

Audited Project Financial Statements

Project Number: 46499-002

Loan Number: 3392

Period covered: 01 January 2020 to 31 December 2020

Solomon Islands: Sustainable Transport Infrastructure Improvement Program

Prepared by Ministry of Infrastructure Development

For the Asian Development Bank

Date accepted by ADB: 29 July 2021

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Ministry of Infrastructure Development.



Ministry of Infrastructure Development

National Transport Fund

31 December 2020

**National Transport Fund
Financial Report
For the year ended 31 December 2020**

Table of contents	Page
Report of the Executing Agency	2
Independent auditor's report	3 - 4
Statement of Cash Receipts and Payments	5
Notes to and forming part of the Statement of Cash Receipts and Payments	6 – 8

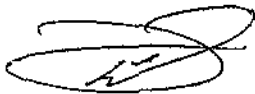
National Transport Fund

Report of the Executing Agency

Under the terms of my contract, I have the mandate from the National Transport Fund (NTF) and the Ministry of Infrastructure Development as Executing Agency, to supervise and manage the funds provided for the NTF, co-funded by the Governments of Australia and Solomon Islands, and the Asian Development Bank.

I certify that the attached Statement of Cash Receipts and Payments, which have been prepared under my supervision, presents a true and fair view of the cash receipts and payments of the NTF for the year ended 31 December 2020.

Dated at Honiara this 22 day of June 2021.



pp: **Stephen Maesiola**
Permanent Secretary
Executing Agency Representative
Ministry of Infrastructure Development



Independent Auditors' Report

To the Permanent Secretary of the Ministry of Infrastructure Development and the Asian Development Bank

Report on the Financial Report

Opinion

We have audited the Statement of Cash Receipts and Payments of the National Transport Fund (“the Fund”) for the period 1 January to 31 December 2020 and notes, comprising of significant accounting policies and other explanatory information (together “the financial report”).

In our opinion, the funds have been used in all material aspects in accordance with the conditions of the grant agreement and the accompanying financial report of the National Transport Fund for the period 1 January to 31 December 2020 is prepared in all material respects, in accordance with the conditions of the Direct Funding Arrangement 72273 between Solomon Islands Government and the Government of Australia and the Loan Agreement 3392-SOL between the Solomon Islands Government and the Asian Development Bank (“ADB”) and in accordance with the International Public Sector Accounting Standards (IPSAS): *Financial Reporting under the Cash Basis of Accounting* and that the Funds used by the Project are at least equal to or exceed those funds withdrawn under the ADB Loan Agreement 3392-SOL.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial report and 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.

Other information

Management is responsible for other information. The other information comprises the information included in the section “Report of the Executing Agency”, but does not include the financial report and our auditors' report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Management for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the statement of accounting policies described in Note 1, and for such internal controls as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. Management is responsible for overseeing the Fund's financial reporting process.



Independent Auditors' Report

To the Permanent Secretary of the Ministry of Infrastructure Development and the Asian Development Bank

Auditors' Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards on Auditing (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 this financial report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We 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 we identify during our audit.


KPMG
Chartered Accountants

Suva, Fiji
22 June, 2021

National Transport Fund
Statement of Cash Receipts and Payments
For the year ended 31 December 2020

	Notes	2020 SBD	2019 SBD	Cumulative 2016 - 2020 SBD
RECEIPTS				
GoA contribution	2 & 5	-	16,891,892	107,740,036
ADB Loan Disbursement	4	-	31,923,638	130,621,035
SIG Contribution	3	-	40,000,000	171,000,000
SIG - ring fenced	6	-	-	805,000
Total Cash Receipts		-	88,815,530	410,166,071
PAYMENTS				
Road maintenance Labour Based		3,354,177	6,736,908	56,866,100
Road maintenance Machine Based		75,131,773	71,251,714	196,244,080
Road rehabilitation Machine Based		-	131,432	15,243,840
Bridge maintenance		-	812,383	4,953,267
Bridge rehabilitation		3,318,590	421,125	7,641,734
Wharf maintenance		49,715	-	3,061,112
Emergency and disaster relief		1,902,110	2,729,125	28,682,738
Mberande-Aola Project		6,235,966	1,388,707	49,825,765
		89,992,331	83,471,394	362,518,636
SIG only special projects	6	-	-	5,554,165
Audit fee		262,985	-	647,655
Bank fees		1,943	1,805	10,298
Consulting services		10,294,344	18,743,816	46,757,124
Training and capacity building		5,533	1,387	4,342,865
Other		302,127	-	365,997
Total Cash Payments		100,859,263	102,218,402	420,196,740
Increase / (Decrease) in cash		(100,859,263)	(13,402,872)	(10,030,669)
Opening Cash		186,104,990	198,515,779	91,101,748
Foreign exchange adjustment	7	(2,148,269)	992,083	2,026,379
Closing Cash		83,097,458	186,104,990	83,097,458
<u>Represented by</u>	7			
ANZ Account No. 4731979		39,218,421	29,245,652	39,218,421
BSP Account No. 4000744401		1,231,633	1,232,109	1,231,633
CBSI GoA Account No. 20319		(9)	20,831,545	(9)
CBSI-ADB Loan Account No. 20440		42,647,413	134,795,684	42,647,413
Closing cash balance		83,097,458	186,104,990	83,097,458

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 6 – 8.

**National Transport Fund
Financial Report
For the year ended 31 December 2020**

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

1. Statement of Accounting Policies

1.1 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)*. This is also in line with the Solomon Island's Government accounting conventions. These accounting policies have been applied consistently throughout the period.

1.2 Reporting Entity

The Statement of Cash Receipts and Payments is for the National Transport Fund as supervised by the Ministry of Infrastructure Development in the Solomon Islands. The program commenced on 20th May, 2011 with the signing of the Direct Funding Agreement No. 59114 between the Government of Australia (GoA), as represented by the Australian Agency for International Development and the Solomon Islands Government (SIG), as represented by the Ministry of Development Planning and Aid Coordination.

Direct Funding Agreement 59114 was superseded by Direct Funding Arrangement 72273 commencing in 2016. Under this arrangement the Government of Australia will provide a base contribution of up to AUD 20 million, an incentive contribution of up to AUD 8 million, and an earmarked contribution of AUD 6 million, totalling a maximum of AUD 34 million into the fund over four years.

The Asian Development Bank (ADB) commenced contributions to the NTF in 2016 through Loan Agreement 3392-SOL (SF). Under this agreement, the ADB will contribute a maximum of SDR15.129 million into the fund over four years.

This financial report covers the period 1 January 2020 to 31 December 2020.

1.3 Reporting Currency

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

2. External Assistance – Grant Payments

In accordance with the Direct Funding Agreement between GoA and SIG, Australia will contribute up to a minimum base contribution of AUD 20 million into the NTF. GoA contributions to the NTF were:

**2020
SBD**
-

**2019
SBD**
16,891,892 (AUD 3 million)

**National Transport Fund
Financial Report
For the year ended 31 December 2020**

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

3. Solomon Islands Government Contribution

In accordance with the Direct Funding Arrangement, the Solomon Islands Government will contribute a minimum base contribution of SBD 200 million over five years to the NTF. The Direct Funding Arrangement also provides for SIG incentive payments up to SBD 110 million over five years.

In addition to its financial contribution, SIG undertakes to provide such human resources, office costs and logistical support as is required to ensure the successful implementation of the project. SIG contributions to NTF were:

2020 SBD	2019 SBD
-	40,000,000

4. Asian Development Bank

No disbursements for 2020 had been received in regards to ADB Loan # 3392 for the period 1 January 2020 to 31 December 2020 (2019: SBD 31,923,638 (USD 3,913,838)).

5. Other Receipts

The GoA Earmarked Contribution for the Mberande-Aola Project of SBD 35,356,511 (AUD 6 million) was received in 2017.

6. Special Projects

In 2014 a bank account was established at the Bank of South Pacific to receive funds and make payments for projects funded exclusively by SIG outside the Direct Funding Agreement.

7. Bank accounts

Two bank accounts were established in accordance with the provisions of the Direct Funding Arrangement. These accounts are the ANZ Fund Pooled Bank Account (operational account) and the CBSI single foreign exchange account (GoA). During the year SBD 20,831,554 was transferred from the CBSI (GoA) account to the ANZ account.

A third bank account (BSP) was established in 2014 to hold SIG funds reserved for SIG special projects.

A fourth bank account was established at CBSI in 2016 to receive USD funds from ADB loan # 3392. Funds in this account are held in USD (with the bank statement reported in SBD) until converted to SBD and transferred to the ANZ operating account as required. During 2020 SBD 90 million was transferred from the CBSI ADB account to the ANZ operating account. The Solomon Islands Ministry of Finance and Treasury (MoFT) controls and administers all bank accounts. Foreign exchange gains or losses in conversion from USD to SBD are recognised and included in the financial statements annually.

National Transport Fund
Financial Report
For the year ended 31 December 2020

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

7. Bank accounts continued

The table below shows details of the NTF bank accounts and balances as at year-end.

	2020 SBD	2019 SBD
<u>ANZ Bank Account No. 4731979</u> <i>Receives transfers from the CBSI Accounts, contributions from SIG, and pays all operational expenses.</i>	39,218,421	29,245,652
<u>BSP Bank Account No. 4000744401</u> <i>Receives SIG funds outside of the Direct Funding Agreement, which are reserved for SIG special projects.</i>	1,231,633	1,232,109
<u>CBSI Bank Account No. 20319</u> <i>Receives GoA grant funds pending transfer to the ANZ operational account.</i>	(9)	20,831,545
<u>CBSI Bank Account No. 20440</u> <i>Receives ADB loan # 3392 drawdowns in USD pending transfer to the ANZ operational account</i>	42,647,413 (USD 5,301,073)	134,795,684 (USD 16,445,073)
	83,097,458	186,104,990

8. Acronyms

ADB	Asian Development Bank
ANZ	ANZ Bank (Solomon Islands)
BSP	Bank South Pacific (Solomon Islands)
CBSI	Central Bank of Solomon Islands
DFAT	Department of Foreign Affairs, GoA
GoA	Government of Australia
IPSAS	International Public Sector Accounting Standards
NTF	National Transport Fund
SIG	Solomon Islands Government
SDR	Special Drawing Rights