



**2019 REPORT OF THE AUDITOR-GENERAL  
OF THE SOLOMON ISLANDS  
ON THE  
SOLOMON ISLANDS GOVERNMENT  
2015 NATIONAL ACCOUNTS**

**National Parliament Paper No. 7 of 2019**

June 2019

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## **Foreword from the Auditor-General**

I am pleased to present this Report to Parliament covering the results of audits performed on the 2015 National Accounts annual financial statements and the accounts and records of selected line ministries.

### **Results of audits**

Solomon Islands Government received a disclaimer audit opinion due to poor record keeping and not complying with international accounting standards and the requirements of the Public Financial Management Act 2013. There were improvements in certain areas such as the management of standing and special imprests. The Ministry of Finance and other ministries are striving to address the recommendations of the Auditor-General so that clean opinion is achieved in future.

### **Acknowledgements**

I acknowledge the assistance and cooperation from the officials of the Ministry of Finance and Treasury, line ministries and agencies.

I thank my officers for their hard work.

A handwritten signature in dark ink, appearing to read 'Peter Lokay', is positioned above the printed name.

Peter Lokay  
Auditor-General

30 June 2019



## Executive summary

### Disclaimed audit certificate

Solomon Islands Government (SIG) annual financial statements (AFS) for 2015 received a disclaimer audit opinion from the Auditor-General due to lack of supporting documents and inadequate internal processes of the Ministry of Finance and Treasury (MOFT) and line ministries. These problems were so significant in many Ministries that the Auditor-General was unable to form an opinion on the annual financial statements.

There is a lack of accountability and transparency of the financial affairs of the government. The lack of reliable financial information indicates weak governance within the SIG.

### Financial Statements

The Auditor-General received two sets of annual financial statements of the Solomon Islands Government for the year 2015. The Auditor-General issued a disclaimer of opinion on the annual financial statements for 2015.

*Table 1: Dates of signing and opinions of SIG financial statements 2012 to 2015*

Financial Year	Date signed by Permanent Secretary and Accountant General	Date certified by Auditor-General	Opinion
2012	28/10/2013	10/04/2014	Disclaimer^
2013	31/10/2014	23/08/2016	Disclaimer^
2014	30/06/2015	26/09/2017	Disclaimer^
2015	30/06/2016	16/04/2019	Disclaimer^

^Refer to Glossary for meaning of audit opinion types.

### Key findings and overall conclusion

The Auditor-General was not able to express an opinion on both the IPSAS Cash Basis and PFMA financial statements due to:

- Not having been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion in accordance with International Standards on Auditing (ISA); and
- Not meeting the reporting requirements under PFMA and IPSAS Cash Basis.

### Key internal control issues

The Office of the Auditor-General (OAG) found that the SIG has inadequate control over the management of its resources. The main issues that the OAG has identified leading to this conclusion were:

- **Financial statements not comply with IPSAS cash mandatory part 1**  
*The majority of disclosures did not comply with IPSAS Cash basis mandatory part 1;*

- **Statement of receipts and payments disclosure incomplete**  
*OAG was unable to determine the reconciliation of cash and cash equivalent against the cash movement;*
- **Statement of comparison of budget and actual amount lack explanatory notes of material variances**  
*Non-compliance to section 1.9.12 of the IPSAS cash basis which requires disclosure of explanations to material differences between actual and budget amounts;*
- **Non consolidation of its controlled entities into the SIG financial statements**  
*The preparer of the SIG national account financial statements fails to consolidate all its controlled entities financial statements to the SIG financial statements;*
- **Non-compliance of PFMA section 77 (h) and (i)**  
*No statement of commitments outstanding for goods and services and a statement of public stores and other assets;*
- **Statement of arrears of revenue is materially understated**  
*Significant amount of revenues arrears are not fully accounted for and disclosed in the AFS;*
- **Misclassification domestic debt as contingent liability (issue of 2014 not resolved)**  
*Solomon Telekom compensation payment should be reclassified as domestic debt rather than contingent liabilities;*
- **No reliance over the balance sheet at the year ended**  
*OAG noted for year 2015 SIG spent \$695 million on non-current assets, however, that value was not disclosed for the year;*
- **Licenses, fees and other receipts have material variance**  
*OAG noted that license and fees have variance of \$77 million and other receipts variance of \$78 million. However, no explanation provided for the material differences;*
- **Lack of supporting document to confirm budget support (issue of 2014 not resolved)**  
*Audit confirmed that there were no records available for grant funds for 2015. The file was misplaced after they moved to the new MOFT building;*
- **Main SIG bank accounts not reconciled (issue of 2014 not resolved)**  
*There was no evidence that the main SIG bank accounts have been systematically reconciled and checked;*
- **Lack of control over Aurion to AX interface (issue of 2014 not resolved)**  
*OAG noted that there was no complete check of the transaction interface between Aurion payroll system and AX financial system for each pay run;*
- **No explanation for material increase in salaries and other benefits**  
*OAG noted from its analysis that there were huge movement between prior year and current year 2015. However, no explanation was given by the responsible officers on what caused the material movement in the notes to the accounts;*
- **Files not properly kept by payroll section**

- OAG was unable to extract details or place reliance on the total payroll cost worth \$989m as files containing the supporting documents were not kept properly;*
- **Suppliers and consumables payment vouchers (PV) not located**  
*OAG was unable to locate PV worth more than \$81m for expenses incurred under suppliers and consumables;*
  - **OAG unable to verify training cost incurred by SIG**  
*OAG was unable to confirm whether the \$900m training cost incurred by SIG was for scholarship awards approved by National Training Committee (NTC) or not, as NTC failed to keep the minutes of their meetings;*
  - **Capital expenses lack supporting documentation**  
*OAG noted 95% of the payment vouchers (PVs) selected valued at \$125m were not available for review;*
  - **All government agencies fail to maintain register of all their assets and stores**  
*OAG noted from interim audit done for all the government agencies, none of the agencies audited fully comply with section M4 4 to M4 10 of the Interim Financial Instructions 2014;*
  - **No asset policy (issue of 2014 not resolved)**  
*MOFT is yet to work on the fixed asset policy for the whole of SIG;*
  - **Fail to comply with section 77 (2) of the Public Financial Management Act (PFMA) 2013**  
*For the 2015, none of the government agencies complied with section 77 (2) of the PFM Act 2013;*
  - **Lack fraud policy**  
*No fraud policy existed or created by MOFT and across whole of government;*
  - **Lack of segregation of duty over AX financial system**  
*OAG noted that only one person is the super user to the AX financial system responsible for installations, changing information, overriding system functions and so on; and*
  - **Non-compliance to Interim Financial Instructions 2014**  
*OAG noted that the officers responsible for maintaining, filing and storing of financial records did not do their job effectively.*

The main internal control failures disclosed during the audit in line ministries:

- Bank reconciliations of operational bank accounts not performed nor done monthly;
- line ministry cashbooks not properly maintained;
- lack of evidence of properly prepared or reviewed bank reconciliations;
- lack of records and documents;
- lack of proper filing system;
- lack of segregation of duties in key institutional functions and controls.
- accountable officer financial statements not provided;
- monthly financial reports not submitted in timely manner;

- accountable officers financial statements not provided to Accountant General and Auditor-General;
- statement of commitment by head not submitted to MOFT;
- no policy for fixed assets;
- lack of fixed asset registers; and
- non-compliance with financial instructions.

## 1. Introduction

### Mandate

The mandate of the Auditor-General to audit the financial statements of the Solomon Islands Government (SIG) is provided under section 108 (3) of the *Constitution*, section 35 of the *Public Finance and Audit Act (PFAA) Cap 120* and s.77 of the *Public Financial Management Act (PFMA) 2013*.

The Interim Financial Instructions (FI) 2014 require that the SIG annual financial statements (AFS) be prepared under the Cash Basis IPSAS reporting framework. This is a cash based framework, but some of the requirements of the PFMA describe accrual based financial statements.

The 2015 SIG AFS were submitted to the Auditor-General in two separate sets of financial statements. One set was presented in accordance with most of the disclosures required under the Act (with some disclosures absent as the information was not available to MOFT to allow the disclosures to be prepared), and the second set was prepared under the Cash Basis IPSAS accounting standard. Neither set of financial statements complies with both the PFMA and the IPSAS.

The audit report of the 2015 SIG annual financial statements is detailed in Chapter 2 of this report. The audit report of the accounts and records of ministries and agencies are in Chapters 3 to 24.

### Audit objectives and scope

An audit pursuant to s.108 (3) of the *Constitution*, s.35 (1) of the *Public Finance and Audit Act* [Cap 120] and s.77 of the PFM Act was conducted on the SIG 2015 Financial Statements (FS) and financial systems and internal controls in order to form an opinion on the 2015 financial statements. Later chapters (3 to 24) of this report provides the results of the audits of the accounts and records (compliance audit) in the line ministries which were performed to assess the effectiveness of managements' internal controls, assets management and the preparation of financial information that underlie the production of annual financial statements.

The primary objective was to obtain reasonable assurance whether the 2015 Financial Statements were materially correct and included adequate disclosures.

### Glossary and acronyms

#### Glossary

The **International Standards of Supreme Audit Institutions (ISSAIs)** include the International Standards of Auditing plus additional professional standards specific to the operations and activities of public sector audit institutions and auditing.

The **International Public Sector Accounting Standards (IPSAS)** are the internationally recognised accounting standards for public sector entities. These follow closely to the **International Standards of Accounting (ISA)** and **International Financial Reporting Standards (IFRS)**. However, IPSAS takes into account the essential differences and accounting and disclosure needs between public sector entities and privately owned commercial enterprises.

The term **IPSAS** generally refers to the full set of accounting standards, most of which apply to entities preparing financial statements on the **accrual basis**.

The term **Cash Basis IPSAS** is generally used to refer to the specific set of accounting standards which apply to public sector entities which perform accounting and prepare financial statements on the cash basis.

**Cash** accounting is used by entities which account for income and outgoings as funds are received or paid. Other than cash at bank, assets and liabilities are not recorded and are not disclosed in the financial statements.

**Accrual** accounting is used by entities which recognise revenue when it is earned and expenditure when the goods or services have been received. There is often a difference in the timing between when revenue is earned and when cash payment for the earnings is received, and when the benefits of goods and services have been received and when they are paid for. Entities that perform accounting on the accrual basis record assets and liabilities in their accounting records and financial statements.

### **Audit opinion definitions**

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

These standards define the type of audit opinion that should be issued depending upon the nature of the errors, internal control weaknesses and other matters identified during the audit. The table below provides details of the different types of modified audit opinions that the Auditor-General may issue when certifying a set of financial statements.

*Table 2: Audit opinion definitions*

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

The best type of audit opinion to receive is an **unqualified audit opinion**. Ultimately, it should be a key objective for all auditees to achieve an unqualified audit opinion.

The Auditor-General is also required to report on other legal and regulatory requirements. This forms the second part of the Auditor General's audit opinion and details any significant breaches of other legal or regulatory requirements identified in relation to reporting requirements under the applicable Act.

### **Emphasis of matter paragraphs**

In some of the Auditor-General's audit opinions, international auditing standards require him to issue an emphasis of matter paragraph. This is not the same as a qualification but the Auditor-General is required to alert readers of the financial statements to any matters which may not result in modification to the financial statements but are important issues that the Auditor-General wishes to bring to the readers' attention

### **Risk ratings**

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:

*Table 3: Risk ratings*

<b>Risk Rating</b>	<b>Description</b>
High	<ul style="list-style-type: none"> <li>• Matters which may pose a significant business or financial risk to the entity; and / or</li> <li>• 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</li> <li>• Moderate risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed.</li> </ul>
Moderate	<ul style="list-style-type: none"> <li>• Matters of a systemic nature that pose a moderate business or financial risk; and / or</li> <li>• Matters that may escalate to high risk if not addressed promptly; and / or</li> <li>• Low risk matters which have been reported to management in the past but have not been addressed.</li> </ul>
Low	<ul style="list-style-type: none"> <li>• Matters that are isolated, non- systemic or procedural in nature; and / or</li> <li>• Matters that reflect relatively minor administrative shortcomings and require action in order to improve the entity's overall control environment.</li> </ul>

### **Acronyms**

AFS	Annual Financial Statements
AO	Accountable officer/accounting officer
COA	Chart of accounts
FI	Interim Financial Instructions 2014
FMSS	Financial Management Services Section
FS	Financial Statements
IFRS	International Financial Reporting Standards
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISSAIs	International Standards of Supreme Audit Institutions

MALD	Ministry of Agriculture and Livestock Development
MCA	Ministry of Communication and Aviation
MCILI	Ministry of Commerce, Industries, Labour and Immigration
MCT	Ministry of Culture and Tourism
MDPAC	Ministry of Development Planning and Aid Coordination
MECDM	Ministry of Environment, Climate Change, Disaster Management and Meteorology
MEHRD	Ministry of Education and Human Resources Development
MFAET	Ministry of Foreign Affairs and External Trade
MFMR	Ministry of Fisheries and Marine Resources
MFR	Ministry of Forestry and Research
MHA	Ministry of Home Affairs
MHMS	Ministry of Health and Medical Services
MID	Ministry of Infrastructure Development
MJLA	Ministry of Justice and Legal Affairs
MLHS	Ministry of Lands Housing and Survey
MMERE	Ministry of Mines, Energy and Rural Electrification
MOFT	Ministry of Finance and Treasury
MPNSCS	Ministry of Police, National Security and Correctional Service
MPS	Ministry of Public Service
MRD	Ministry of Rural Development
MWYCA	Ministry of Women, Youth and Children's Affairs
NJ	National Judiciary
NPO	National Parliament Office
NTC	National Training Committee
NTU	National Training Unit
OAG	Office of the Auditor-General
OPMC	Office of the Prime Minister and Cabinet
PCAM	Procurement and Contract Administration Manual
PFAA	Public Finance and Audit Act
PFMA	Public Financial Management Act 2013
PS	Permanent Secretary
PV	Payment Voucher
ROC	Republic of China Taiwan
SAI	Supreme Audit Institution
SIG	Solomon Islands Government
SIGAS	Solomon Islands Government Accounting Service
STL	Solomon Telekom Limited



## 2: National Government Annual Financial Statements 2015

### Detail audit findings

#### Financial Statements

##### ***Financial statement do not comply with IPSAS cash mandatory part 1***

OAG review of SIG AFS disclosures against the IPSAS cash basis mandatory part 1 reveal that approximately 80 % of the disclosures did not comply with IPSAS cash basis mandatory part 1.

*The relevant staff of the Ministry have been attending IPSAS training to enable them to produce future annual financial statements that will comply with IPSAS cash basis.*

##### ***Statement of receipts and payments disclosure incomplete***

###### ***Cash and cash equivalent & reconciliation of cash movement***

OAG noted from the presentation of the financial statement that the preparer failed to disclose the cash and cash equivalent and reconciliation of cash movement. These two (2) disclosures are very important to financial statement as it will determine whether receipts less payments for the year agrees with cash and cash equivalent held by government at the year end.

###### ***Receipt and payment separate column for external third-party contribution***

OAG noted from note 11 of the IPSAS cash basis FS that MOFT omitted information on external third-party contribution to SIG due to information not reliable for disclosure. It was stated that SIG received significant resources from donor funded agencies through payment done directly to suppliers for goods and services, however, failed to include amount received in a separate column in the IPSAS cash basis financial statements and notes to the statements. This is non-compliance with section 1.3.23 of the IPSAS cash basis of accounting.

*The Treasury has made an undertaking to improve on capturing data in this area so that the information is disclosed in future annual financial statements. This standard will optional for financial years after 2017.*

##### ***Statement of comparison of budget and actual amount lack explanatory notes of material variances***

According to section 1.9.12 of the IPSAS cash basis it is important that the preparer of financial statements to provide an explanation of the material differences between actual amounts and the budget amounts to assist users in understanding the reasons for material departures from the approved budget for which SIG is held publicly accountable.

In addition, it is not stated in the IPSAS cash basis to include comparative figures for prior years with the current comparative figures. This will cause confusion to the readers and

users of the statements, as the objective of the statements is to enable the readers of AFS to identify whether resources for the year were obtained and used in accordance with approved budget.

*The Treasury is addressing this issue and is expected to comply with this requirement in future after 2019.*

***Lack of consolidation of its controlled entities into the SIG financial statements***

The preparer of the SIG national account financial statements failed to consolidate all its controlled entities audited financial statements with the SIG statements. Paragraphs 1.6 of the IPSAS cash basis part 1 specifies the requirements and procedures to consolidate financial statements of a controlling entity with its controlled entities.

*This will no longer be compulsory after end of 2017. It is recognized that many countries find it difficult to comply with this standard.*

***Non-compliance of PFMA section 77 (h) and (i)***

According to section 77 (h) and (i) of the PFMA 2013, Accountant-General should include in the AFS a statement of commitments outstanding for goods and services and a statement of public stores and other assets. However, OAG noted that no such statements were included in the AFS prepared under PFMA 2013.

*The Treasury is working on a business plan to address this requirement in 2019 going forward. The issue is that capability in many ministries is low therefore data capture is a major hurdle.*

***Statement of arrears of revenue is materially understated***

OAG noted that the amount disclosed in the statement of arrears of revenue is for Civil Aviation Division uncollected revenues. However, upon meeting with accounts team of the Ministry of Communication and Aviation, it was confirmed that no register was kept by the ministry on the revenues collected and their accounts receivable for the financial year. It was noted also that the ministry was unable to collect revenue from all its revenue sources and revenue categories.

In addition, there is only one amount included in the statement of arrears of revenue, although it is expected that there would be significant amounts in other revenue areas where there are expected build-up of arrears e.g. income tax.

*The Treasury is aware of the difficulties in obtaining the data from the ministries due to capacities in those revenue collecting ministries. Poor record keeping in those agencies is a major concern. The Treasury will address this as part of its 2019 business plan.*

***Statement of special fund discrepancy***

OAG noted that MOFT only included three (3) special funds in the AFS. However, there were other special funds which MOFT failed to disclose. They are:

- Noro fuel depot sinking fund
- Correctional fund
- National disaster fund

In addition OAG was unable to trace the detail transactions in the general ledger account for special funds worth \$64,556,000.

*The Treasury is working towards including all special funds in future annual financial statements.*

***Misclassification domestic debt as contingent liability (issue of 2014 yet to resolve)***

OAG noted that Solomon Telekom compensation payments still classified as contingent liabilities. SIG already agreed and continue to do repayment of debt under an agreement to compensate for breach of a legal agreement and it also evident in reduction of amount from prior year.

Therefore Solomon Telekom compensation payment should be reclassified as domestic debt rather than contingent liabilities.

*This issue has been resolved as the debt was fully extinguished in the 2016 financial year.*

***No reliance over the balance sheet at the year ended***

OAG noted for 2015 SIG spent a material amount of \$ 695,116,000.00 on non-current assets, however, that value was not disclosed for the year. In addition, SIG owns a significant value of non- current assets from prior financial year's purchases and through in kind contributions by donor agencies but fail to disclosure them as well in the balance sheet.

*The Treasury is working on a fixed assets road map project in 2019 and significant progress is expected to be made in the 2019 financial year.*

**Revenue*****Discrepancy over taxation***

OAG conducted audit test on tax revenue collected by SIG and noted significant issues over the processes and filing of the supporting documents. Table 4 below summarizes key issues noted during the audit of tax revenue.

**Table 4: Discrepancy over taxation**

AFS Line Items for TAXATION	Description of Issues	Amount (SBD)	Percentage (%) of sample
<b>Company/ Personal Tax</b>	6 receipt vouchers not located	\$83,750,762.91	21%
	51 receipt vouchers lack preparer signed-off (completeness).	\$408,089,950.95	100%
	11 receipt vouchers amount less than amount disclosed in GL (variance)	(\$83,758,455.98)	22%
<b>Excise/ Duty Tax</b>	Files were not in sequence, damaged, lost and not all were sighted (52 transactions)	\$306,636,141.18	100%
<b>Goods/ Sales Tax</b>	19 receipt vouchers not located	\$153,456,936.10	37%
	All other sample sighted lack preparer signed-off (completeness)	\$378,535,623.90	63%

In addition, for excise and duty tax collected by SIG, 65% of the total amount collected was collected from log exports. However, OAG noted that internal control over the process of log export was very weak as no proper verification was done by forestry officers on the quantity, sizes and species of logs shipped out of the country.

*Due to movement to new premises in 2015 by MOFT documents were misplaced. The Treasury will work with ministries to improve record keeping. Internal Audit will be requested to conduct an audit on log export.*

***Licenses and fees lack supporting document.***

Other fees and license

Of the 21 selected receipts in the sample valued at \$94,392,471.50, only 2 vouchers valued at \$1,263,631.57 were located, this was due to the filing not in proper order. It was noted that most of the receipting of fees and license were done at the MOFT and their supporting documents were stored in different locations and not in sequence, this led to auditors being unable to locate them.

Fishing fees

Ministry of Fisheries and Marine Resources was unable to provide 25 receipts worth \$22 million selected for testing. This is a misconduct by officers responsible for failing to provide information for audit.

***Licenses, fees and other receipts have material variance***

Account code 0001 appears in three (3) line items License and fees under other fees and license, special funds and other receipts. Disclosed amount did not reconcile with the GL amount.

License and fees had a variance of \$77,373,086.72 while other receipts had a variance of \$78,719,651.86. No explanation received from MOFT on the material variance.

*The relocation of the MOFT to the new premises has resulted in the misplacing of financial records during 2015. Treasury is working with ministries to improve record keeping in future.*

***Lack of supporting document to confirm budgetary support (issue of 2014 not resolved)***

Audit confirmed that there were no records available on grant funds received for 2015. The file was misplaced after they moved to the new MOFT building. The Ministry did not maintain any proper filing and storage system for their records.

*During the construction of the Treasury building and after the tensions some records and documents were lost. However records since 2016 and onwards are properly filed and stored in the new Treasury building.*

**Cash at bank**

***Main SIG bank accounts not reconciled (issue of 2014 yet to resolve)***

There is no evidence that the main SIG bank accounts have been systematically reconciled and checked. This is a fundamental accounting control to ensure that all cash transactions have been recorded in the ledger and that unauthorised transactions have not occurred in the bank accounts. Without this control there is no assurance that the general ledger is complete and accurate.

*Treasury controlled SIG bank accounts are being reconciled on daily basis for the main operation accounts and weekly or monthly basis for the less active and dormant bank accounts. There is on- going effort to improve bank reconciliation processes ensuring that there is timely completion of bank reconciliations and clearing of unreconciled items. New resources are currently been recruited to assist in this work and a team restructure is planned. Clearing long outstanding unreconciled items is a priority for the new team.*

**Wages and salaries**

***Lack of control over Aurion to AX interface (issue of 2014 yet to resolve)***

OAG note that there was no complete check of the transaction interface between Aurion payroll system and AX financial system for each pay run. The only check that was performed was of transactions that were posted to invalid ledger codes.

*Currently there is no direct interface between Aurion and AX. Payroll expenditure is loaded to AX through an upload file manually. Treasury agrees that misposting could occur in such manual processes and take note of most of the recommendations. However, expecting Ministries to reconcile their own payroll after each pay period is very unlikely to be able to be achieved for reasons already explained in this document.*

**No explanation for material increase Salaries and other benefits**

OAG noted from its analysis that there were huge movement between 2014 and 2015 for payroll items. However, no explanation was given by the responsible officers on what caused the material movement. The explanation was not disclosed in the financial statements. Refer table 5 for extract amount.

*Table 5: Extract of general ledger for wages and salaries for 2014 and 2015*

<b>Accounts</b>	<b>Current Year 2015 (\$)</b>	<b>Prior year 2014 (\$)</b>	<b>Variance (\$)</b>
<b>1010</b> Salaries - Public Servants	597,939,173.52	555,280,250	42,658,923.63
<b>1011</b> Housing Allowance - Public Servants	35, 591,549.57	18, 063,929	17, 527,620.11
<b>1120</b> Consultants	14,886,597.51	5,541,466	9,345,131.27
<b>1901</b> Pension and Gratuities	12,380,588.62	23,145,883	10,765,294.59
<b>1903</b> Workers Compensation	74, 299,411.27	241,183	74,058,228.37
	<b>610,319,762.14</b>	<b>578,426,133</b>	<b>62,769,349.49</b>

Audit was also unable to do further testing as supporting documentations were not properly filed and most of the files either damaged, lost or not in sequence.

*Increase in the payroll costs through recruitments including political appointments following the 2014 elections, payment of MPs Terminal Grants in 2014 (account 1901) and Border Police compensation payment in 2015 (account 1903).*

*During the construction of and transfer to the new Treasury building records were sadly misplaced. However filing has been improved and management are developing improved edit features with the Aurion payroll system team to assist in the management of the payroll function.*

**Files not properly kept by Payroll Section**

OAG was unable to extract the details or place reliance on the total payroll cost worth \$989,255,788.46 as files containing the supporting documents were not kept properly. From observation, files were mixed with other financial years, not in sequence, damaged and lost.

*During the construction of and transfer to the new Treasury building records were sadly misplaced. However filing has been improved.*

**Procurements**

**Suppliers and consumables PVs not located**

Upon testing the payments under suppliers and consumables, OAG noted issues with the filing and the payments. Table 6 below summarises the findings.

*Table 6: Summary of issues identified for suppliers and consumables*

Budget line	Issue identified	% of sample selected with issues	Amount (SBD)
Consultation fee expenses	PV not located	89%	\$50,754,835.74
Utility expenses	Alteration of amounts not counter signed	27%	\$4,189,526.35
Franchise shipping	PV not located	67%	\$30,000,000.00
Publicity and promotion expenses	PV not located	36%	\$677,840.00
<b>Total</b>			<b>\$85,622,202.09</b>

*During the construction of and transfer to the new Treasury building records were sadly misplaced.*

***OAG unable to verify training cost incurred by SIG***

National Training Committee (NTC) minutes not located

SIG spent \$900,556,043.90 on training cost during the financial year. However, OAG was unable to verify if the cost incurred was from the approved NTC scholarship listing as no NTC minutes were provided by Ministry of Education and Human Resource Development (MEHRD) to verify number of students issued with scholarships by NTC.

Scholarship award letter

Upon detail verification of PVs paid in bulk for each of the institutions SIG students attend for studies, the following issues were noted with award letters attached to the PV:

- Award letters did not have signatures of the authorized officers;
- Award letters contained the signature of NTU Secretary instead of Director or the Permanent Secretary (PS);
- Award letters were not stamped by NTU; and
- Award letters only had NTU stamp but no signatures from authorized officers.

***Lack reporting on funds spent at oversea missions***

OAG noted that SIG spent a total of \$24,216,588.09 for all the eleven (11) overseas missions operating around the globe. However, OAG was unable to review 59% of total grant money spent because those offices failed to submit monthly and quarterly reports. OAG could not place reliance on internal controls of those missions except for SIG High Commission in Port Moresby, PNG. OAG was aware a team comprising Ministry of Foreign Affairs and External Trade (MFAET) and MOFT officers did a review visit at those missions in 2016 however, no report has been provided upon our request.

*MFAET had been advised for overseas missions to provide monthly and quarterly grants. Mission grants should only be raised to MOFT for payment if their financial reports are provided. MFAET should assess and verify these reports and acquittals.*

***No review done by headquarters on reports sent by overseas missions***

OAG noted that MFAET did not review acquittal reports that were submitted to them by various overseas missions during the year. For financial year 2015 those reports submitted are still in the wrapped parcel and just stored away.

***Capital expenses lack supporting documentation***

OAG noted 95% of the payment vouchers (PVs) selected valued at \$125m were not available for review. Those PVs were not located in their respective archive file folders. OAG verified that MOFT officers' often retrieve PVs from the record room, however, no register was sighted to confirm that the removals were authorised and if the PVs were returned by those authorised to borrow the vouchers.

*During the construction of and transfer to the new Treasury building records were sadly misplaced.*

***Property, plant and equipment (PPE)***

***All government agencies failed to maintain their record keeping of all their assets and stores***

OAG noted from interim audit done for all the government agencies, that none of the agencies audited fully complied with Section M4 4 to M4 10 of the Interim Financial Instructions 2014. Those sections of the FIs clearly define the roles and responsibilities of AOs, how agencies should register their assets, maintain and further on to provide ways to dispose those assets.

*This issue is very serious one for Treasury and SIG. It will require a significant investment in financial policies, accounting software (AX), technical capacity, business process improvement and restructure of the COA to create a comprehensive asset register. Treasury has included this work in its 2019 business plan. Work has already commenced in March 2019.*

***No asset policy (issue of 2014 yet to resolve)***

The audit noted that MOFT is yet to work on the fixed asset policy for the whole of SIG. Until such policy is prepared the audit recognises that the lack of fixed asset policy in place is an issue which will affect the proper reporting of SIG statement of public stores and other assets by budget head.

*This issue is very serious one for Treasury and SIG. It will require a significant investment in financial policies, accounting software (AX), technical capacity, business process improvement and restructure of the COA to create a comprehensive asset register.*



*Treasury has included this work in its 2019 business plan. Work has already commenced in March 2019.*

### **Administrative issues**

#### ***Fail to compile with Section 77 (2) of the Public Financial Management Act (PFMA) 2013***

According to section 77 (2) of the PFM Act 2013 requires all government agencies to prepare an accountable officer report and submitted to Accountant General and Auditor-General within three (3) months after the end of the financial year.

However, OAG noted for 2015 that none of the 26 government agencies prepared the accountable officer reports and submitted to Accountant General or Auditor-General for review and auditing.

*MOFT accepts the fact the reporting requirements of section 76 and 77 of the PFMA has not been fully enforced or complied with. Treasury will (re) enforce reporting requirements where reporting framework for them are already in place and continue to formulate supporting policies on others. A comprehensive circular to address some of the issues raised in this recommendation and others in this report is being drafted for PSF to sign in mid-March 2019.*

#### ***Lack fraud policy***

It was noted during the preliminary meeting with Assistant Accountant General and Manager Information Systems that the ministry did not have fraud policy in place.

*A draft fraud policy has been prepared and will be issued before the end of June 2019. However, fraud and corruption are not matters that Treasury itself can fully address given the scale of the issue within SIG.*

#### ***Lack of segregation of duty over AX system administrator***

OAG noted that only one person was super user to the system who could do installation, change information and override system functions when requested to do so. Also the super user was responsible for inputting data into the system from Aurion payroll system, revenue management system, transport management system and payments processes of AX system. The roles and responsibilities of the officer was so wide with no oversight from management that the control mechanism within the system could be compromised.

*Recommendation fully agreed with. As part of the FMIS upgrade this very important matter will be addressed. Appropriate immediate steps are being taken at the present time in conjunction with AX support team in Brisbane.*

***Non-compliance to Interim Financial Instructions 2014 by officers***

OAG noted that the officers responsible for maintaining, filing and storing of financial records did not do their job effectively. The quality of staff performance was poor as they did not comply with the FI.

*It is recognized that MOFT has fallen below its normal high standards since the departure of the previous HR Manager. Many months later we are still waiting for approval to appoint the recommended candidate who we interviewed in September 2018. These recommendations will be a key part of the officer's 2019 business plan.*

### **3: Head 70 Agriculture and Livestock Development**

#### **Key findings**

The audit issues identified are summarized below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

The ministry failed to prepare and submit to the Accountant General and Auditor-General accountable officer report for review and audit. The ministry did produce a quarterly expenditure report to the MDPAC and MOFT. Going forward the ministry has taken necessary step to comply.

#### **Assets and stores**

##### ***Lack of up to date asset register***

The Ministry did not maintain an up to date asset register. The ministry recruited a senior stock verification officer to take on this responsibility during 2016 going forward. It would take the ministry a number of years to resolve this issue.

##### ***Lack of annual certificate of assets***

The officer responsible for non-current asset register did not provide an annual certificate of assets to the accountable and accounting officer. The ministry will improve on this as part of its plan on asset management.

#### **Bank accounts**

##### ***No monthly bank reconciliation***

The bank accounts were only reconciled as part of the preparation for the replenishment of the standing imprest accounts. The ministry is working on strengthening its internal processes to improve on this area.

##### ***Failure to close dormant bank accounts***

The ministry operated six bank accounts during the financial year but three of them were dormant but were not closed. The ministry will review and close the dormant bank accounts.

##### ***Failure to prepare bank reconciliations***

The officer responsible for operating a SIG bank account (Food Security and Sustainable Livelihood) failed to obtain monthly bank statements to prepare monthly bank reconciliations. This matter was resolved by the ministry in 2017 financial year.

##### ***No proper filing of bank reconciliations reports***

There was no proper file for bank reconciliation reports for 2015 financial year. The ministry is putting in place measures to address this issue.

**Control (Commitment) Cards*****No monthly control card reconciliation***

The ministry was not able to provide the commitment records for 2015 for audit. The ministry acknowledge the poor record keeping during that year due to matters beyond the control of the ministry. The matter would be resolved in future years.

## **4: Head 72 Education and Human Resources Development**

### **Key Findings**

The audit issues identified are summarized below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

The ministry failed to prepare and submit to the Accountant General and Auditor-General accountable officer report for review and audit.

#### **Assets and stores**

##### ***Incomplete asset register***

Each division in the ministry was required to keep an asset register and there was a division responsible for assets management. The registers were incomplete and some divisions failed to keep asset registers.

#### **Bank accounts**

##### ***No monthly bank reconciliation***

The ministry only performed bank reconciliations as part of the reimbursement process for the standing imprest accounts.

#### **Control (Commitment) cards**

##### ***No monthly control card reconciliation***

The ministry kept control cards to monitor expenditure but no reconciliation was done on a monthly basis against treasury information.

## 5: Head 74 Foreign Affairs and External Trade

### Key findings

The issues identified during the audit are summarized below:

#### Accountable officer report

##### **No accountable officer report**

The ministry did not prepared the accountable officers report to be submitted to the Accountant General and the Auditor-General as required by the PFM Act s77 (2). It was further noted that the Solomon Islands Government Accounting Service (SIGAS) did not carry out any awareness to the accountable officers on the requirement to produce the report.

*The ministry will produce annual financial reports as part of its plan for future years.*

#### Assets and stores

##### **Incomplete asset register**

The ministry kept an asset register but it was incomplete, the following asset register columns were not filled: date of purchase, cost of asset and location. All the assets were not tagged for identification.

*The ministry has assigned an officer to manage the asset register. A new tagging machine will be acquired to tag all assets.*

##### **Lack of disposal of obsolete assets**

There were obsolete assets laying inside and outside the office premises. All obsolete assets need to be disposed as those items have no value for the ministry.

*The ministry disposed all obsolete assets since 2017.*

#### Bank accounts

##### **Bank reconciliation not performed monthly**

The ministry only performed bank reconciliation as part of the process for the replenishment of the standing imprest but not on monthly basis.

*The ministry will address this in the current year going forward.*

#### Control (commitment) cards

##### **Commitment cards not reconciled monthly**

The ministry failed to perform reconciliation between the ministry commitment records and MOFT general ledger on a monthly basis.

*Additional staff recruited in order to address this issue.*

## **6: Head 75 Office of the Governor General**

### **Key findings**

The issues identified during the audit are summarized below:

#### **Accountable officer report**

##### ***No accountable officer report***

The Office of the Governor General (OGG) did not prepared the accountable officers report to be submitted to the Accountant General and the Auditor-General as required by the PFM Act s77 (2). It was noted that the Solomon Islands Government Accounting Service (SIGAS) did not carry out any awareness to the accountable officers on the requirement to produce the report.

#### **Assets and stores**

##### ***Incomplete asset register***

The OGG kept an asset register but it was incomplete, the following asset register columns were not filled: date of purchase, cost of asset and location. All the assets were not tagged for identification.

#### **Control (commitment) cards**

##### ***Commitment cards not reconciled monthly***

The OGG kept commitment cards but failed to perform monthly reconciliation between the ministry commitment records and MOFT general ledger.

## **7: Head 76 Health and Medical Services**

### **Key findings**

The issues identified during the audit are summarized below:

#### **Accountable officer report**

##### ***No accountable officer report***

The ministry did not prepared the accountable officers report to be submitted to the Accountant General and the Auditor-General as required by the PFM Act s77 (2). It was further noted that the Solomon Islands Government Accounting Service (SIGAS) did not advise the ministry's accountable officers on their obligation to produce this report on an annual basis.

#### **Assets and stores**

##### ***Assets and stores register***

The ministry kept an asset register but it was incomplete, the following asset register columns were not filled: date of purchase, cost of asset and location. As a result assets could not be easily monitored and accounted for.

##### ***Lack of monitoring over movement of medical supplies***

There was no management control over medical supplies stocks movement. Interviews conducted with senior officials confirmed that medical drugs could be removed without being noticed because of lack of monitoring mechanism for the replenishment and withdrawal of stock which resulted in physical stock and records not reconciling. The issuance of stock was not recorded.

##### ***No policy on sale of medical drugs to private clinics***

The National Medical Store was selling drugs to private clinics using undisclosed rates. Interviews conducted with senior officials confirmed that no policy was developed by the government to guide the sale of medical drugs to private clinics. Without a policy the sale of medical drugs could be done at the discretion of the officials, putting at risk medical supplies.

##### ***Auditors not present during annual stock take period***

The National Medical Store performed stock-take annually; however, auditors or other independent observers were not present to independently review whether the annual stock-take was in line with best practice.

#### **Bank accounts**

##### ***Lack of Bank account register***

The ministry kept a lot of bank accounts which they failed to manage. The ministry did not keep a centralized bank account register where all the operating accounts should be registered, managed, monitored and reconciled monthly. This also contribute to senior



management having no knowledge of the existence of all the bank accounts operated by the ministry.

***No monthly bank reconciliation***

The bank reconciliations were performed only for the replenishment of the ministry's standing imprest but not on a monthly basis.

***Poor filing of bank reconciliations records***

OAG was unable to easily obtain records because of the poor filing of the bank reconciliation records. The responsible officer for ministry's standing imprest bank account did not file the copies of the 2015 and 2016 bank reconciliations as required.

**Control (commitment) cards**

***Poor management over commitment cards***

The ministry failed to perform reconciliation between the ministry records and MOFT general ledger resulting in them not being able to identify errors. The commitment cards did not reconcile with the MOFT ledger accounts since no monthly reconciliation and review were done.

## 8: Head 77 Infrastructure Development

### Key findings

The main audit issues are summarized below.

#### Accountable officer report

##### ***Failure to prepare accountable officer report***

No accountable officer's reports had been prepared by the Ministry of Infrastructure Development (MID) for submission to the Accountant General and Auditor-General for review and audit.

#### Assets and stores

##### ***No asset register***

The Ministry did not keep any asset register for year 2015.

#### Bank accounts

##### ***No cash book and bank reconciliation***

No copies of cashbook and bank reconciliations reports were available to audit for MID standing imprest account.

#### Control (commitment) cards

##### ***Lack of monitoring of commitments***

The budget allocations for forty seven (47) account codes in the account code control cards maintained by the Ministry were exhausted. No explanations were stated for those overspent account codes budget allocations.

##### ***No monthly reconciliation of account code control cards***

The ministry kept control cards to monitor the movement of payments to and from Treasury. However, no reconciliation of control cards were done by the ministry at the end of each month against treasury information.

#### Poor filing and storage of financial records

##### ***Lack of financial records for audit***

There were no records available for the bank accounts. The Ministry did not maintain any proper filing and storage system for their records.

#### Non – compliance to financial instructions

##### ***Responsible officers' non-compliance to FI***

The officers responsible for maintaining, filing and storing of financial records did not do their job effectively. The quality of staff performance was poor as they did not comply with the FI.

## 9: Head 79 National Parliament Office

### Key findings

A summary of the audit issues are as follows.

#### Accountable officer report

##### ***Failure to prepare accountable officer report***

Accountable officer reports were never prepared by the National Parliament Office (NPO) for submission to the Accountant General and Auditor-General for review and audit.

#### Assets and stores

##### ***No fixed asset register (prior year issue yet to resolve)***

OAG noted during the entry meeting from the financial controller that there was lack of an asset register. On the review for assets documents, it has been noted that this issue was raised in the 2014 audit report.

#### Bank accounts

##### ***No monthly bank reconciliation performed***

No monthly bank reconciliation was performed by NPO on bank accounts kept by the agency for 2015 financial year. The bank reconciliations were only performed when replenishment request was prepared for the standing imprest.

#### Control (commitment) cards

##### ***Monthly control card reconciliation not done***

NPO kept control cards to monitor the movement of payments to and from Treasury. However, no reconciliation of control cards were done by the ministry at the end of each month against treasury information.

## 10: Head 80 Forestry and Research

### Key findings

The main findings are summarized below.

#### Accountable officer report

##### ***Failure to prepare accountable officer report***

The ministry did not prepare and submit to the Accountant General and Auditor-General accountable officer report for review and audit.

#### Assets and stores

##### ***Incomplete Asset Register***

The asset register was not updated, making it difficult for the ministry to monitor and control government assets. Fixed assets valued at \$10m were unaccounted for in the fixed assets register in 2015.

#### Bank accounts

##### ***Failure to prepare monthly bank reconciliation***

The bank reconciliation was not done on a monthly basis. The ministry performed bank reconciliations only when it prepared replenishment requests to MOFT for reimbursement of the drawn amount of the standing imprest.

##### ***Ineffective internal control and lack of proper review.***

Controls to ensure proper review of cashbook and bank reconciliations reports did not operate effectively in 2015.

#### Commitment (control) cards

##### ***Lack of monthly control card reconciliation***

The commitment cards reconciliation was not done against Treasury information.

## **11: Head 81 Office of the Prime Minister and Cabinet**

### **Key Findings**

The main issues are summarized below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

No accountable officer reports were prepared by the Office of the Prime Minister and Cabinet (OPMC) for submission to the Accountant General and Auditor-General for review and audit.

#### **Assets and stores**

##### ***Asset register not available***

No asset register was provided for audit verification even though several follow ups were made.

#### **Bank accounts**

##### ***No Cash book and bank reconciliation***

No copies of cashbook and bank reconciliation reports were made available to audit for standing imprest account.

#### **Control (commitment) cards**

##### ***No account code control card***

OAG was unable to obtain and verify the ministry commitment or control card for testing. The Ministry did not maintained proper filing and storing of the commitment cards.

#### **Poor filing and storage of financial records**

##### ***Lack of financial records available for audit***

There were no records available for audit purposes. The Ministry did not have any proper filing and storage system for their records.

#### **Non-compliance to financial instructions**

##### ***Responsible officers non –compliance to financial instructions***

The officers responsible for maintaining, filing and storing of financial records did not do their job effectively. The quality of staff performance was poor as they did not comply with the FI.

## **12: Head 83 Police, National Security and Correctional Services**

### **Key findings**

A summary of the audit issues are below.

#### **Accountable officer report**

##### ***Monthly and annual financial reports***

The ministry failed to consistently produce and submit to Ministry of Finance and the Auditor-General monthly and annual financial reports. The ministry also failed to file copies of such reports in the office.

The ministry was unsure of the format of the monthly and annual financial reports that were supposed to be provided to the Ministry of Finance. The ministry did disclose financial information in the ministry annual report that was distributed to various stakeholders.

#### **Control (commitment) cards**

##### ***Monthly reconciliation***

The reconciliation of the commitment cards were done within the commitment information system against MOFT AX printed purchase order details reports. The ministry was unable to provide hard copies of the report to verify the accuracy of the reconciliation process.

#### **Bank accounts**

##### **Dormant bank accounts**

Two bank accounts under the responsibility of the ministry were dormant for a long period of time. The ministry was in the process of reactivating these accounts to cater for its banking requirements.

## **13: Head 84 Provincial Government and Institutional Strengthening**

### **Key findings**

A summary of the audit issues are below.

#### **Accountable officer report**

##### ***No accountable officer report***

The ministry failed to prepare accountable officer report for submission to Accountant General and Auditor-General. The Solomon Islands Government Accounting Service (SIGAS) did not properly administer any awareness to the ministry's accountable officers on this report to ensure they comply.

#### **Assets and stores**

##### ***Incomplete asset register***

The asset register kept by the ministry was incomplete. The asset register did not have date of purchase, cost of asset and location. All the assets were not tagged.

#### **Bank accounts**

##### ***Deficiency over reconciliation***

A few bank reconciliation reports were incorrect due to arithmetic errors. Some cheques were issued as cashed cheques instead of being addressed to the payees.

##### ***Advance of fund from PGSP cash transfer account***

A total amount of \$74,000.00 was advanced from the PGSP cash transfer account for two different activities not related to the purpose of the account. The funds were borrowed due to the slow process of payment at MOFT.

## **14: Head 85 Lands Housing and Survey**

### **Key findings**

The audit issues identified are summarized below.

#### **Accountable officer report**

##### ***Accountable officer report not prepared***

No accountable officer reports were prepared by the ministry for submission to the Accountant General and Auditor-General for review and audit.

#### **Assets and stores**

##### ***Incomplete asset register***

The asset register kept by the ministry was incomplete.

##### ***Assets not labelled***

The ministry did not label most of its fixed assets.

##### ***No annual certificate for non-current assets and inventories***

The Officer responsible for non-current asset register did not provide an annual certificate to the accountable and accounting officers.

#### **Bank accounts**

##### ***No monthly bank reconciliation***

No monthly bank reconciliation was performed by MLHS on bank accounts kept by the ministry for 2015 financial year. However, the bank reconciliations were only performed as part of the reimbursement process for the standing imprest.

##### ***No segregation of duties***

There was lack of review to verify accuracy and completeness of bank reconciliation by a supervisor.

##### ***Cancelled cheques***

The cancelled cheques were not attached to cheque book for safe keeping and to confirm that they were actually cancelled.

#### **Control (commitment) cards**

##### ***Control card not reconciled***

The ministry's commitment card did not reconciled with treasury information even though quarterly reconciliation was done.

##### ***Virement files and approvals not located***



The virement files for development commitments were not located therefore there were no documentary evidence to support the reallocation of fund from one budget line to another.

***Lack of segregation of duties***

The officer responsible for maintaining the account code control cards was the same officer who performed the reconciliation and review of the commitment cards.

***Ministry account code did not exist in AX system***

An account code (485-0003-4021-3006) for the development budget commitment maintained by the ministry did not exist in the AX financial system in treasury.

***Commitment card virement details were different from virement details in file***

The amounts, account codes and account names on the recurrent commitment cards were different from the amounts, account codes and account names in the virement forms in the file.

## 15: Head 86 Development Planning and Aid Coordination

### Key findings

The audit issues identified are summarized below.

#### Accountable officer report

##### ***Accountable officer report not prepared***

The ministry did not prepare accountable officer report for 2015. There was no awareness done by the relevant authorities regarding the requirement to prepare such reports on an annual basis.

#### Assets and stores

##### ***Asset register incomplete***

The ministry asset register was not up to date in particular the value of each asset was not stated in the register.

#### Bank account

##### ***No monthly bank reconciliation***

The ministry did bank reconciliation as part of the process of replenishing the standing imprest but not on a monthly basis.

##### ***Bank reconciliation not reviewed***

The bank reconciliation reports were not reviewed by an independent person as part of internal control within the organisation.

#### Control (commitment) cards

##### ***Commitment card incomplete***

The ministry kept control cards to monitor the transactions between the ministry and treasury. However, the control cards were not up to date and were not reconciled with treasury general ledger monthly transactions.

##### ***Missing virement files***

The ministry was not able to provide the virement files for verification. There was no proper filing and storage system for the financial records.

## 16: Head 87 Culture and Tourism

### Key findings

The audit issues identified are summarized below.

#### Accountable officer report

##### ***Failure to prepare accountable officer report***

The ministry did not prepare and submit to the Accountant General and Auditor-General accountable officer report for review and audit.

The ministry has in place internal control measures for 2016 and 2017 to strengthen internal reporting systems. The ministry would commence preparing accountable officer report from 2018 in collaboration with MOFT.

#### Assets and stores

##### ***Asset register not updated***

Improvement is still required over the management and monitoring of the fixed asset register (FAR).

#### Control (Commitment) Cards

##### ***Failure to perform monthly reconciliations***

The commitment cards were not reconciled against treasury information. The ministry only reconciled purchase order detail cards by exchanging information with treasury payment, imprest and procurement units.

## **17: Head 88 Commerce, Industries, Labour and Immigration**

### **Key findings**

The audit issues identified are summarized below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

The ministry did not prepare and submit to the Accountant General and Auditor-General accountable officer report for review and audit.

#### **Assets and stores**

##### ***Failure to maintain an asset register***

The ministry did not maintain a fixed asset register (FAR) even though it procured \$1.6 million worth of fixed assets in 2015. Prior year fixed assets were not recorded in any fixed assets register.

##### ***Non-compliance to financial instructions***

The ministry did not comply with Interim Financial Instructions 2014 section M4 (4-10)

#### **Bank accounts**

##### ***Lack of monthly bank reconciliation***

The bank reconciliation was not done on a monthly basis. The ministry performed bank reconciliations when it prepared replenishment requests to MOFT for its standing imprest account.

#### **Control (commitment) cards**

##### ***Lack of monthly control card reconciliation***

The monthly reconciliation of control card was not done against Treasury information.

## **18: Head 89 Communication and Aviation**

### **Key findings**

The audit issues identified are summarized below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

Ministry of Communication and Aviation (MCA) did not prepare and submit to the Accountant General and Auditor-General for review and audit accountable officer reports.

#### **Assets and stores**

##### ***Not asset register maintained***

The Ministry did not keep any asset register for year 2015.

#### **Bank accounts**

##### ***No cash book and bank reconciliation available***

No copies of cashbook and bank reconciliations reports were available to audit for the standing imprest account.

#### **Control (commitment) cards**

##### ***No account code control card available***

The Ministry did not maintained proper filing and storing of the commitment cards.

#### **Poor filing and storage of financial records**

##### ***Lack of financial records for audit***

The Ministry did not maintain any proper filing and storage system for their records.

#### **Non-compliance to financial instructions**

##### ***Responsible officers non-compliance to FI***

The officers responsible for maintaining, filing and storing of financial records did not do their job effectively. The quality of staff performance was poor as they did not comply with the FI.

## **19: Head 90 Fisheries and Marine Resources**

### **Key findings**

The audit issues identified are summarized below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

No accountable officer reports had been prepared by the Ministry of Fisheries and Marine Resources (MFMR) and submitted to Accountant General and Auditor-General for review and audit.

#### **Assets and stores**

##### ***No asset register maintained***

The ministry did not keep any asset register for year 2015.

#### **Bank accounts**

##### ***No monthly bank reconciliation***

The Ministry did not prepared monthly bank reconciliation for its bank accounts for 2015. Bank reconciliations were performed only when reimbursement was required for the standing imprest account.

## 20: Head 91 Public Service

### Key findings

The audit issues identified during the audit and those carried forward from prior years audits are summarized below.

### Accountable officer report

#### ***Accountable officer report not prepared***

The ministry did not prepare any accountable officer report for submission to the Accountant General and Auditor-General for review and audit.

### Assets and stores

#### ***Incomplete asset register***

The asset register was incomplete and no one was responsible for updating it even though assets were procured during the year.

#### ***No asset tagging and unauthorised removal of assets***

All the assets of the ministry were not tagged and some assets were missing when a physical check was made.

### Bank accounts

#### ***No monthly bank reconciliation***

The ministry did not do monthly reconciliation, the cash book was incomplete and the cash book did not reconcile with the bank statements.

### Control (commitment) cards

#### ***Incomplete control card and no monthly reconciliation***

The ministry kept control cards but they were incomplete and no reconciliation was done against treasury transactions at the end of each month.

## **21: Head 92 Justice and Legal Affairs**

### **Key findings**

The audit issues identified during the audit and those carried forward from prior years audits are summarized below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

No accountable officer reports had been prepared by the ministry for submission to the Accountant General and Auditor-General for review and audit.

#### **Assets and stores**

##### ***No asset register***

The Ministry did not keep any register of all assets purchased in 2015.

#### **Bank accounts**

##### ***No monthly bank reconciliation performed***

No monthly bank reconciliation was performed for the ministry's bank accounts kept for 2015 financial year. The bank reconciliations were only performed when replenishment submissions were done for the standing imprest accounts.

##### ***Bank reconciliation not reviewed***

Half of the six bank reconciliations performed were not reviewed nor verified by the responsible officer in the accounts section.

##### ***Dishonoured cheque***

A cheque was dishonoured due to insufficient cash in the bank.

##### ***Standing imprest used for payments more than \$5,000***

Certain related payments valued at more than \$5,000 were paid in instalments to bypass the \$5,000 ceiling for standing imprest payments.

##### ***No monitoring of stale cheques***

The ministry did not monitor stale cheques. One-third of the six bank reconciliations performed contained unpresented cheques which were more than six months old and should be transferred to stale cheques account.



## 22: Head 93 Home Affairs

### Key findings

The audit issues identified during the audit and those carried forward from prior years audits are summarized below.

#### Commitment cards

##### ***Commitment card reconciliations not performed***

Commitment card reconciliation was not done by the ministry as required by the financial instructions.

##### ***Commitment cards not updated and incomplete***

The commitment cards were not up to date and actual payments made by treasury were not recorded.

#### Assets and stores

##### ***Assets and inventories were not recorded***

The ministry did not maintain any asset and stores register as required by financial instructions.

#### Bank accounts

##### ***Bank reconciliation not performed***

No monthly bank reconciliation was performed by Ministry of Home Affairs (MHA) on bank accounts kept by the ministry for 2015 financial year. The bank reconciliations were only performed to support reimbursement requests on the standing imprest account.

#### Accountable officer report

##### ***Accountable officer report not prepared***

No accountable officer reports had been prepared by the Ministry for submission to the Accountant General and Auditor-General for review and audit.

## 23: Head 94 National Unity Reconciliation and Peace

### Key findings

The audit issues identified during the audit and those carried forward from prior years audits are summarized below. The report for the Ministry of National Unity Reconciliation and Peace (MNURP) was for the period 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2016.

### Commitment cards

#### ***Commitment card reconciliation not performed monthly***

The MNURP did maintain commitment system to monitor its budget. Commitment card reconciliation was not done by the ministry on a monthly basis.

*The lack of capacity within the accounts section in terms of skills and staff has exacerbated this issue.*

### Assets and stores

#### ***Missing assets***

During the physical checking of assets against the asset register, assets worth \$207,910 could not be located. A few assets were not located at the ministry as they were kept at home by ministry staff.

*The Ministry's Asset register was checked and updated in 2018, following this audit. Early June 2019, the Ministry again conducted physical stock take of all assets both in Honiara and the Provincial Peace Offices – Taro, Gizo and Auki.*

*There is vagueness in what constitute an 'asset' in terms of its monetary value. There is a need for clarity on the value threshold for assets and consumables.*

#### ***Lack of disposal of obsolete assets report***

There were assets that were damaged, defective and obsolete but were still kept by officers. The process for disposing these assets are clearly stated in the FI.

*The Ministry has disposed of obsolete and defective assets late 2018<sup>th</sup> year and early 2019.*

#### ***Officers issued with both laptops and desktops***

The ministry issued both desktops and laptops for the same officers which indicated imprudent use of financial resources.

*The Ministry gives Heads of Departments (HODs) opportunity to make choice on whether to use desktop or laptop based on preference.*

### Bank accounts

#### ***Bank reconciliation not performed***

The bank reconciliations were only performed to support reimbursement requests on the standing imprest account and not on monthly basis.

*The Ministry has a Standing Imprest Account with a ceiling threshold of \$50,000.00 which ideally should last for a month or more. However, the Standing Imprest is usually fully expended before a month ends due to it being allocated to Honiara-based offices and the Provincial Peace Offices. This means the Accounts Team perform reconciliation at the time of reimbursement. If the imprest amount lasts more than a month, Accounts Team are directed to perform monthly reconciliation.*

***Deficiency in management of cash***

The ministry usually sent cash to the provincial offices in Auki and Gizo as standing imprests for operations in those locations. The ministry withdrew cash from the standing imprest bank account and either deposit the money in the personal account of the officers manning the offices there or sent the cash to the offices. When the cash was not collected it was kept overnight in a drawer in the office. This is a risky way of handling cash.

*The ministry is now opening bank accounts for the provincial peace offices in Taro, Gizo and Auki.*

**Accountable officer report**

***Accountable officer report not prepared***

No accountable officer reports had been prepared by the Ministry for submission to the Accountant General and Auditor-General for review and audit. SIGAS did not provide any proper awareness to enable the ministry to produce the report.

*The non-compliance is attributed to the capacity and performance of the Accounts Team. The Solomon Islands Government Accounting Service (SIGAS) was requested to conduct capacity building training for Accounts Officers.*

## **24: Head 95 Mines, Energy and Rural Electrification**

### **Key findings**

A summary of the audit issues are below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

No accountable officer reports had been prepared by the Ministry of Mines, Energy and Rural Electrification (MMERE) for the Accountant General and Auditor-General to review and audit.

#### **Assets and stores**

##### ***No asset register***

The ministry did not keep any asset register for the year 2015.

#### **Bank accounts**

##### ***Cash book and bank reconciliation reports not available***

No copies of cash book and bank reconciliation reports were available to audit for standing imprest account of the ministry.

#### **Control (commitment) card**

##### ***No account code control card***

The ministry did not maintain proper filing and storing of commitment cards.

#### **Poor filing and storage of financial records**

##### ***Lack of financial records***

The Ministry did not maintain any proper filing and storage system for their records.

#### **Non-compliance to financial instructions**

##### ***Responsible officers did not comply with financial instructions***

The officers responsible for maintaining, filing and storing of financial records did not do their job effectively. The quality of staff performance was poor as they did not comply with the FI.

## **25: Head 96 National Judiciary**

### **Key findings**

A summary of the audit issues are summarized below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

National Judiciary (NJ) did not prepare the accountable officer reports for submission to the Accountant General and Auditor-General for review and audit. The NJ will start preparing the report from 2019.

#### **Bank accounts**

##### ***Failure to perform bank reconciliation on monthly basis***

The officers responsible prepared bank reconciliations as part of the replenishment of the standing imprest but not on monthly basis.

## **26: Head 97 Women, Youth and Children's Affairs**

### **Key findings**

A summary of the audit issues are below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

The ministry did not prepare accountable officer reports for submission to the Accountant General and Auditor-General for review and audit.

#### **Assets and stores**

##### ***Asset register not maintained***

The ministry did not maintain any asset register.

#### **Bank accounts**

##### ***No bank account documentation***

The ministry failed to provide bank account documentation for audit despite the existence of active bank accounts in the ministry.

#### **Control (commitment) cards**

##### ***No control cards***

The ministry failed to provide the commitment cards and the supporting documentations for audit.

#### **Poor filing and storage of financial records**

##### ***Lack of financial records***

The ministry did not maintain filing and storage system for its records.

#### **Non-compliance to financial instructions**

##### ***Responsible officers were not complying with FI***

The officers who were responsible for filing and storing financial records did not carry out their work effectively. The quality of staff performance was poor as they did not comply with the Interim Financial Instructions 2014.

## 27: Head 98 Rural Development

### Key findings

A summary of the audit issues are below.

#### Accountable officer report

##### ***Failure to prepare accountable officer report***

The Ministry of Rural Development (MRD) failed to prepare accountable officer reports for submission to the Accountant General and Auditor-General for review and audit.

#### Assets and stores

##### ***Asset register not updated***

The ministry did not update the register for its assets.

#### Bank Accounts

##### ***No monthly bank reconciliation***

No monthly bank reconciliations were performed by MRD on bank accounts it kept for 2015 financial year. The bank reconciliations were only performed as part of the reimbursement process for the standing imprest. The reconciliation for the Republic of China (ROC) support fund was only done at the end of the financial year.

#### Control (Commitment) Cards

##### ***Control card reconciliation not done monthly***

The ministry kept control cards to monitor the movement of payments to and from Treasury and did perform reconciliations with MOFT records. However, the reconciliations were not done on a monthly basis as required.

## **28: Head 99 Environment, Climate Change, Disaster Management and Meteorology**

### **Key findings**

The audit issues identified are summarized below.

#### **Accountable officer report**

##### ***Failure to prepare accountable officer report***

The ministry did not prepare and submit to the Accountant General and Auditor-General accountable officer report for review and audit.

#### **Assets and stores**

##### ***Incomplete asset register***

The ministry's asset register was not updated during the financial year. \$1.7 million worth of fixed assets acquired during the year were not reflected in the asset register.

#### **Bank accounts**

##### ***Failure to prepare monthly bank reconciliation***

Bank reconciliations were not done on a monthly basis but only when preparing replenishment requests for the standing imprest.

##### ***Incomplete cashbook***

Two cheques valued at \$12,805 that appeared in the bank statement were not recorded in the cashbook.

##### ***No segregation of duties***

The person responsible for the reconciliation of the bank account was a signatory to the account and the reconciliation was not reviewed by an independent officer.