



Report No: FIN-2024-87(E)

30 June 2024

**The Digital Maldives for Adaptation,
Decentralization and Diversification
(DMADD) Project
Ministry of Climate Change, Environment
and Energy
Financial Year 2023**



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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE MINISTRY OF CLIMATE CHANGE, ENVIRONMENT AND ENERGY ON THE FINANCIAL STATEMENTS OF DIGITAL MALDIVES FOR ADAPTATION, DECENTRALIZATION AND DIVERSIFICATION PROJECT

Opinion

We have audited the accompanying financial statements; Statement of Receipts and Payments for the financial year ended 31st December 2023 and notes to this statement, which include a summary of significant accounting policies and other explanatory information set out in pages 4 to 12 of Digital Maldives for Adaptation, Decentralization and Diversification Project financed by World Bank/International Development Association Grant Agreement (Grant No. E047-MV) as of 02 June 2022.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and cash payments for the financial year ended 31st December 2023 and cash balances as at the year then ended in accordance with International Public Sector Accounting Standard: *Financial Reporting under the Cash Basis of Accounting*.

In addition, we can provide assurance that:

- (a) The funds provided under the Grant have been utilised for the purposes for which they were provided; and
- (b) The Procurement guidelines of the World Bank have been complied with in the procurement of goods and services under the project.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Management in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (Including International Independence Standards)* (IESBA Code). 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.

Responsibilities of management and those charged with governance for the financial statements

The Management is responsible for the preparation and fair presentation of this financial statement in accordance with the International Public Sector Accounting Standard (IPSAS): *Financial Reporting under the Cash Basis of Accounting*. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.



Those charged with governance are responsible for overseeing the project's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 these financial statements.

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

We communicate with those charged with governance of the project 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.



Review of the Progress of the Project

The Digital Maldives for Adaptation, Decentralization and Diversification Project is a Five-year World Bank funded project financed through an IDA grant to the Republic of Maldives. The project is aimed at enhancing the competitiveness of the broadband market, to improve identification for in-person and online service delivery, and to leverage digital technologies, data, and analytics for climate resilience. The project is primarily structured into four components.

- Component 1: Enabling environment for improved digital connectivity and competitiveness
- Component 2: Digital identification for improved online and in-person service delivery
- Component 3: Digital technologies and data platform for climate resilience
- Component 4: Project management and implementation support

The table below shows agreed actions from the Implementation support mission (World Bank) October 15-23, 2023. Additionally, the table contains a timeline for completing the tasks that were agreed upon, together with the PMU comments that indicate the status of those actions as of 9th June 2024.

#	Step	Target Date	Status at 31 st December 2023	Current Status and Management Comments (15 June 2024)
1	Preparation of the ToRs for Subcomponent 1.1.1. and 1.1.2	15 November 2023	1.1.1.1 CAM IC - Developing ToR 1.1.2 - ToR will be developed on 1.1.1.2	1.1.1.1 CAM IC - Contract Signed on 28th May 2024 1.1.2 – Procurement process on going
2	Initiate procurement for the two already-prepared (Terms of reference) ToRs for Subcomponent 2.2	15 November 2023	2.2.1.1 - Finalizing ToR 2.2.1.2 - Finalizing ToR	2.2.1.1 and 2.2.1.2 Procurement Process ongoing
3	Finalizing the ToRs and contracting the relevant implementation partners for the passive acoustic monitoring and fluid lensing pilots	31 December 2023	3.2.1.2 - Drafting ToR 3.2.1.3 - Drafting ToR	3.2.1.2 - Pending Bid Committee Approval 3.2.1.3 - Drafting ToR
4	Hiring of the University of Salford UK for the demonstration and scale up customization of digital solution for Multi-hazard Early Warning System (MHEWS)	31 December 2023	Finalizing ToR	Received Approval from Bid Committee.

During the audit of the project’s progress, we did not find major deviations in the activities carried out under the major components of the project with the target dates set in the Aide-Memoire October 2023.

30th June 2024



Hussain Niyazy
Auditor General



STATEMENT OF RECEIPTS AND PAYMENTS

FOR THE FINANCIAL PERIOD FROM 22 OCTOBER 2022 TO 31 DECEMBER 2023

	Note	For the period from 22 October 2022 to 31 December 2023		
		Cash Receipts (Payments) Controlled by the entity		Direct Payments by The World Bank
		IDA	GOM	
		USD	USD	USD
RECEIPTS				
Funds received from:				
The World Bank	3.1	474,134	-	-
Government of Maldives		-	-	-
Total Receipts from funding agencies		474,134	-	-
Adjustments: Returns and refunds		3	-	-
Total Receipts		474,137		
PAYMENTS				
C1. Enabling environment for improved digital connectivity and competitiveness		-	-	-
C2. Digital identification for improved online and in-person service delivery		-	-	-
C3. Digital technologies and data platform for climate resilience	4.1	109,366	-	-
C4. Project management and implementation support	4.1	127,870	-	-
Total Payments		237,236	-	-
Increase/ (Decrease) in Cash		236,901	-	-
Cash balance at the beginning of the year		-	-	-
Increase/(Decrease) in Cash		236,901	-	-
Cash balance at the end of the year	5	236,901	-	-

The Statement of Receipts and Payments for the period ended 31 December 2023 was approved by PMU on 30th June 2024.



Dr. Ibrahim Waheed
 (Project Manager)



Ms. Ahlam Abdul Sattar
 (Financial Management Specialist)

The accounting policies and notes on pages 5 through 12 form an integral part of the Statement of Receipts and Payments.



NOTES TO THE FINANCIAL STATEMENTS

1. PROJECT INFORMATION

1.1 Basic Data

Project Title: Digital Maldives for Adaptation, Decentralization and Diversification Project

Donor: International Development Association / The World Bank

Executing Agency: Ministry of Finance

Implementing Agency: Ministry of Climate Change, Environment and Energy

Grant Amount: US\$ 10 Million

Project Budget: US\$ 10 Million

Effective Date: 22-Oct-22*

Closing date: 22-Oct-27

* The project was effective on 22 October 2022. However, there were no project related transactions carried out in the year 2022.

1.2 Project Development Objective

The objective of the Project is to enhance the competitiveness of the broadband market, to improve identification for in-person and online service delivery, and to leverage digital technologies, data, and analytics for climate resilience.

1.3 Project Development Objective Achievement Indicators

(a) *Enhanced competitiveness of the broadband market*

- Competitiveness in broadband retail market (ISP Herfindahl-Hirschman index)
- IP Transit Wholesale Cost (\$/Mbps/month at landing station in Male')

(b) *Improved identification for in-person and online service delivery*

- Number of people using the new digital ID platform to access government services remotely, online (gender-disaggregated)
- Number of people who have been issued with new, digitally enabled ID (gender-disaggregated and disaggregated by location, i.e., capital vs. other islands)

(c) *Digital technologies, data, and analytics leveraged for climate resilience*

- Instruments for climate planning and action informed by improved climate data and analytics (number)
- Number of climate relevant datasets that contribute data to the climate platform.



1.4 Project Components

Part 1: Enabling environment for improved digital connectivity and competitiveness

1.1 improving regulatory frameworks, oversight, and enforcement for a competitive broadband market.

(a) Reviewing and updating the regulatory frameworks for wholesale and retail broadband markets covering, inter alia, infrastructure sharing, spectrum monitoring and open access to submarine cables, supporting design and introduction of standards for using green, low-emission and energy efficient technologies in connectivity infrastructure development projects.

(b) Providing technical assistance and capacity building to CAM, developing and updating the regulatory frameworks to ensure open access and fair competition and training for its staff for improving oversight and enforcement capacity.

1.2 Empowering public institutions for digital transformation in government

(a) Providing technical assistance to support restructuring of the NCIT and the establishment of the GOS, including the development of institutional governance frameworks and capacity building.

(b) Supporting the improvements in government network infrastructure across islands

(c) Developing a business continuity and disaster recovery plan for strategic digital government data assets and services.

(d) Providing technical assistance and capacity building to CAM, developing and updating the regulatory frameworks to ensure open access and fair competition and training for its staff for improving oversight and enforcement capacity.

Part 2: Digital identification for improved online and in-person service delivery

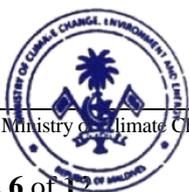
2.1. Legal and institutional enablers and safeguards for secure data and identity management.

(a) Providing technical assistance to support the development of relevant legal and regulatory frameworks in areas such as data protection, cybersecurity, electronic transactions, identification, and civil registration and ensure secure processing of data, carrying out of stakeholder consultations and capacity building.

(b) Strengthening of cyber incidence response and management capabilities within NCIT.

(c) Providing technical assistance to support the development of a government data architecture framework

(d) Developing a toolkit and training materials on the proposed legislative frameworks for facilitating compliance among data processors.



2.2 Modernizing of the foundational ID system and credential

- (a) Providing technical assistance and capacity building to support the design and implementation of upgrades to the civil registration and ID system through inter alia assessment of options to inform the design, review of international standards and good practices for data capture and processing and use of tokenized ID numbers.
- (b) Modernizing the civil registration and identity management through the necessary hardware, software, and system integrated services to enable more efficient and secure registration, data sharing, and data storage.
- (c) Enabling the issuance of new digitally enabled ID credentials through the necessary hardware, software, and system integrated services.
- (d) Carrying out stakeholder engagement and communications related to enhancements of the foundational ID system.

2.3 Strengthening the digital authentication system.

- (a) Supporting the upgradation of the digital ID platform, with the necessary hardware, software and system integration services including, setting up of a web portal, and developing a mobile application.
- (b) Providing technical assistance and capacity building to support the design and development of functional requirements and technical specifications of the updated digital ID platform.
- (c) Carrying out stakeholder engagement and communications to raise awareness about new features and processes of the digital ID system.

Part 3: Digital technologies and data platform for climate resilience

3.1 Establishing a climate data platform

Providing technical assistance and necessary equipment for the design, establishment, and operationalization (including maintenance) of a shared data platform to enhance data driven planning and policymaking across government institutions for climate adaptation and resilience.

3.2 Leveraging digital technologies and tools for climate adaptation

Supporting a pilot data collection initiative featuring state-of-the-art digital technologies to collect and analyse data related to climate-critical ecosystems to support monitoring, restoration, and analysis of disaster risk.



Part 4: Project management and implementation support

Providing support to the PMU and the Implementing Agencies in the implementation of the project, including Incremental Operating Costs and carrying out activities to strengthen overall project management and coordination, procurement, financial management, citizen engagement, environmental and social safeguards, monitoring and evaluation, and communication.

1.5 Financing Plan based on Project Components

Category	Amount of the Grant Allocated (expressed in USD)	% of Expenditure financed by IDA
(1) Goods, non-consulting services, consulting services, Training and Incremental Operating Costs for Part I of the Project	1,986,301.37	100%
(2) Goods, non-consulting services, and consulting services Training, Incremental Operating Costs for Part 2 (excluding Parts 2.2(b), 2.2(c) and 2.3 (a)), Part 3 and 4 of the Project	5,273,972.60	100%
(3) Goods, non-consulting services, and consulting services for Parts 2.2(b), 2.2(c) and 2.3 (a) of the Project	2,739,726.03	100%

1.6 Financing Plan based on Categories

#	Title	Amount
C1	Enabling environment for improved digital connectivity and competitiveness	2,000,000.00
C2	Digital identification for improved online and in-person service delivery	4,500,000.00
C3	Digital technologies and data platform for climate resilience	3,000,000.00
C4	Project management and implementation support	500,000.00
		10,000,000.00



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statement is prepared in accordance with International Public Sector Accounting Standards (IPSAS): Financial Reporting under the Cash Basis of Accounting, issued by Public Sector Committee of the International Federation of Accountants. The financial statement comprises Statement of Receipts and Payments and Notes to the Financial Statement.

2.2 Cash Basis of Accounting

Receipts and payments are accounted for on cash basis. Receipts are recognized when the Maldives Monetary Authority (MMA) receives the funds from World Bank to the bank account maintained for the project with it. This account is maintained in United States Dollars (USD). Payments are recognized at the time of outflow of cash either from the bank account.

The financial statement prepared based on cash method presents information on the source of cash, application of funds objectives and cash balances at the reporting date. The measurement focus in the financial statement is balances of cash and changes therein.

2.3 Presentation Currency

The financial statements have been presented using the United States Dollars (USD). And all the figures have been rounded to the nearest Dollar.

2.4 Foreign Currency Translation

Receipts and Payments in currencies other than the reporting currency (USD) are converted according to the MMA exchange rate of the day (the higher band MVR 15.42 and the lower band MVR 10.28) which is the exchange rate between the transaction currency and USD at the time of the transaction. Cash balances in currencies other than USD as at the end of the reporting period are shown in USD in the financial statements at the exchange rate between the transaction currency and USD that was prevailing at the last day of the reporting period.

2.5 Reporting Period

Financial statements are generally prepared for one year (calendar year). Period for which financial statement is prepared are disclosed on the face of the financial statement.

2.6 Comparatives

Except for the year/period of commencement, comparative figures are shown on the face of the financial statements.



3. FUNDS RECEIVED

3.1 Grants Received from International Development Association / The World Bank

	For the period from 22 October 2022 to 31 December 2023		
	Cash Receipts (Payments) Controlled by the entity		Direct Payments by The World Bank
	IDA	GOM	
	USD	USD	USD
RECEIPTS			
Funds received from:			
The World Bank	474,134.00	-	-
Government of Maldives	-	-	-
Total Receipts from funding agencies	474,134.00	-	-
Adjustments: Returns and refunds	2.60	-	-
Total Receipts	474,136.60		

4. PAYMENTS

4.1 Expenditure by Component

	For the period from 22 October 2022 to 31 December 2023		
	Cash Receipts (Payments) Controlled by the entity		Direct Payments by The World Bank
	IDA	GOM	
	USD	USD	USD
C1. Enabling environment for improved digital connectivity and competitiveness	-	-	-
1.1 Improving regulatory frameworks, oversight, and enforcement for a competitive broadband market	-	-	-
1.2 Empowering public institutions for digital transformation in government	-	-	-
C2. Digital identification for improved online and in-person service delivery	-	-	-
2.1 Legal and institutional enablers and safeguards for secure data and identity management	-	-	-
2.2 Modernizing of the foundational ID system and credential	-	-	-
2.3 Strengthening the digital authentication ecosystem	-	-	-
C3. Digital technologies and data platform for climate resilience	109,365.78	-	-
3.1 Establishing a climate data platform	4,988.31		
3.2 Leveraging digital technologies and tools for climate adaptation	104,377.47		
C4. Project management and implementation support	127,869.77	-	-
Total Payments	237,235.55	-	



5. CLOSING BALANCES

	Balance as at 31 December 2023 AMOUNT
Closing Balances	
MMA Special Account [Account number: 211002]	236,901.05
	<u>236,901.05</u>

6. DISBURSEMENTS

6.1 Grants Received from International Development Association / The World Bank

Date	WA No.:	Fund		Amount (USD)
03-May-23	WA 01-E047	IDA	Advance	250,000.00
14-Sep-23	WA 02-E047	IDA	Replenishment	224,134.00
				474,134.00

7. FIXED ASSETS

Category	Details	Opening Balance as at 22 October 2022 (USD)	Additions / Transfers (USD)	Balance as at 31st December 2023 (USD)
1	Land, Buildings and other material properties	-	-	-
2	Furniture, Fixtures and Fittings	-	-	-
3	Plant, Machinery, Equipment's, Software's and Other hardware related to Information Technology	-	25,162.58	25,162.58
4	Vehicles	-	-	-
5	Tools, Instruments and Apparatus	-	-	-
6	Copyrights and Patents	-	-	-
Total		-	25,162.58	25,162.58

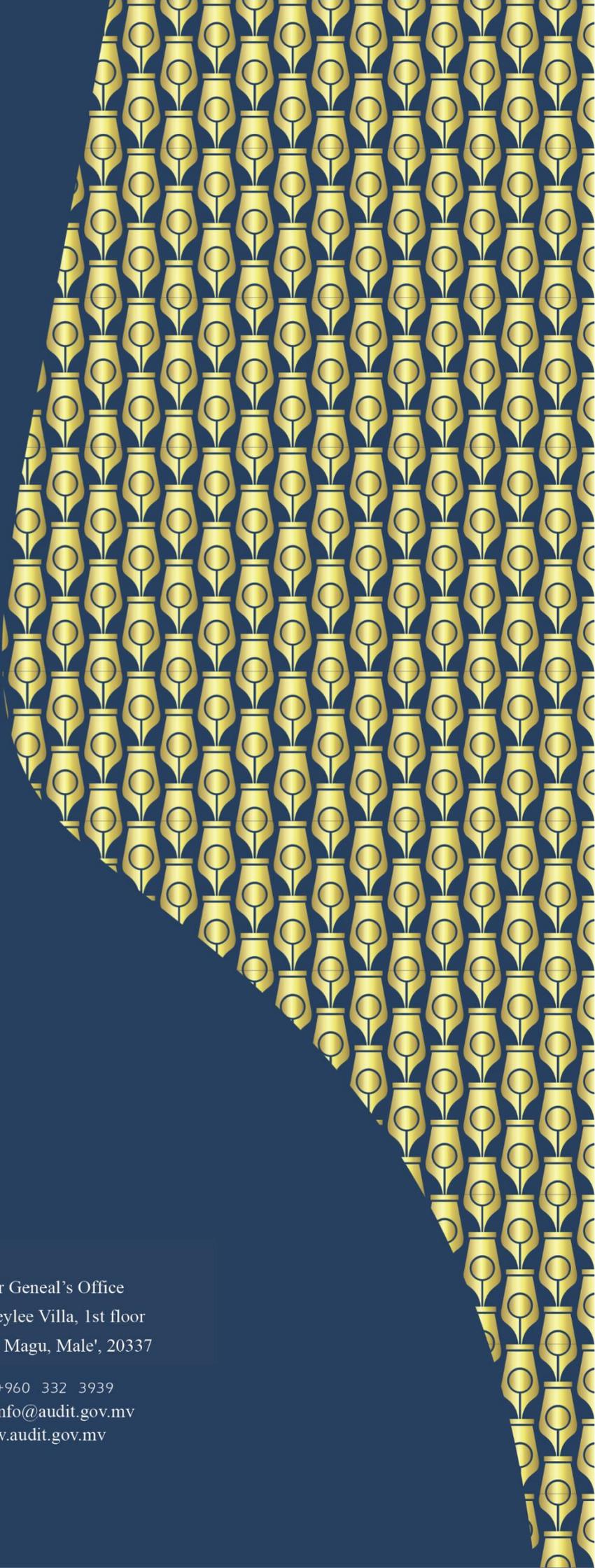


8. OTHER INFORMATION

8.1 Payables

		As at 31 December 2023		
		Cash Receipts (Payments) Controlled by the entity		Direct Payments by The World Bank
		IDA	GOM	
		USD	USD	USD
Pension Contribution	Maldives Pension Administration Office	879.19	-	-
Credit Scheme Deduction	Maldives Islamic Bank	292.61	-	-
		1,171.80	-	-





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