



INDEPENDENT AUDITOR'S REPORT

To the Permanent Secretary Ministry of Infrastructure Development

Report on the Audit of the Financial Statements

Unqualified Opinion

I have audited the accompanying financial statements of the Domestic Maritime Support (Sector) Project (DMSP) – Grant 0127-SOL, which comprise the statement of cash receipts and payments for half-year ended 30th June 2019, Statement of Imprest Account & Reconciliation for the half-year ended 30th June 2019, Statement of Sources and Uses of Funds for the half-year ended 30th 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 Grant Agreement dated 20th January 2009 between the Solomon Islands Government (SIG) and Asian Development Bank (ADB), Grant No. 0127-SOL, (the “Program”) for the funding period 1st January 2019 to 30th June 2019.

In my opinion, the accompanying financial statements presents fairly, in all material respects, the statement of cash receipts and payments of the DMSP for the half-year ended 30th June 2019 in accordance with the conditions of the grant agreement between SIG and ADB 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 charge 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 Authority'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 and
- 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 Imprest Account and Reconciliation, Statement of Sources and Uses of Funds give the information required by the DMSP Project Administration Memorandum 2009 in the manner so required.
- iii) The Project complied with the requirements of the DMSP Project Administration Memorandum which require the financial statements to be submitted to ADB no later than six months after the end of each fiscal year throughout the implementation period. The statements were presented to me on 13th September 2019.



Peter Lokay
Auditor – General
6 December 2019

Office of the Auditor General
Honiara, Solomon Islands

ASIAN DEVELOPMENT BANK
SOLOMON ISLANDS DOMESTIC MARITIME SUPPORT (SECTOR) PROJECT
GRANT NO. 0127-SOL
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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ASIAN DEVELOPMENT BANK
SOLOMON ISLANDS DOMESTIC MARITIME SUPPORT (SECTOR) PROJECT
GRANT NO. 0127-SOL
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Report of the Executing Agency

Under the terms of my contract, I have the mandate from the ADB and the Ministry of Infrastructure Development as Executing Agency, to supervise and manage the funds provided for the Solomon Islands Domestic Maritime Support (Sector) Project (DMSP Phase 1) co-funded by the Asian Development Bank, the European Commission and the Solomon Islands Government. And for DMSP Phase 2, it has been co-funded by Asian Development Bank, Australia, New Zealand and Solomon Islands Government.

I certify that the attached Statement of Cash Receipts and Payments which has been prepared under my supervision presents a true and fair view of the cash receipts and payments of the Domestic Maritime Support Project (DMSP) for the year ended 30 June 2019

Dated at Honiara this 10 th day of December 2019


Mr. Stephen. W. Maesida
Permanent Secretary
Executing Agency Representative
Ministry of Infrastructure Development



ASIAN DEVELOPMENT BANK
SOLOMON ISLANDS DOMESTIC MARITIME SUPPORT (SECTOR) PROJECT
GRANT NO. 0127-SOL
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019		2018		Cumulative to 30 June 2019	
		Receipts / Payments	Payments by Third Parties	Receipts / Payments	Payments by Third Parties	Receipts / Payments	Payments by Third Parties
RECEIPTS						US\$	US\$
External Assistance - Multilateral Agencies							
Asian Development Bank - Grants Received for FSS	3	-	-	-	-	7,617,940	
Asian Development Bank - Third Party Payments -DMSP	4	-	-	-	-		12,795,592
Asian Development Bank- Australia & New Zealand- Third Party Payments - DMSP 2	4	-	-	-	-		4,086,948
Asian Development Bank - Third Party Payments- Timothy Whiteford Harris (SIMSA) & Rose Isukana (FSS)	4	-	-	-	-		22,521
Other Receipts							
SMEC International Pty Ltd- Consulting Services DMSP1	4	-	-	-	-	12	
SMEC International Pty Ltd- Consulting Services DMSP2	4	-	-	-	-		41,666
Dalgro (SI) Limited - DMSP 1	4	-	-	-	-		
Dalgro (SI) Limited - DMSP 2 (Incl.indirect payment)	4	-	-	-	-		
Solomon Islands Government -payments DMSP 2 FSS	5	-	-	-	-		
Solomon Islands Government -payments DMSP2	5	-	-	1,516,007	-	3,192,216	304,471
TOTAL RECEIPTS		-	-	1,516,007	-	10,810,168	17,251,198
PAYMENTS							
Component A (Wharves and Jetties)							
Consulting Services - DMSP 1	5	-	-	-	-	-	3,135,223
Consulting Services - DMSP 2	4	-	-	-	-	-	1,909,965
Civil Works - Reconstruction & Rehabilitation - DMSP	8	-	-	-	-	881,587	4,482,696
Civil works maintenance	8	-	-	-	-	-	-
Civil Works - Reconstruction & Rehabilitation - DMSP 2	4,8	-	-	-	-	184,648	11,175,408
Component B (Franchise Shipping Scheme)							
Accountancy Services	6	-	-	-	-	190,036	-
Equipments		-	-	-	-	-	-
Ship Operators	6	573,913	-	605,082	-	8,801,299	-
FSS Advertisements & Office Equipment Maintenance	7	10,856	-	22,080	-	80,117	-
IMRS - Timothy Whiteford Harris - SIMSA	7	-	-	-	-	579,929	22,521
FSS Consultant-ADB	7	25,546	-	49,737	-	147,435	-
FSS Consultants-SIG	7	13,257	-	27,865	-	87,375	-
Hydrographic Specialist - Dave Garforth - SIMSA	7	-	-	-	-	59,680	-
Solomon Islands Government Financing	5	-	-	-	-	-	98,317
Solomon Islands Government Refund payments to SMEC	5	-	-	-	-	-	32,194
Refund of unused Euro fund to ADB	6	-	-	-	-	282,281	-
Bank Charges		69	-	176	-	1,536	-
Contingencies							
TOTAL PAYMENTS		623,640	-	704,940	-	11,295,922	20,856,324
Cash at beginning of period		1,488,503		588,890			
Decrease /Increase in Cash		(623,640)		811,067			
Foreign exchange differences	9	(2,347)		88,547			
Cash at end of period		862,516		1,488,503			

ASIAN DEVELOPMENT BANK
SOLOMON ISLANDS DOMESTIC MARITIME SUPPORT (SECTOR) PROJECT
GRANT NO. 0127-SOL
STATEMENT OF IMPREST ACCOUNT & RECONCILIATION
FOR THE YEAR ENDED 30 JUNE 2019

Part A. Summary of Imprest Account transactions		2019
Beginning balance: 1 January 2019		2,776
Add:		
Adjustment		
Replenishments Received		-
Increase in Ceiling		-
Deduct:		
Disbursements/withdrawals from Imprest Account		-
Amount recovered by ADB		
Ending balance: 30 June		<u><u>2,776</u></u>
Part B. Reconciliation of Imprest Account		
1. Amount Advanced by ADB		555,717
2. Deduct: Amount recovered by ADB		-
3. Current Outstanding Amount Advanced to Imprest Account as at 30 June		<u><u>555,717</u></u>
4. Balance of Imprest Account as at 30 June		2,776
Add: Amounts per Liquidation		
5. Less: adjustment		
6. Amounts withdrawn but not yet claimed for replenishment	4,196	
a Sub-accounts		
a.1 Total sub-account balance accounted for [PIU#1]	356,976	
a.2 Total sub-account balance accounted for [PIU#2]		
Total Sub-account Balances accounted for		361,172
b Transfer in Transit	-	
c Petty cash advance		
d Expenses due for liquidation but not yet deducted (ADB WA53-56,58-59,61-64)	192,738	
e others (Overseas bank charges & Service charges, exchange rate differences, errors)	(970)	191,768
Deduct:		
7. Interest earnings (If included in the Imprest Account)		-
8. Total Advance to Imprest Account accounted for as at 30 June		<u><u>555,717</u></u>

ASIAN DEVELOPMENT BANK
SOLOMON ISLANDS DOMESTIC MARITIME SUPPORT (SECTOR) PROJECT
GRANT NO. 0127-SOL
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 30 JUNE 2019

		2019		2018		Cummulative to June 2019
		ADB/ SIG GRANT FUNDS	GOVT COUNTER PART	ADB/ SIG GRANT FUNDS	GOVT COUNTER PART	US\$
Notes		US\$	US\$	US\$	US\$	
Sources of Funds/Receipts of Funds						
Imprest Account	3	-	-	-	-	7,617,940
Direct Payment						12,795,604
SMEC International Pty Ltd -DMSP 1	4	-	-	-	-	4,086,948
Asian Development Bank, Dalgro (SI) Limited -DMSP 1	4	-	-	-	-	22,521
SMEC International Pty Ltd -DMSP 2	4	-	-	-	-	-
Dalgro (SI) Limited - DMSP 2 (incl.indirect payment)	4	-	-	-	-	41,666
Timothy Whiteford Harris - DMSP	4	-	-	-	-	-
Solomon Islands Government -payments DMSP 2 FSS	5	-	-	-	-	-
Solomon Islands Government -payments DMSP2	5	-	-	1,516,007	-	3,496,687
Subtotal		-	-	1,516,007	-	28,061,366
Less: Uses of Funds/Expenditures by Category						
Component A (Wharves and Jetties)						
Consulting Services (SMEC International Pty Ltd -DMSP1	5	-	-	-	-	3,135,223
Consulting Services (SMEC International Pty Ltd -DMSP2	4	-	-	-	-	1,909,965
Civil Works - Reconstruction and Rehabilitation - DMSP1	8	-	-	-	-	5,364,283
Civil works -maintenance	8	-	-	-	-	-
Civil Works - Reconstruction and Rehabilitation - DMSP2	4,8	-	-	-	-	11,360,056
Component B (Franchise Shipping Scheme)						
Accountancy Services	6	-	-	-	-	190,036
Equipments	6	-	-	-	-	-
Ship Operators	6	573,913	-	605,082	-	8,801,299
FSS Advertisements, Office Equipment & MV Expenses	7	10,856	-	22,080	-	80,117
Timothy Whiteford Harris - SIMSA	7	-	-	-	-	602,450
FSS Consultant-ADB	7	25,546	-	49,737	-	147,435
FSS Consultants-SIG	7	13,257	-	27,865	-	87,375
Dave Garforth - SIMSA -(Imprest Account)	7	-	-	-	-	59,680
Solomon Islands Government Financing	5	-	-	-	-	98,317
Solomon Islands Government Refund payments to SMEC	5	-	-	-	-	32,194
Refund of unused Euro fund to ADB	6	-	-	-	-	282,281
Bank charges		69	-	176	-	1,536
Contingencies						
TOTAL PAYMENTS		623,640.21	-	704,940	-	32,152,246
Balance (Receipts less Expenditures)		(623,640)		811,067		
Add/Less: Reconciling items to Imprest Account Balance						
Foreign exchange differences	9	(2,347)		88,547		
Net Interest Earned						
Bank charges						
Net Balance of Funds		(625,987)	-	899,614	-	

This Statement is to be read in conjunction with the Notes to and forming part of the Statement of Cash Receipts and Payments on pages 5&8

ASIAN DEVELOPMENT BANK
SOLOMON ISLANDS DOMESTIC MARITIME SUPPORT (SECTOR) PROJECT
GRANT NO. 0127-SOL
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Notes to and forming part of the Statement of Cash Receipts and Payments

1 STATEMENT OF ACCOUNTING POLICIES

a Basis of Preparation

The Statement of Cash Receipts and Payments has been prepared in accordance with International Public Sector Accounting Standards: Financial Reporting under the Cash Basis of Accounting (Cash Basis IPSAS). Comparative information has been included as this is the tenth year of the Project.

The accounting policies have been applied consistently throughout the period.

b Reporting entity

The Statement of Cash Receipts and Payments is for the Solomon Islands Domestic Maritime Support (Sector) Project (DMSP) as supervised by the Ministry of Infrastructure Development (MID) in Solomon Islands. The program commenced on 22nd May 2009, with the signing of the contract between the Solomon Islands Government (SIG) and SMEC International Pty Ltd. Australia, and is managed by the Asian Development Bank (ADB) with funding from ADB, the European Commission (EC), and SIG under DMSP Phase 1 and for DMSP 2 funded from ADB, Australia, New Zealand and SIG which commenced in July 2013. Funds from ADB and the Solomon Islands Government continued to June 2019 and SIG funds to continue thereafter. This Statement covers the period from 1 January to 30 June 2019

c Reporting Currencies

The accounts are stated in United States dollars (US\$) as this is the currency used for the grants and all project reports. Foreign currency equivalents are converted at the rate applicable on the date of transaction. Cash denominated in foreign currencies have been revalued into US\$ using the exchange rates in the effect on the dates of the receipts and payments.

d Budget

The DMSP has a multi-year financing plan, as opposed to annual budgets that place limits on the spending for the year. As a result, budget information for the financial period ending 30 June 2019 has not been provided.

2 CASH

Cash is comprised of cash balances, call deposits, un-acquitted imprest accounts and restricted cash balances.

As at 30 June 2019, (but as at 31 December 2018 and prior years) cash is comprised of:

	2019 US\$	2018 US\$	2017 US\$
ADB Imprest Account - USD Account			
1st Generation Imprest Account (CBSI)	2,776	2,776	23,373
2nd Generation Imprest Account (ANZ)	356,976	520,524	513,154
	<u>359,752</u>	<u>523,301</u>	<u>536,527</u>
SIG Imprest Account			
Imprest Account (ANZ)	502,764	965,203	52,363
	<u>502,764</u>	<u>965,203</u>	<u>52,363</u>
Total Cash for the financial period: ADB & SIG Imprest Accounts	<u>862,516</u>	<u>1,488,503</u>	<u>588,890</u>

3 EXTERNAL ASSISTANCE - MULTILATERAL AGENCIES - GRANTS RECEIVED

Since 2018, ADB did not provide further grants for Franchise Shipping Scheme (FSS). The project has started liquidating the Advanced Imprest.

	<u>grant ref:</u>	
ADB Fund	0127-SOL	
		- 101,719
		<u>- 101,719</u>

ASIAN DEVELOPMENT BANK
SOLOMON ISLANDS DOMESTIC MARITIME SUPPORT (SECTOR) PROJECT
GRANT NO. 0127-SOL
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Notes to and forming part of the Statement of Cash Receipts and Payments (cont)

4 EXTERNAL ASSISTANCE - MULTILATERAL AGENCIES - THIRD PARTY PAYMENTS

From 2017 to 2019, ADB provided no new funds; its funding ceased by 30 June 2019. So SIG increases funding to 100%:

		2019 <u>US \$</u>	2018 <u>US \$</u>	2017 <u>US \$</u>
DMSP 1 - ADB (88.4%)	Consulting Services	na		-
DMSP 1 - ADB (83.86%)	Civil works	na		-
		na	-	-
DMSP 2 - AUS (61.10% & 61.08% & 61.07% & 42.90% & 23.59%, 16.63%, exhausted in 2016)	Consulting Services	na		-
DMSP 2 - NZL (38.90% & 38.92% & 38.93% & 57.10% & 76.41%, 83.37%, exhausted in 2016)	Consulting Services	na		-
DMSP 2- ADB (21.59% & 21.60% & 20.67% & 15.35%)	Civil works	na		-
DMSP 2- AUS (46.47% & 46.44% & 46.40% & 34.46% & 35.10% & 35% & 32%, exhausted in 2016)	Civil works	na		-
DMSP 2- NZL (28.32% & 28.33% & 28.30% & 46.75% & 64.90% & 65% & 68%, exhausted in 2016)	Civil works	na		-
		na		-
DMSP - ADB (100%)	Consulting Services (SIMSA - Timothy)	-		-

The Third Party payments for 30 June 2019 are as follows:

Consulting Services Category

SMEC claimed invoices that were outstanding to 2017 were sent to SIG for payment. The outstanding bills as at 31 December 2016/ to June 2017. Note: ADB funding for consulting services under DMSP2 was fully exhausted in 2016. By 31 December 2017, SMEC's invoices to SIG were partly settled with outstanding debts with MOFT in 2018/2019.

The SMEC invoices are presented in US\$, AU\$ and SB\$ and payments are apportioned according to the agreed contribution percentages. Payments are shown by the ADB in US\$ at the exchange rate in effect on the date of payment as required by IPSAS Cash Basis.

Civil Works - Reconstruction and Rehabilitation Category

In 2017/2018, there were no payments made under civil works. In 2016, under DMSP 2, Australia funding had paid Dalgro (SI) Ltd the amount of US\$205,643, and 2015:US\$690,559. New Zealand had paid Dalgro (SI) Ltd the amount of USD457,404, and in 2015:US\$1,348,325

5 OTHER RECEIPTS - SOLOMON ISLANDS GOVERNMENT

Third Party Payments

In accordance with the Grant Agreement the Solomon Islands Government is to contribute 11.6% of the project funds under DMSP 1. In 2014, the payments relating to July 2012 and June 2013 to August 2013 under DMSP 1 were made in 2014 and phase1 closed that year.

DMSP continues under phase 2 (DMSP2) after DMSP1 Closed. By 30 June 2019, SIG MID confirmed 100% funding to absorb the FSS. In 2018, SIG contributed about USD1.5million (2017:SBD2 million (about USD254,400) towards Franchise Shipping Services, In 2016, SIG contributed SBD1 million (about USD123,592) towards FSS. SIG also paid the civil works contractor's claims after funds kept by ADB (Aust fund+ NZ fund) were exhausted, the amount paid USD860,501.07

ASIAN DEVELOPMENT BANK
SOLOMON ISLANDS DOMESTIC MARITIME SUPPORT (SECTOR) PROJECT
GRANT NO. 0127-SOL
STATEMENT OF CASH RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Notes to and forming part of the Statement of Cash Receipts and Payments (cont)

5 OTHER RECEIPTS - SOLOMON ISLANDS GOVERNMENT (CONT)

From 2018 to 2019, SIG contributes to the project by providing counterpart staff, rents office space accommodation, water and electricity, a vehicle and administrative support. 2017 electricity was USD1,064 and (2016: USD\$6,240). Since 2017, SIG provided office space from the MID office at Hyundai Mall (room 207) for DMSP Previously, SIG accommodated the project through Ministry of Infrastructure Development at its workshop compound, which shared with the Transport Sector Rehabilitation Project (TSRP).

Receipts to SIG Imprest account

By 30 June 2019, SIG funding was forthcoming. In 2018, SIG grants received for Franchise Shipping Scheme (FSS) & Civil Works

2019	2018	2017
US\$	US\$	US\$

