Report No: FIN-2022-53(E)

30th June 2022

PUBLIC FINANCIAL MANAGEMENT SYSTEMS STRENGTHENING PROJECT

MINISTRY OF FINANCE

FINANCIAL YEAR 2021

AUDITOR GENERAL'S OFFICE

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بسم الله الرحمن الرحيم

AUDITOR GENERAL'S REPORT

TO THE MINISTRY OF FINANCE ON THE FINANCIAL STATEMENT OF PUBLIC FINANCIAL MANAGEMENT SYSTEMS STRENGTHENING PROJECT

Opinion

We have audited the accompanying financial statements; Statement of Receipts and Payments for the year ended 31st December 2021 and notes to these statements, which includes a summary of significant accounting policies and other explanatory information set out in page 4 to 7, of Public Financial Management System Strengthening Project financed by the World Bank/International Development Association Grant Agreement (Grant Number H951-MV) as of 17 August 2014.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the cash receipts and cash payments for the financial year ended 31 December 2021 and cash balances as at the year then ended in accordance with 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 2021 have been presented truly and fairly on the financial statement, in accordance with International Public Sector Accounting Standard: *Financial Reporting under the Cash-Basis of Accounting*, and the cash balance as at 31st December 2021 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 made 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.

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 statements* section of our report. We are independent of the Management in

accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (Including International Independence Standards*) (IESBA Code). We have 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.

Responsibilities of the management and those charged with governance for the financial statements

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.

Those charged with governance of the project is responsible for overseeing the Project's financial reporting process.

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 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the project 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.

30th June 2022

Hussain Niyazy
Auditor General

STATEMENT OF RECEIPTS AND PAYMENTS

FOR THE YEAR 01 JANUARY 2021 TO 31 DECEMBER 2021

Receipts	Note	2021 USD	2020 USD
Disbursements/Receipts	3	78,953	
Receipts – Retroactive financing	4		
Receipts - Reimbursements	5		
Total Receipts		**78,953**	**-**
Payments			
Strengthening the PFM Environment	6		-
Strengthening Budget Execution	7	129,158	107,915
Project Management	8	1,372	4,976
Total Payments		**130,530**	**112,891**
Increase/(Decrease) in Cash		**(51,577)**	**(112,891)**
Cash at beginning of the period		**110,862**	**223,753**
Increase/(Decrease) in Cash			
Cash at end of the period		**59,285**	**110,862**

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 27th March 2022.

Signed for and on behalf of the Project:

Mr. Ali Irufan
Project Director

Ms. Nadheema Yoosuf
Financial Management Associate

The accounting policies and notes on pages 5 to 7 form an integral part of the Statement of Receipts and Payments.

NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

1.1 PROJECT TITLE: Public Financial Management Systems Strengthening Project (PFMSS)

1.2 STARTED DATE: 17-08-2014

1.3 CLOSING DATE: 31-07-2022

1.4 PROJECT DURATION: 8 years

1.5 APPROVED BUDGET: US$ 6,500,000 (Six Million Five Hundred Thousand U.S. Dollars) (As per SDR rate 1.53 @ 17th August 2014)

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 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. Depending on the date of commencement or closure, a period shorter or longer than one year may be covered. Period for which financial statement is prepared is disclosed on the face of financial statement

2.6 Comparatives

In addition to the figures for the year ending 31 December 2021, the financial statement shows the figures for the financial year ending 31 December 2020 as well.

3. Disbursements/Receipts

	2021 USD	2020 USD
Funds received from World Bank	78,953	-
Total	**78,953**	-

4. Receipts – Retroactive financing

	2021 USD	2020 USD
Funds received from World Bank	-	-
Total	-	-

5. Receipts - Reimbursements

	2021 USD	2020 USD
Reimbursement (Spent from GOM's State Budget)	-	-
Total	-	-

6. Strengthening the PFM Environment

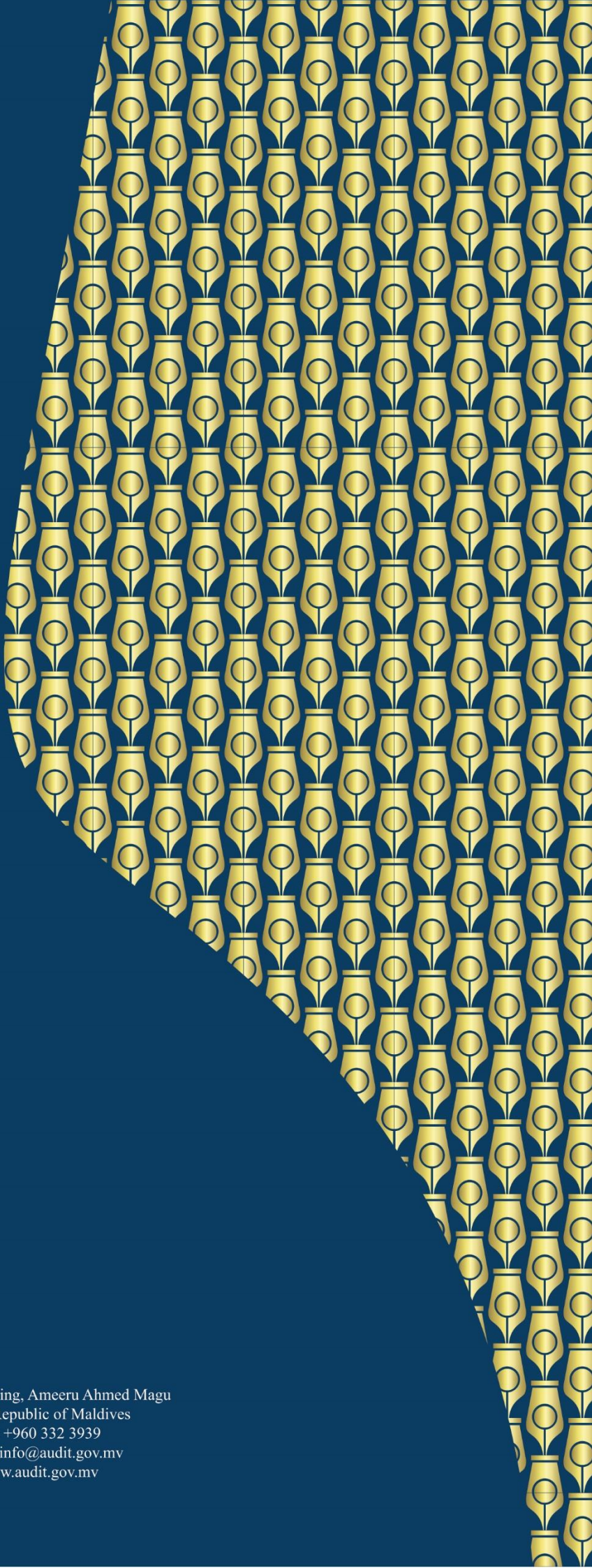
	2021 USD	2020 USD
Reimbursement (Spent from GOM's State Budget)	-	-
Total	-	-

7. Strengthening Budget Execution

	2021 USD	2020 USD
Consultant fees (Project account)	129,158	102,241
Consultant fees (Reimbursement)	-	5,673
Total	**129,158**	**107,915**

8. Project Management

	2021 USD	2020 USD
Salaries (Project account)	-	4,899
Salaries (Reimbursement)	-	
Training Fees (Project Account)	-	-
Operating costs (Project account)	1,372	78
Total	**1,372**	**4,976**



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