



Report No: FIN-2022-57(E)

30 June 2022

**MALDIVES URBAN DEVELOPMENT AND RESILIENCE
PROJECT**

MINISTRY OF NATIONAL PLANNING, HOUSING AND INFRASTRUCTURE

FINANCIAL YEAR 2021



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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE MINISTRY OF NATIONAL PLANNING, HOUSING AND INFRASTRUCTURE ON THE FINANCIAL STATEMENT OF MALDIVES URBAN DEVELOPMENT AND RESILIENCE PROJECT

Opinion

We have audited the accompanying financial statement; Statement of Receipts and Payments for the year ended 31 December 2021 and notes to this statement, which includes a summary of significant accounting policies and other explanatory information set out in pages 7 to 18, of Maldives Urban Development and Resilience Project financed by the World Bank/International Development Association (IDA) through financing agreement (Credit No: 6537 - MV and Grant No: D554 - MV) dated 28th April 2020.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts, cash payments for the financial year ended 31 December 2021, and cash balances as at the period 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 Credit and Grant Agreement have been utilised for the purposes for which they were provided; and
- (b) 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.

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Responsibilities of 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 are 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.



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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

From our review of the project progress, we observed that all the activities were delivered as per the target dates set for 2020-2021.

The Table 1 under *Management response* shows the actions agreed in the Support Missions held during October 10-14, 2021.

Management response

Table 1

#	Description	Action	Responsible	Status (Nov 2021) - Management Response
Component 1: Resilient Infrastructure and Emergency Preparedness (US\$12.5 million)				
<i>Sub-Component 1.1: Resilient Infrastructure</i>				
1	Design-Built and Operation (DBO) of Sewage Treatment Plant (STP) for Hulhumalé Phase 1	Award of contract to design, build and operate (DBO) the sewage treatment plant	PMU	The initial bid submission deadline was extended from October 19, 2021 to November 2, 2021 upon request from the 11 registered bidders. Award of contract is expected by January 31, 2022.
2	Feasibility Study for the Hulhumalé Phase 2 and Malé STP	Revisit TOR and award contract	PMU	A revised draft TOR has been prepared and the scope of the study have been limited to Malé due to fund limitation. TOR will be revisited after ascertaining the available funding post the award of contract.
3	Malé Stormwater Drainage and Underground Water Storage Tank (civil works)	Award Construction works	PMU	Project is under procurement. Construction is expected to start by early 2023
<i>Sub-Component 1.2: Strengthening Emergency Response Systems</i>				
4	Emergency Operations Coordination Center (EOCC) Design	Issue Request for Expression of Interest (REOI)	PMU & WB	The PMU, in consultation with the National Disaster Management Authority (NDMA) has revised and resubmitted the TOR to the Bank on November 28, 2021 for clearance. Issuing Request for Expression of Interest



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#	Description	Action	Responsible	Status (Nov 2021) - Management Response
				(REOI) is expected to be issued by December 23, 2021.
5	Gender Equitable Guidelines for EOCC	Award Consultant Contract	PMU	The draft guidelines have been developed by the Government and the project is in the process of hiring a consultant to review the guidelines. The REOI was submitted on December 2, 2021. Contract is expected by January 15, 2022
6	Fire and Rescue Service Equipment	Awarded Contracts		Based on previous failures to attract responsive bids for this activity, the package has been split into three parts - (i) Extrication Tools; (ii) High-Rise Rescue Equipment; and (iii) Structural Firefighting and Hazmat Equipment and they have been advertised, with a deadline of October 18, 2021 for the submission of EOIs. Contracts are expected to be awarded by December 30, 2021
7	Training for Fire and Rescue Services	Not applicable as the trainings have been completed	NA	Trainings were completed in April 2021, with 85 participants trained
Component 2: Regional Sustainable Urban Planning, Development and Management (US\$2.5 million)				
<i>Sub-Component 2.1: Sustainable Urban Infrastructure and Services Analytical Studies</i>				
8	Housing Market Needs and Assessment Study	Not applicable as the study have been completed	NA	The study was completed in June 2021 and the intermediate results indicator 'roadmap on housing reformed developed' has been achieved.
9	Regional Development Plans	Revise TOR and Issue REOI	PMU & WB	As a result of the changes to the Decentralization Act, finalization of the National Spatial Plan (NSP), and ongoing work by the Atolls to develop land use plans, the planned regional development activities are under revision to avoid duplication of work. The



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#	Description	Action	Responsible	Status (Nov 2021) - Management Response
				Ministry of National Planning, Housing and Infrastructure (MNP/PHI) shared its views and recommendations for adapting the TORs to current needs and on ways to proceed with the activity. MNP/PHI asked the PMU to take steps to meet with the Atoll Councils for their input before finalizing the TORs. On-going work of meeting Atoll councils for their input. Revised TOR is to be submitted by December 17, 2021. The REOI is expected to be issued by January 15, 2022.
10	Develop Design and Preparation of Tender Documents for Male' Storm water Management	Sign the contract	PMU	The REOI was cleared by the Bank on October 6, 2021 and the study has been advertised. The deadline for EOI submission was October 31, 2021. The contract for this activity to be signed by January 31, 2022.
Sub-Component 2.2: Strengthening the enforcement mechanism for the building code and regulations (Bank Executed Trust Funded Activities)				
11	Building Approval Process Review	Complete consultancy work	PMU	There have been delays in interviewing the multiple local island councils due to COVID-19, and Although the original contract closing date is October 31, 2021, the contractor has provided no-cost extension to January 31, 2022
12	Technical Review of Code Compliance documents for the Building Code	Commencement of consultant's work	PMU	The EOI process to hire consultants has been completed & commencement of consultant's work on December 15, 2021.
Component 3: Project Implementation Management and Reporting (US\$1.5 million)				
13	Communications Officer	Not applicable as the communication officer was hired	NA	A communication officer was hired. And draft Communications Strategy has been shared with the Bank on October 30, 2021, after internal review



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#	Description	Action	Responsible	Status (Nov 2021) - Management Response
14	Appointment of an Associate	Not applicable as Associate at the National Disaster Management Authority have been appointed	NA	An Associate at the National Disaster Management Authority have been appointed
15	Environmental and Social Impact Assessment (ESIA) for the Wastewater Treatment Plant at Hulhumalé	Not applicable as the final report have been shared with Bank	NA	The final report have been shared with Bank
16	Procurement of Office Furniture and Equipment for PMU	Not applicable as the procurement have been completed	NA	The procurement of the two packages (furniture and equipment) has been completed

30 June 2022


Hussain Niyazy
Auditor General



MALDIVES URBAN DEVELOPMENT AND RESILIENCE PROJECT
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
FOR THE YEAR ENDED 31 DECEMBER 2021

Components	Notes	Year ended 31 st December 2021		
		Budgeted Amount (USD)	Actual Amount (USD)	Difference (USD)
Component 1: Resilient Infrastructure and Emergency Preparedness	4.1	168,000	55,271	112,729
Component 2: Sustainable Urban Planning, Development and Management	4.2	210,000	160,000	50,000
Component 3: Project implementation, management and reporting	4.3	222,132	208,794	13,338
Component 4: Contingent Emergency Response Component (CERC)	4.4	-	-	-
Total		600,132	424,065	176,067

The accounting policies and notes on page 9 to 18 form an integral part of the financial statement



Ministry of National Planning, Housing and Infrastructure
 Poneene Magu, Maafannu, Male', 20392, Republic of Maldives.

+ (960) 4004-700
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secretariat@planning.gov.mv
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**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. PROJECT INFORMATION

1.1 Key Highlights

Project Title: Maldives Urban Development and Resilience Project

Start Date: 29th April 2020

Closing Date: 30th June 2026

Approved Budget: USD 16.50 Million (Grant \$8.25mn and Credit \$8.25mn)

Estimated Contribution by GOM: USD 2 Million

Total Estimated Project Budget: USD 18.5 Million

Funded by: International Development Association (IDA) - World Bank and Government of Maldives.

Maldives Urban Development and Resilience Project (the Project) is executed and implemented by the Government of Maldives (GoM) and is funded by International Development Association (IDA). The Project Agreement for the Maldives Urban Development and Resilience Project (Ref. No. Credit Number 6537 – Grant Number D554 – MV) was signed on 29th April 2021.

1.2 Objectives

Project Development Objectives

The objective of the Project is to enhance resilient infrastructure and urban planning in select cities in Maldives and strengthen the Recipient's capacity to provide effective response to disasters.

1.3 Project Beneficiaries

The primary beneficiaries of the proposed operation will be the residents of Malé and Hulhumalé Phase 1, estimated to be 176,749. Residents and tourists will benefit from access to improved, more resilient urban services including emergency response and urban infrastructure. Improved urban planning will benefit the populations of the regions covered by feasibility studies and stormwater masterplans (Greater Malé) and regional development plans (indicatively Addu, Thiladhunmathi, and Faadhippolhu). Strengthened emergency response systems will benefit the entire country. The Project will support institutional strengthening and capacity development of GoM agencies including MNPI, Ministry of Finance (MoF), Ministry of Housing and Urban Development (MHUD), HDC, MWSC, Maldives Fire and Rescue Service, and NDMA.



Ministry of National Planning, Housing and Infrastructure
Agencée Magu, Maafannu, Male', 20392, Republic of Maldives.

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www.planning.gov.mv

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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 a cash basis. Receipts are recognized when the Government of Maldives (GOM – PMU) receives the funds from IDA to the bank account maintained at Maldives Monetary Authority (MMA) for the project. This account is maintained in United States Dollars (USD). Payments are recognized at the time of outflow of cash either from the bank account or from the cash account maintained for cash payments.

2.3 Presentation Currency

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

2.4 Foreign Currency Translation

Receipt and payments in currencies other than the reporting currency (USD) are converted at the mid-exchange rate (MMA's published exchange rate) less 0.05 existing between the transaction currency and USD at the time of the receipt/ payment. Cash balance 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 reporting period. And resulting exchange gain/ loss (if any) is recognized in the financial statement.

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 or closure the financial statement generally covers a period shorter than one year. Period for which financial statement is prepared are disclosed on the face of the financial statement.

2.5 Comparatives

In addition to the figures for the financial year ending 31st December 2021, the Financial Statement shows the figures for the 9 Month period ended 31st December 2020.



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	For the year ended 31st December 2021			For the (9 Month) period ended 31 st December 2020		
	Cash Receipts / (Payments) Controlled by the entity		Direct Payments by World Bank	Cash Receipts / (Payments) Controlled by the entity		Direct Payment s by World Bank
	IDA	GOM		IDA	GOM	
	USD	USD	USD	USD	USD	USD
IPC 05 – TTI Consulting Engineers	-	-	-	(50,972)	-	-
<i>Sub-Component 1.2 Strengthening Emergency Response Systems:</i>	(55,271)	-	-	-	-	-
IPC 01 – Fire Service College	(27,412)	-	-	-	-	-
IPC 02 – Fire Service College	(27,859)	-	-	-	-	-
Total	(55,271)	-	-	(203,886)	-	-

4.2 COMPONENT 2: SUSTAINABLE URBAN PLANNING AND DEVELOPMENT AND MANAGEMENT

	For the year ended 31st December 2021			For the (9 Month) period ended 31 st December 2020		
	Cash Receipts / (Payments) Controlled by the entity		Direct Payments by World Bank	Cash Receipts / (Payments) Controlled by the entity		Direct Payments by World Bank
	IDA	GOM		IDA	GOM	
	USD	USD	USD	USD	USD	USD
<i>Sub-Component 2.1: Analytical studies on sustainable urban infrastructure and services:</i>	(160,000)	-	-	(40,000)	-	-
IPC 01 – Affordable Housing Institute	-	-	-	(40,000)	-	-
IPC 02 – Affordable Housing Institute	(40,000)	-	-	-	-	-
IPC 03 – Affordable Housing Institute	(30,000)	-	-	-	-	-
IPC 04 – Affordable Housing Institute	(30,000)	-	-	-	-	-
IPC 05 – Affordable Housing Institute	(40,000)	-	-	-	-	-



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 Seene Magu, Maafannu, Male', 20392, Republic of Maldives.

+ (960) 4004-700
www.planning.gov.mv

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Director General's Office
 Seene Magu, Maafannu, Male', 20392, Republic of Maldives.

www.twitter.com/PlanningMV
secretariat@planning.gov.mv

**MALDIVES URBAN DEVELOPMENT AND RESILIENCE PROJECT
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NOTES TO OTHER INFORMATION

Payables

Details	As at 31st Dec 2020 (Restated) (USD)	As at 31st Dec 2020 (USD)
World Bank financing payable to GOM (Project management expenditure incurred by GOM during transition period):		
Ramzan Allowance 2020	-	977
Salary – April 2020	-	9,517
Pension – April 2020	-	690
Salary – May 2020	9,333	9,333
Pension – May 2020	691	691
Salary – June 2020	9,333	9,333
Pension – June 2020	691	691
Salary – July 2020	9,322	9,322
Pension – July 2020	692	692
Total Payables	30,062	41,246

Payables figure of 2020 included all the project management expenditures incurred from funds of GOM between the end date (31 March 2020) of the Advance Fund Agreement and the date (09 August 2020) on which funds were received to the Special Account under the Main Project upon communication with Ministry of Finance. However, upon submission of Withdrawal Application to World Bank for the reimbursement of these expenditures incurred by GOM, it was informed by World Bank that only expenditures incurred by GOM after the signing date (29th April 2020) of the main Project can be considered for reimbursement. Hence, the salary and pension expenditure of April 2020 and Ramazan Allowance of 2020 were removed from payables and figure of payables in 2020 was restated, since these expenditures were incurred prior to the signing date of the main project.



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* Meenee Magu, Maafannu, Male', 20392, Republic of Maldives.

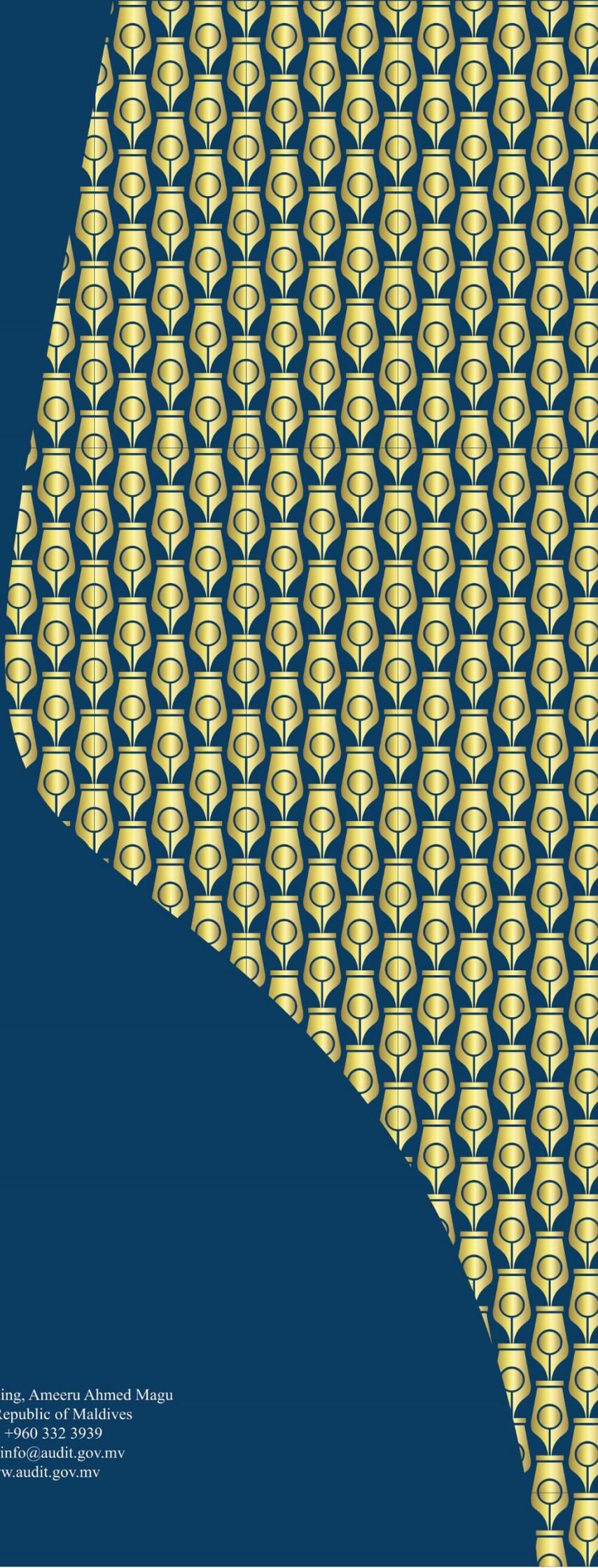
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secretariat@planning.gov.mv
www.twitter.com/PlanningMV



Ghaazee Building, Ameeru Ahmed Magu
Male', Republic of Maldives
Tel: +960 332 3939
Email: info@audit.gov.mv
www.audit.gov.mv