

# **SOLOMON ISLANDS NATIONAL UNIVERSITY**

## **FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 DECEMBER 2016

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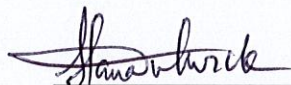
Statement by Appointed Officers

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:

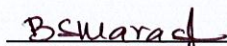
1. The financial statements and notes as set out on pages 2 to 9 presents fairly the company's financial position as at 31 December 2016 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
2. In the directors' 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.**

### **Report on the Audit of the Financial Statements**

#### ***Disclaimer of opinion***

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 2016, 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.

In my opinion, because of the significance of the matters described in the Basis for Disclaimer of opinion section of my report, 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 2016.

#### ***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 2016 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 2016. 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. Thus, I am unable to determine the completeness and accuracy of the reported revenue, payments, receivables and payables due to lack of an up to date reconciliation to produce an up to date 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 (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.

I conducted the audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the University in accordance with the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of Management and Directors' 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.

In preparing the financial statements, Management and Directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management and Directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

The Management and Directors are responsible for overseeing the University's financial reporting process.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of the financial statements.

As part of an audit in accordance with ISA, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and access the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluate the appropriateness of accounting policy used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Management's and Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as going concern. If I conclude that material uncertainty exist, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represent the underline transactions and events in a manner that achieves fair presentation.

I communicate with the Management and Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

I also provide Management and Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguard.

### **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 one year after the due date of 31 March 2017.



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 2016

	Note	2016 SBD	2015 SBD
<b>Income</b>			
Rental Income		-	146,895
Student Fees		8,317,553	535,603
Student-Other Income		-	64,023,760
Other Income		1,064,655	-
Government Subsidiaries		114,485,000	48,610,000
<b>Total Income</b>		<b>123,867,208</b>	<b>113,316,258</b>
<b>Expenses</b>			
Employee Benefits expense		(36,729,951)	(25,087,898)
Student Admin Costs		-	(8,060,283)
Advertising		(389,892)	(4,810,979)
Depreciation		(6,586,564)	(6,393,160)
University Admin		(1,177,039)	(11,183,489)
Printing and Stationary		-	(1,247,383)
Repairs and Maintenance		(2,241,703)	(2,258,401)
Other Staff Costs		(15,738,729)	(16,373,983)
Telecommunication		-	(2,918,972)
Utilities		(12,994,714)	(10,333,850)
Strategic Planning Expenses		(13,831,268)	-
Research and Training Expenses		(8,907,686)	-
Other expenses		(9,167,262)	(4,344,909)
<b>Total Expenses</b>		<b>(107,764,807)</b>	<b>(93,013,305)</b>
Surplus before Income Tax		<b>16,102,400</b>	<b>20,302,953</b>
Income tax expense		-	-
<b>Surplus for the year</b>		<b>16,102,400</b>	<b>20,302,953</b>

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 2016

	Note	2016 SBD	2015 SBD
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	116,821,848	112,543,694
Trade and other receivables	4	19,109,942	6,604,357
Inventories	5	2,636,251	2,636,251
Other assets	6	1,848,964	1,848,964
<b>TOTAL CURRENT ASSETS</b>		<b>140,417,005</b>	<b>123,633,266</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	82,601,759	82,497,739
<b>TOTAL NON-CURRENT ASSETS</b>		<b>82,601,759</b>	<b>82,497,739</b>
<b>TOTAL ASSETS</b>		<b>223,018,763</b>	<b>206,131,006</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	45,636,866	43,934,738
Borrowings	9	-	493,134
Provisions	10	-	423,637
<b>TOTAL CURRENT LIABILITIES</b>		<b>45,636,866</b>	<b>44,851,509</b>
<b>TOTAL LIABILITIES</b>		<b>45,636,866</b>	<b>44,851,509</b>
<b>NET ASSETS</b>		<b>177,381,897</b>	<b>161,279,497</b>
<b>EQUITY</b>			
Retained earnings		125,366,474	109,264,073
Historical Balancing(Suspense)	11	52,015,424	52,015,424
<b>TOTAL EQUITY</b>		<b>177,381,897</b>	<b>161,279,497</b>

The accompanying notes form part of these financial statements.

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



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**SOLOMON ISLANDS NATIONAL UNIVERSITY**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Retained Earnings SBD	Total SBD
<b>Balance at 1 January 2015</b>		88,961,120	88,961,120
Surplus for the year		20,302,953	20,302,953
<b>Balance at 31 December 2015</b>		<b>109,264,073</b>	<b>109,264,073</b>
<b>Balance at 1 January 2016</b>		109,264,073	109,264,073
Surplus for the year		16,102,400	16,102,400
<b>Balance at 31 December 2016</b>		<b>125,366,474</b>	<b>125,366,474</b>

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 2016**

**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 2016.

**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 Piolet 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 2016**

**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 at 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 2016**

**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 2016**

	<b>2016</b>	<b>2015</b>
	<b>SBD</b>	<b>SBD</b>
<b>3. Cash and Cash Equivalents</b>		
Petty Cash	449,241	158,180
Cash at bank	116,372,606	112,385,514
	<u>116,821,848</u>	<u>112,543,694</u>
<b>4. Trade and Other Receivables</b>		
<b>Current</b>		
Student fee receivables	5,975,923	6,313,344
Less provision for Doubtful Debt	<u>(496,695)</u>	<u>(496,695)</u>
	5,479,229	5,816,649
Grant Receivable	13,287,708.25	-
Other debtors	343,005	787,708
	<u>19,109,942</u>	<u>6,604,357</u>
<b>5. Inventories</b>		
<b>Current</b>		
<b>At cost:</b>		
Stock on hand	<u>2,636,251</u>	<u>2,636,251</u>
<b>6. Other Assets</b>		
<b>Current</b>		
Prepayments	<u>1,848,964</u>	<u>1,848,964</u>
<b>7. Property, Plant and Equipment</b>		
Land & Buildings	106,051,978	102,655,504
Less accumulated depreciation	<u>(43,707,481)</u>	<u>(41,250,855)</u>
Total land and buildings	<u>62,344,497</u>	<u>61,404,648</u>
Plant and equipment at cost	43,277,554	40,400,520
Less accumulated depreciation	<u>(24,773,937)</u>	<u>(21,030,276)</u>
	18,503,616	19,370,244
Motor vehicles at cost	4,825,729	4,408,654
Less accumulated depreciation	<u>(3,072,084)</u>	<u>(2,685,807)</u>
	1,753,645	1,722,847
Total plant and equipment	<u>20,257,261</u>	<u>21,093,091</u>
<b>Total property, plant and equipment</b>	<u>82,601,759</u>	<u>82,497,739</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>2016 SBD</b>	<b>2015 SBD</b>
<b>8. Trade and Other Payables</b>		
<b>Current</b>		
Deferred Capital Grant	20,542,889	20,542,889
Unearned Revenue	1,516,195	1,516,195
Creditors & Accruals	5,347,112	7,653,674
Government & Council Taxes	18,230,670	14,366,101
NPF Contributions	-	(144,122)
	<u>45,636,866</u>	<u>43,934,738</u>
<b>9. Borrowings</b>		
<b>Current</b>		
Student - Other Payables	<u>-</u>	<u>493,134</u>
<b>10. Provisions</b>		
<b>Current</b>		
Employee entitlements	<u>-</u>	<u>423,637</u>
<b>11. Historical balancing</b>	<u>52,015,424</u>	<u>52,015,424</u>
<b>12. Issued Capital</b>		

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.