



TUVALU AVIATION INVESTMENT PROJECT

Funded by:

World Bank (International Development Association - IDA)

Pacific Region Infrastructure Facility (PRIF)

Government of Tuvalu (GoT)

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

TUVALU AVIATION INVESTMENT PROJECT

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TUVALU AVIATION INVESTMENT PROJECT

Notes to the Financial Statements

1. The Tuvalu Aviation investment Project (TvAIP) officially commenced in May 2012, being the date when the IDA grant was made available. The closing date is currently set as 31 December 2016.
2. TvAIP is funded jointly by the World Bank (WB; through its International Development Association – IDA), the Pacific Region Infrastructure Facility (PRIF) and the Government of Tuvalu (GoT), as follows:
 - IDA – Grant of Special Drawing Rights (SDR) 7.50 million (with estimated AU\$ equivalent of AU\$ 11.85 million); established through a Financing Agreement dated 17 February 2012.
 - PRIF – Grant of US\$ 0.17 million (with estimated AU\$ equivalent of AU\$ 0.17 million); established through a Financing Agreement dated 30 July 2012.
 - GoT – estimated contribution of US\$ 1.80 million (with estimated AU\$ equivalent of AU\$ 1.80 million).

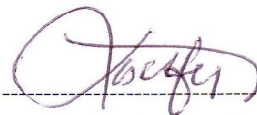
GoT funding is provided to cover tax revenue offsets, and does not form part of the core funding of TvAIP upon which the Financial Statements are based.

3. The objective of TvAIP is to improve operational safety and oversight of international air transport infrastructure. There are four Parts to TvAIP, as follows:
 - Part A – International Airport Infrastructure Investments: carrying out of aviation infrastructure improvements at the Funafuti airport.
 - Part B – Sector Reform and Training: provision of technical assistance to the Ministry of Transport and Communications and line ministries.
 - Part C – Strengthening Airport Operations and Management Capacity: provision of technical assistance to the Civil Aviation Authority.
 - Part D – Project Support.
4. TvAIP 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 the Kingdom of Tonga and the Republic of Kiribati). TvAIP is supported by the Technical and Fiduciary Services Unit (TFSU; based in Tonga, and tasked to support the regional program, with cost sharing arrangements agreed as per the Program Operations Manual (POM). A Project Support Team (PST) has been established in Tuvalu, to provide project management support to TvAIP.
5. WB administers both the IDA and PRIF funding. Two bank accounts (“Designated Accounts”) have been established in Tuvalu – one for the IDA funding and one for the PRIF funding. In addition, larger payments under WB-administered funding may be made directly by WB and charged directly to the respective grant, rather than channeled through the Designated Accounts, in accordance with agreed WB procedures.

6. Each of the IDA and PRIF grants fund specific and separate costs; there is no joint funding of any costs. Costs are charged to the respective grants in the respective grant currency at exchange rates applied by WB.
7. The Financial Statements are prepared by TvAIP 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.
8. The reporting currency is Australian Dollars (AU\$).
9. Transactions in currencies other than AU\$ are translated into AU\$ using the actual exchange rate applied by the bank (where the transaction are paid from the Designated Accounts) or at the applicable rate (where the transactions are paid directly by WB).
10. This is the first year of operation for TvAIP and the Financial Statements therefore do not include figures for Prior Years.



Mr. Opetai Simati
Acting Permanent Secretary for Communications & Transport.
and Acting National Steering Committee Chairman



Mr. Vitoli F Iosefa
Project Manager (TvAIP)

Dated 17th May 2013

Tuvalu Aviation Investment Project
Statement of Funds Received and Expenditures – By Component by Source
Year Ended 31 December 2012

	Total All Sources	IDA	PRIF
Project Funding			
Funding to TvAIP Bank Accounts	272,199	272,199	-
Direct Payments by World Bank	-	-	-
	272,199	272,199	-
Project Expenditure:			
Component A - International Airport Infrastructure Investments	-	-	-
Component B - Sector Reform and Training	32,621	32,621	-
- Training	3,153	3,153	-
- Industry Training	26,559	26,559	-
- ICAO Baseline Audit	2,909	2,909	-
Component C - Strengthening Airport Operations and Management Capacity	-	-	-
Component D - Project Support	141,190	141,190	-
- Country-Project Operating Costs	21,716	21,716	-
- TFSU-Program Operating Costs	20,869	20,869	-
- Project Support Team	24,486	24,486	-
- TFSU-PAIP Director	6,997	6,997	-
- TFSU-Financial Manager	2,523	2,523	-
- TFSU-Financial Advisor	14,539	14,539	-
- TFSU-Accountant	1,908	1,908	-
- TFSU-Lead Procurement Specialist	30,393	30,393	-
- TFSU-PAIP Procurement Officer	1,222	1,222	-
- TFSU-Project Vehicle	7,582	7,582	-
- TFSU-Team Assistant	1,296	1,296	-
- TFSU-Aviation Procurement Specialist (Infra)	590	590	-
- TFSU-Procurement Specialist (Periodic)	7,070	7,070	-
Total Project Expenditure	173,812	173,812	-
Closing Balances	98,387	98,387	-

Tuvalu Aviation Investment Project
Statement of Funds Received and Expenditures – By Category by Source
Year Ended 31 December 2012

	Total All Sources	IDA	PRIF
Project Funding			
Funding to TvAIP Bank Accounts	272,199	272,199	-
Direct Payments by World Bank	-	-	-
	272,199	272,199	-
Project Expenditure:			
By Category			
1. Goods, works, training, operating costs, TFSU costs and consultants' services	173,812	173,812	-
Total Project Expenditure	173,812	173,812	-
Closing Balances	98,387	98,387	-

Tuvalu Aviation Investment Project
Statement of Balances (in AU\$)
Year Ended 31 December 2012

Cash at Bank – IDA Designated Account	103,219.18
Accounts Payable	(4,842.14)
IDA replenishment received short into Designated Account	10.00

Total Balance per Statement of Funds Received and Expenditure	98,387.04
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<u>Accounts Payable</u>	
Income Tax	3,309.62
Provident Fund	1,531.72
Advance settlement refund overpaid	0.80

	4,842.14
	=====



GOVERNMENT OF TUVALU

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Our Reference:

17 April 2013

Your Reference:

The Project Manager
Tuvalu Aviation Investment Project
Department of Aviation
Government Buildings
Funafuti.

a) Audit opinion of the TvAIP Financial Statements

We have audited the accompanying Financial Statements comprising Statement of Funds Received and Expenditures and Statement of Balances of the Tuvalu Aviation Investment Project for the year ended 31 December 2012. These statements are the responsibility of the Tuvalu Aviation Investment Project. Our responsibility is to express an opinion thereon based on our audit.

We conducted our audit in accordance with International Auditing Standards issued by the International Organization of Supreme Audit Institutions. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Tuvalu Aviation Investment Project management's policy is to prepare the accompanying statements on the cash receipts and payments basis in conformity with IPSAS Cash Basis. On this basis, cash receipts are recognized when received and cash expenditures are recognized when paid rather than when incurred.

In our opinion, the financial statements present fairly the cash receipts and payments of the project during the year ended 31 December 2012 in accordance with IPSAS Cash Basis.

b) Audit opinion on the accuracy and propriety of Expenditures

We have audited the accompanying Statement of Funds Received and Expenditures for the year ended 31 December 2012.

We conducted our audit in accordance with generally accepted auditing standards that accordingly included examination, on a test basis, of evidence supporting the amounts and disclosures in the Statement of Funds Received and Expenditure. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the Statement of Funds Received and Expenditures submitted together with the internal controls and procedures involved in their preparation can be relied upon as a basis for loan disbursement.

c) Audit Opinion on the Operation of the Designated Accounts

We have audited the operation of the designated accounts with its balance shown in the accompanying Statement of Balances for the year ended 31 December 2012.

We conducted our audit in accordance with generally accepted auditing standards that accordingly included examination, on a test basis, of evidence supporting the amounts and disclosures in the Statement of Balances. Our testing also includes ensuring that funds in the designated accounts were used on project related purposes in an effective and efficient manner.

In our opinion, the designated account with the internal controls and procedures involved in its operation was operated effectively and efficiently on project related expenditures only.

d) Audit Opinion on key internal control weaknesses and non-compliance with the financing agreement terms.

We have audited the Tuvalu Aviation Investment Project internal controls and compliance with financing agreements. There were no internal control weaknesses and non-compliance with financing agreement terms noted during our audit.



E. Lopati
Acting Auditor General of Tuvalu
Vaiaku, Funafuti, Tuvalu.

17 May, 2013