



INDEPENDENT AUDITOR'S REPORT

To the Provincial Assembly of the Choiseul Provincial Government

Report on the Audit of the Financial Statements

Qualified Opinion

I have audited the accompanying financial statements of Choiseul Provincial Government (the Provincial Government) which comprise the Statement of Cash Receipts and Payments and the Statement of Comparison of Budget and Actual Amounts and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements, in all material respects present fairly the Provincial Government's receipts and payments for the year ended 31 March 2019 in accordance with International Public Sector Accounting Standard (IPSAS) Cash Basis.

Basis of Qualified Opinion

Non-consolidation of controlled entity (Lauru Shipping)

The Provincial Government's investment arm's financial statements have not been consolidated in the Provincial Government's financial statements. This is not in accordance with International Public Sector Accounting Standard (IPSAS) Cash Basis on 'Consolidated financial statements' para 1.6.5 which requires that 'a controlling entity, should issue consolidated financial statements which consolidates all controlled entities'. As a result, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded receipts, payments, assets and the elements making up the statement of cash receipts and payments.

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Provincial Government in accordance with International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, and the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management are responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Provincial Government's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Government's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Provincial Government's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Provincial Government to cease to continue as a going concern.

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

Report on Other Legal and regulatory requirements

I have obtained all the information and explanations which, to the best of my knowledge and belief, are necessary for the purposes of my audit.

In my opinion except for the effects of the matter described in the *Basis for Qualified Opinion* section of my report:

- i) proper books of account have been kept by the Provincial Government, sufficient to enable financial statements to be prepared, so far as it appears from my examination of those books;
- ii) to the best of my knowledge and according to the information and explanations given to me, the financial statements have been prepared in accordance with the requirements of the Provincial Government's Financial Management Ordinance 2018; and
- iii) The Provincial Government complied with the requirements of the Public Finance and Audit Act (Cap 120) and the Provincial Government Act, which require the financial statements to be submitted to the Office of the Auditor General not later than nine months of the following year to which the financial statements relate. The signed statements were presented to me on 28 June 2019.



Peter Lokay
Auditor-General

23 April 2020

Office of the Auditor-General
Honiara, Solomon Islands