



## **INDEPENDENT AUDITOR'S REPORT**

To the Provincial Assembly of the Choiseul Provincial Government

### **Report on the Audit of the Financial Statements**

#### **Qualified Opinion**

I have audited the accompanying financial statements of the Choiseul Provincial Government ("Provincial Government"), which comprise the statement of cash receipts and payments as at 31 March 2018, the statement of comparison of budget and actual amounts, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the accompanying financial statements presents fairly, in all material respects, the statement of cash receipts and payments of the Choiseul Provincial Government for the year ended 31 March 2018 in accordance with International Public Sector Accounting Standard (IPSAS) Cash Basis.

#### **Basis for Qualified Opinion**

##### **Investment**

##### *Non –consolidation of controlled entity (Lauru Shipping)*

The Choiseul Province Government investment arm's financial statements have not been consolidated in the provincial financial statements. This is not complying with International Public Sector Accounting Standard (IPSAS) Cash Basis on 'Consolidated financial statements' para 1.6.5 requires that 'a controlling entity, should issue consolidated financial statements which consolidates all controlled entities'. As a result, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded receipts, payments, assets and the elements making up the statement of cash receipts and payments.

I have conducted my audit in accordance with International Standards on Auditing (ISAs). 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 Provincial Government 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 qualified 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 Provincial Government'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 Choiseul Provincial Government 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 ISA 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 ISA, 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 Province'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.

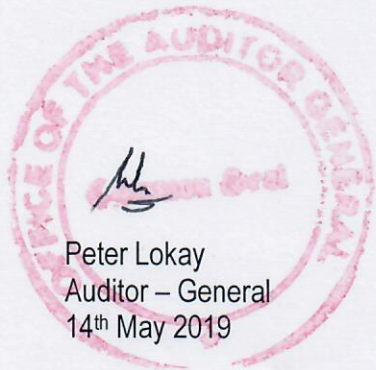


### **Report on Other Legal and Regulatory Requirements**

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 Provincial Government, 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 give the information required by the Choisuel Province Financial Management Ordinance 2008 in the manner so required.
- ii) The Province complied with the requirements of the Public Finance and Audit [Cap 120] and the Provincial Government Act which require the financial statements to be submitted to the office of the Auditor General not later than nine (9) months of the following year to which the financial statements relate. The signed statements were presented to me on 09<sup>th</sup> November 2018.



Peter Lokay  
Auditor – General  
14<sup>th</sup> May 2019

Office of the Auditor General  
Honiara, Solomon Islands



# **CHOISEUL PROVINCIAL GOVERNMENT**

## **Financial Statements**

**For the year ending 31 March 2018**

**Choiseul Provincial Government**  
**Statement of Cash Receipts and Payments**  
**for the Year ended 31 March 2018**

		31 March 2018	RESTATED 31 March 2017
		Cash Controlled by Choiseul Province	Cash Controlled by Choiseul Province
<u>Receipts</u>	Notes	SBD\$	SBD\$
<u><b>SIG Grants</b></u>			
Fixed Service Grant		5,254,923	4,203,938
Other SIG Grants		339,216	315,890
		<b>5,594,139</b>	<b>4,519,828</b>
<u><b>License and Fees</b></u>			
Retailing		247,041	207,308
Other Licenses & fees		297,630	216,542
		<b>544,671</b>	<b>423,850</b>
<u><b>Export Licenses</b></u>			
Logging Licenses		4,701,666	2,702,250
<u><b>Other Receipts</b></u>			
Timber Rights Application Receipt		23,441	322,496
Electricity Contributions		13,450	170,188
Rental & Hiring		101,000	94,625
Others		250,394	386,371
		<b>388,285</b>	<b>973,680</b>
<u><b>Investments</b></u>			
Lauru Shipping Services			
Provincial Farm/Forestry		9,920	9,150
Market Lockup Shops		28,800	29,100
Taro Fishery Centre		12,715	6,130
		<b>51,435</b>	<b>44,380</b>
<b>Total Recurrent Receipts for the Year</b>		<b>11,280,196</b>	<b>8,663,988</b>
<u><b>Capital Receipts</b></u>			
Provincial Capital Development Fund (PCDF)		3,060,824	3,910,668
SIG Township Funds		1,291,844	1
Other Development Funds			
<b>Total Capital Receipts for the Year</b>		<b>4,352,668</b>	<b>3,910,669</b>
<b>Total Receipts for the Year</b>		<b>15,632,864</b>	<b>12,574,657</b>
<u><b>Payments</b></u>			
<u><b>Recurrent Expenditures</b></u>			
Employess Wages		1,577,224	1,489,803
Offices Expenditures		307,345	264,231



Staff Recruitment, Retirement & Other Incentives	178,052	173,054
Travel & Transport	560,604	427,844
Planning Expenditures	175,753	247,591
Power Supplies Operations	268,325	938,690
Disaster Expenditure	28,639	33,226
Debt Servicing		70,577
Second Appointed Day	274,450	299,785
Committee Expenses	182,230	177,848
MPA Expenditures	853,117	753,657
Ward Development Grants	1,732,738	1,760,000
Other Grants & Subvention	128,974	99,250
Repairs & Maintenance	730,326	393,700
Timber Rights Expenses	23,441	404,644
Other Operating Expenses	579,138	450,549
Imprests	73,930	9,264
<b>Total Recurrent Expenditures</b>	<b>7,674,286</b>	<b>7,993,713</b>
<b>Capital Expenditures</b>		
Assets & Development Projects/Activities	5,985,880	4,115,742
PCDF Investment Servicing costs	94,467	243,125
Township Related Costs	299	1,194,276
<b>Total Capital Payments</b>	<b>6,080,646</b>	<b>5,553,143</b>
<b>Total Payments</b>	<b>13,754,932</b>	<b>13,546,856</b>
<b>Increase/(Decrease) in Cash &amp; Cash Equivalent</b>	<b>1,877,932</b>	<b>- 972,199</b>
<b>Computation of Cash &amp; Cash Equivalent</b>		
Choiseul Province Account - BSP 8400560801	1,824,247	77,246
Choiseul Province Disaster Account - BSP 1875	80,449	753
Choiseul Province PCDF Account - BSP	3,118,470	5,054,633
Choiseul Bay Township Account - BSP	1,426,763	1,933,614
Choiseul Province PTIR Account - ANZ	2,496,727	5,207
Petty Cash Imprest	4,601	1,872
<b>Total Cash &amp; Cash Equivalent at 31 March 2018</b>	<b>8,951,257</b>	<b>7,073,325</b>
<b>Reconciliation of restricted cash balances as at 31 March 2018</b>		
<i>Closing Cash &amp; Cash Equivalent</i>	8,951,257	7,073,325
<i>Less: Restricted cash balances</i>		
Solomon Islands Government - Taxes	610,899	-
Solomon Islands National Provident Fund - Employee NPF		-
<b>Total Restricted Cash</b>	<b>610,899</b>	<b>-</b>
<b>Cash Available for Use</b>	<b>8,340,358</b>	<b>7,073,325</b>
<b>Reconciliation of Cash Movement</b>		
Opening Cash Balance	7,073,325	8,045,524
Increase/(Decrease) in Cash	1,877,932	- 972,199
<b>Closing Cash &amp; Cash Equivalent</b>	<b>8,951,257</b>	<b>7,073,325</b>

**Choiseul Provincial Government**  
**Statement of Comparison of Budget and Actual Amounts**  
**For the year ended 31 March 2018**  
**Budget Approved on the Cash Basis**

Detail	Actual Amounts	Final Budget	Original Budget	Difference: Actual Amount versus final budget
	SBD\$	SBD\$	SBD\$	SBD\$
<b>Receipts</b>				
License and fees	5,246,337	4,452,776	2,564,350	793,561
Other grants & aid	5,594,139	4,806,923	4,806,923	787,216
Capital receipts	4,352,668	15,556,613	14,764,769	- 11,203,945
Trading activities	51,435	15,000	15,000	36,435
Other receipts	388,285	517,291	513,300	- 129,006
<b>Total Receipts</b>	<u>15,632,864</u>	<u>25,348,603</u>	<u>22,664,342</u>	<u>- 9,715,739</u>
<b>Payments</b>				
Staff Salaries & Benefits	1,577,224	1,919,319	1,832,480	- 342,095
Operating Expenditures	4,235,350	6,041,671	4,236,093	- 1,806,321
Ward Grants	1,732,738	1,760,000	1,760,000	- 27,262
Other Grants/Subventions	128,974	71,000	71,000	57,974
Capital Expenditures	6,080,646	15,556,613	14,764,769	- 9,475,967
<b>Total Payments</b>	<u>13,754,932</u>	<u>25,348,603</u>	<u>22,664,342</u>	<u>- 11,593,671</u>
<b>Net Cash flows</b>	<u>1,877,932</u>	<u>-</u>	<u>-</u>	<u>1,877,932</u>

## Choiseul Provincial Government Financial Statement Disclosure

### 1 Accounting Policies

The Financial Statements of Choiseul Provincial Government has been prepared in accordance with the Cash Basis IPSAS. Choiseul Province has applied this policy consistently from 1 April 2017 to 31 March 2018 to ensure consistency in financial statement reporting.

### 2 Reporting Entity

The Financial Statement is for Choiseul Provincial Government. Choiseul Province prepares the FS as a legal entity as prescribed in the PGA 1997 Section 39 subsections 1 and 2 and in accordance with Section 94 (1) of the Choiseul Province Financial Management Ordinance of 2008.

### 3 Controlling Entity

The reporting entity for the purpose of this report is *Choiseul Province* and the controlled Entity is the investment corporation herein referred as *Lauru Shipping Ltd*. During the fiscal year Lauru Shipping Ltd has not paid any dividends to Choiseul Provincial Government

### 4 Restricted Cash Balance

During the year Choiseul Provincial Government held monies from unpaid withholding taxes totalling to \$610,899. An understanding currently has been reached to settle the debt.

### 5 Reporting Currency

Choiseul Provinces presented the Financial Statement in Solomon Islands currency, the Solomon Islands dollar (SBD\$).

### 6 Transactions in Foreign Currency

During the reporting period, there was no transaction conducted by the province which might require currency translation.

### 7 Cash

Cash available for use is the amount of cash available to the Provincial Executive by the end of the financial year excluding restricted cash but including cash equivalents.

### 8 Borrowings

Choiseul Province during the fiscal year has not made any borrowings from any financial institutions

### 10 Going Concern

At this point of time Choiseul Province does not have any issues or matters that will stop its continuity. Choiseul Province as an entity will continue to function as a government agency delivering services to its people.

### 11 Related Party Transactions

During the period there was no external party that has any influence in the operations and in financial decision making of Choiseul Province. The Executive and its Administration has full control over all operations and financial decision making over its affairs.

### 12 Adjustments to 2016/17 Financial Statement

The 2016/17 Financial Statement was adjusted. During preparation of 2017/18 Financial Statement it was discovered that few errors have been made. These were typing error on Ward Grant where the actual amount was overstated by \$10,000 and also non inclusion of unretired imprests in the statement which resulted in the understatement of funds expended in the 2016/17 financial statement. An overhaul was made on the expenditures resulting in the adjustment on few items.



Restated Statement of Receipts and Payments  
For year ending 31 March 2018

Payments	Previously Reported	Effect of Restatement	Adjusted Balance
Offices Expenditures	262,115	2,116	264,231
Staff Retirement & Other Incentives	136,520	36,534	173,054
MPA Expenditures	751,915	1,742	753,657
Ward Development Grants	1,770,000	- 10,000	1,760,000
Repairs & Maintenance	394,800	- 1,100	393,700
Other Operating Expenses	498,024	- 47,475	450,549
Unretired Imprests		73,930	73,930
		<u>55,747</u>	

**13 Authorization Date**

The Financial Statement was signed off by the Premier, Hon Watson Qoloni and Provincial Secretary Geoffrey Pakipota on 6 November 2018 and authorized for publications.

In our opinion the attached Financial Statement for the year ended 31 March 2018 are based on properly maintained financial records and present fairly, in all material respects, the information required by Section 39 (1) of the Provincial Government Act 1997 and in accordance with the Provincial Financial and Stores Instructions 2008.  
For and behalf of the Choiseul Provincial Government

Premier: Hon. Watson Qoloni

Sign: \_\_\_\_\_

Date: 6 November 2018

Provincial Secretary: Geoffrey Pakipota

Sign: \_\_\_\_\_

Date: 6 November 2018