

Solomon Islands Office of the Auditor-General



Independent Auditor's Report to the Members of Makira Ulawa Provincial Assembly

Report on the Audit of the Financial Statements

Disclaimer of Opinion

I have audited the accompanying financial statements of Makira Ulawa Provincial Government ("the Provincial Government") which comprise the Statement of Cash Receipts and Payments, Statement of Comparison of Budget and Actual and notes to the financial statements, including a summary of significant accounting policies.

I do not express an opinion on the accompanying financial statements of 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 of Disclaimer of Opinion

Closing balance

The Cash and Cash Equivalent balance for the year ended 31 March 2019 was not reliable. The Cash and Cash Equivalent balance has a variance of \$ 1,901,269.95. In addition, the balance for Cash Available for Use was not reliable as items totalling \$ 13,576.73 was incorrectly classified as Restricted Cash. I therefore was unable to determine the accuracy of the closing balance at the year ended 31 March 2019, and the effect of any misstatement therein on the Statement of Receipts and Payments for the year ended 31 March 2019.

Receipts

I could not verify the completeness, existence and accuracy of receipts totalling \$ 12,098,214.34 which was presented on the Statement of Receipts and Payments for the year ended 31 March 2019. 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 totalling \$ 13,973,685.40 which was presented on the Statement of Receipts and Payments for the year ended 31 March 2019. This is due to absence of sufficient appropriate supporting documentation and weak control over expenditure.

Non –consolidation of controlled entity (Makira Ulawa Investment Corporation)

The Makira Ulawa Provincial 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management are responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS Cash Basis, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management are 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 liquidate the Provincial Government or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Provincial Government's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the Provincial Government in accordance with International Organisation of Supreme Audit Institutions (INTOSAI) Code of Ethics and the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Report on Other Legal and regulatory requirements

I have obtained all the information and explanations which, to the best of my knowledge and belief, are necessary for the purposes of my audit.

In my opinion:

- i) As described in the *Basis for Disclaimer of Opinion* section of my report, proper books of account have not been properly kept by the Provincial Government to enable financial statements to be prepared;
- 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; and
- iii) The Provincial Government 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 months of the following year to which the financial statements relate. The signed statements were presented to me on 31 December 2019.



Peter Lokay
Auditor-General
7 May 2020

Office of the Auditor-General
Honiara, Solomon Islands

MAKIRA ULAWA PROVINCE
FINANCIAL STATEMENT FOR THE YEAR ENDING MARCH 2019

MAKIRA ULAWA PROVINCIAL GOVERNMENT

Statement of Cash Receipts and Payments for the Year Ended 31st March 2018

	Note	31st MARCH 2019 Cash Controlled by MUPG	31 March 2018 Cash Controlled by MUPG
Receipts			
Fixed Service Grants	15		
- SIG service Grant		4,673,796.75	6,523,920.00
- Second Appointed Day Grant		50,000.00	50,000.00
- Ward Profiling (MPGIS)		-	585,701.00
- Election Grant		-	0.00
- YOUTH Grant		-	30,450.00
- Timber Right Grant		456,728.00	152,256.00
Licenses and Fess	12		
- Other Business licences		156,385.70	211,546.00
- Transport Licenses		53,300.00	27,700.00
- Fuel Licenses		21,750.00	33,670.00
- Liquor Licence		41,750.00	150,250.00
Export licence			
- Logging Export Licenses		1,585,000.00	295,000.00
- Logging Contractors		450,000.00	1,625,000.00
- Milling Timber Export Licenses		52,000.00	5,000.00
Fees	13		
- Property Rates		373,372.55	76,069.48
- Commission on Commercial Activities		5,245.00	68,342.90
- Basic Rate		119,027.57	50,081.92
- Other Receipts		104,220.77	61,828.25
- Trading Activities (see notes)		45,570.00	171,583.10
Total Recurrent Receipts for the Year	14	8,188,146.34	10,118,398.65

Capital Receipts

Provincial Capacity Development Fund
 SIG capital development fund

Total Capital Receipts for the Year

Total Receipts for the year

3,910,068.00	2,417,394.00
3,910,068.00	2,417,394.00
12,098,214.34	12,535,792.65

Payments

Wages, Salaries and Employee Benefits
 Appointed members Allowances
 Ward Development Grant

Fuel (POL)

Travel and Transport

Repairs and Maintenance

Other Operating Cost

Trading activities expenditure

Total Recurrent Expenditure

Capital Expenditure

Administration Sectors capital Exp

Development Servicing Sector capital Exp

Investment Servicing Cost for capex

Other Capital Expenditure (SIG Grant)

Capital expenditure - Ward Grant

Total Capital Payments

Total Payments

16	2,891,449.19	3,345,707.87
17	281,498.46	446,200.00
	117,400.00	90,529.00
	77,945.00	111,165.00
	112,989.00	89,795.00
	681,124.03	607,673.25
18	4,788,995.76	3,148,334.29
	328,387.97	
	9,279,789.41	7,839,404.61

19	1,390,255.61	748,389.47
	3,107,646.46	2,575,261.81
	79,794.00	324,128.50
	116,199.92	47,667.00
		184,900.25
	4,693,895.99	3,880,347.03

13,973,685.40	11,719,751.64
(1,875,471.06)	816,041.01
3,776,741.01	2,960,700.00
1,901,269.95	3,776,741.01

Increase/(decrease) in cash and cash equivalent

Opening Cash Balance

Cash and cash equivalent at the end of the year (1)

Computation of Cash and Cash Equivalent

Cash

9

Cash on Hand		
PCDF - Project Account	1757412.84	-822.00
Fisheries Account	4122.92	2,001,271.00
Main Cheque Account	-61164.73	47,518.00
Shipping Account	25625.8	1,340,018.00
Special Fund Account	69773.05	10,583.00
Huro Township	99222.23	33,218.00
BSP IBD Account	457247.96	99,530.00
SALARY ACCOUNT	650635.81	455,354.00
Suspense Account	197210.84	17,959.00
Un-acquitted imprest	424555.5	0.00
Un-acquitted imprest - Advances		
Direct Employees	183997.83	222,897.00
MPAs		90,958.00
Seconded Staff		73,261.00
Advance - other organisation		35,056.00
Cash and Cash Equivalent	3808640.05	4,426,801.00

Less : restricted cash balances

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Solomon Islands Government - PAYE	217760.35	14,534.00
SI National Provident Fund - NPF	103043.11	26,890.00
Account Payable	13576.73	267.00
Contract Rentention	1031485.91	625,859.00
Union of workers		
Ward Profilling	7300	2,112.00

Total Restricted Cash withholding tax

49714.45	
1422380.55	569,692.00

Cash Available for use

2,385,759.50	3,757,109.00
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Reconciliation of Movement of Cash
 Opening Cash Balance
 Increase/Decrease in Cash
 Closing Cash and Cash Equivalent

3,776,741.01	2,960,700.00
(1,875,471.06)	816,041.01
<u>1,901,269.95</u>	<u>3,776,741.01</u>

Annex 3: Makira Ulawa Province: Comparison of Budget and Actual Amounts
for the year ended 31st March 2019

Cash Inflows	Actual Amount	Revised Budget	Original Budget	Difference
Receipts				
Sig Fixed Service Grant	4,673,796.75	5,219,136.00	5,219,136.00	-545,339.25
2nd Appointed Grant	50,000.00	50,000.00	50,000.00	0.00
Vard Profiling				
Sig Consultancy Grant		555,556.00		-555,556.00
Timber Right Grant	456,728.00	122,000.00	122,000.00	30,256.00
Licenses	2,360,185.70	2,764,752.00	3,272,000.00	-404,566.30
Fees	373,373.77	114,952.00	105,250.00	258,421.77
Basic Rate	104,220.70	62,000.00	62,000.00	42,220.70
Property Rates	5,245.00	85,000.00	85,000.00	-79,755.00
Other Receipts	164,597.00	202,622.00	100,632.00	-38,025.00
Capital receipts				
CDF	3,910,068.00	4,510,068.00	10,486,856.00	-600,000.00
Other SIG Grant		500,000.00		-500,000.00
Total Receipts	12,098,214.92	14,186,086.00	19,502,874.00	-3,995,227.35

Cash Outflows

Payments

Wages, Salaries and Employees benefits	2,891,449.19	3,186,091.00	3,076,091.00	-4,453.13
Other Employee operating Expense	5,308,317.76	5,881,916.81	3,557,605.00	990,859.54
Ward Development Grant	117,400.00	210,000.00	210,000.00	529.20
MPA Other operating expense	281,498.46	11,693.19	1,236,449.00	-1,628,314.00
Repairs & Maintenance	681,124.00	881,873.00	935,873.00	-1,628,314.00
Capital Expenditure				
PCDF Expenditure	4,577,696.00	4,510,068.00	9,556,365.00	-4,092,927.22
Other Capital Expenditure	116,199.00	710,000.00	210,000.00	-76,962.75
Total Payments	13,973,684.41	15,391,642.00	18,782,383.00	-4,811,268.36
Net cash in flow	-1,875,469.49	-1,205,556.00	720,491.00	-669,913.49

Annex 4: Disclosure Requirement for Makira Ulawa Provincial Government Financial Statement

1. Accounting policies

Basis of preparation

The Financial statement of Makira Ulawa Province has been prepared in accordance with the International Public Sector Accounting Standards under the cash basis of Accounting (Cash Basis IPSAS). The Makira Ulawa Province has applies the accounting policies which has been applied consistently from April 2018 to 31st March 2019 to ensure Consistency in the Financial Statement reporting.

2. Reporting entity

The Financial statement is for the Makira Ulawa Provincial Government which is one of the nine provinces within the Solomon Islands. The Financial statement encompass the reporting entity as specified in the relevant legislation (Provincial Government Act 1997) Section 39 subsections 1 and 2 and in accordance with Section 94 (1) of Makira Ulawa Province Financial Management Ordinance 2008.

3. Controlling Entity

- The controlling entity for the purpose of this report is Makira Ulawa Province and the Controlled entity is the Makira Ulawa Province Investment Corporation (MUPIC). This report is not a consolidated Financial Statement of the Controlling and the Controlled entity.
- Makira Ulawa Provincial Government has a Commercial Investment arm which is a separate entity known as Makira Ulawa Province Investment Corporation (MUPIC)
- MUPIC has been operating under its own Ordinance known as the MUPIC Ordinance.
To carry out business activities.
- It has its own Bank A/C and is controlled and operated by its own General Manager, staff and board of directors
- It's operated as a legal entity separated from its controlling entity and its operating period is from January to December
- Since its operation it has not paid any Divident to Makira Ulawa Province
- For this reporting period, no financial Report has been received by the Provincial Government from MUPIC

4. External Assistance

Information not available for reporting.

5. Restricted cash balances

- Restricted cash balances are monies collected on behalf of another entity. This money is then forwarded to the entity on an agreed schedule. This money is not available for use by the Provincial government. Normally restricted balances include Pay as You Earn tax (PAYE), National Provident Fund (NPF) for the Direct Employees and withholding taxation from contracts awarded and Union fees, suspension & others refer to 5

6. Agency Security Bond

- Makira Ulawa Province Operates Kirakira BSP Agency under a signed Memorandum of agreement with BSP Bank Honiara. The Makira Ulawa Provincial Government made a deposit of \$450,000.00 thousand dollars to open up Kirakira Agency bank. This amount was placed in an IBM account with Bank South Pacific for Security cash holding limit of the Agency.
- The Makira Ulawa Province receives commissions for updating, withdrawal fees and for opening of new accounts.
- BSP Agency is Managed and Supervised by the Provincial Treasury Division with the commission remitted to Treasury Division. Additional information is disclosed in cash receipts and cash payment in the face of the Financial statement.

7. Reporting Currency

—Makira Ulawa Province presented the Financial statement in the Solomon Island Currency, the Solomon Islands dollar (\$)SBD

8. Foreign Currency Transactions

—Makira Ulawa Provincial Government has transacted some funds to the Canadian Government for CITREC programmes during this reporting period (2018/2019 FY) Conversion amount is unknown.

9. Cash and Cash Equivalent available for Use

—This refers to funds held on behalf of others. It is included in the cash Equivalent as Province temporarily controlling the cash. The control of cash is released as cash is transferred. These are normally, NPF Contributions, PAYE deductions, withholding tax, Contract Retention and union fees

10. Borrowings

—Makira Ulawa Provincial Government has no record of money borrowed during the Financial year 2018-2019

11. Other Receipts

—Normally other receipts do not have specific receipt heading. This years report does not have any specific item on to note.

12. License

—All Business licenses have been categorise as other Business License, while transport licences, fuel licenses and liquor license. are specific licenses under their own activity codes. All logging licences comes under export Licences.

13. Fees

—Any revenue activity which is not a license by nature comes under fees, this includes, property Rates, Basic rates and Commission on commercial activities

14. Trading Activities

—All Fisheries receipts, while on the operation expenses includes fisheries plus BSP operation Expenses

15. Other Grants and Aid

SIG Service grant

Quarterly Service Grant received for the general day to day operations service delivery of the Makira Ulawa Provincial Government.
This year the Grant was normally paid into the Main General account and the Salary Account.

PCDF

Makira Ulawa Provincial Government received funds from PGSP under the Ministry of MPGIS .
All funds received and Projects funded under the Funding.

Second Appointed Day Grant

Makira Ulawa Provincial Government also received funds from Ministry of MPGIS for Second Appointed Day celebration. An amount of \$50,000

Other Payments

16. Salary & Wages (Allowances Employee)

Comprises of all employees of Makira Ulawa Province costs

Note 17. Other Allowances and Grant (Appointed Members)

Comprises of Ward Allowance and Meeting sitting allowances paid to Appointed Members of Makira Ulawa Province.

Note 18. Operating Payments

Operating Expenditure of the Makira Ulawa Provincial Divisions.

Note 19. Other payments

Payments which does not fall within any expenditure classification.

Note 20. Authorisation date

The Financial Statement was authorised for publication on 31th December 2019... by Hon: Stanley Siapu Premier
James Taeburi Provincial Secretary

Note 21. Original and the Revised Approved Budget and Comparison of Actual and Budget amounts

The approved budget is developed on a similar but slightly different basis (cash basis), yet same classification basis, and for the same period (from 1 April 2018 to 31 March 2019) as for the financial statements.

The Revised budget was approved by legislative on Oct 2018 and an amended budget was approved on the same date. The amendment to the budget was a result of a revised budget to cater for the changes as transfers and supplementary during the financial year 2018/2019.

Note 22. Going Concern

There are two main issues in which Makira Ulawa Province continues face. The accumulating debts and Makira Ulawa Province Investment Cooperation. There are high debts that been carried forward from the past years and still continue to accumulate. Also the MUPIC dividend which Makira Ulawa Provincial Government is expecting to receive on an annual basis but MUPIC Management failed to realize any dividend as the Provincial Government Business Arm.

Note 23. Related Parties Transaction

24. Encouraged Additional Optional Disclosures

Property, plant and equipment
The asset policy adopted by the Provincial Government is determined by the Province's Financial Management Ordinance 2008. The Ordinance states that.....

Additional information is disclosed under Note 17 (Property, plant and equipment).
There is no additional or even value of property, plant and equipment during the Financial year 2018/2019

Staff advances

- Staff advances are payments of wages and salaries to staff in advance. Payments are then withheld from the Officers' fortnightly salaries. These payments are disclosed in Note 8 (Wages and Salaries and employee benefits. (All employees))
- Special advances are payments made to officers upon request. It was administratively managed and disbursed to Direct employees at a maximum not exceeding \$1,500.00. It was recovered through fortnightly deductions from their Salaries.

Imprest Accounts

Imprest accounts are cash amounts provided to elected officials, seconded staff and direct employees in order to conduct official Government Business. When imprest monies are disbursed, the amounts are transferred from cash at bank to the un-acquitted imprest account. The account is disclosed under note 2 (Cash and cash equivalents)

When officers acquitted their imprests, the amounts were transferred from the un-acquitted account to the relevant payment balance. Any unspent cash that the officer returns is transferred from the un-acquitted account represents outstanding monies that are yet to be acquitted by the responsible officers to bank account. But there are some acquitted and some are still yet to be acquitted during the Financial Year

Employee provisions

- Employee provisions are liabilities which the Provincial Government was required to submit to relevant agencies. These monies are for NPF and PAYE. The Province submits this money on a Monthly basis.
- The amount indicated in the report is for one month after the Financial year 2018/2019 ends.

Note 25. Property, plant and equipment

- Reconciliation of the opening and closing balance of property, plant and equipment. There haven't any depreciation calculated. Also there is an Asset Register is kept but not Maintained up to date
- cut all the Assets are recorded in a standardised spreadsheet formulated by MPGIS

Note 26. Staff Advances

Elected Officials
 Seconded Staff
 Direct Employees
 Other Organisation

	2018/2019	2017/2018
Elected Officials	90,958.00	90,958.00
Seconded Staff	73,261.00	73,261.00
Direct Employees	184,297.83	222,897.00
Other Organisation	48,056.00	35,056.00
Total	396,572.83	422,172.00

Note 27. Un-acquitted imprest accounts

Elected Officials
 Seconded Staff
 Direct Employees

	2018/2019	2017/2018
Elected Officials	68,218.00	
Seconded Staff	356,337.00	
Direct Employees	424,555.00	
Total	849,110.00	\$

Note 28. Aging of staff advances and Un - acquitted imprest accounts for the 2018/2019 balance

Staff advances

Elected officials
 Seconded staff
 Direct employees
 Other Organisation

	Total	Less than 6 months	6 months to 1 year
Elected officials	90,958.00		90,958.00
Seconded staff	73,261.00		73,261.00
Direct employees	183,998.10		183,998.10
Other Organisation	48,035.00		48,035.00
Total	396,252.10		396,252.10

Un-Acquited Imprest

Elected Officials
 Seconded Staff
 Direct Employees

	Total	Less than 6 months	6 months to 1 year
Elected Officials	92,700.00		
Seconded Staff	331,855.00		
Direct Employees	0.00		
Total	424,555.00	0.00	0.00

Note 29. Employee provisions

Deductions made from Wages and Salaries plus contractual deductions

Solomon Islands Government - PAYE	217760.35
SI National Provident Fund - NPF	103043.11
Account Payable	13576.73
Contract Retention	1031485.91
Union of workers	7300
Ward Proffiling	
Withholding tax	49714.45

In our opinion, the attached financial statement for the year ended 31st March 2019 are based on information extracted from records kept and fairly represents the financial status of the Makira Ulawa Province. Provincial Financial Management Ordinance 2008 and the Provincial Financial and Stores Instructions

For and on behalf of the Makira Ulawa Provincial Government

Premier

Hon Stanley Siapu

Date: 29/12/2019



Date

29/12/19