Timor - Leste Institutional Reform and Transformation of MAF Project (MIRT)
Grant number TF016487
Financial Statements
For the period ended 31 December 2016
MINISTRY OF AGRICULTURE AND FISHERIES

INSTITUTIONAL REFORM AND TRANSFORMATION OF THE MINISTRY OF AGRICULTURE AND FISHERIES PROJECT

GRANTNO.TF016487

FOR THE 23 MONTH PERIOD 20 JANUARY 2015 TO 31 DECEMBER 2016

Trust Fund Information

Funding body: World Bank
Recipient: Ministry of Agriculture and Fisheries (Democratic Republic of Timor-Leste)
Grant number: TF016487
Bankers: Australian New Zealand Bank
Auditors: DELLOITE UNIPESSOAL Lda

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Statement of Approval

The project management of the Institutional Reform and Transformation of the Ministry of Agriculture and Fisheries hereby states that the project management has complied with the obligations imposed by the Grant Agreement TF016487 dated 20 November 2014.

The financial statements for the twenty three month period ended 31 December 2016 set out on pages 5 to 12 were approved by the project manager on behalf of the Ministry of Agriculture and Fisheries.

Authorized signature:

Sr. Cesar José da Cruz
Secretary General of the Ministry of Agriculture and Fisheries

Date 27/06/2017
Independent Auditor’s Report to the Minister of Agriculture and Fisheries and the Minister of Finance with respect to the Timor-Leste Institutional Reform and Transformation of the Ministry of Agriculture and Fisheries (MAF) Project

Opinion

We have audited the financial statements of the Timor-Leste Institutional Reform and Transformation of the Ministry of Agriculture and Fisheries (MAF) Project IDF Grant No. TF016487 (The Project) for the period 20 January 2015 to 31 December 2016, which comprises the Project Financial Statements of Sources and Application of Funds for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and the Statement of Approval.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Project as at 31 December 2016 and of its cash receipts and payments for the period then ended; in accordance with the cash basis of accounting and the Grant Agreement.

Basis for Opinion

We conducted our audit in accordance International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Ministry of Agriculture and Fisheries in accordance with the ethical requirements of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements we have fulfilled our other ethical responsibilities in accordance with these. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling management’s financial reporting responsibilities under the Grant Agreement. Our report is intended solely for the Minister of Agriculture and Fisheries, the Minister of Finance and the World Bank and should not be distributed to or used by any other parties. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information included in the Timor-Leste Institutional Reform and Transformation of the Ministry of Agriculture and Fisheries (MAF) Project Period Report. The other information, which does not include the financial statements and our auditor’s report thereon, which we received prior to the date of this auditor’s report is comprised of the following:

- Annexure 1 – Grant received reconciliation
- Summary of Yearly and Cumulative Statement of Expenditures (SOES) by Withdrawal Application (WA) and Category of Expenditures (CAT)
- Statement of Comparison between Actual Expenditure and Budget Estimates
- Details for uses of Funds by Component 23 Month Period To Date

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Report Statements

Management of the Project is responsible for the preparation and fair presentation of the financial statements and has determined that the basis of preparation described in Note 2 to the financial statements is appropriate to meet the requirements of the Ministers of Finance and Agriculture and Fisheries. Management’s responsibility also includes such internal control as they determine is necessary to enable the preparation of the financial statements that give a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Project to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. As stated in Note 5 to the financial statements the project will end 20 November 2017 at which time it is expected to cease operations.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our 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 the 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 this financial statements.
As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 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.

- 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. As stated in Note 5 to the financial statements the project will end 20 November 2017 at which time it is expected to cease operations.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

Chartered Accountants
June 2017
INSTITUTIONAL REFORM AND TRANSFORMATION OF THE MINISTRY OF AGRICULTURE AND FISHERIES
PROJECT
GRANTNO.TF016487
FOR THE 23 MONTH PERIOD 20 JANUARY 2015 TO 31 DECEMBER 2016

PROJECT FINANCIAL STATEMENTS OF SOURCES AND APPLICATION OF FUNDS BY CATEGORY

<table>
<thead>
<tr>
<th>Note</th>
<th>Source Description</th>
<th>23 months ended 31-Dec-16 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RECEIPTS</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Received from World Bank</td>
<td>264,318</td>
</tr>
<tr>
<td>3</td>
<td>World Bank direct payments to suppliers</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Bank interest earned</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total receipts</td>
<td>264,318</td>
</tr>
<tr>
<td></td>
<td>EXPENDITURE BY PROJECT CATEGORY</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Category 1-Goods and Services</td>
<td>196,978</td>
</tr>
<tr>
<td></td>
<td>Category 2-Training</td>
<td>21,097</td>
</tr>
<tr>
<td></td>
<td>Ineligible</td>
<td>1,107</td>
</tr>
<tr>
<td></td>
<td>Total expenditure</td>
<td>219,182</td>
</tr>
<tr>
<td></td>
<td>Cash available less expenditure</td>
<td>45,136</td>
</tr>
<tr>
<td></td>
<td>Cash at the beginning of the period</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Cash at end of the year</td>
<td>45,136</td>
</tr>
<tr>
<td></td>
<td>Made up as follows</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash in bank</td>
<td>38,387</td>
</tr>
<tr>
<td></td>
<td>Cash in hand</td>
<td>6,749</td>
</tr>
<tr>
<td></td>
<td>Cash at end of the year</td>
<td>45,136</td>
</tr>
</tbody>
</table>
1. Nature of operations

The Institutional Reform and Transformation of the Ministry of Agriculture and Fisheries Project ("the project") grant agreement between the Ministry of Finance and the International Fund for Agricultural Development ("IFAD") was signed on 20 November 2014, with an implementation period from 1 May 2015 to 20 November 2017. The Ministry of Agriculture and Fisheries have been appointed as the lead project agency.

The purpose of the project is to support MAF in its effort to de-concentrate and reorganize its service delivery model so that MAF is better-aligned and responsive to the needs of farmers and fisher communities.

The project has five components:

- Strengthening capacity to plan for the delivery of effective and efficient services;
- Strengthening MAF’s planning, programming, and service delivery capacity;
- Strengthening procurement and financial management systems;
- Strengthening MAF’s capacity to develop and manage major projects;
- Building capacity for project management

2. Accounting policies

a. Basis of accounting

The financial statements for the twenty three month period 20 January 2015 to 31 December 2016 has been prepared in accordance with the World Bank’s financial reporting requirements and Grant Agreement number TF016487 dated 20 November 2014.

The project prepares its financial statements on a cash basis. On this basis, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. The accounting policies have been applied consistently throughout the period.

b. Receipts

Receipts are advances received from the World Bank to meet budgeted expenditure.
c. **Project Special account**

The project has one main source of income (receipts) that come from World Bank. The project needs to send the application for replenishment to World Bank with all supporting evidence attached. All disbursements made from Timor-Leste were made through local bank.

The project keeps a special account for its activities. Replenishments to the project special account were made regularly. Replenishment claims were made using Statement of Expenditures (SOEs) or Direct Payment requests. Requests for re-imbursement are completed using the withdrawal application form.

d. **Reporting currency**

The reporting currency is United States Dollars (US$).

e. **Foreign currencies**

Transactions involving foreign currencies have been recorded in United States dollars (US$) using the rates of exchange ruling on the date of the transaction.

f. **Disbursements**

Disbursements comprise of expenditure incurred to deliver the project as defined by the grant agreement.

3. **World Bank direct payments to suppliers**

Procurement of goods and services are pre-approved by World Bank. Occasionally, World Bank disburses funds to the suppliers directly on behalf of the project. These monies are not paid to the project fund account in Timor-Leste. There were no direct payments to suppliers made by the World Bank during the period.

4. **Cash**

<table>
<thead>
<tr>
<th>Description</th>
<th>31 Dec 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ Dili USD Account - Project Designated account</td>
<td>38,387</td>
</tr>
<tr>
<td>Cash in hand - Cash held as part of Cash Advances at the end of period</td>
<td>6,749</td>
</tr>
<tr>
<td>Cash on hand and in banks are stated at their nominal amounts.</td>
<td><strong>45,136</strong></td>
</tr>
</tbody>
</table>

5. **Going Concern**

   The project is scheduled to end on the 20 November 2017.
Annexure 1 – Grant received reconciliation

<table>
<thead>
<tr>
<th>Date Submitted</th>
<th>WA</th>
<th>Payee name</th>
<th>Category</th>
<th>Method</th>
<th>Expenditure</th>
<th>Value Date</th>
<th>Currency</th>
<th>Advance/ Replenishment</th>
<th>Direct Payment</th>
<th>TOTAL USD Equiv. Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>31/07/2016</td>
<td>1</td>
<td>MRT - ANZ</td>
<td>Advance</td>
<td>Electronic</td>
<td>13,028</td>
<td>31/07/2016</td>
<td>USD</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>7/06/2016</td>
<td>2a</td>
<td>MRT - ANZ</td>
<td>Advance</td>
<td>Electronic</td>
<td>99,885</td>
<td>7/06/2016</td>
<td>USD</td>
<td>76,367</td>
<td>75,736</td>
<td>75,736</td>
</tr>
<tr>
<td>16/09/2016</td>
<td>3</td>
<td>MRT - ANZ</td>
<td>Advance</td>
<td>Electronic</td>
<td>51,404</td>
<td>16/09/2016</td>
<td>USD</td>
<td>43,987</td>
<td>43,987</td>
<td>43,987</td>
</tr>
<tr>
<td>20/12/2016</td>
<td>5</td>
<td>MRT - ANZ</td>
<td>Advance</td>
<td>Electronic</td>
<td>53,758</td>
<td>20/12/2016</td>
<td>USD</td>
<td>44,595</td>
<td>44,595</td>
<td>44,595</td>
</tr>
</tbody>
</table>

Total receipts received - World Bank: 264,949

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INSTITUTIONAL REFORM AND TRANSFORMATION OF THE MINISTRY OF AGRICULTURE AND FISHERIES PROJECT

GRANT NO. TF016487

FOR THE 23 MONTH PERIOD 20 JANUARY 2015 TO 31 DECEMBER 2016

SUMMARY OF YEARLY AND CUMULATIVE STATEMENT OF EXPENDITURES (SOEs) BY WITHDRAWAL APPLICATION (WA) AND CATEGORY OF EXPENDITURES (CAT)

<table>
<thead>
<tr>
<th>Date Submitted</th>
<th>WA</th>
<th>Method</th>
<th>Value Date</th>
<th>Advance US$</th>
<th>Cat. 1 US$</th>
<th>Cat. 2 US$</th>
<th>Ineligible US$</th>
<th>Total Paid US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>19/07/2015</td>
<td>1</td>
<td>Electronic</td>
<td></td>
<td>100,000</td>
<td></td>
<td></td>
<td>171</td>
<td>100,000</td>
</tr>
<tr>
<td>31/03/2016</td>
<td>02A</td>
<td>Electronic</td>
<td></td>
<td></td>
<td>-</td>
<td>13,028</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>1/06/2016</td>
<td>02A</td>
<td>Electronic</td>
<td></td>
<td>76,367</td>
<td>83,301</td>
<td>16,584</td>
<td></td>
<td>75,736</td>
</tr>
<tr>
<td>7/09/2016</td>
<td>3</td>
<td>Electronic</td>
<td></td>
<td>43,987</td>
<td>51,404</td>
<td></td>
<td>265</td>
<td>43,987</td>
</tr>
<tr>
<td>15/12/2016</td>
<td>5</td>
<td>Electronic</td>
<td></td>
<td>44,595</td>
<td>49,245</td>
<td>4,513</td>
<td></td>
<td>44,595</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>264,949</td>
<td>196,978</td>
<td>21,097</td>
<td>1,107</td>
<td>264,318</td>
</tr>
</tbody>
</table>

Total withdrawal application not paid (631)

Total withdrawal application paid 264,318
INSTITUTIONAL REFORM AND TRANSFORMATION OF THE MINISTRY OF AGRICULTURE AND FISHERIES PROJECT

GRANTNO.TF016487

FOR THE 23 MONTH PERIOD 20 JANUARY 2015 TO 31 DECEMBER 2016

STATEMENT OF COMPARISON BETWEEN ACTUAL EXPENDITURES AND BUDGET ESTIMATES

Note       23 months ended 31-Dec-16

<table>
<thead>
<tr>
<th>Project</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECEIPTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Received from World Bank</td>
<td>2</td>
<td>498,000</td>
</tr>
<tr>
<td>World Bank direct payments to suppliers</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Bank interest earned</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total receipts</td>
<td></td>
<td>498,000</td>
</tr>
</tbody>
</table>

EXPENDITURE BY PROJECT CATEGORY

<table>
<thead>
<tr>
<th>Category</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1-Goods &amp; Consultants incl Audit</td>
<td>387,000</td>
<td>196,978</td>
</tr>
<tr>
<td>Category 2-Training and Workshops</td>
<td>111,000</td>
<td>21,097</td>
</tr>
<tr>
<td>Ineligible</td>
<td></td>
<td>1,107</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>498,000</td>
<td>219,182</td>
</tr>
</tbody>
</table>

Cash available less expenditure - 45,136
Cash at the beginning of the period - -
Cash at end of the period 4 - 45,136

Made up as follows:
Cash in bank 38,387
Cash in hand 6,749
Cash at end of the period 4 - 45,136
INSTITUTIONAL REFORM AND TRANSFORMATION OF THE MINISTRY OF AGRICULTURE AND FISHERIES PROJECT  
GRANTNO.TF016487  
FOR THE 23 MONTH PERIOD 20 JANUARY 2015 TO 31 DECEMBER 2016

DETAILS FOR USES OF FUNDS BY COMPONENT 23 MONTH PERIOD TO DATE

<table>
<thead>
<tr>
<th>Expenditure by component</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening capacity to plan for the delivery of effective and efficient services</td>
<td>297,000</td>
<td>218,075</td>
</tr>
<tr>
<td>Strengthening MAF's planning, programming, and service delivery capacity</td>
<td>95,000</td>
<td>-</td>
</tr>
<tr>
<td>Strengthening procurement and financial management systems</td>
<td>61,000</td>
<td>-</td>
</tr>
<tr>
<td>Strengthening MAF's capacity to develop and manage major projects;</td>
<td>45,000</td>
<td>-</td>
</tr>
<tr>
<td>Building capacity for project management</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ineligible cost</td>
<td>-</td>
<td>1,107</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>498,000</strong></td>
<td><strong>219,182</strong></td>
</tr>
</tbody>
</table>