Auditor General’s Report

PUBLIC FINANCIAL MANAGEMENT SYSTEMS STRENGTHENING PROJECT
MINISTRY OF FINANCE AND TREASURY
FINANCIAL YEAR 2014

Report No.: FIN-2015-46(E)  30 June 2015
# TABLE OF CONTENTS

Auditor General’s Report ........................................................................................................... 1

Financial Statement

  Statement of Receipts and Payments ............................................................................. 3

  Notes to the financial statement .................................................................................. 4
AUDITOR GENERAL’S OFFICE
Malé, Republic of Maldives

AUDITOR GENERAL’S REPORT TO THE MINISTRY OF FINANCE AND TREASURY ON THE FINANCIAL STATEMENT OF PUBLIC FINANCE MANAGEMENT SYSTEM STRENGTHENING PROJECT

We have audited the accompanying financial statement; Statement of Receipts and Payments for the period 17 August 2014 to 31 December 2014 and notes to this statement, as set out on pages 4 to 8 of the Public Finance Management System Strengthening Project financed under the World Bank/International Development Association’s (IDA) as of 17 August 2014.

Management’s Responsibility for the Financial Statement

The Management is responsible for the preparation and fair presentation of this financial statement in accordance with the International Public Sector Accounting Standard (IPSAS): Financial Reporting under the Cash Basis of Accounting. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor General’s Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Statement of Receipts and Payments are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ 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, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

In our opinion, the financial statement presents fairly, in all material respects, the cash receipts and cash payments for the period 17 August 2014 to 31 December 2014 and cash balances as at the period then ended in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting.

In addition, we can provide assurance that:

(a) The funds provided under the Grant have been utilised for the purposes for which they were provided;

(b) The Special Account transactions and its balance as at 31st December 2014 have been presented truly and fairly on the financial statement, in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash-Basis of Accounting, and the cash balance as at 31st December 2014 shown on the Statement of Receipts and Payments reflects the cash balance which is reconciled to that of the Special Account;

(c) The Financial Monitoring Reports furnished to the World Bank could be fairly relied upon to support the applications for withdrawals in accordance with the requirements specified in the Grant Agreement; and adequate supporting documentation have been maintained to support claims to the IDA, for reimbursement of expenditures incurred and which expenditures are eligible for financing under the Grant Agreement, and

(d) The Procurement guidelines of the World Bank have been complied with in the procurement of goods and services under the project.

Review of the Project’s Progress

Without qualifying our opinion, we draw attention to the following management issues observed from our review of the project’s progress.

Component Two: Project Management

PMU was supposed to submit the Project Implementation Plan of the Project to World Bank on 30th October 2014. PMU has explained that discussions have been held on the activities to be included in the Project Implementing Plan. But, due to non-responsiveness of some divisions, the plan has not been developed yet. Consequently, the PMU was not able to deliver the plan to date.

Recommendations

We recommend the PMU to take appropriate actions during the course of the project to ensure that deviations from the project work plan are corrected in a timely manner in order to deliver the components/activities of the project within planned times.

30th June 2015

Hassan Ziyath
Auditor General
MALDIVES: PUBLIC FINANCIAL MANAGEMENT SYSTEMS STRENGTHENING PROJECT

FINANCIAL STATEMENT

FOR THE PERIOD 17 AUGUST 2014 TO 31 DECEMBER 2014

MINISTRY OF FINANCE AND TREASURY
MINISTRY OF FINANCE AND TREASURY

MALDIVES: PUBLIC FINANCIAL MANAGEMENT SYSTEMS STRENGTHENING PROJECT

STATEMENT OF RECEIPTS AND PAYMENTS

FOR THE PERIOD 17 AUGUST 2014 TO 31 DECEMBER 2014

<table>
<thead>
<tr>
<th>Note</th>
<th>For the period 17 Aug 2014 to 31 Dec 2014 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts</td>
<td></td>
</tr>
<tr>
<td>Disbursements/Receipts</td>
<td>3</td>
</tr>
<tr>
<td>Receipts – Retroactive financing</td>
<td>4</td>
</tr>
<tr>
<td>Total Receipts</td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td></td>
</tr>
<tr>
<td>Project Management</td>
<td>5</td>
</tr>
<tr>
<td>Total Payments</td>
<td></td>
</tr>
<tr>
<td>Increase/(Decrease) in Cash</td>
<td></td>
</tr>
<tr>
<td>Cash at beginning of the period</td>
<td></td>
</tr>
<tr>
<td>Increase/(Decrease) in Cash</td>
<td></td>
</tr>
<tr>
<td>Cash at end of the period</td>
<td></td>
</tr>
</tbody>
</table>

Management of the Project is responsible for the preparation and presentation of the financial statement.

The Statement of Receipts and Payments were approved by PMU on 24th June 2015.

Signed for and on behalf of the Project:

Mr. Mohamed Yamin
(Project Manager Coordinator)

Ms. Leena AbdulKareem
(Financial Management Consultant)

The accounting policies and notes on pages 4 through 6 form an integral part of the Statement of Receipts and Payments.
MINISTRY OF FINANCE AND TREASURY
MALDIVES: PUBLIC FINANCIAL MANAGEMENT SYSTEMS STRENGTHENING PROJECT

NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

1.1 PROJECT TITLE:
Maldives Public Finance Management System Strengthening (PFMSS)

1.2 STARTED DATE: 17-08-2014

1.3 CLOSING DATE: 31-07-2019

1.4 PROJECT DURATION: 5 years

1.5 APPROVED BUDGET: US$ 6,500,000 (Six Million Five Hundred Thousand U.S. Dollars)

1.6 FUNDED BY: International Development Association (IDA)

1.7 TRUST FUND MANAGER: World Bank

1.8 Objective

The objective of the project is to enhance budget credibility, transparency and financial reporting of central government finances.

The project comprises of three main components;

Component 1: Strengthening the PFM Environment (US$ 1,450,000)

The objective of this component is to set the foundation and create an enabling environment for a sound PFM system.

Component 2: Strengthening Budget Execution (US$ 4,400,000)

The objective of this component is to improve the efficiency of the resource utilization and the credibility, comprehensiveness, and timeliness of financial reporting.

Component 3: Project Management (US$ 550,000)

The objective of this component is to provide support to MOFT for coordination, monitoring, administration, communications, change management, financial management, and procurement of the proposed project required for successful implementation of the project activities.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Statement of Receipts and Payments are prepared in accordance with the International Public Sector Accounting Standard: *Financial Reporting under the Cash-Basis of Accounting*.

2.2 Recognition of Receipts and Payments

Receipts and payments are accounted for on cash basis. Receipts are recognised when the Government of Maldives (GOM) receives the funds from World Bank. Payments are recognised at the time of outflow of cash from the bank account.

2.3 Presentation Currency

The Statement of Receipts and Payments has been presented using the United States Dollars (USD). All figures have been rounded to the nearest Dollar.

2.4 Foreign Currency Translation

Receipts and payments in currencies other than the reporting currency (USD) are converted at the MMA’s exchange rate existing between the transaction currency and USD at the time of the receipt/payment. Cash balances in currencies other than USD as at the end of the reporting period are shown in the financial statement at the exchange rate that was prevailing at the last day of the reporting period.

2.5 Reporting Period

Financial statement is generally prepared for one year (calendar year), with the exception of commencement and/or closure of the project. Whilst at commencement, the financial statement generally covers a period shorter than one year, a period longer than one year is covered for the closure of the project. Period for which financial statement is prepared are disclosed on the face of the financial statement.

Financial statement for the current period covers four months and 15 days ending 31st December 2014. This financial statement has been prepared for less than one year for the reason that the project was commenced on 17th August 2014.
MINISTRY OF FINANCE AND TREASURY

MALDIVES: PUBLIC FINANCIAL MANAGEMENT SYSTEMS STRENGTHENING PROJECT

3. Disbursements/Receipts

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>476,520</td>
</tr>
</tbody>
</table>

4. Receipts – Retroactive Financing

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retroactive Financing (Spent from GOM’s State Budget)</td>
<td>13,546</td>
</tr>
</tbody>
</table>

5. Project Management

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary – Project Coordinator</td>
<td>11,320</td>
</tr>
<tr>
<td>Salary – FM Consultant</td>
<td>2,226</td>
</tr>
</tbody>
</table>

6. Reimbursable (Spent from GOM’s state budget for the project)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts during the year 2014</td>
<td>13,546</td>
</tr>
</tbody>
</table>

Payments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retroactive Financing</td>
<td>13,546</td>
</tr>
<tr>
<td>Reimbursable</td>
<td>89,645</td>
</tr>
</tbody>
</table>

Reimbursable as at 31st December 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>89,645</td>
</tr>
</tbody>
</table>