

**SOLOMON ISLANDS ROADS and AVIATION PROJECT
(SIRAP)**

**PROJECT PREPARATION FACILITY
(PPF)**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2019

**SOLOMON ISLANDS ROADS and AVIATION PROJECT
PROJECT PREPARATION FACILITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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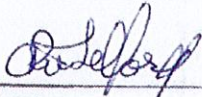
**SOLOMON ISLANDS ROADS and AVIATION PROJECT
PROJECT PREPARATION FACILITY
CERTIFICATION BY PROJECT'S MANAGEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

We certify that the attached financial statements for the Solomon Islands Roads and Aviation Project for the Project Preparation Facility (PPF) comprise of the Statement of Receipts and Payments, Statement of Comparison of Budget & Actual Amounts and Notes. They form part of the financial statements for the period from 01 January 2019 to 30 June 2019 (6 months):

- a) gives a true and fair view of the matters to which they relate; and
- b) have been properly drawn up in accordance with the accounting policy described in Note 2 to the financial statements.

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

We authorise the attached financial statements for issue on ...13 / ...12 / ...19 on behalf of the Management of the Solomon Islands Roads and Aviation Project.



Signature

Anthony Telford
Project Manager
Solomon Island Roads and Aviation Project
Honiara, Solomon Islands.



Signature

Moses Virivolomo
Permanent Secretary
Ministry of Communications and Aviation
Honiara, Solomon Islands.



INDEPENDENT AUDITOR'S REPORT

To the Permanent Secretary Ministry of Communication and Aviation

Report on the Audit of the Financial Statements

Unqualified Opinion

I have audited the accompanying financial statements of the Solomon Islands Roads and Aviation Project (SIRAP) Project Preparation Facility (PPF), which comprise the statement of cash receipts and payments for half-year ended 30 June 2019, Statement of Comparison of Budget and Actual Amount for the half-year ended 30 June 2019 and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The report has been prepared in accordance with the Advance Agreement ("Agreement") dated 26 July 2018 between the Solomon Islands (the "recipient") and International Development Association ("World Bank").

In my opinion, the accompanying financial statements presents fairly, in all material respects, the statement of cash receipts and payments of the SIRAP for the half-year ended 30 June 2019 in accordance with the conditions of the Advance agreement between SIG and IDA and in accordance with the International Public Sector Accounting Standards (IPSAS) Cash Basis.

Basis for Unqualified Opinion

I have conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Government Ministry in accordance with the International Standards of Supreme Audit Institutions (ISSAI Code) together with the ethical requirements that are relevant to my audit of the financial statements in Solomon Islands and I have fulfilled my other ethical responsibilities in accordance with these requirements and the ISSAI Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with IPSAS, and for such internal control as the management determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Government Ministry's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to cease operations, or have no realistic alternative but to do so.

Those charges with governance are responsible for overseeing the Government Ministry and Project financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not guaranteed that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of the financial statements.

As part of an audit in accordance with ISSAI, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my 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 policy used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as going concern. If I conclude that material uncertainty exist, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represent the underline transactions and events in a manner that achieves fair presentation.

I communicate with management and those charge with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

I also provide management and those charge with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguard.

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanation, which, to the best of my knowledge and belief, were necessary for the purpose of my audit.

In my opinion:

i) Proper books of account have been kept by the Project Office, sufficient to enable the preparation of statement of cash receipts and payments;

ii) To the best of my knowledge and according to information and explanations given to me, the statement of cash receipts and payments, Statement of Comparison of Budget and Actual Amount give the information required by the Standard Condition 2010 in the manner so required; and

iii) The Project complied with the requirements of the Standard Condition, which require the financial statements to be submitted to World Bank no later than six months after the end of each fiscal year throughout the implementation period. The statements were presented to me on 23 September 2019.



Peter Lokay
Auditor - General
19 December 2019

Office of the Auditor General
Honiara, Solomon Islands

**SOLOMON ISLANDS ROADS and AVIATION PROJECT
PROJECT PREPARATION FACILITY
STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

		30 JUNE 2019
<i>Expressed in Solomon Islands Bokolo Dollars</i>	Notes	Receipts/ (Payments) Controlled by the Entity \$
RECEIPTS		
IDA Grant No. V167	2.5	3,650,297.48
Total Receipts		3,650,297.48
PAYMENTS		
Programme Activities Expenditure		
Component A: Honiara and Munda Airports Infrastructure Investment		104,147.68
Component B: Malaita Road Improvement and Maintenance Program		-
Component C: Institutional Strengthening		184,299.69
Component D: Project Implementation Support		3,366,008.89
Total Payments		3,654,456.26
Cash at Beginning of Year	4	-
Increase/(Decrease) in Cash		(4,158.78)
Cash at End of Year	4	(4,158.78)

SOLOMON ISLANDS ROADS and AVIATION PROJECT
PROJECT PREPARATION FACILITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

Expressed in Solomon Islands Bokolo Dollars

	Actual Amounts	Final Budget	Original Budget	Difference Final Budget and Actual
	\$	\$	\$	\$
CASH INFLOWS				
IDA Grant No. V167	3,650,297.48	3,650,297.48	7,812,500.00	-
Total Receipts	3,650,297.48	3,650,297.48	7,812,500.00	-
CASH OUTFLOW				
Component A: Honiara and Munda Airports Infrastructure Investment	104,147.68	334,361.93	822,338.07	230,214.25
Component B: Malaita Road Improvement and Maintenance Program	-	-	-	-
Component C: Institutional Strengthening	184,299.69	184,299.69	357,140.07	-
Component D: Project Implementation Support	3,366,008.89	3,558,055.88	6,633,021.86	192,046.99
Total Payments	3,654,456.26	4,076,717.50	7,812,500.00	422,261.24
NET CASH FLOW	(4,158.78)	(426,420.02)	-	(422,261.24)

SOLOMON ISLANDS ROADS and AVIATION PROJECT
PROJECT PREPARATION FACILITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. GENERAL INFORMATION

The Government of Solomon Islands through the Implementing Agencies (1) Ministry of Communication and Aviation (MCA) and (2) Ministry of Infrastructure Development (MID), has received a Grant and Credit for assistance from the International Development Association under the Pacific Aviation Investment Program (PAIP). The Program is a regional aviation and roads project with the development objective to improve operational safety and oversight of air transport and associated infrastructure, and strengthen the sustainability and climate resilience of the

The SIRAP will be financed by approximately US\$51 million (credit: US\$30.5 million, grant: US\$20.5 million), which is a blend of national IDA financing of US\$27 million (credit: US\$18.5 million, grant: US\$8.5 million) and regional IDA financing of US\$24 million (credit: US\$12 million, grant: US\$12 million).

For the Project Preparation Facility (PPF) it consist of USD \$1million, and it will finance the following activities

Activity Description	Implementing Entity	Cost Estimate (US \$)
Conducting road surveys for Malaita Road infrastructure investments, including pavement structure and drainage investigations	MID	150,000
Supporting the preparation of the preliminary design for Malaita Road infrastructure investments	MID	30,000
Conducting stakeholder engagement and consultations and preparation of safeguards documents required for the Project	MCA, MID	35,000
Supporting the preparation of the unexploded ordnance (UXO) environmental management plan (EMP) and preparation of specifications for the unexploded ordnance survey and	MCA	35,000
Conducting unexploded ordnance surveys for Munda and Honiara Airports infrastructure investments, and removal of any identified unexploded ordnances as required	MCA	100,000
Supporting the preparation of an airline review strategy	MCA	150,000
Conducting an airport master planning study	MCA	100,000
Supporting procurement, financial management, project management, and other activities related to the preparation and implementation readiness of the Project	MCA/MID	400,000
Total		1,000,000

SIRAP 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 Tonga, Tuvalu, Kiribati, Samoa, Vanuatu and Solomon Islands). SIRAP is supported by the Technical and Fiduciary Services Unit (TFSU); based in Tonga, and also tasked to support the regional program, with cost sharing arrangements agreed as per the Program Operational Manual (POM).

2. SUMMARY OF ACCOUNTING POLICIES

2.1 Basis of Preparation

They are prepared on the basis of historical Cash Basis IPSAS Financial Reporting Under The Cash Basis of Accounting.

The accounting policies have been applied consistently throughout the period.

2.2 Reporting Entity

SOLOMON ISLANDS ROADS and AVIATION PROJECT
PROJECT PREPARATION FACILITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2.3 Reporting Currency

The reporting currency is Solomon Islands Dole Dollar (SBD), being the official currency of Solomon Islands Roads and Aviation Project. The main books are maintained in SBD, and these Financial Statements are presented in SBD.

2.4 CASH

Cash in the Statement of Cash Receipts and Payments comprise of cash at bank and receivable/ payables, please refer to Note 4.

2.5 Receipts

Credits are received from the World Bank. The amount is based on the Withdrawal Application from SIRAP through the Ministry of Finance and Treasury (MOFT) for approval and transfer from the World Bank.

Grant No.	Borrower Reference	Beneficiary Name	Ccy	Application Amount
IDA V167	SIRAP PPA 001	Solomon Island Roads & Aviation Project	SBD	2,000,000.00
IDA V167	SIRAP PPA 003	Tonga Aviation Investment Project	SBD	381,625.91
IDA V167	SIRAP PPA 004	Tonga Aviation Investment Project	SBD	856,929.71
IDA V167	SIRAP PPA 005	World Bank/ Transaction No. 3	SBD	8,155.00
IDA V167	SIRAP PPA 006	Tonga Aviation Investment Project	SBD	403,586.86
TOTAL			SBD	<u><u>3,650,297.48</u></u>

2.6 Payments

Payments relate to all expenditure payments in relation to SIRAP PPF. These payments are approved by the Permanent Secretary for MCA and MID and are paid in accordance with the Program Operational Manual (POM).

3. FINANCIAL PERIOD

This financial statements is for the year 30 June 2019 (6 months).

4. CASH AT BANK

Solomon Island Roads and Aviation Project.
IDA Designated Account No. 2000913448
Account Receivables
Account Payables

30 JUNE 2019 \$
890.40
92,960.14
(98,009.32)
<u><u>(4,158.78)</u></u>

SOLOMON ISLANDS ROADS and AVIATION PROJECT
PROJECT PREPARATION FACILITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5 PAYMENT BY THIRD PARTIES

Third party payments are referred to the World Bank (WB). Total of four direct payments was made during the PPF period by Third Parties at the request of the project.

Borrower Reference	Beneficiary Name	Ccy	Application Amount	SBD Equivalents
IDA Grant No. H7430				
SIRAP PPA 003	Tonga Aviation Investment Project	USD	47,722.32	381,625.91
SIRAP PPA 004	Tonga Aviation Investment Project	USD	107,159.06	856,929.71
SIRAP PPA 005	World Bank/ Transaction No. 3	USD	1,017.75	8,155.00
SIRAP PPA 006	Tonga Aviation Investment Project	USD	50,367.64	403,586.86
				1,650,297.48

6 CREDIT

IDA Credit No. V167

**30 JUNE
2019**

\$

2,000,000.00

7 FACILITY AVAILABLE

Grants in historical figures including available balances for the Year.

	Signed Amount	Disbursed	Remaining Balance
PPA Project No.V167	USD 1,000,000.00	USD 456,066.77	USD 543,933.23

8 SUBSEQUENT EVENT

A bank fee incurred of SBD \$76.29 as a result of no funds in the Designated Account

9 EXPLANATION OF THE DIFFERENCES BETWEEN ACTUAL AND BUDGET

The differences between the actual and the budget represents the PPF outstanding commitments as a result of closing the PPF early by one month.