

KIRIBATI AUDIT OFFICE



P.O BOX 63
Bairiki, Tarawa
Kiribati

Tel1: (686)75021118
Tel2: (686)75021335
Email: support@kao.gov.ki

Audit for an impact for the public

Independent Auditor's Report

To the readers of

Kiribati Telecommunication & ICT Development Project Financial statements for the year ended 31 December 2019

I have audited the financial statements of the Kiribati Telecommunication & ICT Development Project financed by World Bank (International Development Association) and Pacific Regional Infrastructure facility which comprise the Statement of Cash Receipts and Payments as of December 31, 2019, and for the year then ended, and a summary of significant accounting policies and other explanatory information.

The auditing was carried out in accordance with the Financing Agreement.

Management's Responsibilities

Management (Executing Agency) is responsible for the preparation and fair presentation of these financial statements in accordance with the Modified Cash Basis of accounting and for such internal control as management determines is necessary to enable the preparation of the Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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 our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

- I also, identify and assess the risks of material misstatement of the *Kiribati Telecommunication & ICT Development Project* 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 our 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 control.

- 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 of the Project.

Unqualified Audit Opinion

In my opinion, the Kiribati Telecommunication & ICT Development Project Financial Statements and appended notes, present fairly in all material respects, the Cash Receipts and Disbursements of the Project for the year ended December 31, 2019 in accordance with the Modified Cash Basis of accounting and that Expenditures have been applied to the purposes intended for in the Grant agreements and within the project's budget.

The audit was completed on **27 June 2022** and was the date at which my opinion was expressed.

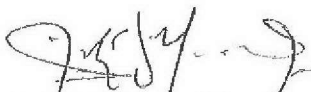
Independence

When carrying out the audit I followed the independence requirements stipulated under Section 114 (4) of the Kiribati Constitution and the requirements of the International Standards of Auditing.

Communication with those charged with governance

I communicate with the Secretary for Ministry of Communication, Tourism, Transport and Development Project Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings that I identify during my audit.

27th June 2022



Mr. Briati Tauina Manalima
Auditor General.



PA Kirata
~~Kakueti~~
Fyua
7/3/16

KIRIBATI TELECOMMUNICATIONS AND ICT DEVELOPMENT PROJECT

Funded by:
World Bank (International Development Association - IDA)
Pacific Region Infrastructure Facility (PRIF)

FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

Government of Kiribati
Financial Statements for the Kiribati Telecommunications and ICT Development Project
(IDA Grant No. H7800 and PRIF Grant No. TF 11213)

**KIRIBATI TELECOMMUNICATIONS AND
ICT DEVELOPMENT PROJECT**

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KIRIBATI TELECOMMUNICATIONS AND ICT DEVELOPMENT PROJECT

The Financial Reports for the project for its sixth year of implementation ending 31 December 2019 are being presented for auditing.

In compliance with the project agreements the audit report is required to be submitted to the World Bank by 30th June 2022, and we would request your kind offices if the auditing could be completed by the due date.

All financial records for the project are held within the Kiribati Fiduciary Services Unit at the Ministry of Finance & Economic Planning.



Meere Karotu
PST Manager



Deputy Secretary, MFED
For - Manager, KFSU

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Date: 1st June 2022

Government of Kiribati
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STATEMENT OF CASH RECEIPTS AND PAYMENTS - BY DONOR, CATEGORY AND COMPONENT (AU\$) (1)					
FOR THE YEAR ENDED 31 DECEMBER 2019					
	Account Description	Notes	2019	2018	Cumulative
CASH RECEIPTS					
1. H7800 (IDA)					
	Designated Account	2	1,785	11,652	520,402
	Direct Payments	2	193,028	190,181	690,659
	Total		194,813	201,833	1,211,061
2. TF 11213					
	Designated Account	2	20,952	410,197	2,506,100
	Direct Payments	2	1,234,876	1,095,338	2,869,686
	Total		1,255,828	1,505,536	5,375,787
TOTAL CASH RECEIPTS					
	Designated Account	1, 2	22,737	421,849	3,026,502
	Direct Payments	1, 2	1,427,905	1,285,520	3,560,345
	Grand Total		1,450,642	1,707,369	6,586,847
CASH PAYMENTS BY CATEGORY AND COMPONENT					
	As per attached schedule	3	1,689,818	1,566,212	6,586,827
CASH RECEIPTS LESS CASH PAYMENTS			(239,177)	141,157	21
IMPRESTS					
		8	(6,117)	(3,925)	-
			-	(423)	
NET CHANGE IN CASH			(233,060)	145,505	21
PAYABLES					
		11	(7,403)	7,403	-
ADD OPENING CASH BALANCE AS AT 1 JANUARY			240,483	87,576	-
CLOSING CASH BALANCE AS AT 30 JUNE			20.65	240,483	21

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STATEMENT OF CASH RECEIPTS AND PAYMENTS - BY DONOR, CATEGORY AND COMPONENT (AU\$)
(2)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes 3	2019	2018	Cumulative
CASH PAYMENTS				
1. H7800 (IDA)				
Category 1		-	-	608,806
Component 1		-	-	499,388
Component 2		-	-	78,826
Component 3		-	-	-
Component 4		-	-	30,592
Category 2		-	-	967
Component 3		-	-	967
Total		-	-	609,774
2. TF 11213				
Category 1		1,689,818	1,566,175	5,925,287
Component 1		-	38,192	910,547
Component 2		755	203,423	1,339,425
Component 3		1,649,424	1,195,038	3,135,507
Component 4		39,639	129,523	539,808
Category 2		-	-	51,767
Component 3		-	-	51,767
Total		1,689,818	1,566,175	5,977,053
TOTAL CASH PAYMENTS				
		1,689,818	1,566,175	6,586,827
H788 & TF 11213				
Component 1		-	38,192	1,409,935
Component 2		755	203,423	1,418,250
Component 3		1,649,424	1,195,038	3,188,241
Component 4		39,639	129,523	570,400
Grand Total		1,689,818	1,566,175	6,586,827

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL - BY CATEGORY AND COMPONENT (AU\$)									
FOR THE YEAR ENDED 31 DECEMBER 2019									
	Notes	2019			2018			Cumulative	
		Budget	Actual	Variance	Budget	Actual	Variance	Lifetime Budget	Actual
	3, 6								
Category 1			1,689,818			1,566,212		4,000,000	6,534,093
Component 1			-			38,192		1,606,250	1,409,935
Component 2			755			203,423		1,687,500	1,418,250
Component 3			1,649,424			1,195,038		250,000	3,135,507
Component 4			39,639			129,559		456,250	570,400
Category 2			-			-		2,375,000	52,734
Component 3			-			-		2,375,000	52,734
TOTAL BUDGET AND ACTUAL			1,689,818			1,566,212		6,375,000	6,586,827

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Statement of Accounting Policies and Notes

1. Accounting Policies

Basis of Preparation

The financial statements of the project have been prepared in accordance with the requirement of the Public Finance (Control & Audit) Act, which includes the requirement to comply with generally accepted accounting practice.

The financial statements have been prepared in accordance with Cash Basis IPSAS "Financial Reporting under the Cash Basis of Accounting".

In previous years, financial statements were prepared largely in accordance with the cash basis of accounting, but with certain modifications. There have been no other changes in accounting policies during the financial year.

Reporting Entity

These financial statements are prepared specifically for a project that is managed by the Ministry of Communications, Transport and Tourism Development (MCTTD). MCTTD forms part of the Government of Kiribati (GoK). The project is funded through two grants, as follows:

- (i) The World Bank (WB; through its International Development Association – IDA). Grant of Special Drawing Rights (SDR) 0.70 million (with originally estimated AU\$ equivalent of AU\$ 1.00 million); established through a Financing Agreement dated September 26 2012.
- (ii) The Pacific Region Infrastructure Facility (PRIF). Grant of US\$ 4.10 million (with originally estimated AU\$ equivalent of AU\$ 4.10 million); established through a Financing Agreement (Amendment and Restatement) dated September 13, 2012.

WB administers both the IDA and PRIF funding.

The objective of the project is to strengthen the legal, regulatory and institutional environment enabling a market-driven telecommunications sector, and facilitating improved connectivity for the outer islands.

Under the Grant Agreements, different Categories of expenditure are provided for as follows:

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	IDA		PRIF	
	Components	SDR	Components	US\$
<i>Category 1</i>	<i>1, 2, 3.1, 4</i>	<i>500,000</i>	<i>1, 2, 3.1, 4</i>	<i>2,400,000</i>
<i>Category 2</i>	<i>3.2</i>	<i>200,000</i>	<i>3.2</i>	<i>1,700,000</i>
<i>Total</i>		<i>700,000</i>		<i>4,100,000</i>

Category 1 covers Goods, works, non-consulting services, consultants' services, operating costs and training, while Category 2 covers Subsidies under Component 3.2.

The allocation of expenditure by Category is managed accordingly through the component/subcomponent structure. The project activities and budget is managed according to the component/subcomponent structure, within the above Category limits.

The grant agreements identified the budget activities according to the following four components to be implemented under the project:

- (i) Component 1 – Supporting MCTTD in carrying out (i) an ICT policy review and coordination; (ii) a Telecom Services Kiribati Limited (TSKL) restructuring; and (iii) a legal and regulatory review for legislative and regulatory reforms.
- (ii) Component 2 – Supporting the telecommunications authority of Kiribati in carrying out (i) an analysis of conditions for new market entry; (ii) an improved general regulatory role; and (iii) an improved technical management.
- (iii) Component 3 – Facilitating improved connectivity for the outer islands.
- (iv) Component 4 – Project Management.

The Project is implemented by MCTTD under the overall policy guidance and strategic direction of the Project Steering Committee. Management support to the project is provided through the Kiribati Fiduciary Services Unit (KFSU), which is established under the Ministry of Finance and Economic Development (MFED).

The project officially commenced in November 2012, being the date of WB effectiveness of the revised IDA grant; no transactions were made in 2012. The closure date of the project is set as 30 June 2017 but was extended to 30th June 2019; a further four months is available for settling expenditures incurred by 30 June 2019.

Accounting Period

IPSAS cash accounting standards require that general purpose financial statements be prepared at least annually (IPSAS cash para 1.4.1). These financial statements cover the fiscal year 2019.

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Currency

Reporting Currency

The reporting currency is Australian Dollars (AU\$).

Foreign Currency

In-country payments made in foreign currencies and reported in these financial statements have been converted to AU\$ by the ANZ Bank at the applicable rate as of the date of transaction. Direct Payments made in foreign currencies and reported in these financial statements have been converted to AU\$ based on the exchange rate as per www.xe.com as of the transaction value date.

The in-country fund receipts transferred from the World Bank were all in AU\$. Withdrawals from the grants are charged against the grants, in the respective grant currency, based on exchange rates applied by the World Bank.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

Direct Payments made by World Bank

GoK also benefits from payments made directly by the World Bank. These payments do not constitute in-country cash receipts and payments of GoK, but do benefit GoK. They are disclosed as Direct Payments in the Statement of Cash Receipts and Payments, and in these Notes.

2. Cash Receipts (AUD)

Details of the cash receipts, for each of the IDA and PRIF grants, are given in the table on the following page.

The Designated Account (DA) is the locally-managed, account; funds are transferred from WB periodically, from which payments are made. Direct Payments are made by WB directly to the supplier/consultant, based on the official request of the authorized signatories of the project.

GoK receives the funds into the DA (covering both IDA and PRIF funding), which are managed by MCTTD/KFSU, with signatories as agreed by GoK. Under this arrangement MCTTD carries out the implementation of the project, and KFSU makes payments on their behalf after appropriate authorization and documentation provided by MCTTD.

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STATEMENT OF FUNDS RECEIVED BY SOURCE										
For the Year Ended 31 December 2019										
IDA Grant H7800 KI										
A. Designated Account										
Date Received by WB	WA No.	DA No.	Details	WA Amount AU\$	Amount Disbursed by WB	Equivalent in AU\$	Exchange Rate	Value Date	Equivalent Grant Currency (SDR)	
09-Feb-2019		ANZ No. 8911198	Exps replenishment	\$ 1,784.94	\$ 1,784.94	\$ 1,784.94	1	05-Mar-2019	911.11	
				\$ 1,784.94	\$ 1,784.94	\$ 1,784.94			911.11	
B. Direct Payments										
Date Received by WB	WA No.	Paid to	Details	WA Amount US\$	Amount Disbursed by WB	Equivalent in AU\$	Exchange Rate	Value Date	Equivalent Grant Currency (SDR)	
			Payment vs contract	\$ 131,588.30	\$ 131,588.30	\$ 193,028.40	1.4669	24-Oct-19	95,557.42	
				\$ 131,588.30	\$ 131,588.30	\$ 193,028.40			95,557.42	
PRIF Grant TF 11213 KI										
A. Designated Account										
Date Received by WB	WA No.	DA No.	Details	WA Amount AU\$	Amount Disbursed by WB	Equivalent in AU\$	Exchange Rate	Value Date	Equivalent Grant Currency (US\$)	
09-Feb-2019		ANZ No. 8911198	Exps replenishment	\$ 20,951.85	\$ 20,951.85	\$ 20,951.85	1	05-Mar-2019	\$ 14,888.38	
				\$ 20,951.85	\$ 20,951.85	\$ 20,951.85			\$ 14,888.38	
B. Direct Payments										
Date Received by WB	WA No.	Paid to	Details	WA Amount US\$	Amount Disbursed by WB	Equivalent in AU\$	Exchange Rate	Value Date	Equivalent Grant Currency (US\$)	
			Payment vs contract	\$ 360,000.00	\$ 360,000.00	\$ 529,316.12	1.4703	2-Aug-19	\$ 360,000.00	
			Payment vs contract	\$ 485,958.22	\$ 485,958.22	\$ 705,560.26	1.4519	13-Sep-19	\$ 485,958.22	
				\$ 845,958.22	\$ 845,958.22	\$ 1,234,876.38			\$ 845,958.22	
TOTAL DRAWDOWNS FROM WB										
Equivalent Grant Currency										
				2019 AU\$	2018 AU\$	Cumulative AU\$	2019	2018	Total	
IDA Grant H7800 KI (SDR)				\$ 194,813.34	\$ 201,833.31	\$ 1,197,180.62	96,468.53	104,601.74	699,938.20	
PRIF Grant TF 11213 KI (US\$)				\$ 1,255,828.23	\$ 1,505,535.60	\$ 5,389,666.78	860,846.60	1,106,651.00	4,100,000.00	
				1,450,641.57	\$ 1,707,368.92	\$ 6,586,847.40				

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3. Cash Payments (AUD)

The summary of payments is given in the Statement of Cash Receipts and Payments, and is further detailed in the table on the following page.

4. Cash Balance

The closing cash balance in these financial statements is reconciled with the balance in the DA as at 31 December 2018. The closing cash balance is summarized in the table below.

KIRIBATI TELECOMMUNICATIONS AND ICT DEVELOPMENT PROJECT
IDA GRANT H7800 KI/PRIF GRANT TF 11213 KI
STATEMENT OF BALANCES (AU\$)
For the Year Ended 31st December 2019

	2019	2018
Designated Account	20.66	240,483.33
Bank Reconciliation at 31st December 2019	20.66	242,587.70
<u>Less: Unpresented Cheques</u>	0.00	2,104.37
	20.66	240,483.33

5. Employee Entitlements

No provision is required for employee entitlements.

6. Budget

The approved budget is developed on the same accounting basis (cash basis), same classification basis, and for the same period during which withdrawals from the grant accounts are made as for the financial statements. It encompasses the same entities as the financial statements.

The lifetime budget in AU\$ as per these financial statements is as per the budget agreed by MCTTD. The remaining budget available is expected to be utilised over the remaining period of the project, taking account of the closure date.

The lifetime budget is monitored against the likely amount of AU\$ to be generated from the SDR/US\$ grants, to ensure that the grants are not over-committed.

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7. Commitments

There were no more outstanding commitments as the Project is closed.

	2019	2018
Component 1	-	-
Component 2	-	-
Component 3	-	184,508
Component 4	-	22,670
Total	-	207,178

8. Imprests

Imprests were cleared as the remaining outstanding imprest were per diem that were recorded as imprests during the trip to overseas or outer islands.

	2019	2018
Itaaka Tebaka	0.00	\$ 2,400.00
langaibo Tekanimaue	0.00	\$ 898.85
Kaboterenga Romatoa	0.00	\$ 12.20
Samaluta Nunaia	0.00	\$ 186.45
Teewa Tonaeka	0.00	\$ 140.00
Danietta Apisai	0.00	\$ 655.00
Wayne Reiher	0.00	\$ 1,824.00
Total	0.00	\$ 6,116.50
		\$ 6,116.50

9. Property, Plant & Equipment

Payments for Property Plant & Equipment (PPE) are charged fully as disbursements under the respective Component, and included in the Statement of Cash Receipts and Payments, at cost; these are recorded in a PPE Register, for the purposes of inventory control. The PPE Register is shown on the following page.

There is no PPE purchased on hire purchase schemes and no depreciation is being charged.

10. Related Parties

There were no related party transactions during the year.

The ultimate owner of the project is GoK, as set out in the Grant Agreements.

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11. Creditors

No more remaining payables amount as the Project is closed.

	2019	2018
Component 1	-	-
Component 2	-	-
Component 3	-	-
Component 4	-	7403
Total	-	7403

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PPE Register as at 31st December 2019

Kiribati Information Communication Technology
Fixed Assets Register

Period Ended: 31st December 2019

Item No.	Voucher No.	Supplier	Description (inc Make/Model/Type)	Asset Serial No	Purchase Date	Purchase Price	Location/ Assigned To	Warranty Details	Name of User
1	1303	Family Trap Online	Laptop	807000954	28th Jun 13	1,267	MCTTD		Meere
2	1303	Family Trap Online	Laptop	QB07000955	28th Jun 13	1,267	MCTTD		Renga
3	1302	Taofin Trading Co.	Cabinet 3 drawer		28th Jun 13	390	MCTTD		Meere
4	1330	Apple	Mac mini server	CO7KXOASDWYN	1st Nov 13	1,437	MCTTD		MCTTD
5	1422	PVU	MAZDA		31st Mar 14	47,500	MCTTD		Project Manager
6	1448	John Crook	Computer items		26th June 14	7,585	MCTTD		MCTTD
7	1664	KOES	Printer & Photocopier	MP2601S	16th June 16	5,995	CCK		CCK
8	1664	KOES	Printer & Photocopier	MP2601S	16th June 16	5,995	MCTTD		ICT Project
9	16111	Taofin Trading Co.	Laptop HP 17		23th Sept 16	2,252	CCK		CEO
10	16111	Taofin Trading Co.	Laptop HP 17		23th Sept 16	2,252	CCK		Neiran
11	17118	Big D Enterprises	Foton Tunland Double Cap	Part payment	20% Payment	9,293	CCK		CCK
12	1801	Big D Enterprises	Foton Tunland Double Cap	Last payment	80% Payment	37,174	CCK		CCK
				Total Amount (AU\$)		122,407			