



## INDEPENDENT AUDITOR'S REPORT

**To the Minister of Finance and Treasury**

**Report on the Financial Statements of the Solomon Islands Government for the year ended 31 December 2015 in accordance with Cash Basis IPSAS.**

Pursuant to section 108(3) of the Constitution, I am required under the International Public Sector Accounting Standards: Financial reporting under the Cash Basis of accounting to audit the financial statements of the Solomon Islands Government as at 31 December 2015 which comprise the:

- Consolidated Statement of Cash Receipts and Payments,
- Statement of Comparison of Budget and Actual Amounts,
- Notes to and forming part of the financial statements.

***Permanent Secretary for the Ministry of Finance and Treasury's Responsibility for the Financial Statements***

The Permanent Secretary of the Ministry of Finance and Treasury (MOFT) is responsible for the preparation and fair presentation of these financial statements in accordance with an applicable financial reporting framework. The 2015 Solomon Islands Government accounts have been prepared in accordance with the requirements established under the International Public Sector Accounting Standards (IPSAS) [Financial Reporting under the Cash Basis of Accounting] as required by the Interim Financial Instructions 2014.

The Solomon Islands Government also provided to me accounts prepared under the reporting requirements of the *Public Financial Management Act (PFMA Act) 2013*. These are subject to a separate Independent Auditor's Report.

The Permanent Secretary is responsible for such internal control as is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

***Auditors' responsibility***

My responsibility is to express an opinion on these financial statements based on the audit. The audit was conducted in accordance with the International Standards in Auditing. Those standards require that the auditor comply with ethical requirements and that the auditor plan

and perform the audit to obtain reasonable assurance about 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 upon 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 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 the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

However, because of the significant matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion in accordance with the International Standards on Auditing.

#### ***Basis for Disclaimer of Opinion***

The basis for disclaimer of opinion of the 2015 Financial Statements is attributed to the following:

##### *Missing supporting documents for procurement, expenditure and imprests*

There were missing supporting documents for procurement and expenditure for 2015 financial year. Extensive testing of payments at the Ministry of Finance and Treasury was carried out and of the sample of 127 payments valued at \$337,085,825; 57 payment vouchers (\$208,674,239) were not located. This is 45% in number and 62% in value.

As a result, I was unable to verify the completeness and accuracy of these payments made.

##### *Bank reconciliations not performed or not completed*

OAG performed a review of the system generated printouts titled SIG Bank Reconciliation Report contained in the financial statement working paper file and observed that several key bank accounts do not reconcile and many bank accounts have large values of unadjusted differences dating back as far as the beginning of 2011. The unadjusted differences total hundreds of millions of dollars. In addition, many bank accounts controlled by the ministries have not been reconciled, or there is no evidence of independent check of reconciliations performed.

As a result, I was unable to verify the accuracy of the general ledger and the recording of receipts and payments.

##### *Lack of interface reconciliations in key revenue systems*

It was noted that there was no interface reconciliations in revenue systems, where the cashier prepares an excel spreadsheet and a clerk enters the amount into AX as journal to process the revenue transaction batch without checking the correctness of the spreadsheet or the data input to ensure accuracy in AX input.

Accordingly, I was not able to determine the accuracy of receipts and revenue in the AX ledgers.

*Lack of interface reconciliations in payroll system*

OAG noted that there is lack of interface reconciliations in the payroll system between AURION and AX for each pay run. Furthermore, reliance cannot be placed on payroll system as payroll documents worth \$989,255,788.46 were not located for review. As a result, I was unable to verify payroll expenditure in the general ledger.

*Financial statements not prepared in accordance with Cash Basis IPSAS*

OAG noted that the financial statements were not prepared fully in accordance with Cash Basis IPSAS. The following were identified as needing to be addressed to improve presentation and disclosure:

- About 80% of the disclosure of the financial statement does not comply with Cash Basis IPSAS mandatory part 1.
- The Statement of Receipts and Payments does not include all cash received and paid and all bank balances of SIG.
- Figures in the column Payments by Third Parties are not actually paid by Third Parties but through the MOFT general ledger. These figures should be in the Controlled column. MOFT has not identified amounts that have been paid directly by donors and NGOs.
- Statement of Comparison of Budget and actual amount lack explanatory notes of material variances as required in section 1.9.12 of the Cash Basis IPSAS reporting framework.
- Additional information required to be disclosed under PFMA s77 (h) and (i) should be disclosed as Notes.
- Need to disclose donor funds received and not expended that may only be used for certain purposes. Need to disclose the amounts and the purposes.
- Need to disclose the change in format of financial statements under the new PFMA requirements
- Statement of Arrears of Revenue is materially understated as significant amount of revenues arrears are not fully accounted for and disclosed in AFS.
- The title of the Consolidated Statement of Receipts and Payments incorrectly suggest that financial statements are consolidated. There is only a Note disclosure that they are not consolidated.

*Inadequate supporting documentation for some assets and liabilities*

OAG noted that there is inadequate supporting documentation for some assets and liabilities. I am not able to confirm the balance sheet amounts as they appear in the 2015 Financial Statements.

*Incorrect classification of debt*

OAG Noted that STL Compensation Special Fund was an actual debt as at 31 December 2015, therefore this should have been classified as Debt and not a Contingent Liability.

*Lack of financial statements for Special Funds*

Section 22 of the PFMA Act require financial statements to be prepared for Special Funds, and that they be submitted to the Auditor General for audit. Only the Civil Aviation Special Fund financial statements have been presented to the Auditor General. However, the receipts and payments in the Civil Aviation Special Fund financial statements differ materially from the amounts disclosed in the Statement of Special Funds. Accordingly, I was not able to verify the accuracy of the balances as they appear in the Statement of Special Funds.

***Disclaimer of opinion***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Solomon Islands Government for the financial year ended 31 December 2015.



Peter Lokay  
Auditor General

Office of the Auditor General  
Solomon Islands

16 April 2019



# Solomon Islands Government

## Financial Statements

**For the Year Ended 31 December 2015**

Prepared in accordance with *IPSAS: Financial Reporting under the Cash basis of accounting*  
Compiled by the Ministry of Finance and Treasury



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## Management's Declaration Statement

The Ministry of Finance and Treasury submits for audit the 2015 Financial Statements of the Solomon Islands Government in accordance with the reporting requirements of Part 1 of the *International Public Sector Accounting Standard: Financial reporting under the cash basis of accounting*.

To the best of our knowledge and based on information available, the information herein are materially accurate and present fairly the Government's financial operations and cash flow for the year ended 31 December 2015.

**For and on behalf of the Solomon Islands Government**



Harry D Kuma  
Permanent Secretary  
Ministry of Finance and Treasury



Paula Uluinaceva  
Accountant General  
Ministry of Finance and Treasury

## Consolidated Statement of Cash Receipts and Payments

For the year ended 31 December 2015

	Note	2015 Receipts/(Payments) Controlled by SIG \$'000	2015 Payments by Third Parties \$'000	2014 Receipts/(Payments) Controlled by SIG \$'000	2014 Payments by Third Parties \$'000
<b>RECEIPTS</b>					
Taxation	4	2,622,642		2,487,398	
Licenses & Fees	5	464,189		335,514	
<b>External Assistance (Grants)</b>					
Budgetary Support	11	335,174		217,756	
Development	11	68,575		139,035	
Special Funds	10	112,541		102,392	
Other Receipts	6	40,388		12,663	
<b>Total Receipts</b>		<b>3,643,509</b>		<b>3,294,757</b>	
<b>PAYMENTS</b>					
<b>Operations</b>					
Wages Salaries and employee benefits		1,013,535		855,425	
Supplies and consumables	7	1,278,765		1,318,286	
<b>Transfers</b>					
Grants paid	8	572,607		465,117	
<b>Capital Expenditure</b>					
Purchase/construction of plant and equipment	9	695,116		441,587	
<b>Loan and Interest Repayments</b>					
Repayment of borrowings		172,499		61,663	
Interest payments		11,055		17,596	
<b>Total Payments</b>		<b>3,743,577</b>		<b>3,159,674</b>	
<b>Increase/(Decrease) in Cash</b>		<b>(100,069)</b>		<b>135,084</b>	
Cash at beginning of year		1,311,360		1,204,593	
<b>Increase/(Decrease) in Cash</b>		<b>(100,069)</b>		<b>135,084</b>	
Cash at end of year	3	1,211,291		1,339,676	
<b>Add/(Less): Net movement in Deposit/Advance Accounts</b>	3	39,542		(28,317)	
Cash at Bank	3	1,250,833		1,311,360	

The notes disclosed on pages 7 to 15 form part of the financial statement.

## Statement of Comparison of Budget and Actual Amounts

Classification of Payments by Functions  
For the year ended 31 December 2015

	Notes	2015 Actual	2015 Final Budget	2015 Original Budget	2015 Final Budget and Difference Actual	2014 Actual	2014 Final Budget	2014 Original Budget	2014 Final Budget and Difference Actual
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH INFLOWS</b>									
Taxation	4	2,622,642	2,543,835	2,543,835	78,807	2,487,398	2,435,420	2,435,420	51,979
Licenses & Fees	5	464,189	292,753	292,753	171,436	335,514	261,264	261,264	74,251
<b>External Assistance (Grants)</b>									
Budgetary Support	11	335,174	763,483	758,483	(428,310)	217,756	595,577	584,768	(377,821)
Development	11	68,575	114,077	112,757	(45,502)	139,035	-	-	139,035
Special Funds	10	112,541	-	-	112,541	102,392	-	-	102,392
Other Receipts	6	40,388	13,470	13,470	26,918	12,663	14,360	14,360	(1,698)
<b>Total Receipts</b>		<b>3,643,509</b>	<b>3,727,618</b>	<b>3,721,298</b>	<b>(84,109)</b>	<b>3,294,757</b>	<b>3,306,620</b>	<b>3,295,811</b>	<b>(11,863)</b>
<b>CASH OUTFLOWS</b>									
Ministry of Agriculture and Livestock Development		57,894	66,786	64,542	(8,892)	57,509	71,249	70,610	(13,740)
Ministry of Commerce, Industry and Employment		36,198	46,736	46,486	(10,538)	37,653	43,342	41,708	(5,689)
Ministry of Communications and Aviation		50,146	58,439	57,727	(8,293)	61,079	70,143	66,143	(9,064)
Ministry of Communications and Aviation Special Fund	10	16,131	-	-	16,131	12,408	-	-	12,408
Ministry of Culture and Tourism		46,018	50,276	50,276	(4,258)	30,479	35,540	33,540	(5,061)
Ministry of Development Planning and Aid Coordination		17,428	20,465	20,465	(3,037)	7,852	11,068	11,025	(3,215)
Ministry of Education and Human Resources Development		934,084	1,003,870	956,990	(69,786)	844,309	914,320	904,320	(70,011)
Ministry of Environment, Conservation and Meteorology		48,698	56,350	43,346	(7,652)	44,606	57,713	41,644	(13,107)
Ministry of Finance and Treasury	18	364,697	860,120	719,231	(495,422)	279,863	640,200	541,808	(360,337)
Ministry of Finance and Treasury Special Funds	10				0	7,157	-	-	7,157
Ministry of Fisheries and Marine Resources		35,879	48,597	48,597	(12,719)	21,225	35,414	34,014	(14,189)
Ministry of Foreign Affairs and External Trade		50,378	59,133	54,814	(8,754)	41,870	49,404	40,511	(7,534)
Ministry of Forestry and Research		55,807	59,098	50,723	(3,291)	28,285	37,165	37,165	(8,880)
Ministry of Health and Medical Services		426,000	484,961	471,056	(58,960)	441,116	534,197	517,894	(93,081)
Ministry of Home Affairs		38,673	44,873	41,179	(6,199)	106,482	124,138	85,528	(17,656)
Ministry of Infrastructure Development		234,688	323,926	322,349	(89,238)	159,661	177,997	146,997	(18,336)
Ministry of Infrastructure Development Special Fund	10	96,849	-	-	96,849	97,509	-	-	97,509
Ministry of Justice		34,423	36,741	36,318	(2,317)	27,388	41,338	38,521	(13,949)
Ministry of Lands, Housing and Survey		55,455	63,606	63,606	(8,151)	27,615	37,363	37,363	(9,748)
Ministry of Mines and Energy		41,697	44,802	44,802	(3,105)	32,741	40,476	40,476	(7,735)
Ministry of National Unity, Reconciliation and Peace		21,429	28,744	28,744	(7,315)	12,783	15,917	15,917	(3,133)
Ministry of Police and National Security		289,427	299,776	246,902	(10,350)	220,582	240,432	200,805	(19,850)
Ministry of Provincial Government		152,086	153,102	153,102	(1,016)	133,081	140,871	137,871	(7,790)
Ministry of Provincial Services		32,702	33,599	33,599	(897)	29,142	32,241	25,241	(3,099)
Ministry of Rural Development		341,427	351,876	351,876	(10,449)	189,064	200,523	158,546	(11,459)
Ministry of Women, Youth and Children's Affairs		13,099	16,197	16,197	(3,097)	11,293	16,227	16,227	(4,933)

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Notes	2015		2015		2015		2014		2014	
	Actual	Final Budget	Original Budget	Final Budget	Difference	Final Budget and Actual	Actual	Final Budget	Original Budget	Difference
National Judiciary	25,367	32,988	28,557	31,333	(7,621)	33,937	21,552	31,333	(12,385)	
National Parliament	86,281	85,308	80,894	97,292	973	97,292	75,267	94,415	(22,025)	
Office of the Auditor General	5,933	6,893	6,893	9,839	(959)	9,839	6,520	9,839	(3,319)	
Office of the Governor General	8,496	10,268	10,268	13,438	(1,772)	13,438	9,609	13,438	(3,829)	
Office of the Prime Minister and Cabinet	126,187	145,539	133,486	85,161	(19,352)	90,852	83,972	85,161	(6,880)	
<b>Total Payments</b>	<b>3,743,577</b>	<b>4,493,067</b>	<b>4,183,022</b>	<b>3,478,060</b>	<b>(749,489)</b>	<b>3,812,636</b>	<b>3,159,674</b>	<b>3,478,060</b>	<b>(652,962)</b>	
<b>NET CASH FLOWS</b>	<b>(100,069)</b>	<b>(765,449)</b>	<b>(461,724)</b>	<b>(182,248)</b>	<b>665,380</b>	<b>(506,016)</b>	<b>135,084</b>	<b>(182,248)</b>	<b>641,099</b>	

The notes disclosed on pages 7 to 15 form part of the financial statements.

## Notes to and forming part of the financial statements

For the year ended 31 December 2015

### 1. General Information

The primary functions of the Solomon Islands Government (SIG) are based in Honiara. The financial statements are prepared for the economic entity which is SIG. The economic entity comprises all Ministries of SIG and does not include State Owned Enterprises, Statutory Bodies or Provincial Governments.

The principal activities of the economic entity are:

- (i) the administration of legal, policy and regulatory functions;
- (ii) the provision of public goods and services mandated on SIG for its citizens;
- (iii) the prudent management and use of public resources; and
- (iv) the implementation of its policies and programs

The relevant legislation governing the Government's operations are the laws of Solomon Islands.

#### 1.1 Reporting Entity

The financial statements are for the Solomon Islands Government. The financial statements reflect the transactions and financial balances of all government Ministries as required to be disclosed pursuant Part 1 of the *International Public Sector Accounting Standard: Financial reporting under the cash basis of accounting*.

A list of Government Ministries is as follows;

Ministry of Agriculture and Livestock Development  
Ministry of Commerce, Industry and Employment  
Ministry of Communications and Aviation  
Ministry of Culture and Tourism  
Ministry of Development Planning and Aid Coordination  
Ministry of Education and Human Resources Development  
Ministry of Environment, Conservation and Meteorology  
Ministry of Finance and Treasury  
Ministry of Fisheries and Marine Resources  
Ministry of Foreign Affairs and External Trade  
Ministry of Forestry and Research  
Ministry of Health and Medical Services  
Ministry of Home Affairs  
Ministry of Infrastructure Development  
Ministry of Justice  
Ministry of Lands, Housing and Survey  
Ministry of Mines and Energy  
Ministry of National Unity, Reconciliation and Peace  
Ministry of Police and National Security  
Ministry of Provincial Government

Ministry of Public Service  
Ministry of Rural Development  
Ministry of Women, Youth and Children's Affairs  
National Judiciary  
National Parliament  
Office of the Auditor General  
Office of the Governor General  
Office of the Prime Minister and Cabinet

## 1.2 Basis of preparation

The financial statements have been prepared in accordance with the IPSAS: Financial Reporting under the Cash Basis of Accounting.

The accounting policies have been applied consistently throughout the period.

Comparative information is disclosed in respect of the previous period (2014).

## 1.3 Reporting currency and amounts

The reporting currency is the Solomon Islands dollar (SBD) which is the functional currency of Solomon Islands. The reporting amounts are rounded to the nearest thousand dollars (\$'000).

## 1.4 Authorization Date

The financial statements were authorised for issue by the Permanent Secretary and Accountant General, Ministry of Finance and Treasury on 30 June 2016.

## 2. Significant Accounting Policies

### 2.1 Reporting Period

The financial reporting period is for the twelve months ending 31 December and balances as at that date.

### 2.2 Receipts and Payments Recognition

Revenue is recognised on a cash basis. Expenses are recognised at the date of payment.

## 3. Cash and Cash Equivalents

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents consist of balances with banks and investments in short-term money market instruments. Cash is mainly kept in the Central Bank of Solomon Islands, commercial banks and cash registers.

## Cash at year end and Cash at Bank Reconciliation

	2015 \$'000	2014 \$'000
<b>Cash at Bank</b>	<b>1,250,833</b>	<b>1,311,360</b>
<i>Add/(Less) Movements in Deposit/Advance Accounts:</i>		
Payroll Costs PPE 01/01/2015 prepaid	(9,979)	11,789
Unclaimed Payments/Stale Cheques	(33,627)	(1,672)
Deposit Accounts (refer Note 21)	(5,314)	842
Imprest Recoverable (refer Note 17)	12,398	16,066
Staff Advance Receivable (refer Note 17)	(3,029)	1,261
Accounts Receivable (refer Note 19)	10	32
CBSI Restructure Bond	-	-
CBSI Temporary Advance	-	0
<b>Cash at year end</b>	<b><u>1,211,291</u></b>	<b><u>1,339,676</u></b>

## 4. Taxation

Taxation receipts comprise of the following amounts:

Company and personal taxation	948,031	830,980
Other withholding taxes	43,886	32,532
Duty & Excise Tax	919,917	875,743
Goods & Sales Tax	710,808	748,144
<b>Total taxation</b>	<b><u>2,622,642</u></b>	<b><u>2,487,398</u></b>

## 5. Licenses and Fees

License and fees comprise of following amounts:

Fishing fees	224,387	193,347
Other fees and licences	239,801	142,167
<b>Total Licenses and Fees</b>	<b><u>464,189</u></b>	<b><u>335,514</u></b>

## 6. Other Receipts

Included in other receipts are interest received, fines and miscellaneous receipts.

## 7. Supplies and Consumables

Supplies and consumables comprise of following amounts:

Consultancy Fees	94,360	60,625
Drugs & Dressings	35,306	40,149
Election Costs	42	98,135
Entertainment	10,500	18,132
Logistics Costs	29,759	39,884
Maintenance	135,313	104,440
National Transport Costs	96,849	106,910
Office Expenses	112,372	135,352
Rent & Hire Costs	150,114	129,657
Subscriptions & Memberships	17,605	17,614

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	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Training Costs	237,418	251,254
Travel & Accommodation	134,443	90,093
Utility Costs	104,488	108,828
Other Payments	120,197	117,212
<b>Total Supplies &amp; Consumables</b>	<b><u>1,278,765</u></b>	<b><u>1,318,286</u></b>

## 8. Grants Paid

Grants comprise of following amounts:

Church Grant	16,370	15,932
Community Services Obligation	16,363	39,903
Diplomatic Mission	24,217	21,177
Education Grant	148,088	137,291
Fixed Services Grant	60,317	51,677
Health Services Grant	82,001	109,442
MP Discretionary Fund	25,000	15,000
Reconciliation Programme	5,198	3,205
STL compensation special fund	-	7,157
Subventions and Grant	179,971	56,596
Other	15,082	7,737
<b>Total Grants Paid</b>	<b><u>572,607</u></b>	<b><u>465,117</u></b>

## 9. Capital Expenditure

Capital Expenditure comprise of following amounts:

Capex - Canoes and Boats	1,951	2,131
Capex - Communications Equipment	847	697
Capex - Computer Software and Hardware	25,453	30,138
Capex - Land	38,556	9,206
Capex - Motor Vehicles	17,659	8,139
Capex - Non Residential Buildings	162,944	170,371
Capex - Office Equipment	12,515	10,654
Capex - Other Equipment	124,082	43,944
Capex - Plant and Machinery	1,241	1,911
Capex - Residential Buildings	123,654	34,931
Capex - Residential Buildings - Furniture	1,233	1,058
Capex - Roads and Bridges	81,515	81,775
Capex - Ships	28,200	6,000
Capex - Specialised Equipment	52,809	28,581
Capex - Structures, Airfields and Wharves	22,457	12,052
<b>Total Capital Expenditure</b>	<b><u>695,116</u></b>	<b><u>441,587</u></b>

## 10. Special Funds

In accordance to section 100 of the Constitution of the Solomon Islands, the Parliament may make provision for the establishment of Special Funds, which shall not form part of the Consolidated Fund. The receipts, earnings and accruals of Special Funds established under this section and the balance of such funds at the close of each financial year shall not be paid into the Consolidated Fund but shall be retained for the purposes of the those funds.

Included in the financial statements are the following amounts for Special Funds:

	2015 \$'000	2014 \$'000
<b>Cash Receipts</b>		
Ministry of Infrastructure Development Special Fund	97,513	81,569
National Debt Servicing Special Fund	2,057	7,156
Ministry of Communications and Aviation Special Fund	12,971	13,667
<b>Total Special Funds Receipts</b>	<b>112,541</b>	<b>102,392</b>
<b>Cash Payments</b>		
Ministry of Infrastructure Development Special Fund	96,849	97,509
National Debt Servicing Special Fund		7,157
Ministry of Communications and Aviation Special Fund	16,131	12,408
<b>Total Special Funds Payments</b>	<b>112,979</b>	<b>117,074</b>
<b>Surplus/(Deficit)</b>	<b>(438)</b>	<b>(14,682)</b>

## 11. External assistance

The Government receives external assistance in three ways:

- External assistance received through government-controlled bank accounts
- Third party payments (payments by donors directly to suppliers)
- External assistance received in the form of goods and services

**External assistance received through government-controlled bank accounts:**

	2015 \$'000	2014 \$'000
<b>Budget support (recurrent budget)</b>		
Asian Development Bank	2,206	2,604
AUSAID Swap Funding	148,360	124,323
European Union	11,774	1,610
New Zealand Government	64,697	58,003
Papua New Guinea	-	17,870
Republic of China (ROC)	24,059	-
South Pacific Commission	1,466	26
UNICEF/UNDP	2,416	6,830
World Health Organisation	1,810	1,483
Others	78,385	5,007
<b>Total Budget support (recurrent budget)</b>	<b>335,174</b>	<b>217,756</b>

## Solomon Islands Government

	2015	2014
	\$'000	\$'000
<u>Development grants (development budget)</u>		
AUSAID	1,320	
EU	8,444	
New Zealand Government		4,538
Papua New Guinea		30,942
Republic of China (ROC)	54,869	100,650
UNDP	3,942	2,905
Total Development grants (development budget)	68,575	139,035
 Total external assistance received through government-controlled bank accounts	 403,748	 356,790

### Third party payments (payments by donors directly to suppliers)

The Government benefits from goods and services purchased on its behalf as a result of cash payments made by third parties (donors) during the period by way of loans and grants. These third parties (donors) are not part of the Solomon Islands Government (economic entity). Such disclosures are only made when the government has been formally advised by the third party (the donor) or the recipient that such payment has been made or the government has otherwise verified the payment.

The information on third party payments are therefore erratic, incomplete and subject to significant variations between donors' sources, SIG and recipient sources. In this regard, this information is considered not reliable for disclosure since it is impractical to verify for audit purposes.

The collation of this information in a systematic and verifiable manner will be a long term initiative which is currently being pursued through gradual improvements in the way external assistance transactions are captured in SIG's consolidated fund system.

### External assistance received in the form of goods and services

The Government receives significant resources under external assistance agreements in the form of goods and services. Goods and services are the major form in which external assistance is received by the government.

These include goods such as computers and equipment, and services such as technical assistance and services delivered through the Department of Foreign Affairs and Trade (DFAT) and multilateral agencies such as European Union and Regional Assistance Mission to Solomon Islands (RAMSI). Donors provide substantial assistance in key areas of the law and justice (including policing), rural development, economic/accountability governance, infrastructure, education, health and environment.

## 12. Undrawn Borrowing Facilities

The Solomon Islands Government has re-engaged with concessional borrowing facilities after it regained its borrowing status as assessed by the World Bank and ADB. This was the result of Government's successful undertaking to progressively lower its debt stock as a commitment under the Honiara Club Agreement in 2005.

### 13. Undrawn Grant Facilities

Undrawn external assistance grants at reporting date are amounts specified in a binding agreement which relate to funding for projects currently under development. These relate to projects where contractual conditions have been satisfied and project completion is highly probable.

No verifiable actuals or estimates on external assistance available for 2015.

The terms and conditions that affect access to the undrawn grant facilities differ in nature between budget support and project-specific funding. For budget support, terms and conditions relate to macro-economic stability and the public financial management system. For project-specific funding, terms and conditions vary between projects and may include compliance with international standards, poverty and social impact assessments, environmental assessments, gender equity, reaching project performance milestones, and audited project financial reports.

### 14. Controlled Entities

The following controlled entities have not had their accounts consolidated within these financial statements.

Central Bank of Solomon Islands  
Commodities Export Marketing Authority  
Investment Corporation of Solomon Islands, including its controlled entities  
Solomon Airlines Limited  
Solomon Islands Broadcasting Corporation  
Solomon Islands College of Higher Education/Solomon Islands National University  
Solomon Islands Electricity Authority  
Solomon Islands National Provident Fund, including its controlled entities  
Solomon Islands Ports Authority  
Solomon Islands Postal Corporation  
Solomon Islands Visitor's Bureau  
Solomon Islands Water Authority  
Telecommunication Commission Solomon Islands

### 15. Original and Final Budget and Comparison of Budget and Actual Amounts

The original budget was approved by legislative action on December 2014 and two supplementary appropriations were approved by legislative action during 2015. The original budget objectives and policies, and subsequent revisions are explained in the following documents:

- SIG Year 2015 Approved Recurrent Estimates
- SIG Approved 2015 Development Estimates
- SIG Budget Support 2015 approved in the Recurrent and Development budget
- The 2015 Supplementary Appropriation Acts

The changes between the Original Budget and the Final Budget are a consequence of supplementary appropriations and reallocations within budget heads (virements) during the fiscal year. These are explained in the Supplementary Appropriations.

The total actual spending for the year was 83% of revised budget. This was due to improved and clearer implementation processes especially in the development expenditure area.

2015 overall revenue collection was 97% of budget with domestic revenue showing above budget collection of around 9%.

## 16. Government debt

The Government debt consists of the following amounts. These amounts do not include debt owed by the Government controlled entities.

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
(a) Domestic debt	42,859	177,435
(b) Promissory notes	191,853	107,059
(c) Overseas debt	655,034	685,708
<b>Total government debt</b>	<u>889,746</u>	<u>970,202</u>
<i>(a) Domestic debt</i>		
Treasury Bonds	-	132,687
Treasury Bills	37,923	39,808
Other	4,936	4,940
<b>Total domestic debt</b>	<u>42,859</u>	<u>177,435</u>
<i>(b) Promissory notes</i>		
International Bank for Reconstruction and Development	-	-
Multilateral International Guarantee Agency (MIGA)	-	-
International Monetary Fund	191,853	107,059
CBSI	4,936	-
<b>Total promissory notes</b>	<u>191,853</u>	<u>107,059</u>

A promissory note is a negotiable instrument of a written promise to pay or repay a specified sum of money at a stated time or on demand. The promissory notes held by the Solomon Island's Government have been issued in lieu of payment as a result of revaluing the Government's membership (Solomon Island dollar against the Special Drawing Rights ("SDR")) with certain organisations. Promissory notes are controlled and maintained by the Central Bank of Solomon Islands.

<i>(c) Overseas debt</i>		
Asian Development Bank	273,649	287,984
World Bank	265,820	260,048
European Development Fund & European Investment Bank	19,341	23,183
Others	96,224	114,493
<b>Total overseas debt</b>	<u>655,034</u>	<u>685,708</u>

Outstanding balances of overseas debt include principal and interest in arrears.

## 17. Contingent Liabilities

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
SOE Loans and Guarantees	-	45,409
Others (Solomon Telekom Compensation)	12,822	13,379
	<u>12,822</u>	<u>58,788</u>

**18. Ministry of Finance and Treasury (MoFT)**

Cash outflow for MoFT includes the following;

National Debt Servicing	184,008	65,236
Pensions & Gratuities	12,266	6,087
<b>Total</b>	<b>196,274</b>	<b>71,323</b>