

# Audited Project Financial Statements

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Project Number: 46122  
Loan/Grant Number: 0409/0410/0429  
Period covered: January to December 2015

## MLD: Preparing the Outer Islands for Sustainable Energy Development

Prepared by Ministry of Environment and Energy

For the Asian Development Bank  
Date received by ADB: 25 August 2016

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Report No: FIN-2016-64(E)

25 August 2016

# PREPARING OUTER ISLANDS FOR SUSTAINABLE ENERGY DEVELOPMENT PROJECT (POISED)

MINISTRY OF ENVIRONMENT AND ENERGY  
FINANCIAL YEAR 2015



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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S OFFICE  
Malé, Republic of Maldives

## AUDITOR GENERAL'S REPORT TO THE MINISTRY OF ENVIRONMENT AND ENERGY ON THE FINANCIAL STATEMENT OF PREPARING OUTER ISLANDS FOR SUSTAINABLE ENERGY DEVELOPMENT PROJECT

### Introduction

We have audited the accompanying financial statement; Statement of Receipts and Payments for the period from 1 January 2015 to 31 December 2015 and notes to this statement, as set out on pages 3 to 7 of Preparing Outer Islands for Sustainable Energy Development Project financed under Asian Development Bank(ADB), Strategic Climate Fund(SCF), Japan Fund for the Joint Crediting Mechanism (JFJCM) and co-financed by Islamic Development Bank(IDB), European Investment Bank(EIB) and the Government of Maldives.

### Management's Responsibility for the Financial Statement

The Management is responsible for the preparation and fair presentation of this financial statement in accordance with International Public Sector Accounting Standard (IPSAS): *Financial Reporting under the Cash Basis of Accounting*. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor General's Responsibilities

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Statement of Receipts and Payments is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgement, 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 statement, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting





policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Unqualified Opinion**

In our opinion, the financial statement presents fairly, in all material respects, the cash receipts and cash payments for the period from 1 January 2015 to 31 December 2015 and cash balances as at 31 December 2015, in accordance with International Public Sector Accounting Standard: *Financial Reporting under the Cash Basis of Accounting*.

In addition, we can provide assurance that:

- (a) The funds provided under the Financial Agreements have been utilised for the purposes for which they were provided;
- (b) The Special Account (bank account) transactions and its balance as at 31 December 2015 have been presented truly and fairly on the financial statement, in accordance with International Public Sector Accounting Standard: *Financial Reporting under the Cash-Basis of Accounting*. The cash balance as at the end of the period shown on the Statement of Receipts and Payments reflects the cash balance which is reconciled to that of the Special Account as at 31 December 2015;
- (c) Adequate supporting documentation have been maintained to support claims to the ADB, for reimbursement of expenditures incurred and which expenditures are eligible for financing under the Financing Agreements;
- (d) The financial covenants contained in the legal agreements for the project have been complied with; and
- (e) The imprest procedures and fund have been used properly, in accordance with ADB's Loan Disbursement Handbook and the project documents.

25<sup>th</sup> August 2016



Hassan Ziyath

Auditor General



**STATEMENT OF RECEIPTS AND PAYMENTS**

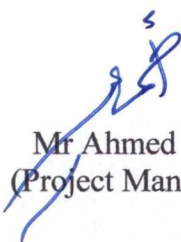
FOR THE PERIOD 01 JANUARY 2015 TO 31 DECEMBER 2015

	Note	For the period From 1 Jan 2015 to 31 Dec 2015 USD
<b>Receipts</b>		
Disbursements from the ADB	3	1,415,237
<b>Total Receipts</b>		<b>1,415,237</b>
<b>Payments</b>		
Renewable Energy grid package	4	554,496
Energy Efficiency grid package	5	429,351
Consulting Services	6	328,039
Project Management	7	26,485
<b>Total Payments</b>		<b>1,338,371</b>
<b>Increase/(Decrease) in Cash</b>		<b>76,867</b>
<b>Cash balance at the beginning of the year</b>		<b>-</b>
<b>Increase/(Decrease) in Cash</b>		<b>76,867</b>
<b>Cash balance at the end of the year</b>		<b>76,867</b>

Management of the Project is responsible for the preparation and presentation of the financial statement.

The Statement of Receipts and Payments were approved by Project Management Unit (PMU) on 25 August 2016.

Signed for and on behalf of the PMU:

  
 Mr Ahmed Ali  
 (Project Manager)

  
 Thaalooth Rasheed  
 (Financial Expert)

The accounting policies and notes on pages 4 through 7 form an integral part of the Statement of Receipts and Payments.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. PROJECT INFORMATION

#### Key Highlights

**Project Title:** Preparing Outer Islands for Sustainable Development Project (POISED)

**Start Date:** 9 December 2014

**Closing Date:** 31 December 2019

**Project Duration:** 5 years

**Funded by:** Special Grant from ADB, Strategic Climate Fund (SCF), Japan Fund for the Joint Crediting Mechanism (JFJCM) and Government of Maldives. Also co-financed through Loans from Islamic Development Bank (IDB) and European Investment Bank (EIB).

**Approved Budget:** USD124 million

**Additional Financing:** USD 5 million (Japan Fund for the Joint Crediting Mechanism -JFJCM)

Source	Type modality	Amount (\$ Million )
Asian Development Bank	Grant - Special Financed	38
Strategic Climate Fund	Grant - Externally Financed	12
Japan Fund for the Joint Crediting Mechanism	Grant - Additional financing	5
Islamic Development Bank	Loan - Co Financing	10
European Investment Bank	Loan - Co Financing	50
Government of Maldives	Tax Payments and other home-based expenditures	14
<b>Total</b>		<b>129</b>

Disbursements from the ADB Special Grants, Strategic Climate Fund, Japan Fund for the Joint Crediting Mechanism are centrally administered by the ADB.

Government of Maldives contributions include Goods and Service Tax for taxable supplies of the project, maintenance costs, rent and other miscellaneous expenditures made out of the state budget and, salary of some PMU staff paid by some key beneficiaries of the project – Fenaka and STELCO.

#### 1.1 Impact and Outcome

The impact of the project will be a more sustainable energy sector based on renewable resources, to be achieved by the year 2022. The outcome will be a shift towards clean and cost-effective energy sources by 2019.





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The project outputs are:

- i) Output 1: renewable-energy-ready grid systems developed for outer islands and greater Male' region; and
- ii) Output 2: enhanced capacity of MEE, STELCO and FENAKA to implement renewable energy grid interventions.

Output 1 includes detailed design and installation of equipment for solar diesel hybrid grids for about 160 outer islands and centre to be scaled up to other islands using an eligibility criterion. Capacity building under output 2 would include procurement; project management, technical; financial management; gender and safeguard support and training that would commence in 2014 for the duration of the project.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation**

The financial statement is prepared in accordance with International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting.

### **2.2 Recognition of Receipts and Payments**

Receipts and payments are accounted for on cash basis. Receipts are recognised when the Maldives Monetary Authority (MMA) receives the funds from World Bank to the bank account maintained for the project with it. This account is maintained in United States Dollars (USD). Payments are recognised at the time of outflow of cash either from the bank account, or from the cash account maintained for cash payments.

### **2.3 Third Party Payments**

Payments made to vendors directly by the ADB on behalf of the project are recognised and included within the receipts(disbursements) of the project, whilst such figures are also recognised as payments under appropriate heads in the financial statement.

### **2.4 Presentation Currency**

The financial statement has been presented using the United States Dollars (USD). And all the figures have been rounded to the nearest Dollar.

### **2.5 Foreign Currency Translation**

Receipts and payments in currencies other than the reporting currency (USD) are converted at the Mid- Exchange Rate (MMA's published exchange rate less 0.05) existing between the transaction currency and USD at the time of the receipt/payment. Cash balances in currencies other than USD





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as at the end of the reporting period are shown in the financial statement at the exchange rate that was prevailing at the last day of the reporting period.

### 2.6 Reporting Period

Financial statement is generally prepared for one year (calendar year). Period for which financial statement is prepared are disclosed on the face of the financial statement.

### 2.7 Comparatives

Since this is the financial statement prepared for the first reporting period of the project, there are no comparative figures to present.

## 3. Disbursements

	<b>For the period From 1 Jan 2015 to 31 Dec 2015 USD</b>
Asian Development Bank (Grant-0409 MLD)	1,038,180
Strategic Climate Fund (Grant-0410 MLD)	377,057
<b>Total</b>	<b>1,415,237</b>

## 4. Renewable Energy grid package

	<b>For the period From 1 Jan 2015 to 31 Dec 2015 USD</b>
<i>Under 00409-MLD</i>	
Design, Supply, Installation and Maintenance of Grid Tied Solar PV-Diesel Hybrid Power Generation Plant in five Pilot islands of Maldives	177,439
<i>Under 00410-MLD</i>	
Design, Supply, Installation and Maintenance of Grid Tied Solar PV-Diesel Hybrid Power Generation Plant in five Pilot islands of Maldives	377,057
<b>Total</b>	<b>554,496</b>



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**5. Energy Efficiency grid package**

For the period  
From 1 Jan 2015 to  
31 Dec 2015  
USD

*Under 00409-MLD*

Design, Supply, Installation and Maintenance of Generator and Grid  
Infrastructure in five pilot islands of Maldives

429,351

**Total**

**429,351**

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**6. Consulting Services**

For the period  
From 1 Jan 2015 to  
31 Dec 2015  
USD

*Under 00409-MLD*

Technical Consulting Services (International)

314,633

Technical Consultant (local)

2,963

Environmental Consultant (local)

10,443

**Total**

**328,039**

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**7. Project Management**

For the period  
From 1 Jan 2015 to  
31 Dec 2015  
USD

*Under 00409-MLD*

Project Manager

13,703

Project Management

12,782

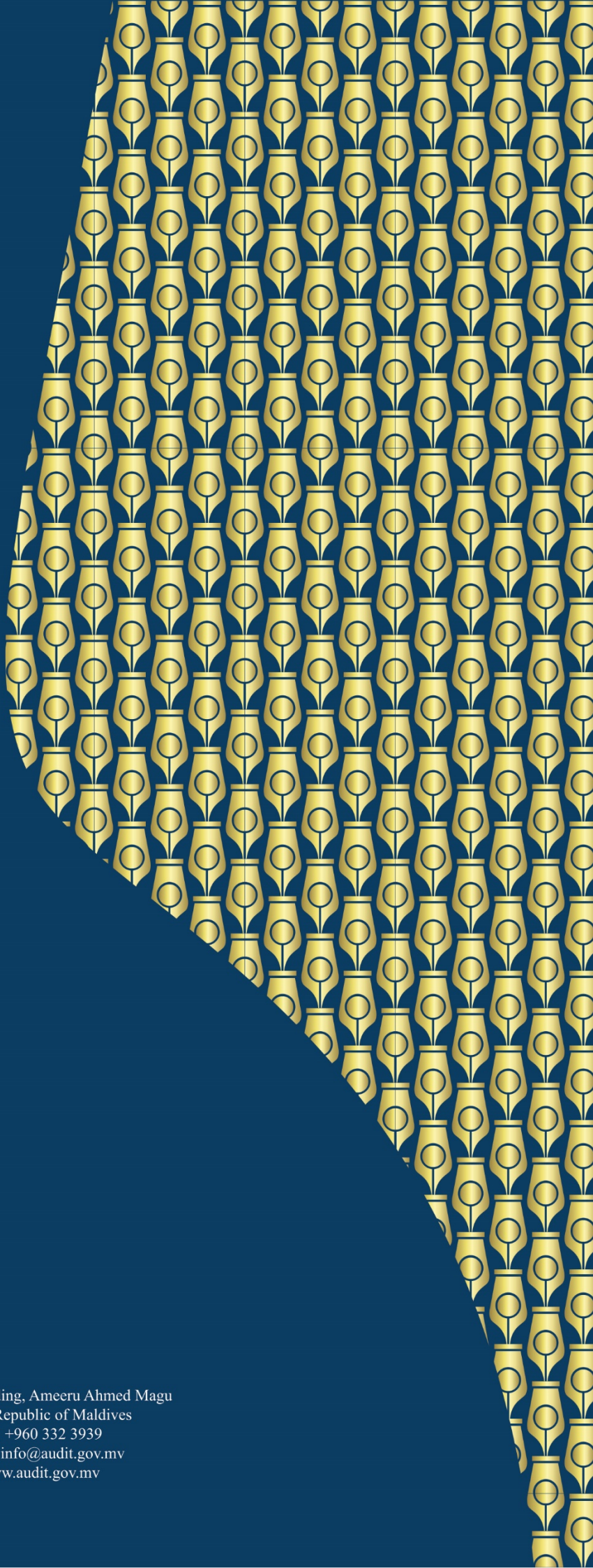
**Total**

**26,485**

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