Ministry of Social and Solidarity

Building Disaster/Climate Resilience in Communities Along the Dili-Ainaro and Linked Road Corridors in Timor-Leste Project
PHRD Grant No. TF 018187
Period Ended 31 December 2016
Trust Fund Information

Funding Body: World Bank
Recipient: Ministry of Social and Solidarity
(Democratic Republic of Timor-Leste)
Grant number: TF018187
Grant period: 5 February 2015 to 31 October 2017
Bankers: ANZ
Auditors: Deloitte Unipessoal Lda

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Management’s Assertion Statement

The Project Management of the Building Disaster/Climate Resilience in Communities Along the Dili - Ainaro and Linked Road Corridors in Timor-Leste Project, hereby states that the Project Management has complied with the obligations imposed by the Grant TF018187 dated 5 February 2015 and its subsequent amendments.

The financial statements set out on pages 5 to 6 were approved by the Director of National Disaster Management Directorate (NDMD) on behalf of the Ministry of Social and Solidarity (MSS):

Director’s signature

Agostinho Cosme Belo
(Director of NDMD)

Date 28 June 2017
Independent Auditor’s Report to the Management of TFET Project “Building Climate/Disaster Resilience along the Dili-Ainaro and Linked Road Corridor”, Ministry of Social and Solidarity and Ministry of Finance of Timor-Leste

Opinion

We have audited the financial report of the TFET Project “Building Climate/Disaster Resilience along the Dili-Ainaro and Linked Road Corridor”, (the “Project”) which comprises the Statement of Cash Receipts and Cash Payments for the period 5 February 2015 to 31 December 2016, a summary of significant accounting policies and other explanatory information and management’s assertion statement (the “Financial Statements”). The Financial Statements have been prepared in accordance with the Grant Agreement No. TF018187 dated 5 February 2015.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Project’s Statement of Cash Receipts and Cash Payments for the period 5 February 2015 to 31 December 2016 in accordance with the Grant Agreement No. TF018187 dated 5 February 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code). We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 1 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 Social and Solidarity, 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.
Responsibilities of Management and for the Financial 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 1 to the financial statements is appropriate to meet the requirements of the Grant Agreement No. TF018187 dated 5 February 2015. Management’s responsibility also includes internal control as they determine is necessary to enable the preparation of the financial statements that 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 the Trust Fund Information in the financial statements the Project will end at 31 December 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 the Trust Fund Information in the financial statements the Project will end at 31 December 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

28 June 2017

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# Building Disaster/Climate Resilience in Communities Along the Dili-Ainaro and Linked Road Corridors in Timor-Leste Project

PHRD Grant No. TF 018187

## Statement of Cash Receipts and Cash Payments

For the Period 5 February 2015 to 31 December 2016

<table>
<thead>
<tr>
<th>RECEIPTS</th>
<th>Note</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants &amp; Contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Bank</td>
<td>1</td>
<td>363,617</td>
</tr>
<tr>
<td>Other receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total receipts</strong></td>
<td></td>
<td><strong>363,617</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PAYMENTS</th>
<th>Note</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants' Services for Parts 1 and 3 of the Project</td>
<td>1</td>
<td>115,248</td>
</tr>
<tr>
<td>(2) Training for Parts 1 and 3 of the Project</td>
<td>1</td>
<td>25,950</td>
</tr>
<tr>
<td>(3) Operating Costs</td>
<td>1</td>
<td>19,925</td>
</tr>
<tr>
<td>(4) Goods for Parts 1 and 3 of the Project</td>
<td>1</td>
<td>12,240</td>
</tr>
<tr>
<td>(5) Good, works and consultant services for Subprojects under Part 2 of the Project</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total payments</strong></td>
<td></td>
<td><strong>173,363</strong></td>
</tr>
</tbody>
</table>

Cash movement during the period 190,254

Cash at the end of the period 190,254

Consisting of the following:

<table>
<thead>
<tr>
<th>Designated Account</th>
<th>Note</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>175,447</td>
</tr>
<tr>
<td>Cash on hand</td>
<td>2</td>
<td>13,622</td>
</tr>
<tr>
<td>Cash on hand (MSS Head Office)</td>
<td>2</td>
<td>140</td>
</tr>
<tr>
<td>Petty cash</td>
<td>2</td>
<td>45</td>
</tr>
<tr>
<td>Outstanding advance</td>
<td>2</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Cash at the end of the period 190,254
Notes to the Financial Statements

1. Accounting Policies

Basis of preparation
Building Disaster/Climate Resilience in Communities Along the Dili-Ainaro and Linked Road Corridors in Timor-Leste Project (the ‘Project’) policy is to prepare its financial statements on a cash basis. On this basis revenue is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred. The accounting policies have been applied consistently throughout the period.

The Reporting entity
The objectives of the Project is to build the capacity of communities around the Dili-Ainaro and linked Road Corridors and district and sector agencies in community-based disaster risk management and adaptation for reducing the impacts of recurring landslides and floods.

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

Foreign currencies
Transactions involving foreign currencies have been recorded in United States dollars using the rates of exchange ruling on the date of transactions.

Receipts
The project’s only source of income comes from the World Bank donor proceeds. This fund is kept by the World Bank in the Head Office in Washington and disbursed periodically based on the Grant Agreement upon a Withdrawal Request. The World Bank does not replenish any expenditure unless it is eligible per the Grant Agreement. All eligible expenditure is funded by the World Bank.

Payments
Payments related to eligible expenditure incurred to deliver the project are defined by the Grant Agreement and does not include the following:

- Anything un-lawful
- Anything having to do with harmful materials including firearms, drugs, tobacco, asbestos, etc.
- Activities on the un-clear ownership of land
- Payment of compensation or rent for use of land
- Activities damaging the environment
- Suco building and facilities
- Payment of salaries of government staff
- Political activities
- Construction activities not related to the mitigation matters
- Payment of salaries or compensation for village leaders

2. Cash
Cash comprises of cash at bank (Designated Account), cash on hand held at the NDMD, cash on hand held at the MSS Head Office, petty cash held at the NDMD and outstanding advance.

3. Going Concern
The project is scheduled to end on 31 October 2017