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TUVALU ENERGY SECTOR DEVELOPMENT PROJECT

Funded by:

World Bank (International Development Association – (IDA Grant D029-TV)

Small Island Development Fund (SIDS)

DOCK Support Program Multi Donor Trust Fund – (TF018949)

Government of Tuvalu (GoT)

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

TUVALU ENERGY SECTOR DEVELOPMENT PROJECT

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TUVALU ENERGY SECTOR DEVELOPMENT PROJECT

Statement by the Tuvalu Energy Sector Project

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2016

On behalf of the Tuvalu Energy Sector Investment Project, we state that in our opinion the accompanying financial statement of the project set out in pages 4 to 9 for the year ended 31st December 2016 are drawn up so as to (1) give a true and fair view of state of affairs of the project and the result of its operation and statement of balances, (2) in accordance with the accounting policies described in the Notes to the financial statement.

We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Mr. Mafalu Lotolua Project Manager	Mr. Avafoa Irata Chief Executive Public Utilities & Infrastructures

Dated 9/11/2018

General Information

The Tuvalu Energy Sector Development Project (TESDP) officially commenced on 25 February 2015 being the effective date of the IDA Grant **D029-TV**. The closing date is currently set as 31 March 2019. TESDP is funded jointly by the World Bank (WB; through its International Development Association – IDA), the Small Island Development States (SIDS) DOCK Support Program Multi Donor Trust Fund – **TF018949** and the Government of Tuvalu (GoT), as follows:

- IDA – Grant of Special Drawing Rights (SDR) 4.8 million (with estimated AUD$ equivalent of AU$ 8.12 million); established through a Financing Agreement dated 25 February 2015.

- SIDS MDTF – US$ 2.1 million (with estimated AU$ equivalent of AU$ 2.63 million); established through a Financing Agreement dated 25 February 2016.

The objective of TESDP is to enhance the Recipient's energy security by reducing its dependence on imported fuel for power generation, and by improving the efficiency and sustainability of its electricity system. The Project consists of the following components:

Component 1 – Renewable Energy Investments:
Part 1. Supply and installation of power generation and grid management equipment such equipment to include, solar photovoltaic, wind-power generation, batteries, battery inverters and an integrated power-control systems and a satellite based communications system.

Component 2 - Energy Efficient Investments.
Carrying out of program of activities designed to enhance efficient use of energy, such to include:

(a) Supply and installation of prepayment meters for TEC consumers and smart meters for the largest electricity consumers.
(b) Supply and installation of selected energy efficient investment, such as enhanced insulation in buildings to be selected by TEC in accordance with criteria agreed with Association; and replacement of inefficient lighting and appliances in said buildings.
(c) Developing policy, standards and labelling for energy efficient.
(d) Activities aimed at raising the consumer awareness on energy efficient, and related capacity building activities and training.

Component 3 – Technical Assistance and Project Management Support
(a) Carrying out of program of activities designed to enhance the capacity of the Recipient and TEC for implementation of the project, including, coordination, administration, technical operation, procurement, financial management, environmental and social management, monitoring, evaluation and reporting of the project.
(b) Provision of technical assistance to support the Recipient in mainstreaming gender dimensions inti the Project.

Implementation and Administration

The TEC is responsible for implementing the project including financial management and procurement for this project and be responsible for realizing the governmental accounting, payments, withdrawal applications and auditing as well as managing risks during project implementation, such as operational, developmental, social, environmental, governance, reputational, and capacity/implementation, as appropriate, to the Project's development effectiveness, as well as responsible for project budgeting, accounting, reporting and support in Procurement, Disbursements and Audited financial statements. TEC remains responsible as the implementing agency for contractual obligations and legal covenants.

TvAIP-PST is responsible for the oversight of all financial and accounting operations of the project.

WB administers both the IDA and SIDS MDTF funding. One bank account ("Designated Accounts") has been established in Tuvalu. In addition, larger payments under WB-administered funding may be made directly by WB and charged directly to the respective grant, rather than channelling through the Designated Accounts, in accordance with agreed WB procedures.

Accounting policies

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.
- AUD$33,883.07 paid by TvAIP but not repaid by TESDP until 30 June 2017. This will be included in the 2017 financial statements.

The reporting currency is Australian Dollars (AU$).

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).

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

Tuvalu Energy Sector Development Project

Statement of Funds Received and Expenditures – By Component by Source

Year Ended 31 December 2016

	Total All Sources	IDA	SIDs
Project Funding	$	$	$
Funding to TvAIP Bank Accounts	640,000	480,000	160,000
Direct Payments by World Bank	-	-	-
	640,000	**480,000**	**160,000**
Project Expenditure:			
Component 1 -Renewable Energy Investments	-	-	-
Component 2 - Energy Efficiency Investments	-	-	-
Component 3 - Technical Assistance and Project Management Support	**29**	**14**	**16**
Country Project Operation Costs			
Financial Costs	**29**	**14**	**16**
Total Project Expenditure	**29**	**14**	**16**
Closing Balances	**639,971**	**479,987**	**159,985**

Tuvalu Energy Sector Development Project

Statement of Funds Received and Expenditures – By Category by Source

Year Ended 31 December 2016

	Total All Sources $	IDA $	SIDS $
Project Funding			
Funding to TESDP Bank Accounts	640,000	480,000	160,000
Direct Payments by World Bank	-	-	-
	640,000	**480,000**	**160,000**
Project Expenditure:			
By Category			
1. Goods, works, training, non-consulting services and consultants' services and Training,	-	-	-
2. Incremental Costs	**29**	**14**	**16**
Total Project Expenditure	**29**	**14**	**16**
Closing Balances	**639,971**	**479,987**	**159,985**

Tuvalu Energy Sector Development Project

Statement of Balances (in AU$)

Year Ended 31 December 2016

	Total All Sources $	IDA $	SIDS $
Cash at Bank			
Funding to TESDP Bank Accounts	639,971	479,987	159,985
Total Balance per Statement of Funds Received & Expenditure	**639,971**	**479,987**	**159,985**

GOVERNMENT OF TUVALU

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30 August 2018

The Project Manager

Tuvalu Energy Sector Development Project

Funafuti.

a) Audit opinion of the TESDP Financial Statements

We have audited the accompanying Financial Statements comprising Statement of Funds Received and Expenditures and Statement of Balances of the Tuvalu Energy Sector Development Project for the year ended 31 December 2016. These statements are the responsibility of the Tuvalu Energy Sector Development Project and management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express an opinion thereon based on our audit.

We conducted our audit in accordance with the International Standards 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 Energy Sector Development Project management's policy is to prepare the accompanying statements on the cash receipts and payments basis in conformity with the modified cash basis of accounting. On this basis, cash receipts are recognized when received and cash expenditures are recognized when paid rather than when incurred except for advances and payables.

In our opinion, the financial statements present fairly the cash receipts and payments of the project during the year ended 31 December 2016 in accordance with the modified 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 2016.

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions 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 is fairly presented.

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 2016.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions 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 is presented fairly and is operating with appropriate internal controls.

d) Key internal control weaknesses and non-compliance with the Financing agreement terms.

No key internal control weaknesses were noted during the audit. No instances of non-compliance with the Financing agreement terms were noted during the audit.

Eli Lopati
Auditor General of Tuvalu
Vaiaku, Funafuti, Tuvalu.