

P176548: SECOND SOLOMON ISLANDS ROADS and AVIATION PROJECT

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2023

**SECOND SOLOMON ISLANDS ROADS AND AVIATION PROJECT
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023**

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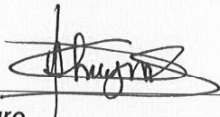
**SECOND SOLOMON ISLANDS ROADS AND AVIATION PROJECT
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023**

REPORT OF THE IMPLEMENTING AGENCY


Under the terms of our contract, We have the mandate from World Bank and Ministry of Finance and Treasury as implementing agency, to supervise and manage the funds provided for Second Solomon Islands Roads and Aviation Project (SIRAP 2) funded by the WORLD BANK under IDA Credit No. 71100 and IDA Grant No.E0340.

We certify that the attached Statement of Cash Receipts & Payments and Statement of Comparative Budget and Actual which have been prepared under our supervision presents a true and fair view of the cash receipts and payments and comparative budget and actual of SIRAP2 for the period ended 31 December 2023.

Date at Honiara this 28 day of June 2024


Signature

Alwyn Danitofea
Permanent Secretary
Ministry of Communications and Aviation
Honiara, Solomon Islands.


Signature

Allan Lilia
Permanent Secretary
Ministry of Infrastructure Development
Honiara, Solomon Islands.



Independent Auditor's Report to the Second Solomon Islands Roads and Aviation Project

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the Second Solomon Islands Roads and Aviation (SIRAP) IDA Credit No. 71100 and IDA Grant No. E0340 ("the Project") which comprise the Statement of Cash Receipts and Payments and Statement of Comparison of Budgets and Actuals for the year ended 31 December 2023, and notes to the financial statements, including a summary of significant accounting policies.

The accompanying financial statements have been prepared in accordance with the Financing Agreement (the Agreement) dated 19 June 2022 between the Solomon Islands Government (the Recipient) and International Development Association (World Bank).

In my opinion the accompanying financial statements, in all material respects give a true and fair view of the Project's receipts and payments for the year ended 31 December 2023, in accordance with International Public Sector Accounting Standard (IPSAS) Cash Basis and the conditions of the agreement between the Project and World Bank.

Basis of opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of my report.

I am independent of the Project in accordance with International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, and the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use

I draw attention to Note 2.1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Project to meet the requirements of the World Bank. As such, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the Report of the Implementing Agency, but does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS Cash Basis and the agreement, and for such internal control as the management determines 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 are responsible for assessing the project's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the project's 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 auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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 ISSAIs, I exercise professional judgment and maintain professional skepticism 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 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.
- Conclude on the appropriateness of the management's use of the going basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may exist cast significant doubt on the Second SIRAP's ability to continue as a going concern. If I conclude that a material uncertainty exists, 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 the opinion. My conclusion are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Second SIRAP to cease as going concern.

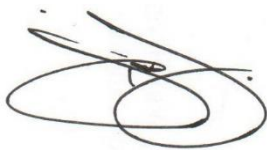
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

Report on Other Legal and regulatory requirements

I have obtained all the information and explanations which, to the best of my knowledge and belief, are necessary for the purposes of my audit.

In my opinion:

- i) proper books of account have been kept by the Project, sufficient to enable financial statements to be prepared, so far as it appears from my examination of those books;
- ii) To the best of my knowledge and according to the information and explanations given to us, the financial statements have been prepared in accordance with the requirements of the SIRAP's Financial Agreement 2022;
- iii) The Project did comply with procurement guidelines as required by the Agreement and Project Operations Manual;
- iv) the Project did comply with the requirements of the Agreement and the Project Operations Manual which require the audited financial statements to be submitted to the World Bank no later than six months after the year end to which the financial statements relate. The signed statements were presented to me on 28 June 2024.



David Teika Dennis
Auditor General
28 June 2024

Office of the Auditor-General
Honiara, Solomon Islands

SECOND SOLOMON ISLANDS ROADS and AVIATION PROJECT
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE PERIOD ENDED 31st DECEMBER 2023

		31 DECEMBER 2023	31 DECEMBER 2022	Cumulative to 2023
	Notes	Receipts/ (Payments) Controlled by the SIRAP2	Receipts/ (Payments) Controlled by the SIRAP2	Receipts/ (Payments) for SIRAP 2
		\$	\$	\$
RECEIPTS				
IDA Grant No. E0340	4.1	15,192,747	-	31,030,182
IDA Credit No. 71100	4.2	32,374,027	-	99,571,785
Total Receipts		47,566,774	-	130,601,967
PAYMENTS				
Programme Activities Expenditure				
Component 1: Climate Resilience and Safety Investments in the Aviation Sector	4.3	5,665,561	-	88,700,754
Component 2: Climate Resilience and Safety Investments in the Road Sector	4.4	375,708	-	375,708
Component 3: Project Management	4.5	7,088,343	-	7,088,343
Component 4: Contingent Emergency Response	4.6	-	-	-
Total Payments		13,129,612	-	96,164,805
Increase/(Decrease) in Cash		34,437,162	-	
Cash at Beginning of Year		0	-	
Cash at End of Year	6	34,437,162	-	

**SECOND SOLOMON ISLANDS ROADS and AVIATION PROJECT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 31st DECEMBER 2022**

Expressed in Solomon Islands Dollars	Actual Amounts	Cumulative to 2023 Actual	Difference		Original Budget (USD)
	\$	\$	Original Budget and Cumulative Actual	\$	\$
CASH INFLOWS					
IDA Grant No. E0340	15,192,747	31,030,182		545,887,096.77	67,690,000.00
IDA Credit No. 71100	32,374,027	99,571,785		173,548,387.10	21,520,000.00
Total Receipts	47,566,774	130,601,967		719,435,483.87	89,210,000.00
CASH OUTFLOW					
Component 1: Climate Resilience and Safety Investments in the Aviation Sector	5,665,561	88,700,754		519,596,774.19	64,430,000.00
Component 2: Climate Resilience and Safety Investments in the Road Sector	375,708	375,708		116,935,483.87	14,500,000.00
Component 3: Project Management	7,088,343	7,088,343		82,903,225.81	10,280,000.00
Component 4: Contingent Emergency Response	-	-		-	-
Total Payments	13,129,612	96,164,805		719,435,483.87	89,210,000.00
NET CASH FLOW	34,437,162	34,437,162		(34,437,162)	-

SECOND SOLOMON ISLANDS ROADS and AVIATION PROJECT (SIRAP2)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31st DECEMBER 2023

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 Grant and Credit assistance from the International Development Association (IDA). The objective of SIRAP2 is to improve climate resilience of the road and aviation sectors, and in the event of Eligible Crisis or Emergency, to provide immediate response to the Eligible Crisis or Emergency. SIRAP 2 is financed from IDA with total XDR 64.54 million (approximately USD \$89.21 million); XDR 48.97 million Credit and XDR 15.57 million Grant.

The Project consists of the following components

Activity Description	Implementing Entity	Cost Estimate (US \$)	Cost Estimate (SBD \$)
Component 1: Climate Resilience and Safety Investments in the Aviation Sector	MCA	64,430,000	519,596,774
Component 2: Climate Resilience and Safety Investments in the Road Sector	MID	14,500,000	116,935,484
Component 3: Project Management	MCA, MID	10,280,000	82,903,226
Component 4: Contingent Emergency Response	MCA, MID	-	-
Total		89,210,000	719,435,484

SIRAP2 is implemented under the overall guidance, coordination and monitoring of the Project Steering Committee, supported by the in- country based Project Support Team (PST) and the Implementation Support Team (IST) that is remotely based.

2. SUMMARY OF ACCOUNTING POLICIES

2.1 Basis of Preparation

The Statement of Cash Receipts and Payments is prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The Financial reporting is on the Cash Basis of Accounting (Cash Basis IPSAS)

2.2 Reporting Entity

The Financial Statements are for the Second Solomon Islands Roads and Aviation Project (SIRAP2).

2.3 Reporting Currency

All figures are presented in Solomon Islands Dollar (SBD) unless otherwise stated. Foreign currency payments are recorded at the exchange rate at the date of payment.

2.4 Budget

SIRAP2 Budget is prepared inclusive of third party payments.

2.6 Payments

All payments are related to the SIRAP2 activities stated in the Financing Agreement. These payments are approved by the Permanent Secretary for MCA, MID and MOFT, and are paid in accordance with the Program Operational Manual (POM).

3. FINANCIAL PERIOD

This Financial Statement is for the period Starting from 01 January 2023 to 31 December 2023.

4 CASH RECEIPTS AND PAYMENTS

Three columns are presented on the Statement of receipts and payments. The first column presents receipts and payments for the financial year ended 31 December 2023. The second column presents receipts and payments for financial year ended 31 December 2022 for comparative purpose. The third column is a cumulative column that shows total receipt and payments for whole of SIRAP2 including third party payments.

SECOND SOLOMON ISLANDS ROADS and AVIATION PROJECT (SIRAP2)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31st DECEMBER 2023

RECEIPTS

4.1 IDA Grant No. E0340

Cash receipt from WB Grant account. Cash receipt transferred to SIRAP bank account through CBSI Pooled DA account.

4.2 IDA Credit No. 71100

Cash receipt from WB Credit account. Cash receipt transferred to SIRAP bank account through CBSI Pooled DA account.

PAYMENTS

4.3 Component 1: Climate Resilience and Safety Investments in the Aviation Sector

Cash Payment from SIRAP2 Operating Account relating to payments on Aviation Sector.

4.4 Component 2: Climate Resilience and Safety Investments in the Road Sector

Cash payment from SIRAP2 Operating Account relating to Road Sector

4.5 Component 3: Project Management

Cash Payments from SIRAP2 Operating Account on project management and operation.

4.6 Component 4: Contingent Emergency Response

The contingent emergency response component (CERC) is a contingent financing mechanism available to gain rapid access to financing to respond to a crisis or emergency. It is to provide immediate rehabilitation or reconstruction needs.

SECOND SOLOMON ISLANDS ROADS and AVIATION PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31st DECEMBER 2023

5 GRANT PROCEEDS FROM THE WORLD BANK

Credits and Grants are received from the World Bank to the Central Bank of Solomon Islands (CBSI) and then transferred to the SIRAP2 designated account (DA). SIRAP2 issue a transfer application request to the Ministry of Finance and Treasury (MOFT) to transfer of proceeds from CBSI to SIRAP2 DA. CBSI will only transfer the funds upon receiving approval from MOFT.

Credit/ Grant No.	Borrower Reference	Beneficiary Name	Ccy	Advance	Direct Payment
IDA E0340	SIRAP2 G01	WB STRUCTURAL ADJUSTMENTS	SBD	12,000,000	
	SIRAP2 G03	WB STRUCTURAL ADJUSTMENTS	SBD	565,957	
	SIRAP2 G04	EGIS ASIA COMPANY LIMITED	SBD		11,283,816
	SIRAP2 G05	wB STRUCTURAL ADJUSTMENTS	SBD	943,225	
	SIRAP2 G06	EGIS ASIA COMPANY LIMITED	SBD		1,897,341
	SIRAP2 G07	WB STRUCTURAL ADJUSTMENTS	SBD	1,067,532	
	SIRAP2 G08	WB STRUCTURAL ADJUSTMENTS	SBD	616,033	
	SIRAP2 G012	EGIS ASIA COMPANY LIMITED	SBD		2,656,278
				15,192,747	15,837,436
IDA 71100	SIRAP2 C01	WB STRUCTURAL ADJUSTMENTS	SBD	30,000,000	
	SIRAP2 C05	CHINA CIVIL ENGINEERING CONSTRUCTION CORPORATION	SBD		29,273,499
	SIRAP2 C07	WB STRUCTURAL ADJUSTMENTS	SBD	2,374,027	
	SIRAP2 C010	CHINA CIVIL ENGINEERING CONSTRUCTION CORPORATION	SBD		37,924,259
				32,374,027	67,197,758
Total Grant/ Credit Proceeds				47,566,774	83,035,193

5.1 Balance still at the CBSI bank account as of 31 December 2023.

Grant No.	Borrower Reference	Beneficiary Name	Ccy	Advance	Direct Payment
IDA E0340			SBD	-	-
	SIRAP2 G09	SOLOMON ISLANDS ROADS AND AVIATION		807,370	
Total				807,370	
IDA 71100					-
	SIRAP2 C09	SOLOMON ISLANDS ROADS AND AVIATION	SBD	2,793,785	-
	SIRAP2 C012	SOLOMON ISLANDS ROADS AND AVIATION	SBD	357,585	
Total				3,151,370	-
Total Credits/Grants proceed from World Bank for year ended 31 December 2023			SBD	51,525,515	83,035,193

SECOND SOLOMON ISLANDS ROADS and AVIATION PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31st DECEMBER 2023

6. Cash and Cash Equivalent	2023	2022
IDA Designated Account No. 020091781123016	26,634,621	-
IDA Designated Account No. 020091781123027	8,558,474	-
	35,193,094	-
Less Restricted Cash		
SINPF Payable - EC (7.5%)	(7,324)	
SINPF Payable - MC (5%)	(4,883)	
Withholding Tax Payable	(559,236)	
PAYE Payable	(210,163)	
	(781,606)	-
Cash Available for use	34,411,488	-
Add Accounts Receivables - Perdiems		
Salome Pita	14,097	
Lawrence Wawane	11,577	-
	25,674	-
Closing Cash and Cash Equivalent	34,437,162	-

6.1 Central Reserve Bank of Solomon Islands

SIRAP2 advances and documentations were still in the CBSI at year ended, these were later transferred to the Designated Account in January

3,958,741	12,000,000
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7. FACILITY AVAILABLE

IDA Credit and Grant in historical figures including available balances for the Year.

	Signed Amount	Disbursed	Remaining Balance
IDA Credit No. 71100	XDR 48,970,000	XDR 9,184,986	XDR 39,785,014
IDA Grant No. E0340	XDR 15,570,000	XDR 2,869,178	XDR 12,700,822
Date: 31st December 2023			
IDA Credit No. 71100	SBD 526,462,986	SBD 102,723,155	SBD 423,739,830
IDA Grant No. E0340	SBD 167,388,783	SBD 31,837,553	SBD 135,551,230

7.1 Financing Gap

As at 31 December 2023, the financing gap is USD 2.69 million equivalent to SBD 22.84 million. This financing gap resulted from USD appreciating against XDR. The financing gap is expected to fluctuate depending on foreign exchange of XDR/USD. Since SIRAP2 still have few more years to go, the impact of Financing gap will have no effect to the SIRAP2 financing plan at this stage.

SECOND SOLOMON ISLANDS ROADS and AVIATION PROJECT
STATEMENT OF RECEIPTS AND PAYMENTS, PAYMENT BY THIRD PARTIES
FOR THE PERIOD ENDED 31st DECEMBER 2023

8. PAYMENTS BY THIRD PARTIES

A third Party is referred to as the "World Bank". A direct payment, are considered as third-party payment, whereby the World Bank (WB) process payments directly to contractors/suppliers at the request of the SIRAP2 project through withdrawal application submitted on client connection (World Bank online Financial System).

Expressed in Solomon Islands Dollars

		USD	Exchange Rate	SBD
RECEIPTS				
IDA GRANT NO. E0340				
SIRAP2 G04	EGIS ASIA COMPANY LIMITED	1,331,490	0.118	11,283,816
SIRAP2 G06	EGIS ASIA COMPANY LIMITED	223,886	0.118	1,897,341
SIRAP2 G012	EGIS ASIA COMPANY LIMITED	313,441	0.118	2,656,278
		1,868,817		15,837,436
IDA CREDIT NO. 71100				
SIRAP2 C05	CHINA CIVIL ENGINEERING CONSTRUCTION CORPORATION	3,454,273		29,273,499
SIRAP2 C010	CHINA CIVIL ENGINEERING CONSTRUCTION CORPORATION	4,475,063		37,924,259
		7,929,335		67,197,758
Total Receipts		9,798,153		83,035,193
PAYMENTS				
Programme Activities Expenditure				
Component 1: Climate Resilience and Safety Investments in the Aviation Sector				
SIRAP2 G04	EGIS ASIA COMPANY LIMITED	1,331,490	0.118	11,283,816
SIRAP2 G06	EGIS ASIA COMPANY LIMITED	223,886	0.118	1,897,341
SIRAP2 G012	EGIS ASIA COMPANY LIMITED	313,441	0.118	2,656,278
SIRAP2 C05	CHINA CIVIL ENGINEERING CONSTRUCTION CORPORATION	3,454,273	0.118	29,273,499
SIRAP2 C010	CHINA CIVIL ENGINEERING CONSTRUCTION CORPORATION	4,475,063	0.118	37,924,259
		9,798,153		83,035,193
Component 2: Climate Resilience and Safety Investments in the Road Sector				
		-		-
Component 3: Project Management				
		-		-
Component 4: Contingent Emergency Response				
		-		-
Total Payments		9,798,153		83,035,193

**SECOND SOLOMON ISLANDS ROADS and AVIATION PROJECT
STATEMENT OF RECEIPTS AND PAYMENTS, PAYMENT BY THIRD PARTIES
FOR THE PERIOD ENDED 31st DECEMBER 2023**

9 EXPLANATION OF THE DIFFERENCES BETWEEN ACTUAL AND BUDGET

Actual Amount: Figures listed under this columns reflect the total actual fund disbursed from SIRAP 2 designated BRED BANK account DA-A & DA-B for the period ended 31st December 2023.

Budget: Figures listed as budget reflect the total estimated available funds from IDA Credit E0340 & IDA Grant 71100 in SBD at XDR 15.57 million and XDR 48.97 million respectively. The funds were converted to USD on the signing date (19 June 2022) at a rate of 1.3822 and further converted to SBD on the effective date (23 June 2022) at a rate of 8.0645

Difference of Actual & Budget: The difference of actual and budget is that actual reflects funds that has been disbursed as per respective components (1,2,3 & 4), while the budget amount reflects available funds in SBD for the remaining project activities.

10 CUMULATIVE BALANCE

The cumulative balance from both receipt & payment, along with the budget, represents the sum received and spent since the inception of the project until the year ending 31st December 2023. The cumulative balances form the overall disbursements from the operating bank account and direct payments made throughout the fiscal year 2023.

11 RECEIPTS AND PAYMENTS FY 2022

The presentation of the 'Receipt and Payment for Financial Year (FY) 2022' column aims to assist readers to be able to compare the receipts and payments of FY 2022 and FY 2023.

12 SUBSEQUENT EVENTS

Subsequent to 31 December 2023, SIRAP2 will continue to fund the 16 existing contracts and expect to award new contracts in the upcoming month of 2024. Two major procurement activities currently in progress for procurement for early 2024 include the tar sealing of Noro road and the upgrade of the Lata domestic airport.