



**SOLOMON ISLANDS GOVERNMENT**

# **OFFICE OF THE AUDITOR GENERAL**

## **2018 AUDIT REPORT ON PROVINCIAL GOVERNMENTS AND HONIARA CITY COUNCIL**

Auditor-General  
Office of the Auditor-General  
P O Box G18  
Honiara  
Solomon Islands

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## FOREWORD FROM THE AUDITOR-GENERAL

I am pleased to present this Report to Parliament covering the results of audits performed on the nine provincial governments for the financial year ending 31 March 2017. These audits were performed in 2018. The report also contains the results of the audit of the Honiara City Council (HCC) for the years 2011 to 2014. These audits were undertaken in 2017 but were not previously reported on to Parliament.

### **Results of audits**

The Provincial Governments and HCC continue to receive a disclaimer audit opinion which is a concern to this office. I acknowledge the good work done by three provinces (Choiseul, Isabel and Western) who have received qualified audit opinions. There is a correlation between poor record keeping, poor financial performance and results.

### **Acknowledgements**

I would like to acknowledge the great work done by my officers during the audit field work and the preparation of the field reports.

I thank the provincial governments and council for their support during the audit without which the audits could not be done.



Peter Lokay  
Auditor-General

01 November 2018

## SUMMARY

### Provincial Governments Audits

In 2018 the Auditor General issued audit opinions on financial statements received in respect of the following provincial governments. An explanation of what the audit opinion means is detailed in Appendix 1 of this report.

**Table 1: Provincial governments which received audit certificates during 2018**

No	Auditee	Financial Year-end	Date certified by Management	Date received by OAG	Date of audit certification	Audit Opinion
1	Central	31/03/2017	29/06/2017	30/06/2017	27/07/2018	Disclaimer
2	Choiseul	31/03/2017	19/12/2017	20/12/2017	21/09/2018	Qualified
3	Guadalcanal	31/03/2017	29/12/2017	29/12/2017	27/07/2018	Disclaimer
4	Isabel	31/03/2017	23/06/2017	30/06/2017	29/06/2018	Qualified
5	Makira Ulawa	31/03/2017	11/12/2017	12/12/2017	12/09/2018	Disclaimer
6	Malaita	31/03/2017	29/12/2017	29/12/2017	16/07/2018	Disclaimer
7	Rennell Bellona	31/03/2017	30/06/2017	30/06/2017	10/09/2018	Disclaimer
8	Temotu	31/03/2017	29/12/2017	29/12/2017	21/08/2018	Disclaimer
9	Western	31/03/2017	24/11/2017	28/12/2017	13/09/2018	Adverse

From the list above, it is evident that great progress is being made by Provinces in meeting their statutory financial reporting obligations. The standard of financial management and financial statements is still poor.

## **Overall assessment**

The *Provincial Government Act 1998* [PG Act] requires provincial governments to produce, within nine months after the end of the financial year, financial statements for audit. All of the financial statements were submitted to the Auditor-General within the statutory time frame.

For almost all of the provincial government annual financial statements submitted for audit in the 2016 -2017 fiscal year, the Auditor-General was unable to express an opinion on the financial statements due to missing records and poor control over receipting and payment of moneys. This means that the information contained in the financial statements cannot be relied upon to be materially correct and a true and fair view of the operations of the provincial governments. Only three provinces (Choiseul, Isabel and Western) financial statements were issued qualified and adverse audit opinions.

The provinces were using International Public Sector Accounting Standards (IPSAS) cash basis to prepare their accounts.

There were several areas of concern noted that all or most provincial governments had in common. These were:

- Lack of planning and monitoring of investment companies and businesses, and their financial statements not being consolidated in the provincial governments' financial statements.
- Poor controls over Ward Development Grants.
- Non-performance of or incomplete bank reconciliations.
- Poor control over the collection, recording and banking of receipts.
- Missing, unsupported and unauthorised payment vouchers.
- Poor control over payroll.
- Poor control over imprests and advances.
- Poor control over fixed assets.

OAG also noted instances of illegal and usurious loans being taken out by provincial governments.

The detail report for each provincial government is in the chapter relating to that particular province.

## Honiara City Council audits

Table 2 below shows the audits done on the Honiara City Council. From the list below, it is evident that no progress is being made by HCC in meeting their statutory financial reporting obligations.

**Table 2: Honiara City Council (HCC) audit certificates status**

No	Auditee	Financial Year-end	Date certified by management	Date received by OAG	Date of audit certification	Audit Opinion
1	HCC	31/12/2011	03/02/2017	06/02/2017	17/02/2017	Disclaimer
2	HCC	31/12/2012	03/02/2017	06/02/2017	17/02/2017	Disclaimer
3	HCC	31/12/2013	03/02/2017	06/02/2017	17/02/2017	Disclaimer
4	HCC	31/12/2014	03/02/2017	06/02/2017	17/02/2017	Disclaimer
5	HCC	31/12/2015	Not yet	Not yet	Not yet	
6	HCC	31/12/2016	Not yet	Not yet	Not yet	
7	HCC	31/12/2017	Not yet	Not yet	Not yet	

### Overall assessment

The Honiara City Council Act requires the HCC to submit to the Auditor General for audit the accounts of the council within 3 months after the end of the financial year. The council is also required to prepare its financial statements in accordance with IPSAS Accrual basis. HCC is yet to comply with these financial reporting obligations.

For the HCC financial statements submitted for audit in the 2011 -2014 fiscal years, the Auditor-General was unable to express an opinion on the financial statements due to missing records and poor control over receipting and payment of moneys. This means that the information contained in the financial statements cannot be relied upon to be materially correct and a true and fair view of the operations of the council. There was continued failure in the system of recording and controlling accounting transactions and insufficient audit evidence to support transactions and accounts.

## CHAPTER 1: CENTRAL PROVINCE

### **Audit opinion**

The Central Province annual financial statements in 2017 received a disclaimer audit opinion as they were assessed as having not complied with the International Public Sector Accounting Standards (IPSAS) cash basis.

The disclaimer audit opinion is based on the following issues.

### **Closing balance**

Cash and cash equivalent balance for the year ended 31 March 2017 does not reconcile. The balance has a material variance of \$2,814,513 and unable to adjust for the year. The Auditor-General therefore could not determine the accuracy of the closing balance at the year ended 31 March 2017, and the effect of any misstatement therein on the Statement of Receipts and Payments for the year ended 31 March 2017.

### **Receipts**

The Auditor-General could not verify the completeness, existence and accuracy of receipts totalling \$11,687,312 which was presented on the Statement of Receipts and Payments for the year ended 31 March 2017. This is due to absence of sufficient appropriate supporting documentation and weak control over revenue.

### **Audit issues**

The 2017 risk issues identified at the Central Province comprised of:

#### **Stale cheques and unrepresented cheques**

Audit identified a list of long unrepresented cheques that relates to the 2015/2016 financial period. The list of unrepresented cheques identified at the 2016/2017 financial period totals to \$158,100.27.

#### **Cash and cash equivalent disclosure variance**

A misstatement of \$2,814,593 was identified by audit on cash and cash equivalents disclosed in the financial statements. It was noted that total cash and cash equivalents in the

cash/bank GL does not agree with the amounts reported in the statement of cash receipts and payments.

#### **Cancelled Receipt with no original copy attached**

It was noted that a receipt number 15418 which was regarded as a cancelled receipt but was not marked as cancelled on the carbon copy of the receipt and the original receipt was also not attached.

#### **Business Licenses not updated**

Business licence register was not routinely updated by the Revenue Officer. The business licence register was updated on a quarterly basis only. The register should be kept up to date to give a clear impression on the total value of business licence receivable at the end of the financial year.

#### **Lack of segregation of duties over receipting and updating of business licence register**

Audit identified the high risk of manipulation of business licence receipts due to lack of segregation of duties. The revenue officer was collecting revenue and updating the business licence register with no independent verification by another officer.

#### **Receipts issued in were lodged in 2017 financial period**

The receipts lodged to the cashier in 2016/17 financial period were issued in 2014/15 financial period and related to prior years. It was identified by audit that a total of \$55,610 worth of receipts lodged in 2017 was for revenue collected in the 2014/2015 financial period. It is highly suspicious why the receipts were delayed for lodgement.

#### **Receipt book control weakness**

There are control issues identified by audit over the safekeeping and accounting of manual receipt books. The identified issues are highlighted below:

- Manual receipt books were not surrendered to CIP cashier after every revenue collection trip. It is a normal trend with CIP that receipt books were kept by the revenue collectors (Gela, Savo & Russel revenue collectors) after every revenue collection trip rather than handing over to the cashier for safe keeping.

- Carbon copies of the receipts were not in sequential order as it was teared by the revenue collector and lodged together with the revenue collected to the cashier thus variances/differences were identified.

#### **Missing receipts not lodged by the Revenue Officers lodgment to the cashier**

There was sequence of missing receipts or receipts not attached in the revenue lodgement to the cashier. It was identified by audit that there was a list of receipts not attached with the revenue lodgement by the revenue officer to the cashier.

#### **Abuse of Ward Development Grant**

In its review OAG noted a payment of Ward Development Grant worth \$15,000 which did not meet the ward development specifications.

#### **No WDG Policy is in place to safeguard the purpose, usages and the acquittals of WDG**

There is no Ward Development Grant (WDG) policy to safeguard the Ward Development Grant disbursements in the 13 Wards in Central Province.

#### **Unretired Imprest**

A total of special imprests worth \$ 91,286 paid out to officers during the financial year were not retired. Even though the amount is less compared to the prior year, it is still a concern to resolve by the province.

#### **Incomplete Specimen Signature for Central Province first three (3) Quarters for FY 2016-17**

OAG noted that the Central Island Province have no valid specimen signatures for the 3 quarters of financial year 2016-17 March to December 2016. The sighted copies of specimen signatures only cover from January 2nd 2017. This indicates that officers were incurring expenditures without authorisation.

## CHAPTER 2: CHOISEUL PROVINCE

### **Audit opinion**

The annual financial statements of the Choiseul Province (CHP) for the financial year ended 31 March 2017 were certified by the Auditor General during 2018.

The Auditor General issued a qualified opinion on the financial statements for Choiseul Province for the 2017 financial year. The basis for issuing a qualified opinion was because the financial statements were not consolidated with the investment arm of the Province as required by International Public Sector Accounting Standards (IPSAS) cash basis.

### **Audit issues**

The 2017 risk issues identified during the audit are summarised below.

#### **Lack check of monthly accounts**

The Choiseul Province Financial Management Ordinance 2008 s.65, outlines the responsibilities of the Treasurer to perform monthly checks over the important financial records. Audit noted that this important function has not been performed by the Treasurer. A prior year adjustment totalling \$358,485 was corrected in the comparative year of the current year financial statements but the adjustment was recorded twice in MYOB and was only corrected during the audit of the 2017 financial statements.

#### **No segregation of duties over receipting, banking and bank reconciliation**

There is no segregation of duties in cash handling and banking. That is, the same officer, Cashier who receives cash also deposits in the bank account. Accordingly to Treasurer, he performs check over total cash collected and counted against receipts issued before Cashier does the banking. There is no evidence any review being done by the Treasurer before banking. All the bank reconciliations were not signed off as reviewed.

#### **Business register not updated**

Not all receipts collected were recorded in the business register. The business register act as the receivables account which maintains all the various types of business licences. It further records the licences paid during the financial year and also outstanding licences fees. The

business register therefore is a very important document that provides information about revenue collected and also how much is outstanding for debt collection purpose.

### **Missing payment vouchers**

Audit noted that four payment vouchers totalling \$185,134 were missing.

### **Ward Development grant reports needs improvement**

Audit reviewed the ward development grants files and noted that not all the 16 wards report on the usage of the ward grants given to them for 2016/2017 financial year. It was noted that only 2 out of the 16 wards have completed and submitted their report, these are ward 2 and 9. Furthermore, it was noted that 2 out of 16 wards have partly reported on the usage of the ward grant.

### **Non – consolidation of controlled entity (Lauru Shipping)**

The issue on non-submission of the financial statements by Lauru shipping to the Choiseul Provincial Assembly was noted again during the audit of fiscal year 2016/17. According to Section 9 subsection 1 and 2 of the Provincial Enterprise Ordinance (PEO) 2011, it states clearly the requirement that the business arm of the Province must meet in terms of annual reporting. Furthermore, without the financial statements, the Provincial Government have not issued consolidated financial statements.

### **Asset register not updated**

Asset register not being updated to reflect the true or correct value of the province owned assets has been a recurring issue since prior years' audits. The current audit also noted that the register needs to be updated. The register lists only the names of the assets but with no value. Instance where the Premiers residence and Taro hospital rehabilitation with a total cost is \$1,380,105 but these were not capitalised or recorded in the asset register.

### **Lack Asset Management Policy**

The province has no 'asset maintenance policy'. From observation, the province has a lot of staff residential houses in poor condition which needs urgent maintenance and renovation. These residential quarters are however, still accommodating the provincial staff. There is a concern on the issue of "safety" to the lives of staff still living in these residential homes. Asset maintenance policy is an important document to guide the province on how it will manage and monitor its assets.

## CHAPTER 3: GUADALCANAL PROVINCE

### **Audit**

The annual financial statements of Guadalcanal Province received a disclaimer audit opinion for the financial year ended 31 March 2017. The disclaimer of opinion is attributed to the continuous failure in the system of recording and controlling accounting transactions and insufficient audit evidence to support transactions and accounts. There was no alternative means of verifying the balances and disclosures with respect to the annual financial statements.

The province failed to comply with the reporting requirements of the International Public Sector Accounting Standards (IPSAS) cash basis.

### **Audit issues**

The 2017 risk issues identified during the audit are summarised below.

#### **Unadjusted errors of the current year opening balance**

In the current year financial statement the opening balance need to be re-adjusted as there is an error in the running balance (increase and decrease in cash) for 2015/2016. The opening balance for 2016/2017 should be (\$263,329.52) and not (\$13,329.52) as calculated. As stipulated in the IPSAS 1.5.1; “When an error arises in relation to a cash balance reported in the financial statements, the amount of the error that relates to prior periods should be reported by adjusting the cash at the beginning of the period. Comparative information should be restated, unless it is impracticable to do so”.

#### **Non-compliant with IPSAS CASH Accounting frame work**

The financial statement of the Province does not have proper explanatory notes to its receipts and payments disclosures. There is no proper classification of receipts and payments, no table of contents and page numbers for cross reference purposes. As stipulated in the IPSAS 1.3.31; “Notes to the financial statements should be presented in a systematic manner. Each item on the face of the statement of cash receipts and payments

and other financial statements should be cross referenced to any related information in the notes.

#### **Lack of explanatory note on the Comparison of Budget and Actual Amounts**

There is no explanatory note to explain the variance between the budget and actual amount. Audit noted that there are large variances without explanations. As stated in the IPSAS; “by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.”

#### **Lack of licences and fees database**

The Province did not maintain a license and fee payer database for the year-end. It was noted that the computer which stored the revenue data was damaged and there was no backup done to the data.

#### **Missing receipt books**

It was noted that the receipt books for the financial period 2016/2017 were missing. Auditors were informed that no proper hand-over note was made when the Provincial Treasurer was recalled by the Ministry of Provincial Government and Institutional Strengthening.

#### **Missing receipts**

It was noted that the some receipts posted in the general ledger were missing. It was confirmed to cashbook that the same receipts were not deposited to bank account.

#### **Delayed banking of receipted monies**

Guadalcanal Province Account division normally received cash and expended it on operational expenses without first depositing the cash to its bank account. It was also noted that receipts were not banked immediately but were withheld for periods ranging from a week up to months before they were banked.

### **Lack of proper planning, monitoring and oversight of development project**

It was noted that the province paid extra variation payment fee of \$899,169.50 to a particular contractor which was a costly exercise as it took out a lot of resources for the province to settle such obligation. However, there was no independent report to justify the amount claimed by the contractor.

### **Lack of proper supporting documents**

Payments worth \$303,650.00 were without proper supporting documents. These payments were to cater for the Solomon games participants' allowances, fundraising drive and imprest. No further details were attached on how the funds were disbursed.

### **Lack of control mechanism over WDG**

MPA allowance and WDG fund was made up of 13.6% of the total appropriation budget of the province. However, the province did not have a control mechanism over the use of WDG as no acquittal reports were provided on the usage of the funds.

### **Lack of proper recording of retired imprest**

GP has maintained a special imprest register but the register has never been updated whenever an officer retires his/her imprest. Audit noted that all officers have retired their imprests but it was the register that was not updated. There is confusion among the staff who should be recording the retired imprest. Officer in charge need to record retired imprest as soon as they receive the acquittal documents.

### **Lack of timesheet for clock-in and out**

From observation, it was noted that the GP officers were always late to work and left early from work but were requesting for overtime. Since GP did not have a timesheet system to track attendance and monitor the movement of its officers, officers tend to follow their own time to arrive at work and to leave without genuine reason.

### **Employee incorrect pay rate**

Two provincial employees have been paid more compared to the staff establishment. Audit was unable to obtain any clear explanation or any documentation from both the administration and payroll staff to justify the increase of their basic salary rate.

### **Lack of controls over the management of the Province Investment**

Guadalcanal Development Authority (GDA) does not produce any financial report for the current year for consolidation. As stipulate in IPSAS 1.6.5; "A controlling entity should issue a consolidated financial statements which consolidates all controlling entities, foreign and domestic."

### **Lack of Accounts receivable listing**

GP does not have an accounts receivable listing for the financial year. This makes it difficult for the province to keep track of those yet to settle their dues.

### **Lack of Accounts Payable Listing**

The province does not maintain an accounts payable listing for year end. Audit acknowledged the Acting Deputy Treasurer who recently took up the post but the outgoing Provincial Treasurer did not make any hand over note regarding this payable listing.

## CHAPTER 4: ISABEL PROVINCE

### **Audit opinion**

The Auditor General issued a qualified opinion on the financial statements for Isabel Province for the financial year ending 31 March 2017. The basis for issuing a qualified opinion was the Province did not consolidate the Isabel Investment Corporation (IIC) financial statements to its financial statements as required under IPSAS 1.6.5 which states: “A controlling entity, ..., should issue consolidated financial statements which consolidates all controlled entities, foreign and domestic, ....”

### **Audit issues**

The major issues identified during the audit included the following:

#### **Isabel Investment Corporation (IIC) FS not consolidated**

It was confirmed by the Provincial Treasurer that the IIC is yet to audit its accounts and records for its 2016 fiscal year. The province is unable to consolidate IIC reports in the current provincial signed annual financial statements. As stipulate in IPSAS 1.6.5; “A controlling entity should issue a consolidated financial statements which consolidates all controlling entities, foreign and domestic.”

#### **No proper planning, monitoring PCDF and IPG projects**

Physical inspection conducted and noted that the work done to Guguha Secondary School boys’ dormitory and culvert at Ngulahage road access was below standard. The cost incurred did not reflect the quality of the work done to those projects.

#### **Incomplete payment vouchers (PVs)**

Payment vouchers with a total value of \$608,827.12 could not be verified for accuracy and completeness. The vouchers were not signed-off and not dated. Requisition forms were not attached to some of the PV. Most PVs with issues were for payment of utility, timber rights hearing and Kodili festival.

**Subsistence and sitting allowance forms not signed**

\$48,780 worth of subsistence and sitting allowances was not signed by certain Members of Provincial Assembly (MPA). Signing would have confirmed the occurrence and completeness of those payments which were paid to the MPA.

**Lack acquittals of grants assistance to communities/wards**

According to Section 11(1) of the community assistance ordinance 2013, upon used of grants the ward concern should acquit the amount received. From the total amount given through grants, 95% of amount was not acquitted to the province.

**Late retirement of imprest**

Special imprests valued at \$75,985.00 were retired late. This is a breach of section 51 of the Provincial Financial Management Ordinance 2014 (PFMO) which stated that imprest must be paid back to the Province Government immediately after the necessity for it ceases.

**Imprest holder does not sign the imprest application form**

Two (2) imprest holders failed to sign the imprest application forms. The total amount obtain was \$27,940.00.

## CHAPTER 5: MAKIRA ULAWA PROVINCE

### **Audit opinion**

The Auditor General issued a disclaimer audit opinion on the 2016/2017 financial statements of Makira Ulawa Province. The basis for disclaimer audit opinion was the failure of the province to produce annual financial statements in accordance with IPSAS cash basis.

The significant issues that give rise to this conclusion are detailed below.

### **Receipts**

The Auditor-General could not verify the completeness, existence and accuracy of receipts totalling \$326,930.50 of total receipts which was presented on the Statement of Receipts and Payments for the year ended 31 March 2017. This is due to absence of sufficient appropriate supporting documentation and weak control over revenue.

### **Payments**

The Auditor-General could not verify the completeness, existence and accuracy of payments totalling \$139,832.00 of total payments which was presented on the Statement of Receipts and Payments for the year ended 31 March 2017. This is due to absence of sufficient appropriate supporting documentation and weak control over payments.

### **Consolidation Financial statement**

Makira Ulawa Provincial Government did not issue a consolidated financial statement for the financial year ended 31 March 2017. The Province fail to consolidate the Makira Ulawa Investment Corporation financial statements to its financial statements as required under IPSAS 1.6.5.

## **Audit issues**

The 2017 risk issues identified during the audit are summarised below.

### **Deposited receipts could not be ascertained**

Completeness of revenue or receipts could not be ascertained. A total of 40 samples of bank deposits for the year were selected for review and out of the total samples selected 15 were missing and could not be ascertained. A total of \$326,930.50 bank deposits summaries were not provided thus audit could not ascertain if the deposits were complete.

### **Expenditure not approved in accordance with financial delegations**

From a sample of 30 transactions, a total of 3 payment vouchers which worth \$98,880 had not been approved in accordance with the Provincial Government's financial delegations policy.

### **Lack of adequate supporting documentation (C/fwd. issue from 2015/2016)**

Some of the payment vouchers authorised and paid by the Provincial Government lack adequate supporting documentation to support the payments. Sufficient documentation such as requisition forms, invoices or progressive reports were not presented on file or attached to the payment vouchers.

### **Lack of WDG quarterly reports from wards (C/Fwd. issue from 2015/2016)**

The quarterly reports for ward development grants have not been prepared. 20 Wards have not submitted their quarterly reports as required for the ward development grants. Even when the quarterly reports were not received, the next tranches of ward development grants were issued to the wards by the province.

### **Unexplained significant increase in salaries for divisions**

Notable increases in salaries by divisions were noted during the audit. An analytical summary of salaries paid by divisions was performed to analyse the trend in salaries incurred during the financial year.

**PAYE & NPF under-paid**

Payroll deductions for PAYE, NPF and Advance recovery were not deducted at the correct rates as required by legislation. The under deduction was valued at \$13,827.29.

**Bank reconciliation reports not reviewed**

The bank reconciliation statements were not signed off by the preparer and the reviewer. It was not indicated on the bank reconciliation working papers that the preparer and reviewer signed off on the working papers.

**Financial Statement not prepared and consolidated (C/Fwd. issue 2015/16)**

It was noted that MUPIC never produce any accounting reports to consolidate with the Province financial statement. Section 15 of the Makira Ulawa Province Investment Corporation Ordinance (MUPICO) 1998 requires MUPIC to prepare audit annual financial statements. IPSAS cash basis s1.6.5 also requires consolidation of financial statements.

**Manual imprest register not updated**

The Provincial Government did not update its manual imprest register thus could not be reconciled with the General Ledger in MYOB.

**Recovery of un-acquitted imprests and advances (C/F – 2015/2016)**

The province has maintained a special imprest register on a manual book and within the MYOB system. The province was not able to manage the recovery of unretired imprests from the imprest holders. As a result imprests that were due for retirement within the fiscal year were not done.

**No Staff advance register kept**

The Provincial Government did not maintain a staff advance register. It is essential that staff advance register is maintained and kept in a secured room from unauthorized access.

**Account payable unaccounted for**

The Provincial Government has not maintained listing of its accounts payable in a register. This indicates poor management and control over its trade creditors.

### **Incomplete fixed asset register**

The Fixed Asset Register (FAR) was incomplete and was not up to date. Some assets recorded in the assets register could not be located. Some assets identified through physical observation were not recorded in the fixed asset register e.g. Provincial Premier's truck (Hilux), Provincial office building, Provincial rest house to name a few.

### **Financial statement discrepancies**

The following balances in the financial statements have issues with them:

- Closing balance of the statement of receipts and payments could not be verified due to insufficient documentation.
- Net cash flow balance has a material variance.

## CHAPTER 6: MALAITA PROVINCE

### **Audit opinion**

Disclaimer audit opinion was issued for the annual financial statements of Malaita Province for the financial year ending 31 March 2017. The disclaimer of opinion is attributed to the continuous failure in the system of recording and controlling accounting transactions and insufficient audit evidence to support transactions and accounts. The Auditor-General was unable to confirm or verify by alternative means the balances and disclosures with respect to the financial statements.

### **Audit issues**

The risks identified during the audit are summarised below.

#### **Unable to rely on Financial Statement (FS) figures**

Audit was unable to reconcile 71% of the total receipts to General Ledger (GL) which was extracted from the MYOB system. Audit also was unable to reconcile 61% of the total payments to GL. For the whole FS figures, only 34% of figures presented were relied upon. It was viewed as pervasive misstatement of the FS.

#### **Cashing of cheques without depositing them into bank account (C/Fwd. from 2015/2016)**

The issue of cashing of cheques without depositing those cheques has been a recurring one that the Provincial Government is still repeating. There is no seriousness shown by the Provincial Administration to act on the recommendation issued by OAG to rectify the issue. And this is a serious breach of section 30 (2) of the Financial Management Ordinance 2008. Cheques should not be cashed but should be deposited into the right account before withdrawing it to be used for operational cost.

#### **Incompleteness of business licences and fees payers register (C/Fwd. from 2015/2016)**

The business licences and fees database kept by the province was incomplete. This makes it difficult to know exactly how much revenue the province should have collected for the audited period.

**Lack of surprise survey of cash (C/fwd. from 2014/15)**

No surprise survey of cash being conducted by the Provincial Treasurer or his deputy for the audited period or even the prior years which is a great concern to OAG. Provincial Treasurer or his deputy should check on the cashier to see that the cash collected are reconciled with the record as stated in section 66 of FMO 2008.

**Designated bank accounts were not used for its purpose (C/Fwd from 2015/2016)**

The Provincial Government is still adopting the practise of using bank accounts for purpose not intended for. OAG noted that the salary account was used for its operation activities while the main account was used to fund salaries of the direct employees. Furthermore, it was noted that recurrent revenue was sometimes deposited into either the PCDF, salary or the main account.

**Cash book kept by the Province incomplete**

Provincial Administration kept an incomplete cash book for the main bank account. Only the expenditures were entered in the cash book.

**Bulk withdraw of cash by Cashier**

The provincial government accounts cashier normally withdraws huge amount of hard cash from the bank, bring it to office to pay the suppliers or MPAs using the yellow envelops. This normally happens when funds available in the bank. It is a good practice that suppliers should be paid by cheque so as to avoid the risk of cash being used for different purpose.

**Insufficient supporting documents attached to Payment vouchers**

OAG conducted test on the recurrent expenditures however, audit was unable to confirm the reliability of \$7.4 million worth of payments. These payments identified either have illegitimate receipts and no supporting documents attached to the payment vouchers.

**Lack of progressive report for contract payments (C/fwd from 2014/15)**

Four (4) capital payments totalling \$993,259.01 were paid to contractors but there was lack of certification from works or planning officers to approve that the payments were legitimately earned by the contractors.

### **Excess over-time claims by Security officers**

There was poor control over the monitoring and approval of over-time claims by Security officers. Hours claimed ranges from 15 hours – 26 hours per over-time claim which means that those officers were paid both ordinary hours and overtime on overtime rates.

### **Weak control over hiring of casual workers**

The hiring of casual workers by the province was not procedural. There was no evidence to confirm that casual workers or number of casual workers were needed by the province to do short-term work.

### **Special Imprest register (SIR) lacks sufficient information**

It was noted that the imprest register lacks the following information:

- Date in which the imprest should be retired
- Date of the actual retirement

### **Multiple imprest holders (C/fwd. 2015/2016)**

There was no effective action taken by the province to address the recurring issue of giving multiple imprests to officers.

### **Staff advances register not updated (C/fwd from 2014/15)**

There was no seriousness shown by the province to address the recurring issue of Staff advances register not being updated. This has made it difficult to determine the accuracy and completeness of the advances or to confirm whether or not the outstanding advances given as staff advances would be recovered in the subsequent financial year.

### **Fixed asset register was not updated**

The Province has a fixed asset register but it was not updated to capture the assets procured and disposed during the financial year. Also certain important details were not completed in the register such as:

- serial number;
- asset number;

- original cost;
- purchase order number;
- asset location;
- date of acquisition;
- asset condition;
- due date for replacement; and
- sales proceed of the asset.

#### **No accounts payable register kept (C/fwd from 2014/15)**

The province is yet to rectify the issue of keeping the creditor register. The province relied on the general ledger data obtained from MYOB to provide them with the information. MYOB was not a trusted tool to obtain such information as control around the system was very weak.

#### **Accounts receivable register not updated**

The accounts receivable register was maintained by the Provincial Government but it was out of date and cannot be relied upon. It is important that the accounts receivable register is regularly updated so that the Provincial Government can determine how many businesses still owe them for the financial year and to ensure the information is properly and appropriately disclosed in the encouraged note on the financial statements.

#### **Borrowing funds from unauthorised lenders (C/fwd from 2014/15)**

The Province still acquire loans from unauthorized lenders which is breaching section 88 and 89 of the Financial Management Ordinance 2008. The interest rate charged by the lenders is 20% each fortnight with a possibility of interest accumulated if borrowed money is not settled. The Provincial Government has an estimated debt of \$4.6 Million from the lenders. In addition, most payments issued to lenders were without legal agreements as supporting documents. Only document attached to PV was written A4 paper or stamp invoices from lenders which contain the amount of money the province borrowed with interest.

### **Defraud of business licence payers in ward 16 -19**

An alleged fraud occurred during collection of revenue from rural areas in Malaita, specifically wards 16, 17, 18 and 19. A Police Officer who was station at Atori police post allegedly was charging fees and collecting business licences fees from businesses in ward 16 to 19 in the months of May to June 2017, using the Province's official receipts. From interview conducted with Senior Revenue Officer and the provincial treasurer, they were only aware of the activity when business owners turned-up at the headquarters to collect their business licence certificate. Province was aware of the activity, however, no investigation was done by Province Executive to confirm the allegation or collect the revenue from the officer. No revenue was received from the police officer during those months.

## CHAPTER 7: RENNELL BELLONA PROVINCE

### **Audit opinion**

The Rennell Bellona Province annual financial statements for the year ending 31 March 2017 received a disclaimer opinion. The disclaimer of opinion is attributed to the continuous failure in the system of recording and controlling accounting transactions and insufficient audit evidence to support transactions and accounts. The Auditor-General was unable to confirm or verify by alternative means the balances and disclosures with respect to the financial statements.

### **Audit issues**

2017 significant accounting and audit matters are described in the following sections of this report.

#### **Discrepancies on balances for Statement of Cash Receipts and Payments**

There are large differences between the amounts report in the financial statements and amounts recorded in the general ledger for the following items: receipts with a variance of 55%, expenditure with a variance of 0.5%, assets with a variance of 88% and liabilities with a variance of 100%.

#### **Discrepancies on the notes to the Statement of Cash Receipts and Payments**

These are the discrepancies on the statement of cash receipts and payments for the year ended 31st March 2017;

- Note 4 is not reflected on the face of the FS
- Cash and cash equivalent does not reconcile with the cash closing balance for the year.

### **Related party transactions not disclosed**

The conference room belonging to one of the MPA was used to host the conferences and Provincial meetings but the payments for hiring of room are not disclosed in the financial statements.

### **The Presentation of the Financial Statement**

The presentation of the annual financial statements is not according to the requirements of IPSAS cash Basis format as directed by Ministry of Provincial Government and Institutional Strengthening.

### **Not all meeting minutes available**

OAG noted that there was no proper filing of minutes of MPA and Executive meetings held during the 2016-2017 financial year. Minutes were either had gone missing or not recorded at all, due to poor record keeping and weak control.

### **No documentation for rates charged by the province (repeated from 2015/16)**

No documentation of rates charged were provided to confirm that the rates have been pre-approved by the Provincial Government Assembly (PGA) and also no minutes to confirm if the rates were discussed by PGA for approval.

### **Not all receipt books are available during the time of audit (Repeated from 2015/16)**

Not all manual receipt books used during the 2016/17 fiscal year were available for audit as required by section 73 subsection (l) of PFMO 2008.

### **Lack of security of provincial money collected (repeated from 2015/16)**

There is no secure safe in the Provincial Office to properly store the money collected from businesses prior to depositing them. The security of provincial money in the Province is a grave concern which needs addressing by the Provincial Government.

### **No Licences and Fees payers database (repeated from 2015/16)**

There is no vendors register maintained by the revenue officer to monitor the number of vendors operating in the province.

**No evidence for collection of outstanding revenue (Repeated from 2015/2016)**

There was no evidence to indicate that outstanding revenue from past fiscal years was collected during the current year.

**No segregation of duties between receipting, data entry and banking**

No one person should receipt the cash, record it in the cash book/general ledger and also deposits monies in the bank account. Furthermore, these should be reviewed by an independent reviewer.

**Lack of approved revenue policies and procedures (Repeating from 2015/16)**

The Provincial Government has not yet addressed this issue brought forward from last year's audit. No approved policies and procedures are in place over the receipting of cash and cheques and the recognition, measurement and reporting of revenue.

**Payment vouchers with no supporting documents**

Payment vouchers worth \$3.9 million did not have supporting documents to verify the amounts disbursed. Further verification done on the files indicated that all the Payment Vouchers were without supporting documents.

**No Link between the cash book and the Payment Voucher**

Payments vouchers cannot be traced to cashbook due to the absent of PV numbers. There is no payment voucher reference number to clearly state where it is recorded in the cashbook.

**Discrepancies in expense line items.**

Various expenditure line items have different amounts when traced to the face of the financial statements.

**MYOB system not in operation (Repeated since 2014/15)**

The MPGIS approved accounting software MYOB was not installed in the provincial finance office.

**No ward development grants**

There is no record of ward development grants for the current year on the face of the financial statements.

**Closing Balance for cash**

There is no third party confirmation provided to prove the closing cash amount of \$2.3 million is accurate.

**Bank reconciliations not performed**

Bank reconciliations were not performed for the two main bank accounts of the province for the year ended 31st March 2017.

**Special Imprest register not maintained (Repeating from 2015/16)**

The provincial government is still yet to maintain a special imprest register. Due to lack of special imprest register the amount spent cannot be clearly identified from the cashbook. The province is unable to provide supporting documents.

**Payroll documentation and budget comparison**

Payroll cannot be tested due to lack of documents available or provided to perform testing. Also budget comparison cannot be done for this line item.

**RBDA yet to be fully operational (Repeating from 2014/15)**

Lack of financial documentation prevents the OAG from performing any audit to determine if Rennell Bellona Development Authority (RBDA) has commenced operation.

**Asset Register not maintained (Repeating from 2015/16)**

No asset register is maintained by the province even though various assets were purchased during the financial year and prior financial years.

**Lack of accounts payable register (Repeating from 2014/15)**

There is no payable register maintained therefore current liabilities of \$97,106.64 cannot be reconciled since there is no document provided.

## CHAPTER 8: TEMOTU PROVINCE

### **Audit opinion**

Temotu Province financial statements for year ending 31 March 2017 received disclaimer audit opinion. The issues that led to the basis for the disclaimer of opinion are detailed below.

### **Closing balance**

Cash and cash equivalent balance for the year ended 31 March 2017 does not reconcile. The balance has a material variance of \$ 760,169 and unable to adjust for the year. The Auditor-General therefore could not determine the accuracy of the closing balance at the year ended 31 March 2017, and the effect of any misstatement therein on the Statement of Receipts and Payments for the year ended 31 March 2017.

### **Receipts**

The Auditor-General could not verify the completeness, existence and accuracy of receipts totalling \$11,696,697 which was presented on the Statement of Receipts and Payments for the year ended 31 March 2017. This is due to absence of sufficient appropriate supporting documentation and weak control over revenue.

### **Payments**

The Auditor-General could not verify the completeness, existence and accuracy of payments totalling \$10,668,486 which was presented on the Statement of Receipts and Payments for the year ended 31 March 2017. This is due to absence of sufficient appropriate supporting documentation and weak control over expenditure.

### **Audit issues**

Issues identified in the Temotu Province audit are summarised below.

### **Financial statement deficiency**

There are numerous deficiencies noted in the annual financial statements for the financial year ended 31 March 2017.

### **Incomplete business register (C/Fwd. issue 2015/2016)**

The business register is incomplete. The register lacks dates on when transactions occur, unable to reconcile the register amount and individual amount with the cashbook.

### **Lack receipts register**

The province issued receipt books to revenue collectors and market fee collector. However, no record or register is kept to track the receipts issued to collect revenue for the province.

### **Lack sufficient supporting documents for payments**

The supporting documents attached to payment vouchers (PVs) were not sufficient. PVs lack invoices or certificates of progress of work done to confirm the amounts claimed by the suppliers and the contractors.

### **Excess claim by suppliers**

There were claims done by suppliers to the province that seemed to be excessive. Yet the province saw it fit to approve and disregarded central principles that guide the use of public resources.

### **Lack formal overtime request**

Most overtime claims were approved after work were done by the officers. There is no formal request by officers to supervisors to do overtime.

### **Un-deposit funds**

\$906,708 was categorised as un-deposit funds in the MYOB. This shows that the amount was collect by the province but not deposited into the relevant bank account but used for operational cost instead.

### **Stale Cheques**

A total amount of \$188,368.06 was noted to be for stale cheques in the main bank account. The oldest cheque still recorded in the bank reconciliation at the year ended 31st March 2017 was dated 1st April 2012 which is 5 years ago.

**No financial statement provided by Temotu Development Authority (C/Fwd. issue 2015/16)**

The Temotu Development Authority (TDA) did not prepare any financial statement that should be provided to the Temotu Provincial Government.

**Bank reconciliation not done for Temotu Development Authority (Cash Fwd. Issue 2015/16)**

TDA have four (4) existing bank accounts however, it has very poor control over its cash. Incomplete bank reconciliation made it difficult to identify un-presented cheques and outstanding deposits and to determine the opening and closing cash balances for the year. This has contributed to the TDA not performing all of its bank reconciliations for the year.

**Poor management over special imprest (c/fwd. issue 2015/2016)**

No measures were taken by the executive to act on the recommendation issues for 2015/16. There is evident of unretired imprest and multiple imprest holders. However, given the special imprest register is not updated, there is a limitation of audit scope.

**Asset register not updated (C/fwd. issue 2015/16)**

The Temotu Province (TP) has maintained an inventory register; however, it was not updated.

**Lack of creditors listing (C/fwd. issue 2015/16)**

Temotu Province does not maintain a register for its payables. A payables register is important to keep track of the dues to settle.

**Lack of accounts receivable register (C/fwd. issue 2015/16)**

No accounts receivable register was kept by the Province. It is very important to have a receivable register to reconcile the license holders, fee payers and other revenues so that the Provincial Government can determine how many businesses still owe them for the financial year.

### **Borrowing of funds from un-authorized lenders**

The Province did not act on the prior recommendation and still borrow funds from unauthorised lenders. The amount borrowed for the current financial year nearly doubled the amount it borrowed the previous year. In addition funds with a total amount of \$790,000 were borrowed (transfer) from Temotu Provincial Housing Project bank a/c to the main bank a/c.

## CHAPTER 9: WESTERN PROVINCE

### **Audit opinion**

The financial statements of the Western Province for the financial period ending 31 March 2017 received an adverse audit opinion. The basis for the adverse audit opinion is based on the following issues of concern.

### **Closing balance of cash**

Closing Cash and cash equivalent balance for the year ended 31 March 2017 does not reconcile. The balance has a material variance of \$315,563.00 and unable to adjust for the year. The Auditor-General therefore could not determine the accuracy of the closing balance at the year ended 31 March 2017 and the effect of any misstatement therein on the Statement of Receipts and Payments for the year ended 31 March 2017.

### **Statement of Comparison of Budget and Actual Amount**

Net Cash Flows balance for the year ended 31 March 2017 does not reconcile with the Increase or (decrease) in cash and cash equivalent. The balance has a material variance of \$ 5,365,435.00 and also unable to adjust for the year. The Auditor-General could not determine the accuracy of the closing balance at the year ended 31 March 2017 and the effect of any misstatement therein on the Statement of Receipts and Payments for the year ended 31 March 2017.

### **Consolidation Financial statement**

Western Provincial Government did not issue a consolidated financial statement for the year ended 2017. The Province fail to consolidate the Western Province Investment Corporation financial statements to its financial statements as required under IPSAS 1.6.5.

## **Audit issues**

The details of matters disclosed by the audit are as below.

### **Weak invoicing system**

It was noted that the invoicing system used by the province is not trustworthy. Invoices done on excel worksheet with manual invoice numbering with no security features to safeguard the manipulation of the invoice sheet.

### **Weak monitoring and control over revenue collection points**

The province has four (4) revenue collection points, namely Marovo, Munda, Gizo and Shortlands. For Shortlands and Munda (Noro) no monitoring and controlling at the revenue collection points as evident by no reports provided on active and non-active businesses operating within the areas.

### **Payment Vouchers (PVs) lacks proper documents**

The contract payments with a total value of \$1,589,469.21 did not have relevant documents that should be attached in order to legitimize the amounts claimed from the province for the work done.

### **Acquittals of ward grants lack supporting documents**

It was noted that only the reimbursement form is used to report on the use of the ward grants. No documents such as invoices, receipts and request letters were attached with the form to confirm that the funds were used for the intended purpose.

### **Discrepancy over payroll payments**

Audit noted that few issues under payroll that needs the Provincial Treasurer's attention. Payroll cheque number on PV is different from cheque number on GL. No signatures on signature column on the payroll sheet and no counter sign for amendments on PV.

### **Discrepancy in reconciliation of cash movement (C/Fwd. issue 2015/16)**

It was noted that no action was taken to solve the discrepancy in the reconciliation of the cash movement for the 2015/2016 fiscal year which needs proper adjustment. In addition, OAG was unable to verify the balances for the net payments due to cash movement for 2015/16 and 2016/17 fiscal year and the bank reconciliations were not reconciled.

### **Non-consolidation of WPIC's balances to WPG financial statement**

Audit noted that no consolidation of the financial statements of Western Province Investment Corporation (WPIC) was made to the WPG financial statement for the financial year end 2016/2017 so it will not show a true and fair view of the financial position of the Province to the stakeholders.

### **Imprest register not updated**

The provincial imprest register book was not updated. Imprest ledger accounts were not updated in the registry book including the date retired, receipts and cash disbursed. This makes it harder to track whether the imprests were retired or not.

### **Unretired and multiple imprest holders**

There is continuous breach of section 55, 56 and 57 of the Financial Management Ordinance 2008, which disallows for multiple imprest holders. No effective measures were taken by the Provincial Government to mitigate the issue.

### **Assets not labelled**

The province did a monthly stock-take but it was noted that all assets did not have labels for identification purpose.

### **Land and building not included in the asset register**

The monthly asset register prepared did not capture Land and Building. This means the province did not report on all the assets that it has control and rights over.

### **No accounts receivable register**

There is no proper accounts receivable register kept by the province and this is a breach of section 10 (18)(1)(2) of the Financial Instruction & Stores Instruction 2008.

### **Settle outstanding creditors on timely basis**

There were few creditors which the province was yet to settle as of 28th February 2017. The financial year for the province was 31st March 2017 which meant the province was likely to be with outstanding bills until the financial year ends.

### **Financial statement discrepancies**

Upon reviewing the financial statement, the following balances have issues with them:

- Closing balance of the statement of receipts and payments had unreconciled variances.
- Net cash flow balance had unreconciled balances.

## CHAPTER 10: HONIARA CITY COUNCIL

### **Audit opinion**

Disclaimer audit opinions were issued on the financial statements of the Honiara City Council (HCC) for the financial years ending 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014. The disclaimer audit opinion is attributed to the continued failure in the system of recording and controlling accounting transactions and insufficient audit evidence to support transactions and accounts.

The Council did not comply with legislative, HCC Act 1999; requirements that audited financial statements were to be submitted to the Auditor-General no later than 3 months after the end of the financial year. The signed statements for the years 2011 to 2014 were presented to the Auditor-General on 6<sup>th</sup> February 2017.

### **Audit issues**

The details of significant issues identified during the HCC audits are summarised below.

The disclaimer of opinion is attributed to the continued failure in the system of recording and controlling accounting transactions and insufficient audit evidence to support transactions and accounts. The Auditor-General was unable to confirm or verify by alternative means the balances and disclosures with respect to the financial statements. The system failures related to the following matters:

Most HCC officers had not had formal training in using the MYOB accounting system including officers who used the MYOB system routinely and were responsible for entering data into the system.

Significant errors existed in the 2011/2013 actual revenue figures reflected in the 2013/2014 Approved Budget Estimates.

The reason given for the failure of HCC to produce financial statements for 2011 - 2014 during the opening meeting was that HCC lacks the knowledge to produce financial statements that comply with international accounting standards.

HCC has produced its previous financial statements in accordance with cash basis IPSAS, rather than preparing financial statements that include a Balance Sheet (accrual) as per HCC Act (1999).

Restrictions on access to MYOB system limited the ability of HCC officers to obtain or provide financial information in the absence of the Deputy Treasurer.

The IT function (IT officer) was outsourced by HCC. The IT officer has overall control of domain and application passwords, and there was little or no input from Senior HCC Officers reducing their ability to manage the HCC IT environment.

HCC has no logbook or register to record IT issues, despite the regular difficulties in using the system and down time resulting from power and server problems noted by several members of HCC.

In order to correct MYOB errors, instead of posting journal adjustments or reversing accounting entries the Deputy Treasurer deleted the original posting and inputted a replacement entry.

Basic Rates and Business License Officers are required to reconcile their data with the main system to ensure its accuracy. However this was not completed for 2013 until June 2014, and no reconciliations have been carried out for 2014 at the time of audit.

There was no external backup of HCC accounting data offsite, such as hard copies of the general ledger or on external hard drives.

There was a lack of segregations of duties over the review of data entry in the main MYOB system. Also the same officer was responsible for checking reconciliations on the MYOB system, journal entry, system access, and report production.

The main HCC bank account was not reconciled on a timely basis, with delays of over eight months from the date of the bank statement to the date on which reconciliation was performed.

Bank reconciliations of the HCC main bank account were not signed and dated as prepared. In addition, the reconciliations were not signed off as reviewed by a second officer.

HCC Failed to investigate a large number of significant reconciling items on the bank reconciliation, including some entries that appeared to have been mis-posted to the reconciliation.

The HCC management needs to take proactive actions in the management of finances and resources of the Council so that citizens of HCC are provided with quality, efficient and equitable services.

## APPENDIX 1 - DEFINITIONS AND TECHNICAL CONCEPTS

### Risk Ratings

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

<b>Risk Rating</b>	<b>Description</b>
High	Matters which may pose a significant business or financial risk to the entity; and / or  Matters that have resulted or could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency by the entity; and / or  Moderate risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed.
Moderate	Matters of a systemic nature that pose a moderate business or financial risk to the entity if not addressed as high priority within the current financial year; and / or  Matters that may escalate to high risk if not addressed promptly; and / or  Low risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed.
Low	Matters that are isolated, non-systemic or procedural in nature; and / or

	Matters that reflect relatively minor administrative shortcomings and require action in order to improve the entity's overall control environment.
Improvement Opportunity	Matters of a procedural or administrative nature which could improve the efficiency or effectiveness of entity level, systemic or transactional processes.

### Audit Opinions

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

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

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

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

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

### **Emphasis of Matter paragraphs**

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

## APPENDIX 2: GLOSSARY OF ACRONYMS

CP	Central Province
CHP	Choiseul Province
GDA	Guadalcanal Development Authority
GL	General Ledger
GP	Guadalcanal Province
HCC	Honiara City Council
IIC	Isabel Investment Corporation
IP	Isabel Province
IPG	Isabel Provincial Government
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards for Supreme Audit Institutions
IT	Information Technology
MUP	Makira Ulawa Province
MP	Malaita Province
MPA	Member(s) of Provincial Assembly
MUPIC	Makira Ulawa Province Investment Corporation
MUPICO	Makira Ulawa Province Investment Corporation Ordinance
OAG	Office of the Auditor-General
PCDF	Provincial Capacity Development Fund
PEO	Provincial Enterprise Ordinance
PFMO	Provincial Financial Management Ordinance
PGA	Provincial Government Assembly
PV	Payment Voucher(s)
RBDA	Rennell Bellona Development Authority
RBP	Rennell Bellona Province
TDA	Temotu Development Authority
TP	Temotu Province
WDG	Ward Development Grant
WP	Western Province
WPG	Western Provincial Government
WPIC	Western Province Investment Corporation