



SOLOMON ISLANDS GOVERNMENT

REPORT ON MATTERS ARISING FROM FINANCIAL STATEMENT AUDIT

Guadalcanal Provincial Government (PG)

01/04/2013 – 31/03/2014

Reported by:

Office of the Auditor-General
P O Box G18
Honiara

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TABLE OF CONTENTS

EXECUTIVE OVERVIEW	3
Background.....	3
Audit Objectives and Scope.....	3
Findings	3
AUDIT FINDINGS AND RECOMMENDATIONS	3
Table 1 – Risk Rating.....	3
1.0 FINANCIAL REPORTING	8
1.1 2013/14 financial statement presentation needs improvement.....	8
2.0 REVENUE.....	9
2.1 Delayed banking of received monies (C/fwd from 2012/13).....	9
2.2 Missing receipt books	10
3.0 MPA ALLOWANCES & WARD DEVELOPMENT GRANTS	10
3.1 Breakdown in controls over WDGs (C/fwd from 2012/13)	10
4.0 CASH.....	11
4.1 Stale and outstanding cheques not cleared	11
4.2 Bank reconciliations not signed	12
5.0 INVESTMENTS.....	13
5.1 Poor control over investments (C/fwd from 2012/13)	13
6.0 PAYMENTS.....	14
6.1 Missing and unsupported payment vouchers (C/fwd from 2012/13).....	14
6.2 Payments made to same supplier throughout the year.....	15
6.3 Extraordinary travelling expenses of \$1,205,348.02.....	17
7.0 IMPRESTS AND ADVANCES.....	18
7.1 Outstanding employee advance repayments	18
8.0 ACCOUNT PAYABLES.....	18
8.1 Outstanding balance of \$6,962,776.09 for various suppliers.....	18
9.0 PROPERTY, PLANT AND EQUIPMENT	19
9.1 Lack of a complete and updated fixed asset register (C/fwd from 2012/13).....	19
10.0 ACCOUNT RECEIVABLES.....	20
10.1 Account receivables not maintained	20
11.0 AUDIT ACTION PLAN.....	22

EXECUTIVE OVERVIEW

Background

The Guadalcanal Provincial Government has submitted its financial statements for the financial year ended 31st March 2014 to this Office on 18 November 2014 as required under s.39(2) of the Provincial Government Act 1997. OAG acknowledges the continued cooperation by the Guadalcanal Provincial Government in providing the financial statement as required in a timely manner. Guadalcanal Provincial Government is responsible for delivering quality goods and services to its community by carrying out the mandatory functions under the Provincial Government Act 1997 and the devolution order.

An audit pursuant to s.108(3) of the Constitution, s.35(1) of the Public Finance and Audit Act 1978 and s.39(3) of the Provincial Government Act 1997 was conducted on the Guadalcanal Provincial Government accounts and records in order to form an opinion on the financial and accounting systems of the Provincial Government.

Audit Objectives and Scope

The principal audit objective was to review the adequacy of processes for the financial management, accounting and reporting controls managed by the Guadalcanal Provincial Government in terms of compliance with the relevant statutes governing such processes, as well as in order to form an opinion on the reliability of the accounting information incorporated into the financial statements for the year ended 31 March 2014.

This report focuses on the findings arising from the review of financial management processes being practised by the Guadalcanal Provincial Government as at 1 April 2013 to 31 March 2014.

Findings

The audit disclosed that the Guadalcanal Provincial Government has made slight improvements over its record keeping of revenue and expenditures for the 2013/14 financial year. However, major reforms over its financial management, accounting or reporting controls, particularly in relation to its revenue, assets and liabilities; as well as continued efforts to improve its expenditure controls, need to be implemented. Furthermore, all investments and assets are encouraged to be taken up in the IPSAS cash basis financial statements.

AUDIT FINDINGS AND RECOMMENDATIONS

Table 1 below lists the risk ratings that have been assigned to each audit finding to help identify which audit observations should be given priority:

Table 1 – Risk Rating

Risk Rating	Description
High	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 • Matter 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	<ul style="list-style-type: none"> • 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 control environment.
Improvement Opportunity	<ul style="list-style-type: none"> • Matters of a procedural or administrative nature which could improve the efficiency or effectiveness of entity level, systemic or transactional processes.

- **2013/14 financial statements presentation needs improvement**

Risk Rating – High

OAG acknowledges the effort to prepare the 2013/14 financial statements, however it was noted there is still weakness in the quality and presentation of the financial statements. There are spelling errors and formatting issues that needs improvement as well as incorrect disclosure of some accounts in the financial statements. This deficiency increases the risk of abuse of the province's resources, mismanagement and misstatement of the financial statements.

- **Delayed banking of received monies (C/fwd from 2012/13)**

Risk Rating – High

OAG still identified delay in the banking of received monies as one of the weaknesses in internal control within the Provincial Government. It has been found that revenue collected are delayed for banking at least a week or two which is a breach of the Financial Management Ordinance 2008. The manner in which received monies are not banked in a timely basis increases the risk of embezzlement, misappropriation and political expediency.

- **Missing receipt books**

Risk Rating – Moderate

It was discovered that all of the Cashier's receipt books and two receipt books from Revenue Officer were missing or not produced upon request for review. Explanation given was that the receipt books were surrendered to the former Provincial Treasurer for safe keeping but was unaccounted for. As a consequent, OAG was unable to determine the completeness and accuracy of the transactions. In addition, the receipts were not issued in sequential order to the customers. This deficiency increases the risk of embezzlement, misconduct, misstatement of the financial statements, manipulation and fraud.

- **Breakdown in control over WDGs (C/fwd from 2012/13)**

Risk Rating – Moderate

OAG noted that the Provincial Government continue to have breakdown in control over ward development grants such as insufficient documentation, no acquittal date mention in the WDG forms, funds use for constituents personal needs rather than development and no proper guideline on the use of WDGs. Lack of control over WDGs increases the risk of misuse of funds, political expediency and financial loss to the Provincial Government.

- **Stale and outstanding cheques not cleared**

Risk Rating – High

It was found that eight cheques of \$28,827.92 were stale as at 31 March 2014 and were not cleared as required under the Financial Management Ordinance 2008. The lack of monitoring and cancelling stale cheques increases the risk of unauthorised persons taking them and trying to cash them and misappropriation of provincial funds.

- **Bank reconciliations not signed**

Risk Rating – Moderate

The Provincial Government have been performing monthly bank reconciliations for all its bank accounts, however it was noted that the bank reconciliations were not signed off and dated by the preparer and reviewer. This deficiency increases the risk of errors not detected early, genuineness of the bank reconciliation could be questioned and bank reconciliation can be performed in untimely basis.

- **Poor control over investments (C/fwd from 2012/13)**

Risk Rating – High

OAG continue to note poor control over investments such as Guadalcanal Development Authority and Guadalcanal Province Shipping. There is lack of feedback from these two entities on how they are operating in terms of financial reports to the Executive and Provincial Assembly. In addition, it was noted that the Provincial Government is assisting the Guadalcanal Province Shipping in meeting the maintenance of the fleets and crews' salaries which is draining the funds needed for service delivery to the rural people. Lack of strong control over investments increases the risk of wastage of funds, mismanagement, insubordination, misappropriation, conflict of interest, fraud, budget over-run and misstatement of the financial statements.

- **Missing and unsupported payment vouchers (C/fwd from 2012/13)**

Risk Rating – High

It was found that payment vouchers of \$80,748.60 were missing during the audit and payments of \$790,665.00 were not provided with sufficient documentation to support the payments. This is a serious concern to OAG as section 108 of the Solomon Islands Constitution requires the Auditor-General to have access to all books, records, receipts and accounts of the ministries, provincial governments and agencies. Non-availability of payment vouchers and sufficient documents increases the risk of misappropriation, budget over-run, financial loss and misstatement of the financial statements.

- **Payments made to same supplier throughout the year**

Risk Rating – High

OAG identified that several payments totalling \$340,519.00 were made to one supplier for providing timbers to the Provincial Government for the audited period, but OAG was unable to sight the documentation to show that tender bidding process was complied with in awarding the supplier to supply timbers to the Provincial Government. In addition, search done with company haus register does not have the name of the supplier which could implies that the business is not a registered business in the country. This deficiency increases the risk of low quality timbers being supplied, conflict of interest and political expediency.

- **Extraordinary travelling expenses of \$1,205,348.02**

Risk Rating – High

OAG noted that the Provincial Government spent \$1,205,348.02 on extraordinary travelling expenses for a delegation trip to Spain. OAG was unable to ascertain the purpose for the trip, justify that such trip was worth it and whether it has been budgeted for in the 2013/14 financial year. The manner of the extraordinary traveling expenses increases the risk of political expediency, not money for value, misappropriation, budget over-run and misstatement of the financial statements.

- **Outstanding employee advance repayments**

Risk Rating – High

It was discovered that \$106,268.44 of staff advance was still outstanding as at 31 March 2014 and this has indicated that the Provincial Government has not been actively implementing proper control to recover the advances in the financial year. Poor control over staff advances increases the risk of loss of provincial funds and conflict of interest.

- **Outstanding balance of \$6,962,776.09 for various suppliers**

Risk Rating – High

It was identified that account payables balance of \$6,962,776.09 was still outstanding as at 31 march 2014 for various suppliers. It is important that the Provincial Government controls its account payables in order to meet its obligation on a timely basis. The lack of control over account payables increases the risk of budget shortfall, suppliers not willing to do business with the Provincial Government and reduction of service delivery to rural people.

- **Lack of complete and updated fixed asset register (C/fwd from 2012/13)**

Risk Rating – High

As noted from previous audit report, OAG still discover that the Provincial Government does not update its asset register and there is lack of completeness in the content of the register. In addition, it was noted that there is no asset management policy in place to safe guard the procurement, maintenance and disposal of assets. This deficiency increases the risk of loss of assets, theft, misuse, abuse and misstatement of the financial statements.

- **Account receivables not maintained**

Risk Rating – High

OAG found that the Provincial Government did not maintain an account receivables register for the audited period which made it difficult to determine how much revenue is still to be collected from the businesses that operated in the province. Furthermore, this has made it difficult to disclose the balance of account receivables in the additional encouraged note disclosure of IPSAS Cash Basis reporting framework as at 31 March 2014. The lack of account receivables increases the risk of understated revenue, budget not achieved and unauthorised persons collecting revenue without the knowledge of the Provincial Government.

Conclusion

The audit of Guadalcanal Provincial Government's accounts and records disclosed similar shortcomings in the procedures and practices in the management of revenue, expenditure, imprests, ward development grants, bank accounts, account payables, account receivables and assets as highlighted in the 2012/13 audit reports.

OAG acknowledges that Guadalcanal Provincial Government has been continually addressing the recommendations highlighted in the 2012/13 audit reports. Significant improvements were made on the management of payroll. Despite these improvements, the absence of significant information on line items such as investments and assets understates these line items on the financial statements. This poses the risk of misstatement in financial reports used for decision making over the allocation of limited financial resources.

OAG have examined the accounts and records for the 12 months of 2013/14 which the Auditor General will form and issue his independent audit opinion.

Overall Recommendations

OAG's key recommendations for Guadalcanal Provincial Government are as follows:

- Ensures staff particularly, the Provincial Treasurer to prepare his report in a timely manner and submits for audit and other stakeholders for review;
- Ensure staff receive regular training and assistance in their field of work, particularly accounts and administration section to improve with data imputing, filing and updating of fixed asset register and preparation of other financial reports;
- Liaise with MPGIS to ensure that any changes of staff particularly the Provincial Treasurer is well accounted for so as not to cause delay and inconvenience when handing over financial information or data to his/her successor;
- Together with MPGIS to collaborate on how well to address the recommendations of OAG so as to implement better controls over the financial resources of the province for the betterment of all Guadalcanal people;
- Improve the standard of reporting so as to be consistent with other provinces;
- Ensure to comply with Financial Management Ordinance 2008 in doing daily banking of revenue;
- Ensure where location of collection is an issue that results in the delay, the revenue collector needs to advise in writing to the Cashier and Treasurer of such delays for any due action;

- Ensure all lodgement has to be promptly banked by cashier as and when it was collected and reconciled in the books of the Cashier;
- Cashier to continue maintaining the deposit verification sheet that reconciles to the summary, receipts and deposit book;
- Un-deposited funds to be securely stored and locked in a secure locker prior to banking;
- Not to entertain expending from cash collected without prior banking unless matters of urgency require cash on hand;
- Make sure all petty cash should be drawn from the province's main account and remitted accordingly;
- Ensure to immediately cancel the stale cheques;
- Make sure that the stale and cancelled cheques are attached to the cheque butts;
- As part of the reconciliation process, the finance officer, who reconcile the bank account flag unrepresented cheques older than six months with the Accounts Payable Officer to ensure the supplier has not been paid twice;
- Ensure the GDA and GP Shipping produce financial reports and submit them to the Provincial Government in a timely manner;
- Ensure the investment entities have competent and committed officers;
- Ensure that at least a statement of cash receipts & payments and statement of assets and liabilities be prepared;
- Make sure legislations and Financial Management Ordinance 2008 are complied with;
- Ensure to keep all official documentation or payment vouchers in a secured place;
- Ensure that adequate supporting invoices or documents from suppliers are attached with the payment vouchers prior to issuing of cheques;
- Ensure that there should be a proper tender process implemented to make sure that different suppliers tender their bid to supply timber;
- Ensure that bidding processes should be obliged with to make sure that the value for money (economy, efficiency and effectiveness) is achieved;
- Ensure that the purpose of such trip should be further scrutinized and weighed against expected measurable outputs to fully realise its benefits for the value of the money;
- Make sure a delegation to a regional country is reasonable, taking into consideration the similarities of the development and administrative facets we have in common;
- To maintain and update the advance register to keep track with the repayments and the current balances;
- Ensure that repayments of any advance be made within the financial year to avoid loss of money due to employee turnover;
- To review all fixed asset records, prior and current and consolidate those records to produce an updated and complete record of all the provincial assets;
- Continue to collaborate with MPGIS regarding revaluation of all provincial assets;
- Properly monitor and safe guard the assets from misuse/abuse and theft by ensuring quarterly stock take is carried out given the lack of an updated fixed asset register;
- Ensure to establish an asset management policy as soon as possible;
- And correctly classify and disclose PPE in the PPE statement showing its correct value as at the end of the financial year;
- Apply an applicable method of depreciation that suits the operation of the province for correct calculation of depreciation expense. OAG recommended the province to use the straight line method with the appropriate rates;
- To establish a debtors listing that reconciles to its customers' sub ledgers;
- Ensure regular reconciliation was performed on the sub-ledger so as not to over or under bill customers;
- To ensure regular update was made on the customers' sub-ledgers and the debtors listing as and when new customers are created and;
- Ensure that the receivables account balance was correctly and accurately reported in the financial statement as at the end of each financial year. This is vital as it provides clear cash flow position for the province for subsequent periods depending on the customers' ability to pay.

OAG has made a number of other important recommendations and it is imperative that these are considered and implemented by management.

1.0 FINANCIAL REPORTING

1.1 2013/14 financial statement presentation needs improvement

Risk Rating – High

Audit acknowledges the province for its effort to prepare the 2013/2014 financial statement, however noted that there is still weakness in the quality and presentation of the financial report. Audit noted spelling errors and formatting issues regarding the statement that needs improvement, as well as incorrect disclosure of some accounts in the Province's financial statement as at 31/3/2014.

Furthermore, staffing issue in the past financial years creates a major setback in the financial reporting system of the Province. The change of personnel to undertake the important role of ensuring finances of the province are accounted for and reported in a timely manner adds to the poor presentation of the financial statement given the lack of proper handover. Some improvements were noted though, on the maintenance of proper filing system for payment voucher records and receipts. Despite these improvements, the absence of significant information on line items such as investment, receivables and PPE understates these line items on the financial statements. This poses the risk of misstatement in financial reports used for decision making over the allocation of limited financial resources of the Province.

OAG have examined the accounts and records for the 12 months of 2013/14 financial year which the Auditor General will form and issue his independent audit opinion.

Implication

The change of staffing in the province contributes to the ineffectiveness of the Province's financial operations and reporting system. Such changes create significant management issue which can result in the delay of the financial statement. In addition, it exposes the Province's resources to abuse and mismanagement given the lack of proper record keeping, consistent reporting and good management control over the finances of the Province.

Recommendation 1

OAG recommends that the Provincial Government:

- Ensures staff particularly, the Provincial Treasurer to prepare his report in a timely manner and submits for audit and other stakeholders for review;
- Ensure staff receive regular training and assistance in their field of work, particularly accounts and administration section to improve with data imputing, filing and updating of fixed asset register and preparation of other financial reports;
- Liaise with MPGIS to ensure that any changes of staff particularly the Provincial Treasurer is well accounted for so as not to cause delay and inconvenience when handing over financial information or data to his/her successor;
- Together with MPGIS to collaborate on how well to address the recommendations of OAG so as to implement better controls over the financial resources of the province for the betterment of all Guadalcanal people and;
- Improve the standard of reporting so as to be consistent with other provinces.

Executive Response

The Finance and Treasury Division of the Guadalcanal Provincial Government noted the weakness and will improve on the stated weaknesses. The weakness has come about due to the very reason that there is no hand over and no formatted and previous soft copy of the FS for previous years thus time and accuracy is a competing factor.

The Guadalcanal Provincial Government assures that the next FS to be more timely and accurate in format and grammar.

2.0 REVENUE

2.1 Delayed banking of receipted monies (C/fwd from 2012/13)

Risk Rating - High

This issue remains as it was and OAG will again emphasize in this report that the province needs to improve with its cash management. Banking is vital as it provides proper management over the province's cash flow for a financial period. Delayed banking or expending cash prior to banking poses the risk of poor management of the province's cash. As noted, receipted monies were delayed for banking at least a week or two before it was banked.

Implication

Delayed banking establishes poor cash management and likely will lead to embezzlement, misappropriation and political expediency.

Recommendation 2

OAG recommends that the Provincial Government:

- Ensure to comply with Financial Management Ordinance 2008 in doing daily banking of revenue;
- Ensure where location of collection is an issue that results in the delay, the revenue collector needs to advise in writing to the Cashier and Treasurer of such delays for any due action;
- Ensure all lodgement has to be promptly banked by cashier as and when it was collected and reconciled in the books of the Cashier;
- Cashier to continue maintaining the deposit verification sheet that reconciles to the summary, receipts and deposit book;
- Un-deposited funds to be securely stored and locked in a secure locker prior to banking;
- Not to entertain expending from cash collected without prior banking unless matters of urgency require cash on hand and;
- Make sure all petty cash should be drawn from the province's main account and remitted accordingly.

Executive Response

The Finance and Treasury Division of the Guadalcanal Provincial Government noted the query. For this Financial Year the Receipts are banked in the Morning the following day of receipts after the cash has been reconciled to receipts.

Daily banking of receipts are currently exercised. This will prevent expending money that are yet to be deposited. All Petty cash drawings are drawn only from the main consolidated account.

2.2 Missing receipt books

Risk Rating - Moderate

Audit identified the issue of missing receipts books for the audited period. Audit found that all of the cashier's receipt books and two of the revenue collector's books were missing or not produced upon audit request for review. Explanation sought, was that all the cashier's receipts were surrendered to the previous treasurer for safe keeping but was unaccounted for. Consequently, audit was unable to confirm the legitimacy of the documents supporting the data though vouchers were maintained.

Besides, audit continues to note the issue of not sequentially issuing receipts to customers which is not a good business practice.

Implication

Missing records implicates poor accountability that can result in embezzlement, misconduct and material misstatement. As well as, failing to confirm the legitimacy of such records as to its existence, accuracy and completeness.

And not sequentially issuing receipts establishes loopholes for poor business practice that can result in error, manipulation and fraud.

Recommendation 3

OAG recommends that the Provincial Government:

- Ensure to issue receipt books in sequential order for easy identification of the books;
- Ensure to maintain two register for the cashier and revenue collector's receipt books. Upon issuance, responsible person to sign and date for completeness and;
- Ensure to maintain proper filing of all revenue related information, inclusive of receipt books, deposit books, customers' invoices and billing statements or letters.

Executive Response

The Finance and Treasury Division of the Guadalcanal Provincial Government noted the query. Improvements are now carried to safeguard all new receipt books which have been sequentially numbered and will be issued only on return of completely used receipt book. A log book or spread sheet is maintain to keep tract of issued receipt books with names of custodian of serial sequential receipt books.

3.0 MPA ALLOWANCES & WARD DEVELOPMENT GRANTS

3.1 Breakdown in controls over WDGs (C/fwd from 2012/13)

Risk Rating - Moderate

When the audit was conducted, it was revealed that there is serious breakdown in the controls over the ward development grants disbursed to the Members of Provincial Assembly (MPAs). OAG noted from its testing the following results which are summarised as follows.

- ❖ There is insufficient documentation to verify whether the WDG was used for its intended purpose or not. Furthermore, from the records it was noted that most of the disbursement of the funds was for personal needs of the constituents rather than development.
- ❖ There is no acquittal date mention on the WDG forms to give to the MPAs the date that they should retire their WDGs before they can receive the next trench or allocation.
- ❖ There was no project guideline provided to OAG during the audit which made it difficult to determine whether the WDG was disbursed for development and official purposes or not.

Implication

Lack of control over WDGs increases the risk of misuse these funds for personal and illegitimate purposes, political expediency and financial loss to the Provincial Government.

Recommendation 4

OAG recommends that the Provincial Government:

- Ensure that the WDGs are wholly used for development and official purposes rather than other purposes;
- Ensure that supporting documents are attached with the acquittal of the funds prior to issue of next allocation and;
- Make sure that a guideline policy on the usage of WDG is in place and provided a copy to OAG.

Executive Response

Audit query well noted. Reform measures have been arranged and are currently for implementing. A separate account has been arranged with the Bank. All WDG has to be paid out from local revenue and not from the fixed service grant that is meant for service delivery. All local revenue is deposited in this account and WDG are paid from this account. All Wards are advised to have their ward development committees and a bank account so that funds release from the Province will be paid directly to the Ward development committee account

4.0 CASH

4.1 Stale and outstanding cheques not cleared

Risk Rating - High

OAG found during the examination that eight cheques with the value of \$28,827.92 were unpresented as at 31 March 2014. Normally when the cheque is unpresented for more than 6 months then it will be regarded as stale cheque and have to be cancelled and a new cheque issued to the supplier. Refer to the table below for the details of the stale cheques.

Date	Payee	Cheque #	Amount \$
1/04/2013	Solomon Islands Government	113983	\$ 400.00
1/04/2013	Markwarth Oil	393831	\$ 8,486.92
1/04/2013	QBE Insurance	393845	\$ 365.00
16/08/2013	Patterson Divasia	187789	\$ 1,000.00
1/04/2013	Inland Revenue Division	115284	\$ 990.00
1/04/2013	Inland Revenue Division	115284	\$ 486.00
1/04/2013	Inland Revenue Division	115284	\$ 17,100.00
		Total	\$ 28,827.92

Implication

The lack of cancelling stale cheques increases the risk of unauthorized persons taking them and trying to cash them and misappropriation of provincial funds.

Recommendation 5

OAG recommends that the Provincial Government:

- Ensure to immediately cancel the stale cheques;
- Make sure that the stale and cancelled cheques are attached to the cheque butts and;
- As part of the reconciliation process, the finance officer, who reconcile the bank account flag unpresented cheques older than six months with the Accounts Payable Officer to ensure the supplier has not been paid twice.

Executive Response

The Guadalcanal Provincial Government has noted the query and actions have been done. Stale cheques have been cancelled and reverse back to cash book and commitment register.

Further noting to Suppliers account payable to listing for adjustment to payments made and cancels payment to give the correct balance of outstanding arrears to date

4.2 Bank reconciliations not signed

Risk Rating - Moderate

OAG acknowledged that the Provincial Government have performed monthly bank reconciliations for all the bank accounts it maintained in 2013/14 financial year. However, it was noted that the bank reconciliations were not signed and dated by the preparer and reviewer except for salary account. Furthermore, no bank statement and cashbook copies were attached to the bank reconciliation to verify the balances except for salary and main accounts.

Implication

Lack of signing by responsible officers increases the risk of errors not detected early, genuineness of the bank reconciliation could be questioned and bank reconciliation can be performed in untimely basis.

Recommendation 6

OAG recommends that the Provincial Government:

- Ensure to sign and date the bank reconciliations and;
- Must attach the bank statement and cashbook copies with the bank reconciliation.

Executive Response

The Guadalcanal Provincial Government noted the query. Only Salary reconciliation statements has been previously sign as the template has the allocated space for verifying and approved space on the reconciliation template. The Main account which is done via the MYOB package has no such space for verification and approved space for signing. We will create a section on the MYOB template to allow for the Verifying and approved space for authorized officer for approval.

The GP government noted the query and will sign and dated the reconciliation statement as question.

5.0 INVESTMENTS**5.1 Poor control over investments (C/fwd from 2012/13)****Risk Rating – High**

OAG observed and noted that Guadalcanal Provincial Government continue to have poor control over its investments like Guadalcanal Development Authority and Guadalcanal Province Shipping. Those two entities are owned and controlled by the Provincial Government, but there is lack of feedback from these entities on how they are operating in terms of financial reports to the Executive so that better and business-like decisions are made for the sustainability of these operations for the future. Furthermore, the Provincial Government is assisting the Guadalcanal Province Shipping with the maintenance of its shipping fleets and salaries of its workers which is draining the funds that should be used for other services to the rural people.

Implication

The lack of strong control over investments increases the risk of wastage of funds, mismanagement, insubordination, misappropriation, conflict of interest, fraud, exhaustion of approved budget, misstated of consolidated financial statements and the Provincial Government does not receive any financial information to be able to make informed decision regarding the Provincial Government investment.

Recommendation 7

OAG recommends that the Provincial Government:

- Ensure the GDA and GP Shipping produce financial reports and submit them to the Provincial Government in a timely manner;
- Ensure the investment entities have competent and committed officers;
- Ensure that at least a statement of cash receipts & payments and statement of assets and liabilities be prepared and;
- Make sure legislations and Financial Management Ordinance 2008 are complied with.

Executive Response

The GP Shipping has been liquidated. The GDA is currently managed by only one person; a new board has been appointed and endorsed by the executive.

After the ethnic tension, the GDA did not actively involved in commercial activity even though it requires to submit reports

The Guadalcanal Provincial Government assures to monitor the GDA operation and request Financial Reports for scrutinizing and provide advice on its healthful operation.

6.0 PAYMENTS

6.1 Missing and unsupported payment vouchers (C/fwd from 2012/13)

Risk Rating - High

A sample of payments was selected by audit for verification and testing. It was identified during the audit testing that a couple of payments totalling \$80,748.60 were not able to be located. In addition, other payments worth \$790,665 were not provided with sufficient documentation to support the payments. See table below for details of the payments with deficiencies noted during the audit.

<i>Payments without sufficient documentation</i>				
CHEQUE #	TRANS TYPE	DATE	EXPENDITURE DETAIL/DESCRIPTION	AMOUNT
408132	CD	30/05/2013	Pae Gladys	\$ 30,000.00
408144	CD	5/06/2013	Chukua Erick	\$ 50,000.00
408155	CD	7/06/2013	Chukua Erick	\$ 147,600.00
187629	CD	25/06/2013	Prescillar Oliver	\$ 37,500.00
187645	CD	28/06/2013	Kokopu Willie	\$ 17,174.00
187711	CD	17/07/2013	Ellen Joy Bosa	\$ 22,700.00
187744	CD	26/07/2013	Island Valuers	\$ 150,000.00
187759	CD	30/07/2013	Sundry MPAs	\$ 13,100.00
158857	CD	20/09/2013	Damikura D.	\$ 80,000.00
158879	CD	10/10/2013	Sundry MPAs	\$ 21,000.00
158955	CD	15/11/2013	Pae Gladys	\$ 54,825.00
158962	CD	6/12/2013	GP Shipping	\$ 16,666.00
378019	CD	24/01/2014	Island Valuers	\$ 50,000.00
378022	CD	26/01/2014	P.M. Shipping Company	\$ 35,000.00
378043	CD	30/01/2014	John Tebolo	\$ 10,000.00
378076	CD	6/02/2014	Terry.Vekea	\$ 20,100.00
378120	CD	25/02/2014	RM Fibreglass Enterprises	\$ 35,000.00
			Total	\$ 790,665.00

Missing payment vouchers

CHEQUE #	TRANS TYPE	DATE	EXPENDITURE DETAIL/DESCRIPTION	AMOUNT
393984	CD	25/04/2013	Sundry Suppliers	\$ 30,000.00
187750	CD	29/07/2013	Discount Electrics Ltd	\$ 20,748.60
187799	CD	27/08/2013	Savusi Herrick	\$ 25,900.00
			Total	\$ 76,648.60

This is clear breach of section 108 of the Solomon Islands Constitution and Provincial Financial Management Ordinance where all records must be accessible to Auditor- General for audit and payments must be supported with appropriate documents respectively.

Implication

The lack of controls over the processing of payments increases the risk of provincial funds being misappropriated or drawn for personal use or may exhaust the budget which can result in misstatement of the financial statement. In addition, this can lead to financial loss to the Provincial Government.

Recommendation 8

OAG recommends that the Provincial Government:

- Ensure to keep all official documentation or payment vouchers in a secured place;
- Ensure that adequate supporting invoices or documents from suppliers are attached with the payment vouchers prior to rising of cheques and;
- Must always comply with the Financial Management Ordinance 2008.

Executive Response

The Executive has noted the audit query.

An exercise has been implemented. All payment docs have to be revisited every last day of the week to check the sequence of payment documents. Missing documents are identified and query so that no document is missing. The task is allocated to the officer responsible for posting of payment data into our finance package, the MYOB. Once the sequence is being satisfied, all payment date, receipts can be posted according to the filing sequence or cheque numbering.

This approach is to eradicate the issue of missing payment vouchers etc.

6.2 Payments made to same supplier throughout the year

Risk Rating – High

OAG identified that the same supplier known as Nego Harvesting Enterprises was paid a total of \$340,519 for timber supplies throughout the year. Furthermore, OAG was unable to sight documentations to indicate that tender bidding process was complied with in awarding the supplier to provide timbers to the Provincial Government. In addition, search done with company haus register does not have the name of the supplier which could implies that the business not a registered business in the country. Table below shows the payments that were made to the same supplier in 2013/14 financial year.

Date	Cheque #	Payment ID	Supplier Details	Amount \$
28/06/2013	100455	CD	Nego Harvesting Enterprises	\$ 11,900.00
15/11/2013	100463	CD	Nego Harvesting Enterprises	\$ 12,000.00
15/11/2013	100466	CD	Nego Harvesting Enterprises	\$ 17,100.00
15/11/2013	100469	CD	Nego Harvesting Enterprises	\$ 35,000.00
15/11/2013	100470	CD	Nego Harvesting Enterprises	\$ 12,800.00
15/11/2013	100471	CD	Nego Harvesting Enterprises	\$ 12,199.00
15/11/2013	100472	CD	Nego Harvesting Enterprises	\$ 12,700.00
15/11/2013	100473	CD	Nego Harvesting Enterprises	\$ 6,000.00
15/11/2013	100474	CD	Nego Harvesting Enterprises	\$ 12,000.00
26/11/2013	100475	CD	Nego Harvesting Enterprises	\$ 27,180.00
21/02/2014	100476	CD	Nego Harvesting Enterprises	\$ 12,600.00
21/02/2014	100477	CD	Nego Harvesting Enterprises	\$ 10,000.00
21/02/2014	100478	CD	Nego Harvesting Enterprises	\$ 35,000.00
21/02/2014	100479	CD	Nego Harvesting Enterprises	\$ 24,000.00
21/02/2014	100480	CD	Nego Harvesting Enterprises	\$ 35,000.00
21/02/2014	100481	CD	Nego Harvesting Enterprises	\$ 30,060.00
21/02/2014	100482	CD	Nego Harvesting Enterprises	\$ 34,980.00
			Total	\$ 340,519.00

Implication

It does implicate that the bidding or tender processes and procedures were not complied with. This may mean that Guadalcanal Provincial Government may not be paying at the best and efficient reasonable bidding price. It also increases the risk of political interference in the administration of the public finances.

Recommendation 9

OAG recommends that the Provincial Government:

- Ensure that there should be a proper tender process implemented to make sure that different suppliers tender their bid to supply timber and;
- Ensure that bidding processes should be obliged with to make sure that the value for money (economy, efficiency and effectiveness) is achieved.

Executive Response

The Executive has noted the query and strongly advice not to repeat political interference on selecting supplier of timbers etc to the Province which will then breach the procurement process of project implementation.

A new Tender board has been appointed to implement Project implementation according to the process of bidding. All bidders must be registered with the Company haus, the City council and Guadalcanal Business license ordinance before accepting to supply goods for the Province.

Tender board will be strictly adhering to the three entity registration before qualifying into for supply of goods or material. Contractors operating outside the City council boundary and within the Provincial boundary need to register with the Guadalcanal Provincial Government

6.3 Extraordinary travelling expenses of \$1,205,348.02

Risk Rating - High

OAG noted a total payment of \$1,205,348.02 was expended for the traveling of the Guadalcanal Provincial Government delegation to Spain. OAG was not able to ascertain the purpose of the trip and was not able to justify that such trip was worth it and whether it has been budgeted for in the 2013/14 financial year. It is vital that any travelling expenses that requires large delegations should be approved by relevant office, amount budgeted for and money is spent for the benefit of the Province and its people.

Implication

It increases the risk of political interferences in the administration of the provincial government finances and undermines the economic value for the money spent. It also indicates misappropriation and misstatement of public finances which should be utilised in other services to its people.

Recommendation 10

OAG recommends that the Provincial Government:

- Ensure that the purpose of such trip should be further scrutinized and weighed against expected measurable outputs to fully realise its benefits for the value of the money and;
- Make sure a delegation to a regional country is reasonable, taking into consideration the similarities of the development and administrative facets we have in common.

Executive Response

The Guadalcanal Provincial Government (Current) Note the query and supply the rationale behind the Spain visit.

The Spain trip as stated in the memorandum of twinning between the Province of Guadalcanal (SI) and the Town of Guadalcanal (Seville, Spain). Within the Memorandum, Mr. Eduardo CordobesCharves (Guadalcanal Seville Spain) and Hon. Steven Panga, (Premier within the context of friendship bonds that unite our people and our represented authorities COMMITTED TO

1. **Common Cooperation Framework** – Aim to start and intensify our common effort to establish a greater cooperation in other fields of mutual interest that would result in equal benefits and furtherance of friendship.
2. **Cooperation in Economics Matters** – Both Parties will exchange information about projects concerning the development of local economy, trade, employment, establishment of new companies etc
3. **Contribution in Cultural and Youth matters** – Both Parties will invest themselves in the development of cultural principles and values. With this aims we will foster mutual knowledge and understanding between our people.

Detail purpose of the trip is specified in the report which has not been access by the Audit team but is available in the files of the Province.

7.0 IMPRESTS AND ADVANCES

7.1 Outstanding employee advance repayments

Risk Rating – High

OAG noted that there are outstanding advance repayments that are yet to be repaid to the provincial government. It raises the need for proper control to be implemented to ensure that advances are repaid on a timely basis. It was identified that \$106,268.44 of advance by members of provincial assembly is still outstanding at the year end.

Implication

Poor controls over the advance repayments increase the risk of money loss for the provincial government which should be utilised for other services of the province.

Recommendation 11

OAG recommends that the Provincial Government:

- To maintain and update the advance register to keep track with the repayments and the current balances and;
- Ensure that repayments of any advance be made within the financial year to avoid loss of money due to employee turnover.

Executive Response

Advance register have been maintain and update each time the payroll is run. Updated Advance register is always maintained. Advances are taken in aggregate of three month salary equivalent to three months' notice of staff notice for resignation. This is to recover the advance taken if staff decides to resign and avoid loss of money due to the Province. Closing balance of Advance is carried forward for the next financial year and will continue to be deducted after rollover of the old financial year

8.0 ACCOUNT PAYABLES

8.1 Outstanding balance of \$6,962,776.09 for various suppliers

Risk Rating – Moderate

OAG identified that accounts payable balance of \$6,962,776.09 was still outstanding as at July 2015 for various suppliers engaged by Guadalcanal Province. The amount consists of balances that are 90+ days overdue.

Implication

This implies that long outstanding balances will have a great financial impact on the current budget of the provincial government. Due to the already committed budget some services that may be budgeted for under the Guadalcanal Provincial Government budget provisions may not eventuate due to financial shortcomings. Guadalcanal Provincial Government spending to provide services to its people will reduce significantly.

Recommendation 12

OAG recommends that the Provincial Government:

- Ensure that confirmation and verification of the outstanding supplier balances need to be performed to ascertain the accuracy of the figures;
- Make sure when the outstanding balances are certified then settlement of the balances should be arranged and payments should be done and;
- Ensure once arrears are settled, up to date payments of outstanding balances should be performed as and when it is due to avoid arrears accumulating.

Executive Response

The Accounts payable balance of \$6,962,776.09 is the reduced balance of the total arrears of \$ 8,496,875.66. About \$1,534,099.57 has been settle from September 2014 to the date the audit is carried out and not the date July 2015 as stated above by the query.

All Outstanding arrears have been thoroughly verified before listing into the accounts payable listings.

Each time the payment is made, payment from cash book are picked and deducted against the outstanding arrears to have a current running balance of arrears.

9.0 PROPERTY, PLANT AND EQUIPMENT**9.1 Lack of a complete and updated fixed asset register (C/fwd from 2012/13)****Risk Rating – High**

The issue remains as it was regarding property, plant & equipment where the register is yet to be updated, with no calculation of depreciation, written down Value (WDV) arithmetically incorrect and the disclosed property, plant & equipment balance being materially misstated as at 31 March 2014.

In addition, the lack of valuation of all assets owned and leased by the province still was a significant issue, together with the non - establishment of an asset management policy.

Despite OAG recommendations in prior reports, these issues remains pending without the province taking steps to address as a matter of urgency. This enhances the risk of failing to account and accurately report the province's asset values as at the end of each financial year. As a result, it establishes significant loopholes for poor management over these physical assets which can lead to misuse and theft of the assets.

Implication

The recurring issue of not updating or maintaining the fixed asset register and the incorrect presentation and disclosure of property, plant and equipment balance exposes the province to lose valuable assets without being identified, accounted for and reported with its correct value at year end. Also the lack of asset management policy enhances poor management control over the provincial assets as to its procurement, maintenance and disposal.

Recommendation 13

OAG recommends that the Provincial Government:

- To review all fixed asset records, prior and current and consolidate those records to produce an updated and complete record of all the provincial assets.
- Continue to collaborate with MPGIS regarding revaluation of all provincial assets;
- Properly monitor and safe guard the assets from misuse/abuse and theft by ensuring quarterly stock take is carried out given the lack of an updated fixed asset register;
- Ensure to establish an asset management policy as soon as possible.
- And correctly classify and disclosed PPE in the PPE statement showing its correct value as at the end of the financial year
- Apply an applicable method of depreciation that suits the operation of the province for correct calculation of depreciation expense. OAG recommended the province to use the straight line method with the appropriate rates.

Executive Response

The Executive has noted the query. Already the Guadalcanal Provincial Government has recruited a stores officer to update all provincial assets and will do quarterly stock take and improvise safe keeping of all Provincial Assets from theft and misused.

The Guadalcanal Provincial Government has out sources and engages valour and complete most of the Provincial Lands and Building.

The Stores Ordinance has been a guiding tool to safe keeping of all Provincial Assets

Where the Stores officer is incapacitate, out sourcing of the task is an option to take to speed the process.

10.0 ACCOUNT RECEIVABLES**10.1 Account receivables not maintained**

Risk Rating – High

The current reporting framework requires that asset and liability accounts are encouraged to be disclosed. That, GPG of all requirements fails to adhere to by not even establishing a receivable listing that reconciles to each customers. And neither does the province able to disclose its uncollectable receivable balance for the period ending 31/3/2014.

Implication

Failure to disclose or even accurately and completely record receivables transaction and balance for this financial year enhances significant issue of manipulation, misuse and misconduct. Lacking to account for the years uncollectable fund understates the province's position statement and will affect subsequent cash flow, should all uncollectable funds are unrecorded and incorrectly reported as at 31/3/14. Also will affect the budgeting process, where the province will unlikely to determine correctly its active debtors and how much they owe the province.

Recommendation 14

OAG recommends that the Provincial Government:

- To establish a debtors listing that reconciles to its customers sub ledgers;
- To ensure regular reconciliation was perform on the sub-ledger so as not to over or under billed customers;
- To ensure regular update was made on the customers sub-ledgers and the debtors listing as and when new customer are created and;
- To ensure that the receivables account balance was correctly and accurately reported in the financial statement as at the end of each financial year. This is vital as it provides clear cash flow position for the province for subsequent periods depending on the customers' ability to pay.

Executive Response

The Executive has approved the strategy to engage staffs or hire a consultant to round up business data base on existing operation.

This will give the accurate debtors listings and fair budget revenue estimate.

As soon as funds are available, our priority task is to engage officers or hire a consultant to collect all existing and operating business from small to large for update data base records for billing and monitoring. This will then help to maintain the up to date debtors listing as all legal and operating commercial activities are monitored

11.0 AUDIT ACTION PLAN

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
1	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> Ensures staff particularly, the Provincial Treasurer to prepare his report in a timely manner and submits for audit and other stakeholders for review; Ensure staff receive regular training and assistance in their field of work, particularly accounts and administration section to improve with data imputing, filing and updating of fixed asset register and preparation of other financial reports; Liaise with MPGIS to ensure that any changes of staff particularly the Provincial Treasurer is well accounted for so as not to cause delay and inconvenience when handing over financial information or data to his/her successor; Together with MPGIS to collaborate on how well to address the recommendations of OAG so as to implement better controls over the financial resources of the province for the betterment of all Guadalcanal people and; Improve the standard of reporting so as to be consistent with other provinces. 	<p>The Finance and Treasury Division of the Guadalcanal Provincial Government noted the weakness and will improve on the stated weaknesses. The weakness has come about due to the very reason that there is no hand over and no formatted and previous soft copy of the FS for previous years thus time and accuracy is a competing factor.</p> <p>The Guadalcanal Provincial Government assures that the next FS to be more timely and accurate in format and grammar.</p>	PTR	Sept 2015
2	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> Ensure to comply with Financial Management Ordinance 2008 in doing daily banking of revenue; Ensure where location of collection is an issue that results in the delay, the revenue collector needs to advise in writing to the Cashier and Treasurer of such delays for any due action; Ensure all lodgement has to be promptly banked by cashier as and when it was collected and reconciled in the books of the Cashier; Cashier to continue maintaining the deposit verification sheet that reconciles to the summary, receipts and deposit book; Un-deposited funds to be securely stored and locked in a secure locker prior to banking; Not to entertain expending from cash collected without prior banking unless matters of urgency require cash on hand and; Make sure all petty cash should be drawn from the province's main account and remitted accordingly. 	<p>The Finance and Treasury Division of the Guadalcanal Provincial Government noted the query. For this Financial Year the receipts are banked in the morning the following day of receipts after the cash has been reconciled to receipts. Daily banking of receipts are currently exercised. This will prevent expending money that are yet to be deposited.</p> <p>All Petty cash drawings are drawn only from the main consolidated account.</p>	Revenue Officer, Cashier	On going
3	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> Ensure to issue receipt books in sequential order for easy identification of the books; 	<p>The Finance and Treasury Division of the Guadalcanal Provincial Government noted the query. Improvements are now carried to safeguard all new receipt books which have been sequentially numbered and will be issued only on return of completely used receipt book. A log book or</p>	PTR	On going

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
	<ul style="list-style-type: none"> • Ensure to maintain two register for the cashier and revenue collector's receipt books. Upon issuance, responsible person to sign and date for completeness and; • Ensure to maintain proper filing of all revenue related information, inclusive of receipt books, deposit books, customers' invoices and billing statements or letters. 	spread sheet is maintain to keep tract of issued receipt books with names of custodian of serial sequential receipt books.		
4	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure that the WDGs are wholly used for development and official purposes rather than other purposes; • Ensure that supporting documents are attached with the acquittal of the funds prior to issue of next allocation and; • Make sure that a guideline policy on the usage of WDG is in place and provided a copy to OAG. 	Audit query well noted. Reform measures have been arranged and are currently for implementing. A separate account has been arranged with the Bank. All WDG has to be paid out from local revenue and not from the fixed service grant that is meant for service delivery. All local revenue is deposited in this account and WDG are paid from this account. All Wards are advised to have their ward development committees and a bank account so that funds release from the Province will be paid directly to the Ward development committee account.	DPTR, PTR	On going
5	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure to immediately cancel the stale cheques; • Make sure that the stale and cancelled cheques are attached to the cheque butts and; • As part of the reconciliation process, the finance officer, who reconcile the bank account flag unpresented cheques older than six months with the Accounts Payable Officer to ensure the supplier has not been paid twice. 	The Guadalcanal Provincial Government has noted the query and actions have been done. Stale cheques have been cancelled and reverse back to cash book and commitment register. Further noting to Suppliers account payable to listing for adjustment to payments made and cancels payment to give the correct balance of outstanding arrears to date.	DPTR, PTR	On going
6	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure to sign and date the bank reconciliations and; • Must attach the bank statement and cashbook copies with the bank reconciliation. 	The Guadalcanal Provincial Government noted the query. Only Salary reconciliation statements have been previously signed as the template has the allocated space for verifying and approved space on the reconciliation template. The Main account which is done via the MYOB package has no such space for verification and approved space for signing. We will create a section on the MYOB template to allow for the Verifying and approved space for authorized officer for approval. The GP government noted the query and will sign and dated the reconciliation statement as question.	DPTR, PTR	On going
7	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure the GDA and GP Shipping produce financial reports and submit them to the Provincial Government in a timely manner; • Ensure the investment entities have competent and committed officers; • Ensure that at least a statement of cash receipts & payments and statement of assets and liabilities be prepared and; • Make sure legislations and Financial Management Ordinance 2008 are complied with. 	The GP Shipping has been liquidated. The GDA is currently managed by only one person; a new board has been appointed and endorsed by the executive. After the ethnic tension, the GDA did not actively involved in commercial activity even though it requires to submit reports The Guadalcanal Provincial Government assures to monitor the GDA operation and request Financial Reports for scrutinizing and provide advice on its healthful operation.	PTR, PS	Sept 2015

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
8	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure to keep all official documentation or payment vouchers in a secured place; • Ensure that adequate supporting invoices or documents from suppliers are attached with the payment vouchers prior to rising of cheques and; • Must always comply with the Financial Management Ordinance 2008. 	<p>The Executive has noted the audit query.</p> <p>An exercise has been implemented. All payment docs have to be revisited every last day of the week to check the sequence of payment documents. Missing documents are identified and query so that no document is missing.</p> <p>The task is allocated to the officer responsible for posting of payment data into our finance package, the MYOB.</p> <p>Once the sequence is being satisfied, all payment date, receipts can be posted according to the filing sequence or cheque numbering.</p> <p>This approach is to eradicate the issue of missing payment vouchers etc.</p>	DPTR, PTR	On going
9	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure that there should be a proper tender process implemented to make sure that different suppliers tender their bid to supply timber and; • Ensure that bidding processes should be obliged with to make sure that the value for money (economy, efficiency and effectiveness) is achieved. 	<p>The Executive has noted the query and strongly advice not to repeat political interference on selecting supplier of timbers etc to the Province which will then breach the procurement process of project implementation.</p> <p>A new Tender board has been appointed to implement Project implementation according to the process of bidding. All bidders must be registered with the Company haus, the City council and Guadalcanal Business license ordinance before accepting to supply goods for the Province.</p> <p>Tender board will be strictly adhering to the three entity registration before qualifying into for supply of goods or material. Contractors operating outside the City council boundary and within the Provincial boundary need to register with the Guadalcanal Provincial Government</p>	PTR, PS	On going
10	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure that the purpose of such trip should be further scrutinized and weighed against expected measureable outputs to fully realise its benefits for the value of the money and; • Make sure a delegation to a regional country is reasonable, taking into consideration the similarities of the development and administrative facets we have in common. 	<p>The Guadalcanal Provincial Government (Current) Note the query and supply the rationale behind the Spain visit.</p> <p>The Spain trip as stated in the memorandum of twinning between the Province of Guadalcanal (SI) and the Town of Guadalcanal (Seville, Spain). Within the Memorandum, Mr. Eduardo CordobesCharves (Guadalcanal Seville Spain) and Hon. Steven Panga, (Premier within the context of friendship bonds that unite our people and our represented authorities COMMITTED TO</p> <p>Common Cooperation Framework – Aim to start and intensify our common effort to establish a greater cooperation in other fields of mutual interest that would result in equal benefits and furtherance of friendship.</p> <p>Cooperation in Economics Matters – Both Parties will exchange information about projects concerning the</p>	PS	On going

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		development of local economy, trade, employment, establishment of new companies etc Contribution in Cultural and Youth matters – Both Parties will invest themselves in the development of cultural principles and values. With this aims we will foster mutual knowledge and understanding between our people. Detail purpose of the trip is specified in the report which has not been access by the Audit team but is available in the files of the Province.		
11	OAG recommends that the Provincial Government: <ul style="list-style-type: none"> To maintain and update the advance register to keep track with the repayments and the current balances and; Ensure that repayments of any advance be made within the financial year to avoid loss of money due to employee turnover. 	Advance register have been maintain and update each time the payroll is run. Updated Advance register is always maintained. Advances are taken in aggregate of three month salary equivalent to three months' notice of staff notice for resignation. This is to recover the advance taken if staff decides to resign and avoid loss of money due to the Province. Closing balance of Advance is carried forward for the next financial year and will continue to be deducted after rollover of the old financial year	DPTR, PTR	On going
12	OAG recommends that the Provincial Government: <ul style="list-style-type: none"> Ensure that confirmation and verification of the outstanding supplier balances need to be performed to ascertain the accuracy of the figures; Make sure when the outstanding balances are certified then settlement of the balances should be arranged and payments should be done and; Ensure once arrears are settled, up to date payments of outstanding balances should be performed as and when it is due to avoid arrears accumulating. 	The Accounts payable balance of \$6,962,776.09 is the reduced balance of the total arrears of \$ 8,496,875.66. About \$1,534,099.57 has been settle from September 2014 to the date the audit is carried out and not the date July 2015 as stated above by the query. All Outstanding arrears have been thoroughly verified before listing into the accounts payable listings. Each time the payment is made, payment from cash book are picked and deducted against the outstanding arrears to have a current running balance of arrears.	DPTR, PTR	On going
13	OAG recommends that the Provincial Government: <ul style="list-style-type: none"> To review all fixed asset records, prior and current and consolidate those records to produce an updated and complete record of all the provincial assets; Continue to collaborate with MPGIS regarding revaluation of all provincial assets; Properly monitor and safe guard the assets from misuse/abuse and theft by ensuring quarterly stock take is carried out given the lack of an updated fixed asset register; Ensure to establish an asset management policy as soon as possible; And correctly classify and disclosed PPE in the PPE statement showing its correct value as at the end of the financial year and; Apply an applicable method of depreciation that suits the operation of the province for correct calculation of depreciation expense. OAG 	The Executive has noted the query. Already the Guadalcanal Provincial Government has recruited a stores officer to update all provincial assets and will do quarterly stock take and improvise safe keeping of all Provincial Assets from theft and miss used. The Guadalcanal Provincial Government has out sources and engages valour and complete most of the Provincial Lands and Building. The Stores Ordinance has been a guiding tool to safe keeping of all Provincial Assets Where the Stores officer is incapacitate, out sourcing of the task is an option to take to speed the process.	Stores Officer, PTR	On going

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
	recommended the province to use the straight line method with the appropriate rates.			
14	<p>OAG recommends that the Provincial Government:</p> <ul style="list-style-type: none"> • To establish a debtors listing that reconciles to its customers sub-ledgers; • To ensure regular reconciliation was perform on the sub-ledger so as not to over or under billed customers; • To ensure regular update was made on the customers sub-ledgers and the debtors listing as and when new customer are created and; • To ensure that the receivables account balance was correctly and accurately reported in the financial statement as at the end of each financial year. This is vital as it provides clear cash flow position for the province for subsequent periods depending on the customers' ability to pay. 	<p>The Executive has approved the strategy to engage staffs or hire a consultant to round up business data base on existing operation.</p> <p>This will give the accurate debtors listings and fair budget revenue estimate.</p> <p>As soon as funds are available, our priority task is to engage officers or hire a consultant to collect all existing and operating business from small to large for update data base records for billing and monitoring. This will then help to maintain the up to date debtors listing as all legal and operating commercial activities are monitored</p>	Revenue Officers, DPTR, PTR	On going