duties/Taxes	Total	ADB G-0389	NZ G-0380	TPL Investment Cost	GoT Duties/Taxes		
Z. Funding Revenue											
1 Emergency Fund	4,520,000	4,266,000	245,000	1,673,649	10,704,649	80,400	681,552	0	0	761,952	761,952
	4,520,000	4,266,000	245,000	1,673,649	10,704,649	80,400,31	681,552	0	0	761,952	761,952
A. Power Sector											
1 Resilient grid reconstruction	2,349,860	0	245,000	443,543	3,040,411	0	0	0	0	0	0
2 Climate proofing of Niwai Hospital & HHS	2,040,500	0	180,000	579,411	2,808,011	0	0	0	0	0	0
3 Repairing & climate proofing of Street Lights	213,200	0	30,000	46,600	290,000	0	0	0	0	0	0
4 Temporary Street lights for Community Systems	73,800	0	35,000	16,200	125,000	0	0	0	0	0	0
	14,268	0	0	3,132	17,400	0	0	0	0	0	0
B. School Reconstruction											
1 Classroom Reconstruction	1,409,700	3,543,167	0	1,116,806	6,071,673	23,675	681,552	0	0	705,228	705,228
2 Staff Quarters Reconstruction	1,359,700	2,310,247	0	803,403	4,473,350	0	482,441	0	0	482,441	482,441
3 Classroom furniture & material		572,360	0	162,963	740,323	0	140,865	0	0	140,865	140,865
4 Efficient Management	50,000	123,000	0	118,440	648,000	0	0	0	0	0	0
				27,000	200,000	23,675	58,247	0	0	81,922	81,922
C. School Reconstruction											
1 Removal of Asbestos	185,000	0	0	33,300	210,300	56,724	0	0	0	56,724	56,724
	185,000	0	0	33,300	210,300	56,724	0	0	0	56,724	56,724
D. Recurrent costs											
1 Salaries	0	0	0	78,000	78,000	0	0	0	0	0	0
2 Accommodation	0	0	0	70,000	70,000	0	0	0	0	0	0
3 Equipment Operation & Maintenance	0	0	0	8,000	8,000	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
Sub-total	3,944,560	3,543,167	245,000	1,673,649	9,408,384	80,399	681,552	0	0	761,952	761,952
E. Contingencies*											
1 Output 1	575,432	507,533	0	0	1,082,965	0	0	0	0	0	0
2 Output 2	285,432	0	0	0	285,432	0	0	0	0	0	0
3 Output 3	260,000	507,533	0	0	767,533	0	0	0	0	0	0
	30,000	0	0	0	30,000	0	0	0	0	0	0
X. Grand Total	4,520,000	4,052,700	245,000	1,673,649	10,491,349	80,399	681,552	0	0	761,952	761,952
Y. Balance	0	213,300	0	0	213,300	1	0	0	0	0	0

CYCLONE IAN RECOVERY PROJECT
STATEMENT OF IMPREST FUNDING SUMMARY
For the Year Ended 30 June 2015.

Item	Budget (USD)					Incurrence (USD)					Total Amount
	ADB G-0389	NZ G-0390	TPL Investment Cost	GoT Duties/Taxes	Total	ADB G-0389	NZ G-0390	TPL Investment Cost	GoT Duties/Taxes		
Z. Funding Revenue											
1. Emergency Fund	4,520,000 4,520,000	4,286,000 4,286,000	245,000 245,000	1,673,649 1,673,649	10,704,649 10,704,649	193,767 193,767	0 0	0 0	0 0	193,767 193,767	
A. Power Sector											
1. Resilient grid reconstruction	2,348,868 2,048,800	0 0	245,000 180,000	445,543 379,411	3,040,411 2,608,011	0 0	0 0	0 0	0 0	0 0	
2. Climate proofing of Nauru Hospital & HHS	213,200	0	30,000	48,800	290,000	0	0	0	0	0	
3. Repairing & climate proofing of Street Lights	73,800	0	35,000	10,200	129,000	0	0	0	0	0	
4. Temporary Spinal centers for Community Systems	14,268	0	0	3,132	17,400	0	0	0	0	0	
B. School Reconstruction											
1. Classroom Reconstruction	1,408,700 1,359,700	3,545,167 2,310,247	0 0	1,116,806 803,483	6,071,873 4,473,350	224 0	0 0	0 0	0 0	224 0	
2. Staff Quarters Reconstruction		572,360	0	167,983	740,343	0	0	0	0	0	
3. Classroom furniture & materials		538,560	0	118,440	658,000	0	0	0	0	0	
4. Efficient Management	50,000	123,000	0	27,600	200,000	224	0	0	0	224	
C. School Reconstruction											
1. Removal of Asbestos	185,000 185,000	0 0	0 0	33,300 33,300	218,300 218,300	93,767 93,767	0 0	0 0	0 0	93,767 93,767	
D. Recurrent costs											
1. Salaries	0	0	0	78,000	78,000	0	0	0	0	0	
2. Accommodation	0	0	0	70,000	70,000	0	0	0	0	0	
3. Equipment Operation & Maintenance	0	0	0	8,300	8,300	0	0	0	0	0	
Sub-total	3,944,568	3,545,167	245,000	1,673,649	9,408,384	93,990	0	0	0	93,990	
E. Contingencies *											
1. Output 1	575,432	507,533	0	0	1,082,965	0	0	0	0	0	
2. Output 2	285,432	0	0	0	285,432	0	0	0	0	0	
3. Output 3	200,000	507,533	0	0	707,533	0	0	0	0	0	
Grand Total	4,520,000	4,052,700	245,000	1,673,649	10,491,349	93,990	0	0	0	93,990	
Balance	0	213,300	0	0	213,300	93,776	0	0	0	93,776	

CYCLONE IAN RECOVERY PROJECT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2015.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity and Compliance

The Cyclone Ian Recovery Project is a Grant Agreement between HM Government and the Asian Development Bank (ADB). It was signed on 25th June 2014 and was financially operative as at December of the same year. The Project Management Unit (PMU) is responsible for the management and disbursement of the project funds. The Project's financial statements have been prepared on cash basis in accordance with the Public Finance Management Act 2002 (amended 2010).

(b) Basis of Preparation

The financial statements are presented in United States Dollars (USD) units. Transactions in other currencies are converted into USD using the rate of exchange ruling at the date of transaction.

2. WITHDRAWALS ON PROJECT FUND

- (a) Total of 1 withdrawals through the Imprest Funding system totalling USD 93,990 were paid out under Consultancy category during the year:

IF002	93,990
	<u>93,990</u>

- (b) Total of 10 withdrawals through Direct Payment system totalling USD 761,951 were paid out under Consultancy and Work during the year:

	ADB	GoNZ	Total
DP001	6,343	15,605	21,948
DP002	4,136	10,174	14,310
DP003	3,483	8,569	12,052
DP004	3,899	9,592	13,491
DP005	0	69,687	69,687
DP006	5,815	14,306	20,121
DP007	0	210,207	210,207
DP008	0	172,615	172,615
DP009	66,724	102,483	159,207
DP010	0	68,314	68,314
	<u>80,399</u>	<u>681,552</u>	<u>761,952</u>

- (c) Total withdrawals (a) + (b)

855,942