



Our Reference: LC792/55/20

Your Reference:

Date: 18th September, 2020

Mr Viliami Ma'ake
Tonga Project Manager
Tonga Aviation Investment Program
NUKU'ALOFA

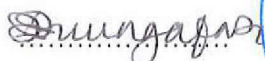
Dear Mr Ma'ake

**Re: AUDIT REPORT AND MANAGEMENT REPORT ON AUDIT OF THE TONGA
AVIATION INVESTMENT PROJECT FOR THE FINANCIAL PERIOD ENDED
15th MAY, 2020**

Please find enclosed is the Audit Report and Management Report of the Tonga Aviation Investment Project for the financial period ended 15th May, 2020.

Once again, I would like to thank you and your staff for all the assistance and co-operation during the audit.

Yours sincerely



Lotomo'ua Tu'ungafasi
for AUDITOR GENERAL



encls.

**TONGA AVIATION INVESTMENT PROJECT
(TAIP)**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

TONGA AVIATION INVESTMENT PROJECT
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

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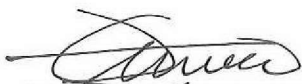
TONGA AVIATION INVESTMENT PROJECT
CERTIFICATION BY PROJECT'S MANAGEMENT
FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

We certify that the attached financial statements for the Tonga Aviation Investment Project (TAIP) comprising of the Statement of Receipts and Payments, Statement of Comparison of Budget & Actual Amounts and Notes forming part of the financial statements for the period from 01 July 2019 to 15 May 2020 (10.5 months):

- a) gives a true and fair view of the matters to which they relate; and
- b) have been properly drawn up in accordance with the accounting policy described in Note 2 to the financial statements.

We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 14 September 2020 on behalf of the Management of the Tonga Aviation Investment Project.



Signature

Fisilau Leone
Tonga Project Manager
Tonga Aviation Investment Project
Tofoa, Tonga



Signature

Viliami Ma'ake
Chief Executive Officer
Tonga Airports Limited
Tofoa, Tonga



INDEPENDENT AUDITOR'S REPORT

To the Chief Executive Officer for Tonga Airports Limited
Tonga Aviation Investment Project (TAIP)

We have audited the accompanying Financial Statement of Cash Receipts and Payment, Statement of Comparison of Budget and Actual amounts and the Accompanying Notes to the Financial Statements for the Tonga Aviation investment Project (TAIP) as set out on page 4 – 11 for the financial period ended 15th May 2020.

Management's Responsibility for the Statement of Receipts and Payments

Management is responsible for the preparation of the financial Statement on the cash basis accounting as accordance with the Public Finance Management Act 2002 and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSASs), *Financial reporting under the Cash Basis of accounting* 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 misstatements.

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 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 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 to provide a basis for my unqualified audit opinion.

Auditor's opinion

In my opinion, the Financial Statements on pages 4 to 11, present fairly, in all material respects, the receipts and payments of the Tonga Aviation Investment Project for the period ended 15th May 2020 in accordance with the *Public Finance Management Act 2002* and the International Public Sector Accounting Standards (IPSASs), *Financial Reporting under the Cash Basis of Accounting*.


Sefita Tangi FCPA (Aust.)
AUDITOR GENERAL



Nuku'alofa
TONGA
18th September, 2020

TONGA AVIATION INVESTMENT PROJECT
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

<i>Expressed in United States Dollars</i>		15 MAY 2020		30 JUNE 2019	
		Notes	Receipts/ (Payments) Controlled by the Entity \$	Payments by Third Parties \$	Receipts/ (Payments) Controlled by the Entity \$
RECEIPTS					
IDA Grant No. H7430	2.5, 5	-	-	688,888	466,518
IDA AF Grant No. D1060	2.5, 5	35,414	121	285,569	245,137
IDA AF Credit No.57700	2.5, 5	683,191	1,441,866	1,312,367	1,541,988
PRIF Grant No. TF12702	2.5, 5	-	-	208,416	-
PRIF AF Grant No. TF A1644	2.5, 5	79,547	43,293	107,815	-
Total Receipts		798,152	1,485,281	2,603,054	2,253,643
PAYMENTS					
Programme Activities Expenditure					
Component A: Aviation Infrastructure Investments		1,241,240	1,441,987	2,666,044	2,253,643
Component B: Aviation Sector Reform and Training		58,799	43,293	141,610	-
Component C: Strengthening Airport Operations & Management Capacity		51,252	-	151,324	-
Component D: Project Implementation Support		210,954	-	(75,834)	-
Total Payments		1,562,244	1,485,281	2,883,144	2,253,643
Cash at Beginning of Year	4	764,092	N/A	1,044,182	N/A
Net Movement in Cash		(764,092)	N/A	(280,090)	N/A
Cash at End of Year	4	0	N/A	764,092	N/A

TONGA AVIATION INVESTMENT PROJECT
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

<i>Expressed in Tongan Pa'anga</i>		15 May 2020		30 JUNE 2019	
		Notes	Receipts/ (Payments) Controlled by the Entity \$	Payments by Third Parties \$	Receipts/ (Payments) Controlled by the Entity \$
RECEIPTS					
IDA Grant No. H7430	2.5, 5	-	-	1,532,907	1,038,091
IDA AF Grant No. D1060	2.5, 5	80,213	274	635,445	545,477
IDA AF Credit No.57700	2.5, 5	1,547,432	3,265,835	2,920,264	3,431,214
PRIF Grant No. TF12702	2.5, 5	-	-	463,765	-
PRIF AF Grant No. TF A1644	2.5, 5	180,174	98,060	239,908	-
Total Receipts		1,807,820	3,364,169	5,792,288	5,014,782
PAYMENTS					
Programme Activities Expenditure					
Component A: Aviation Infrastructure Investments		2,811,415	3,266,109	5,932,453	5,014,782
Component B: Aviation Sector Reform and Training		133,181	98,060	315,108	-
Component C: Strengthening Airport Operations & Management Capacity		116,085	-	336,725.37	-
Component D: Project Implementation Support		477,811	-	168,745.24	-
Total Payments		3,538,492	3,364,169	6,415,541	5,014,782
Cash at Beginning of Year	4	1,730,672	N/A	1,995,016	N/A
Net Movement in Cash		(1,730,672)	N/A	-623,253	N/A
Cash at End of Year	4	0	N/A	1,730,672	N/A

TONGA AVIATION INVESTMENT PROJECT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

Expressed in United States Dollars

	Actual Amounts	Final Budget	Original Budget	Difference Final Budget and Actual
	\$	\$	\$	\$
CASH INFLOWS				
IDA Grant No. H7430	-	-	-	-
IDA AF Grant No. D1060	35,535	36,000	36,000	465
IDA AF Credit No.57700	2,125,057	2,122,000	2,122,000	(3,057)
PRIF Grant No. TF12702	-	-	-	-
PRIF AF Grant No. TF A1644	122,841	172,185	172,185	49,345
Total Receipts	2,283,433	2,330,185	2,330,185	46,752
CASH OUTFLOW				
Component A: Aviation Infrastructure Investments	2,683,227	1,963,000	1,963,000	(720,227)
Component B: Aviation Sector Reform and Training	102,093	110,000	110,000	7,907
Component C: Strengthening Airport Operations & Management Capacity	51,252	45,000	45,000	(6,252)
Component D: Project Implementation Support	210,954	212,185	212,185	1,232
Total Payments	3,047,525	2,330,185	2,330,185	(717,339)
NET CASH FLOW	(764,092)	-	-	764,092

TONGA AVIATION INVESTMENT PROJECT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

Expressed in Tongan Pa'anga

	Actual Amounts	Final Budget	Original Budget	Difference Final Budget and Actual
	\$	\$	\$	\$
CASH INFLOWS				
IDA Grant No. H7430	-	-	-	-
IDA AF Grant No. D1060	80,487	81,540	81,540	1,053
IDA AF Credit No.57700	4,813,267	4,806,342	4,806,342	(6,925)
PRIF Grant No. TF12702	-	-	-	-
PRIF AF Grant No. TF A1644	278,234	390,001	390,001	111,766
Total Receipts	5,171,989	5,277,883	5,277,883	105,894
CASH OUTFLOW				
Component A: Aviation Infrastructure Investments	6,077,524	4,446,206	4,446,206	(1,631,318)
Component B: Aviation Sector Reform and Training	231,241	249,151	249,151	17,910
Component C: Strengthening Airport Operations & Management Capacity	116,085	101,925	101,925	(14,160)
Component D: Project Implementation Support	477,811	480,601	480,601	2,790
Total Payments	6,902,661	5,277,883	5,277,883	(1,624,778)
NET CASH FLOW	(1,730,672)	-	-	1,730,672

TONGA AVIATION INVESTMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

1. GENERAL INFORMATION

The Government of Tonga through the Implementing Agency – Tonga Airports Limited (TAL), has received grant and credit assistance from the International Development Association (IDA) under the Pacific Aviation Investment Program (PAIP). PAIP is a regional aviation project with the development objective to provide safe and secure air transport operations and environmentally sustainable and efficient airports.

The Tonga Aviation Investment Project (TAIP) Financing agreement was declared effective on 14th March 2012. The value of the (a) IDA Original Grant in SDR is \$17.2 m (equivalent of USD \$27.21 m); (b) Additional Finance (AF) IDA – Grant of SDR \$0.5m (equivalent of USD \$0.63 m); (c) Additional Finance (AF) IDA – Credit of SDR \$4.9m (equivalent of USD \$ 6.62 m);. Further, financing from the (2) Pacific Region Infrastructure Facility (PRIF) (d) PRIF - Original Grant of USD \$1.32m, (e) Additional Finance (AF) PRIF Grant of USD \$0.31m. Lastly, the (3) GoT financing - estimated contribution of USD \$4.28m. This covers tax revenue offsets, and does not form part of the core funding of TAIP upon which the Financial Statement is based. IDA Original Grant and PRIF Original Grant were closed as at 31 December 2018. As of 31 December 2019 (project closure date), all remaining physical works and delivery of goods and services was completed. The project under guidance of the implementing agency (TAL) had the mandatory grace period of four months (January - April 2020) to utilise remaining fund in settlement of outstanding invoices for works, goods and services delivery as of 31 December 2019. Under consideration of the IDA, the project was given additional fifteen (15) days to settle and close off all pending transaction by 15 May 2020. IDA Additional Finance Grant, IDA Additional Finance Credit Facility and PRIF Additional Finance Grant were closed as at 15 May 2020.

TAIP is implemented under the overall guidance, coordination and monitoring of the National Steering Committee, and the Program Steering Committee as part of the regional program of aviation investments (which currently includes Tonga, Tuvalu, Kiribati, Samoa, Vanuatu, and Solomon Islands). TAIP is supported by the Technical and Fiduciary Services Unit (TFSU); based in Tonga, and also tasked to support the regional program, with cost sharing arrangements agreed as per the Program Operations Manual (POM).

2. SUMMARY OF ACCOUNTING POLICIES

2.1 Basis of Preparation

They are prepared on the basis of historical Cash Basis IPSAS Financial Reporting Under The Cash Basis of Accounting.

The accounting policies have been applied consistently throughout the period.

2.2 Reporting Entity

The financial statements are for the Tonga Airports Limited ("TAL").

2.3 Reporting Currency

The reporting currency is Tongan Pa'anga (TOP), being the official currency of Tonga Airports Ltd. The main books are maintained in USD, and these Financial Statements are presented in both TOP and USD. Since this is the closing of the project, the TOP closing balances last fiscal period is converted using the following exchange rates. Project Income (Funding) and Expenditure in the Financial Statements is converted from USD to TOP at USD 0.4415 = 1 TOP, being the rate of ANZ (Tonga) for transferring USD to TOP for the last working day of the fiscal period.

Subsidiary books are maintained in TOP for the LC Account; expenditures are charged in the USD books at the time of replenishing the LC Account.

Transactions in currencies other than USD are translated into USD using the actual exchange rate applied by the ANZ (Tonga) bank (where the transactions are paid from the Designated Accounts) or at the applicable rate (where the transactions are paid by Third Parties)

TONGA AVIATION INVESTMENT PROJECT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

2.4 CASH

Cash in the Statement of Cash Receipts and Payments comprise of cash at bank and advances (receivable and payables), please refer to Note 4.

Advances as receivables and payables comprise of cash advances and payments made on behalf of our PAIP counterpart states which is covered under service agreement signed between Tonga Airports Limited (TAL) and other implementing agencies for PAIP states. These advances have been charged to various states and shall be recovered post reporting period.

2.5 Receipts

Grants are received from the World Bank. The amount is based on the Withdrawal Application from TAIP through the Ministry of Finance and National Planning (MOFNP) for approval and transfer from the World Bank.

Grant No.	Borrower Reference	Beneficiary Name		Ccy	Application Amount
IDA D1060	PAIP014	Tonga Aviation Investment Project	1768903	USD	35,414.10
IDA 57700	PAIPAF016	Tonga Aviation Investment Project	1768903	USD	300,311.51
IDA 57700	PAIPAF017	Tonga Aviation Investment Project	1768903	USD	251,960.24
IDA 57700	PAIPAF018	Tonga Aviation Investment Project	1768903	USD	130,919.50
PRIF TF A1644	PAIPAF007	Tonga Aviation Investment Project	1782815	USD	28,891.87
PRIF TF A1644	PAIPAF012	Tonga Aviation Investment Project	1768903	USD	50,655.16
			TOTAL	USD	<u>798,152.38</u>

2.6 Payments

Payments relate to all expenditure payments made to suppliers for goods and services relating to the TAIP.

Payments are approved by the CEO for Tonga Airports Limited and are paid in accordance with the Program Operational Manual (POM).

3. FINANCIAL PERIOD

This financial statements is for the year 15 May 2020 (10.5 months).

4. CASH AT BANK

Tonga Aviation Investment Project
IDA Designated Account No. 1768903
PRIF Designated Account No. 1782815
Cash at Bank - Local Currency
Advance - Receivables
Advance - Payables

	15 MAY 2020 \$	30 JUNE 2019 \$
	-	475,347
	-	29,983
	-	44,311
	-	214,452
	-	-
	-	<u>764,092</u>

TONGA AVIATION INVESTMENT PROJECT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

5 Payments by Third Parties

Third party is referred to the World Bank (WB). A total of eight direct payments and one special commitment was made during the year by third parties at the request of the project.

GRANT	Beneficiary Name	Borrower Reference	Ccy	Application Amount	USD Equivalents
IDA Grant No. H7430					
IDA 57700	REEVES INTERNATIONAL PTY LTD	PAIPAF014	USD	206,667.88	206,667.88
IDA 57700	REEVES INTERNATIONAL PTY LTD	PAIPAF019	USD	171,415.48	171,415.48
IDA 57700	DBS BANK LTD.	PAIP-SC-03	USD	794,388.34	794,388.34
IDA 57700	REEVES INTERNATIONAL PTY LTD	PAIPAF022	USD	258,050.37	258,050.37
IDA 57700	ST ELECTRONICS (INFO-SOFTWARE SY: PAIPAF023		USD	11,344.11	11,344.11
IDA D1060	ST ELECTRONICS (INFO-SOFTWARE SY: PAIP018		USD	120.96	120.96
PRIF TF A1644	PACIFIC AVIATION SAFETY OFFICE	PAIPAF008	AUD	16,050.00	10,974.99
PRIF TF A1644	PACIFIC AVIATION SAFETY OFFICE	PAIPAF009	AUD	26,121.05	16,968.23
PRIF TF A1644	PACIFIC AVIATION SAFETY OFFICE	PAIPAF011	USD	15,350.25	15,350.25
					1,485,280.61

6. GRANTS

6.1 Grants valued at historical figures showing total grants released for the Financial Period.

		15 MAY 2020 \$	30 JUNE 2019 \$
Grants from World Bank/IDA, Grant No. H7430	USD	-	1,155,406
Grants from World Bank/IDA, Grant No. D1060	USD	35,535	530,706
Grants from World Bank/IDA, Credit no. 57700	USD	2,125,057	2,854,354
Grants from World Bank/PRIF, Grant No. TF012702	USD	-	208,416
Grants from World Bank/PRIF, Grant No. TF A1644	USD	122,841	107,815
Total		2,283,433	4,856,698

6.2 Total Grants valued at historical figures represented by the uses of fund as per financing agreement over the life of the TAIP project.

GRANTS DISBURSED

	US\$
Grants from World Bank/IDA, Grant No. H7430	24,456,549
Grants from World Bank/IDA, Grant No. D1060	695,502
Grants from World Bank/IDA, Credit no. 57700	6,829,450
Grants from World Bank/PRIF, Grant No. TF012702	1,320,000
Grants from World Bank/PRIF, Grant No. TF A1644	260,655
Total	33,562,155

Represented by:

Programme Activities Expenditure

	US\$
Component A: Aviation Infrastructure Investments	28,407,139
Component B: Aviation Sector Reform and Training	1,566,256
Component C: Strengthening Airport Operations & Management Capacity	592,021
Component D: Project Implementation Support	2,996,739
Total	33,562,155

7. FACILITY AVAILABLE

Grants in historical figures including available balances for the Year.

	Signed Amount	Disbursed	Balance
Grants from World Bank/IDA, Grant No. H7430	XDR 17,200,000.00	XDR 17,200,000.00	XDR 0.00
Grants from World Bank/IDA, Grant No. D1060	XDR 500,000.00	XDR 500,000.00	XDR 0.00
Grants from World Bank/IDA, Credit no. 57700	XDR 4,900,000.00	XDR 4,900,000.00	XDR 0.00
Grants from World Bank/PRIF, Grant No. TF012702	USD 1,320,000.00	USD 1,320,000.00	USD 0.00
Grants from World Bank/PRIF, Grant No. TF A1644	USD 310,000.00	USD 260,655.16	USD 49,344.84

TONGA AVIATION INVESTMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 15 MAY 2020 (10.5 Months)

8. PROPERTY, PLANT AND EQUIPMENT (cont.)

Property, plant and equipment items are stated at cost (USD \$).

	Opening	Addition/(Disposal)	Closing
Motor Vehicle	39,852	-	39,852
Computer Equipments	46,865	(26,713)	20,152
Computer Software	9,403	(9,403)	0
Office Equipment	36,896	(8,224)	28,671
Furniture & Fittings	9,239	-	9,239
Screening Equipment	65,516	-	65,516
Fire Protection Equipment	32,299	-	32,299
Vava'u Terminal Building Refurbishment	68,318	-	68,318
Materials for Security Fence Fua'amotu Airport	87,425	-	87,425
First Aid Kits & High Vis Vest	2,904	(156)	2,748
LED Aviation Signal Light Gun	5,639	(1,009)	4,630
Passenger Ramps	116,645	-	116,645
LED Lights	70,951	-	70,951
Aiselchairs & Wheel Chairs	3,120	4,984	8,104
Stretchers	873	-	873
Resurface Runways and Markings (TBU & VAV)	17,392,523	-	17,392,523
Automatic Weather Station	871,593	37,430	909,023
Automatic Dep Surveillance Broadcast & Avionics	194,507	-	194,507
Airfield Lighting and Cabling (TBU & VAV)	486,353	-	486,353
VSAT	253,108	1,806.11	254,914
New Air Traffic Control Tower Building Fua'amotu	3,571,109	171,577	3,742,685
New Fua'amotu Cargo Shed	-	292,833	292,833
New Vava'u Airport Boundary Fence	-	247,492	247,492
Refurbishment of Vava'u Intemation Airport	-	416,731	416,731
Refurbishment of Fua'amotu Intemation Airport	-	2,798,008	2,798,008
New Air Traffic Control Equipments & Fittings	-	1,048,072	1,048,072
New Air Traffic Control Training Simulator	-	134,935	134,935
Total	23,365,139	5,108,363	28,473,501

9. WORK IN PROGRESS

At completion of the project as at 31 December 2019 all construction works have completed.

10. SAFETY LEVY

The point of collections of the Safety and Security Levy is made by TAL for the financial year 2019/20 of a total of TOP 838,210 of which 60% (TOP 502,926) to Ministry of Infrastructure and 40% (TOP 335,284 .) to TAL.

11. SUBSEQUENT EVENT

There have been no subsequent event to note.

12 EXPLANATION OF THE DIFFERENCES BETWEEN ACTUAL AND BUDGET

The Final Budget reflects the WB financing annually for the financial year based on the financing plan that was NOL in 2015. Most of the work were planned has completed this financial period.