



INDEPENDENT AUDITOR'S REPORT

To the Members of the Guadalcanal Provincial Assembly

Report on the Audit of the Financial Statements

Disclaimer of Opinion

I was engaged to audit the accompanying financial statements of the Guadalcanal Provincial Government, which comprise the Statement of Receipts and Payments for the year ended 31 March 2018, and the Statement of Comparison of Budget and Actual Amount with a summary of significant accounting policies and other explanatory notes.

I do not express an opinion on the accompanying financial statements of the Guadalcanal Provincial Government. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Closing balance

Cash and cash equivalent balance for the year ended 31 March 2018 was not reliable. Cash and Cash Equivalent balance have a variance of \$ \$1,751,433.47. Also the net cash flow present have a variance of \$ 6,230,103. With no adjustment done by the province on the request of OAG to adjust the financial statement figures, I therefore could not determine the accuracy of the closing balance at the year ended 31 March 2018, and the effect of any misstatement therein on the Statement of Receipts and Payments for the year ended 31 March 2018.

Receipts

I could not verify the completeness, existence and accuracy of receipts totaling \$ 26,456,280 which was presented on the Statement of Receipts and Payments for the year ended 31 March 2018. This is due to absence of sufficient appropriate supporting documentation and weak control over revenue.

Payments

I could not verify the completeness, existence and accuracy of payments totaling \$ 31,923,958 which was presented on the Statement of Receipts and Payments for the year ended 31 March 2017. This is due to absence of sufficient appropriate supporting documentation and weak control over expenditure.

I have conducted my audit in accordance with International Standards for 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 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 Disclaimer of 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 consolidated 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 Guadalcanal 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 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 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) Books of account and the financial system have not been properly kept and monitored by the Province, insufficient to enable financial statements to be prepared, so far as it appears from my examination of those books and system; and
- ii) To the best of my knowledge and according to the information and explanations given to me the financial statements do not give the information required by Section 39 of the Provincial Government Act, in the manner so required.
- iii) The Province complied with the requirements of the Public Finance and Audit Act [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 27th December 2018.



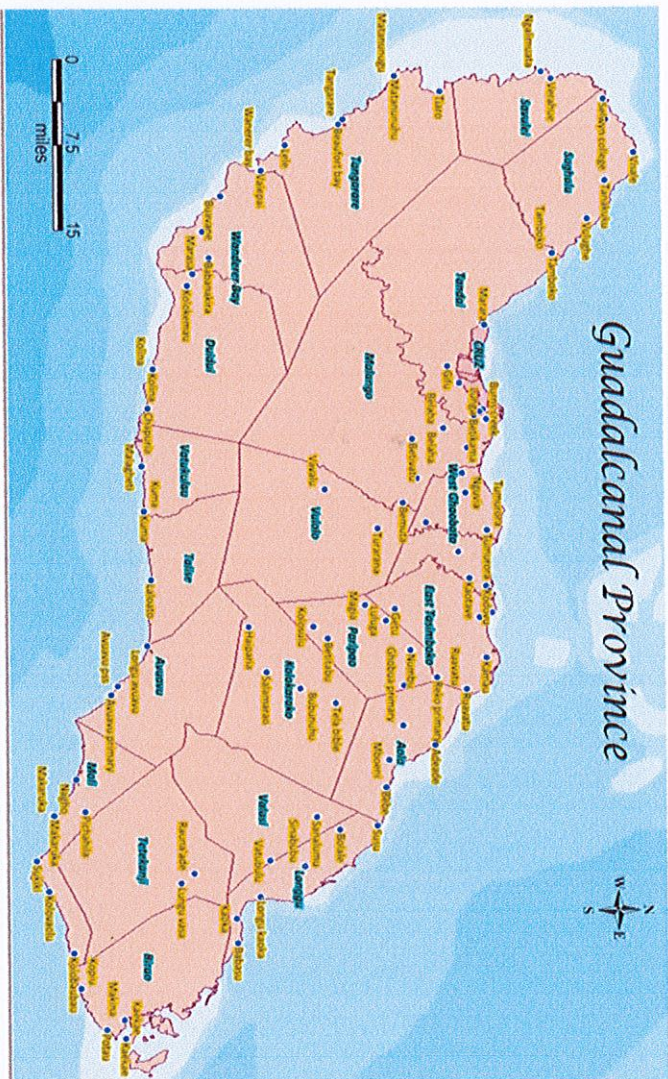
Peter Lokay
Auditor – General
26th August 2019

Office of the Auditor General
Honiara, Solomon Islands

GUADALCANAL PROVINCIAL GOVERNMENT



FINANCIAL
REPORT FOR
THE YEAR
ENDED 31ST
MARCH 2018



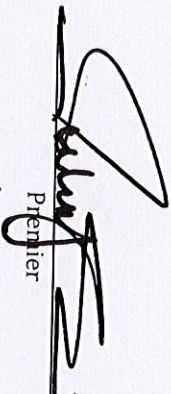
Guadalcanal Provincial Government

CERTIFICATE OF THE GUADALCANAL PROVINCIAL GOVERNMENT

1.4.5

In our opinion, the attached Financial Statement for the year ended 31st March 2018 are based on properly maintain financial records and are fairly, in all material respect, the information required by section 39 (1) of the Provincial Government Act 1997 and in accordance with the Provincial Financial Management ordinance 2008 and the Provincial Financial and Stores Instruction 2008.

For and on behalf of the Guadalcanal Provincial Government


Premier

Hon. Anthony K Veki
Name

21 / 12 / 18
Date



Provincial Secretary

TIMOTHY NEELE
Name

21 / 12 / 18
Date



Provincial Treasurer (Acting)

Jorge Rosabe Navele
Name

21 / 12 / 2018
Date

FINANCIAL STATEMENT AS FOR THE YEAR ENDED 31ST MARCH 2018

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GUADALCAL PROVINCIAL GOVERNMENT

Statement of Cash receipts and Payments for the Year ended 31st March 2018

	Note	31st -Mar-2018 Cash Controlled by GPG	31st -Mar-2017 Cash Controlled by GPG
Receipts			
Fixed Service Grants		\$ 13,480,390.00	\$ 10,784,312.00
Second Appointed Day Grant		\$ 175,000.00	\$ 71,000.00
Ward Profiling Grant		\$ 391,350.00	\$ -
License and Fees			
Other Licenses	3	\$ 977,969.00	\$ 485,150.00
Patrol License		\$ -	\$ 102,000.00
Liquor Licences	4	\$ 81,900.00	\$ 179,800.00
Transport Licences	5	\$ 328,929.00	\$ 156,433.50
Export Licences			
Other Export License	6	\$ 29,000.00	\$ -
Logging Export Licences		\$ 25,000.00	\$ 100,000.00
Logging Sub-Contracter Licences		\$ 2,466,000.00	\$ 1,042,500.00
Other Receipts		\$ 1,092,434.00	\$ 1,059,172.20
Rates			
Basic Rates		\$ 353,644.00	\$ 85,644.08
Property Rates	7	\$ 1,000,718.00	\$ 1,371,055.04
Lands Fees	8	\$ 559,949.00	\$ 1,000.00
Other Charges	9	\$ 2,484,472.00	\$ 2,982,160.35
Total Recurrent receipts for the Year		\$ 23,446,755.00	\$ 18,420,227.17
Capital Receipts			
Provincial Capacity Development Fund		\$ 2,509,525.00	\$ 7,817,454.00
SiG Capital Development fund		\$ 500,000.00	\$ 1,000,000.00
Total Capital Receipts for the Year		\$ 3,009,525.00	\$ 8,817,454.00
Total Receipts for the Year		\$ 26,456,280.00	\$ 27,237,681.17

Computation of cash and Cash Equivalent

	2019	2020	2021
Cash			
Guadalcanal Provincial Assembly (Main Cheque Account)	\$ 62,588.84	\$ 782.81	
Guadalcanal Provincial Assembly Salary A/C	\$ 26,491.50	\$ 8,158.05	
Guadalcanal Province (PCDF) Capital Project	\$ 1,605,122.57	\$ 6,663,581.90	
Guadalcanal Provincial Government Local Revenue	\$ 169,623.32	\$ 27,657.77	
Guadalcanal Provincial Assembly (ANZ Call Account)	\$ 5,270.73	\$ 5,257.54	
Un-acquitted Imprest			
Cash and Cash Equivalent	\$ 1,869,096.96	\$ 6,705,438.07	
Less: Restricted Cash Balance			
Solomon Islands Government - PAYE	\$ 711,653.75		
Solomon Islands Government Withholding Tax			
SI National Provident Fund - NPF	\$ 559,221.00	\$ -255,017.44	
Other Payroll Deductions (Union) Fees	\$ 7,800.00		
Total Restricted Cash	\$ 1,278,674.75	\$ -255,017.44	
Cash Available for Use	\$ 590,422.21	\$ 6,450,420.63	
Reconciliation of Movement of Cash			
Opening Cash Balance	\$ 5,585,341.49	\$ -263,329.52	
Increase/Decrease in cash	\$ -5,467,678.00	\$ 5,848,671.01	
Closing cash and cash Equivalent	\$ 117,663.49	\$ 5,585,341.49	

EXPLANATORY NOTES TO FINANCIAL STATEMENT (RECEIPTS & PAYMENTS)									
NOTE#									
	RECEIPTS								
3	Sum of all Other Business Licenses & Fee Charges								
4	Sum of Liquor + Night Club License (\$81,900 + \$0.00)								
5	Sum of all means of Transportations License (\$40,000 + \$128,035 +\$83,324 +\$67,570 +\$10,000)								
6	Sum of all Other Export License (\$14,000 + \$10,000 +\$5000)								
7	Sum of all Classification of Property Rates charges (\$254,721 +\$300 +\$745,697)								
8	Sum of all Other Land Fees								
9	Sum of Premium Fee								
	PAYMENTS								
10	Sum of Wages + Salaries +Employee Benefits but excluding Accommodation for staff								
11	Sum of all Executive Members & PAC Members Allowances (\$143,835 +\$42,000 +\$49,400)								
12	Sum of Premier's both Local & Oversea Travel (\$45,000 +\$420,098)								
13	Sum of all Repairs & Maintanance for GPP Govt.Housing + Vehicles + Equipments (\$353,075 +\$126,761 +\$12,724)								
14	Sum of all utilities inclusive of Premier & Deputy Premier's monthly utilities (\$202,864 +\$286,309 +\$90,744 +\$68,045 +\$8,927)								
15	Sum of all computer expenditure for all Divisions								
16	Sum of all Other operational costs								

GUDALCANAL PROVINCIAL GOVERNMENT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 31ST MARCH 2018

	Note	Actual Amounts	Original Budget	\$ Difference	% Difference
Cash Inflows					
Basic Rates	1	\$ 353,644.00	\$ 210,000.00	143,644.00	68%
Licences Fee		\$ 3,908,798.00	2,956,500.00	952,298.00	32%
Fixed Service Grant		\$ 13,480,390.00	10,784,312.00	2,696,078.00	25%
Second Appointed Day Grant	2	\$ 175,000.00	50,000.00	125,000.00	250%
Ward Profiling Grant		\$ 391,350.00	556,000.00	164,650.00	-30%
Property Rates		\$ 1,000,718.00	1,050,000.00	49,282.00	-5%
Lands Fees	3	\$ 3,044,421.00	4,648,000.00	1,603,579.00	-35%
Proceeds from Borrowings	4	\$ 765,100.00	-	765,100.00	0%
Other Receipts	5	\$ 827,334.00	315,000.00	512,334.00	163%
Total Receipts		\$ 23,946,755.00	20,569,812.00	3,376,943.00	16%
Cash Outflows					
Employee Salaries & Benefits		\$ 5,579,129.00	4,807,610.00	771,519.00	16%
Office Consumables & Supplies	6	\$ 187,848.00	121,000.00	66,848.00	55%
Computer Consumables & Supplies	7	\$ 113,982.00	256,000.00	142,018.00	-55%
Repayment of Borrowings	8	\$ 130,000.00	-	130,000.00	0%
Rentals	9	\$ 1,077,400.00	553,500.00	523,900.00	95%
Ward Development Grant		\$ 2,167,400.00	2,100,000.00	67,400.00	3%
Training Expenses		\$ 4,364,000.00	3,383,718.00	980,282.00	29%
Telephone		\$ 202,864.00	150,000.00	52,864.00	35%
Water	10	\$ 90,744.00	30,000.00	60,744.00	202%
Electricity		\$ 286,309.00	300,000.00	13,691.00	-5%
Other Operating Cost		\$ 8,984,654.00	8,857,500.00	127,154.00	1%
Total Payments		\$ 23,184,330.00	20,559,328.00	2,625,002.00	13%
Net Cash Flows		\$ 762,425.00	10,484.00	751,941.00	7172%

[illegible]

Disclosure Requirement For Provincial Government Financial Statements

3 Accounting Policies

The FS of Guadalcanal Provincial Government has been prepared in accordance with Cash Basis IPSAS
The Guadalcanal Provincial Government has applied this policy consistently from 1st April 2017 to 31st March 2018.

4 Reporting Entity

The FS is for Guadalcanal Provincial Government. The Guadalcanal Provincial Government prepares the FS, a legal entity,
as prescribed in the PGA 1997 Section 1 and 2 and in accordance with Part 1 -section 4 of the Guadalcanal Provincial
Government Financial Management Ordinance of 2018.

5 Controlling Entity

The controlling entity for the purpose of this report is Guadalcanal Provincial Government.
The financial framework to adopt during the reporting period is directed by the Solomon Islands Government.

6 Payments by third Party (If Applicable)

The Province has adopted the IPSAS 20 related party disclosure standards to define the related party transaction

7 Restricted Cash Balances

This refers to cash that is being held by Guadalcanal Provincial Government but does not have the power to use it.
It is inclusive in the computation of cash equivalent as control of cash but the province will have to release control
as soon as the cash is transferred. These are normally NPF payments on behalf of direct employees, PAYE deductions
or withheld from direct employees, withholding taxations from contracts awarded plus payments collected on behalf
of Solomon Power, Rentention money held from contractor's payments and being kept for them are also restricted
by the end of the financial year. Control over them shall transfer as the cash is paid out.

8 Reporting Currency

Guadalcanal Provincial Government presented the Financial Statement in Solomon Islands Currency, the Solomon Islands Dollar (SBD)

9 Transaction in Foreign Currency

During the reporting period, there was no transaction conducted by the province which might have required a currency retranslation

10 Cash Available for Use

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.

11 Borrowings

The amount stated in note 4 is what has been borrowed. The borrowing proceeds had been recognised in the Financial statement and in the budget as required by IPSAS 5 (original value plus the interest element which has been amortised over a period ofyears). As indicated in note 4, the full proceeds of borrowing shall be redeemed by end of next financial year. Guadalcanal Provincial Government borrowed funds by complying with Section 67-70 of the PFMA Act 2013.

12 Other Receipts and Other Payments

Authorisation Date: 21st December 2018

Is the date that the financial statement is signed off by the Hon. Premier and the Provincial Secretary and the authorised for publication

13 Original/Final Approved Budget and Comparison of Actual and Budget Amounts

This is a mandatory part of the financial statement under IPSAS Cash Basis Part 1. The budget performance for the financial year just ended shall be compared as follows:

- a) Original Budget
- b) Actual Budget

ADDITIONAL OPTIONAL DISCLOSURE

14 Reporting Templates use

There is slight changes to the structure of Receipts being outlined in the template used this is because the example in the Financial Instructions and Stores Instruction 2018 was used.

15 FS COVER PAGE

There is a change to the cover page for the mapping of Guadalcanal Province. The current shows all 21 Wards in mapping.