Independent Auditor’s Report

To the readers of
Pacific Regional Connectivity Program Phase 4: KI Connectivity Project
Financial statements for the year ended 31 December 2017

We have audited the Financial Statements of Pacific Regional Connectivity Program Phase 4: KI Connectivity Project (PRCP IV) funded by IDA D1870 (GRTD) which comprise of the Statement of Cash Receipts and Payments for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility
Management (Executing Agency) is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 6 to the Financial Statement, 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 Responsibility
Our responsibility is to express an opinion on the accompanying statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance that the Financial Statements are free from material misstatement. Our audit includes testing of controls, examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. Our audit also includes the evaluation of the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Projects Financial Statements.

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

The Project Management’s policy is to prepare the accompanying statements in the format agreed between the Donor’s and the Government of Kiribati as noted in the Financial Management Manual for the Loan/Grant, on a modified Cash Basis Accounting described in Note 6 to the Financial Statements.

Unqualified Opinion
In our opinion, the PRCP IV 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, 2017 in accordance with the modified Cash Basis of Accounting described in Note 6 to the Financial Statement; and that Expenditures have been applied to the purposes intended for in the Grant agreements and within the project’s budget.

In addition; With respect to Statements of Expenditure, adequate supporting documents have been maintained to support claims to the Donor for reimbursements of expenditures incurred which are eligible for financing under IDA D1870 (GRTD).

7th August, 2018

Mrs. Matereta B Raiman
Auditor General.
PACIFIC REGIONAL CONNECTIVITY PROGRAM PHASE 4
KI: CONNECTIVITY PROJECT
Funded by:
International Development Association - IDA

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017
PACIFIC REGIONAL CONNECTIVITY PROGRAM PHASE 4:
KI: CONNECTIVITY PROJECT

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PACIFIC REGIONAL CONNECTIVITY PROGRAM PHASE 4: KI: CONNECTIVITY PROJECT

The Financial Reports for the project for its first year of implementation ending 31 December 2017, are being presented for auditing.

In compliance with the project agreements the audit report is required to be submitted to the World Bank by the 30th June 2018, 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  
Project Manager  
Connectivity Project

Atanteora Beiaatu  
Manager, KFSU

Date:  15th June 2018
PACIFIC REGIONAL CONNECTIVITY PROGRAM
IDA D1870 (GRTD)
STATEMENT OF RECEIPTS & PAYMENTS SUMMARY
For the Period Ended December 31, 2017

<table>
<thead>
<tr>
<th>Account Description</th>
<th>Notes</th>
<th>2017</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH RECEIPTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Payment</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDA D1870 (GRTD)</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Designated Accounts (DAs)</strong></td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDA D1870 (GRTD)</td>
<td></td>
<td>$ 300,000</td>
<td>$ 300,000</td>
</tr>
<tr>
<td><strong>Total Cash Receipts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 300,000</td>
<td>$ 300,000</td>
</tr>
<tr>
<td><strong>CASH PAYMENTS (Per Grant Component)</strong></td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDA D1870 (GRTD)</td>
<td></td>
<td>$ 209,476</td>
<td>$ 209,476</td>
</tr>
<tr>
<td><strong>Total Cash Payments</strong></td>
<td></td>
<td>$ 209,476</td>
<td>$ 209,476</td>
</tr>
<tr>
<td><strong>NET CASH RECEIPTS</strong></td>
<td></td>
<td>$ 90,524</td>
<td>$ 90,524</td>
</tr>
<tr>
<td><strong>NET CHANGE IN CASH</strong></td>
<td></td>
<td>$ 90,524</td>
<td>$ 90,524</td>
</tr>
<tr>
<td><strong>Ending Cash Balances</strong></td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDA D1870 (GRTD)</td>
<td></td>
<td>$ 90,524</td>
<td>$ 90,524</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 90,524</td>
<td>$ 90,524</td>
</tr>
</tbody>
</table>
### PACIFIC REGIONAL CONNECTIVITY PROGRAM
### IDA D1870 (GRTD)
### STATEMENT OF FUNDS RECEIVED BY SOURCE
For the Period Ended December 31, 2017

**Note 1**
Designated Account
IDA D1870 (GRTD)

<table>
<thead>
<tr>
<th>Date Received by WB</th>
<th>WA No.</th>
<th>Paid to Details</th>
<th>WA Amount US$</th>
<th>Amount Disbursed by WB</th>
<th>Equivalent in AU$</th>
<th>Exchange Rate</th>
<th>Value Date</th>
<th>Equivalent Grant Currency (SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRCP - KI 0001</td>
<td>PPF - DA Reinstate</td>
<td>$226,440.01</td>
<td>$226,440.01</td>
<td>$300,000.00</td>
<td>1.324854208</td>
<td>24-Apr-17</td>
<td></td>
<td>$160,557.04</td>
</tr>
</tbody>
</table>

**TOTAL DRAWDOWNS FROM WB**

| IDA D1870 (GRTD) | | | AU$ $300,000.00 | | | | SDR $160,557.04 |
PACIFIC REGIONAL CONNECTIVITY PROGRAM
IDA D1870 (GRTD)
STATEMENT OF FUNDS PAID BY CATEGORY (AU$)
For the Period Ended December 31, 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>IDA 2017</th>
<th>Cumulative Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 2 - Technical Assistant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6202 - Legal TA</td>
<td>54,265</td>
<td>54,265</td>
</tr>
<tr>
<td>Category 3 - Project Mg't &amp; Admin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6304 - Implementing Operating Cost</td>
<td>155,211</td>
<td>155,211</td>
</tr>
<tr>
<td>Grand Total</td>
<td>209,476</td>
<td>209,476</td>
</tr>
</tbody>
</table>
PACIFIC REGIONAL CONNECTIVITY PROGRAM
IDA D1870 (GRTD)
STATEMENT OF BALANCES (AUS)
For the Period Ended December 31, 2017

Note 4

Designated Account Balance - IDA

Bank Reconciliation at 31 December 2017
Balance as per Bank Statement

Less: Unpresented Cheques

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designated Account Balance - IDA</td>
<td>$ 90,524.44</td>
</tr>
<tr>
<td>Balance as per Bank Statement</td>
<td>$ 90,524.44</td>
</tr>
<tr>
<td>Less: Unpresented Cheques</td>
<td>$ -</td>
</tr>
<tr>
<td>Total</td>
<td>$ 90,524.44</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements

BACKGROUND

1. The Pacific Regional Connectivity Program Phase 4 (the Project) officially commenced in May 31, 2017, being the date of WB effectiveness of the IDA grant. The closing date is currently set as November 30, 2022.

The Project is funded by the World Bank through the International Development Association (IDA) national and regional financing of US$20 million equivalent, the proposed financing will be allocated to the Project to support Kiribati’s participation in the EMC system, plus associated technical assistance and Project management support.

OBJECTIVES

2. The objective of the Project are to reduce the cost and increase the availability of internet services in Kiribati.

PROJECT IMPLEMENTATION & ADMINISTRATION

3. The Project is coordinated by two implementing Entities, the Ministry of Information, Communication, Transport and Tourism Development (MICTTD) and the New State Owned Entity (BwebweriNET LTD) under the strategic direction of the Steering Committee of the EMC. Management and financial 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).

4. WB administers the IDA funding. One bank account ("Designated Account" (DA)) has been established in Kiribati, for the IDA funding. In addition, larger payments under WB-administered funding may be made directly by WB, rather than channeled through the Designated Accounts, in accordance with agreed WB procedures.

5. Costs are charged to the currency at exchange rates applied by WB.

ACCOUNTING POLICY

6. The Financial Statements are prepared by the Project under the historical cost convention and in accordance with the modified cash basis of accounting; expenditures are charged when paid except:
   - Advances (which are given for approved official purposes only) are charged against a Receivables Account initially, and are charged to expenditure based on advance acquittals with supporting documents; and
   - Payables are taken up for income tax and provident fund liabilities at the time of payment of salaries and are cleared through the settlement of the liabilities to the respective authorities, on a monthly basis.
7. The reporting currency is Australian Dollars (AU$).

8. Transactions in currencies other than AU$ are translated into AU$ using the actual exchange rate applied by the bank (where the transactions are paid from the Designated Accounts). Where the transactions are paid directly by WB, the applicable rate is determined as follows:
   a. Payments against invoices in AU$ are converted to AU$ at 1 : 1
   b. Payments against invoices in other currencies (for example, US$) are converted to AU$ based on the exchange rate as per www.xe.com on the value date

9. This is the first year of operation for the Project and the Financial Statements therefore do not include figures for Prior Years.