



INDEPENDENT AUDITOR'S REPORT

To the Members of the Rennell and Bellona Provincial Assembly

Report on the Audit of the Financial Statements

Disclaimer of Opinion

I was engaged to audit the accompanying financial statements of the Rennell and Bellona Provincial Government, which comprise the Statement of Receipts and Payments for the year ended 31 March 2018, and the Statement of Comparison of Budget and Actual Amount with a summary of significant accounting policies and other explanatory notes.

I do not express an opinion on the accompanying financial statements of the Rennell and Bellona Provincial Government. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The disclaimer of opinion is attributed to the continuous failure in the system of recording and controlling accounting transactions and insufficient audit evidence to support transactions and accounts. I was unable to confirm or verify by alternative means the balances and disclosures with respect to the financial statements. As a result of these matters I could not determine whether any adjustments might have been found necessary in respect of the receipts, disbursements and cash in the financial statements.

I have conducted my audit in accordance with International Standards of Supreme Audit Institutes (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 the International Standards of Supreme Audit Institutions (ISSAI Code) together with the ethical requirements that are relevant to my audit of the financial statements in Solomon Islands and I have fulfilled my other ethical responsibilities in accordance with these requirements and the ISSAI Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Disclaimer of opinion.

Responsibilities of Management and those charged with Governance for the Financial Statements

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

In preparing the consolidated financial statements, management is 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 cease operations, or have no realistic alternative but to do so.

Those charges with governance are responsible for overseeing the Rennell and Bellona Provincial Government 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 guaranteed that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of the financial statements.

As part of an audit in accordance with ISSAI, I exercise professional judgement and maintain professional scepticism 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 policy used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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 Province's ability to continue as going concern. If I conclude that material uncertainty exist, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represent the underline transactions and events in a manner that achieves fair presentation.

I communicate with management and those charge 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.

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

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanation which, to the best of my knowledge and belief, were necessary for the purpose of my audit.

In my opinion:

- i) Books of account and the financial system have not been properly kept and monitored by the Province, insufficient to enable financial statements to be prepared, so far as it appears from my examination of those books and system;

- ii) To the best of my knowledge and according to the information and explanations given to me the financial statements do not give the information required by Section 39 of the Provincial Government Act, in the manner so required; and
- iii) The Province 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 (9) months of the following year to which the financial statements relate. The signed statements were presented to me on 29 June 2018.



Peter Lokay
Auditor – General

Office of the Auditor General
Honiara, Solomon Islands

23 March 2020

**RENNELL & BELLONA
PROVINCIAL GOVERNMENT**
TINGOA HEADQUARTERS
WEST RENNEL

*Financial Report
for the year ending, 30th March, 2018*

CERTIFICATE OF THE RENNELL AND BELLONA PROVINCIAL GOVERNMENT

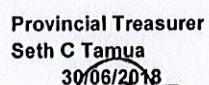
In our opinion, the attached financial statements for the year ended 31st March 2018 are based on properly maintained financial records and present fairly, in all material respects, the information required by section 39(1) of the Provincial Government Act 1997 and in accordance with the Provincial Financial Management Ordinance 2008 and the Provincial Financial and Stores Instructions 2008.

For and on behalf of the Rennell and Bellona Provincial Government

Honourable Premier
Hon. Colin Teupatani
30/06/2018

A circular official stamp of the Rennell and Bellona Provincial Government is positioned over the signature of the Honourable Premier. The stamp features a central emblem and the words "RENNELL AND BELLONA" around the perimeter.

Provincial Treasurer
Seth C Tamua
30/06/2018

A handwritten signature in black ink is written over the printed name and date of the Provincial Treasurer.

RENNELL BELLONA Provincial Government Statement of Cash Receipts and Payments for the Year Ended 31st March 2018 31 March 2018 31 March 2018 31 March 2017 31 March 2016					
RECEIPTS	Note	Third Party Payment Internal SBD	Cash Controlled by RBPG	Cash Controlled by RBPG	Cash Controlled By RBPG
Recurrent Receipts					
Fixed Service Grants			1,756,345	1,434,683	1,376,347
MPGIS - Other Grants			424,931		434,732
Second appointed day grant-MPGIS			50,000		
Licenses and Fess					
Logging Contractor License			1,599,700	322,500	9,045
Logging operation License - Local			520,350	943,007	559,000
Logging Camp Fee			75,000		
Logging Pond Fee			100,000		
Steamer Anchorage fee (LOGGING)			120,000		
Mining operation License			1,325,000	867,500	
Mining Contractor License			2,359,250		
Mining Royalty			214,849		
Mining Camp Fee			75,000		
Business License - Construction	8		24,500		
Other Receipts	9		37,600		
Export Licenses					
Trading Activities (see notes)				-	-
				10,500.00	303,000
Total Recurrent Receipts for the Year			8,682,525	3,578,190.00	2,682,124.00
Capital Receipts					
Provincial Capacity Development Fund			2,109,032	-	-
SIG capital development fund			1,323,825	-	-
Total Capital Receipts for the Year			3,432,857	-	-
Total Receipts for the year			12,115,382	3,578,190.00	2,682,124.00
PAYMENTS					
Recurrent Expenditures					
Sundry expenditures			31,900	52,000.00	
Bank Charges			4,120		
Salaries & Wages - Employess			381,847		
Travel subsistence			172,200		
Debt Servicing			890,689	260,587.00	
travel accomodation			80,400	168,228.00	
Premiers' discretionary fund			997,950	828,050.00	
Executive meeting costs			173,580	199,685.00	
Solomon Games			50,000	50,000.00	
Ward Profiling Consultancy			208,000		
Consultancy costs				183,822.00	
Staff house renovation				70,000.00	
Rural Aid post - W3				118,500.00	
Headquarter cleaning			97,000	160,000.00	
Executive and MPA assistance			558,660	50,000.00	
Full Assembly expenditures			385,121	224,593.00	
Office expenditure - Administration			546,670	163,400.00	
2nd Appointed Day Celebration			740,931		
Tourist Operator Assistance			270,000		
Operating Costs			2,774,061		1,648,219.00
Other payments	11	235,700		430,408.00	26,000.00
Ward Development Grant				320,000.00	-
Total Recurrent Expenditure		235,700	8,363,129	3,279,273.00	1,674,219.00
Capital Expenditure					
Capital Expenditure - PCDF -co funding			20,000		-
Capital expenditure on assets Dev Projects			1,265,370		-
Investment Servicing Cost for capex			304,180		-
Total Capital Expenditures			1,589,550		-
Total Payments		235,700	9,952,678	3,279,273.00	1,674,219.00

Increase/(decrease) in cash and cash equivalent			2,162,704	(4,506.00)	5,997.00
Opening Cash Balance			2,434	6,940.00	943.00
Cash and cash equivalent at the end of the year (3)			2,165,138	2,434.00	6,940.00
Computation of Cash and Cash Equivalent					
Cash					
Cash on Hand				-	-
BSP - General Account			279,915	-	-
BSP - RBPG - Project Account				950,000.00	950,000.00
BSP - PCDF Account			1,300,957	-	-
Un-acquitted imprest				-	-
Un-acquitted imprest - Advances				-	-
Cash and Cash Equivalent (1)			1,580,872	950,000.00	950,000.00
Less : restricted cash balances					
Solomon Islands Government - PAYE			39,101	5,000.00	-
Solomon Islands Government - Withholding tax			82,575	10,000.00	-
SI National Provident Fund - NPF			58,006	18,757.00	-
Other payroll deductions [Union Fee]				7,950.00	-
Total Restricted Cash			179,682	41,707.00	-
Cash Available for use			1,401,190	908,293.00	950,000.00
Reconciliation of Cash and Movement of Cash					
Opening Cash Balance			2,434	6,940.00	943.00
Increase/Decerease in Cash			2,162,704	(4,506.00)	5,997.00
Closing Cash and Cash Equivalent (2)	10		2,165,138	2,434.00	6,940.00

Annex 3: RENNELL BELLONA PROVINCE Comparison of Budget and Actual Amounts
for the year ended 31st MARCH 2018

	Actual Amount	Final Budget	Original Budget	Variance	Percentage deviation from estimate %
Cash Inflows					
Funding Allocation	1,756,345	1,405,076	1,405,076	351,269	25.0
Business Licenses	6,926,180	3,227,040	2,835,240	3,699,140	114.6
Receipt from trading activities				0	
Capital Receipts	3,432,857	3,230,020.00		202,837	6.3
Total receipts	12,115,382	7,862,136	4,240,316	4,253,246	54.1
Cash Outflows					
Operating costs	(2,774,061)	(2,868,484)	-2362635	94,423	-3.3
Supplies and consumables					
Rent					
Ward Development Grant					
School Grants					
Visa bandwidth					
Other expenditures	(6,976,779)			0	
Capital Expenditures	(199,404)	(4,993,652)	-1,877,681	4,794,248	-96.0
Total Payments	-9,950,244	-7,862,136	-4,240,316	-2,088,108	26.6
Net Cash Flows	2,165,138	0	0		

Notes to the Financial Statements

1. Accounting Policies

The implementation of the 2016/2017 budget has been executed in compliance with the Government Financial Instructions (FI) and the Provincial Financial Management ordinance (FMO)- Revised edition 2008

2. Basis of Preparation

The financial statements have been prepared in accordance with the International Public Sectors Accounting Standards under the The Cash Basis of Accounting (Cash Basis)
In the formulation of this report, it is basically translated using the Quarterly Reports and the BS

3. Reporting Entity And Controlling Entity

The Rennell and Bellona Provincial Government is the controlling entity and is reporting or preparing this Financial Statement as directed by the Ministry of Provincial Government and Institutional Strengthening in 2010

4. Restricted Cash Balances

Non Payment of NPF and PAYE is due pressure on the Administration such that less priority being given to restricted cash balances.

5. Reporting Currency

The financial statements are presented in the Solomon Islands currency, expressed as Solomon Bokolo Dollars (SBD) \$

6. Foreign Currency Transaction

Foreign currency transactions recorded in SBD\$ where conversion were made at the given exchange rate at the date of transaction.

7. Running balances

Prior year balance particularly for 2015/16 is determined as on the preceding year balance.

8. Other Licenses

This is the consolidation of ;
Air Transport and Sea Transport Licenses

9. Other Receipts

This is the consolidation of ;
minor revenue from local businesses and miscellaneous receipts

10. Surplus balance

the huge cash balance is due to the delay in the implementation of PCDF projects for 2016/2017.

11. Related Party Transactions

11 A. Third Party Internal

11A.i

-the use of the Nukumaanu Rest House to sum of \$88,700 is deemed related party transaction as the Proprietor is a Minister in the current Executive.

11A.ii.

- the Rental agreement for a Provincial Office in Honiara for \$51,500,

11.A.iii.

- the repair work on the provincial vehicle to sum of \$9,000, is deemed related party transaction as the workshop is owned by the Hon.Speaker.

11 B. Third Party External

11 B.i

- the use of COLSU Transport for the sum of \$3,600 is deemed related party as the owner is a Nephew of the Hon. Minister of Health.

11 B. ii

- the use of Mataake Lodge and Transport to the sum of \$24,000, is deemed to be related party transactions as the owner is the father of the Clerk to Assembly.

11 B. iii

- the repair work on the residence of the Clerk to Assembly for \$33,500, is deemed related party as Andrew is a Cousin of the Clerk and Nephew of the Provincial Treasurer.

11 B .iv

- the Rental Agreement for the Assistant Administration Officer Bellona (AAO) to the sum of \$10,400, is deemed a related transaction as the owner of the house is the father in law of the AAO.

11 B .v

- the use of Evergreen Lodge for the Welcome lunch for the Deputy Prime Minister and his party \$15,000 is deemed a related party transaction as the owner of the Lodge is a Cousin of the Provincial Treasurer.

12. Going Concern

The failure by the provincial Government to invest some of its internal revenues from logging and minning poses uncertainty and risks into the future ability of the province to effectively and efficiently govern and deliver services.