



SOLOMON ISLANDS GOVERNMENT

REPORT ON MATTERS ARISING FROM FINANCIAL STATEMENT AUDIT

Central Islands Provincial Government
1 October 2013 – 31 March 2014

Reported by:

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EXECUTIVE OVERVIEW

Background

The Central Islands Provincial Government submitted its financial statements for the financial year ended 31st March 2014 to this Office on 9 October 2014 as required under s.39(2) of the *Provincial Government Act 1997*. Central Islands Provincial Government is responsible for delivering quality goods and services to its community by carrying out the mandatory functions under the *Provincial Government Act 1997* and the devolution order.

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

Audit Objectives and Scope

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

This report focuses on the findings arising from the review of financial management processes being practised by Central Islands Provincial Government for the period of 1 October 2013 to 31 March 2014.

Findings

The audit identified that the Central Islands Provincial Government has made improvement over its record keeping of expenditures and revenue for the 2013 financial year. However, there a major reforms over its financial management, accounting or reporting controls, particularly in relation to its revenue, assets and liabilities; as well as continued efforts to improve its expenditure controls, need to be implemented, In addition, all investments and assets are encourage to be taken up in the financial statements.

As for the financial reporting, OAG has identified significant matters of errors that needs to be corrected before the Auditor General will provide his independent audit opinion.

A summary of these audit issues identified is described below.

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

Risk Rating	Description
High	<ul style="list-style-type: none"> • Matters which may pose a significant business or financial risk to the entity; and / or • Matters that have resulted or could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency by the entity; and / or • Moderate risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed.
Moderate	<ul style="list-style-type: none"> • Matters of a systemic nature that pose a moderate business or financial 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 addressed.
Low	<ul style="list-style-type: none"> • Matters that are isolated, non- systemic or procedural in nature; and / or • Matters that reflect relatively minor administrative shortcomings and require action in order to improve the entity’s overall control environment.

• **2013/14 financial statement needed adjustments**

Risk Rating - High

OAG did examine the Provincial Government’s 2013/14 financial statement and found that there are errors in the 31st March 2013 column that needs correction to be made of it. Furthermore, there are some errors in the figures mentioned in the 31st March 2014 column. Also OAG noted spelling errors in the 2013/14 financial statement which requires corrections. This increases the risk of unreliable reporting, inaccurate reporting of the financial position for the provincial government and undesirable decision making reached by the stakeholders.

• **Executive minutes not signed and dated**

Risk Rating –High

Following the review of two executive minutes by OAG, it was noted that those minutes were not signed and dated by the Premier and Speaker to the assembly. As a result, this could leads to resolutions not implemented by the provincial departments as anticipated.

• **Revenue register not updated (C/fwd from 2012/13)**

Risk Rating - High

OAG continued to note the failure of the Provincial Government to regularly update the revenue register as required in the Financial Management Ordinance 2008. Regular update of the register enables the Provincial Government to know how much revenue are outstanding at the end of the financial year and can be disclosed in the financial statements. This increases the risk of loss of provincial revenue, unauthorised persons collecting the revenue

and Provincial Government is unsure of what is owed to them to report in the financial statements.

- **Cashbook not properly updated**

Risk Rating - Moderate

It was identified that the cashbook for main account with Westpac Bank was not properly updated with information like received from and particular since 24 February to 31 March 2014. The failure to update the cashbook increases the risk of errors not detected early, manipulation of figures, conflict of interest and misstatement of the financial statements.

- **Lack of proper storage of cash and cheques**

Risk Rating – High

OAG noted that the cash and cheques that are not banked on the day are stored in a cash safe inside the cabinet at the Provincial Treasurer's room rather than in a strong safe/chubb. This increases the risk of theft, loss of provincial monies, abuse and misuse of revenue.

- **Delayed banking**

Risk Rating – High

OAG discovered that 60% (18/30) of selected sample of revenue were not banked on timely basis as required in the Financial Management Ordinance 2008. It was further noted that the practice of delayed banking has contributed to the suspension of the former Provincial Treasurer. This manner of delayed banking increases the risk of cash not being captured in the bank statement for proper cash management, misappropriation, embezzlement and political expediency.

- **Banking of \$520 instead of \$29,850**

Risk Rating - High

It was found that one sample with a total revenue collected of \$29,850 was only deposited with \$520 on that day while the remaining amount was either use for office expenses or personal expenses. OAG was unable to get vital explanation from the Provincial Treasurer as she was on suspension during the audit. The manner of banking only portion of revenue increases the risk of embezzlement, fraud, misappropriation, abuse of office, misconduct and misstatement of the financial statements.

- **Special imprests and advances register not updated (C/fwd from 2012/13)**

Risk Rating - High

As noted from previous audits, the Provincial Government is still not able to regularly update its special imprests and advances register. As a result, some names of officers are not recorded in the registers but only in the general ledger. Furthermore, one seconded officer with outstanding imprest has left the province and there is no recovery action taken against him. This deficiency increases the risk of conflict of interest, loss of provincial monies, misappropriation, inaccurate reporting and misstatement of the financial statements.

- **Failure to retire special imprests on a timely manner**

Risk Rating - High

It was discovered that 30% (3/10) of selected samples of special imprests were not retired in a timely basis as required in the Financial Management Ordinance 2008. Also no reminders were sighted to indicate that follow up has been made with the imprest holders with outstanding imprests. This increases the risk of misuse and loss of provincial funds.

- **Incomplete asset register**

Risk Rating - High

OAG found during the review of the asset register that it was not complete with adequate information for reporting purposes to the stakeholders. In addition, some assets sighted during the physical inspection were not recorded in the asset register. Also it was noted that the Provincial Government is yet to implement its asset management policy regarding valuation of properties.

- **No bank reconciliation performed for three bank accounts**

Risk Rating - High

The Provincial Government has been performing monthly bank reconciliations for two bank accounts it maintained except for three bank accounts which are BSP Reserve Account (8400210805); Westpac SIG Capital Account (2000279642) and ANZ PCDF Project Account (4533069). Furthermore, it was discovered that there is no signing off of the monthly bank reconciliations for the two bank accounts. This deficiency increases the risk of errors not detected early, manipulation of figures, cash flow constraints, incompetency and misstatement of the financial statements.

- **No proper cashbook maintained for PCDF**

Risk Rating - Moderate

OAG identified that no proper cashbook was used for the PCDF which made it hard to verify the amounts in the cashbook to general ledger. It was noted that a proper cashbook was used but only up to 30 August 2013 before they used a cashbook from the detail of general ledger which is not proper for reconciliation purposes. Also it was revealed that there is no monthly bank reconciliations after March 2014 so OAG was unable to determine when the unrepresented cheques were cleared. Lack of proper cashbook increases the risk of manipulation of figures, errors not detected on timely basis, conflict of interest, negligence and misstatement of the financial statements.

- **Different balances noted for cashbook of main account with Westpac**

Risk Rating - Moderate

It has been found that there is a difference in the balance of the cashbook for the main account with Westpac as at 31 March 2014 for electronic cashbook provided and cashbook used for the bank reconciliation. The electronic cashbook has a balance of \$59,557.47 while the cashbook balance used for the bank reconciliation is \$38,474.37 which indicates a difference of \$21,083.10. OAG is unable to determine where the balance of \$38,474.37 was taken from as the Provincial Treasurer is on suspension when the audit was conducted. This increases the risk of inaccurate recording, negligence, incompetency and misstatement of the financial statements.

- **No bank statements sighted for PCDF project account with ANZ**

Risk Rating - Moderate

When the audit was conducted OAG was unable to examine any bank statement from ANZ for the PCDF project as at 31 March 2014. It was brought to the attention of OAG that the PCDF funds were transferred to Westpac Bank after the bank have its in-store banking facilities in Tulagi unlike ANZ. The Provincial Government never made attempts to get the bank statements from ANZ in order to perform monthly bank reconciliations. The non-availability of bank statements increases the risk of unauthorised withdrawal of funds, cash flow constraints and budget over-run.

- **No unrepresented cheques listing available**

Risk Rating - Moderate

Central Islands Provincial Government does not have a proper listing of unrepresented cheques apart from the information obtained from bank reconciliations. The Provincial Government has a cheque payment register but it lacks adequate information that records when the cheques are cleared so that it enables them to monitor stale cheques and implement appropriate action. This increases the risk of budget over-run, unauthorised person collecting the cheque and conflict of interest.

- **No outstanding deposit cheques listing available**

Risk Rating - Moderate

The Provincial Government lacks any outstanding deposit cheques listing to monitor which cheque has been deposited or not and the reason for the delay. This has made it difficult to determine the valuation, accuracy and completeness of the outstanding cheques. This deficiency increases the risk of loss of revenue, conflict of interest, abuse and fraud.

- **CPDA's operation is still limited (C/fwd from 2010/11)**

Risk Rating - High

As noted from past audits, the operation of Central Islands Province Development Authority (CPDA) is still not up and running as expected as there is no General manager and board members appointed. OAG noted that the property of CPDA has been leased to an investor but the money has been deposited into the Provincial Government's account as CPDA does not have any bank account at present. As a result, CPDA is unable to produce any financial reports to provide to the Executive. This deficiency increases the risk of mismanagement, abuse of funds, conflict of interest, political expediency and unreliable reporting.

- **Employment contract not sighted**

Risk Rating - High

During the review of the payroll, it was noted that OAG was unable to sight the employment contract of Mr. Puia Metcalfe in order to verify his fortnightly pay or else the Provincial Government would be paying excessive amount to him. OAH has requested for a copy of the contract but nothing was forthcoming. The non-availability of employment contracts increases the risk of overpayment of salaries, loss of provincial funds, officers working without proper contracts in place and fraudulent activities happening.

- **Weak control over payroll**

Risk Rating - High

It was discovered that there is poor control over payroll especially in the calculation of NPF and availability of timesheets. It was noted that there are errors in the deductions of NPF for two officers while there is no timesheet available for one officer. This deficiency increases the risk of manipulation of figures, conflict of interest, overspending of approved budget, low performance outputs, low investment of NPF for the staff and loss of provincial funds.

- **Poor control over payment process**

Risk Rating – High

It was noted that there is weak control over the payment process for PCDF where some payments were made from photocopied invoices, no contracts, no certification of completion and no invoice attached with the payment vouchers. This increases the risk of loss of provincial funds, conflict of interest, procurement of low quality goods, ghost suppliers and budget over-run.

- **No supporting documents for allowance payments**

Risk Rating – High

OAG identified that 12% (1/7) of selected samples for MPA allowances have no supporting documents attached with the payment vouchers. Thus, OAG is unable to determine the accuracy and completeness of the payments. This deficiency increases the risk of overpayment of allowances, loss of provincial funds, conflict of interest and misstatement of the financial statements.

- **Poor control over disbursement of ward development grants**

Risk Rating - High

There is poor control over the disbursement of ward development grants where ward development grant application form not signed by the Premier prior to payment, no WDG form and invoice attached with the payment vouchers. This deficiency increases the risk of loss of provincial funds, ghost suppliers, abuse and poor developments in wards.

- **Account receivables register not updated**

Risk Rating - High

Central Islands Provincial Government does not regularly updated its revenue register for other regions except for Savo. It is important to have updated revenue register so that the Provincial Government knows how much money is still to be collected from the businesses that operates in the Province. Lack of updated revenue register increases the risk of loss of revenue, unauthorized persons collecting the revenue, conflict of interest, incompetency and unreliable financial statements.

- **Account receivables not disclosed in the 2013/14 financial statement**

Risk Rating - High

OAG has examined the 2013/14 IPSAS financial statement and noted that the Provincial Government never disclose the balance of account receivables as at 31 March 2014 under encouraged additional optional disclosure for transparency and accountability purposes.

Failure to disclose account receivables increases the risk of trying to hide weaknesses in the revenue collection processes, misleading the stakeholders and incompetent officers manning the account receivables.

Conclusion

The audit of the Central Islands Provincial Government's accounts and records disclosed similar but serious shortcomings in the procedures and practices as well as deficiencies in internal controls in the management of revenue, expenditure, imprest, bank accounts and assets as highlighted in the 2012 audit report. However, it was pleasing to note that improvements were made in the filing system for payments.

OAG acknowledges that the Provincial Government has been continually addressing the recommendations highlighted in the 2012 – 2013 audit reports. Some improvements were made on the maintenance of proper filing system for payment voucher records. Despite these improvements, the absence of significant information on line items such as investments and assets understates these line items on the financial statements. This increases the risk of misstatement in financial reports used for decision making over the allocation of limited financial resources.

Overall Recommendations

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

- Immediately implement the correction on the 2013/14 financial statement;
- Resubmit the adjusted 2013/14 financial statement to OAG so that the Auditor General can provide his independent audit opinion;
- Strictly observe applicable legislations to ensure quality decision making;
- Ensure minutes are signed off and dated soon after the compilation of the minutes;
- Ensure to immediately update the revenue register;
- To establish an effective revenue collection strategy and collect the outstanding revenue;
- Regular monitor and update the revenue register;
- Ensure to procure a proper cash safe/chubb to store the cash and cheques that were not banked on the day;
- Must comply with FMO 2008 in doing daily banking of revenue;
- Must immediately update the special imprests and advances registers;
- Ensure that all special imprests managed are retired on a timely basis;
- Ensure that asset register of non-current assets and inventories are properly maintained;
- Make sure the monthly bank reconciliations are performed and signed off by the preparer and reviewer;
- Must quickly appoint full time board members and general manager for CPDA;
- Must ensure to formulate proper employment contract for anyone who is employed by the province;

- Ensure that all payroll sheets are properly review for errors and corrections are made prior to payments are released;
- Make sure to always attach supporting documents to the payment voucher prior to payment is done;
- Must make sure to immediately update the account receivables register and collect the outstanding dues;
- Ensure to properly disclose the account receivables in the financial statements.

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

AUDIT FINDINGS AND RECOMMENDATIONS

1.0 FINANCIAL REPORTING

1.1 2013/14 financial statement needed adjustments

Risk Rating – High

OAG examined the statement of cash receipts and payments for the year ended 31st March 2014 and discovered that there are errors in the column for the 31st March 2013 where the some figures are for 31st March 2012 instead of 31st March 2013. Furthermore, some figures in the column of 31st March 2014 does not match the notes or trial balance. OAG also noted that there are spelling errors in the statement of cash receipts and payments which needs to be corrected. OAG have highlighted the errors in the 2013/14 financial statement for the Provincial Government to undertake the adjustments in order for the Auditor General to provide his independent audit opinion after receiving the adjusted financial statement.

Implications

Failure to adjust the 2013/14 financial statement increases the risk of unreliable reporting, inaccurate reporting of the financial position for the provincial government and undesirable decision making reached by the stakeholders.

Recommendation 1

OAG recommended that the Province Government:

- Immediately implement the corrections on the 2013//14 financial statement;
- Resubmit the adjusted 2013/14 financial statement to OAG so that the Auditor General can provide his independent audit opinion and;
- Ensure the Provincial Treasurer does not make the same mistake in the production of future financial statements.

Executive Response

Executive has taken note of the OAG recommendation and responses as follows;

- 1. That the 2013/14 and 2012/13 Data file cannot be accessed by the new provincial treasurer as the former provincial treasurer is on suspension and have in her possession these accounting data,*
- 2. That it was noted from the system and reports submitted to the ministry that the reconciliation done by the former treasurer for the current financial year and the previous financial years is not balanced*
- 3. The unbalanced reconciliation in the system is having an impact on the financial statements prepared by the former treasurer thus it cannot be rely upon as a true and fair financial position of the province at this point in time.*
- 4. With the above reasons, the province would not be in a position to adjust its financial statements at this point in time as yet and therefore resolved*
 - a) Consultation has been made and agreed with the MYOB consultant to cut off the current data file and create a new data file for 2015/16 financial year and onwards. This task will be carryout by the MYOB consultant and the new provincial treasurer by first week April 2015.*
 - b) That the new provincial treasure to work backwards for the last 3 financial years starting on 2014/15 FY in updating and balancing off the excel cashbooks and perform monthly bank reconciliations for all bank accounts held by the province.*
 - c) That the accurate closing balances after carrying out the manual reconciliations is to be transferred as opening balance to the 2015/16 financial year new data file.*
 - d) That the unbalanced bank reconciliations has been suspected to have occurred when the former treasurer taken up the post in 2010/11 financial year. This matter has been reported to the ministry and the province is anticipating a major overhaul in its accounting software and accounting records to ensure accuracy thus to provide creditable financial reports for the past and years ahead.*

2.0 EXECUTIVE MINUTES

2.1 Executive minutes not signed and dated

Risk Rating - High

OAG reviewed two executive minutes of the provincial assembly held in October/November 2013 and March 2014 and noted that those minutes were not signed off and dated by the

responsible officers such as Premier and Speaker. Every minutes of the meetings must be signed and dated by responsible officers to indicate that the minutes are genuine and accurate of what was discussed.

Implications

The lack of signing off and dating of minutes increases the risk of resolutions not implemented by the provincial departments as anticipated.

Recommendation 2

OAG recommended that the Province Government:

- Strictly observe applicable legislation to ensure quality decision making and;
- Ensure that the minutes were signed and dated soon after the compilation of the minutes as a true record.

Executive Response

Executive has taken note of the recommendation and responses as follows:

- 1. That it is not clear from the Report whether the recommendations is referring to Assembly meeting minutes or Executive meeting minutes.*
- 2. That for the case of executive meeting minutes, the provincial secretary upon taken up his posting to central province late last year 2014 has been taking minutes of the executive meeting, signed off by the premier and kept in the office of the provincial secretary.*
- 3. The office of the provincial secretary had noted the importance of the requirement to keep proper minutes of executive meetings and therefore assured your office that it will be adhered to.*
- 4. For case of Assembly meeting minutes as referred to in the Report, the minutes are done and has been signed off and kept in a safe location.*
- 5. That the clerk has been instructed to produce timely and accurate minutes of the full Assembly meetings, to be signed off, and to be kept in a safe storage.*

3.0 REVENUE

3.1 Revenue register not updated (C/fwd from 2012/13)

Risk Rating – High

OAG discovered through the review of the revenue register that was provided to them that it was not properly updated for Gela, Honiara, Tulagi and Russell except for Savo. OAG is unable to confirm how much is owed to the province for the financial year due to poor

recording and monitoring. From this information, Central Islands Provincial Government can easily identify its debtors and implement effective revenue collection strategy.

Implications

Lack of regular updating of register increases the risk of loss of revenue to the Provincial Government, unauthorised persons collecting licenses and fees and Provincial Government unsure of what is owed to them to report in the financial statements.

Recommendation 3

OAG recommended that the Provincial Government:

- Ensure to immediately update the revenue register;
- Make sure to establish an effective revenue collection strategy and collect the outstanding revenue and;
- Regularly monitor and update the revenue register.

Executive Response

Executive has taken note of the recommendation and response as follows;

1. Revenue Register not updated

1. *That the finance division in its 2015/16 AWP to carryout revenue mapping within the 13 provincial wards. Prior to that, a workshop is to be organized for all revenue clerks and templates for the revenue mapping to be issued.*
2. *The 3 revenue clerks posted at Russells, Savo and Gela will do the mapping according to the 3 main islands with the assistant of the provincial ward member.*
3. *The HQ finance staffs will conduct the mapping of Honiara based companies operating in the Province*
4. *After completion of 1,2,&3 above then Finance division to update its Revenue Register in the excel which can be rely on as updated and accurate.*
5. *That in the long term, the Executive is looking at database software for proper and accurate recording and tracking of provincial revenues.*

2. Effective Revenue collection strategy

1. *The Executive is considering the effectiveness of the current collection arrangements for improvements.*
2. *The Executive in its on-going efforts is to look into other collection options/approaches but however to be very considerate not only on its effectiveness but also equally important on its efficiency.*
3. *The Executive through the finance division to appoint the deputy provincial treasurer to carryout monthly monitoring and updating of the Revenue Register.*
4. *The provincial treasurer to perform monthly checks to ensure that the monthly monitoring of revenue is carried out as expected.*

5. *That the Executive has the strong believe that a strategy can be effective only if the right and smart person is appointed to the job thus any new recruitment will be considered along this objective.*
6. *That the Executive has the strong believe that effectiveness can only be achieved by providing the right training and logistic support to the revenue clerks and other officers who are mandated to collect provincial revenues. In the 2015/16 Finance division budget a allocation for this purpose has been budgeted and to be implemented during the financial year*
7. *That the Executive has the strong believe that staff motivation is one of key factor for success in any strategy thus is looking into options of awarding attractive but affordable conditions to revenue clerks.*

3.2 Cashbook not properly updated

Risk Rating – Moderate

During the audit, it was discovered that the cashbook for main account with Westpac Bank was not properly updated with the information such as received from and particular since 24 February to 31 March 2014 as required in the Financial Management Ordinance 2008. It is important that officer responsible for updating the cashbook to do his/her duty faithfully so that accurate information is transferred to MYOB system and for reconciliation purposes.

Implications

Lack of proper updating of the cashbook increases the risk of errors not detected early, manipulation of figures, conflict of interest and misstatement of the financial statements.

Recommendation 4

OAG recommended that the Provincial Government:

- Ensure that the cashbook is regularly updated and monitored for errors and;
- Make sure to have back up of the cashbook in case of computer breakdowns.

Executive Response

Executive has taken note of the recommendation and responses as follow:-

- a) *That the cash register in the MYOB Accounting software does not captured all important descriptions of revenues and expenditures of the provincial government,*
- b) *That a stand-alone cashbook in excel format has been created for all bank accounts of the provincial government and the Finance division is updating the cashbook at this point in time to bring it to current for all the bank accounts held by the provincial government.*

- c) *The Cashier and MYOB officers are appointed to carryout daily updating of all cashbooks in the excel format.*
- d) *The Provincial Deputy Provincial Treasurer is appointed to carryout daily supervision on ensuring the cashbooks are updated on daily basis*
- e) *The Provincial Treasurer to carryout monthly checks on all cashbooks if it is done as expected and to check for its accuracy and that all direct deposits and payments appeared in the bank statements are recorded in the cashbook.*
- f) *The Provincial Treasurer can only sign off monthly bank reconciliations if the balances in the MYOB reconciliation is agreed with the closing balances in the excel cashbooks.*
- g) *The Finance division's desktop computers are connected to a main server installed in the provincial treasurer's officer and all files are automatically back-up on real time basis.*
- h) *The Finance division despite having the backup system in place sees the importance of the recommendation in the event that the computers and the server is stolen or breakdown and therefore will do additional backup on external devices such flash drives and/or external drives and to be stored in a safe and secured location.*

3.3 Lack of proper storage of cash and cheques

Risk Rating – High

It was noted that the Provincial Government usually kept the cash and cheques not banked on the day in a cash box and placed inside the cabinet at the Provincial Treasurer's room. It is important that the cash and cheques not banked on the day are stored in a proper storage such as a strong safe/chubb that prevent the cash or cheques been stolen by thieves.

Implications

Lack of proper storage increases the risk of theft of cash, loss of provincial monies, abuse and misuse of revenue.

Recommendation 5

OAG recommended that the Provincial Government:

- Ensure to procure a proper cash safe/chubb to store the cash and cheques that were not banked on the day.

Executive Response

Executive agreed to the recommendation of the OAG and response as follows:-

- a) *The Executive through the office of the provincial secretary has wrote to Solomon Islands Postal Cooperation to secure one un-used cash chubb at its Tulagi office.*
- b) *The Executive through the office of the provincial secretary and provincial treasurer will prioritize this recommendation and see to any un-spent budget code allocation for 2014/15 financial year for possible virement to immediately purchase one or two cash safe from suppliers in Honiara whilst negotiations with SI Postal is in progress.*

3.4 Delayed banking

Risk Rating – High

OAG reviewed and discovered that 60% (18/30) of the selected samples were not banked on timely basis. Normally the revenue collected today must be banked today as required in the Financial Management Ordinance 2008. It was further noted that the practice of delayed banking has contributed to suspension of the former Provincial Treasurer for taking the revenue without the permission of the Provincial Secretary for personal use.

Implications

The lack of daily banking increases the risk of cash not being captured in the bank statement for proper cash management, misappropriation, embezzlement and political expediency.

Recommendation 6

OAG recommended that the Provincial Government:

- Must comply with Financial Management Ordinance 2008 in doing daily banking of revenue.

Executive Response

Executive has taken note of the recommendation and has the following response to make:-

- a) *A must comply with the 2008 FMO in doing daily banking of revenue is just impossible for our case in Central Province as such banking services is not provided for in Tulagi township.*
- b) *The Executive feels that it can only be practicable possible to do provincial revenue banking by weekly or fortnightly taking into account of the total revenues collections and the cost involved to do the banking in Honiara. It is not economically make senses to do banking of 500.00 whilst the cost*

involved is around 2,000 thus can be seen as unwise spending of government resources.

- c) The Executive has resolved that in addressing recommendation 5 will limit the implications highlighted in recommendation 6.*
- d) The Executive has resolved that the provincial treasurer to ensure the safe keeping and proper storage of provincial revenues in transit for banking.*

3.5 Banking of \$520 instead of \$29,850

Risk Rating – High

During the audit, it was found that one sample with a total value of \$29,850 was collected on 14 January 2014 but the Provincial Government only deposited \$520 into the Westpac account on that day. Furthermore, OAG is unable to get a vital explanation from the Provincial Treasurer as she was suspended for misusing revenue or from other treasury officers. OAG suspected that this transaction could be one of the monies used by the suspended Provincial Treasurer for personal use. This has made it difficult to determine the accuracy and completeness of the transaction.

Implications

The manner of banking only a portion of the revenue collected increases the risk of embezzlement, fraud, misappropriation, abuse of office, misconduct and misstatement of the financial statements.

Recommendation 7

OAG recommended that the Provincial Government:

- Ensure that all revenue collected are banked on timely basis with the full amounts.

Executive Response

The Provincial Executive has taken note of the OAG recommendations and response as follows:-

- a) That the 29,850 as referred to in the Report has been part of the total deposit of 44,730.00 that has been deposited on the 15/01/2015 as appeared in the deposit book duplicate copy.*
- b) The total deposit of 44,730.00 is made up of cash =17,980.00 and cheques= 26,750.00 as appeared in the deposit book duplicate copy.*
- c) The deposit can be confirmed by tracking it to the Main Westpac bank Account bank statement for the month of January dated 15/01/2014 as cleared by the bank.*

- d) *There is an oversight on this audit findings and the executive can submit copies to your office for verification and confirmation or otherwise can be reviewed during your next visit to the province.*
- e) *In General, the executive through the office of the provincial secretary and provincial treasurer have taken note of the requirement of the FMO for provincial revenues to be bank intact on timely basis and to ensure compliances to the requirement.*

4.0 SPECIAL IMPRESTS AND ADVANCES

4.1 Special imprests and advances register not updated (C/fwd from 2012/13)

Risk Rating – High

As highlighted from previous audits, Central Islands Provincial Government is still not regularly updating its special imprest register and staff advance register as required in the Financial Management Ordinance 2008. OAG noted that names of the officers appeared in the general ledger but not in the registers. It is very important to keep recording and updating the special imprest and advances register as this is a important internal control for the disbursement of provincial funds. Regular updating of the register will enable the Provincial Government to know who and how much of imprests and advances are still outstanding at the end of the financial year and can be disclosed in the financial statements. Also it was noted that one seconded officer was given a special imprest but he has left the province with outstanding amount which there is no action taken to recover the amount of money. Table below details the deficiencies noted above.

Name	Date	Chq #	Amount (\$)	Remarks
Staff Advances				
Sundry Employees	23/12/13	001185	6,100.00	Amount bulk in general ledger instead of individuals
Martin Moses Pinoga	12/11/13	001063	1,287.00	Name and amount does not appear in the register
Joycelyn Hoto	08/11/13	001035	2,000.00	Name and amount does not appear in the register
Daniel Manetiva	21/11/13	001091	3,000.00	Name and amount does not appear in the register
Special Imprests				
George Tutu	01/01/14	unknown	44,700.00	Name and amount does not appear in the register
Selwyn Vasuni	15/12/13	001174	11,700.00	Officer moved to another province with outstanding imprest

Implications

Lack of update of registers increases the risk of conflict of interest, loss of provincial monies, misappropriation, inaccurate reporting and misstatement of the financial statements.

Recommendation 8

OAG recommended that the Provincial Government:

- Must immediately update the special imprests and advances registers and;
- Ensure to regularly monitor and update the registers.

Executive Response

The Executive has taken note of the OAG recommendations and make the following responses:

- a) It was understood from the setup of the MYOB Accounting system-Provincial Government chart of Accounts that, only the control accounts of the special imprest and staff advance is maintained in the main data file.*
- b) That Finance division to create subsidiary ledgers in controlling and maintaining of special imprest and staff advance individual records*
- c) That the deputy provincial treasurer is appointed to work backwards in updating the special imprest register and is also responsible for the daily updating and monitoring of individual imprest subsidiary ledger*
- d) That the salary officer is appointed to work backwards in updating staff advances register and is also responsible for the daily updating and monitoring of individual staff advance subsidiary ledger*
- e) The Provincial Treasurer to carryout monthly reconciliations of special imprest and staff advances by comparing the MYOB records and that to the manual register in the hard cover books and to ensure its accuracy.*

4.2 Failure to retire special imprests on a timely manner

Risk Rating - High

OAG discovered that 30% (3/10) of the selected samples for the audited period were not retired on a timely manner as required in the Financial Management Ordinance 2008. Furthermore, OAG was unable to determine whether reminders were sent to the imprest holders as there is no documents available during the audit. Table below shows the special imprests which were unretired when the audit was conducted.

Imprest holder	Date	Cheque #	Amount (\$)
Mathew Sale	01/10/13	000990	9,000.00
Wilfred Akwai	12/12/13	001126	5,040.00
Selwyn Vasuni	15/12/13	001174	11,700.00
		Total	25,740.00

Implications

The Provincial Government has not been systematically enforcing the requirements of the Financial Management Ordinance for prompt retirement of special imprests which increases the risk of misuse and loss of provincial funds.

Recommendation 9

OAG recommended that the Provincial Government:

- Ensure that all special imprests managed are retired on a timely basis;
- Make sure that imprest holders with outstanding imprests are advised in writing to immediately provide all supporting receipts and documents to the Provincial Treasurer and;
- Ensure that any imprest outstanding for more than 30 days must be recovered through measures required in the Financial Management Ordinance 2008.

Executive Response

The executive has taken note of the OAG recommendations and response as follow;-

- a) That any approval of new application for special imprest must be strictly in line with the requirements in the FMO and the office of the Provincial Secretary and Provincial Treasurer to continue monitor and control this in the daily authorization process for payments out of the provincial fund.*
- b) That the provincial treasurer to create an imprest retirement template/form and to go through with the Finance staff especially the deputy provincial treasurer and the MYOB officer on how to use the form.*
- c) That the provincial treasurer to go through with the finance staff, especially the Deputy provincial treasurer and the MYOB officer on the accounting treatment of retirement of special imprest on cases where cash is return or over spend (General journal) and appropriate MYOB entry.*
- d) That the provincial treasurer to create a flow chart detailing the process and authorization of retirement of special imprest .*
- e) The Provincial Treasurer to advised in writing by way of an internal circular to all provincial staffs, seconded staffs, and members of the provincial assembly with outstanding imprest to retire any outstanding imprest against their names.*

- f) *The Provincial Treasurer to issue a second internal circular by around third week march 2015, advising all staffs and MPAs, that any outstanding imprest by the end of the 2014/15 year will be recovered through the salary/wages by 1st April 2015.*

5.0 PROPERTY, PLANT & EQUIPMENT

Risk Rating – High

5.1 Incomplete asset register

During the review of the asset register provided to OAG, it was noted that the asset register was incomplete as there is need to fill in the column for cost/value, serial number and date of purchase when assets are procured. When physical inspection was conducted, it was found that some assets sighted were not recorded in the asset register. Furthermore, it was found that there is lack of identification numbering of assets that was sighted. Having a complete asset register will enable the Provincial Government to know the value of the fixed assets and enable them to disclose it in the IPSAS financial statement under encouraged additional optional note. In addition, OAG noted that the Provincial Government is yet to implement its asset management policy in terms of valuation of properties.

Implications

Lack of proper and complete asset register increases the risk of misuse, stolen assets and material underreporting of its asset in the financial statement. Also it prevents the Provincial Government of being able to have adequate information to make decision whether or not to acquire new asset or dispose the old assets.

Recommendation 10

OAG recommended that the Provincial Government:

- Ensure that asset register of non-current assets and inventories are maintained with complete description and information of the asset and undertake a stock take of all their assets including property, fixture and fittings and;
- Make sure to liaise with MPGIS on how to implement the valuation of properties that can be disclosed in the encouraged note of the IPSAS Cash Basis Financial Statements.

Executive Response

Executive has taken note of the OAG recommendation and response as follows:-

1. *The Finance division has issued a standard template to each divisional heads to fill in Government Assets under their custodian and to be submitted to the Finance division. This has been done.*

2. *The Finance division to establish and update a proper database in the excel format capturing assets descriptions as highlighted in the OAG recommendation*
3. *Asset Valuation is a challenge to the provincial government due to non-availability of technical capacity and financial resource within the province to carry out this task.*
4. *The Province to write to MPGIS regarding this important matter and hope to hear any positive response in due course. Management will seriously pursue this further with the ministry to be included in the PGSP II AWP once PGSP II starts sometimes later in the year.*
5. *The internal options available and can be managed within the capacity and resource of the province is to record asset value on its purchase price (market value at the time of purchase) and/or construction value at the time of completion regarding building and other infrastructures..*
6. *The Finance division with the Works division to conduct an inspection of Asset (physical checks) to ascertain the accuracy of data submitted by each division as per point 1&2 above and further to check the conditions of all assets.*

6.0 CASH

6.1 No bank reconciliation performed for three bank accounts

Risk Rating – High

OAG acknowledged that the Provincial Government have performed monthly bank reconciliation for two (2) bank accounts it maintained for the audited period except three (3) accounts which are BSP Reserve Account (8400210805); Westpac SIG Capital Account (2000279642) and ANZ PCDF Project Account (4533069). Financial Management Ordinance 2008 requires that the Provincial Government must maintain their bank accounts and perform monthly bank reconciliations for those bank accounts. In addition, it was discovered that there was no signing off of the bank reconciliation for the main account and PCDF accounts by the preparer and reviewer for the audited period. It is important for transparency and accountability that the preparer and reviewer of the monthly bank reconciliation sign off and dated it as an evidence that the task has been performed.

Implications

The lack of bank reconciliation increases the risk of errors not detected early, manipulation of figures, cash flow constraints, incompetency and misstatement of the financial statements. Furthermore, lack of signing off increases the risk that the bank reconciliations may be done by one person and bank reconciliation maybe performed prior to the audit is conducted.

Recommendation 11

OAG recommended that the Provincial Government:

- Ensure to perform monthly bank reconciliations for all the bank accounts as required in the Financial Management Ordinance 2008 and;
- Make sure that the bank reconciliations are signed off and dated by the preparer and reviewer.

Executive Response

Executive has taken note of the OAG recommendation and response as follows:-

- a) That recommendation 11 is to be taken care off when implementing of Recommendation 1 (please refer to recommendation 1, section 4(b)).*
- b) That monthly bank reconciliation for all bank accounts of the provincial government has to be signed off by the preparer and the reviewer.*
- c) The provincial treasurer to carryout monthly checks in ensuring that all bank accounts reconciliation is performed and signed off, filled and stored in a safe place.*

6.2 No proper cashbook maintained for PCDF

Risk Rating – Moderate

It was discovered during the audit that no proper cashbook was used for the PCDF which made it difficult to verify the amounts in the cashbook to general ledger. The Provincial Government used a proper cashbook but only up to 30 August 2013 before they used the cashbook from the detail of general ledger which is not proper for reconciling purposes. Normally there should be a proper cashbook which is not derived from the GL and general ledger to check that the amount entered in the cashbook correspond with the general ledger and any amount that does appear in the bank statement are reconciled in the monthly bank reconciliation statement from the general ledger. In addition, Audit discovered that there is no monthly bank reconciliation performed for PCDF after March 2014 which made it difficult to determine when the cheques that were unrepresented as at 31 March 2014 were presented and cleared at Westpac bank. Financial Management Ordinance 2008 requires the Provincial

Government to perform monthly bank reconciliation to monitor the funds available in the banks.

Implications

Lack of proper cashbook increases the risk of manipulation of figures, errors not detected on timely basis, conflict of interest, negligence and misstatement of the financial statements. The non-performance of bank reconciliation for PCDF increases the risk of fraud, misappropriation, abuse, conflict of interest, budget over-run and misstatement of the financial statements.

Recommendation 12

OAG recommended that the Provincial Government:

- Ensure to use a proper cashbook;
- Regularly maintain and update the cashbook and;
- Must always perform monthly bank reconciliation for PCDF in compliance with FMO 2008.

Executive Response

Executive has taken note of the OAG recommendation and response as follow:-

- a) That a proper cashbook in excel format was created and maintained for all the bank accounts of the provincial government except needs updating to current. However,*
- b) That recommendation 12 is to be taken care off when implementing Recommendation 1 (please refer recommendation 1 section 4(b)).*
- c) The provincial treasurer to carryout monthly checks in ensuring that all bank accounts cashbooks are maintain and updated.*

6.3 Different balances noted for cashbook of main account with Westpac

Risk Rating – Moderate

Audit found that there is a difference in the balance of the cashbook as at 31 March 2014 for electronic cashbook provided and cashbook used for bank reconciliation. It was noted that the cashbook provided has a balance of \$59,557.47 while the cashbook balance used for bank reconciliation is \$38,474.37 which shows a difference of \$21,083.10. In addition, Audit was unable to determine where the \$38,474.37 was derived from but it could have been from the cashbook from the GL detail. The Provincial Treasurer did the bank reconciliation for the

main account but unfortunately she was suspended by MPGIS so audit was unable to get clear explanation for the difference as the Senior Accountant was unsure as well.

Implications

The difference in cashbook balances increases the risk of inaccurate recording, negligence, incompetency and misstatement of the financial statements.

Recommendation 13

OAG recommended that the Provincial Government:

- Must always ensure that the cashbook balance is accurate and used for the monthly bank reconciliation.

Executive Response

Executive has taken note of the OAG recommendation and response as follows:-

- a) That the difference in the excel cashbook and MYOB cashbook is the direct result of the un balanced bank reconciliation performed by the former treasurer in the accounting software*
- b) That recommendation 13 is to taken care off when implementing response to recommendation 1, section 4.*
- c) Provincial Treasurer to carryout verification for the accuracy of cashbook and monthly bank reconciliations before signing off the monthly bank reconciliations.*

6.4 No bank statements sighted for PCDF project account with ANZ

Risk Rating – Moderate

During the audit, OAG was unable to sight any bank statement from ANZ in order to verify the balance as at 31 March 2014. It was brought to the attention of OAG that the account is inactive after the Provincial Government decided to shift the PCDF funds to Westpac as it has its in-store banking facilities in Tulagi whereas ANZ does not have any facilities. Even though the account is inactive and proposed for close off the Provincial Government should have requested the bank statements for monthly bank reconciliations as required in the Financial Management Ordinance 2008.

Implications

Lack of bank statements increases the risk of unauthorised withdrawal of funds, cash flow constraints and budget over-run.

Recommendation 14

OAG recommended that the Provincial Government:

- Request bank statements and perform monthly bank reconciliations and;
- Implement the closing off of the bank account and transferred the balance to PCDF account with Westpac.

Executive Response

Executive has taken note of the OAG recommendation and response as follows:-

- a) That recommendation 14 to be included when implementing response to recommendation 1.*
- b) That the provincial treasurer in consultation with the office of the provincial secretary to follow up on the issue of closing off the in active PCDF bank account at ANZ and to be reflected in the Audit Action Plan.*
- c) Provincial treasurer to carryout monthly checks to ensure that all bank accounts held by the provincial government is reconciled on monthly basis.*

6.5 No unpresented cheques listing available

Risk Rating – Moderate

It was noted during the audit that Central Islands Provincial Government does not have a proper listing of unpresented cheques apart from the bank reconciliation. Central Islands Provincial Government has a cheque payment register but it lacks adequate information that records when the cheques are cleared so that it enables the Provincial Government to monitor stale cheques and implement appropriate action.

Implications

Lack of proper mechanism to monitor stale cheques increases the risk of budget over-run, unauthorised person collecting the cheque and conflict of interest.

Recommendation 15

OAG recommended that the Provincial Government:

- Ensure to establish a column in the cheque payment register to record when the cheque is cleared in the bank.

Executive Response

Executive has taken note of the OGA recommendation and to create a column in the current Cheque payment register for monitoring of stale cheques.

6.6 No outstanding deposit cheques listing available**Risk Rating – Moderate**

It was noted that the Provincial Government does not have any outstanding deposit cheques listing to monitor which cheque has been deposited or not and the reason for the delayed in depositing. As a result OAG is unable to determine the valuation, accuracy and completeness of the outstanding cheques.

Implications

Non-availability of the outstanding cheques increases the risk of loss of revenue, conflict of interest, abuse and fraud.

Recommendation 16

OAG recommended that the Provincial Government:

- Must establish an outstanding cheques register to properly monitor the cash movement.

Executive Response

Executive has taken note of the OGA recommendation and to create outstanding cheque register to properly monitor the cash movement

7.0 INVESTMENT**7.1 CPDA's operation is still limited (C/fwd from 2010/11)****Risk Rating – High**

According to the Provincial Secretary, Central Islands Provincial Government owns the Central Islands Province Rest house but this was treated as rental income retained for

government's normal operation. The person responsible for the operation of the CIP Rest house is Mr Claudio Samo who normally collect the rental income and give it to the HQ Cashier for receipting and deposit into CIP main account. The CIP Rest house was renovated recently and is operating smoothly and successfully at this stage. The CPDA will take over the rest house once it is in full operation.

The Provincial Government have established the Central Islands Province Development Authority (CPDA) but currently it is without any board and General Manager. The Provincial Secretary revealed that the Provincial Government has engaged a Technical Advisor (Lawyer) for six months to draw up the Term of Reference (TOR) for the board members. The Board members will be appointed once the TOR is completed before the board will appoint the General Manager to look after CPDA's operation.

OAG has sighted an executive minute of 2 September 2014 which indicated that the Provincial Government has leased out 3 plots of land belongs to CPDA to an investor for 50 years and to be reviewed every 10 years. The investor has paid \$276,850.00 to the Provincial Government for the annual lease of 2 plots into the provincial operating account and the investor will paid \$78,000.00 later for the last annual lease for the third plot. It was noted that CPDA does not have any bank account so the Provincial Government kept the lease money in their operating account.

Implications

The manner in which the operation of CPDA is limited increases the risk of mismanagement, abuse of funds, conflict of interest, political expediency and unreliable reporting.

Recommendation 17

OAG recommended that the Provincial Government:

- Must quickly appoint full time Board Members and General Manager of CPDA;
- Must quickly open a bank account for CPDA and transfer the funds from the lease of the CPDA property in Tulagi into it and;
- Ensure to establish proper organisation structure and reporting of operation activities to the board on regular basis.

Executive Response

Executive has taken note of the recommendation and response as follows:

- a) *That the relevant Ordinance developed by a hired Legal Consultant to cover the Authority had been passed by the Provincial Assembly with amendments also endorsed by the full Assembly last year.*
- b) *The Consultant is again engaged this year to see to the establishment of the necessary Board and thereafter together with the Board in consultation with*

the Provincial Secretary's office, the appointment of a Project Manager. All these to be in place by the end of the fiscal year 2015/16

- c) The immediate tasks to be handled by the Board and Manager on assuming office are the establishment of a 5 year Strategic Plan for the Economic development of Tulagi and the entire Central Province*
- d) This will take over 6 months to achieve since it will encompass some situational analysis of the 13 wards therefore the Central Province, the population of necessary data and finally through some Multi-sectoral participatory workshop derive the Strategic Plan. It is from this Plan that much implementation strategies are devised from implementation.*
- e) It is then that funds can be really deployed thus the concern for accounting records solely for the Authority can be highlighted*
- f) The formulation of good plans as pre-requisite for future implementation and full out operations, recording and reporting is perhaps a good foresight. It is unwise to swiftly move into establishing an authority without proper direction only to witness total chaos and failure.*
- g) As for the time being, the necessary bank account will be opened within the month with the Provincial Secretary and Provincial Treasurer as signatories but will be expanded to cater for Board members if necessary when a Board is appointed.*
- h) To date the minimal operations related to the establishment of the Authority are met out of the Provincial funds under the Budget of the Commerce division*

8.0 PAYROLL

8.1 Employment contract not sighted

Risk Rating – High

During the audit, OAG was not able to sight the employment contract of Mr. Puia Metcalfe in order to verify his fortnightly pay or else the Provincial Government would be paying him above the stated amount. OAG has requested for a copy of the contract but nothing was forthcoming. This is a breach of Section 108 of the Solomon Islands Constitution where it mandates the Auditor General or his officers to have access to records, accounts and documents from the ministries, provincial government and agencies in order to examine them and report his findings to the National Parliament annually.

Implications

The non-availability of employment contracts increases the risk of overpayment of salaries, loss of provincial funds, officers working without proper contracts in place and fraudulent activities happening.

Recommendation 18

OAG recommended that the Provincial Government:

- Must ensure to formulate proper employment contract for anyone who is employed by the Province and;
- Make sure that the contracts are kept in a safe location from public access and provided to audit when request is made.

Executive Response

Executive has taken note of the recommendation of the OAG and response as follows:

- a) That Mr. Puia Metcalfe was the Provincial Advisor to Central Province employed by UNDP under the PGSP phase 1.*
- b) That Mr. Puia was employed by the previous provincial executive when his term of employment ceased when PGSP phase 1 lapses.*
- c) That the previous provincial executive government should be in the position to respond to this recommendation.*
- d) That in general, all recruitments to Central Province is through the normal recruitment process.*
- e) That in general, any short term consultancy is through a signed contract specifying the term of reference, contract amount and time frame.*

8.2 Weak control over payroll

Risk Rating – High

OAG reviewed the payroll sheets for the audited period and noted that there is poor control over the payroll especially in the calculation of NFP and timesheet. It was found that two salary payment for NFP deduction were with errors. One officer has her gross salary of \$925.60 and should be deduct 5% NFP of \$46.28 but instead \$92.56 was deducted. Furthermore, another officer has gross salary of \$1235.78 but was deducted 5% NFP of \$58.23 instead of \$61.79. OAG also noted one net salary payment of \$821.59 for February II 2014 was without timesheet to show that the amount in the payroll sheet was complete and accurate.

Implications

Lack of control over payroll increases the risk of manipulation of figures, conflict of interest, overspending of approved budget, low performance outputs, low investment of NPF for staff and loss of provincial funds.

Recommendation 19

OAG recommended that the Provincial Government:

- Ensure that all payroll sheet are properly review for errors and corrections are made prior to payments are released and;
- Make sure timesheets are attached with each officers payroll sheet for verification purposes.

Executive Response

Executive has taken note of the OAG recommendation and response as follows;

- a) That the error in calculations of wages referred to in the report does not indicate the pay period, the employees involved thus Finance division cannot able to verify the claim and to establish a response to that effect.*
- b) That the current practice is that each HoD's keep daily attendance record of each employees under his/her supervision and submitted the signed timesheet to Finance division 3 days before the actual payday for processing of wages.*
- c) The deputy provincial treasurer and the Provincial treasurer are to carryout detail review of the payroll before vetting the payroll for authorization by the office of the Provincial secretary.*
- d) The provincial treasurer to coach the salary officer on the audit findings to ensure that right amount of deductions is deducted from the employees' wages with regards to 5% employee NPF deduction, 7.5% employers deduction and PAYE deductions.*

9.0 RECURRENT & DEVELOPMENT EXPENDITURE

9.1 Poor control over payment process

Risk Rating – High

OAG noted during the audit that there is weak control over the payment process where some payments were made from photocopied invoices, no contracts, no certification of completion and no invoices attached with the payment vouchers. OAG noted projects given out under

PCDF were not specified to be general or labour contracts as there were no certificates attached with the payment vouchers. It is very important that control over payment processes are strong and effective in order for the Provincial Government to spend its limited funds according to the approved budget. Table below shows the deficiencies stated above.

Cheque #	Date	Memo	Amount	Remarks
000283	20/03/14	Guadalcanal Electrics	\$26,719.90	Payment on photocopied invoice
000211	13/01/14	Gela Ilau 2 nd progressive pmt for Girls Dormitory	\$75,000.00	Payment on photocopied invoice
000189	09/12/13	MT Building Construction	\$100,000.00	Payment on photocopied invoice
000173	11/11/13	Solomon Sheet Steel	\$102,232.25	Payment on photocopied invoice
000201	23/12/13	Harry Bonogo	\$54,906.95	No certificate of completion of project attached with payment voucher
001231	06/02/14	Diesel bill payment	\$6,480.00	No invoice attached with payment voucher
001085	19/11/13	Y-Sato (Roviana) Co. Ltd	\$96,145.00	No invoice attached with payment voucher

Implications

Weak control over payment process increases the risk of loss of provincial funds, conflict of interest, procurement of low quality goods, ghost suppliers and budget over-run.

Recommendation 20

OAG recommended that the Provincial Government:

- Ensure that all original invoices and certificates of completion of project are attached with the payment vouchers prior to payment made and;
- Make sure to store the documents in a safe location from public.

Executive Response

Executive has taken note of the OAG recommendation and has the following response

- a) That PCDF projects are contracted out to contractors after going through the normal competitive bidding process.*
- b) That an agreement is to be agreed to and signed by both parties before commencement of any works or services*
- c) That Signed contracts can be either on a **labor only contract** where the procurement of goods and services is done by the province and the contractor is pay for his/her labour cost only on progressive stages whilst on the other hand a **General contract** is whereby the contractor is responsible for all the procurement using its own resources and the province to pay the contractor on progressive stages upon certification by the works division and a payment certificate is issued.*
- d) That under the two types of contract mentioned above, the contractor is not mandatory required to produce invoice and receipts of materials / services as a basis of releasing payment but strictly on completion of constructions stages as agreed in the work schedule that form part of the original signed contract agreement. However as mention in point c above, a request of payment is to be submitted to the province by the contractor when completing each progressive stages and then works division will have to carry out assessment and if satisfied that the amount of work and quality of work completed so far is within the agreed progressive stages then a certification letter is issued to effect payment to the contractor*
- e) That in general, the executive is aware and to adhered to the requirement of the FMO with regards to the importance of attaching original source documents as justification for payments out of the provincial funds.*
- f) That the office of the provincial secretary and provincial treasurer to ensure that the requirement of the FMO is adhered to on the daily authorization process of payment out of the provincial funds.*

10.0 MPA ALLOWANCES & WARD DEVELOPMENT GRANTS

10.1 No supporting documents for allowance payments

Risk Rating – High

OAG identified 12% (1/7) of selected samples for MPA allowances that have no supporting documents attached with the payment vouchers. As a consequence, OAG is unable to determine the accuracy and completeness of the payments to the MPAs. Normally when the

MPAs attended meetings, the Premier's office will raise requisition with supporting document such as list of MPAs attending the meetings so that allowances are paid to them accordingly. However, this is not the case for the 12% of selected samples noted during the audit.

Implications

Lack of supporting documents increases the risk of overpayment of allowances, loss of provincial funds, conflict of interest and misstatement of the financial statements.

Recommendation 21

OAG recommended that the Provincial Government:

- Ensure that adequate supporting documents are attached with the payment vouchers before the allowances are paid to the MPAs.

Executive Response

Executive has taken note of the OAG recommendation and has the following response

- a) That the specific payments vouchers used during the auditors sampling was not highlighted in the report to verify the claim by the auditors to establish a direct response to that effect.*
- b) That in general, the practice is that the office of the premier/administration raised requisition for MPAs's allowances during the Executive meetings and office of the Assembly (clerk) raise MPAS' allowance during Assembly meetings. Internally, these two offices knows exactly who is attending and is entitled to receive allowance and the list of MPAs is usually attached with others details.*
- c) That recommendation 21 is similar in nature to recommendation 20 thus refer to action point (e) and (f) for internal control to strengthened compliance.*

11.2 Poor control over disbursement of ward development grants

Risk Rating – High

It was noted from the audit that there is significant deficiency in the control over the disbursement of ward development grants to the MPAs. OAG found that 86% (12/14) of the samples of ward development grant forms were not signed by the Premier prior to payments done; 14% (2/14) of the samples does not have the WDG application form attached with the payment voucher and 7% (1/14) of the samples have no invoice attached with the payment voucher. As a result, OAG is not able to determine the accuracy and completeness of the transactions. Table below identifies the deficiencies found during the audit.

Cheque #	Date	Memo	Amount	Remarks
001371	28/03/14	2 x 1000Ltrs water tanks for Lavukal ward development	\$5,400.00	WDG application form not signed by premier
001262	14/02/14	Lili sport shop – WDG assistance towards Eastern Rover futsal & Ilua futsal club uniform	\$2,380.00	WDG application form not signed by premier
001179	19/12/13	Central West Gela ward development grant assistance	\$2,000.00	WDG application form not attached
001178	19/12/13	Central West Gela ward grant assistance	\$1,920.00	WDG application form not signed by premier
001128	11/12/13	M Tupita family milling project	\$7,800.00	WDG application form not signed by premier
001122	09/12/13	Grant assistance towards youth convention	\$2,000.00	WDG application form not attached
001033	08/11/13	Central East Gela ward development grant assistance – 120 ltrs pure petrol, OBM oil	\$1,496.40	WDG application form not signed by premier
001271	17/02/14	WDG assistance towards Gole community for West Gela Ward	\$9,994.00	WDG application form not signed by premier
001030	08/11/13	A – Plus store at Belaga ward	\$9,513.90	WDG application form not signed by premier
001328	19/03/14	Solomon Sheet Steel – piggery assistance	\$8,817.00	WDG application form not signed by premier
001349	24/03/14	Wings supermarket - 49 rice bags for project	\$8,673.00	WDG application form not signed by premier

001034	08/11/13	Wings supermarket	\$8,496.00	WDG application form not signed by premier. No invoice attached
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Implications

Weak control over WDG disbursement increases the risk of loss of provincial funds, ghost suppliers, abuse and poor developments in wards.

Recommendation 22

OAG recommended that the Provincial Government:

- Must make sure the premier sign the WDG application form and;
- Ensure the invoice and WDG form are attached with the payment voucher before the payment is made.

Executive Response

Executive has taken note of the OAG recommendation and response as follows;

- a) *That it would be unfair to the province to say poor control over disbursement of ward grants as the Executive strongly believes that the OAG should acknowledge the improvements made so far over the years. For instance, Application forms are in place, quotation and original invoices from suppliers are attached to the application forms and cheque payment raised directly to suppliers and goods and services are delivered in form of materials, goods and services directly to the beneficiaries.*
- b) *That the Provincial members of the Assembly have slowly sees the importance's of accountability of public funds and are picking up to appreciate and taking ownership of the needed reforms on the disbursement of the ward grant.*
- c) *That Ward development grant is a very sensitive issue at the provincial level as provincial politics interest conflicts with administrative interest. This is a challenging issue for the administration to overcome overnight thus requires a professional and protocol approach and time.*
- d) *That there might be miss connection / understanding on the requirement of the provincial premier to sign the ward development grant application form as the provincial secretary authorization on the application form meets the requirements of the FMO 2008 thus seen sufficient.*

- e) *That the Premier can only endorse by the signing the application forms of MPAs as a policy only when MPAs apply for the ward touring grant at the Ministry of Provincial Government and Institutional Strengthening. **Ward touring grant** is administered and disbursed by the ministry whilst on the other hand **Ward Development grant** is administered by the province and disbursed by the province*
- f) *That if there is an oversight on our part with regards to point d and e above then please advice for further discussion on this matter.*
- g) *That recommendation 22 is similar in nature to recommendation 20 thus refer to action point (e) and (f) for internal control to strengthened compliance.*

11.0 ACCOUNT RECEIVABLES

11.1 Account receivables register not updated

Risk Rating – High

OAG have noted that Central Islands Provincial Government does not regularly updated its revenue register especially for other regions except for Savo. Having an updated revenue register will enable to Provincial Government to know how much money is still to be collected from the businesses for the financial year. Furthermore, it will enable the Provincial Government to disclose the accurate figures in the IPSAS financial statement under the encouraged note in order to inform the stakeholders.

Implications

Lack of updated revenue register increases the risk of loss of revenue, unauthorized persons collecting the revenue, conflict of interest, incompetency and unreliable financial statements.

Recommendation 23

OAG recommended that the Provincial Government:

- Must make sure to immediately update the account receivables register and collect the outstanding dues.

Executive Response

Executive has taken note of the OAG recommendation and response as follows:-

- a) *That recommendation 23 is similar in nature to recommendation 3 thus is to be taken care off when implementing response to recommendation 3.*

11.2 Account receivables not disclosed in the 2013/14 financial statement

Risk Rating – High

It was noted during the audit of the 2013/14 IPSAS financial statement that the Provincial Government never disclose the balance of account receivables as at 31 March 2014 under encouraged additional optional disclosure. It is important for transparency and accountability to disclose how much is still to be collected from businesses that operated in the Province for the 2013/14 financial year.

Implications

Failure to disclose account receivables increases the risk of trying to hide weakness in the revenue collection processes, misleading the stakeholders and incompetent officers manning the account receivables.

Recommendation 24

OAG recommended that the Provincial Government:

- Ensure to properly disclose the account receivables in the IPSAS financial statement under the encouraged additional optional disclosure for transparency and accountability purpose.

Executive Response

Executive has taken note of the OAG recommendation and response as follows:-

- a) That the provincial government is adopting the cash basis of accounting thus recommendation 24 should not be used by OAG as a basis to determine an audit opinion for the province.*
- b) That the executive strongly feels that recommendation 24 to be strike off from the final report.*
- c) That the executive suggested to OAG that the scope of auditing of provincial government accounts should falls within the requirement of the IPSAS- Cash basis*
- d) That the executive suggested to OAG that any important recommendations that falls outside of the standard can be communicated to the province as an attachment to the Report.*

12.0 AUDIT ACTION PLAN

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
1	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Immediately implement the corrections on the 2013//14 financial statement; • Resubmit the adjusted 2013/14 financial statement to OAG so that the Auditor General will provide his independent audit opinion and; • Ensure the Provincial Treasurer does not make the same mistake in the production of future financial statements. 	<p><i>Executive has taken note of the OAG recommendation and responses as follows;</i></p> <ol style="list-style-type: none"> 1. <i>That the 2013/14 and 2012/13 Data file cannot be accessed by the new provincial treasurer as the former provincial treasurer is on suspension and have in her possession these accounting data,</i> 2. <i>That it was noted from the system and reports submitted to the ministry that the reconciliation done by the former treasurer for the current financial year and the previous financial years is not balanced</i> 3. <i>The unbalanced reconciliation in the system is having an impact on the financial statements prepared by the former treasurer thus it cannot be rely upon as a true and fair financial position of the province at this point in time.</i> 4. <i>With the above reasons, the province would not be in a position to adjust its financial statements at this point in time as yet and therefore resolved</i> <ol style="list-style-type: none"> a) <i>Consultation has been made and agreed with the MYOB consultant to cut off the current data file and create a new data file for 2015/16 financial year and onwards. This task will be carryout by the MYOB consultant and the new provincial treasurer by first week April 2015.</i> b) <i>That the new provincial treasure to work backwards for the last 3 financial years starting on 2014/15 FY in updating and balancing off the excel cashbooks and</i> 	PTR	April 2015

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<p><i>perform monthly bank reconciliations for all bank accounts held by the province.</i></p> <p><i>c) That the accurate closing balances after carrying out the manual reconciliations is to be transferred as opening balance to the 2015/16 financial year new data file.</i></p> <p><i>d) That the unbalanced bank reconciliations has been suspected to have occurred when the former treasurer taken up the post in 2010/11 financial year. This matter has been reported to the ministry and the province is anticipating a major overhaul in its accounting software and accounting records to ensure accuracy thus to provide creditable financial reports for the past and years ahead.</i></p>		
2	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Strictly observe applicable legislation to ensure quality decision making and. • Ensure that the minutes were signed and dated soon after the compilation of the minutes as a true record. 	<p><i>Executive has taken note of the recommendation and responses as follows:</i></p> <ol style="list-style-type: none"> <i>1. That it is not clear from the Report whether the recommendations is referring to Assembly meeting minutes or Executive meeting minutes.</i> <i>2. That for the case of executive meeting minutes, the provincial secretary upon taken up his posting to central province late last year 2014 has been taking minutes of the executive meeting, signed off by the premier and kept in the office of the provincial secretary.</i> <i>3. The office of the provincial secretary had noted the importance of the requirement to keep proper minutes of executive meetings and therefore assured your office that it will be adhered to.</i> 	PS	On going

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<ol style="list-style-type: none"> 4. For case of Assembly meeting minutes as referred to in the Report, the minutes are done and has been signed off and kept in a safe location. 5. That the clerk has been instructed to produce timely and accurate minutes of the full Assembly meetings, to be signed off, and to be kept in a safe storage. 		
3	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure to immediately update the revenue register; • Make sure to establish an effective revenue collection strategy and collect the outstanding revenue and; • Regularly monitor and update the revenue register. 	<p><i>Executive has taken note of the recommendation and response as follows;</i></p> <p>a) Revenue Register not updated</p> <ol style="list-style-type: none"> 1. That the finance division in its 2015/16 AWP to carryout revenue mapping within the 13 provincial wards. Prior to that, a workshop is to be organized for all revenue clerks and templates for the revenue mapping to be issued. 2. The 3 revenue clerks posted at Russells, Savo and Gela will do the mapping according to the 3 main islands with the assistant of the provincial ward member. 3. The HQ finance staffs will conduct the mapping of Honiara based companies operating in the Province. 4. After completion of 1,2,&3 above then Finance division to update its Revenue Register in the excel which can be rely on as updated and accurate. 5. That in the long term, the Executive is looking at database software for proper and accurate recording and tracking of provincial revenues. <p>b) Effective Revenue collection strategy</p>	PTR and Revenue Officers	April 2015

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<ol style="list-style-type: none"> 6. <i>The Executive is considering the effectiveness of the current collection arrangements for improvements.</i> 7. <i>The Executive in its on-going efforts is to look into other collection options/approaches but however to be very considerate not only on its effectiveness but also equally important on its efficiency.</i> 8. <i>The Executive through the finance division to appoint the deputy provincial treasurer to carryout monthly monitoring and updating of the Revenue Register.</i> 9. <i>The provincial treasurer to perform monthly checks to ensure that the monthly monitoring of revenue is carried out as expected.</i> 10. <i>That the Executive has the strong believe that a strategy can be effective only if the right and smart person is appointed to the job thus any new recruitment will be considered along this objective.</i> 11. <i>That the Executive has the strong believe that effectiveness can only be achieved by providing the right training and logistic support to the revenue clerks and other officers who are mandated to collect provincial revenues. In the 2015/16 Finance division budget a allocation for this purpose has been budgeted and to be implemented during the financial year</i> 12. <i>That the Executive has the strong believe that staff motivation is one of key factor for success in any strategy thus is looking into options of</i> 		

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<i>awarding attractive but affordable conditions to revenue clerks.</i>		
4	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure that the cashbook is regularly updated and monitored for errors and; • Make sure to have back up of the cashbook in case of computer breakdowns. 	<p><i>Executive has taken note of the recommendation and responses as follow:-</i></p> <ul style="list-style-type: none"> <i>a) That the cash register in the MYOB Accounting software does not captured all important descriptions of revenues and expenditures of the provincial government,</i> <i>b) That a stand-alone cashbook in excel format has been created for all bank accounts of the provincial government and the Finance division is updating the cashbook at this point in time to bring it to current for all the bank accounts held by the provincial government.</i> <i>c) The Cashier and MYOB officers are appointed to carryout daily updating of all cashbooks in the excel format.</i> <i>d) The Provincial Deputy Provincial Treasurer is appointed to carryout daily supervision on ensuring the cashbooks are updated on daily basis</i> <i>e) The Provincial Treasurer to carryout monthly checks on all cashbooks if it is done as expected and to check for its accuracy and that all direct deposits and payments appeared in the bank statements are recorded in the cashbook.</i> <i>f) The Provincial Treasurer can only sign off monthly bank reconciliations if the balances in the MYOB reconciliation is agreed with the closing balances in the excel cashbooks.</i> <i>g) The Finance division's desktop computers are connected to a main server installed in the</i> 	DPTR, Cashier and MYOB Officer	On going

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<p><i>provincial treasurer’s officer and all files are automatically back-up on real time basis.</i></p> <p><i>h) The Finance division despite having the backup system in place sees the importance of the recommendation in the event that the computers and the server is stolen or breakdown and therefore will do additional backup on external devices such flash drives and/or external drives and to be stored in a safe and secured location.</i></p>		
5	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure to procure a proper cash safe/chubb to store the cash and cheques that were not banked on the day. 	<p><i>Executive agreed to the recommendation of the OAG and response as follows:-</i></p> <p><i>a) The Executive through the office of the provincial secretary has wrote to Solomon Islands Postal Cooperation to secure one un-used cash chubb at its Tulagi office.</i></p> <p><i>b) The Executive through the office of the provincial secretary and provincial treasurer will prioritize this recommendation and see to any un-spent budget code allocation for 2014/15 financial year for possible virement to immediately purchase one or two cash safe from suppliers in Honiara whilst negotiations with SI Postal is in progress.</i></p>	PTR	On going
6	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Must comply with Financial Management Ordinance 2008 in doing daily banking of revenue. 	<p><i>Executive has taken note of the recommendation and has the following response to make:-</i></p> <p><i>a) A must comply with the 2008 FMO in doing daily banking of revenue is just impossible for our case in Central Province as such banking services is not provided for in Tulagi township.</i></p> <p><i>b) The Executive feels that it can only be practicable possible to do provincial revenue banking by weekly or fortnightly taking into account of the total revenues collections and the cost involved to</i></p>	PTR, DPTR and Cashier	On going

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<p><i>do the banking in Honiara. It is not economically make senses to do banking of 500.00 whilst the cost involved is around 2,000 thus can be seen as un wise spending of government resources.</i></p> <p><i>c) The Executive has resolved that in addressing recommendation 5 will limit the implications highlighted in recommendation 6.</i></p> <p><i>d) The Executive has resolved that the provincial treasurer to ensure the safe keeping and proper storage of provincial revenues in transit for banking.</i></p>		
7	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> Ensure that all revenue collected are banked on timely basis with the full amounts. 	<p><i>The Provincial Executive has taken note of the OAG recommendations and response as follows:-</i></p> <p><i>a) That the 29,850 as referred to in the Report has been part of the total deposit of 44,730.00 that has been deposited on the 15/01/2015 as appeared in the deposit book duplicate copy.</i></p> <p><i>b) The total deposit of 44,730.00 is made up of cash =17,980.00 and cheques= 26,750.00 as appeared in the deposit book duplicate copy.</i></p> <p><i>c) The deposit can be confirmed by tracking it to the Main Westpac bank Account bank statement for the month of January dated 15/01/2014 as cleared by the bank.</i></p> <p><i>d) There is an oversight on this audit findings and the executive can submit copies to your office for verification and confirmation or otherwise can be reviewed during your next visit to the province.</i></p> <p><i>e) In General, the executive through the office of the provincial secretary and provincial treasurer have taken note of the requirement of the FMO for provincial revenues to be bank intact on</i></p>	PTR, DPTR and Cashier	On going

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<i>timely basis and to ensure compliances to the requirement.</i>		
8	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Must immediately update the special imprests and advances registers and; • Ensure to regularly monitor and update the registers. 	<p><i>The Executive has taken note of the OAG recommendations and make the following responses:</i></p> <ul style="list-style-type: none"> a) <i>It was understood from the setup of the MYOB Accounting system-Provincial Government chart of Accounts that, only the control accounts of the special imprest and staff advance is maintained in the main data file.</i> b) <i>That Finance division to create subsidiary ledgers in controlling and maintaining of special imprest and staff advance individual records</i> c) <i>That the deputy provincial treasurer is appointed to work backwards in updating the special imprest register and is also responsible for the daily updating and monitoring of individual imprest subsidiary ledger</i> d) <i>That the salary officer is appointed to work backwards in updating staff advances register and is also responsible for the daily updating and monitoring of individual staff advance subsidiary ledger</i> e) <i>The Provincial Treasurer to carryout monthly reconciliations of special imprest and staff advances by comparing the MYOB records and that to the manual register in the hard cover books and to ensure its accuracy.</i> 	PTR, DPTR and MYOB Officer	April 2015
9	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure that all special imprests managed are retired on a timely basis; 	<p><i>The executive has taken note of the OAG recommendations and response as follow;-</i></p> <ul style="list-style-type: none"> a) <i>That any approval of new application for special imprest must be strictly in line with the</i> 	PTR and DPTR	April 2015

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
	<ul style="list-style-type: none"> • Make sure that imprest holders with outstanding imprests are advised in writing to immediately provide all supporting receipts and documents to the Provincial Treasurer and; • Ensure that any imprest outstanding for more than 30 days must be recovered through measures required in the Financial Management Ordinance 2008. 	<p><i>requirements in the FMO and the office of the Provincial Secretary and Provincial Treasurer to continue monitor and control this in the daily authorization process for payments out of the provincial fund.</i></p> <p><i>b) That the provincial treasurer to create an imprest retirement template/form and to go through with the Finance staff especially the deputy provincial treasurer and the MYOB officer on how to use the form.</i></p> <p><i>c) That the provincial treasurer to go through with the finance staff, especially the Deputy provincial treasurer and the MYOB officer on the accounting treatment of retirement of special imprest on cases where cash is return or over spend (General journal) and appropriate MYOB entry.</i></p> <p><i>d) That the provincial treasurer to create a flow chart detailing the process and authorization of retirement of special imprest .</i></p> <p><i>e) The Provincial Treasurer to advised in writing by way of an internal circular to all provincial staffs, seconded staffs, and members of the provincial assembly with outstanding imprest to retire any outstanding imprest against their names.</i></p> <p><i>f) The Provincial Treasurer to issue a second internal circular by around third week march 2015, advising all staffs and MPAs, that any outstanding imprest by the end of the 2014/15 year will be recovered through the salary/wages by 1st April 2015.</i></p>		

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
10	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure that asset register of non-current assets and inventories are maintained with complete description and information of the asset and undertake a stock take of all their assets including property, fixture and fittings and; • Make sure to liaise with MPGIS on how to implement the valuation of properties that can be disclosed in the encouraged note of the IPSAS Cash Basis Financial Statements. 	<p><i>Executive has taken note of the OAG recommendation and response as follows:-</i></p> <ol style="list-style-type: none"> 1. <i>The Finance division has issued a standard template to each divisional heads to fill in Government Assets under their custodian and to be submitted to the Finance division. This has been done.</i> 2. <i>The Finance division to establish and update a proper database in the excel format capturing assets descriptions as highlighted in the OAG recommendation</i> 3. <i>Asset Valuation is a challenge to the provincial government due to non-availability of technical capacity and financial resource within the province to carry out this task.</i> 4. <i>The Province to write to MPGIS regarding this important matter and hope to hear any positive response in due course. Management will seriously pursue this further with the ministry to be included in the PGSP II AWP once PGSP II starts sometimes later in the year.</i> 5. <i>The internal options available and can be managed within the capacity and resource of the province is to record asset value on its purchase price (market value at the time of purchase) and/or construction value at the time of completion regarding building and other infrastructures..</i> 6. <i>The Finance division with the Works division to conduct an inspection of Asset (physical checks) to ascertain the accuracy of data submitted by each division as per point 1&2 above and further to check the conditions of all assets.</i> 	PTR and DPTR	On going
11	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure to perform monthly bank reconciliations for all the bank accounts as required in the Financial Management Ordinance 2008 and; 	<p><i>Executive has taken note of the OAG recommendation and response as follows:-</i></p> <ol style="list-style-type: none"> a) <i>That recommendation 11 is to be taken care off when implementing of Recommendation 1 (please refer to recommendation 1, section 4(b).</i> 	PTR	April 2015

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
	<ul style="list-style-type: none"> Make sure that the bank reconciliations are signed off and dated by the preparer and reviewer. 	<ul style="list-style-type: none"> <i>b) That monthly bank reconciliation for all bank accounts of the provincial government has to be signed off by the preparer and the reviewer.</i> <i>c) The provincial treasurer to carryout monthly checks in ensuring that all bank accounts reconciliation is performed and signed off, filled and stored in a safe place.</i> 		
12	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> Ensure to use a proper cashbook; Regularly maintain and update the cashbook and; Must always perform monthly bank reconciliation for PCDF in compliance with FMO 2008. 	<p><i>Executive has taken note of the OAG recommendation and response as follow:-</i></p> <ul style="list-style-type: none"> <i>a) That a proper cashbook in excel format was created and maintained for all the bank accounts of the provincial government except needs updating to current. However,</i> <i>b) That recommendation 12 is to be taken care off when implementing Recommendation 1 (please refer recommendation 1 section 4(b)).</i> <i>c) The provincial treasurer to carryout monthly checks in ensuring that all bank accounts cashbooks are maintain and updated.</i> 	PTR	April 2015
13	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> Must always ensure that the cashbook balance is accurate and used for the monthly bank reconciliation. 	<p><i>Executive has taken note of the OAG recommendation and response as follows:-</i></p> <ul style="list-style-type: none"> <i>a) That the difference in the excel cashbook and MYOB cashbook is the direct result of the un balanced bank reconciliation performed by the former treasurer in the accounting software</i> <i>b) That recommendation 13 is to taken care off when implementing response to recommendation 1, section 4.</i> <i>c) Provincial Treasurer to carryout verification for the accuracy of cashbook and monthly bank</i> 	PTR	April 2015

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<i>reconciliations before signing off the monthly bank reconciliations.</i>		
14	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Request bank statements and perform monthly bank reconciliations and; • Implement the closing off of the bank account and transferred the balance to PCDF account with Westpac. 	<p><i>Executive has taken note of the OAG recommendation and response as follows:-</i></p> <ul style="list-style-type: none"> <i>a) That recommendation 14 to be included when implementing response to recommendation 1.</i> <i>b) That the provincial treasurer in consultation with the office of the provincial secretary to follow up on the issue of closing off the in active PCDF bank account at ANZ and to be reflected in the Audit Action Plan.</i> <i>c) Provincial treasurer to carryout monthly checks to ensure that all bank accounts held by the provincial government is reconciled on monthly basis.</i> 	PTR	April 2015
15	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure to establish a column in the cheque payment register to record when the cheue is cleared in the bank. 	<p><i>Executive has taken note of the OGA recommendation and to create a column in the current Cheque payment register for monitoring of stale cheques.</i></p>	PTR	April 2015
16	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Must establish an outstanding cheques register to properly monitor the cash movement. 	<p><i>Executive has taken note of the OGA recommendation and to create outstanding cheque register to properly monitor the cash movement.</i></p>	PTR	April 2015
17	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Must quickly appoint full time Board Members and General Manager of CPDA; • Must quickly open a bank account for CPDA and transfer the funds from the lease of the CPDA property in Tulagi into it and; • Ensure to establish proper organisation structure and reporting of operation activities to the board on regular basis. 	<p><i>Executive has taken note of the recommendation and response as follows:</i></p> <ul style="list-style-type: none"> <i>a) That the relevant Ordinance developed by a hired Legal Consultant to cover the Authority had been passed by the Provincial Assembly with amendments also endorsed by the full Assembly last year.</i> <i>b) The Consultant is again engaged this year to see to the establishment of the necessary Board and thereafter together with the Board in consultation with the Provincial Secretary's office, the</i> 	PS	March 2016

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<p><i>appointment of a Project Manager. All these to be in place by the end of the fiscal year 2015/16</i></p> <p><i>c) The immediate tasks to be handled by the Board and Manager on assuming office are the establishment of a 5 year Strategic Plan for the Economic development of Tulagi and the entire Central Province</i></p> <p><i>d) This will take over 6 months to achieve since it will encompass some situational analysis of the 13 wards therefore the Central Province, the population of necessary data and finally through some Multi-sectoral participatory workshop derive the Strategic Plan. It is from this Plan that much implementation strategies are devised from implementation.</i></p> <p><i>e) It is then that funds can be really deployed thus the concern for accounting records solely for the Authority can be highlighted</i></p> <p><i>f) The formulation of good plans as pre-requisite for future implementation and full out operations, recording and reporting is perhaps a good foresight. It is unwise to swiftly move into establishing an authority without proper direction only to witness total chaos and failure.</i></p> <p><i>g) As for the time being, the necessary bank account will be opened within the month with the Provincial Secretary and Provincial Treasurer as signatories but will be expanded to cater fort Board members if necessary when a Board is appointed.</i></p> <p><i>h) To date the minimal operations related to the establishment of the Authority are met out of the</i></p>		

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<i>Provincial funds under the Budget of the Commerce division</i>		
18	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Must ensure to formulate proper employment contract for anyone who is employed by the Province and; • Make sure that the contracts are kept in a safe location from public access and provided to audit when request is made. 	<p><i>Executive has taken note of the recommendation of the OAG and response as follows:</i></p> <ol style="list-style-type: none"> <i>a) That Mr. Puia Metcalfe was the Provincial Advisor to Central Province employed by UNDP under the PGSP phase 1.</i> <i>b) That Mr. Puia was employed by the previous provincial executive when his term of employment ceased when PGSP phase 1 lapses.</i> <i>c) That the previous provincial executive government should be in the position to respond to this recommendation.</i> <i>d) That in general, all recruitments to Central Province is through the normal recruitment process.</i> <i>e) That in general, any short term consultancy is through a signed contract specifying the term of reference, contract amount and time frame.</i> 	PS	On going
19	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure that all payroll sheet are properly review for errors and correction are made prior to payment is released and; • Make sure timesheets are attached with each officers payroll sheet for verification purposes. 	<p><i>Executive has taken note of the OAG recommendation and response as follows:</i></p> <ol style="list-style-type: none"> <i>a) That the error in calculations of wages referred to in the report does not indicate the pay period, the employees involved thus Finance division cannot able to verify the claim and to establish a response to that effect.</i> <i>b) That the current practice is that each HoD's keep daily attendance record of each employees under his/her supervision and submitted the signed timesheet to Finance division 3 days before the actual payday for processing of wages.</i> 	PTR, DPTR and MYOB Officer	April 2015

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<p>c) <i>The deputy provincial treasurer and the Provincial treasurer are to carryout detail review of the payroll before vetting the payroll for authorization by the office of the Provincial secretary.</i></p> <p>d) <i>The provincial treasurer to coach the salary officer on the audit findings to ensure that right amount of deductions is deducted from the employees' wages with regards to 5% employee NPF deduction, 7.5% employers deduction and PAYE deductions.</i></p>		
20	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure that all original invoices and certificates of completion of project are attached with the payment vouchers prior to payment made and; • Make sure to store the documents in a safe location from public. 	<p><i>Executive has taken note of the OAG recommendation and has the following response</i></p> <p>a) <i>That PCDF projects are contracted out to contractors after going through the normal competitive bidding process.</i></p> <p>b) <i>That an agreement is to be agreed to and signed by both parties before commencement of any works or services</i></p> <p>c) <i>That Signed contracts can be either on a labor only contract where the procurement of goods and services is done by the province and the contractor is pay for his/her labour cost only on progressive stages whilst on the other hand a General contract is whereby the contractor is responsible for all the procurement using its own resources and the province to pay the contractor on progressive stages upon certification by the works division and a payment certificate is issued.</i></p> <p>d) <i>That under the two types of contract mentioned above, the contractor is not mandatory required to produce invoice and receipts of materials /</i></p>	PTR and DPTR	April 2015

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<p><i>services as a basis of releasing payment but strictly on completion of constructions stages as agreed in the work schedule that form part of the original signed contract agreement. However as mention in point c above, a request of payment is to be submitted to the province by the contractor when completing each progressive stages and then works division will have to carry out assessment and if satisfied that the amount of work and quality of work completed so far is within the agreed progressive stages then a certification letter is issued to effect payment to the contractor</i></p> <p><i>e) That in general, the executive is aware and to adhered to the requirement of the FMO with regards to the importance of attaching original source documents as justification for payments out of the provincial funds.</i></p> <p><i>f) That the office of the provincial secretary and provincial treasurer to ensure that the requirement of the FMO is adhered to on the daily authorization process of payment out of the provincial funds.</i></p>		
21	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> Ensure that adequate supporting documents are attached with the payment vouchers before the allowances are paid to the MPAs. 	<p><i>Executive has taken note of the OAG recommendation and has the following response</i></p> <p><i>a) That the specific payments vouchers used during the auditors sampling was not highlighted in the report to verify the claim by the auditors to establish a direct response to that effect.</i></p> <p><i>b) That in general, the practice is that the office of the premier/administration raised requisition for MPAs's allowances during</i></p>	PS, PTR and DPTR	On going

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		<p><i>the Executive meetings and office of the Assembly (clerk) raise MPAS' allowance during Assembly meetings. Internally, these two offices knows exactly who is attending and is entitled to receive allowance and the list of MPAs is usually attached with others details.</i></p> <p>c) <i>That recommendation 21 is similar in nature to recommendation 20 thus refer to action point (e) and (f) for internal control to strengthened compliance.</i></p>		
22	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Must make sure the premier sign the WDG application form and; • Ensure the invoice and WDG form are attached with the payment voucher before the payment is made. 	<p><i>Executive has taken note of the OAG recommendation and response as follows;</i></p> <p>a) <i>That it would be unfair to the province to say poor control over disbursement of ward grants as the Executive strongly believes that the OAG should acknowledges the improvements made so far over the years. For instance, Application forms are in place, quotation and original invoices from suppliers are attached to the application forms and cheque payment raised directly to suppliers and goods and services are delivered in form of materials, goods and services directly to the beneficiaries.</i></p> <p>b) <i>That the Provincial members of the Assembly have slowly sees the importance's of accountability of public funds and are picking up to appreciate and taking ownership of the needed reforms on the disbursement of the ward grant.</i></p> <p>c) <i>That Ward development grant is a very sensitive issue at the provincial level as provincial politics interest conflicts with administrative interest. This is a challenging issue for the administration</i></p>	PS, PTR and DPTR	April 2015

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		<p><i>to overcome overnight thus requires a professional and protocol approach and time.</i></p> <p><i>d) That there might be miss connection / understanding on the requirement of the provincial premier to sign the ward development grant application form as the provincial secretary authorization on the application form meets the requirements of the FMO 2008 thus seen sufficient.</i></p> <p><i>e) That the Premier can only endorse by the signing the application forms of MPAs as a policy only when MPAs apply for the ward touring grant at the Ministry of Provincial Government and Institutional Strengthening. Ward touring grant is administered and disbursed by the ministry whilst on the other hand Ward Development grant is administered by the province and disbursed by the province</i></p> <p><i>f) That if there is an oversight on our part with regards to point d and e above then please advice for further discussion on this matter.</i></p> <p><i>g) That recommendation 22 is similar in nature to recommendation 20 thus refer to action point (e) and (f) for internal control to strengthened compliance.</i></p>		
23	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Must make sure to immediately update the account receivables register and collect the outstanding dues. 	<p><i>Executive has taken note of the OAG recommendation and response as follows:-</i></p> <p><i>That recommendation 23 is similar in nature to recommendation 3 thus is to be taken care off when implementing response to recommendation 3.</i></p>	PTR and Revenue Officers	April 2015

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
24	<p>OAG recommended that the Provincial Government:</p> <ul style="list-style-type: none"> • Ensure to properly disclose the account receivables in the IPSAS financial statement under the encouraged additional optional disclosure for transparency and accountability purpose. 	<p><i>Executive has taken note of the OAG recommendation and response as follows:-</i></p> <ul style="list-style-type: none"> <i>a) That the provincial government is adopting the cash basis of accounting thus recommendation 24 should not be used by OAG as a basis to determine an audit opinion for the province.</i> <i>b) That the executive strongly feels that recommendation 24 to be strike off from the final report.</i> <i>c) That the executive suggested to OAG that the scope of auditing of provincial government accounts should falls within the requirement of the IPSAS- Cash basis</i> <i>d) That the executive suggested to OAG that any important recommendations that falls outside of the standard can be communicated to the province as an attachment to the Report.</i> 	PTR	Sept 2015