

SOLOMON ISLANDS NATIONAL UNIVERSITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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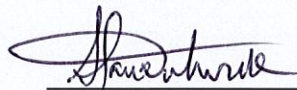
Statement by Appointed Officers

The directors have determined that the university is a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In accordance with a resolution of the directors of Solomon Islands National University , the directors of the entity declare that:

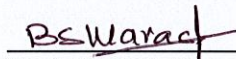
1. The financial statements and notes as set out on pages 2 to 9 presents fairly the company's financial position as at 31 December 2015 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Chair Council



Hon. Dr Culwick. Togamana

Vice Chancellor (Ag)



Prof. Basil. S Marasinghe

Director Finance (Ag)



Mr. Minton. Banisi

Dated: 26/02/2018



INDEPENDENT AUDITOR'S REPORT

To the Directors of the Solomon Islands National University.

I have audited the accompanying financial statements of the Solomon Islands National University (SINU), which comprise the statement of financial position as at 31 December 2015, and the statement of Income and Expenditure, statement of changes in equity, and notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information.

Management and Directors' Responsibility for the Financial Statements

Management and Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with an acceptable financial reporting framework, and for such internal control as Management and Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The Audit has been conducted in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Disclaimer of Opinion

Property, Plant & Equipment

I am unable to confirm the accuracy and valuation of balances relating to land and buildings due to lack of an up-to-date valuation report.

Further, not all the fixed assets owned by the university are disclosed in the financial statement for the year ended 31 December 2015 as indicated in note 1 (d) of the notes to the financial statements. Audit was not provided with a value for these assets. As a result I am unable to confirm or verify by alternative means the carrying amount of property,

plant and equipment balances included in the financial statements as at 31 December 2015. Accordingly, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Reconciliation of key information systems

The university has two information system that manned two vital information. Roll call system which records and maintain student information and attaché which records and maintain financial information however, these two systems are not integrated and therefore reconciliation is a key function to keep these two key systems reconciled with each other. OAG lack audit evidence that these two key systems have reconciled. An instance where only \$535,603 recorded as Income from student fees in the 2015 financial statements. If an estimation was made where the cost of a course is \$1,000 x 10 units in one year and this is divided by \$535,603, it would result in only 53 students registered with SINU in the year 2015. Accordingly, I am unable to determine the completeness and the accuracy of the reported revenue, payments, receivables and payables due to lack of an up to date reconciliation to produce an update report in Attaché. Therefore, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Statement of Cash flow

A statement of cash flow was not prepared to meet the requirements of *International Accounting Standard 1 (IAS 1 Presentation of financial statements)*. This is due to lack of records maintain by the University to enable the preparation of the statement of cash flow. Thus, I am unable to determine the existence, completeness and accuracy of the reported cash, revenue, receivables, payment and payables in the financial statements. Therefore, I am not able to determine the effect of these on the financial position and operating results, if they were to be included in the financial statements.

Disclaimer of opinion

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

Report on Other Legal and Regulatory Requirements

Lack of compliance with Public Finance and Audit Act and SINU Act

The University has not complied with the requirements of the *Public Finance and Audit Act [Cap 120]* and the *Solomon Islands National University Act 2012* which requires the audited financial statements to be submitted to the Minister responsible before 31 March of the following year to which the financial statements relate. The signed statements were received two years after the due date of 31 March 2016.



Peter Lokay
Auditor-General
17 April 2018

Office of the Auditor-General
Honiara, Solomon Islands

SOLOMON ISLANDS NATIONAL UNIVERSITY

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 SBD	2014 SBD
Income			
Rental Income		146,895	239,142
Student Fees		535,603	25,131,538
Student-Other Income		64,023,760	1,355,552
Interest Received		-	52,278
Government Subsidiaries		48,610,000	63,024,133
Total Income		113,316,258	89,802,643
Expenses			
Employee Benefits expense		(25,087,898)	(22,817,355)
Student Admin Costs		(8,060,283)	(5,285,605)
Advertising		(4,810,979)	-
Depreciation		(6,393,160)	(5,267,095)
University Admin		(11,183,489)	(3,591,175)
Printing and Stationary		(1,247,383)	(1,725,295)
Repairs and Maintenance		(2,258,401)	(1,575,319)
Other Staff Costs		(16,373,983)	(11,981,220)
Telecommunication		(2,918,972)	(2,052,490)
Utilities		(10,333,850)	(7,465,311)
Other expenses		(4,344,909)	(3,013,149)
Total Expenses		(93,013,305)	(64,774,014)
Surplus before Income Tax		<u>20,302,953</u>	<u>25,028,629</u>
Income tax expense		<u>-</u>	<u>-</u>
Surplus for the year		<u>20,302,953</u>	<u>25,028,629</u>

The accompanying notes form part of these financial statements.

These statements should be read in conjunction with the attached compilation report.

SOLOMON ISLANDS NATIONAL UNIVERSITY

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 SBD	2014 SBD
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	112,543,694	61,547,682
Trade and other receivables	4	6,604,358	5,978,607
Inventories	5	2,636,251	1,756,307
Other assets	6	1,848,964	1,848,964
TOTAL CURRENT ASSETS		<u>123,633,267</u>	<u>71,131,559</u>
NON-CURRENT ASSETS			
Property, plant and equipment	7	<u>82,497,739</u>	<u>57,802,275</u>
TOTAL NON-CURRENT ASSETS		<u>82,497,739</u>	<u>57,802,275</u>
TOTAL ASSETS		<u><u>206,131,006</u></u>	<u><u>128,933,834</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	43,934,738	39,055,942
Borrowings	9	493,134	493,134
Provisions	10	<u>423,637</u>	<u>423,637</u>
TOTAL CURRENT LIABILITIES		<u>44,851,509</u>	<u>39,972,713</u>
TOTAL LIABILITIES		<u><u>44,851,509</u></u>	<u><u>39,972,713</u></u>
NET ASSETS		<u><u>161,279,498</u></u>	<u><u>88,961,121</u></u>
EQUITY			
Retained earnings		109,264,074	88,961,121
Historical Balancing(Suspense)	11	<u>52,015,424</u>	<u>-</u>
TOTAL EQUITY		<u><u>161,279,498</u></u>	<u><u>88,961,121</u></u>

The accompanying notes form part of these financial statements.

These statements should be read in conjunction with the attached compilation report.

SOLOMON ISLANDS NATIONAL UNIVERSITY

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	Retained Earnings SBD	Total SBD
Balance at 1 January 2014		63,932,492	63,932,492
Surplus for the year		<u>25,028,629</u>	<u>25,028,629</u>
Balance at 31 December 2014		<u>88,961,121</u>	<u>88,961,121</u>
Balance at 1 January 2015		88,961,121	88,961,121
Surplus for the year		<u>20,302,953</u>	<u>20,302,953</u>
Balance at 31 December 2015		<u>109,264,074</u>	<u>109,264,074</u>

The accompanying notes form part of these financial statements.

These statements should be read in conjunction with the attached compilation report.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. REPORTING ENTITY

The Solomon Islands National University was established by Act of Parliament, the Solomon Islands National University Act 2012. It is a not for profit educational institute providing higher education in the Solomon Islands, with its main operations domiciled in Honiara and Technical campus in the Western Province.

2. SIGNIFICANT ACCOUNTING POLICIES

Set out below is a summary of the significant accounting policies adopted in the preparation of the financial statements

a) Reporting Period

The Financial Statements are reported for the financial year of 1st January to 31st December 2015.

b) Statement of Compliance

The financial statements have been prepared in accordance with the acceptable Accounting Standards in the Solomon Islands and the requirements of the Solomon Islands National University Act 2012.

As required under the International Accounting Standards relevant and acceptable in the Solomon Islands, all items of property, plant and equipment to which the University has legal ownership should be accounted for and properly disclosed in the financial statements

c) Basis of Preparation

The financial statements are prepared on the basis of historical costs and except where stated do not take into account current valuation of non-current assets.

The concept of accrual method and going on concern basis of accounting are applied. The University Board of Councillors believe that the basis for preparation of the accounts is appropriate and the university will be able to continue its normal operations in the next 12 months and resolved that the classification and carrying amounts of assets and liabilities included in these accounts are appropriate.

All amounts shown in the financial statements are expressed in Solomon Islands Dollars

d) Property, Plant and Equipment

In view of the quantity and distribution of the university's property, plant and equipment, and the specialised nature of some of the items, university has adopted not to revalue as it is considered that costs of any revaluation to reflect current values would outweigh the benefit of users of these financial statements

Items of property, plant and equipment transferred to Solomon Islands National University in 2012 those purchased since 1st January 1985 were revalued in 1991. As such, these assets were carried forward at their valuation less depreciation, while assets acquired in 1992 onwards were carried at costs less depreciation

The value of the following fixed assets were not disclosed in these financial statements:

- i. All land except Aruligo farm.
- ii. Special equipment in the Schools of Marine and the Industrial Developments.
- iii. All fixed assets at NATI campus
- iv. Plant, equipment, furniture and fittings at Piotete campus

The effect on the financial position and operating results, if they were to be included in the accounts, could not be determined.

Acquisitions

Items of property, plant and equipment are recorded at cost and depreciated as outlined below. All items of property, plant and equipment are carried at the lower of cost less accumulated depreciation, and any recoverable amounts

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) Property, plant and equipment (Cont'd)

Disposal of Assets

The gain on disposal of assets is calculated as the difference between the carrying amount of the assets at the time of disposal and the proceeds on the disposal, and is included in the result in the year of disposal.

Depreciation

Depreciation is charged on a reducing balance method so as to write off the costs over the estimated useful lives of the assets. The rate of depreciation used are:

i. Fixed term land	- Amortised over period of lease
ii. Buildings	- 5%
iii. Infrastructure	- 5-20%
iv. Motor vehicles	- 20%
v. Plant, equipment and furniture	- 20%

Assets are depreciated from the date of acquisition. Expenditure on repairs and maintenance of property plant and equipment incurred which does not add to future economic benefits from assets is recognised as an expense when incurred.

Projects in process

Projects in process relates to costs for property and infrastructure related projects where the project has not been completed. The cost will be calculated under the proper classification once all major items of major expenditure have been incurred and the project certified as being completed.

Deferred capital grants

Fixed assets acquired with the aid of specific grants are capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred revenue account and released to the statement of income and expenditure over the useful life of the assets.

Gifts and donations

Gifts and donations relating to property, plant and equipment are taken to the deferred revenue account. At the lower of the cost and valuation, and transferred to the statement of Income and expenditure as income over the life of the assets.

e) Inventories

Inventories are valued at the lower cost and net realised value. Cost is determined predominantly on the first-in-first out basis of valuation. Consumables purchased by the university for departmental use and held under control of individual departments have been expensed within the accounts at the time of purchase.

f) Accounts receivables

No provisions for doubtful debt is made for sovereign debts on the premise that despite the age of the debt, all such debts will eventually be recovered. For all other debts, provisions are made against debtors to cover debts where the recovery is considered doubtful. Known bad debts are written off against the provision account. Where there are no prior provisions had been made against a bad debt it is charged directly to the income and expenditure account.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank and term deposits net of banks over drafts.

h) Employee entitlements

Provision for employee entitlements comprises gratuity, annual leave and long service leave, representing liability resulting from the employee's services to the balance date. Provisions have been calculated at nominal amounts based on the current wage and salary rates. Accrued annual leave is expected to be utilised in the following year. The gratuity is payable at the end of management's contracted term, and the long service benefit is earned by an employee only after 10 years of service

i) Superannuation fund

The University contributes to the SI National Provident Fund as required under the laws. The contributions are made by the employee as a percentage of salary or wages as required by the relevant agreements. The university contributes five percent of the gross salary or wages is charged as an expense at the time it is incurred.

j) Taxation

The University is exempt from income tax pursuant to the first schedule of the Income Tax Act

k) Revenue Recognition

Revenue is recognised in the financial statements on an accrual basis, that is, on the due date. Grant income relating to capital projects is initially recognised as a deferred capital grant. Other Revenue received but not earned is disclosed in the financial statements as revenue received in advance.

l) Library Books

In view of quantity and distribution of the collections and the anticipated cost of annual verification for balance date reporting the university has opted to expense all items of library collections when purchased as it is considered the cost would outweigh the benefits to the users of these financial statements. In prior years library books have been capitalised and depreciated over 5 years. The remaining book value is written off to the income and expenditure

m) Comparatives

Where necessary comparative information has been reclassified to achieve consistency in disclosures with current financial year.

SOLOMON ISLANDS NATIONAL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 SBD	2014 SBD
3. Cash and Cash Equivalents		
Petty Cash	158,180	61,758
Cash at bank	112,385,515	61,485,924
	<u>112,543,694</u>	<u>61,547,682</u>
4. Trade and Other Receivables		
Current		
Student fee receivables	6,313,344	5,699,522
Less provision for Doubtful Debt	(496,695)	(496,695)
	<u>5,816,649</u>	<u>5,202,827</u>
Grant Receivable	-	-
Other debtors	787,709	775,780
	<u>6,604,358</u>	<u>5,978,607</u>
5. Inventories		
Current		
At cost:		
Stock on hand	<u>2,636,251</u>	<u>1,756,307</u>
6. Other Assets		
Current		
Prepayments	<u>1,848,964</u>	<u>1,848,964</u>
7. Property, Plant and Equipment		
Land & Buildings	102,655,504	77,213,267
Less accumulated depreciation	(41,250,855)	(39,154,714)
Total land and buildings	<u>61,404,648</u>	<u>38,058,553</u>
Plant and equipment at cost	40,400,520	35,454,203
Less accumulated depreciation	(21,030,276)	(17,076,460)
	<u>19,370,244</u>	<u>18,377,742</u>
Motor vehicles at cost	4,408,654	3,708,584
Less accumulated depreciation	(2,685,807)	(2,342,604)
	<u>1,722,847</u>	<u>1,365,980</u>
Total plant and equipment	<u>21,093,091</u>	<u>19,743,722</u>
Total property, plant and equipment	<u>82,497,739</u>	<u>57,802,275</u>

SOLOMON ISLANDS NATIONAL UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 SBD	2014 SBD
8. Trade and Other Payables		
Current		
Deferred Capital Grant	20,542,889	20,542,889
Unearned Revenue	1,516,195	1,516,195
Creditors & Accruals	7,653,674	3,248,204
Government & Council Taxes	14,366,101	13,892,775
NPF Contributions	(144,122)	(144,122)
	<u>43,934,738</u>	<u>39,055,942</u>
9. Borrowings		
Current		
Student - Other Payables	<u>493,134</u>	<u>493,134</u>
10. Provisions		
Current		
Employee entitlements	<u>423,637</u>	<u>423,637</u>
11. Historical balancing	<u>52,015,424</u>	<u>-</u>
12. Issued Capital		

In accordance with the Solomon Islands Companies Act 2009, the following applies:

- par value are not applicable to shares
- there is no requirement for authorised capital.