

**Solomon Islands Rural Development Program - Phase II**  
**P149282-SOL (TF) TF19256, EU-TFA5083, IFAD-C1360, IDA 55740, IDA0220**

**Financial Statements**  
**For the Year Ended 31st December 2018**

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**Report of the Executing Agency**

Under the terms of my contract, I have the mandate from the World Bank and the Ministry of Development Planning and Aid Coordination, as Executing Agency, to supervise and manage the funds provided for the Solomon Islands Rural Development Program II (SIRD II) funded by the World Bank, DFAT, International Fund for Agriculture Development (IFAD) and the European Union.

I certify that the attached Financial Statements which has been prepared under my supervision presents a true and fair view of the state of affairs of SIRD II for the year ended 31st December 2018.

Dated at Honiara this 28<sup>th</sup> day of June 2019

  
\_\_\_\_\_  
Mr Shadrach Fanega  
Permanent Secretary  
Executing Agency Representative  
Ministry of Development Planning and Aid Coordination

Morris & Sojnocki  
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Mendana Avenue  
Honiara  
Solomon Islands  
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## Independent Auditor's Report

### *Report on the Financial Statement of Solomon Islands Rural Development Program – Phase II*

We have audited the accompanying financial statements of Solomon Islands Rural Development Program which comprise the balance sheet as at 31<sup>st</sup> December 2018 and the statement of income and expenditures for the year ended 31<sup>st</sup> December 2018 and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 10.

#### *Responsibility for the Financial Statements*

The Ministry of Development Planning and AID Coordination as the Executing Agency, and management of Solomon Islands Rural Development are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Accounting Standards in Solomon Islands and the Grant Agreement IDA 55740, IDAO220, TF19256, TFA5083 and C1360 dated 29<sup>th</sup> January 2015 between Solomon Islands and the World Bank and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with applicable Auditing Standards in Solomon Islands. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The audit also involved evaluating the project's compliance with the requirements of the Grant Agreement IDA 55740, IDAO220, TF19256, TFA5083, and C1360 dated 29<sup>th</sup> January 2015.


We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion:

- (a) the financial statements present fairly the financial position of Solomon Islands Rural Development Program – Phase II as at 31<sup>st</sup> December 2018 and the results of its operations for the year ended, in accordance with the accounting policies set out in note 1 of the financial statements.
- (b) project funds provided by the World Bank, have, in all material respects, been used in accordance with the conditions of the financing agreement, and only for the purposes for which they were provided and adequate documentation exists to support the expenditure incurred as detailed in the Statement of Income and Expenditures.
- (c) the designated accounts have been used and maintained in accordance with the provisions of the financing agreement and cash at bank balances at 31<sup>st</sup> December 2018 are correctly stated.

  
MORRIS & SOJNOCKI  
Chartered Accountants

Date: 28<sup>th</sup> June 2019  
Honiara

  
BY GREG J SOJNOCKI  
PARTNER

**Solomon Islands Rural Development Program - Phase II**  
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**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Notes	2018 (SBD)	2017 (SBD)
<b>CURRENT ASSETS</b>			
Cash at Bank & On Hand	2	7,969,025	5,836,069
Other Debtors & Prepayments	9	13,871,789	15,134,708
<b>TOTAL CURRENT ASSETS</b>		<u>21,840,814</u>	<u>20,970,777</u>
<b>TOTAL ASSETS</b>		<u>21,840,814</u>	<u>20,970,777</u>
<b>CURRENT LIABILITIES</b>			
Creditors & Accruals	10	272,912	285,171
<b>TOTAL CURRENT LIABILITIES</b>		<u>272,912</u>	<u>285,171</u>
<b>TOTAL LIABILITIES</b>		<u>272,912</u>	<u>285,171</u>
<b>NET ASSETS</b>		<u>21,567,902</u>	<u>20,685,606</u>
<b>CAPITAL &amp; RESERVES</b>			
Accumulated Surplus		21,567,902	20,685,606
<b>TOTAL CAPITAL &amp; RESERVES</b>		<u>21,567,902</u>	<u>20,685,606</u>

The balance sheet is to read in conjunction with the notes to and forming part of the accounts set out on pages 6 to 10



**Solomon Islands Rural Development Program - Phase II**  
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**Statement of Income and Expenditures**  
**For the Year Ended 31st December 2018**

	Note	Income / Expenditures  (SBD)	Income/ Expenditures by Third Parties (SBD)	2018 Total (SBD)	2017 Total (SBD)
<b>Income</b>					
<b>External Assistance - Multilateral Agencies</b>					
World Bank - Grants Received	3	9,340,635		9,340,635	19,573,919
IFAD - Grants Received	3	4,804,754		4,804,754	22,965,979
EU - Grants Received	3	23,483,647		23,483,647	-
<b>Other Grants and Aid</b>					
Solomon Islands Government	4		11,029,600	11,029,600	6,753,950
<b>Total Receipts</b>		<b>37,629,036</b>	<b>11,029,600</b>	<b>48,658,636</b>	<b>49,293,848</b>
<b>EXPENSES</b>					
<b>Operations</b>					
Audit Fees		-	150,000	150,000	155,000
Bad Debts Recovery			(389,873)	(389,873)	11,998,895
Bank Fees		59,265		59,265	83,623
Conferences and Meetings		799,698		799,698	444,961
Consulting on Subprojects/Participative Rural Appraisal		189,146		189,146	40,500
C2 Disaster Recovery - Materials		-		-	3,004,623
C2 Disaster Recovery - Livestock		-		-	948,842
Consulting on Sub-projects		24,307		24,307	180,595
Contracting on Sub-projects		1,702,965		1,702,965	1,337,722
Electricity and Gas		-	197,864	197,864	158,203
Entertainment & Refreshment		97,457		97,457	116,200
Eradication and Containment		165		165	16,320
Freight		956,928		956,928	530,405
Fuel		1,555,131		1,555,131	1,863,674
Grants to Rural Businesses - C2		130,000		130,000	524,800
Hire		1,853,984		1,853,984	3,650,102
Insurance		67,606		67,606	67,651
Maintenance		640,466		640,466	878,611
Materials - sub projects		8,983,902		8,983,902	6,011,782
Monitoring & Evaluation		-		-	233,490
National Provident Fund Employer's Contributions		447,680		447,680	408,122
Office Supplies & Stationery		286,660		286,660	221,253
Partnership - Agribusiness		12,790,140		12,790,140	11,247,887
Per diems Subsistence	5	1,330,991		1,330,991	1,532,376
Printing		62,093		62,093	190,804
Publicity & Advertising		-		-	83,050

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**Statement of Income and Expenditures**  
**For the Year Ended 31st December 2018**

	Notes	Income / Expenditures (SBD)	Expenditures by Third Parties (SBD)	2018 Total (SBD)	2017 Total (SBD)
<b>EXPENSES (cont)</b>					
Rent		-	475,800	<b>475,800</b>	494,445
Research & Development		106,504		<b>106,504</b>	275,502
Salaries	6	11,477,782		<b>11,477,782</b>	12,729,668
Telephone Internet & Fax		405,724		<b>405,724</b>	451,246
Training		239,072		<b>239,072</b>	-
Travel and Accommodation	7	2,914,474		<b>2,914,474</b>	2,201,213
Water		-	10,897	<b>10,897</b>	10,851
Wages - Sub project		-		<b>-</b>	4,500
<b>Capital</b>					
Purchase of capital items	8	209,512	-	<b>209,512</b>	638,436
<b>Total Expenses</b>		<b>47,331,652</b>	<b>444,688</b>	<b>47,776,340</b>	<b>62,735,352</b>
<b>Net Surplus/(Deficit)</b>		<b>(9,702,616)</b>	<b>10,584,912</b>	<b>882,296</b>	<b>(13,441,504)</b>
<b>Accumulated Surplus at the beginning of the year</b>		<b>18,345,686</b>	<b>2,339,920</b>	<b>20,685,606</b>	<b>34,127,110</b>
<b>Accumulated Surplus at the end of the year</b>		<b>8,643,070</b>	<b>12,924,832</b>	<b>21,567,902</b>	<b>20,685,606</b>

This Statement is to be read in conjunction with the Notes forming part of the Financial Statements on pages 6 to 10.

**Solomon Islands Rural Development Program - Phase II**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ended 31st December 2018**

**1. Statement of Accounting Policies**

**a Basis of Preparation**

The Financial Statements have been prepared in accordance with laws of Solomon Islands and applicable Accounting Standards in the Solomon Islands. They have been prepared under historical costs and do not take into account changing money values, except where stated.

**b Accounting Policies**

The accounting policies adopted by SIRDP are based on the Accrual Basis of Accounting.

**c Reporting entity**

The Financial Statements are for the Solomon Islands Rural Development Program II (SIRDP II), which is a government program managed by the Ministry of Development Planning and Aid Coordination (MDPAC).

The original Financing Agreement for SIRDP II between the Solomon Islands Government (SIG) and the International Development Association (IDA - a division of the World Bank) (signed on January 29th 2015), stipulates that SIRDP II will operate for the period 1st March 2015 to 28th February 2020. The Project Appraisal Document indicates that funding of USD 46.9m excluding SIG contribution of about USD7.0m will be provided in the following proportions: IDAT Grant USD 2.5m (5.3%), AusAID USD 13.3m (28.4%), IDA USD 2.5m (5.3%), IFAD USD4.6m (9.8%), IDA loan USD20m (42.7%), IDAW-IDA credit from Crw USD2.5m (5.3%) and IDWT-IDA grant from Crw USD1.5m (3.2%). European Union also provided funds through the World bank during 2018 with indicative funding of approximately 11M Euro pound for RDPII projects. First tranche of USD5.1M was transferred to the bank and was made available for withdrawal during the financial year.

The program is required to apply the provisions of the Solomon Islands Financial Instructions 2006.

**d Reporting Currencies**

The annual accounts are presented in the currency of the Solomon Islands, the Solomon Islands dollar (SBD).

**e Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Foreign exchange adjustments arise when initial advances made at one rate of exchange are invoiced by the contractor using a different rate of exchange.

**f Budget**

The SIRDP budget is activity based. As a result, budgeted amounts are not presented.



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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)**  
**For the Year Ended 31st December 2018**

**2. Cash**

Cash and cash equivalents comprise cash balances, call deposits, un-acquitted imprest accounts and restricted cash balances. Bank overdrafts that are repayable on demand and form an integral part of SIRD's cash management are included as a component of cash.

	2018 (SBD)	2017 (SBD)
Cash balances with bank - ANZ	5,819,935	1,526,595
Cash on hand – Petty cash	3,000	3,000
Imprest account cash at bank (Program Support Unit)	129,955	275,174
SIC account cash at bank (Projects Accounts)	2,016,135	4,031,300
Total	<u>7,969,025</u>	<u>5,836,069</u>

**3. External Assistance - Multilateral Agencies - Grants Received**

While the grants received this financial year are coming via the World Bank, the amounts are now being shared among four donors - DFAT, World Bank, IFAD and European Union (EU). DFAT, IFAD and EU provides funding to the World Bank, who in turn makes the payments to SIRD.



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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)**  
**For the Year Ended 31st December 2018**

**4 Other Grants and Aid - Solomon Islands Government/Beneficiaries**

The Solomon Islands Government had committed to contribute SBD 50M over five years from February, 2015 to support RDP II projects and by providing office accommodation and administrative support. During 2018, SBD11M Grant support was provided by SIG. From the SBD50M SIG grant, the project so far have received SBD26.3M since 2015 hence an outstanding commitment of SBD23.7M to the project as at 31st December 2018.

**5 Per Diems / Subsistence**

	2018 (SBD)	2017 (SBD)
National Staff	1,292,791	1,516,076
International	19,350	16,300
Total	<u>1,330,991</u>	<u>1,532,376</u>

**6 Salaries**

	2018 (SBD)	2017 (SBD)
National Staff	8,905,659	8,804,868
International Staff	2,572,123	3,924,800
Total	<u>11,477,782</u>	<u>12,729,668</u>

**7 Travel and Accommodation**

	2018 (SBD)	2017 (SBD)
National Staff	2,840,506	2,112,664
Internationals	73,968	88,549
Total	<u>2,914,474</u>	<u>2,201,213</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)**  
**For the Year Ended 31st December 2018**

**8 Purchase of Capital Items**

	<b>2018</b>	<b>2017</b>
	<b><u>SBD</u></b>	<b><u>SBD</u></b>
Buildings	-	153,757
Computers	77,360	240,623
Office Equipment & Furniture	27,588	35,938
Special Equipment	16,000	106,599
Tools	88,564	101,519
<b>Total</b>	<b><u>209,512</u></b>	<b><u>638,436</u></b>

**9 Other Debtors and Prepayments**

These amount are advances disbursed but yet to be acquitted to the project at year end.

	<b>2018</b>	<b>2017</b>
	<b><u>SBD</u></b>	<b><u>SBD</u></b>
Advances - Staff	531,135	717,086
Advances - Provincial Support Units (PSU)	695,504	556,913
Advances - SubProjects	10,441,404	15,650,968
Advances - Agribusiness Partnership	13,737,049	10,060,046
Deposits	15,000	15,000
Prepayments	60,719	133,590
Provision for Bad Debts	<b>(11,609,022)</b>	<b>(11,998,895)</b>
<b>Total</b>	<b><u>13,871,789</u></b>	<b><u>15,134,708</u></b>

**Solomon Islands Rural Development Program - Phase II**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)**  
**For the Year Ended 31st December 2018**

**10 Creditors and Accruals**

	2018	2017
	<u>SBD</u>	<u>SBD</u>
Creditors and Accruals	265,778	279,741
NPF and PAYE payable	3,624	-
Leave Travel Payable	3,510	5,430
Total	<u>272,912</u>	<u>285,171</u>