



## 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 2014 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 2014 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 2014 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) 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 on 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 2014 Financial Statements is attributed to the following:

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

There were missing supporting documents for procurement, expenditure and imprests for 2014 financial year. Extensive testing of payments across the ministries was carried out and of the sample of 1030 payments valued at \$668,742,000, 173 payment vouchers (\$202,459,000) were not located. This is 17% of number and 30% of the 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 were 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.

As a result, I was unable to verify payroll expenditure in the general ledger.

##### ***Financial statements not prepared in accordance with PFMA 2013 and Interim Financial Instructions 2014***

The PFMA section 77 requires a set of Statements to be disclosed. In addition, the Interim Financial Instructions 2014 P2.3.1 require that the financial statements be prepared according to Cash Basis IPSAS.

Both Cash Basis IPSAS and the PFMA statements are required by Solomon Islands law. As this set of financial statements is not in accordance with the requirement to apply Cash Basis

IPSAS, this set of financial statements is not in compliance with the accounting and presentation and disclosure laws of the Solomon Islands.

*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:

- 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.
- Additional information required to be disclosed under PFMA s77 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
- 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.
- Note 13 Undrawn Grant Facilities contains incorrect information. The amount of \$940,453,000 should not be disclosed because not only is it an estimate, but the conditions for receipt of the moneys have not been fulfilled, so receipt of the moneys is not assured.

*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 2014 Financial Statements.

*Incorrect classification of debt*

OAG noted that STL Compensation Special Fund was an actual debt as at 31 December 2014, 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 requires 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 2014.



**Peter Lokay**  
Auditor- General

26 September 2017

Office of the Auditor-General  
Solomon Islands



# Solomon Islands Government

## Financial Statements

**For the Year Ended 31 December 2014**

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 2014 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 2014.

**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 2014

	Note	2014 Receipts/(Payments) Controlled by SIG \$'000	2014 Payments by Third Parties \$'000	2014 Total \$'000	2013 Receipts/(Payments) Controlled by SIG \$'000	2013 Payments by Third Parties \$'000	2013 Total \$'000
<b>RECEIPTS</b>							
Taxation	4	2,487,398		2,487,398	2,469,131		2,469,131
Licenses & Fees	5	335,514		335,514	285,061		285,061
<b>External Assistance (Grants)</b>							
Budgetary Support	11		217,756	217,756		315,367	315,367
Development	11		139,035	139,035		151,129	151,129
Special Funds	10		102,392	102,392		83,410	83,410
Other Receipts	6	12,663		12,663	102,608		102,608
<b>Total Receipts</b>		<b>2,835,575</b>	<b>459,182</b>	<b>3,294,757</b>	<b>2,856,800</b>	<b>549,906</b>	<b>3,406,706</b>
<b>PAYMENTS</b>							
<b>Operations</b>							
Wages Salaries and employee benefits		846,886	8,539	855,425	747,299	31,538	778,837
Supplies and consumables	7	1,057,137	261,149	1,318,286	1,037,188	179,554	1,216,742
<b>Transfers</b>							
Grants paid	8	297,080	168,037	465,117	407,216	101,773	508,989
<b>Capital Expenditure</b>							
Purchase/construction of plant and equipment	9	376,792	64,795	441,587	441,924	37,468	479,391
<b>Loan and Interest Repayments</b>							
Repayment of borrowings		65,236		65,236	169,757		169,757
Interest payments		14,022		14,022	17,534		17,534
<b>Total Payments</b>		<b>2,657,154</b>	<b>502,520</b>	<b>3,159,674</b>	<b>2,820,918</b>	<b>350,332</b>	<b>3,171,251</b>
<b>Increase/(Decrease) in Cash</b>		<b>178,422</b>	<b>(43,338)</b>	<b>135,084</b>	<b>35,881</b>	<b>199,574</b>	<b>235,455</b>
<b>Cash at beginning of year</b>				<b>1,204,593</b>			<b>948,937</b>
<b>Increase/(Decrease) in Cash</b>				<b>135,084</b>			<b>235,455</b>
<b>Cash at end of year</b>	3			<b>1,339,676</b>			<b>1,184,392</b>
<b>Add/(Less): Net movement in Deposit/Advance Accounts</b>	3			<b>(28,317)</b>			<b>20,200</b>
<b>Cash at Bank</b>	3			<b>1,311,360</b>			<b>1,204,593</b>

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 2014

	Notes	2014		2014		2014		2013		2013		Difference
		Actual	Final Budget	Original Budget	Difference	Final Budget and Actual	\$'000	Actual	Final Budget	Original Budget	Difference	
		\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	
<b>CASH INFLOWS</b>												
Taxation		2,487,398	2,435,420	2,435,420	51,979	2,469,131	2,416,846	2,469,131	2,416,846	2,416,846	52,285	
Licenses & Fees		299,592	232,892	232,892	66,700	264,082	181,948	264,082	181,948	181,948	82,134	
<b>External Assistance (Grants)</b>												
Budgetary Support		217,756	595,577	584,768	(377,821)	315,367	660,530	315,367	660,530	645,545	(345,163)	
Development		139,035	-	-	139,035	151,129	211,871	151,129	211,871	211,871	(60,742)	
Special Funds		102,392	-	-	102,392	83,410	71,129	83,410	71,129	-	12,281	
Other Receipts		48,585	42,732	42,732	5,854	123,587	83,824	123,587	83,824	83,824	39,763	
<b>Total Receipts</b>		<b>3,294,757</b>	<b>3,306,620</b>	<b>3,295,811</b>	<b>(11,863)</b>	<b>3,406,706</b>	<b>3,626,148</b>	<b>3,406,706</b>	<b>3,626,148</b>	<b>3,540,034</b>	<b>(219,442)</b>	
<b>CASH OUTFLOWS</b>												
Ministry of Agriculture and Livestock Development		57,509	71,249	70,610	(13,740)	64,378	88,346	64,378	88,346	88,956	(23,968)	
Ministry of Commerce, Industry and Employment		37,653	43,342	41,708	(5,689)	34,462	39,797	34,462	39,797	43,597	(5,335)	
Ministry of Communications and Aviation		61,079	70,143	66,143	(9,064)	127,815	140,335	127,815	140,335	111,935	(12,521)	
Ministry of Communications and Aviation Special Fund		12,408	-	-	12,408	6,807	-	6,807	-	-	6,807	
Ministry of Culture and Tourism		30,479	35,540	33,540	(5,061)	46,117	49,414	46,117	49,414	47,414	(3,297)	
Ministry of Development Planning and Aid Coordination		7,852	11,068	11,025	(3,215)	37,329	38,731	37,329	38,731	38,369	(1,402)	
Ministry of Education and Human Resources Development		844,309	914,320	904,320	(70,011)	847,544	981,452	847,544	981,452	854,828	(133,908)	
Ministry of Environment, Conservation and Meteorology		44,606	57,713	41,644	(13,107)	37,150	41,494	37,150	41,494	33,574	(4,343)	
Ministry of Finance and Treasury		279,863	640,200	541,808	(360,337)	394,651	547,963	394,651	547,963	524,026	(153,312)	
Ministry of Finance and Treasury Special Funds		7,157	-	-	7,157	-	-	-	-	-	-	
Ministry of Fisheries and Marine Resources		21,225	35,414	34,014	(14,189)	22,240	26,467	22,240	26,467	26,730	(4,227)	
Ministry of Foreign Affairs and External Trade		41,870	49,404	40,511	(7,534)	45,191	48,644	45,191	48,644	44,921	(3,453)	
Ministry of Forestry and Research		28,285	37,165	37,165	(8,880)	50,596	57,276	50,596	57,276	57,576	(6,680)	
Ministry of Health and Medical Services		441,116	534,197	517,894	(93,081)	413,028	579,030	413,028	579,030	578,427	(166,002)	
Ministry of Home Affairs		106,482	124,138	85,528	(17,656)	49,391	80,133	49,391	80,133	82,691	(30,742)	
Ministry of Infrastructure Development		159,661	177,997	146,997	(18,336)	145,654	195,137	145,654	195,137	183,437	(49,483)	
Ministry of Infrastructure Development Special Fund		97,509	-	-	97,509	52,229	71,129	52,229	71,129	-	(18,901)	
Ministry of Justice		27,388	41,338	38,521	(13,949)	26,793	30,855	26,793	30,855	28,545	(4,062)	
Ministry of Lands, Housing and Survey		27,615	37,363	37,363	(9,748)	19,468	28,237	19,468	28,237	30,237	(8,770)	
Ministry of Mines and Energy		32,741	40,476	40,476	(7,735)	41,842	45,353	41,842	45,353	46,762	(3,511)	
Ministry of National Unity, Reconciliation and Peace		12,783	15,917	15,917	(3,133)	9,245	12,286	9,245	12,286	10,449	(3,042)	
Ministry of Police and National Security		220,582	240,432	200,805	(19,850)	163,980	196,833	163,980	196,833	189,833	(32,854)	
Ministry of Provincial Government		133,081	140,871	137,871	(7,790)	111,440	116,390	111,440	116,390	116,390	(4,949)	
Ministry of Public Service		29,142	32,241	25,241	(3,099)	49,978	49,544	49,978	49,544	43,544	435	

## Comparative Statement of Revenue and Expenditure (continued)

	Notes	2014		2014		2014		2013		2013		2013 Difference Final Budget and Actual \$'000
		Actual	\$'000	Final Budget	Original Budget	\$'000	Difference Final Budget and Actual \$'000	Actual	\$'000	Final Budget	Original Budget \$'000	
<b>CASH OUTFLOWS</b>												
Ministry of Rural Development		189,064	200,523	158,546		(11,459)		164,168	212,917	212,167		(48,748)
Ministry of Women, Youth and Children's Affairs		11,293	16,227	16,227		(4,933)		21,132	24,824	24,824		(3,692)
National Judiciary		21,552	33,937	31,333		(12,385)		22,081	28,111	27,310		-
National Parliament		75,267	97,292	94,415		(22,025)		64,286	70,467	59,252		(6,181)
Office of the Auditor General		6,520	9,839	9,839		(3,319)		5,877	9,948	9,238		(4,071)
Office of the Governor General		9,609	13,438	13,438		(3,829)		7,698	10,765	10,765		(3,066)
Office of the Prime Minister and Cabinet		83,972	90,852	85,161		(6,880)		88,680	102,773	93,337		(14,092)
<b>Total Payments</b>		<b>3,159,674</b>	<b>3,812,636</b>	<b>3,478,060</b>		<b>(652,962)</b>		<b>3,171,251</b>	<b>3,924,651</b>	<b>3,619,134</b>		<b>(747,370)</b>
<b>NET CASH FLOWS</b>		<b>135,084</b>	<b>(506,016)</b>	<b>(182,248)</b>		<b>641,099</b>		<b>235,455</b>	<b>(298,503)</b>	<b>(79,100)</b>		<b>527,929</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 2014

### 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 (2013).

## 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 2015.

# 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

	2014 \$'000	2013 \$'000
<b>Cash at Bank</b>	<b>1,311,360</b>	<b>1,204,593</b>
<u>Add/(Less) Movements in Deposit/Advance Accounts:</u>		
Payroll Costs PPE 01/01/2015 prepaid	11,789	0
Unclaimed Payments/Stale Cheques	(1,672)	(6,503)
Deposit Accounts	842	(23,922)
Imprest Recoverable	16,066	8,867
Staff Advance Receivable	1,2601	(346)
Accounts Receivable	32	(0)
CBSI Restructure Bond	0	(653)
CBSI Temporary Advance	0	2,356
<b>Cash at year end</b>	<b>1,339,676</b>	<b>1,184,392</b>

## 4. Taxation

Taxation receipts comprise of the following amounts:

Company and personal taxation	830,980	899,099
Other withholding taxes	32,532	36,986
Duty & Excise Tax	875,743	792,122
Goods & Sales Tax	748,144	740,924
<b>Total taxation</b>	<b>2,487,398</b>	<b>2,469,131</b>

## 5. Licenses and Fees

License and fees comprise of following amounts:

Fishing fees	193,347	149,297
Other fees and licences	142,157	135,764
<b>Total Licenses and Fees</b>	<b>335,503</b>	<b>285,061</b>

## 6. Other Receipts

Included in other receipts are fines and miscellaneous receipts.

## 7. Supplies and Consumables

Supplies and consumables comprise of following amounts:

Consultancy Fees	60,625	59,393
Drugs & Dressings	40,149	38,708
Election Costs	98,135	21,964
Entertainment	18,132	15,619
Logistics Costs	39,884	26,651
Maintenance	104,440	115,627
National Transport Costs	106,910	60,592
Office Expenses	135,352	113,403
Rent & Hire Costs	129,657	123,817
Subscriptions & Memberships	17,614	24,327

## Solomon Islands Government

	2014 \$'000	2013 \$'000
Training Costs	251,254	267,297
Travel & Accommodation	90,093	101,917
Utility Costs	108,828	99,805
Other Payments	117,212	147,623
<b>Total Supplies &amp; Consumables</b>	<b><u>1,318,286</u></b>	<b><u>1,216,742</u></b>

### 8. Grants Paid

Grants comprise of following amounts:

Church Grant	15,932	19,105
Community Services Obligation	39,903	39,185
Diplomatic Mission	21,177	20,185
Education Grant	137,291	152,254
Fixed Services Grant	51,677	49,362
Health Services Grant	109,442	87,825
MP Discretionary Fund	15,000	24,714
Reconciliation Programme	3,205	4,609
STL compensation special fund	7,157	57,900
Subventions and Grant	56,596	-
Other	7,737	53,850
<b>Total Grants Paid</b>	<b><u>465,117</u></b>	<b><u>508,989</u></b>

### 9. Capital Expenditure

Capital Expenditure comprises of following amounts:

Capex - Canoes and Boats	2,131	9,264
Capex - Communications Equipment	697	1,258
Capex - Computer Software and Hardware	30,138	21,939
Capex - Land	9,206	9,190
Capex - Motor Vehicles	8,139	15,233
Capex - Non Residential Buildings	170,371	129,572
Capex - Office Equipment	10,654	11,576
Capex - Other Equipment	43,944	50,333
Capex - Plant and Machinery	1,911	16
Capex - Residential Buildings	34,931	50,135
Capex - Residential Buildings - Furniture	1,058	507
Capex - Roads and Bridges	81,775	59,032
Capex - Ships	6,000	21,600
Capex - Specialised Equipment	28,581	36,619
Capex - Structures, Airfields and Wharves	12,052	63,118
<b>Total Capital Expenditure</b>	<b><u>441,587</u></b>	<b><u>479,391</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:

	2014 \$'000	2013 \$'000
<b><u>Cash Receipts</u></b>		
Ministry of Communications - Aviation Special Fund	13,667	12,146
Ministry of Infrastructure Development – National Transport Fund	81,569	71,264
National Debt Servicing – TSL Compensation Special Fund	7,156	-
<b>Total Special Funds Receipts</b>	<b>102,392</b>	<b>83,410</b>
<b><u>Cash Payments</u></b>		
Ministry of Communications - Aviation Special Fund	12,408	6,807
Ministry of Infrastructure Development – National Transport Fund	97,509	52,229
National Debt Servicing – TSL Compensation Special Fund	7,157	-
<b>Total Special Funds Payments</b>	<b>117,074</b>	<b>59,035</b>
<b>Surplus/(Deficit)</b>	<b>(14,682)</b>	<b>24,375</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:

#### Budget support (recurrent budget)

Asian Development Bank	2,604	36,390
AUSAID Swap Funding	123,575	192,908
European Union	1,610	-
New Zealand		
Government	58,003	68,463
Papua New Guinea	17,870	-
Republic of China (ROC)	-	3,030
South Pacific Commission	26	638
UNICEF/UNDP	6,830	3,232
World Health Organisation	1,483	1,022
Others	5,007	6,655
<b>Total Budget support (recurrent budget)</b>	<b>217,007</b>	<b>312,337</b>

## Solomon Islands Government

	2014 \$'000	2013 \$'000
<u>Development grants (development budget)</u>		
AUSAID		17,638
New Zealand Government	4,538	
Papua New Guinea	30,942	63,296
Republic of China (ROC)	100,650	70,098
UNDP	2,905	98
<b>Total Development grants (development budget)</b>	<b>139,035</b>	<b>151,129</b>
<b>Total external assistance received through government-controlled bank accounts</b>	<b>356,042</b>	<b>463,466</b>

### 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.

The following amounts are estimates of external assistance received in 2014. These amounts may include amounts without a binding agreement.

	<u>Amounts per year</u> \$'000
<i>Estimates of external assistance</i>	
2014	940,453

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 2013 and two supplementary appropriations were approved by legislative action during 2014. The original budget objectives and policies, and subsequent revisions are explained in the following documents:

- SIG Year 2014 Approved Recurrent Estimates
- SIG Approved 2014 Development Estimates
- SIG Budget Support 2014 approved in the Recurrent and Development budget
- The 2014 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 17% below the revised final estimates. This was largely due to:

- lack of and slow capacity to implement donor-funded programmes and projects in MOFT, MHMS and MEHRD which led to substantial underspending;
- general non-compliance with spending rules and requirements; and
- in some cases, the over-provisioning of budgetary requirements during the formulation of budgets for appropriation purposes.

The 2014 revenue reported an under budget collection of 0.4%. Actual receipts of donor budget support being were lower than budget by about 63%, which was offset by stronger than budgeted receipts from development grants, special funds, taxes and other government revenues.

## 16. Government debt

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

	2014 \$'000	2013 \$'000
(a) Domestic debt	177,435	203,545
(b) Promissory notes	107,059	114,685
(c) Overseas debt	685,708	743,965
<b>Total Government Debt</b>	<b>970,202</b>	<b>1,062,195</b>

### (a) Domestic debt

Treasury Bonds	132,687	162,656
Treasury Bills	39,808	35,949
Other	4,940	4,940
<b>Total Domestic Debt</b>	<b>177,435</b>	<b>203,545</b>

### (b) Promissory notes

International Bank for Reconstruction and Development	-	7,524
Multilateral International Guarantee Agency (MIGA)	-	102
International Monetary Fund	107,059	107,059
<b>Total promissory notes</b>	<b>107,059</b>	<b>114,685</b>

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.

	2014	2013
	\$'000	\$'000
(c) Overseas debt		
Asian Development Bank	287,984	313,508
World Bank	260,048	278,487
European Development Fund & European Investment Bank	23,183	28,350
Others	114,493	123,621
<b>Total overseas debt</b>	<b>685,708</b>	<b>743,965</b>

Outstanding balances of overseas debt include principal and interest arrears.

Debts in foreign currency are reported in the entity's reporting currency SBD by applying the foreign currency rate as at the reporting date 31 December 2014.

### 17. Contingent Liabilities

SOE Loans and Guarantees	45,409	49,203
Others	13,379	20,536
<b>Total Contingent Liabilities</b>	<b>58,788</b>	<b>69,739</b>

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

National Debt Servicing and Pension & Gratuities are included in the MoFT amounts as follows;

National Debt Servicing	65,236	169,757
Pension & Gratuities	6,087	6,232
<b>Total</b>	<b>71,323</b>	<b>175,989</b>