SOLOMON ISLANDS GOVERNMENT

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT ON STATE OWNED ENTERPRISES AND STATUTORY AUTHORITIES 2019 AUDITS

Auditor-General
Office of the Auditor-General
P O Box G18
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Foreword from the Auditor General

Mr Speaker,

I am pleased to present this report to Parliament covering the results of annual financial statements audits performed during 2019 on state owned enterprises (SOE) and statutory authorities (SA).

This Report details the results of financial statements audits conducted as well as the high risk issues identified in our audits on the state owned enterprises and statutory authorities.

It is pleasing to note that most SOE and SA continue to improve in their financial performance and financial management. The challenges for some were the implementation of the new IFRS that came in to force from 2019. The smaller entities were still not able to provide timely financial statements for audit.

This Office's role is to promote the transparency and accountability of the collection and use of resources intended for contributing to the public good. Good quality and timely financial reporting, underpinned by strong internal controls, serves as a solid foundation for encouraging high quality service delivery to the public. It is hoped that greater public scrutiny of the management issues affecting the efficiency and effectiveness of these organisations will encourage boards and managements to accelerate their adoption of recommendations made by this Office to correct any weaknesses identified during our audits.

Acknowledgement
I thank my officers and contracted auditors for the great work that they have done which resulted in the production of this report.

I acknowledge the assistance and cooperation provided by the board, management and staff of each SOE and SA to my office during the audit.

Peter Lokay
Auditor-General

March 2020

Summary

Audits

In 2019 the Auditor General issued audit opinions on financial statements received in respect of the following state owned enterprises (SOE) and statutory bodies. An explanation of what the audit opinion means is detailed in Appendix 1 of this report.

Table 1: State Owned Enterprises which received audit certificates during 2019

No	Auditee	Financial year-end	Date fs certified by management	Date of audit certification	Audit opinion
1	CEMA	31/12/2018	26/03/2019	26/03/2019	Unqualified
2	SAL	31/12/2018	01/11/2019	04/11/2019	Unqualified
3	SIBC	31/12/2018	22/03/2019	15/05/2019	Unqualified
4	SIEA	31/12/2018	26/03/2019	26/03/2019	Unqualified
5	SIPA	30/09/2018	13/03/2019	29/03/2019	Unqualified
6	SIWA	31/12/2018	23/05/2019	24/05/2019	Unqualified

Table 2: Statutory Bodies & Other Agencies which received audit certificates during 2019

No	Auditee	Financial year-end	Date certified by management	Date of audit certification	Audit opinion
1	CBSI	31/12/2018	06/05/2019	10/05/2019	Unqualified
2	SINPF	30/06/2019	30/09/2019	30/09/2019	Unqualified
3	SIVB	31/12/2015	27/05/2019	14/06/2019	Disclaimer
4	SIVB	31/12/2016	27/06/2019	08/08/2019	Disclaimer
5	SIVB	31/12/2017	08/08/2019	09/08/2019	Disclaimer
6	TCSI	31/12/2018	01/03/2019	19/12/2019	Unqualified

From the list above, it is evident that great progress is being made by SOE and Statutory Bodies to meet their statutory financial reporting obligations.

Overall assessment

The *State Owned Enterprises Act 2012* [SOE Act] requires state owned enterprises to produce, within three months of the end of the financial year, 'audited consolidated financial statements for that financial year consisting of statements of financial position, profit or loss, changes in financial position, and such other statements as may be necessary to show separately the financial position of the state owned enterprise and each of its subsidiaries and the financial results of their operations during that financial year'.

Most of the State-owned enterprises have managed to meet the reporting timeframes of the SOE Act due to improvement in capacity resulting in them producing better quality financial statements in a timelier manner.

The majority of the SOE and statutory bodies received unqualified audit opinion on their audited financial statements. It was encouraging to note that they continued to produce accounts in compliance with international financial reporting standards (IFRS) and international public sector accounting standards (IPSAS) cash basis.

There were also significant improvements made in the accounting records and internal controls for most of the entities being reported on in this report.

The improvement in the audit results for the larger SOEs and statutory bodies was encouraging. Some of the smaller SOE's and statutory authorities still had some way to go to improve their record keeping, transaction recording and internal controls and this Office looks forward to continuing to provide advice to the entities' managements on these matters. It is important for the economy and the people of Solomon Islands that all the public entities continue to work towards becoming more financially viable, efficient and effective.

Outsourced audits

A number of SOE and SA audits are contracted to international accounting firms. Table 3 below shows the audits currently contracted out, the period of contract and to whom they are contracted to.

The only new outsourced audit contract awarded in 2019 was for SIWA which was awarded to KPMG Fiji.

Table 3: Outsourced audits

Auditee	Audit firm & contract period
Central Bank of Solomon Islands	PwC Fiji (FY 2018 – 2022)
Solomon Islands National Provident Fund (SINPF)	PwC Fiji (FY 2019 – 2023)
Solomon Islands Water Authority (SIWA)	KPMG Fiji (FY 2019 – 2023)
Solomon Islands Electricity Authority (SIEA)	KPMG Fiji (FY 2018 – 2022)
Solomon Islands Ports Authority (SIPA)	KPMG Fiji (FY 2017 – 2021)
Solomon Airlines Limited (SAL)	PwC Fiji (FY 2017 – 2021)

Status of audits

Table 4 below shows the status of all backlog financial statements audits for SOE and statutory bodies as at December 2019.

Table 4: Financial statements audit status for SOE and SA as at 31 December 2019

No	Auditee	Financial year-end	Due date	Draft fs done?	Audit status
State owned enterprises					
1	ICSI	31/12/2012	31/03/2013	Yes	Audit in progress
2		31/12/2013	31/03/2014	Yes	Audit in progress
3		31/12/2014	31/03/2015	No	Audit yet to commence
4		31/12/2015	31/03/2016	No	Audit yet to commence
5		31/12/2016	31/03/2017	No	Audit yet to commence
6		31/12/2017	31/03/2018	No	Audit yet to commence
7		31/12/2018	31/03/2019	No	Audit yet to commence
8	SIPA	30/09/2019	31/12/2019	No	Audit yet to commence
9	SIPC	31/12/2018	31/03/2019	Yes	Audit in progress
Statutory authorities					
10	SIVB	31/12/2018	31/03/2019	No	Audit yet to commence

The majority of SOEs and Statutory Bodies have a 31 December year-end with the exception of SIPA which has a 30 September year-end and SINPF which has a 30 June year-end. The statutory deadline for audit certification of SOE financial statements is within three months of year end or 31 March. Different Statutory Bodies have different statutory dates for submitting their financial statements to the Auditor General for audit depending upon their enabling legislation. It should be noted that 7 sets of financial statements received audit certification within the reporting death lines. Four SOE and two SA fail to meet their reporting death lines.

Chapter 1: Central Bank of Solomon Islands

Audit opinion

The audit of the Central Bank of Solomon Islands (CBSI) was outsourced to PwC, Fiji, under a five year contract agreement to audit the 2018 to 2022 accounts. The CBSI annual financial statements in 2018 received an unqualified audit opinion as they were assessed as having complied with the International Financial Reporting Standards (IFRS).

Audit issues

The 2018 risk issues identified at the Central Bank comprised of:

1. Payroll segregation of duties

The following incompatible duties are not adequately segregated within the payroll function:

- Payroll processing and posting of payroll journals on the general ledger – the Payroll Officer has access to both Sage MicrOpay Meridian (payroll processing software) and TechnologyOne (GL system);
- Payroll processing and employee master data management - personnel processing payroll have access to edit the pay rates of all employees.
- In addition to the above, personnel processing payroll in the absence of the Payroll Officer use the same login credentials as the Payroll Officer.

The above does not allow for accountability of payroll processing activities, and may be exploited by staff to perpetrate payroll fraud.

Recommendation

We recommend that:

- **Access to edit pay rates on Sage MicrOpay be restricted to the HR Manager;**
- **The Payroll Officer's access to post journals on the general ledger be removed; and**
- **Separate user accounts with access levels aligned to user roles and responsibilities are created for all staff who require access to Sage MicrOpay.**

Management response

The Bank is addressing this segregation duty issue with the work in progress on its Human Resources Management Information System (HRMIS- CONNEX) which is expected to be completed by Q3 2019.

The current practice does not allow Payroll officer to post into GL. Payroll Processing, preparation and upload of the journal entries in CSV file format is done by payroll officer. Import, verification and posting of payroll journals to TechOne general ledger is done by Management Accountant. Separate User Accounts have been created with normal payroll roles access.

2. Preparation and review of currency in circulation reconciliations

Reconciliations for Currency in Circulation are not performed and reviewed in a timely manner. The effectiveness of the reconciliations process in identifying and resolving errors and irregularities is diminished.

Recommendation:
We recommend that management prepare and review the Currency in Circulation reconciliations in a timely manner.

Management response
Reconciliation guideline requires all reconciliation to be completed by 15th of the following month and all variances address before the end of the month. Management noted that Nov/Dec 2018 was slow to be posted in GL and will strengthen the process to ensure weaknesses are addressed.

3. Appropriateness of user access to TechOne

The following users or groups of users have inappropriate access to the TechOne system:

- Casual staff - providing system access to casual staff may compromise the security, integrity and confidentiality of data;
- Super user access – providing super user access to staff who do not require such elevated levels of access may compromise the security, integrity and confidentiality of data;
- The international department – access is granted for importing interface files from the Deposit and Investment Database into the TechOne system;
- Economics, Research and Statistics Department, Financial Intelligence Unit, Financial Marketing Supervision Department, Governor's Department, Human Resources and Corporate Services - we understand these departments require access to TechOne to access reports that assist on their duties, and to access the budgeting module.

Recommendation
We recommend that:

- **Casual staff not be provided access to the system;**
- **Super user access be provided to appropriate staff, and that a review of super user account activity be carried out on a periodic basis;**
- **The Finance Department review and import the interface files from the Deposit and Investment Database into the TechOne system; and**
- **Other departments be provided read only access to modules other than the Budget module.**

Management response
These issues have been addressed. Access to the TechOne System by users and groups of users are authorised and correctly assigned based on their given roles on the system.

- **Short term contracted staff whose role involved producing receipts through TechOne system was given access.**

- **Super user access was given based on the role of the officer as a backup system administrator and a project manager for the TechOne system. This will change as the roles change.**
- **The current importing process of Investment Database file into the TechOne System has the support of the Finance team and the management team.**
- **Apart from the budget module, all departments except FAD and CBPD have read only access to TechOne System modules.**

4. Currency Inventory Reconciliation Process Discrepancies

Currency inventory reconciliations are only performed at year end.
Errors and irregularities in the currency stocks may not be detected and resolved in a timely manner.

Recommendation:
We recommend inventory reconciliations be prepared monthly.

Management response
The current inventory reconciliation is already done monthly. Management will continue to strengthen the process to ensure consistency and accuracy of currency inventory figures.

5. Resigned Employee Access to Systems

A former officer, who was no longer employed by the Bank, continued to have access to WorkingStore and MicrOpay. Inappropriate user termination processes increase the risk of active Bank employees using redundant application accounts to access functionality and business data beyond that required to fulfil their job responsibilities.
Dormant accounts to applications increase the risk of inappropriate access to applications. This can lead to inappropriate changes to underlying data and systems or an override of system enforced automated controls.

Recommendation
We recommend management:

- **Remove the identified dormant accounts;**
- **Review access to all applications (and environments) to confirm access is both appropriate, and access levels are set in line with the individual's role; and**
- **Design and implement a user termination process for application access. Ensure record of the request, approval and subsequent actioning of the request is documented and stored centrally.**

Management response
The former employee's access account on the MicrOpay and working store will be removed but archived to comply with the IT Policy section 4.2 b where users who ceased employment, their files and emails will be removed after 3 years. Management will implement the user termination process for applications access.

6. Property, plant and equipment and investment properties fair value gains

The Bank held investment property during the 2018 financial year and prior which related to the Skyline residential property and the World Bank property. These properties have been maintained in the fixed asset register of the Bank which is meant to house all property, plant and equipment items used by the Bank.

All land and buildings of the Bank, both investment properties and those included in property, plant and equipment have been fair valued in 2018 for which substantial gains approximating $16m in total have been recorded.

Section 67 (1) (c) CBSI Act states that the Bank shall not "acquire by purchase, lease, or otherwise any rights in or to real property, except as it shall consider necessary or expedient for the provision of premises for the conduct of its administration and operations or similar requirements incidental to the performance of its functions."

This may imply the Bank is not permitted to hold any property other than what is required to conduct its operations.

The determination of the fair value was originally incorrect as the carrying value of the land was not taken into account initially. This was corrected in finalizing the financial statements, but did highlight issues with regard to the maintenance of the fixed asset register and work in progress (WIP), particularly in relation to detailed record keeping and availability of historical information.

Due to investment properties being recorded in the fixed assets register, depreciation expense of $467,000 was incorrectly charged on investment properties accounted for at fair value.

Recommendation

The investment properties by their nature are not owner occupied, and during 2018 were on lease. We suggest you document your consideration that the Bank continues to comply with the Act on the basis that properties remain necessary for the provision of its functions in the future.

In addition, we recommend:

- **Management exclude investment property records from the fixed asset register and maintain these separately;**
- **Detailed records for property, plant and equipment and investment properties subject to periodic valuation be maintained in sufficient detail to determine and account for changes in fair value of these appropriately;**
- **GL accounts be setup to separate the property, plant and equipment and investment property balances; and**
- **Work in progress accounting and records be reviewed to ensure more accurate and appropriate records are maintained.**

Management response

The properties referred to are leased on temporary basis depending on the need of the Bank. In 2019 there are no leased properties.

Separation of GL account is not necessary, since the Bank's leasing out is only temporary based on surplus capacity.
The Bank will continue to maintain detail records for the properties to properly account movements in fair value for PPE and investment property and related depreciations.

7. Demand Deposit Accounts Used for Vendor Payments

The Bank does not have designated current accounts with any local commercial banks for purposes of making day to day payments to suppliers. Instead, commercial banks' demand deposit (call) accounts are used to record such payments.
The process involves the Bank issuing cheques to vendors, who are able to cash these at any commercial bank. Commercial banks send all such cheques honoured back to the Bank which is then recorded against the respective commercial bank's call account by the Currency and Banking Operations department.

The arrangement does not allow for transactions serving different purposes to be adequately demarcated. The record keeping and reconciliation process is unnecessarily cumbersome as a result, and may create opportunity to conceal fraud.

Recommendation
It is recommended that the Bank establish a current account with local commercial bank to ease this process, save administration time spent in clearing the cheques and to maintain proper accountability of payments for services rendered to the Bank.

Management response
The Bank will maintain its neutral position and not to create accounts with all commercial banks. The process will be eased by the new payments system.

8. Distinction between commercial banks' cash reserve requirement balance and transactional call account balance

The Bank does not record the Statutory Reserve Deposit (cash reserve requirement) and the Exchange Settlement Account (transactional call account balance) of commercial banks separately. These are recorded and presented as call accounts in the general ledger and financial statements respectively.

The above makes the record keeping and the reconciliation process cumbersome. It increases the risk of commercial banks' cash reserve requirement falling below the required 7.5% going undetected.

Recommendation
It is recommended that the reserve requirement be recorded separately so that it can be easily monitored and separately disclosed as it is a statutory requirement for banks to hold 7.5% of their deposits at the central bank as a tool for monetary policy.
It is also recommended that the exchange settlement account be maintained separately to record all transactions such as deposit and withdrawal of currency and foreign exchange transactions so that the cash reserve requirement is not affected by these transactions

and there is transparency and proper distinction between the statutory requirement and transactional balance.

Management response
The Bank will create the settlement and CRR accounts.
This will be also implemented in the new payments system.

9. Recording of Closed Demand Deposit Accounts in the General Ledger

Seven demand deposit accounts valued at $117,796 which were closed continued to be recorded in the GL as at year end. Liabilities were overstated by $117,796.34 as a result.

Recommendation
We recommend that accounts balances which have been closed be removed from the books of CBSI and the remaining balances be written off.

Management response
The Bank will liaise with the Accountant General to address this by second quarter 2019.

10. IFRS 9 Implementation

The Bank holds considerable financial assets. IFRS 9 Financial Instruments, which became effective from 1 January 2018, requires those financial assets carried at amortised cost to be considered for impairment on an expected credit loss basis. This includes fixed term deposits, commercial paper (Gilt Investments), bonds, loans and advances, cash, IMF assets and gold.

Under the standard the expected credit loss is determined by considering the probability of default (PD) with the loss given default (LGD) and the exposure at default (EAD). The Bank with the assistance of KPMG completed an impairment analysis, with the PD and LGD determined through counterparty credit ratings as per Moody's. The EAD was the financial asset balance at the date of determination.

Each financial asset was considered separately with the exception of staff loans for which no analysis was conducted. While not significant with total loans of $8.8m, a probability of default does exist and the Bank has history in that regard. We suggest an analysis be conducted in future for these loans.

The analysis of the other financial assets included applying a credit rating to each asset using a Moody's rating and applying the PDs from Moody's tables to those individual assets. LGD's were than applied (multiplied) to the PD percentages and the period end balances to arrive at an expected credit loss by financial asset category. However, we note the LGDs applied were not current and did not appear to reflect the views of S&P. We applied the more current views of the LGD rates which implied a potential impairment approximately $1m higher than the $251k that was suggested by the calculation at 1 January 2018.

The potential impairment losses that should have been recognized remain immaterial.

Recommendation:
A more robust determination of the expected credit losses should be completed for 2019 using more current ratings from Moody's or S&P.

Management response
Bank will continue to maintain its accounts in compliance with IFRS

Prior years' audit issues

1. Formal disaster recovery and business continuity plan
There is no formal disaster recovery plan that exists to provide details for the orderly resumption of operations subsequent to a total failure of the data processing system. Furthermore, there is also no business continuity plan with the occurrence of an unexpected catastrophic event such as a natural disaster.

The non-existence of a formal disaster recovery plan increases the risk of loss of data and disruption to the operations of the Bank in the event of a system failure. In addition, lack of business continuity plan could significantly impact operations arising from unexpected events.

2018 financial statement audit follow up
The above matters remain unresolved.

Recommendation
We recommend a development and adoption of a disaster recovery plan, and periodically test it to ensure continuity in data processing by the Bank in the event of a disaster.
In addition, the Bank should develop a business continuity plan to outline the process that deals with potential risks and threats to the Bank.

Management response
The bank has a disaster recovery plan to be further reviewed by management. DRP Testing will be conducted after the new DR server is shifted to the DR site.

Management had worked on the Business Continuity Plan. The Corporate Risk Framework will be developed to provide basis for the Business Continuity Plan process.

2. Risk management function
Risk Management is a critical function for any organization especially the Board and senior management. To sufficiently fulfil their duties, directors and management need to ensure that they are cognizant of the unique circumstances and potential legal, reputational, operational and financial risks that exists within their operations. We note that the Bank currently does not have a formal enterprise risk management ("ERM") framework. ERM is a systematic and structured approach to identifying, assessing and analysing risks and to develop a response strategy.

Management may not be aware of the Bank's risks and thus may not be able to prevent or react to events that can impact the goals and objectives of the Bank.

2018 financial statement audit follow up
Management has established a risk management unit and one of the priority tasks of the unit is to develop the risk management framework/strategy. The framework is expected to be completed by December 2019.

Recommendation
ERM is a continuous process that seeks to identify, analyse, mitigate and monitor potential events that create uncertainty to the achievement of the Bank's objectives. An effective, integrated ERM program can help identify and take action on risks that may be affecting the achievement of the Bank's core strategic objectives.
Management should develop a formal enterprise risk management framework for the Bank.

Management response
Management has established a risk management unit and one of the priority tasks of the unit is to develop the risk management framework/strategy.

3. Internal audit function
The quality and effectiveness of the internal audit function provides the Board an objective assessment of whether the risks of the Bank have been appropriately mitigated and that the Bank's process and controls are operating effectively.

The internal audit (IA) department comprises of only two staff. Four audit cycles were performed during the year which focused on the Currency and Banking Operation Unit. Some of the significant areas of the Bank include management of external reserves, information technology, accounting and financial and financial supervision which have not been reviewed by internal audit in recent years. From our review of internal audit reports we note that the audits are predominately compliance based rather than risk based.

Assurance may not be provided on all key risks and/or the assurance that is offered may be superficial. Additionally, the internal audit function may be unprepared to deal with emerging risks if they do not have necessary knowledge, training and experience.

2018 financial statement audit follow up
Internal audit can be a real value enhancing role to the operations and activities by not only playing a compliance checking role but by playing a more holistic role focusing on efficiency and effectiveness of processes and on developing the control culture. It is important to consider controls in anything new the Bank does, such controls to ensure the right behaviours but not to be a burden on the Bank.

Linking the internal audit activities to the risk framework brings obvious benefits.

Recommendation
Formal procedural guidelines should be adopted within the Internal Audit Department to improve audit work paper documentation and to ensure proper supervision and review of audits. These guidelines should address:

- **Supervisor responsibilities in planning an audit, supervising its progress, and reviewing the final results;**
- **Standards for work paper documentation; and**
- **Standards for preparation of audit memoranda.**

In addition to improving the overall quality of audits, adherence to formal guidelines should facilitate the development and training of individual auditors and assist in reviewing their performance.

There is an option for the Bank to co-source their internal audit function if there are resource and skill constraints. Management needs to evaluate the most suitable option and also ensure that the reporting lines for internal audit enforces the independence and objectivity of this function.

Management response
The Internal Audit Unit is very much eager to see the continuous enhancement of its IA Function within the Bank and thus, the following immediate targets:
Improvements to the Unit's Working Papers is now a work in progress. The ultimate goal from 2019 onwards, is to ensure that all associated business risks (strategic, control, compliance, financial, operational and reputational risks) are equally considered and in all audit plans/reviews. 2019 audit plan be presented and approved by the Board Audit Committee (BAC).

The Audit of the Reserve Management is now in progress and hope to complete by the end of May 2019.

The IT Audit is included in the Unit's 2019 Business Plan (BP). An External Expert will be sourced due to internal skills constraints. Further deliberations on this particular KRA will be done with the Management Advisor Operations – the Administrative Head of the Internal Audit Unit.

4. Review function needs to be strengthened

We noted that the overall review process over reconciliation is not evidenced. The following matters were noted during our audit:
Currency in circulation (CIC) reconciliation for February 2017 had not been adequately prepared and reviewed. We noted that the balance in the reconciliation was the same as that of the prior month despite there had been issues and lodgement during the month.

There were unexplained differences between the CIC reconciliation, the CIC register and general ledger. The variance varies month to month during the current financial year. There were also variances between the currency inventory listing and the general ledger. This resulted in an audit misstatement of approximately $6 million during the financial year as the general ledger balance was overstated.

We also noted that stock take sheets are not signed off by the management for the SIG stock. We noted that there were differences between the actual count and that recorded in the SIG Register.

Lack of evidence of review of monthly reconciliations and including inadequate level of scepticism applied to review of account balances could result in errors or irregularities not being detected and corrected in a timely manner.

2018 financial statement audit follow up

Whilst the currency in circulation reconciliation did not have material unreconciled items, we continue to observe the above matters with reconciliations for:

- IMF balances; and
- Demand deposits.

Recommendation

We recommend that:

- **The Bank examine and strengthen its review process to minimize the risk of errors and risk of fraud;**
- **All reconciliations be properly prepared, reviewed and signed off by a senior or management staff in a timely basis;**
- **Management review and sign off on the stock take report. Any differences should be investigated and unexplained variances expensed;**
- **A framework to strengthen the monitoring and oversight of the reconciliation process be implemented; and**
- **We encourage reconciliations to be zero based where applicable to ensure the reconciliations are effective.**

Management response

Guideline for reconciliation guideline exists which require all reconciliation completed, verified and signed off by 15th following month. Management will strengthen the process address weakness identified

5. No formal procurement policy

We noted that the Bank does not have a formal procurement and tender policy. This includes the end to end process from requisition approval, purchase order approval, goods received, payment authorization for capital expenditure. Additionally, there is no summary of delegation in place as well.

Our discussion with management revealed that the following practice are followed for procurement:

- Any purchase of goods or service above SBD1million is approved by the Governor or in his absence the Deputy Governor.
- Any purchases less than SBD1million are approved by the Chief Managers.

There is a risk of loss to the bank or reputational damage if procurement procedures and policies are not implemented and approved.

2018 financial statement audit follow up
The above matters remain unresolved.

Recommendation
The Bank should develop a robust tender and procurement policy that is suitable for the operation and nature of its business. There should be an end to end review of the procurement function and the identification of gaps in the entire process.

Management response
There is an existing procurement policy needs updating, an external group will be engaged in 2019.

6. Information Technology operations
During our review of the information Technology (IT) Operation controls we noted the following weaknesses:

- There are no proper documented backup procedures;
- Periodic testing of the back-up does not occur to test the effectiveness of the restoration process or the quality of the back-up media. Reliability of the backup media and the efficiency of the processes may be reduced due to lack of testing; and
- There is no preventative maintenance plan for the Bank's IT systems for routine servicing and troubleshooting, updating etc. The IT function currently employs a reactive approach to addressing IT risks.

There is risk of disruption to the bank's operations if backups and periodic testing and maintenance are not undertaken.

2018 financial statement audit follow up
The above matters remain unresolved. In addition, management did not retain backup notifications from the Windows Replicator utility for backups performed during the year. As such we were unable to conclude whether backups were performed completely and without errors for all systems during the year.

Lack of adequate documentation of backups performed increases the risk of backup errors not being identified and resolved in a timely manner. This may lead to loss of data when performing data restoration following disruption to the IT systems.

Recommendation
Management should ensure that the backup is periodically tested to ensure there is no disruption in the event of a disaster. The results from these tests should be documented, reviewed and appropriate remediation actions identified and addressed.
A formalized backup policy/procedure should be developed to ensure that backups of the Bank application data are completed as required. Additionally, these back up media should be stored offsite (or in a fireproof safe). A maintenance plan for the Bank's IT systems should be drafted.

We recommend that backup notifications from the new replication software, Veeam

Replicator, be reviewed by the relevant IT personnel, signed off and retained to evidence performance and review of backups.

Management response
The backups are scheduled and performed daily. The backup logs including the status of the backups (whether the backups are successful or fail) are recorded on the system. The log file generated by the Veeam (replicator software) is being monitored weekly by the System Administrator. Monthly Tests on the backup will be conducted by the ICTD.

A formalized backup policy/procedure will be developed and included in the revised ICT Policy.
Maintenance on the IT systems is carried out as part of the normal ICT duties. Other ICT related services such as UPS, Printers and Air condition units are maintained by external parties.

7. Access to programs and data
During our fieldwork of assessing the logical and physical access security controls in place, we noted the following weakness:

- There is no formalized process in place to review user accounts on any of the Bank's applications for inappropriate access nor a formal process to add/ remove user profiles for users that have been terminated or hired;
- There is no proper record management for retention of user access approval/modification forms;
- There are no formal procedures for creating user access profiles and/or require for regular review user access reviews by management; and
- We also noted that the super user activities on the system is not monitored and this poses a risk of financial data manipulation.

The above increases the risk of unauthorized access to the Banks data.

2018 financial statements audit follow up
The above matters remain unresolved.

Recommendation
Management should take necessary steps to improve IT security controls and put in policies to address the gaps. The policy should set the parameters for which IT Security will be governed at the Bank. This includes user creation, deletion and access modification procedures, and user access review procedures.
Management should ensure that the activity logs of the super user is regularly monitored so that any configuration changes leading to financial data manipulation is investigated accordingly.

Management response
The ICT team will review the current IT policy on user management (section 4) to improve IT security.

Management will administer the monitoring of the activity log on systems that have super users. Clear procedures or process to monitor the super users' activities will be inserted in the revised ICT Policy.

8. Unauthorised access by third parties

Given the Bank's growing reliance upon information technology, the magnitude of the impact of cyber-crime as a risk to the Bank grows particularly with increased investments in term deposits and bonds.

The key concern of Central Banks' is an attack upon the organization's systems, information loss and/ or manipulation which has the potential for both financial and reputational damage. The rate of change in technology causes concern as to whether systems defences are maintained at the same rate as technology advancement.

Risk of access and penetration by external parties of the IT system exists. This has not been tested especially in the era of cyber-crimes. Cyber-crime is directed at information technologies or effected by those technologies. It is committed across a virtual platform.

2018 financial statements audit follow up

Network vulnerability / penetration testing has not been performed that would allow the Bank to identify and rectify weaknesses in the IT environment.

Recommendation

Management should consider an IT audit review of all the Bank's critical systems, once it has put in place the recommendations within this report and has in place a full IT team.

Management response

IT audit will be conducted when the DR Systems are setup at the DR site and tested.

9. Review of assets for impairment

Our review of property, plant and equipment noted that the Bank had not performed a review of the carrying amount of the assets at balance date to determine whether there is any indication of impairment.

2018 financial statements audit follow up

The above matter remains unresolved.

Recommendation

The absence of such review raises the risk that the recoverable amount of the Bank's asset may be overstated.

Management should review the carrying amount of the Bank's asset at balance date to determine whether there is any indication of impairment. If any such indicators exists, the assets recoverable amount is to be estimated. An impairment loss is to be recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Management response
Task is work in progress it will be fully addressed in 2019.

10. No fixed asset capitalization policy
The Bank does not have a formal fixed asset capitalization policy.

2018 financial statements audit follow up
The above matter remains unresolved.

Recommendation
We recommend management to institute a formal policy whereby all capital expenditures in excess of an established amount are capitalized with all other amounts charged to operations. This will lead to improved consistency and simplification of the accounting records.

Management response
Draft asset policy exists we'll get to Board for approval in 2019.

11. Automation of currency processes
We understand that all issues and lodgement of notes and coins to and from commercial banks are recorded in manual registers. These include separate registers for notes and coins.

The current process is not efficient for the Bank due to the volume of transaction processed on a daily basis. Based on our observation and discussions, we noted that considerable amount of time and effort is spent in reconciling the manual records.

2018 financial statements audit follow up
The matter remains unresolved.

Recommendation
Management should consider automating the currency process.

Management response
Working store system in place, addition requirements need to be done, required reports will be developed to provide information for reconciliation.

12. Determination of re-issuable notes
We note the currency notes re-circulated into the banking system continued to be of poor quality. Moreover, foreign exchange dealers in foreign countries do not accept poor condition notes.

2018 financial statements audit follow up

The matter remains unresolved. The bank is considering introducing polymer notes for lower denominations together with the $5 polymer notes already introduced so that notes remain fit for circulation for longer.

Recommendation

Management should consider getting the Central Bank to perform this activity in house or enforce stringent compliance by commercial banks to adequately identify mutilated notes. The existing arrangement requiring commercial banks for identifying and sorting mutilated notes from the re-issuable notes, needs to be reviewed.

Management response

Bank has addressed this progressively, polymer notes.

13. Use of incorrect IMF conversion rate

We noted that during the year, the Banks published rates were used to convert International Monetary Fund (IMF) account balances to local currency and not the conversion rates denoted by the IMF statement. It was noted that appropriate conversion of IMF account balance were performed only at year end.

2018 financial statements audit follow up

The above continues to be the practise adopted by the Bank. We resolved the matter by processing an audit adjustment of $16.9 million in the financial statements. Such adjustments should be processed by management as part of the month end closing process.

Recommendation

The correct reflection of IMF asset and liabilities is only known at year end when the conversion is performed based on the conversion rate denoted by IMF. This does not enable management to properly monitor the Bank's financial performance and financial position during the year.

It is recommended that management use IMF rates for the monthly reporting purpose as it would provide for better management decision making basis.

Management response

It will be addressed in 2019 and ongoing

Chapter 2: Commodities Export Marketing Authority

Audit opinion

The annual financial statements of the Commodities Export Marketing Authority (CEMA) for the financial year ended 31 December 2018 were certified by the Auditor General on 26 March 2019. CEMA was audited by this office.

The Auditor General issued an unqualified opinion on the financial statements for CEMA for the 2018 financial year. The basis for issuing an unqualified opinion was because the financial statements had been prepared in accordance with International Financial Reporting Standards that give a true and fair view of the financial position, financial performance and cash flows for the reporting period.

Audit issues

The 2018 risk issues identified during the audit are summarised below.

1. Expenditure procedural weakness

The expenditure payment were processed or approved even through one quotation is obtained. CEMA does not follow its policy regarding the obtaining of three (3) quotations for payment of expenditure. The current CEMA practice is, as long as you got one (1) quotation the payment voucher will be processed and the payment is approved.

Implication

Obtaining one quotation will result to non-competition on price and quality of capitals/goods and a violation of the CEMA systems and accounting procedure page 12.

Recommendation
It is recommended that:

- **All capital expenditure shall be subject to three (3) quotation before approval and endorsement of payment to the particular supplier; and**
- **Proper review of quotation with regards to price and quality is made before selection of the best supplier.**

Management response
Management accepts the issue highlighted and will apply 3 quotation procedures as of April 2019.

2. Non-verification of goods/services received

It was identified during audit that the controls over the matching of invoices or LPO where applicable against the goods received is not implemented. Under the CEMA accounting systems & procedures manual it highlighted that proper review of the goods received should be made to make sure that right goods/services are received.

Implication

This will increase the chances of low quality goods/materials received due control weaknesses over the receiving and checking of the goods from the supplier. This also is non-compliance to the CEMA accounting systems and procedure manual.

Recommendation
It is highly recommended that:
Key policies over the receipting of goods are implemented that is, goods/services received are verified against the LPO's, supplier invoices so that right amount of goods with high quality is received.

Management response
Management noted the issue of non-verification of goods/services received highlighted and would assign staff to verify goods procured especially when employing contractors to provide a service/goods.

3. Inconsistent preparation of bank reconciliation

It was observed that bank reconciliations are not consistently prepared. Bank reconciliation statement for the month of June was not prepared as supposed therefore indicates non-compliance with the CEMA accounting system and procedure manual which requires bank reconciliations to be completed on a monthly basis.

Implication

This implies that errors might not be detected in a timely manner for adjustments. It is also a breach of Commodities Export Marketing Authority accounting systems and procedure manual.

Recommendation
It is recommended that:

- **Bank reconciliation statement should be prepared on a consistent basis e.g. weekly, fortnightly or monthly basis,**
- **As per the Accounting Systems and Procedure Manual of CEMA the bank reconciliation statement should be prepared on a monthly basis.**

Management response
Management accepted the June 2018 reconciliation delay and would do all its bests to do monthly reconciliation as of 2019.

Chapter 3: Investment Corporation of Solomon Islands

Audit

The annual financial statements of Investment Corporation of Solomon Islands (ICSI) could not be audited on a timely basis as they were not provided to the OAG on the due dates.

The last audited financial statements for the corporation were for 2011. The audit of the 2012 and 2013 were still in progress as at the end of 2019. The corporation was preparing the annual financial statements for the years 2014 to 2016.

Chapter 4: Solomon Airlines Limited

Audit opinion

The Solomon Airlines Limited (SAL) financial statements for the financial year ended 31 December 2018 were audited by the contract auditor PwC, Fiji.

The Auditor-General issued an unqualified opinion on the financial statements for SAL for the 2018 financial year. The basis for issuing an unqualified opinion was because the financial statements had been prepared in accordance with International Financial Reporting Standards that give a true and fair view of the financial position, financial performance and cash flows for the reporting period.

The Company has not complied with the requirements of the Public Finance and Audit Act (Cap 120) and the State Owned Enterprises Act 2007 which requires the audited financial statements to be submitted to the Minister before 31 March of the following year to which the financial statements relate. The signed statements were presented to the Auditor-General on 4th of November 2019.

Audit issues

The major issues identified during the audit included the following:

General issues

1. Incorrect posting 2017 audit adjustment

When reconciling the current year opening balances to the 2017 signed accounts, audit noted there were a number of variances noted. These variances were noted in the Property, Plant and Equipment, Revaluation Reserve and Accumulated Losses accounts. The cause for these variances was that management had incorrectly processed the audit adjustments they were given the prior year. As a result the current year audit adjustment includes entries to correct these. If audit adjustments are incorrectly taken up, the trial balance will not reconcile to the signed financial statements.

Recommendation
It is recommended that the management ensure that the audit adjustments processed after year end is accurately and completely processed.

Management's Comments
We agree with your recommendation and will action accordingly.

Treasury

2. Untimely preparation and review of the bank reconciliations

Based on work performed on the bank review process, audit noted that some of the monthly bank reconciliations were performed and reviewed more than 2 months later. This highlights that proper bank reconciliations are not being performed or reviewed. Bank reconciliation is important as it ensures that all receipts and payments are correctly recorded in both the bank and the ledger.

Delayed reconciliation may result in inaccurate reconciliations performed. Departmental staff and the bank may be making systemic errors which will require significant work to correct. If caught early this workload would be significantly reduced. Finally, the bank reconciliation may reveal misuse of public funds or fraud. The earlier the reconciliation, the more likely the perpetrator will be caught.

Recommendation
Client should re-look at the bank reconciliation review process and ensure that reconciliations are preformed and reviewed on a timely basis.

Management's Comments
Recommendation noted. Management had actioned the review process and there has been big improvements as bank reconciliations were done on a weekly basis in 2019. Bank accounts were shared among responsible staff for the bank reconciliations on a weekly basis.

Purchases and Payables

3. No Supplier Creation Form Maintained

It was noted that no Supplier Creation Forms were maintained by the client for new suppliers created in the system that were engaged with in the 2018 financial year for either the supply of goods or services. It was commented by the Chief Financial Officer (CFO) that the current practice to approve the creation of new suppliers in Greentree was verbal approval.

This could imply that suppliers not formally approved by the Chief Executive Officer (CEO), CFO, Financial Controller (FC), the Department Heads or the Procurement Manager may be created in the system and engaged with for the supply of goods and services, assumed to be an approved and credible supplier.

Recommendation
It is recommended that in addition to the procurement process, client should introduce a "Supplier Creation Form" for the sole purpose of creating new suppliers in Greentree. The form may contain certain required fields to be filed and approved by a certain group of people before the supplier is created in the system.

Management's Comments
We concur with the recommendation, a supplier maintenance form will be introduced and implement immediately.

Property, Plant, and Equipment

4. Depreciation Rates

Through testing of the depreciation expense, it was noted that Solomon Airlines had deviated from the finance policy in regards to the use of the depreciation rates. The classes of assets for which differing rates were used as opposed to the policy set out in the financial statements are:

1. Aircraft spares (Dash 8 Rotable and Tooling and Twin otter rotable spares) - SAL has used a depreciation rate of 5%. This is inconsistent with the policy which states that Aircraft spares equipment depreciation should be recorded at 10%.
2. Leasehold Improvements – depreciation for Leasehold Improvements has been booked at 10%, when the policy is to depreciate at 5% per annum.
Using inconsistent rates when calculating the depreciation expense could lead to irregularities in the written down value of the fixed assets. Management could face difficulties when trying to work back to calculate the correct written down value in times of write off or sale of fixed assets. This also could lead to deficiencies in the disclosure surrounding depreciation expense whereby the expense could be under or over stated.

Recommendation
It is recommended that the management evaluate its existing policies and the rates entered in the system to calculate the depreciation. Identifying the areas where discrepancies lie could lead to better management of the fixed asset register.

Management's Comments
We concur with the recommendation; the depreciation rate for all aircraft spares had been changed in January 2019 to 10% to be consistence with the Finance Policy. Management will change the depreciation rate for lease improvement in the Finance Policy from 5% to 10%.

Notes Payable and Long-Term Debt

5. Breach of debt covenant

Whilst calculating the company's debt covenants, we noted multiple breaches of the financial covenants of the Company's borrowings with Bank of the South Pacific (BSP). The ratios in breach were the Debt Service Coverage Ratio and the Current Ratio. Debt Service Coverage Ratio is to be maintained at not less than 1 times and the Current Ratio are to be maintained at not less than 1.10 times respectively, to be calculated based on 31 December financial statements.

The ratio is calculated as follows:
Debt service coverage ratio: Cash available for debt service/total debt services;
Current ratio: total current assets/total current liabilities

Debt Service Coverage Ratio and the Current Ratio as at 31 December 2018 were calculated to be as follows 0.93 times and 0.29 times which does not meet the Bank's requirement. The Company did not obtain a waiver letter from the bank in relation to the breach.

As a result the entire BSP loan balance as at 31 December 2018 has been classified as current liabilities in the financial statements. This change in classification has contributed significantly to the deficiency in working capital at year end.

Recommendation
It is recommended that the firm prepare and review management accounts every month and ensure that debt covenant ratios are in compliance.

Management's Comments
Management had regular meetings with the bank where the company provides updates and business result. The company had maintained a cordial business relationship with the bank and had made timely repayment of its loan obligations. We don't believe this to be on a high risk rating.

Employee Benefits

6. No proper review of probability factors

Based on the review of the client probability factors used in long service leave and retirement benefit calculation, it was noted that there was no review or historical assessment performed to derive these probability factors.

The client needs to evaluate the staff turnover rates, the amount of retirement benefit and long service leave taken and the increment rates over the years. These needs to be taken into account and a proper schedule/worksheet needs to be maintained accordingly.

Not having specific data which pertains solely to the client business could lead to the data and the provisions made for the employee benefits to be distorted.

Recommendation
It is recommended that the client perform an analysis to see whether the probability factors are applicable and reflecting the nature and practice of the client business.

Management's Comments
There is no industry standard calculation of retirement benefits. The calculation of the probability factors management came up with was based on best guess estimates based on historical data of staff turnover.

Information Technology General Controls

7. Employee terminations from applications not being carried out on a timely basis

Based on our review of the key business applications (Greentree, Vectis and Envision), we noted that there were instance whereby the employee termination for Greentree, Envision and Vectis System was not carried out on a timely basis.

Risk of unauthorised access from employees who have left the company exists to the financially significant information system.

Recommendation
There should be a dedicated clearance for which details should be completed by the Human Resources Department specifically for the removal of access from all systems, this should be signed off by the access control owners and department heads confirming removal of access from systems for all employee departures.

Management's Comments
There is an existing form (called the notice of separation form). Upon a staffs exit from employment, HR initiates the process of having the staff complete/action the form by

taking it to the respective departments. This form is to be amended to include the specific applications that access changes need to be made to as well.

Recurring prior-year findings and recommendations

General

1. Timely preparation of reconciliations

Audit noted that most reconciliations such as bank reconciliations, accounts receivable reconciliations, accruals reconciliations were prepared and reviewed after a lapse of 2 to 3 months.

Monthly account reconciliations should be prepared and reviewed on a timely basis to ensure accruals and reversals are reflected correctly in the General Ledger. A number of misstatements were identified during the audit which suggest that there is a lack of appropriate preparation and review of account reconciliations.

This increases the risk that errors and fraud/ irregularities will go undetected in a wide range of accounts.

Recommendation
Management should ensure all balance sheet account reconciliations are prepared and reviewed in a timely manner by appropriate personnel having the necessary skills and knowledge.

Management's Comments
We agree with the recommendation, we have made some improvement in ensuring GL monthly reconciliations are completed however some are not completed in a timely manner. We have created a monthly folder to ensure GL monthly reconciliations are completed and reviewed by senior finance personnel.

2. Timely preparation of Management Accounts

Audit noted that Solomon Airlines prepares quarterly management report. However the time-lapse of such reporting is at-least 3 months. For example the quarterly report for September 2017 was prepared by March 2018.

Due to the nature of an Airline business, information needs to be readily available to make timely decisions. As a result of the time-lapse of such management reporting, important operational or financial decision making process would be hindered.

Recommendation
Audit recommends timely preparation and reporting to the management and board.

Management's Comments
We agree with your recommendation and have put-in place a cut-off date for each month to close-off finance monthly processing and prepare financials on a monthly basis.

Inventory

3. Stocktake

In accordance to the maintenance organisational manual (section 19.14), a half yearly stock take and a financial year end stock take is to be carried out. Contrary to this, in practice, audit noted that the client only performs a 100% stock take at year end. Hence, the client practice is not in accordance to the manual. Furthermore, maintenance organisation manual does not specify the count type, that is, whether a 100% stock take is to be done or the stock take is to be done on a selection basis. In conjunction to this, no written instructions were issued to persons participating in the year end count.

Discrepancies in stock will not be identified if stock takes are not performed on timely basis. This will result in misstatement in inventory balance in Envision and Greentree. It is important that all staff involved in the stock take fully understand their roles and responsibilities.

Recommendation
We recommend that the client to adhere to the policies prescribed by the maintenance organisational manual. It is also recommended that the manual be amended to account for the actual practice being carried out. We recommend that written instructions should be provided to all staff involved in counting stock covering all phases of count procedures and that these be discussed prior to the stock take.

Management's Comments
Stock takes are now conducted on a monthly basis effective as from October 2018. Therefore monthly stock take is no longer an issue.

4. Stock Usage

The inventory (consumables) issued out to be installed in aircraft is reduced from the inventory listing in Envision (Inventory Management Software), however this is not automatically updated in Greentree (GL) since the two systems are not integrated. The stock usage report is generated from Envision and the amount of stock issued out is updated in Greentree through a journal entry. The material used is being updated in Greentree at year end. This will mean that the inventory balance within the financial year and quarterly reporting is misstated.

During the financial year, the inventory balance in Envision and Greentree will vary as the appropriate adjustment for the material usage is not updated on a timely basis. The system will not be aligned. The inventory balance as per Greentree will be overstated during the financial year.

Recommendation
It is recommended that the stock usage report is generated from Envision on a monthly basis and journal entry is passed in Greentree at the end of every month to ensure that the inventory balance in the two systems is aligned.

Management's Comments
At the end of each month end, a stock usage report is generated from Envision and is uploaded in Greentree as stock issued to aircraft. This is effective as from October 2018.

Payroll

5. Segregation of duties

Audit noted that the following functions are being performed by the same personnel, being the Paymaster:

- Payroll Processing
- Entering new employee details in the system
- Removing terminated employees from the system
- Changing pay rates in the system

One staff having the responsibility for multiple tasks could lead to manipulation with the procedures performed. Furthermore, this could also provide incentives for fraudulent activities, such as creation of fictitious employee codes in the system, since there is no formal approval process in place to monitor the input of employee data such as the employee details and the modification of the payroll rates in the system.

Recommendation
Audit highly recommends that the duties such as the processing of pay and entering of employee data in the system and the modification of payroll rates be separated. Also audit recommends to perform monthly checks for change in payroll rates in the system by HR to ensure that correct rates have been inputted in the system for legitimate employees.

Management's Comments
Roles have been separated and now performed by Human Resource e.g. update staff detail, remove terminated staff, change pay rates. Paymaster carries out the processing of payroll for all but senior staff which is the responsibility of the CFO. Management believe this is no longer an issue.

Property, Plant and Equipment

6. Lack of review of fixed assets register

Audit noted that fixed assets register is not reviewed by any independent person and entries to the general ledger are made by the preparer of fixed assets register without review of the entries by independent personnel.

Audit noted variance between the fixed asset register to the general ledger. These variance relate to overstatement of cost by $13,458,750 (2017: $10,911,850) and the accumulated depreciation $13,458,750 (2017: $10,911,850) accordingly. While this does not have an impact of the carrying amount of the asset, these variances are carried forward and could cause confusion and lead to further variances.

Recommendation
It is recommended that the internal audit officer reviews the fixed assets in order to avoid any errors in posting to general ledger.

Management's Comments
We concur with the recommendation. Variance happened due to 2017 not properly reviewed which was a major challenge and affected 2018 balance. Review was actually done which lead to the difference for 2018.

Physical verification has been conducted for some assets classes already for 2019 and will continue to be for other asset classes as well. Review on the fixed asset register will be conducted for 2019 under internal audit supervision.

7. Expiry of land lease agreements
During our audit work, we noted that the following land leases have expired:
- Hanger complex
- Single Quarters Henderson
- Gizo office

In the case of the catering building, we note that the Company does not have title to the lease. The lease title is under the Commissioner of Lands. In the event of any dispute, the Company will not have sufficient evidence and legal documents to defend the case.

Recommendation
Management should ensure that all lease agreements are in order and the lease title should be in the name of Solomon Airlines Limited.

Management's Comments
Management had submitted all expired lease application for renewal. It is now awaiting survey and valuation assessment as per the Ministry of Lands and Housing Guideline requirements. The Land Trust Board will deliberate on renewal offer letter. This is a Government process so we are expecting it will take sometimes.

Revenue
8. Intact banking
Audit noted that there are delays in banking cash receipts. Section 3 of Finance Manual, Cargo Sales and Revenue Accounting Procedures state that "The cashier at each office banks all cash that has been collected early on the next day for the day's taking and summarises all sales documents on a Cargo Sales and Statistics Report at the end of each working day". For Passenger Sales, the prescribed procedures as per Finance Manual states the following "Each Cashier also prepares the daily banking at 4:00 p.m. each day, from the day's summary of sales. This summary includes all sales figures from 4:00 p.m. the previous business day to 4:00 p.m. that day".

Cash is the asset that is most susceptible to misappropriation and theft. Delays in banking increase the chances of loss of cash through misappropriation and theft.

Recommendation
We strongly recommend that management adopt prompt banking practice. Prompt banking practice would minimise such risks and maximise security of funds.

Management's Comments
Agreed. Solomon Airlines Offices and Agents with access to banking facilities adopt prompt banking practice. Doing banking on the next day however we do have some agents and branches who either have limited access to banking facilities do send the money to Honiara for banking.

9. Lack of controls in outer island travel agents cash / sales recovery

There is a lack of controls around sales by outer station travel agents. Based on discussions with management we understand that these agents gave unauthorised discounts on ticket sales and certain tickets were sold but no details of sale of such tickets were reported to Solomon Airlines finance team. Only after the ticket has been utilised and the staff at Solomon Airlines compared the sales to flown ticket, the unreported sales of tickets were identified. Further noted that the time-lapse in such reconciliations was usually a few weeks/months. These differences were charged to the agents but no action was taken to recover these balances.

There is increased risk of fraud in ticket sales from outer stations especially since no action is taken to recover the differences from the agents on a timely basis.

Recommendation
Audit recommends management to monitor the sequential numbering of passenger tickets to identify unreported sales by Outer Port agents. Furthermore, the transactional processing of sales and flown tickets should be done on a timely basis and variance be communicated and followed up with the respective agents.

Management's Comments
We concur with the recommendation. There has been a lot of improvement in this space with regular audit and awareness conducted by the internal audit department and Branch/Agency department.

10. Excess Baggage

We were unable to perform testing on controls surrounding excess baggage due to the following:

Excess baggage reports showing data of weights waived and paid could not be extracted from AMADEUS for selections which were more than three days old from the present day date.

As a result, there is no audit trail (report) for weights which were waived or charged for excess baggage available which can substantiate that revenue from excess baggage during the year was complete or how much revenue from excess baggage has been waived. In addition to the above, there is lack of monitoring of the controls surrounding waiver of excess baggage.

Recommendation
The lack of controls in terms of excess baggage could lead to loss of potential revenue for the business. Audit recommends target based incentives to be provided to check-in staff to ensure that such revenue is maximised.

Management's Comments
Point noted and is currently under review.

11. Duplicate Tickets

Through review of Flown Ticket listing and discussion with Solomon Airlines revenue team, it was noted that certain tickets have been utilised twice. These tickets have been identified by the Solomon Airlines revenue team and recorded in VECTIS upon flight manifest test. As these tickets have been utilized twice, the VECTIS system produced an exception report indicating the double utilisation of the same ticket.

Thus the staff manually adjusted and recorded the tickets as duplicate at nil revenue amounts. There were lack of controls upon loading of passengers and thus the duplicate tickets utilisation were only noted after flight uplift and reconciliation.

Due to the lack of control over ticket coupons, revenue on service provided are not collected and recorded. Hence loss of cash and revenue for Solomon Airlines.

Recommendation
Audit recommends the client to impose controls on ticket uplifts and any ticket utilised should be identified either via a stamp or other controls to avoid double utilisation.

Management's Comments
Agreed. Regular audits are being conducted by the internal audit and the Branch/Agency department to ensure accountable documents are process on time in order to avoid ticket abuse.

12. VECTIS to Greentree reconciliation

Audit noted that most sales/flown passenger and cargo revenue are booked in general ledger system (Greentree) through VECTIS. However, no reconciliations prepared and reviewed to ensure the completeness, accuracy and existence of revenue booked in Greentree.

In addition, audit noted that data from VECTIS are manually updated to Greentree, however there are no audit trail of checklists prepared or checks done to check that all data has been updated correctly or to ensure that no batch of data has been processed twice.

The above could result to misstatement in revenue balances.

Recommendation
Audit recommends management to implement control mechanisms in VECTIS to Greentree data uploading process. Management should additionally prepare reconciliations for each general ledger account to identify revenue booked through VECTIS, revenue booked directly in Greentree and accordingly adjustments passed due to interline transactions and other adjustments.

Management's Comments
Vectis Journals are posted by the Revenue staff and monthly reconciliations are done between Vectis and Greentree to ensure all revenue journals generated by Vectis are posted into Greentree.

Trade Receivables and Other Receivables

13. Accounts Receivable follow-up process

Based on review on aged debtors listing, audit noted a large number of receivable balances over 90 days. While these has been taken into account in the provision for doubtful debt assessment, audit noted that such ageing report was prepared after a lapse of 2-3 months. Follow-up with respective debtors on outstanding balances were not done on a timely basis. Furthermore credit-limits should be reviewed and proper assessment should be conducted before allowing to sell to a debtor on credit.

The above could lead to delays in recovering debts and potentially write-off of accounts receivable balances.

Recommendation
Audit recommends management to improve the revenue processing timeline and the accounts receivable reconciliation timeline and to ensure that timely follow up with debtors are performed.

Management's Comments
Agreed with the recommendation. There were some improvement in 2019 with revenue for the month cut-off date set on the 15th day of the following month and debts are uploaded on Greentree on a timelier manner.

14. Staff Debtors

It was noted that the SAL does not have a proper debt recovery plan to recover its debts from staff.

Furthermore, it was noted that certain portion of the amounts recovered from staff debtors has been in payable due to the Solomon Airlines not having appropriate receivable booked to offset the amounts recovered and there are deductions ongoing from staff given the circumstances. This indicates that the staff may not know about the over-deductions being made and potentially a labour law breach.

Recommendation
It is highly recommended that amounts receivable are appropriately booked and receipts are allocated to the correct debtor. It is also recommended that amounts owed by staff are reviewed and appropriate deductions made.

Management's Comments
Most of staff debtors are from staff sales shortages which are under investigation. Management is currently reviewing the process of how to address this through strengthening our reservation system.

Information Technology General Controls

15. No formalised documented IT risk, IT governance framework and IT strategic plan

There is no documented formalised IT risk and IT governance frameworks in place for IT. Further, we also noted that the IT strategic plan has not been formally documented to reflect the current IT objectives and operational environment.

Currently, the risk areas in IT such as IT security risks; IT operational risks are managed informally and on ad-hoc basis.

The company may also be exposed to potential IT and governance risks which may lead to the lack of clear ownership of responsibilities, inefficient decision making, and may cause disruption in the business activities dependent on IT. The company may be exposed to the potential IT risks which may cause disruption in the business activities, potential to fraud.

Further, IT strategic plan not formally documented for a large company may lead to the inadequate IT alignment to the company's business strategy, inefficient utilisation of IT resources, incur additional IT costs.

Recommendation
The company should consider adopting a standardised IT governance and risk management framework, which should be aligned with the company's corporate governance and provides a clear definition of the ownership of IT and the consistent approach for identifying, assessing risks and making risk conscious decisions.

Further, the company should also establish an updated IT strategic plan which should be aligned with the company's business strategy and IT reform. This plan should cover all the future IT requirements of the company and should be kept up-to-date.

Management's Comments
IT have implemented initial responses or action for these and is continuing to improve these processes and areas.

16. Absence of backup and restoration procedures

Data backup and restoration procedures are not documented. It was noted that there is no documentation on the data backup and restoration procedures. In case of unavailability of the key backup operators, the inadequate high-level documentation may result in incomplete or incorrect database backup process which may result in the restoration failure and loss of data during emergency or disaster scenario.

Recommendation
Detailed documentation of Data backup and restoration procedures should be developed to cover specific steps and procedures that would allow the IT staff to effectively carry out the process in an efficient manner. This documentation should list all details of backup and restoration schedule or frequency, data to be backed up, retention policy and storage and security of the backup media.

Management's Comments
Necessary setup has been implemented for this and kept weekly. This can be further reviewed as infrastructure becomes available.

17. Absence of firewall monitoring procedures

During our review of the network security, it was noted that the firewall logs and monitoring were not performed. Lack of baseline documentation and monitoring will result in not identifying unauthorized changes or changes needed to strengthen the security rules.

Recommendation
We recommend that all firewall baseline security to be monitored on a regular interval and logs maintained for audit trail. Further, all firewall rules including monitoring mechanism in place should be documented.

Management's Comments
Necessary setup has been implemented for this and kept weekly. This can be further reviewed as infrastructure becomes available.

18. Back up logs not available for back up performed

During our review of the backup testing, it was noted that there was no back-up logs available for the applications during the financial year. This increases the risk that in case of a contingency, restoration of date or programs is not possible due to the loss of data.

Recommendation
We recommend management ensure back-ups are performed to prevent any data loss and back-up logs are available to trail for any cancellation or unsuccessful back-ups.

Management's Comments
Back up logs available.

19. Data centre visit observations

During our visits of the Data Centre we made the following observations:

- Temperature and humidity control was not installed in the server room to monitor the room temperature.
- Smoke and Dust detector was not installed.
- The cables running from and to server were not appropriately organised and labelled.

The absence of temperature and humidity control may result in damage of server due to heat or humidity. This can also result in fire, hence not having smoke detectors can result in complete destruction of servers. The above may lead to a risk of unauthorized access to the backup tapes and potentially risk of damage and data manipulation from the back up tapes**.**

Recommendation
We recommend the following:

- **Company to install and put in place appropriate temperature gauge and smoke detectors.**
- **The Cables to be appropriately organised and labelled.**

Management's Comments
Tools and equipment needed to tidy up cable racks and smoke detectors have now been purchased and will be installed.

20. No uninterrupted power source for data processing system
Only the server is supported by the UPS system and no other department is provided with a backup power source. Such a system is necessary to avoid significant time delays in rebuilding the computer files if an interruption to power were to occur. The risk that these interruptions would lead to unnecessary delays in processing accounting information which in turn would cause delays and inefficiencies for the users of that information.

It has been noted during the 2018 financial year audit, that few UPS systems has been installed, however, there were still a number of desktop computers which required the installation of UPS.

Recommendation
We recommend that a separately dedicated power source, such as battery system, be installed, thus protecting the company from data loss, costly delays in processing payroll, management reports and other important information.

Management's Comments
Quotations for such have been provided to management for purchase but due to fund availability we have resorted to purchasing stand-alone UPS units a batch at a time.

21. Third party controls opinion – Amadeus
During our review of IT General Controls (ITGC), it was noted that for vendor-managed components of the Amadeus system, a third party controls opinion is not available to evidence the effective design and operation of key ITGC for financial year 2018.

Consequently, we were unable to gain ITGC comfort for IT domains below and the associated controls:

- Access to Programs and Data (Operating System and Database)
- Program Change Control
- IT Operations

Further, additional internal control areas to the above that might be operationally significant may need to be considered by management.

Without a third party controls opinion for vendor managed components of Amadeus system, ITGC comfort is not able to be obtained for financial audit purposes and therefore any associated business process controls (e.g. automated controls, calculations and reports) is unable to be relied upon without performing additional procedures.

Recommendation
A third party controls opinion report will provide Solomon Airlines Limited oversight on the effective design and operating effectiveness of vendor managed internal controls relating to the financial reporting, system's security, availability, processing integrity, confidentiality and privacy.

Management's Comments
Point noted and will action accordingly.

22. Access rights are not periodically reviewed

No independent review of the user access and administrator access accounts and activities over the key business applications like Greentree, Vectis etc. is being carried out by IT. This is currently undertaken on an ad-hoc basis. No assurance and audit trail on the user access control over the business applications and the domain. Any erroneous access controls may result in breach over restricted access.

Recommendation
Each of the applicable business department should periodically review the access levels and signoff as the confirmation of the applicability of the enabled users in the respective business applications.
There should also be periodic independent review of the user access rights or profiles of all business applications database.

Management's Comments
This is been agreed to be implemented and started.

Conclusion

The above issues did not have any material impact on the financial statements of the company for the financial year. Solomon Airlines is acknowledged for maintaining a clean opinion.

Chapter 5: Solomon Islands Broadcasting Corporation

Audit opinion

The financial statements of the Solomon Islands Broadcasting Corporation (SIBC) for the financial year ending 31 December 2018 were audited by this Office.

The Auditor General issued an unqualified audit opinion on the 2018 financial statements of SIBC as they gave a true and fair view of financial affairs of the corporation as at the end of the financial year. The financial statements were prepared in accordance with International Financial Reporting Standards.

Audit issues

The 2018 risk issues identified during the audit are summarised below.

Payroll

1. Employees' contracts not updated

Audit selected 11 samples of employees from pay periods five and perform test on their fortnightly salaries. Audit noted that nine employees' basic salaries were not matched to their employment contracts with a difference of $43,887 in total.

SIBC could be paying employees at an unapproved rates which could potentially lead to fraud and mismanagement of pay rates.

Recommendation

OAG recommends that the contracts be updated and filed to avoid such issues.

Management Response

Every transaction affecting payroll have source documents for auctioning by the Payroll Clerk. The only weakness here was source documents in terms of changes in basic salaries due to internal appraisals done every six months, upgrading of salaries after probationary period, etc. have not been placed at the appropriate files. However, comments have been noted for future improvement in the filing system.

2. Employees Resignations

Audit select three employees who resigned from the Corporation and further test if they followed the resignation processes. Audit was unable to locate copy of their resignation letter in their personal files.

Procedure and processes of resignations may not be followed and SIBC could potentially be paying employees that already resigned.

Recommendation

OAG recommends that SIBC establish proper safe keeping of documents for employees and is important.

Management response

Again, this was due to letters not being placed at the right folder. However, comments are noted for future improvement on the filing system.

Receivables

3. Provisions for doubtful debt (prior year issue)

Audit performed an assessment of the provision for doubtful debt and noted that there was no movement in the balances since prior year. According to the finance and administration manager, the assessment for ageing debtors was not performed in 2017 thus the same balances were carried forward to 2018. OAG further noted that the Corporation under provided for bad and doubtful debts. This is due to yearly (180 days) provision provided by SIBC. Therefore debtors with less than 90 days ageing have not been considered for provision as the corporation believes these will be recovered during the year.

Without timely assessment of ageing debtors indicates poor management over debt collection and therefore increases the risk of financial loss.

Recommendation

OAG recommends:

- **Consider revising the yearly (180 days) provision to 90 days; and**
- **Assess and monitor the recoverability of accounts in a timely manner so that follow up on trade debtors can be improved and corrective actions be taken at the earliest stage to reduce financial loss.**

Management response

Management has made provision for bad and doubtful debts in May 2019 for total amount of $634,650.00 and this was on debtors outstanding for one hundred and eighty days and more. While allowing for the provision for potential bad debts, management believes to recover close to ninety percentages of bad debts written off. Further revision will be done towards the end of 2019 and will capture debts outstanding from ninety days and more.

4. Trade Debtors

Audit noted that SIBC needed to strengthen it trade debtors' recoverability due to an increase from prior year of $1,824,205 to $2,171,340 this year. A Total of $347,135 was added to last year's amount.

These are potential money that SIBC needs to meet its current obligations during limited cash flow. This could also lead to bad debts not being aggressively collected

Recommendation

OAG recommends:

- **SIBC to strengthen its recoverability plans to recover the debt; and**
- **Encourage instalment plans from debtors.**

Management response

Your recommendation noted and the management as part of its implementation plan for recoverability of debts is dispatching series of reminder letters and negotiated and made

instalment payment plans for recovery from clients with long outstanding debts. The receivable balance as at 13/5/2019 was $1,475,684.80.

Conclusion

The above issues did not have any material impact on the financial statements of SIBC for the reporting period. Management needs to address those issues to improve the financial management system of the Corporation.

Chapter 6: Solomon Islands National University

Audit opinion

The Solomon Islands National University (SINU) financial statements for the year ended 31 December 2017 were still audited by this office by end of 2019.

Chapter 7: Solomon Islands Electricity Authority

Audit opinion

The audit of the Solomon Islands Electricity Authority (SIEA) accounts was outsourced to KPMG, Fiji under a five year contract agreement for the years ending 2018 to 2022. SIEA traded as Solomon Power (SP) during the reporting period.

The Authority's 2018 statement of comprehensive income, statement of changes in equity and statement of cash flows received an unqualified opinion as they gave a true and fair view of the financial position of the Authority and complied with International Financial Reporting Standards.

The Authority did comply with Section 14 of the State Owned Enterprises Act which requires audited financial statements and the auditor's report thereon to be presented to the accountable ministers within three months of the end of the financial year.

Despite meeting these achievements however, our audit also identified issues that required action and implementation. These issues did not materially impact the fair presentation of the 2018 financial statements.

Audit issues

2018 significant accounting and audit matters identified are described in the following sections of this report.

1. Overstatement of accruals

Tests performed over accruals as at 31 December 2018 noted an overstatement of accruals of $3.1m. This was due to invoices not appropriately matched to purchase orders when accruing expenses and subsequently making payments. Thus, transactions were expensed twice as there were open purchase orders at year-end for which services were rendered or goods had been received.

Overstatement of liabilities and expenses at year end. The financial statements however have been adjusted for the misstatement.

Recommendation
It is recommended that appropriate matching of purchase orders is performed when making payments. Open orders should be reviewed to determine status and ensure liabilities recorded are appropriate.

Agreed Management action
Management will ensure appropriate matching of purchase orders to payments, invoices provisions and accruals will be performed in Financial Year 2019 so as to mitigate the occurrence of these errors.

2. Meter disconnections not timely

Our testing of controls in the sales process noted instances whereby disconnection of customers' meters were not executed in a timely manner. We further noted that the monthly disconnection lists were not reviewed to ensure that all meters due for disconnection have been disconnected and no electricity has been used after the disconnection date.

Untimely disconnections could lead to increased customer debts which may not be recoverable.

Recommendation
It is recommended that meter disconnections be performed in a timely basis. Additionally, for each billing cycle the disconnections list should be reviewed by appropriate personnel to ensure meters have been disconnected. In case disconnection is not made, the reason should be explained and approved.

Agreed Management action
The above recommendation is noted and where practically possible, management corrective actions will be taken to mitigate the risk of attracting bad debts to SIEA.

3. Exception reporting to be performed

We noted that the billing system has capabilities to produce exception reports to monitor unusual consumption patterns or trends by customers. This can assist management in identifying anomalies with meter recordings such as abnormally low or high usage. Whilst the capabilities exist in the system we note that this exception reporting is not being fully utilized.

System capabilities are not fully optimized to enhance monitoring of business processes and controls and ensuring no significant leakages of revenue.

Recommendation
It is recommended that billing exception reporting be performed for each billing cycle and these reports be reviewed and analysed to identify anomalies.

Agreed Management action
Billing exception reporting will be generated for each billing cycle and reviewed and action taken if necessary.

4. Customer complaints process to be strengthened

It was noted that customer complaints data were not analyzed and reported on a regular basis to management and the Directors. The complaints were not analyzed to identify trends that could help to improve customer experiences, improve internal controls and processes.

Customer experiences are not improved; and
Process improvement opportunities are not known.

Recommendation
The Authority should implement a complaints management process ensuring that all complaints are lodged and registered and allocate adequate resources for this. In addition, management should ensure that personnel are held accountable for their performance.

Complaints should be reported to management and directors for feedback and actions, and the personnel involved in this process should be independent of the operational functions.

Additionally, customer complaints recorded should be analyzed to determine root cause, priority of complaints, actions taken or to be taken, etc in order to identify areas of improvement.

Agreed Management action
Management will implement a complaints management process, complaints are reported to management and Directors and detailed analysis of complaints received will be done with a view to improving business performance and customer experiences.

5. Asset revaluation reserve not transferred to retained earnings for disposed assets
As at 31 December 2018 the Authority had an asset revaluation reserve of $384m representing increases in fair value of items of property, plant and equipment.

When performing audit procedures over PPE, we noted when items of PPE were disposed, the corresponding revaluation gains in the asset revaluation reserve were not transferred to retained earnings.

Overstatement of asset revaluation reserve balance as at year end, however this has no impact on the net assets of the Authority.

Recommendation
It is recommended that management ensure whenever PPE is disposed, the corresponding asset revaluation gains be transferred to retained earnings.

Agreed Management action
Management will ensure that when PPE disposals are done, any applicable asset revaluation gains are routed through retained earnings to be compliant with IAS 16 Property, Plant and Equipment.

6. Regular review of user access rights
Our review of IT access controls noted that the Authority does not regularly review user access rights for the respective users of the various system applications of the Authority. User access rights are determined when granting access to the system, however these are not evaluated and reviewed regularly to ensure access levels remain appropriate.

Risk of unauthorised system access.

Recommendation
It is recommended that user access rights to SIEA's system applications be reviewed regularly (e.g. quarterly or annually) by the relevant line managers to ensure that users have appropriate and adequate access to the relevant system application in light of their roles and responsibilities.

Agreed Management action
Quarterly review of user access rights to all SIEA's applications will be done to mitigate the risk of unauthorized system access.

7. Whistle blowing policy to be implemented

SIEA does not have a formal approved Whistle Blowing policy that is available publicly. Such a policy could assist the Authority in identifying bypasses and potential unacceptable behaviour from customers and staff.

Revenue and other leakages not identified.

Recommendation
A formal Whistle Blowing policy should be approved and made available for the general public.

Agreed Management action
A formal Whistle Blowing Policy will be drafted and presented to the Board for approval and implementation.

8. Actuarial view of retirement benefit

Retirement benefits were introduced at the end of 2018, which included 2 year salary on retirement together with other entitlements dependent on years worked with the Authority.

An estimate was made of the provision by management and whilst there was no reliable historical data available due to the recent introduction of the scheme, we felt some of the assumptions may have been overly optimistic, e.g. 50% of employees with 10 years until retirement would leave before retirement, notwithstanding the forgoing benefit available.

Judgements used in performing the calculations may not reflect expectation.

Recommendation
Given the magnitude of the provisions and judgement involved with the calculation of the retirement benefit provision we recommend that an actuary be engaged to assist management in the assessment of the retirement benefit provision in determining the accuracy of inputs such as probability of personnel working until retirement, discount rates, etc.

Agreed Management action
IAS 19 Employee Benefits does not require an annual actuarial valuation of the defined benefit plan obligation. However, since the retirement benefit was implemented in late FY 2018, management will consider getting an actuarial valuation done in FY 2019 to aid in the validation of assumptions that were taken in recognizing the associated liability for retirement benefits in the financial statements. If not practically possible in FY 2019, the actuarial valuation will be done in FY 2020.

9. Stale cheques identified in bank reconciliations
We noted that whilst the bank reconciliations were prepared and reviewed on a timely basis, they included a number of outstanding cheques exceeding one year old amounting approximately $700,000. Majority of these outstanding cheques were for payments due to the Solomon Islands Tax Authority.

The effectiveness of the bank reconciliation is diminished when outstanding cheques are not investigated and followed up. Additionally, it increases the risk of irregularities and errors.
We would be surprised if outstanding payments to the Tax Authorities have not been settled.

Recommendation
We recommend that the Authority investigate any cheques outstanding for six months or more particularly those which involve tax authorities and which may otherwise result in penalties.

Agreed Management action
Management will make an assessment on all stale cheques outstanding for banking by various beneficiaries during financial year 2019 and take necessary action as required.

Update on emerging challenges

New accounting standards
IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) implemented effective 1 January 2018.

New leases standard – IFRS 16
Effective 1 January 2019. Balance sheet volatility, current operating leases may be shown on Balance Sheet. This standard is yet to be adopted.

Going Green
The Worldwide focus is on renewables.

Increasing customer base
There is still currently low penetration rate.
Making tariffs more affordable could increase the penetration rate.
Logistical and affordability challenges for the authority.

Efficiencies

Solomon Power has to continue to reduce technical, non-technical and collection losses.

Conclusion

The above issues did not have any material impact on the financial statements of Solomon Power for the financial year. Solomon Power is acknowledged for continuing to receive clean audit opinion.

Chapter 8: Solomon Islands National Provident Fund

Audit opinion

The audit of Solomon Islands National Provident Fund (SINPF) accounts is outsourced to PwC, Fiji under a five year contract for audit of the 2019 to 2023 financial statements. SINPF financial statements for year ending 30 June 2019 received unqualified audit opinion as they were found compliant with the International Financial Reporting Standards.

2019 has been a rewarding year for the Fund, as well as a year of change. There was an increase of 8.2% in interest income, flowing in from the Funds term deposits in credible financial institutions as well as from loans given to related companies and subsidiaries.

Rental income saw a decline of approximately 11%, owing largely to the major refurbishment works undertaken on the Anthony Saru Building commencing from the second half of the financial year. This also saw a significant increase in capital work-in-progress as at 30 June 2019.

The Fund made significant fair value gains on its equity investments, amounting to approximately SB$206 million, net of unrealised foreign exchange gains or losses. The Fund also made a fair value gain of SB$18.9 million on its investment properties with Anthony Saru Building and NPF Plaza contributing the most to this gain.

During the financial year, the Fund adopted the new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. Although the adoption of IFRS 15 did not result in any changes in the timing of recognition and measurement of revenue from the previous accounting standard (IAS 18), the adoption of IFRS 9 resulted in the recording of a total re-measurement gain of SB$2.811 million at 1 July 2018 specifically from the change in the measurement criteria of the financial assets, using the expected credit loss model.

In line with its five year strategic plan of achieving a strategic asset allocation between onshore and offshore investments, the Fund undertook equity investments in two new ventures namely, Loloata Island Resort (SB$29 million) in Papua New Guinea and Solomon Islands Submarine Cable Company Limited (SB$116 million). While there was adequate supporting documents to justify the purchase consideration for SISCCL, the same wasn’t available for the investment in Loloata. Documentation and information provided for our review was from the seller’s perspective as opposed to an independent view of SINPF.

The Fund obtained a new term deposit with BRED Bank (SB$30 million) during the financial year. It also purchased negotiable certificates of deposit (NCDs) in the Commonwealth Bank and the United Overseas Bank (SB$22.5 million) through Gilt Investment Pty Ltd, which is a broker in Australia.

The Fund achieved a profit of SB$302 million in the current financial year, which is prior to interest declared. Interest will be declared by the Fund on 30 September 2019.

Our key areas of audit focus were member funds, financial and non-financial investments, adoption of new accounting standards, interest income and receivable, IT general controls and disclosures in the financial statements. Specific attention was focused on the Fund's investments and the required accounting treatment.

Overall, the audit proceeded smoothly, with management being proactive in attending to our queries. However, there is room to improve the reconciliation process throughout the year for a number of investments.

Audit issues

Issues identified in the SINPF June 2019 financial statements audit are summarised below.

1. Accuracy and completeness of member contributions

The Member Registration Form which is used by employers to register their employees with SINPF and Form A which is used to make payments on behalf of members do not contain any field which stipulates the base salary for the member for whom the contribution payment is being made.

Recommendation
The Form As or member registration forms should be update to include a field for the member's base salary and a requirement should be put in place for members to ensure their details are correct in SINPF's records to ensure the appropriate amount of contribution payment is being made.

Management response
Recommendation noted for implementation.

2. Timely preparation of bank reconciliation

The Fund does not prepare its bank reconciliation on time which causes delays in review and may result in errors and irregularities not being identified and resolved in a timely manner.

Recommendation
Reconciliations should be prepared on time. Management should implement a policy which defines when and how frequently all reconciliations must be prepared.

Management response
Noted to strategies for improvement in FY2020. Resolve to weekly GL and Bank Reconciliation. Reorganise HR and tasks to enhance timely postings/Interface for timely bank reconciliation.

3. Monitoring of super-user transactions and activities

There is no monitoring of the transactions and activities for super-user/ administrator accounts by the Fund. This increases the risk of unauthorised changes being made accidentally or intentionally to programs and data files.

Recommendation
It is recommended that controls be developed and implemented to monitor all the super-users/administrator accounts' activities and transactions.

Management response
Noted and agree with the recommendation. An authorisation change request form will be designed, as well as a process will be created to ensure all changes done by super users are documented, authorised and monitored. This recommendation is currently part of the draft IT Policy which will be tabled to Management, IT Sub Board Committee and Board for approval.

4. Investment property additions

Several instances were noted whereby the invoice for investment property Work In Progress additions had been received prior to 30 June 2018 but the addition was recorded in FY19.

Recommendation
All investment property additions should be reviewed and recorded in the correct accounting period.

Management response
Related to budget limitations where project budget is fixed for the FY. Rollover of invoice was a one of decision. Invoices are time bound due to shipment times and does not necessarily mean it's used. Strategy going forward - splitting projects by separate GLS for WIP for tracking purpose.

5. Unidentified ques

There are unidentified deposits awaiting clearance and unmatched entries between PFMS and Pronto due to untimely interfacing, as was noted from review of bank reconciliations. This implies that cash is not recorded on a timely basis and management is unaware of the movement of cash.

Recommendation
Management should clear all unidentified ques for the respective bank accounts on a timely basis to ensure that all ques are identified and recorded correctly.

Management response
Recommendation noted for implementation.

6. Documentation around management judgement for investment decisions

There needs to be preparation and retention of adequate supporting documents when it comes to investment decisions. For instance, feasibility studies, recent valuations and basis of purchase consideration needs to be maintained to reflect considerations undertaken before making investment decisions.

There was also lack of information on the investment decision regarding property refurbishment to ensure it was worthwhile to spend the money (that is, project justification) and lack of project cost monitoring.

Management response
This is the current practise however recommendation for improvements in the areas highlighted and noted for implementation.

7. Monitoring of compliance with Fund's investment policies

As the Fund is essentially an investment entity, it is important for all investments to be reviewed regularly. We would encourage the investment team to perform strategic reviews of all investments at least annually, to ensure each investment is meeting the Fund's investment criteria and to conclude on decisions such as hold, exit, expand or further invest. This could be done on an individual investment basis as well as an investment category basis. All new investments need to be analysed to ensure that they meet investment performance requirements.

Management response
Currently done on a quarterly and annual basis to ICC and BOD.
Recommendations noted for implementation.

8. Outdated rental agreements

There were several instances whereby the rental agreement with tenants were outdated and had not been renewed. Some examples are South Pacific Oil (expired 1 June 2017), Embassy of Japan (expired March 2017) and Bank South Pacific (expired July 2017).
Outdated rental agreements may result in possible conflicts regarding the terms of the agreement as well as under or over-charging of rent each month.

Management response
1. SPOL lease has been renewed for level 3 at a new rate.
2. Embassy of Japan – gave notice and vacated the property in 2017
3. BSP lease is valid for 5 years starting 1 Nov 2017 – 2 Nov 2021
Renewed strategy is tenant discussions for tenancy renewal will be within 2-3 months out prior to expiry with conditions of full settlement of account.

9. Quality of reconciliations

Proper reconciliations were not maintained for a number of investments. These include loans and advances (where incorrect balances were used for interest computations), term deposits (where no records are maintained of matured term deposits), treasury bills (where matured bills were still part of the year end balances), other receivables and staff loans (where the listing did not reconcile to the trial balance), capital work-in-progress (where there is no allocation of CWIP by project and/or asset class) and property, plant and equipment (where a consolidated fixed asset register is not maintained and additions listing for the year did not reconcile to the movement schedule.

Management response
Issues noted for immediate remedial action

Chapter 9: Solomon Islands Postal Corporation

Audit opinion

The financial statements of the Solomon Islands Postal Corporation (SIPC) for the financial period ending 31 December 2018 were audited by this Office. The audit is yet to complete.

Chapter 10: Solomon Islands Ports Authority

Audit opinion

The audit of Solomon Islands Ports Authority (SIPA) was outsourced to KPMG, Fiji for the 2017 to 2021 financial statements. Unqualified audit opinion was issued on the financial statements of the Authority for year ended 30th September 2018 in accordance with International Financial Reporting Standards.

The Authority did not comply with legislative requirements that audited financial statements to be submitted to the responsible Ministers before 31 December of the same year to which the financial statements relate. The signed statements were presented to the Auditor-General on 22 March 2019.

Audit issues

The details of significant issues identified during the 2018 SIPA financial statements audit are summarised below.

Human Resources

1. Non-compliance with Labour Act

Section 13, subsection (5) of the Labour Act stipulates that in case where an employer requires an employee to work a total hours (including hours of overtime) exceeding 57 hours in any work week or 228 hours in a month, approval of the Commissioner of Labour must be obtained.

Accordingly, we noted an employee worked a 12 hour shift thus on a weekly basis an employee would have on average worked 60 hours. This may require the Authority to seek approval from the Commissioner of Labour for hours worked by employees in excess of 57 hours. Our testing and inquiries with management revealed that no such approval had been sought during the year.

Failure to abide with the requirements of Labour Act may lead to potential fines and penalties for the Authority. Additionally, there could be negative implications on the Authority's reputation.

Recommendation

We recommend that management ensure and monitors that the Authority is in compliance with relevant laws and regulations and necessary approval obtained as dictated by those laws and regulations.

Any non-compliance to any laws and regulations should be highlighted to the directors.

Management Response

Management noted

Will look at how it can best utilize it's labour by applying the most cost effective and efficient work method that operates within the Labour Act.

2. Long Service Leave not approved by the Board

We noted that amendments to the Long Service Leave policy was made during the year that were not approved by the Board of Directors. The policy precisely entitled staff to long service leave after 5 years of service. However, they were not entitle to take this leave. Management approved the staff to take Long Service Leave after 5 years of service during the year without Board approval.

Policies that are not approved by the board could result in irregularities.

Recommendation
We recommend that any amendments to policies are approved by the Board of Directors.

Management Response
Management noted

Corporate Governance

3. Review of board of director entitlements

Our review of Directors' fees and other travel allowances (e.g. perdiems) entitlements noted that these are significantly higher to that of directors of other state-owned-entities (SOEs) in the Solomon Islands of similar size and nature and in the Pacific Island region. Total Directors fees and total allowances are $1,026,973 and $864,945 respectively for the 2018 year.

Furthermore, management was not able to provide us with relevant supporting documents to substantiate that the fees and other allowances have been approved by the relevant authorised personnel. Similarly, perdiems paid to management staff travelling also are noted to be generous.

There is a risk of negative public attention which could impair the Authority's reputation. Additionally, there is higher cost to the Authority.

Recommendation
It is therefore important that review of Directors fees and travel allowance paid to Board members and senior management should be performed to ensure that they are reasonable and comparable to other SOEs. Furthermore, management should ensure all approved memo or correspondence are properly filed and any fees made are in accordance with documented Directors resolution.

Management Response
Management noted
The Director fees and travel allowances were approved by the Minister.
Management also noted other issues raised and will address those.

4. Internal audit function require strengthening

The internal audit (IA) department comprises of only one staff. During the year only two internal audits were conducted and completed. Some of the significant areas of the Authority include monitoring and management of procurement, revenue assurance, information technology, accounting and finance which have not been reviewed by internal audit in recent years. From our review of internal audit reports we note that the audits are predominately compliance based rather than risk based.

The internal audit function should also be independent of management and report directly to the Board of Directors. Our review of the organization structure noted that the internal auditor reports to the Chief Executive Officer.

Assurance may not be provided on all key risks and/or the assurance that is offered may be superficial. Additionally, the internal audit function may not be prepared to deal with emerging risks if they do not have the necessary knowledge, training and experience.

Recommendation
There is an option for the Authority to co-source their internal audit function if there are resource and skill constraints. Management needs to evaluate the most suitable option and also ensure that the reporting lines for internal audit enforces the independence and objectivity of this function.

Management Response
Management noted
Management to ensure that the functions of the Internal audit office is fully independent and that will look at the possibility of the IA reporting directly to the board. Management also note the other recommendations raised.

Project Management

5. Capacity constraints for project management and monitoring

The Authority has multiple significant projects that are underway, such as the lighting project, terminal operating system project, pronto system project, pavement project, and others in the pipelines to commence in the upcoming months.

There is no dedicated project manager to oversee monitoring, reporting and evaluating progress against targets. This could raise significant risk to the Authority such as cost blow outs, delays and not meeting quality and standards.

There are lack of documented policies and guidance as who are the personnel responsible for not just managing the various projects but also monitoring and evaluating it. Additionally, the management also need to assert if they have the capacity, the resources and the necessary tools and skills to plan, execute, manage and monitor all the projects.

There is significant risk of disruption to its operations for instance timelines end up being stretched beyond project milestones, costs exceed budget allocations and resultant and reputation damage.

Recommendation
We recommend the Board and management identify and approve all of the projects to be done over a discrete time period (usually related to quarterly or annual budgets), which results in the commitment of a large pool of resources at one point in time. The alternative approach could be of focusing resources on only the highest priorities (which may require the establishment of stringent criterions for identifying prioritized projects).

Management Response
Management noted
The Engineering department has 4 Engineers and Management will work closely with the department manager so that any of them who suits the role is tasked as the project manager.

Management also take note of other points raised here. Management take note of that recommendation. Will in the future identify according to its operational needs and resources the order in which projects are priotised.

Finance
6. Cash and liquidity management function
The Authority has a significant level of liquidity and surplus cash which do not appear to be generating adequate interest income. This result in the Authority losing out on potential interest income from investment. This indicates the nonexistence of an effective cash management and liquidity management function.

As at 30 September 2018, the cash at bank balance was $170 million (2017:$170 million). We noted that the Authority has invested $61 million (2017: $31 million) worth of fixed deposits in the current financial year. The Authority should consider investing more in fixed deposits to maximise returns. For instance if additional $40 million had been invested with BRED Bank at similar yield it would had generated additional revenue of $800,000.

We also noted that management did not negotiate for higher interest rate on deposit placed. For instance, if management were to exercise their purchasing power to obtain additional 2% on their $20m term deposit with BRED Bank, it would had generated additional yield of $400,000.

The Authority is not manoeuvring its interest income and accordingly forgoing potential income.

Recommendation
Excess liquid cash should be invested in higher yielding interest rates. The Authority should also prepare an accurate forecast of its cash flows to determine the cash to be held to fund short term commitments and place idle cash in investment products to earn income.

We recommend that the Authority should negotiate interest rates for term deposits in order to ensure the maximum possible return from an investment portfolio or find alternative investment with a better yield.

The Authority should establish an effective treasury function whereby it properly budget the Authority's cash flow requirements and set aside the required amount of cash to cover short term commitments as and when they fall due. Any surplus or idle cash is invested in higher earning investment opportunities.

Management Response
Management have invested around $60 million in FTD and have negotiated to earn higher returns as compared to last year on its investment especially with Bred Bank. Furthermore, whilst SIPA have surplus liquidity, it is also very cautious not to invest in financial institutions that does not meet the minimum credit ratings.

Revenue and Receivable

7. Allowance for Doubtful Accounts – Review for Adequacy Required

Management does not currently utilize a systematic method to determine the adequacy of the related allowance for doubtful accounts. A one-time review of the collectability of accounts receivable is performed at year-end.

Lack of periodic, systematic reviews of the accounts for collectability would result in a sudden increases in the allowance. In addition, management accounts may not be reflecting the correct bad or provision for doubtful debts.

Recommendation
Standard procedures for the periodic review of accounts receivable should be established and documented. The procedures should include consideration of the aging of the balance and payment history. Guidelines for reserve percentages should be established to facilitate the review. In evaluating the allowance, consideration also should be given to the impact of such factors as the economic environment, credit conditions, account mix, and change in credit practices.

Establishing and implementing standard review procedures will result in a more accurate estimate of the allowance for doubtful accounts and improve periodic financial reporting by providing management with a consistent method of performing the review of accounts receivable.

Management Response
A monthly or quarterly review of accounts receivable is to be constantly undertaken as stated in the Accounting Policies and Process manual. Also SIPA currently is going hard on customers who have arrears refusing to provide port services to them until they settle their accounts.

8. Product/pricing analysis to be performed

We understand that a formal and detailed product and pricing analysis are not performed. This is considered an important exercise for the Authority as it will determine the appropriate prices which must be charged for its services.

A formal product/pricing analysis will enable management and the Board to identify which revenue line items are the most profitable on a gross basis or which are generating losses, and enable them to make better pricing decisions.

There is a possibility that the prices set by the Authority for their services may not be optimal prices, which in-turn may result in a loss of revenue due to better or cheaper alternatives for customers.

Recommendation

Management should ensure that detailed product analysis is carried out by the Authority to help ensure prices set are at optimal levels.

Management Response

Management from time to time will perform pricing analysis on revenue streams that it think it does not receive maximum benefit from as a result of the provision of services.

9. Review of tariff schedule for current rates

Our review of internal controls over revenue and receivable process noted that tariff rates for services provided to local vessels namely, Wharf cleaning, Environmental fee and use of fresh water are not stipulated in the approved and gazette rate schedule of the Authority.

The Authority could expose itself to dispute with customer causing reputational damage. Furthermore, the financial statement may also be misstated as revenue may not be recorded appropriately or there could be revenue leakages.

Recommendation

It is recommended that management should consider to update the "Extraordinary Gazette" to reflect the current rates charged.

Management Response

SIPA according to its Act can charge for its services from time to time. The gazette is mainly for ships charges as these are its main core business. Management however will raise an extraordinary gazette not only to include the ones raised here but others as well.

Cash and cash equivalent

10. Segregation of duties between cash receipting and banking

During our review of the internal controls over cash receipts, we noted that the cashier is responsible for accepting and depositing the funds, and subsequently updating the cash receipts listing and accounts receivable detail. Additionally, as per Authority's policy all cash received must be banked intact daily. From our internal controls testing we noted that all cash received was not banked on a daily basis. Significant time lags were identified in some instances.

Internal control is most effective when the custodial, access, and record keeping functions related to the cash receipts cycle are segregated.

Recommendation
We recommend that an independent individual prepare a listing of all cash received. Such a listing could be used to compare the actual cash deposit and the cash applied to accounts receivable. This procedure will help assure that all cash received has actually been recorded on the general ledger, properly applied to accounts receivable, and that all cash received has been deposited in the bank.

Management Response
Whilst the segregation of the roles at cash office was already in place, Management will further ensure that the roles are not only segregated but also performed by different persons on a continual basis.

Purchases

11. Control deficiency in approval of purchase orders

During our review of internal controls over procurement and purchase process we noted instances where purchase orders were raised and approved after the Authority was invoiced for the goods purchased.

The issue could indicate lack of transparency and could give rise to the risk of irregularity and fraud, significant wastage of funds and no value for money.

Recommendation
We recommend that management should enforce the purchase order requirement and ensure necessary approvals are sought prior to making a purchase as the purpose of this control is to prevent potential misstatements relating to procurement. Furthermore, when approving purchases, management should also ensure that the required number of quotations are obtained and attached to the purchase orders.

Management Response
Management to ensure that the procurement processes as stipulated in the Financial Manual is followed at all times.

Property, Plant and Equipment

12. Leasehold not recorded and amortized

Our review of the fixed asset register (FAR) noted the following anomalies:

- Leasehold acquired and recorded in the Authority's FAR are not being depreciated over the term of the lease; and
- We identified 5 leasehold land that had been acquired in prior year and was not recorded in the Authority's books.

The financial statement is misstated as the Authority's total assets are understated. Additionally, lack of diligent review of fixed asset reconciliation and monitoring of their assets could lead to irregularities or misuse of the Authority's assets.

Recommendation
We recommend that management perform a review of all their properties and ensure they are complete and appropriately recorded in the general ledger and fixed assets registers.

Management Response
Will perform a review and update the FA register accordingly.

13. Review of assets for impairment

Our review of property, plant and equipment noted that the Authority had not performed a review of the carrying amount of the assets at balance date to determine whether there is any indication of impairment.

The absence of such review raises the risk that the recoverable amount of the Authority's asset may be overstated.

Recommendation
Management should review the carrying amount of the Authority's asset at balance date to determine whether there is any indication of impairment. If any such indicators exist, the assets recoverable amount is to be estimated. An impairment loss is to be recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Management Response
Management will consider performing an impairment test on its assets to determine if there is any indication of impairment.

Other receivables

14. Transfer of deposit on assets to property, plant and equipment

Our testing of the Deposit on Assets general ledger identified that pre-payments made in prior year in relation to procurement of plant and machineries had not been transferred to the fixed asset register (FAR) in spite of the items had been received and made available for use. Another instance was noted when a 3 TON Hyster Forklift H3 was received and made available for use from February 2018 but it only commenced to be depreciated from July 2018. The above suggest that the reconciliation review process may require strengthening.

Inadequate level of scepticism applied to review of account balances could result in errors or irregularities not being detected and corrected in a timely manner and the financial statements could be misstated.

Recommendation
The Authority should examine and strengthen its review process to minimize the risk of errors and risk of fraud. A framework to strengthen the monitoring and oversight of the reconciliation process should be implemented.

It is also recommended that management ensure that appropriate depreciation rates are applied to assets and that management review and check that the FAR is complete.

Management Response
It will make sure that assets once fully purchased and made available for use be transferred to FAR and start its depreciation accordingly.

Trade Payables
15. Revaluation of foreign payables at year end
IASS 21, "The Effects of Changes in Foreign Exchange Rates' requires all foreign currency receivables and payables be revalued at balance date using the spot rate and gains or losses on revaluation to be recorded in profit or loss."

Our review of the trade and other payable reconciliations as at year-end noted that the liabilities payable in foreign currency are not retranslated using the exchange rate prevailing at balance date, however the impact of this was not considered material for our audit.

The financial statements could be potentially misstated if payables are not appropriately revalued at year-end.

Recommendation
Management should ensure all foreign currency payables are retranslated at balance date at the exchange rate prevailing on that date.

Management Response
Whilst it may not be materially relevant for our audit, any overseas payables will be translated at the prevailing rate at that time.

Unresolved prior year issues

Revenue
1. Invoicing process to be strengthened
Our review of the process and testing of controls over creating, recording and posting of sales invoices and credit notes noted the following anomalies:

- Segregation of duties not defined in the system

We noted that there is no segregation of duties between personnel creating, approving, posting and deleting invoices and credit notes in the XERO system, which is SIPA's financial reporting system, since the access levels in the system are not defined. Furthermore, it was noted that there is no evidence of review of invoices by management prior to it being issued to the customers.

- Ability to edit tariff rates in XERO

Our testing of invoicing function revealed that the personnel creating invoices have the ability to manually edit tariff rates in the system. Rates are uploaded in the system based on the respective service types and are fixed as per the gazetted rates. However, we note that the system does not prevent users from editing rates when invoices are raised.

- Incorrect rates charged

Vessels which dock beside another vessel (tier) are charged different rates and not the standard rate of $0.75 per hour for berthage. The rate at which it should be charged is usually $0.375 (half of the standard rate). However, as noted for these two invoices there are different rates charged: INV70069 $0.55 and INV63051 $0.75.

- Errors in manual calculation

It was noted that there was 1 instance found of incorrect manual calculations on the invoices. INV-63218 - 1 error in manual calculation whereby the quantity for berthage - foreign vessel anchorage per day was incorrectly calculated at 2,866.496 instead of 2,897.28.

Susceptibility to risk of fraud and manipulation of revenue increases as a result of lack of segregation of duties and undefined access to the billing module;
Susceptibility to risk of error increases with inadequate review process and record keeping; and
Noncompliance with approved tariff rates.

2018 financial statements audit update

We noted management's comments to prior year management letter but our review of the Xero system during the audit identified that the system does not limit a person to post invoices and the same personnel to subsequently raise a credit note to reverse the invoices. Hence, the matter is still unresolved.

Recommendation

- **Segregating of duties in the invoicing process should be implemented;**
- **System access controls should be implemented to reduce the risk of unauthorized changes;**
- **Review and monitoring controls should be enforced to ensure accuracy of invoices generated; and**
- **Supporting documents should be appropriately filed.**

Management Response

The introduction of the Pronto system which will become live in April 2019 will help mitigate those revenue risks.

Personnel Expenses

2. Lack of stringent controls over payroll process

The following deficiencies were noted from our review of the payroll process at the Authority:

- No segregation of duties defined in the system

We noted that the payroll master and assistant paymaster who are responsible for payroll processing have super user access to the payroll system (UNIX). The pay master is able to add, edit, update and delete employees in the system. It was further noted that changes made to employee data in the system is not reviewed or approved by an independent personnel. The pay master also has access to edit pay rates for employees in the system.

- No review of payroll reports and lack of variance reporting

Payroll reports are not reviewed by a senior personnel to ensure accuracy of pay run.

- Fictitious employees could be added to the payroll;
- Without independent verification, there is a risk that changes could be entered incorrectly and also not detected;
- Unusual pay run variances could be undetected.

Recommendation

- **The responsibility of maintaining employee master data should be segregated from the payroll process. The HR department should be responsible for performing this function;**
- **Payroll reports should be reviewed by someone independent of the payroll process;**
- **The Authority should consider variance reporting to compare pay runs and investigate any unusual fluctuations in remuneration from one pay run to another.**

Management Response

A process has already put in place to address this and management must ensure that the process is followed all the time. The Pronto system payroll when it comes live will help solve these issues as well.

2018 financial statements audit update

During our review of the Human Resource process we continued to note that the paymaster still have access to adding and editing employee records. Additionally, we also noted that the payroll reports were not reviewed during the year.
Hence, issue is still unresolved.

Corporate Governance

3. Missing Board Minutes

We note that the authority has a full time Board Secretary and neither hard copy nor soft copies of board minutes were made available to us. We are not aware how the minutes of the previous meetings were rectified or approved if they are not available. The minute book acts as a primary source of reference in the event of dispute or miscommunication. Minutes serve as proof of active and informed deliberation by the Board and they demonstrate courses of action considered by directors.

They document the decision-making process, briefly showing what was considered, what was authorized and who was responsible for the approved action. Additionally, minutes show that the Board acted in the best interest of the Corporation, in good faith and took reasonable steps to prevent harm (proves due diligence, due care).

This issue was also noted in the 2016 and 2017 financial years whereby no record of Board meeting minutes were available. This matter is considered to be a significant weakness in the Governance and affairs of Board administration.

Without Board minutes, there will be no record of decisions made or matters considered at the meeting. It increases the risk of irregularities and error especially in a Corporation that does not have a documented delegation of authority and finance manual and policies.

2018 financial statements audit update

We noted that for the financial year there were no Board minutes available for our review except for November 2018. The matter is thus still unresolved.

Recommendation

We recommend that all Board meeting minutes are located, properly filed and endorsed and executives and Directors take appropriate action to ensure that this matter is rectified.

Management Response

The new board will hopefully ensure that the board secretary do keep minutes of all board meetings.

Strategic planning

4. Revenue assurance function does not exist

Our review of the processes and procedures surrounding the revenue cycle of the Authority highlighted weaknesses in the revenue assurance process. The assurance over the completeness that all revenue is brought to account cannot be ascertained due to weak processes. There are no analysis or checks to ascertain the level of revenue to be brought to account.

We noted the following:

- There are no processes to ensure that amounts that are recorded as cash or debtors are reflective of all revenue transactions taking place. The process is non-existent and the process is not documented. The Authority heavily relies on manual data processing and there is high dependency on flow of manual documents in the capturing of all transactions.
- No revenue assurance review has been performed over the revenue balance to provide comfort that omissions are minimized and irregularities are identified.
- There are no operational reports provided to finance on a periodic basis which can be used to develop revenue expectations and compared to actual revenue recorded.
- The control environment and accounting conditions in existence, prevented management from accurately estimating the cost associated with particular contracts, which contributed to the poor performance. It is noted that the Authority has several stream of port activities which generate revenue. The job costing performed at a revenue stream level would provide management with an indication of the profitability of the activity and help identify any leakages which may be prevailing.

The absence of a revenue assurance function may lead the financial statements to be over or under stated due to error or susceptible to fraud.

2018 financial statements audit Update
This issue remains unresolved as of 30 September 2018.

Recommendation
Management should consider implementing a revenue assurance function to ensure that there are no leakages of revenue. Management should consider performing job costing on an activity level.

Management Response
The introduction of the Terminal Operating System will ensure that there is completeness in data capturing which will result in all revenues being accounted for. The Terminal Operating System will fully come live by March 2019.

Trade receivables
5. Debt management to be improved
We noted that there is no robust strategy over debt collection and there is also lack of follow ups done to recover these debts. Instances were noted where debtors with long outstanding balances are continuously granted additional credit.

2018 financial statements audit Update
As of September 2018 debts over 3 months of debt amounting to $19.3m (38% of the total trade receivable balance of $50.5m) was outstanding. It was further noted that the debtors turnover continue to deteriorate on year-on-year basis. In FY 2016 debtors' turnover was 46 days. This increased to 57 days in 2017 and 72 days in 2018.

Increased risk of possible bad debts due to non-collectability of debts.

Recommendation
- **It is recommended that the Authority should develop regular follow up procedures to ensure timely collection of debts; and**
- **Debtor credit limits should be established and monitored and credit should not be granted in excess of limits.**

Management Response
A tripartite committee comprising of the Security, Harbours and Finance is formed with the purpose of recouping all arrears owed by customers. Customers who have arrears/outstanding accounts with SIPA will not be provided Port services.

Expenditure
6. Supplier contracts not managed appropriately
The Authority engages with various suppliers and service providers who provide goods and service to the Authority over a period of time at agreed prices and rates.

It was noted that SIPA does not maintain a register of all the contracts that it has entered into with suppliers and service providers. Instance were noted where the Authority was not able to provide a signed contract with an insurance broker and for catering services outsourced by the Authority. Discussions noted that most of these arrangements were verbally made with the service providers.

In the event of litigation against the Authority, it has the risk of not adequately defending itself due to lack of documented agreement. There could be cost overruns due to failure to monetise supply agreements; scope creep and quality failures; and loss of bargaining power.

2018 financial statements audit Update

This issue remains unresolved as of 30 September 2018. Management advised in prior year to introduce 'supplier registration form' to be completed by potential suppliers however no such forms have been noticed to be in use.

Recommendation

The Authority should ensure that all significant supply arrangements should be formalised in a contract to ensure that appropriate terms and conditions are agreed to protect the interest of the Authority in case of non-performance.

Management Response

A supplier registration form have been completed by suppliers and it will be maintained to ensure that SIPA interest is protected.

Procurement and tender

7. Ineffective procurement and tender process

Procurement and tender process is an extremely important process for SIPA as it undertakes various scales of procurements due to the nature of its operation. We noted the following weakness in the internal control and process:

- There is lack of a formal procurement and tender policy. This includes the end to end process from requisition approval, purchase order approval, goods received, payment authorization for capital expenditure;
- Lack of effective procurement planning to establish the needs for projects, goods and services; and
- Lack of "cost benefit analysis" performed and limited use of "business cases" by operations to support significant procurement.

We also noted that the procurement committee is not involved in the review and approval function particularly in regards to the higher end costly heavy equipment prior to approval by the Board. These are often handled by the Board members.

The above issues could indicate lack of transparency and could give rise to the risk of irregularity and fraud, significant wastage of funds and no value for money.

2018 financial statements audit Update

Unresolved. We note that the above issues continue to exist.

In our inquires with management, they asserted that a cost benefit analysis and proposal/bid evaluation were performed for the new system (Pronto) purchased during the year, however, a copy of these reports could not be provided for our review.

Recommendation
The Authority should urgently develop a robust tender and procurement policy that is suitable for the operation and nature of its business. This should also entail an end to end review of the procurement function and the identification of gaps in the entire process. The procurement policy should be developed taking into account the procurement committee role and responsibility in accessing and approving submissions provided to them. Following, this approval the recommendation should be forwarded to the Board for their consideration and approval. We recommend that proposals should not be considered by the Board without being vetted and approved by the procurement committee first.

Management Response
A SIPA accounting and procedures manual is been approved by the board including a Procurement and Tender processes which forms part of the document.

8. Lack of documentary analysis and use of broker

An overseas procurement broker is used by the Authority to purchase a broad range of goods and services from specialized heavy machinery for wharf operations to other general items. In relation to the procurement of heavy machinery and other specialised equipment, specialised skills, technical knowledge and experience is required by the broker to make informed assessments. Documentary evidence on the selection process and analysis of the Broker's experience, qualification and suitability for procurement of the broad range of goods and services was not available. There is no documentary evidence to assess that the broker possess the required skills, experience and knowledge to make recommendation for the purchases of specialized machinery.

The analysis and the review of the machinery and equipment that was recommend by the broker disclosing the quotation obtained was not available to us. Lack of documentary evidence of the criteria for the selection of supplier of goods and services increases the risk of lack of transparency and potential irregularities.

2018 financial statements audit Update

This issue remains unresolved as of 30 September 2018 however there was a freeze on major capital purchases such as machineries from February 2018.

Recommendation
A review of the end to end process and procedure for procurement of all machinery, goods and services should be undertaken to ensure that:

- **Proper needs requirement has been undertaken;**
- **Documentation in the selection assessment and recommendation is made by involving the procurement committee;**
- **The Board should approve procurement based on recommendation of management and the procurement committee;**
- **The appointment of any agent or broker of the Authority should be properly documented and assessed by management based on a matrix and set of criteria such**

as skills, experience and knowledge, reputation relevant to the area of operation . This should be presented to the Board for approval;

- **The governance surrounding the procurement process and procedure should be undertaken to identify gaps in the process and procedures; and**
- **A comparison of costs of items purchased from the Broker to that could have been procured directly by the Authority should be undertaken occasionally.**

Management Response
SIPA no longer had ties with the broker.

Corporate Governance

9. Key policies and procedures are non-existent

Policies and procedures for the key processes for SIPA is not only critical but fundamental to the effectiveness and efficiency of activities carried out. We noted that the key policies for SIPA are non-existent and this is a serious concern considering the nature and significance of its operation and the volume of transactions.

Instances of significant breaches in the norms due to the lack of an effective procurement and tender processes were noted in the previous financial year.

- Lack of a formalized 'delegation of authority' for authorization of tenders, procurement and payments has resulted in unauthorized transactions which gives rise to significant losses and higher risk of irregular and fraudulent activities;
- Lack of a project and asset management policy resulting in wastage of resources, poor delivery, increased cost overruns and high risk of irregular activities; and
- Lack of effectiveness and discipline in the finance function partly due to the nonexistence of a finance policy. This gives rise to heightened risk of lack of timely and regular management reports, and the increased rate of errors and anomalies.

2018 financial statements audit update

We note that the above issues continue to exist. We note that draft policies have yet to be formalized and approved by the Board.

Recommendation

The Authority should consider developing the following policies as a matter of high priority:

- **Procurement and tender**
- **Delegated level of authority**
- **Fixed asset management**
- **Project management**
- **Finance**
- **Corporate governance**

The policies should be aligned to international best practices and suitable to the operations and activities of SIPA.

Management Response

The Financial processes and procedures manual has the procurement, fixed asset management and other policies incorporated in it. Management will ensure that those are followed and abided by.

Strategic planning

10. Strategic planning and management reporting

A key requirement in achieving success in attaining the goals and objectives of the Authority is the receipt of timely, relevant, and accurate financial information. Currently, management may not have all the information it requires to make appropriate long-term financial decisions as the monthly report provided to management are simplified and do not depict the conditions which are being experienced by the Authority. Areas that may be considered in the development of a financial plan include:

- Marketing strategy;
- Revenue forecasts;
- Capital budgets;
- Cash flow analysis;
- Information systems; and
- Segment reporting.

2018 financial statement audit Update

Unresolved. We note that the above issues continue to exist.

Recommendation

We recommend the Authority consider developing a strategic financial plan. Such a plan would:

- **Provide an overall sense of direction for the business;**
- **Coordinate efforts of internal functions;**
- **Provide a basis for control and monitoring of actual performance; and**
- **Provide contingency plans for changing conditions and major deviations from plan assumptions.**

Management Response

Management noted this recommendation and see the benefits to SIPA by having a financial plan.

Project management

11. Project and contract management function to be strengthened

Project management is a major process for the Authority. The Authority engages in major capital projects and it is imperative that best practices for project management are implemented. The Authority also engages with third parties for hiring of equipment and services. We noted the following in connection with the processes for project and contract management.

- Lack of formal policies, processes and systems over project and contract management;
- Ineffective documentation and monitoring of contractors;
- Ineffective reporting to Management and the Board;

- Lack of effective monitoring and evaluation and tracking of project costs, status and key outcomes;
- Lack of proper closure for projects and coordinating with the finance department for capitalization; and
- Lack of risk assessments undertaken during the phases of the projects.

These issues give rise to the wastage of resources, high cost overruns, poor project deliveries and high risk of irregular and fraudulent activities.

2018 Update
Unresolved. We note that the above issues continue to exist.

Recommendation
The Authority should develop a project management policy that suits the operation and nature of its business. This should also entail an end to end review of the project management function and the identification of gaps in the process. Furthermore, the following should also be considered:

- **Robust project management reporting template;**
- **Proper closure of project after completion and coordination with Finance; and**
- **Risk assessment around project including development of a project risk management policy.**

Management Response
Management will take on board those recommendations

Finance
12. Finance function needs to be strengthened
We noted that the finance function is not effective due to a number of key factors:

- There were a number of issues highlighted over the reconciliation function:
  - Reconciliations not reviewed on a regular basis;
  - No overriding framework to manage the reconciliation process. Consequently, this gives rise to the lack of effective oversight and monitoring;
  - Inadequate level of scepticism applied for account reconciliations (preparer and reviewer). Accordingly, it gives rise to higher risk of errors and anomalies;
  - Payroll reports are not reviewed prior to posting from payroll system to the general ledger;
  - It appears that there is a lack of relevant skills and expertise amongst the finance team and there is an opportunity to enhance these attributes;
  - Lack of effective training and development programs for the finance team; and
  - There is an apparent lack of direction, guidance, support provided to the finance staff by a more senior staff or management.

2018 financial statements audit update
While some improvements have been noted in the quality of the reconciliation we consider the matter to be work in progress due to the level of scepticism applied by the preparer and reviewer of the reconciliations are not adequate due to matters highlighted throughout this report and due to number and value of the misstatements identified and corrected by management during the course of the audit.

Recommendation
The Authority should undertake to strengthen the finance section ensuring that:
- **All reconciliations are prepared on a monthly and timely basis;**
- **All reconciliations should be reviewed and signed off by a senior or management staff;**
- **A framework to strengthen the monitoring and oversight of the reconciliation process;**
- **Increased level of scepticism in the preparation and review of reconciliation to ensure that errors, unusual or overdue items are identified;**
- **Appropriate training needs analysis and training and development plan to be developed for finance team; and**
- **Management needs to provide regular and effective direction, guidance and oversight to the finance team to ensure that tasks are carried out effectively.**

Management Response
Whilst reconciliations are done throughout the financial year and reviewed, management to ensure that reconciliations are constantly done on monthly basis and reviewed monthly. Management will work with Training division to source relevant programs/courses to improve the skills level of the finance team. Manager Finance have been providing the guidance and direction to the team and he needs the support of his key managers to effectively run the finance function. Finance team will keep improving and take note of the point raised.

Corporate Governance
13. Nonexistence of the corporate governance framework
Having an effective corporate governance is essential considering the scale and the nature of operations of SIPA. This involves developing the framework to set out the structure, systems of rules and processes to govern and control the organisation. We noted the following matters:
- Nonexistence of a corporate governance policy for the Authority. The policy sets out the policies and guidelines to assist the Board in carrying out their duties and responsibilities;
- The key committees and their respective charters that outlines the purpose, objectives and responsibilities of the committees. For example, Audit and Risk committee, HR committee, etc.; and
- There was no policy to guide staff conduct and ethics. For example policies on code of ethics, conflict of interests, business judgement rule, fraud management and whistle blowing.

2018 financial statements audit update

Unresolved. We note that the above issues continue to exist. We note that draft policies have yet to be formalized and approved by the Board.

Recommendation

The Authority should strengthen corporate governance structure by:

- **Developing a corporate governance policy for the Authority;**
- **Develop the various Board committees and including the committee charters;**
- **Develop policies for code of ethics, conflict of interests, fraud management and whistle blowing.**

Management Response

Management will work closely with the new board and support the idea of establishing various sub-committees to bolster corporate governance throughout the organisation. Management with the support of the new board to ensure that policies are in place to guide staff ethics and conduct.

Human Resources

14. Human Resource function to be improved

Based on our review of the Human Resources ("HR") function, we noted that significant improvements is required over this process. This includes:

- The organisation structure has not been reviewed and aligned to the strategic direction, operations and activities of the Authority;
- There is an apparent lack of appropriate skills and expertise for key positions in the organisation;
- There appears to be a need for more direction, supervision and monitoring to be effectively provided by key officers;
- Lack of training needs analysis and training and development plan for staff;
- Job description and KPIs of key staff not reviewed and aligned to remuneration system;
- Working culture of the organisation requires significant improvement; and
- Lack of succession planning for key positions of the organisation.

2018 financial statements audit update

Unresolved. We note that the above issues continue to exist.

Recommendation

The Authority should implement immediate measures to address the matters raised with respect to the HR function as a matter of high priority.

Management Response

There is an organisational structure already in place and management will then work closely with HR to review it so that it is more align towards SIPA's strategic pathway. The Job descriptions have been done, now HR is working with all department heads in establishing their various KPI's. Estimated time to complete is March 2019.

Operations

15. Operational performance to be monitored and strengthened

Based on our review of the Operations, we noted that significant improvements is required over this process. These include:

- Lack of timely acquisition and replacement of new plant and machinery including the detailed technical and business case assessments prior to procurement were not available;
- Lack of schedule repairs and maintenance to be developed and complied with for plant and machinery;
- Setting of KPI for efficiency and continuous monitoring. For example, crane productivity (number of moves per hour vs. industry standards)
- KPI has not been developed for key areas of the business including:
    - Operational – vessel turnaround time, truck turnaround time, ship planning, rate of cargo handling damage;
- Skills and expertise – training plan, training modules, transfer of skills (secondment) and effective PMS; and
- Safety – staff training, safety and security procedures, protective equipment and safety systems.

2018 financial statements audit update

Unresolved. We note that the above issues continue to exist. We noted that the Authority is currently implementing a new system (Port Manager) to provide key reports.

Recommendation
The Authority should implement immediate measures to address the matters associated with operations.

Management Response
Whilst there may be adhoc schedules and monitoring of equipment performance and operational productivity done from time to time, management will work with respective department heads on these recommendations. Management from time to time send operational staff to upgrade their skills to relevant trainings not only in house but regionally as well.

Corporate Governance

16. Risk management and internal audit

Risk Management is a critical function for any organisation especially the Board and senior management. To sufficiently fulfil their duties, directors and management need to ensure that they are cognisant of the unique circumstances and potential legal, reputational, operational and financial risks that exists within their operations.

We noted that the Authority currently does not have a formal enterprise risk management ("ERM") framework. ERM is a systematic and structured approach to identifying, assessing and analyzing risks and to develop a response strategy. Furthermore, we noted that the Authority does not have an internal audit function. Internal audit function enables an organisation to carry out a detailed assessment of its processes, risks and controls to improve their efficiency and effectiveness.

2018 financial statements audit update
Unresolved. We note that the above issues continue to exist. We noted that an ERM framework and the Internal Audit Charter have been drafted. However, these have yet to be approved by the Board.

Recommendation
Management should develop a formal enterprise risk management framework. In addition, they should also consider setting up an effective and robust internal audit function.

Management Response
Management can either continue and improve on the ERM that was set up by KPMG in 2017 or do a new one. Management will take heed of the recommendation in improving the internal audit function.

Finance
17. Management reporting function to be developed
The quality of management information is pivotal to the decision making process for management and the Board. We noted that the Authority does not have a comprehensive management reporting process. The following matters were noted:

- Finance department produces a monthly profit and loss and balance sheet to management for review. There is a high risk that these reports are inaccurate as they are not completely reviewed.
- The 'non-financial data' available for revenue is not optimized as it is not appropriately analyzed. For example, vessel register and container register. This non-financial data could be integrated with the financial data to provide more useful and relevant reports.
- There are no separate reports for key revenue streams such as stevedoring, tonnage, handling, storage. The reports should include the revenue and the associated costs (depreciation, payroll, repairs and utilities) to determine the profitability of each revenue streams.
- The accounting system is not set up to enable the Authority to generate automated management reports to aid the decision making process.

2018 financial statements audit update
Unresolved. We note that the above issues continue to exist. We noted that the Authority is currently implementing a new system (Port Manager) to provide key reports.

Recommendation
The Authority should develop a robust and effective management reporting function. This should include implementing the appropriate tools, templates and systems to increase automation of the process and increase the accuracy and effectiveness of the reports. In addition, there should be proper integration of the financial and non-financial data to

provide more quality and useful analytics for decision making. Management reports relating to Profit and Cost control should be produced.

Management Response
The terminal operating system when is fully working and integrates with the new Pronto system it will provide a more accurate and timely report and non-financial data. Management from time to time do analytical reports on certain revenue streams that it suspects that it is not earning an optimum revenue from in comparison to the level of service that SIPA provides.

Revenue

18. Maintenance of supporting schedules for revenue to be strengthened

Based on our testing on revenue, we noted that there were certain key supporting schedules for revenue that could not be provided. These included the shipping register, container register and the container summary.

These registers would enable the Authority to carry out powerful analytics on the main revenue streams including stevedoring, handling and tonnage. Consequently, these analytics could not be performed. Further, the lack of proper maintenance of these schedules leads to the lack of audit trail over revenue which is a significant account.

2018 financial statements audit update

Unresolved. We note that the above issues continue to exist. We noted that the Authority is currently implementing a new system (Port Manager) to provide key reports.

Recommendation
Management to ensure that all these registers and schedules are properly maintained and data should be properly analyzed to provide useful and effective management reports to management and the Board.

Management Response
As stated earlier, Management do perform cost benefit analysis on its main core revenues when it suspects that it is not been optimized.

General

19. Formal disaster recovery and business continuity plan

There is no formal disaster recovery plan that exists to provide details for the orderly resumption of operations subsequent to a total failure of the data processing system. Furthermore, there is also no business continuity plan with the occurrence of an unexpected catastrophic event such as a natural disaster.

The nonexistence of a formal disaster recovery plan increases the risk of loss of data and disruption to the operations of the Authority in the event of a system failure. In addition, lack of business continuity plan could significantly impact operations arising from unexpected events.

2018 financial statements audit update

The above issue remains unresolved as of 30 September 2018.

Recommendation

Given the high occurrence of power supply disruptions in Solomon Islands, we recommend a development and adoption of a disaster recovery plan. In addition, the Authority should develop a business continuity plan to outline the process that deals with potential risks and threats to the Authority.

Management Response

Management do take heed of these recommendations

Trade receivables

20. Lack of follow up and monitoring of dishonoured cheques and debtors

We noted that SIPA does not have a list of dishonoured cheques that relate to financial years prior to 2016 which amounted to $594,074. It was further noted that the follow up process is also weak since no regular follow ups are made to ensure that these debts are collected. This raises the risk of bad debts increasing as a result of poor record keeping and lack of robust debt collection procedures.

2018 financial statements audit Update

This issue remains unresolved as of 30 September 2018. Outstanding debt from dishonoured cheques of $671,000 since October 2017 had been noted and proposed by us to be provided for non-recoverability.

Recommendation

It is recommended that:

- **A proper record of all dishonoured cheques should be maintained and regularly followed up with customers until credit has been collected;**
- **Balances for dishonoured cheques should be debited to the respective debtor balances so that these are captured as outstanding in debtor statements;**
- **There should be a concentrated effort to reduce the level of all outstanding debtors and KPI's should be set and given to the collection team to attain. More accountability must be taken by staff and management in this area; and**
- **All customer debts - including dishonoured cheques be provided for when performing provisioning.**

Management Response

Management to maintain a list of dishonoured cheques. Customers that have the dishonoured cheques are from time to time been refused port services until fully paid their debt.

Personnel Expenses

21. Completeness and accuracy of employee numbers

It was noted that the Human Resources department was not able to provide a complete list of personnel employed by the Authority as at 30 September 2017.

We noted that lists provided did not agree to the payroll reports and the difference between the payroll report and the list maintained by HR could not be appropriately explained by HR. However, our review revealed that the employee list provided by HR contained errors as employees who had left the Authority continued to appear in HR's list.

- Lack of record keeping by Human Resource department to ascertain employee numbers resulted in risk of irregularities;
- Key function of the HR department not performed which increases the risk of errors or loss to the authority; and
- Possibility of ghost employees in the payroll system

2018 financial statements audit Update
This issue remains unresolved as of 30 September 2018. The Human Resources department was not able to provide a complete list of personnel employed by the Authority as at 30 September 2018.

Recommendation
It is recommended that:
- **The Human Resource should ensure that records maintain are complete and accurate and agrees to records for payments processed to employees; and**
- **The Authority should consider conducting head counts at least once every year to ascertain employee numbers.**

Management Response
Currently HR maintains a manual spreadsheet to record employee names and details. HR function will be more efficient and effective as it is integrated in the new Pronto Accounting system that will be live in April 2019.

Property plant and equipment
22. Assets prepaid but not received
As at 30 September 2017, we noted that the Authority had $13.8m relating to advanced payments made for machineries and equipment of which $1.5m related to items for where deliveries have not been received by the Authority for more than 12 months. Some items in the pending deliveries list were made on the basis that they were urgent and were required to be delivered to the Authority urgently. Some of these items have still not been received after 12 months.

- Risk of incurring losses increases when deliveries are not received from the supplier at agreed schedules;
- Risk of paying more for urgent deliveries instead of going through the standard process; and
- Increased lead time to attend to customers or operational delays due to unavailability of machinery.

2018 financial statements audit Update

As at 30 September 2018, we noted that the Authority had $35,000 relating to advanced payments made for machineries and equipment relating to items for where deliveries have not been received by the Authority for more than 12 months.

Recommendation

It is recommended that:

- **Prior to making advance payment the Authority should agree delivery timelines with suppliers to avoid such delays;**
- **Where there is indication that items will not be provided by the supplier, the Authority should take recovery actions; and**
- **Consideration should also be given to paying the supplier particularly for heavy equipment only when the item is placed on the ship.**

Management Response

Management take on board this recommendation and will ensure that it doesn't happen again.

Expenditure

23. XERO system deficiencies

The most significant problem encountered during the 2016 financial period audit with regards to Xero accounting system were as follows:

- Incorrect FAR sub ledger – It was noted that the fixed asset sub ledger did not reconcile with the general ledger. The variance was due to incorrect conversion of the manual FAR during the data migration process and the inability of the system to accept manual updates in order to remedy the problem;
- Incorrect depreciation – The audit team noted depreciation expense in the GL was $22.7m. A 100% calculation re-performed by the audit team noted that the correct expense for the period was $19.4m; and
- Accumulated depreciation – It was noted that there is a variance between the cost and accumulated depreciation between the Fixed Assets Register and General Ledger (GL).

2018 financial statements audit Update

The above issues remain unresolved as of 30 September 2018. We noted depreciation expense in the GL was $22.9m. A 100% calculation re-performed by the audit team noted that the correct expense for the period was $23.4m.

Recommendation

The Authority should implement immediate measures to address the matters associated with XERO.

Management Response

This issue is a Xero system related issue and the change over to the Pronto system by April 2019 when it is live will solve that.

Corporate Governance

24. Incomplete fixed asset registers

While performing procedures over fixed asset register, we noted:

- Disposals or assets written off were not reflected in the FAR;
- Assets that form part of a set and can be depreciated as a whole are split-up and treated separately; and
- The Company does not have any formal procedures for disposing of assets and for authorizing the disposal of assets.

This affects the completeness, and existence of fixed assets.

2018 financial statements audit update

The above issue remains unresolved as of 30 September 2018. We note that 2 laptops were stolen during the year which were not debited or updated in the fixed asset register.

Recommendation

It is recommended that the fixed asset register is updated correctly on a timely basis and is also reviewed on a regular basis by management.

Management Response

A disposal procedure is now in place as part of the financial process and procedures manual. Management to ensure that this is followed at all times.

Corporate Governance

25. No delegated levels of authority

Delegated levels of authority is a critical part of having an effective corporate governance policy. We noted that the Authority does not have a formal policy on delegated level of authority.

During the audit, there were large procurement and projects and we could not substantiate if the senior officers authorising these transactions were delegated the authority by the Board. This gives rise to a high risk of unauthorised transactions.

2018 financial statements audit update

We noted that delegated authority levels have been drafted. However, this has yet to be finalised/approved by the Board.

Recommendation

The policy on the delegated level of authority should be developed and complied with by the Authority.

Management Response

The delegated levels are now incorporated in the new Financial Manual.

26. Policy of vehicle entitlement for directors

The Authority currently does not have a documented formal policy with respect to the senior managers' vehicle scheme which allows them to use 50% of their salary base to purchase a vehicle for official business purposes. It is a mutual understanding that the vehicle will be used for the business purposes for a period of 4 years before ownership is transferred to the directors.

Absence of a formal documented scheme results in the lack of a binding contract for the vehicle to remain with the Authority for a period of four years for business purposes.

2018 financial statement audit update

The above issue remains unresolved as of 30 September 2018. We noted that the vehicle scheme is currently undergoing review and will be completed in early 2019.

Recommendation

Management should develop a policy that governs the vehicle entitlements for directors. This policy should stipulate in detail the terms and conditions associated with the entitlement. Furthermore, the Authority should ensure compliance with the requirements of this policy.

Management Response

Senior managers now are been issued vehicles as approved by the board. This 50% scheme no longer exist.

Finance

27. Investment property

As at 31 December 2016, the investment property was valued at $31.6 million. The investment property is stated at fair value but we noted the following issues:

- The investment property was last valued in 2012 and subsequently it has been valued at the lower of the 'increase in CPI' or the 'present value of rental proceeds'. However, we noted that basis for the key data used in the valuation could not be validated;
- The properties are predominantly commercial lots and are on valuable prime land. The Authority has not developed a business case on how they can maximise the returns on their rental proceeds;
- There is no scheduled repairs and maintenance plan. Based on inspection of the properties, it appears that they were not all in good state of fit for purpose working conditions; and
- There is no separate management reporting to capture rental proceeds and associated cost by properties. These costs would include depreciation, repairs and maintenance, security, etc.

In addition, this lack of detailed management reporting affects some decision making.

2018 financial statements audit update

The above issue remains unresolved as of 30 September 2018.

Recommendation
The Authority should reassess the basis for fair value of the investment property under IFRS 13 and consider engaging a reputable independent valuer with relevant and appropriate skill sets and experience.

In addition, the property management services should be strengthened to ensure that these valuable assets are maximized to earn optimal rental income. Further, management reports should be prepared on a monthly basis.

Management Response
The repair and maintenance of the sheds are in the maintenance schedule for the year and management to ensure that the repairs are done to put them in good stead.

Management take heed of this recommendation despite the fact that rental proceeds make up only 2% of SIPA total revenue.

Held to maturity assets

28. Term deposit certificates not maintained

We noted that the Authority does not have deposit certificates in place for fixed term deposits held with the banks. Furthermore, interest income on these term deposits was not recorded during the year into profit and loss nor any receivable recognized at year end.

- Adequate records not maintained for significant business transactions;
- Lack of audit trail; and
- The financial statements may be misstated due to interest income not being recognized on an accrual basis.

2018 financial statements audit update

This issue remains unresolved as of 30 September 2018. There was no term deposit certificate provided for investments with POB.

Recommendation
It is recommended that:

- **the Authority should maintain deposit certificates and these should be filed appropriately; and**
- **Income from term deposits should be recorded when it is due to reflect income earned and reinvestments (if any).**

Management Response
All fixed term deposits are now provided and interest is taken up on a monthly basis.

Employee entitlements

29. Long Service Leave paid in excess of entitlement

Long Service leave is accrued on a yearly basis by the Authority in accordance with the policies and IAS 19. The accrual is reversed when paid to employees. Instances were noted whereby Long Service leave paid out to employees during the 2017 financial year was in excess of amounts accrued. This was due to lack of review of staff benefit payments.

Over payments to employees for leave not entitled.

2018 financial statements audit update
This issue remains unresolved as of 30 September 2018.

Recommendation
It is recommended that prior to paying out leave balances adequate checks must be done to ensure that payments made are correct whether employees are entitled to these payments.

Management Response
These are isolated incidents. Measures are now in place so that these are not repeated again.

Observations identified in the prior year – Partially resolved

Strategic planning
30. Grant revenue – New international wharf
We noted that the Authority received a government grant during the 2016 financial period in the form of a newly built international wharf which was not recorded in the general ledger as at 30 September 2016. There were no schedule of cost incurred maintained despite the verification of payment and project status were being approved and managed by the Authority. The value of the grant translated as at 30 September 2016 was $175m.

2018 financial statements audit update
In the current financial year release of deferred income was recorded however, it was incorrectly released in excess of $2.3m.

Recommendation
We recommend that management appropriately account for grant in accordance to IFRS.

Management Response
Now the correct amount of deferred income have been released and corrected in accordance to IFRS.

Cash and cash equivalents
31. Timely review of bank reconciliations
Bank reconciliations are prepared on a monthly basis but there was no evidence of review of these reconciliations to assert the completeness and accuracy of the reconciliation. Discussions noted that a review is performed by the Manager Finance only for the year-end bank reconciliations. Our review of the bank reconciliations as at 30 September 2017 identified stale cheques carried forward from August 2016 as reconciling items and were not reversed.

- Errors and irregularities in reconciliations are not detected in a timely manner as a result of lack of review; and

- Cash at bank is misstated due to stale cheques not being reversed.

2018 financial statements audit update

Our review of the bank reconciliations as at 30 September 2018 noted that the bank reconciliations are now being reviewed by Manager Finance.

Recommendation
Bank reconciliations should be reviewed on a monthly basis by person independent from the preparer; and
Stale cheques should be followed up on and cleared from the reconciliations.

Management Response
Bank reconciliations are to be constantly reconciled during the year so that Manager Finance do the review monthly before they are posted.

Conclusion

These issues indicate that the board and management need to address them urgently in order to improve the financial management system of SIPA.

Chapter 11: Solomon Islands Visitors Bureau

Audit opinion

The audit opinions of the annual financial statements for the years 2015 to 2017 were issued in 2019. All of them were disclaimer opinions due to the inability of the Auditor-General to obtain sufficient supporting documents during the audit to verify the amounts stated in the financial statements.

Issues identified during the audit

Through discussions with management, observations and audit evidences obtained the Auditor General concluded that the basis for the preparation of the financial statements for those years were limited.

The following issues were identified:

- There was no hand over of financial working papers between the outgoing and the incoming financial controllers. This has resulted in the new financial controller not being able to prepare financial statements that reflected the operations of SIVB during the three years;
- Adjustments and write offs in the general ledger were not supported by documentary evidences; and
- Imprest records did not reconcile with staff records which indicated that there was internal control breakdown over imprest and payroll system.

The entity breached its reporting obligation as the financial statements were not provided on the statutory deadlines for the three years. The 2015 signed financial statements were presented to the AG on 27 May 2019 (4 years 5 months late), 2016 signed financial statements were received on 27 June 2019 (3 years 3 months late) and 2017 signed financial statements were received on 9 August 2019 (2 years 5 months late).

Chapter 12: Solomon Islands Water Authority

Audit opinion

The audit of the Solomon Islands Water Authority (SIWA) accounts was outsourced to EY, Fiji under a year contract extension for the financial year ending 31 December 2018.

The 2018 SIWA financial statements received an unqualified audit opinion. The financial statements give a true and fair view of the financial position of the Authority as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Audit issues

The significant issues identified during the audit of the 2018 financial statements are summarised below.

1. Non-revenue water ("recurring issue")

Non-revenue water for the year amounted to 62% (2017: 62%) of the total production. Therefore, with an average revenue rate of SBD 14.30 per litre, the total value of the non-revenue water was approximately SBD 119m (2017: SBD 119m with an average rate of SBD 14.30). The figures denote a significant loss of revenue for the Authority. The industry benchmark is approximately 25% for developing nations.

Implication:

Non-revenue water represents a potential loss of revenue to the Authority as the water is produced however not sold.

Recommendation:

We recommend management to formulate an acceptable non-revenue water ratio and review existing strategies to minimize water losses.

Management comments:

SIWA's Non-Revenue Water (NRW) reduction strategy is in the process of being implemented following a detailed feasibility study by external consultants Egis in 2018. The strategy will be implemented across all business units to deliver tangible and sustainable reductions in commercial and physical water losses and our target is to reduce NRW from 65% at end 2018 to 30% by 2027.

An NRW Technical Committee, comprising a cross-section of middle management and field supervisors, has been established and an NRW reduction strategy developed. The NRW Technical Committee meets fortnightly.

An organizational restructure aimed at focusing on real losses was carried out in August 2018 for better focus on NRW. 4 zones have been created in Honiara, each with a team leader. Each zone is comprised of 7 District Metering Areas (DMA). This initiative will facilitate improved NRW reduction management.

A strategy map covering both real and apparent losses has been developed. This comprises the areas of unauthorized consumption, meter inaccuracies and data handling errors, leakage on transmission and distribution mains and real losses. Responsibilities have been assigned by department.

Direct lines, both domestic and commercial, has been identified as being a source of revenue loss due to the absence of metering, hence customers are being billed at a standard rate of consumption instead of actual. Commercial direct lines have all now been installed with meters. Domestic direct lines, amounting to over 800 meters, are in the process of being installed with meters. As conventional meters are replaced by cash water meters, the former is being deployed on direct lines (cash water meters are being deployed on the priority disconnected/arrears accounts).

We are in the process of hiring an NRW and Network specialist to drive the NRW agenda.

2. Ageing distortion ("recurring issue")

Based on our review of the debtors ageing, it was detected that the debtor ageing is distorted. The distortion is due to the system limitation as MagiQ software does not allow allocation of cash receipts to specific customer invoices. Therefore, the cash receipts from customers are not applied to specific customer invoices rather it is directly credited to the current debtor account.

Implication:

This results to an incorrect assessment of the ageing debtors for provision for impairment of receivables review as the aged invoices are not cleared/credited with the cash receipts from the customers.

Recommendation:

We recommend management implement procedures to identify invoices to allocate the cash receipts from the customers in order to correct their debtors ageing.

Management comments:

MagiQ allocates a customer payment against the oldest invoice i.e. in the case of multiple invoices, a payment is first allocated (in full) against the oldest invoice, then to the more recent invoice and so on. This has been confirmed by MagiQ and was made available to the auditors. Internal tests have been carried out and the integrity of this process has been demonstrated (also made available to auditors). Management considers this issue closed.

3. Significant adjustments in inventory general ledger

Based on our review of inventories, we detected that the Authority has recorded significant adjustments in the inventory general ledger. These adjustments resulted due to the following:

- Incorrect input by the inventory controller such as units of measurement.
- Incorrect issuance by the inventory controller.
- Incorrect measurement used to record and issue inventory items.
- Incorrect weighted average price used.

• Incorrect record keeping of inventories.

Implication:
Significant year-end adjustments in inventories reflect inconsistency in the recording and maintaining inventory balance during the year.

Recommendation:
Management should strengthen their controls surrounding the inventory procedures by performing the following:
- **Accurately record inventories in MagiQ accounting software.**
- **Hire competent inventory controllers so that inventory is correctly recorded and issued.**
- **Perform monthly stock-takes to ensure correct inventory balance is recorded in the books of account.**

Management comments:
- **To minimise input errors, management is working with MagiQ for the software to issue daily exception reporting.**
- **An expatriate Procurement Manager starts in June, whose responsibilities cover stores/inventory management.**
- **Management will consider monthly stocktake a target but may not be able to implement in practice due to resources and logistics.**

4. Monitor long outstanding accounts receivable balances
Our review of the aged debtors listing revealed significant outstanding balance. This indicates a poor debt collectability by the Authority's debt collection and or accounts receivable team. With the customers being active and not disconnected, the debt profile continues to grow and the debts continue to be doubtful.

Implication:
Inefficient management of debtor account may expose the Authority to an unmanageable debt and may result to a potential impairment of debtors.

Recommendation:
Since a significant amount of money is held in the accounts receivable, management should take steps to improve its accounts receivable collection processes, including monthly reporting to senior management so that they can monitor the ageing of receivables.

Management comments:
- **While the recommendations are accepted in principle, these are neither specific enough to be helpful nor do they consider the operating environment. However, the actions proposed below.**
- **Step up disconnection of overdue accounts, notwithstanding that we are yet to receive data from MagiQ on the correlation between disconnection and payment.**
- **Continue to roll out cash water meters.**

5. Monthly reconciliation of clearing account to debtor's and supplier's subsidiary ledger
Based on our audit of clearing bank accounts, we detected that significant bank clearing accounts were cleared at year end during the audit process once identified by the audit team. These clearing account represents the cash receipts for the debtor payments and or cash payments for the supplier payments which are not cleared due to the following reasons but not limited to:

- TT reference which is unidentified by MagiQ accounting software.
- Unmatched cheque or receipt due to descriptions.
- Incorrect amounts unmatched, etc.

Implication:
This results to an incorrect financial reporting.

Recommendation:
We recommend management perform monthly reconciliation of debtor's and supplier's general ledger to subsidiary ledger reconciliation which will detect any unreconciled and or unmatched cheque or deposits. This will assist management in timely clearing of bank clearing accounts.

Management comments:

- **Audit did not 'detect' balances in clearing accounts. Balances in clearing accounts were identified and documented in both bank balancing report from MagiQ and traditional bank reconciliation prepared at year-end for audit.**
- **Reconciliation debtor and supplier GLs on MagiQ has no impact on bank reconciliation. Reconciling amounts are automatically posted against bank clearing GL and unpresented cheques GL and these are reflected on the balancing report.**
- **Management will closely monitor reconciling items and provide timely advice to MagiQ to manually clear these or match these.**

6. Review of Manual Journal Entries
Based on our review of the manual journal entries, the following issues were detected:

- Include description for all journal entries in the general ledger

During the year, there were many journal entries with did not include a description. Descriptions on journal entries assist in understanding the nature of the transaction for reference or so unusual journal entries can be further investigated. In the absence of journal entry descriptions, it is difficult to understand the transaction and there is a risk that journal entries are recorded in the incorrect accounts.

- Reduce number of journal entries posted through the annual audit process

There were a large number of adjusting entries posted to arrive at the final balances in the financial statements during the 2018 annual audit. The quantity of year-end adjustments identified through the audit process is an indicator that the accounting processes and controls require significant improvement. In addition, management may be making decisions or basing preliminary covenant compliance calculations on internal financial information during the year that is not complete and accurate.

Implication:
There is a high risk of misstatements in the books of accounts through processing of unauthorized journal entries to achieve desired level of performance of the Authority.

Recommendation:
We recommend management strengthen their controls surrounding the review of manual journal entries, providing narrations and reducing the manual journal entries posted during the year.

Management comments:
Lack of description for journal entries is a historical practice which has since been addressed by the Senior Accountant. Separation of functions for preparation, authorising and posting has been implemented.

7. Ownership of land ("recurring issue")
The Authority has recorded under Land & Buildings, Lot 199, parcel No. 181-003-104 (Tulagi House) which had been purchased from Sasape Marina Limited in 1996. No formal documentation had been executed hence the Authority does not have any evidence of ownership for the land. The same land has been sold to Solomon Islands National Provident Fund (SINPF) by Sasape Limited. The land is now registered under SINPF. The Authority has registered a caveat against the title however there has not been a court hearing or correspondence from the lawyers since last 3 years.

Implication:
We are unable to obtain sufficient appropriate audit evidence to verify the rights and obligations of the land which has been recorded in the books of accounts.

Recommendation:
We recommend the Authority to record the land as a contingent asset at year end.

Management comments:
Management will review in 2019.

Chapter 13: Telecommunications Commission of Solomon Islands

Audit opinion

The 2018 Statements of Cash Receipts and Payments for the Telecommunications Commission of Solomon Islands (TCSI) were audited by this Office and received unqualified audit opinion. These financial statements were prepared under International Public Sector Accounting Standards - Cash Basis.

Audit issues

Issues of concern for 2018 audit are summarised below.

Payroll

1. Lack of policy and procedures over staff loan

Like many other public sector entities, TCSI has a practice of issuing loans to staff members. In order to provide transparency in the way public money is administered, TCSI has included an additional disclosure within their financial statements which shows the movements in these loans during the year.

	2018
Opening loan balance	$922,652
Loan forgiven in the year	$411,597
New loans approved in the year	$83,000
Repayments and interest paid in the year	$92,800
Closing loan balance	$540,589
Number of staff participating in loan scheme at the start of the year	4
Number of staff participating in the scheme at the end of the year	6

Our testing found some of the loans issued to staff members are significant. This is particularly of note as the loans are not secured. We encourage TCSI to consider strengthening the conditions around the loans given their value and duration.

We found that 45% of the value of these loans had been forgiven during the year. We see the practice of forgiving loans across other public entities, so the practice in its self is not unusual. However, the size of the loan forgiveness and the fact that the decision to forgive the loans does not appear to have been made on the basis of hardship does make the decision unusual. We understand that the decision was made in order to reward staff performance. We suggest TCSI should seek advice as to whether this practice and payment is within the mandate of the Commission and permissible in the Act.

Implication

Lack of strong overall arrangements over staff loans could result in loans not fully repaid within the timeframe, budget constraints, abuse and mismanagement of TCSI funds.

Recommendation
OAG recommend that the Commission strengthen the policy and procedures over staff loans to address the purpose of such loans, when security is required and under what circumstances loan forgiveness is acceptable.

To assist this, OAG recommend that the Commission seek advice as to whether this practice and payment is within its mandate and permissible in the Act.

Management Response
The loan is secured by a way of repayable on demand and deductions from fortnightly salaries within the agreed terms and conditions expressed under the facility.

The practice throughout 2018 the Commission continued to make the necessary scheduled loan repayment deductions from the salaries of the staff who have loans. The loan ceilings remained, and the loan balance adjustments authorized in the contracts, were all duly reasoned, processed, and recorded. These are personal loan facilities, and provision for loan balance adjustment rises and falls are a normal feature of such facilities, like bank revolving loans and current account overdrafts.

The Commission's practice is not unusual given that the sector is a very robust and unique sector with changes to technology know how and upskilling that requires highly capable training and capacity building. The Act provides for this capabilities of local capacity in carrying their mandated roles under the Act.

The Management will continue to review the facility in conjunction with staff performance appraisal.

2. No verification of requisition form

TSCI's control processes require approval of the requisition form by the Verification Officer before the payment voucher is raised. Testing of five requisition forms identified one that was not verified by the responsible officer.

Implications

Lack of verification of requisition increases the risk of conflict of interest, budget over-run and abuse of funds.

Recommendation
OAG recommends that TCSI ensure requisition forms are approved by verification officer, as evidenced by their signature before payment vouchers are raised.

Management Response
In the previous financial years, TCSI has already strengthen this area of segregation of duty to minimise any possible risks. This is unusual one-off incidence due to either human oversight by the verifying personnel. However note, there are two options of verification, whereby in the absence of verification checks, the authorising personnel will perform the verification check to minimise any possible risks.

Operational Matters

3. Strategic Plan

Strategic plan is an important document that directs and guides an organisation where it wants to be in a specified time frame, how it will get there, and the resources of people, tools, and finances that are best capable of helping it to get there. The key components of the strategic plan includes:

- Mission, vision, and aspirations
- Core values
- Strengthens, weakness, opportunity and threats
- Objective and operational tactics
- Measurement and funding streams

Audit noted that TCSI does not have this important document.

Implications

Strategic Plans are a good practice tool to help an organization to focus energy, resources, and time in the same direction. Whilst TCSI is a small organisation, such plans are nevertheless useful tools within an organisation and assist with communication with stakeholders.

Recommendation

OAG recommend TCSI formulate a strategic plan to communicate the overall direction and strategy of the organisation.

Management Response

The Telecommunication Act itself sets the Commission's strategic direction, as well as annual operational planning obligations, and the role of telecommunications markets "referee" means the Commission's work is inherently ad hoc.

Appendix 1 - Definitions and Technical Concepts

Risk Ratings

International Auditing Standard ISA 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment" and ISA 320 "Materiality in planning and performing an audit" both discuss audit risk and the risk of material misstatement the financial statements. These require an auditor to assess risk as it relates to the fair presentation of financial statements. The risk definitions are described in the table below.

Risk Rating	Description
High	Matters which may pose a significant business or financial risk to the entity; and / or Matters that have resulted or could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency by the entity; and / or Moderate risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed.
Moderate	Matters of a systemic nature that pose a moderate business or financial risk to the entity if not addressed as high priority within the current financial year; and / or Matters that may escalate to high risk if not addressed promptly; and / or Low risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed.
Low	Matters that are isolated, non-systemic or procedural in nature; and / or Matters that reflect relatively minor administrative shortcomings and require action in order to improve the entity's overall control environment.
Improvement Opportunity	Matters of a procedural or administrative nature which could improve the efficiency or effectiveness of entity level, systemic or transactional processes.

Audit Opinions

When providing an audit opinion over a set of financial statements, the Auditor General is required to comply with international auditing standards.

These standards define the type of audit opinion that should be issued depending upon the nature of the audit findings our staff finds during the audit. The table below provides details of the different types of audit opinions that the Auditor General can issue when certifying a set of financial statements.

Nature of matter giving rise to the modification	Auditor's Judgement about the pervasiveness of the effects or possible effects on the financial statements	
	Material but not pervasive	Material and pervasive
Financial statements are materially misstated	Qualified audit opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified audit opinion	Disclaimer of opinion

The best type of audit opinion to receive is an unqualified audit opinion. Ultimately, it should be a key objective for all Auditees to achieve an unqualified or clean audit opinion. This would mean that their financial statements are free from material misstatement due to error or fraud and that Parliament and members of the public and other stakeholders can have faith that the financial reports are true and correct.

The Auditor General is also required to report on other legal and regulatory requirements. This forms the second part of the Auditor General's audit opinion and details any significant breaches of other legal or regulatory requirements identified in relation to reporting requirements under the applicable act. For example, an Auditee not being able to have their financial certified by 31 March as prescribed by the SOE Act.

Emphasis of Matter paragraphs

In some of the Auditor General's audit opinions, international auditing standards require him to issue an emphasis of matter paragraph. This is not the same as a qualification but the Auditor General is required to alert readers of the financial statements to any matters which whilst they may not result in modification to the financial statements but are important issues that the Auditor General wishes to bring to the readers' attention. A common example when an auditee has issues regarding events that have occurred after balance date (e.g. major damage incurred from a natural disaster or the signing of a contract for material investment in infrastructure) or if an auditee is experiencing difficulties trading as a going concern.

Appendix 2: Glossary of acronyms

AG	Auditor General
CBSI	Central Bank of Solomon Islands
CEMA	Commodities Export Marketing Authority
GL	General Ledger
IAS	International Accounting Standards
ICSI	Investment Corporation of Solomon Islands
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards for Supreme Audit Institutions
NPF	National Provident Fund
OAG	Office of the Auditor-General
SA	Statutory Authorities
SAL	Solomon Airlines Limited
SIBC	Solomon Islands Broadcasting Corporation
SIEA	Solomon Islands Electricity Authority
SINPF	Solomon Islands National Provident Fund
SINU	Solomon Islands National University
SINPF	Solomon Islands National Provident Fund
SIOAG	Solomon Islands Office of Auditor General
SIPA	Solomon Islands Ports Authority
SIPC	Solomon Islands Postal Corporation
SIVB	Solomon Islands Visitors Bureau
SIWA	Solomon Islands Water Authority
SOE	State Owned Enterprises
SP	Solomon Power
SW	Solomon Water
TCSI	Telecommunications Commission Solomon Islands