



Report No: FIN-2022-54(E)

30<sup>th</sup> June 2022

**ADDITIONAL FINANCING FOR THE PUBLIC  
FINANCIAL MANAGEMENT SYSTEMS  
STRENGTHENING PROJECT  
MINISTRY OF FINANCE  
FINANCIAL YEAR 2021**



آڈیٹر جنرل کے سرکاری آفس

AUDITOR GENERAL'S OFFICE

**TABLE OF CONTENTS**

Auditor General’s Report ..... 1

Financial Statement

    Statement of Receipts and Payments..... 5

    Notes to the financial statement ..... 6

## **AUDITOR GENERAL'S REPORT**

### **TO THE MINISTRY OF FINANCE ON THE FINANCIAL STATEMENT OF ADDITIONAL FINANCING FOR THE PUBLIC FINANCIAL MANAGEMENT SYSTEMS STRENGTHENING PROJECT**

#### **Opinion**

We have audited the accompanying financial statements; Statement of Receipts and Payments for the year ended 31<sup>st</sup> December 2021 and notes to these statements, which includes a summary of significant accounting policies and other explanatory information set out in page 5 to 10, of Additional Financing for the Public Financial Management System Strengthening Project financed by the World Bank/International Development Association Financing Agreement (Credit Number 6220-MV & Grant Number D295-MV) as of 31<sup>st</sup> July 2018.

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 31<sup>st</sup> 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 31<sup>st</sup> 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.



## 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.

The Table 1 under *Management response* shows the actions agreed in the Support Missions held during the year 2021, the target date and the current status.

The Table 2 under *Management response* shows the Agreed actions from 2020 and 2019 mission, with target dates for 2020 and the current status.

### Implication

Failure to achieve various components of the Project within the agreed timeframes could result in time and cost overruns, in addition to non-achievement of expected benefits of the components to the stakeholders.

### Recommendation

We recommend the PMU to follow the recommendations given by the World Bank's missions in a timely manner to ensure that various components of the project are implemented within the set time and budget.

### Management response

**Table 1**

#	Agreed Actions (2021)	Responsibility	Current Status / Management Comment- provided on 21.06.2022	Status on 31 <sup>st</sup> December 2021
1	Conduct at least 2 rounds of phone surveys with a sub-sample of households from HIES 2019.	NBS	80% of report writing completed.	Round 2: Data Collection and coding completed. Data Cleaning ongoing and brain storming with WB Consultant on writing the analytical report
2	Configure PAS for system generated AFS with Asset Register within 4 months from year-end.	FCO	AFS generated from SAP BI module. However, legacy asset is captured in the Neelan Portal.	AFS generated from SAP BI module. However, legacy asset is captured in the Neelan Portal.
3	Issue internal audit readiness assessment report to the SIAC and WB	SIAC/PFDS	Due to a lack of resources, SIAC did not conduct an internal audit readiness assessment.	Due to a lack of resources, SIAC did not conduct an internal audit readiness assessment. However, EQA was carried out by AGO
4	Monitoring mechanism established in at least fifteen percent of procuring entity.	NT	Not fully established. However, Bid committee meeting minutes and awarded contract are updated in the Bandeyri Portal.	Not fully established. However, bid committee meeting minutes and awarded contract are updated in the Bandeyri Portal.
5	To ensure sustainability, involve the Institute of Chartered Accountants of Maldives (ICAM) in the accreditation of the Accounts and Audit professionals of the PFM cadre.	FCO	MOF is an ACCA approved employer and discussion is ongoing with CIPFA and CIMA.	Discussion with MoHE to include slots for government officials for the accounting professional certification scholarship program. In addition, the MoF discussed with MNU the possibility of running a CIPFA program in the Maldives.

6	Prepare short and medium-term statistics training plan to be executed by June 2022.	MBS	This is an online training conducted by the Department of Demography, University of Colombo, for MBS.	Training not started. To start around March 2022
7	Configure the SAP-based Public Accounts System (PAS) for direct generation of GFS reports.	FAD/PFDS	GFS field added to SAP. Mapping pending.	GFS field added to SAP. Mapping pending.

**Table 2**

#	Agreed Actions (2020/2019)	Responsibility	Target Date / Revised date	Current Status / Management Comment- provided on 21.06.2022	Status on 31 <sup>st</sup> December 2021
1	Finalize outstanding DLIs that were due on 30th June 2019 and complete DLIs due June 2020. Arrange for PwC to undertake remote verification based on documentary evidence.	PMU	31st August 2020	Except for DLI1 target 2 (partially achieved and funds disbursed) and DLI 2 target 3, all other DLIs have been achieved.	47% achieved.
2	Develop an Information System Master Plan/Blueprint based on functional requirements and consolidate gains made with the various stand-alone portals	NPD	31st December 2020	Contract signed. Under Implementation.	Procurement commenced.

30<sup>th</sup> June 2022



Hussain Niyazy  
Auditor General

MINISTRY OF FINANCE

ADDITIONAL FINANCING FOR THE PUBLIC FINANCIAL MANAGEMENT SYSTEMS  
STRENGTHENING PROJECT (PFMSS)

STATEMENT OF RECEIPTS AND PAYMENTS

FOR THE YEAR 01 JANUARY 2021 TO 31 DECEMBER 2021

Receipts	Note	2021	2020
		USD	USD
		World Bank	World Bank
Disbursements/Receipts	3	500,000	650,000
Receipts – Retroactive financing	4	-	-
Receipts - Reimbursements	5	-	-
<b>Total Receipts</b>		<b>500,000</b>	<b>650,000</b>
<b>Payments</b>			
Policy –based Fiscal Strategy and Budget Credibility	6	172,703	379,684
Controlled Budget Execution	7	160,513	169,506
Accounting, Reporting and Internal Audit	8	84,091	-
External Audit of the Public Sector	9	74,630	-
Project and Change Management	10	122,857	124,772
<b>Total Payments</b>		<b>(614,794)</b>	<b>673,962</b>
<b>Increase/(Decrease) in Cash</b>		<b>(114,795)</b>	<b>(23,961)</b>
<b>Cash at beginning of the period</b>		<b>239,326</b>	<b>263,287</b>
<b>Increase/(Decrease) in Cash</b>		<b>(114,795)</b>	<b>(23,961)</b>
<b>Cash at end of the period</b>		<b>124,531</b>	<b>239,326</b>

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 27<sup>th</sup> 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 6 to 9 form an integral part of the Statement of Receipts and Payments.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. PROJECT INFORMATION

**1.1 PROJECT TITLE:** Additional Financing for the Public Financial Management Systems Strengthening Project (PFMSS)

**1.2 STARTED DATE:** 31-07-2018

**1.3 CLOSING DATE:** 31-07-2022

**1.4 PROJECT DURATION:** 4 years

**1.5 APPROVED BUDGET:** US\$ 6,000,000 (Six Million 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: Policy-based Fiscal Strategy and budget credibility (US\$ 2,730,000)**

The objective of this component is to set improvements in budget credibility and outturn, the budget is constrained by high and rigid current expenditures as well as by increasing debt service and health costs. Fiscal space can only be created over the medium term if fiscal discipline is maintained. To foster evidence-based budgeting, the project will finance a Household Income and Expenditure Survey (HIES) and to build capacity of the Fiscal Affairs Department and of the National Bureau of Statistics (NBS) in the process.

#### **Component 2: Controlled Budget Execution (US\$ 1,585,000)**

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: Accounting, Reporting and Internal Audit (US\$ 200,000)**

The objective of this component is to improve the capacity of the State Internal Audit unit of Ministry of Finance and support the establishment of an accounting reform action plan and also results based financing to increase transparency and external accountability of the Recipient's public-sector finances.

#### **Component 4: External Audit of the Public Sector (US\$ 415,000)**

The objective of this component is to improve the alignment with international standards for supreme audit institutions (ISSAI) and with international good practice (including through a peer review based on the SAI-PFM assessment tool). For performance audits, including through the introduction of a pilot citizen participatory audit.



**Component 5: Project and Change Management (US\$ 920,000)**

The objective of this component is to provide support to development of an enhanced communication plan and change management capacity to enable the implementation of reforms and by providing cross cutting training and capacity building to the project stakeholders. The component will support the extension and expansion of the PMU to manage the more complex reform agenda with more diversified stakeholders 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). Period for which financial statement is prepared are disclosed on the face of the financial statement.

### 2.6 Comparatives

In addition to the figures for the year ending 31<sup>st</sup> 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	500,000	650,000
<b>Total</b>	<b>500,000</b>	<b>650,000</b>

### 4. Receipts – Retroactive financing

	2021 USD	2020 USD
Total	-	-

### 5. Receipts - Reimbursements

	2021 USD	2020 USD
Reimbursement (Spent from GOM's State Budget)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### 6. Policy-based fiscal strategy and budget credibility

	2021 USD	2020 USD
Consultants fees	120,436	19,778
Household Income and Expenditure Survey Expenditure	13,900	359,906
Training Fees	38,368	-
<b>Total</b>	<b>172,703</b>	<b>379,684</b>

### 7. Controlled Budget Execution

	2021 USD	2020 USD
Consultant fees	106,357	169,506
Training fees	46,762	-
Non-consulting services,	7,395	-
<b>Total</b>	<b>160,513</b>	<b>169,506</b>



8. Accounting, Reporting and Internal Audit

	2021 USD	2020 USD
Training fees	84,091	
Total	<b>84,091</b>	-

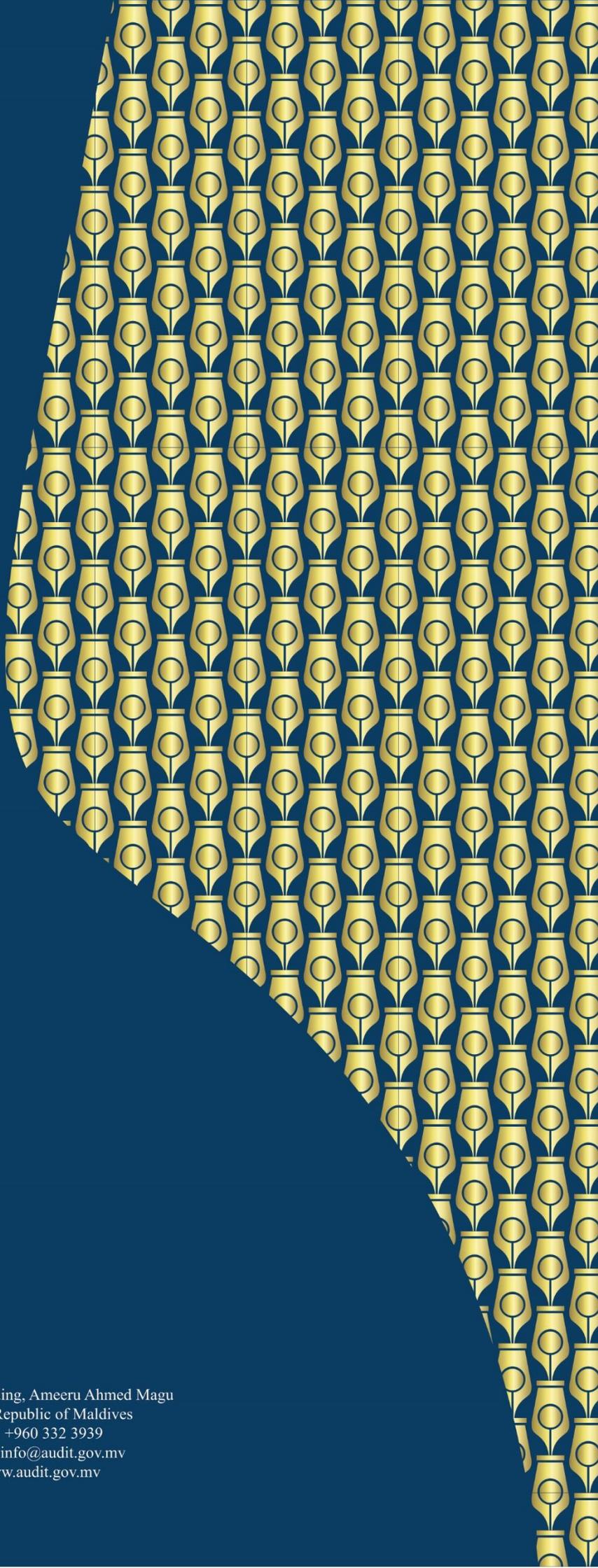
9. External Scrutiny and Audit

	2021 USD	2020 USD
Consultant fees	74,630	
Total	<b>74,630</b>	-

10. Project Management

	2021 USD	2020 USD
Salaries (Project account)	67,315	92,773
Consultants fees (Project account)	-	31,346
Training Fees (Project Account)	50,815	-
Operating costs (Project account)	4,727	654
	<b>122,857</b>	<b>124,772</b>





Ghaazee Building, Ameeru Ahmed Magu  
Male', Republic of Maldives  
Tel: +960 332 3939  
Email: [info@audit.gov.mv](mailto:info@audit.gov.mv)  
[www.audit.gov.mv](http://www.audit.gov.mv)