



**SOLOMON ISLANDS GOVERNMENT**

# **OFFICE OF THE AUDITOR GENERAL**



## **2017 ANNUAL REPORT OF OPERATIONS**

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

**National Parliament Paper No 29 of 2018**

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## About this Report

This annual report documents the performance of the Office of the Auditor-General (OAG) for the financial year ending 31 December 2017.

The report addresses all applicable obligations under section 108 of the Constitution and the Public Finance and Audit Act (Cap 120)]:

- In **Part One** of the Report the Auditor-General reviews the significant issues and achievements of the past year and reflects on challenges of the year ahead;
- **Part Two** provides an over view of the OAG's structure, purpose, role and values;
- **Part Three** provides information on the OAG's governance arrangements and frameworks;
- **Part Four** provides the Annual Performance Statement which includes a summary of the work undertaken by the OAG in 2017;
- **Part Five** presents the unaudited statements for 2014 to 2017; and
- **Part Six** contains references to help users of the report including an abbreviation list.

This report and other information about the OAG are available online at: [www.oag.gov.sb](http://www.oag.gov.sb).

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## **Part #1: Introduction**

### **Foreword by the Auditor-General**

#### ***The Year in Review***

The OAG has achieved a milestone in filling all vacant positions except for the DAG position. The OAG website has been re-established after being dormant for a number of years.

A total of twenty six annual financial statements were certified. Seven performance and special audit reports were completed. Nine audit reports were tabled in Parliament during the year. The OAG supported the PAC for five enquiries into supplementary bills, 2016 budget outcome and government borrowings at various times in 2017.

The OAG received capacity development assistance from development partners which increased the knowledge and skills of all staff. SIG supported OAG in terms of budget support, co-financing of programs and provision of scholarships. The OAG received support and cooperation from Parliament, PAC, auditees, contract auditors and various stakeholders.

The year was a challenging one in view of the need to clear backlog of audits and to keep abreast of the changing audit environment.

#### ***The Year Ahead***

The OAG will continue to promote accountability and transparency in public financial management and support measures to promote good governance and combat corruption. To do this OAG will put more effort into seeking assistance through internal and external means to develop the capacity of the office in the areas of technical skills, legislative reforms and resources for the office.

The priority for OAG is to finalise the AG Bill consultation so that the bill is ready for tabling in Parliament in 2019. The office will also draft the following: new five year rolling plans for Corporate Business Plan, Audit Strategic Plan, Communication Strategic Plan; audit manuals; and to fully utilise the audit software Teammate.

The office will review and develop a new structure for the OAG in order to address staff retention, to attract qualified candidates and to comply with the provisions of the proposed bill. New audit regulations will be developed as part of the restructure.

The ongoing professional capacity development of the staff and office will continue in collaboration with development partners, twinning partner, PASAI, IDI, SIG and professional bodies such as ISIA.



**Peter Lokay**

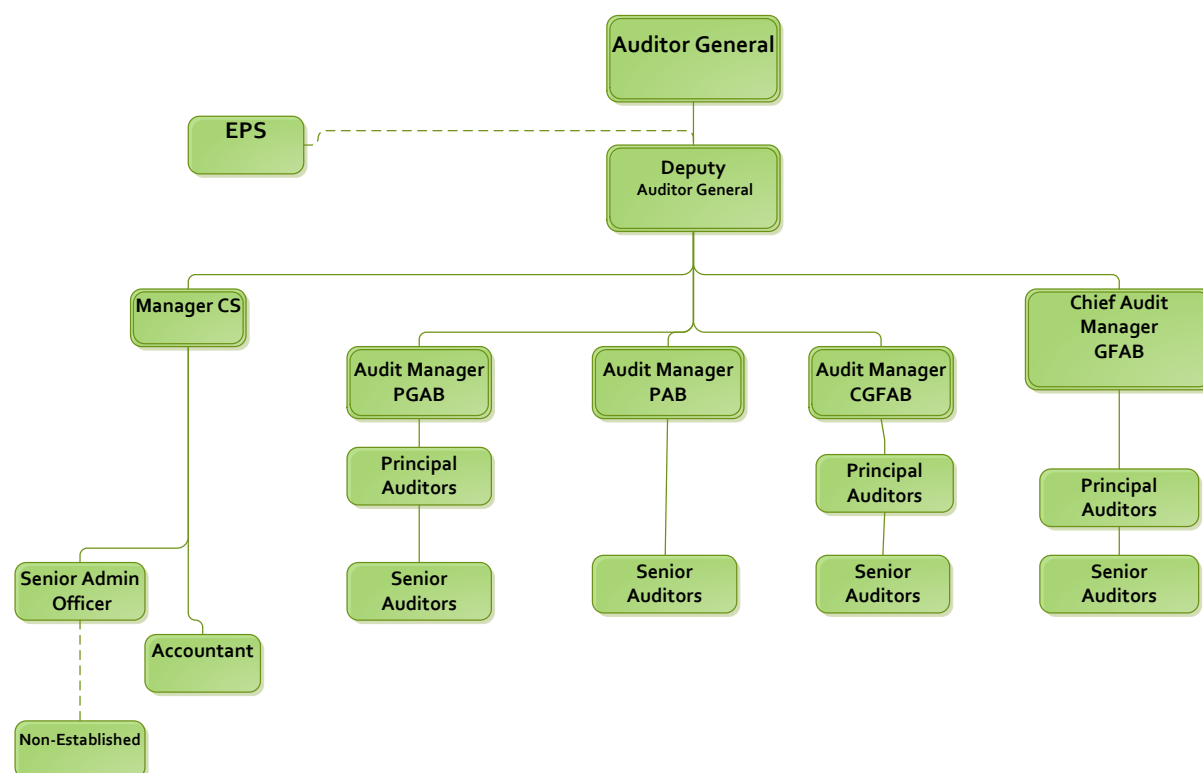
Auditor-General

Office of the Auditor General

30 June 2018

## Part #2: Overview of the Activities of the OAG

### Structure



### Establishment and Staffing Levels

The following table depicts the staffing of OAG against the approved establishment positions at the time of preparing this report.

*Table 1: Approved Establishment 2017*

Department	Establishment	Filled	Vacant
<b>Executive</b>	2	1	1
<b>Corporate Governance Financial Audit Branch</b>	7	7	0
<b>Government Financial Audit Branch</b>	10	10	0
<b>Performance Audit Branch</b>	7	7	0
<b>Provincial Government Branch</b>	3	3	0
<b>Corporate Services</b>	8	8	0
<b>Total</b>	<b>37</b>	<b>36</b>	<b>1</b>

The vacant position is for the Deputy Auditor-General. Recruitment activity has been undertaken to fill the position of Deputy Auditor-General. Response to the advertisement for the post was not encouraging.

The recruitment processes for other positions were successful during 2017 which resulted in the filling of all the other vacant posts.

## ***Staff Movements***

During the year, one principal auditor left the Office to go to the private sector. Four auditors were recruited in 2017. Two have commenced duty in the month of October, and another two commenced duty in November. OAG still lacks sufficient qualified and experienced audit staff, but is constrained by the budget and recruitment freeze imposed by Solomon Islands Government (SIG).

High turnover of experienced audit staff is a problem for many Supreme Audit Institutions (SAI). OAG needs to maintain focus on recruitment and training and development to ensure there are sufficient and appropriately skilled and experienced staff to undertake the broad audit work load of OAG.

## ***Deputy Auditor-General***

As stated above, the key position of Deputy Auditor-General has been vacant since June 2016. This has seriously constrained the day to day management and operations of OAG. The position of Deputy Auditor-General was readvertised during 2017 but the response was poor.

The Managers have been assisting the Auditor-General with some of the management functions of the office.

## ***Corporate Services Branch***

Corporate Services Branch is responsible for providing all support services for the Office of the Auditor General (OAG). This branch has a Manager Corporate Services (MCS), an Administration Officer, an accountant, a driver, a security, a cleaner, domestic worker and Executive Personal Secretary (EPS). The EPS, however, is directly responsible to the Auditor General. The functions of this branch include but not limited to addressing the;

- Human Resources needs of the workforce;
- Budget Planning and Financial Management;
- Asset Procurement and Management;
- OAG Website and the Information and Communication Technology (ICT) needs of the office;
- Development projects; and
- General Day to day operational needs of the office.

The absence of the Administration Officer on full time study leave at the beginning of 2017 has impacted the efficiency and timely delivery of some services.

Despite the challenges, the Corporate Services Branch together with the support of A-G has achieved the following:

- OAG Website was developed and now online;
- Construction of the car park and drainage system was completed;
- Renovation of OAG office roofing and guttering system was completed;
- Recruitment of five senior auditors;
- Six staff were promoted;
- Twelve officers due for confirmation were confirmed by Ministry of Public Service (MPS); and



- Revenue of more than three million dollars was collected from outstanding bills.



*Figure 1: Newly Completed Car Park*

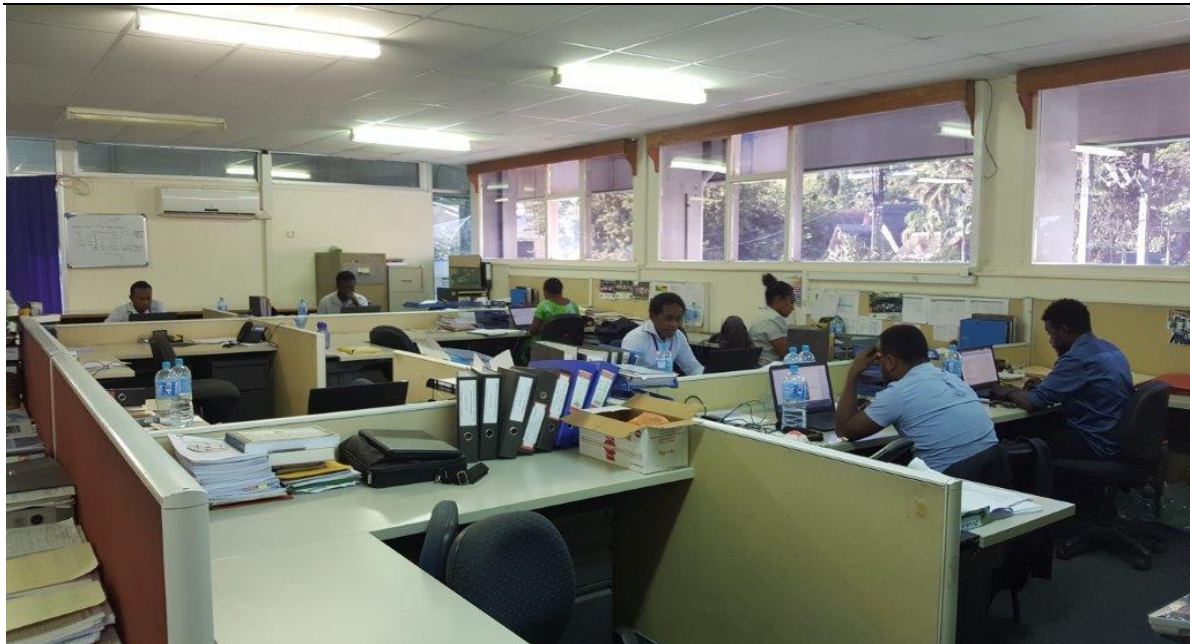
### **Government Financial Audit Branch**

Government Financial Audit Branch (GFAB) is one of the branches within the OAG that is responsible for most of the national government financial audit. Our audit includes:

- Audit of the Solomon Islands Government National Accounts;
- Interim audit of all Ministries and Offices; and
- Honiara City Council (HCC).

GFAB consist of an Audit Manager, three Principal Auditors and four senior auditors during the year. However, one of the principal auditors left the office and another officer is on study leave till 2019. Toward the end of the year OAG recruited four more officers for the branch.

For our different audit clients, the branch also has different audit approach when auditing them. For Ministries and Offices of the Solomon Islands Government since no Financial Statement is required by the Constitution of the land to be prepared by them at the end of each financial year, the branch uses a compliance audit approach when executing the audit.



*Figure 2: GFAB staff hard at work*

The GFAB checks to ensure all the processes and authorization done within those Ministries and offices are complying with relevant legislations, instructions, orders and regulations and also the Statements prepared by them follow the relevant reporting framework requirements.

GFAB in 2017 faced a lot of challenges when executing its mandated audit task. The challenges face in executing its audit tasks are:

- Late submission of working papers from the Ministry of Finance and Treasury (MoFT) for Solomon Islands Government Financial Statements 2015;
- Slow responses from audit clients on requested audit information to complete the audit;
- Budget constraint reduced our scope in auditing the Solomon Islands embassies around the world and even the government offices in the provinces;
- Lack of Human Resources; and
- Required knowledge to execute audit work.

However, the branch tried its best to overcome certain challenges that could be controlled to execute the work on time.

### ***Provincial Government Audit Branch***

Provincial Government Audit Branch (PGAB) is responsible for auditing nine Provinces in the Solomon Islands. The audit clients are:

- Central Provincial Government;
- Choiseul Provincial Government;
- Guadalcanal Provincial Government;
- Isabel Provincial Government;
- Makira Ulawa Provincial Government;

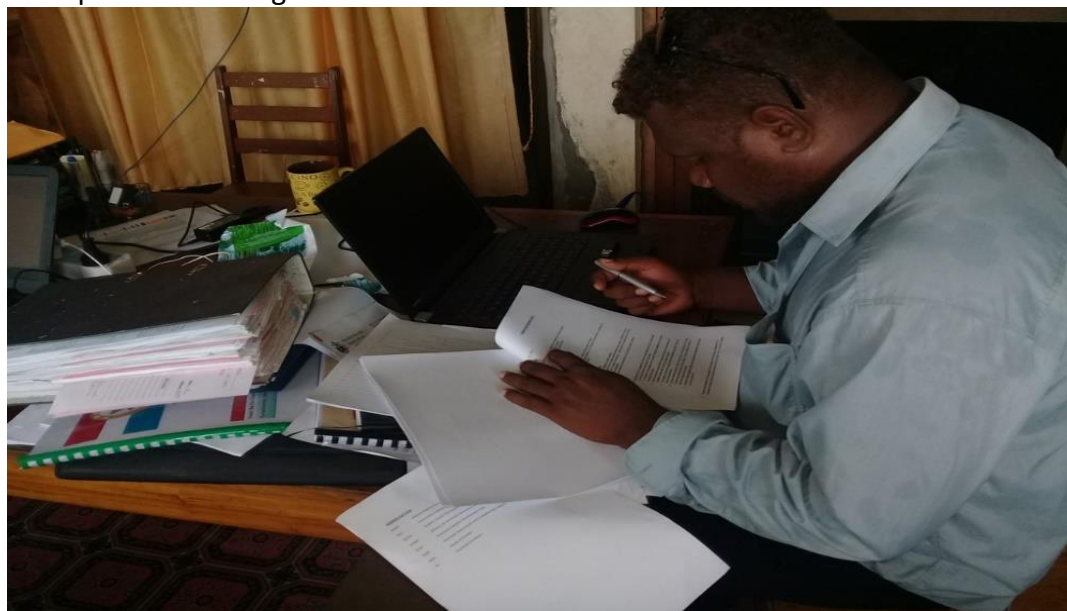
- Malaita Provincial Government;
- Rennell and Bellona Provincial Government;
- Temotu Provincial Government; and
- Western Provincial Government.

With only three officers under the branch, the Audit Manager PGAB normally requests officers from other branches to help them complete the audit when financial statements were prepared and submitted by the Provincial Governments for audit.

Since it required by law that the Financial Statement are to be prepared by the Provincial Governments at the end of its financial year, the office uses both the compliance and financial audit when executing the audit.

For PGAB when doing its mandated audits, there are number of challenges that the branch has when executing the audit. The challenges are:

- Limited human resources available to do the audit;
- Budget limitation;
- Audit client financial systems not working properly;
- Audit scope limitation due to location; and
- Required knowledge to do the audit.



*Figure 3: Johnson Lobo auditing Malaita Provincial Government Accounts*

### **Corporate Governance Financial Audit Branch**

Corporate Governance Financial Audit Branch (CGFAB) is responsible for the audit of the State-owned Enterprises (SoE) and the Statutory Authorities (SA). There are eight SoE and five SA totalling 13 annual audits. Six out of the thirteen were outsourced to international audit firms KPMG, Fiji and EY, Fiji for a five year audit contract service but audit certifications were done by the Auditor-General. Three out of six contracts expired by the end of 2017 and invitation for tenders to be made in 2018.



Most SoE and SA are now current with their reporting and have complied with the International Financial Reporting Standard (IFRS). This is evident in Table 8 and 9 with the audit certification of Unqualified Opinion in other words “clean opinion” and this office would like to acknowledge their efforts. Others are still making progressive improvements like Solomon Islands National University (SINU), Solomon Islands Visitors Bureau (SIVB) and Investment Corporation of Solomon Islands (ICSI).

CGFAB has some backlog audits between three to eight years back. Table 9 shows that Solomon Islands Visitors Bureau last audited financial statements is 2014, and Table 12 shows that Investment Corporation of Solomon Islands’ 2009 to 2011 financial statements are yet to be certified. At the date of this report three audits in Table 12, ICSI, SINU and SIPA were certified.

CGFAB 2018 annual work plan aims to get all the backlog audits up to date.



*Figure 4: Part of CGFAB team at work*

### **Performance Audit Branch**

Performance Audit Branch (PAB) managed to complete and submitted to the Parliament through the Speaker of Parliament three performance audits (refer to Table 11):

- Performance Audit report of SIVB Marketing and Promotion Programme;
- Performance Audit report on the National Shipping Grant Initiatives; and
- Audit report on the Tax Exemption Committee.

These audits were started in 2016, for planning and field work and final reporting in 2017. Some of the challenges on timely reporting were due to staff constraints, technical capacity of staff and the slow responses of auditees on their part of the management responses. However, that doesn’t mean we won’t produce reports. OAG has responded through providing training for staff, making good relationship with auditee but independent on audit decisions and recommendations and pushing for twining programmes with New South Wales (NSW) audit office so that we can have expertise to train our staff, for up skilling and carrying out audit work efficiently to report on a timing manner.

Solomon Islands Performance audit team has participated in two cooperative audits. The two cooperative audits have engaged the auditors to go through a comprehensive eLearning where we interact with other auditors and mentors online for 6-8 weeks in 2017 with in the pacific and around the world.

This platform provides opportunity for the auditors to share knowledge and experiences in carrying out audits, technical assistance gain directly from expertise and the eLearning process concluded with establishment of an audit plan and actual audits.

One is on SIG Preparedness for Implementation of Sustainable Development Goals (SDG). This will report on the SIG preparedness for the implementation of the SDG.

The draft report will be submitted to Pacific Association of Supreme Audit Institutions (PASAI)/INTOSAI Development Initiative (IDI) for assessment and review and the cooperative audit report review meeting is schedule for 11 to 15 June 2018, where all the Participating SAI will report on the draft findings and finalization of the draft report through facilitators review comment and peer reviews.

The second one is Audit of Institutional Framework for Fighting Corruption. This audit is facilitated by the International Organization of Supreme Audit Institutions (INTOSAI) Development Initiatives (IDI) and is co-funded by IDI and OAG. This performance audit involves auditing of the National Framework for Fighting Corruption at the National level and a framework for fighting corruption at the sector level. The process will be similar however the audit report review meeting will be held on the 2<sup>nd</sup> to 13<sup>th</sup> July 2018.

OAG has been so privilege to be part of these co-operative audits and building the capacity of auditors.



*Figure 5: Performance Audit Team at work*

## **Goals and Objectives**

The goals and objectives of the Office of the Auditor-General (OAG) are described in the 2017 – 2022 Corporate Plan as:

### ***Fully Independent Audit Office:***

- Legislation establishing modern OAG;
- Protected OAG budget;
- Scheme of service managed by OAG;
- Own Premises; and
- Active participation in international organisations and in particular the Pacific Association of Supreme Audit Institutions (PASAI) and the International Organisations of Supreme Audit Institutions (INTOSAI).

### ***Effective Reporting:***

- Timely reports;
- Quality reports which demonstrate accurate and comprehensive understanding of topic and issues;
- Readable reports which can be understood by target audiences and persuasive in implementing recommendations;
- Excellent working relationships with stakeholders including Public Accounts Committee (PAC); and
- Active awareness and public support programme.

### ***Compliance with the International Standards for Supreme Audit Institutions (ISSAI)***

- Regular Computer Assisted Auditing Techniques (CAAT) assessments;
- TeamMate primary delivery platform;
- Effective regional twinning programme; and
- Active Continuous Professional Development Programme for staff.

### ***Professional Staff***

- Qualified staff appropriate for financial and performance audits;
- Internationally accredited staff; and
- Adherence to professional standards of dress and behaviour compliant with SIG Code of Conduct and ISSAI.

### ***Efficient Management Support***

- Effective Corporate Services Branch;
- Effective Audit Branches;
- Effective Committees support and deliverables;
- Effective monitoring of Strategic Plan and Annual Work Plan deliverables; and
- Effective financial management.



## Fully Independent Audit Office

The following provides more detail on the move towards a fully independent audit office.

### **Audit Bill**

A Bill to replace the provisions of the *Public Finance and Audit Act [Cap 120]* to reflect modern audit practices and public financial management with regard to the role of the Auditor-General has been in planning and consultation since 2007. A draft Bill is ready for discussion with and vetting by the Attorney General's Chambers. It is proposed that the final stages of consultation will be completed in 2018 so that the Bill may be tabled in Parliament in 2019.

A policy paper underpinning the bill was developed with the assistance of the Pacific Association of Supreme Audit Institutions (PASAI) in June 2017. The draft bill was developed with the assistance of PASAI. The first consultation on the bill was completed in September 2017 with the assistance of PASAI with the Public Accounts Committee (PAC), a number of ministries, State-owned Enterprises (SoE) and Statutory Authorities (SA).



Figure 6: PAC/PEC Members with AG and Speaker of Parliament



Figure 7: Mr. Eroni Vatuloka of PASAI facilitating Workshop for SOEs

### ***Protected OAG Budget***

OAG does not have independence in setting of its operational budget or staffing levels. Although the post of Auditor-General is mandated in the Constitution, the lack of independence of the budget allocation is a potential threat to the independence of the Auditor-General in that the Auditor-General is required to negotiate with the Ministry of Finance and Treasury (MoFT) for the annual budget allocation, and with the Ministry of Public Service (MPS) for approval to advertise, recruit and promote staff – two organisations which are subject to audit by the Auditor-General.

The lack of adequate funding and appropriate numbers of qualified and experienced audit staff, and the time taken to obtain approvals from the Ministry of Public Service and the Public Service Commission, hamper the efficiency and effectiveness of the operations of the Office of the Auditor-General and thus the fulfilment of the duties and responsibilities of the Auditor-General.

### ***Scheme of Service***

OAG needs a Scheme of Service for the audit staff to provide terms and conditions of employment that are more flexible than the general public sector. OAG continuously loses trained and experienced auditors to the private sector, which means that new graduate auditors need to be recruited and trained to replace them. A Scheme of Service would reduce the rate of turnover of professional audit staff in OAG, and improve efficiency and effectiveness of the audit operations and reporting.

A review of the structure of the OAG will be done in 2018 to determine the most suitable structure for the office.

### ***Own Premises***

OAG has been provided with its own premises in Mud Alley to replace the one used to be situated on the site that is now occupied by MoFT. OAG now has a permanent base and office which is being developed to provide the facilities required by a professional Office of the Auditor-General. Facilities developed to date include a dedicated training room and storage facilities. The construction of the drainage system and car park for the office commenced in December 2017 and should be completed in second quarter of 2018. Major renovation to the roofing of the office was completed in early 2017. The major renovation to the interior of the office has yet to proceed due to funding, logistical and capacity issues regarding the assessment, design and costing for the renovation.

The official residence of the Auditor-General is not habitable and not available for occupancy by this Constitutional post holder. Continuing reliance on the Public Service Rental Scheme for the Auditor-General diminishes the value of his remuneration. This matter links into the issue of real and perceived independence of the Auditor-General, in that he is beholden to agencies for provision of his terms and conditions of service from agencies which he is required to audit.





Figure 8: Office of the Auditor General Building

### **Active Participation in International Organisations**

The Auditor-General attended the 20<sup>th</sup> PASAI Congress in Tuvalu in August 2017. The AG attended 23<sup>rd</sup> Commonwealth Auditors General Conference in March 2017 at New Delhi India.

A PASAI advocacy team conducted a workshop in Honiara for members of the Parliamentary Expenditure Committee (PEC) and the Public Accounts Committee (PAC) on external scrutiny of audit reports in the Pacific context in September 2017. Various stakeholders also attended this three days' workshop.

The Auditor-General and officers of OAG continue to receive bulletins and updates from INTOSAI and PASAI. OAG has received support from IDI and PASAI for audit staff to attend workshops and participate in development activities which are described in the section Compliance with ISSAI below.

### **Effective Reporting**

The main output of the OAG is its reports. The main purpose of any report is to obtain some sort of action from the recipient.

Thus, it is essential that the OAG produces professional reports which are concise, well written and ensure that the reader fully understands the reason for producing the report and, also, the reason why they must take any proposed action.

Through further training, the OAG intends ensuring that its reports not only meet these aims but are produced in a timelier manner as possible.

### **Compliance with the International Standards for Supreme Audit Institutions (ISSAI)**

INTOSAI has developed a Performance Measurement Framework (PMF) for voluntary assessment by SAI of their development against the International Standards of Supreme Audit Institutions (ISSAI), which include the International Auditing Standards, and other best practice measures. This is a very comprehensive model, and so PASAI developed a PMF-Lite for use by smaller SAI. Solomon Islands OAG trialled the PMF-Lite during 2016, with the assistance of PASAI and the Cook Islands SAI.

The initial review field work was undertaken in June 2016. The draft report was prepared during a workshop in Tonga in November 2016. The first draft was submitted to IDI on 21<sup>st</sup> April 2017 and was reviewed by them during the month of July 2017. The PMF draft final report was then reviewed by an IDI appointed independent reviewer. The assessment team and OAG received the reviewed draft in August 2017 and the points raised were addressed. The final report is expected to be released in the middle of 2018.

The results of the PMF-Lite review will be incorporated in OAG's new Corporate Business Plan (CBP), with prioritised action plans developed as the basis for future capacity development and institutional strengthening.

### **Professional Staff**

This goal is being achieved by means of recruiting good quality graduate staff and providing them with a high quality training programme involving a mix of theoretical and practical courses. Details of the training programme appear below.

### **Efficient Management Support**

This has been delivered by each of the branches of the OAG. The paragraphs under "Structure" above describe their roles in detail.

## **Our Vision**

### ***Our Vision***

*To be an independent, competent national audit office with qualified professionals to ensure accountability and transparency in the public sector for the people of Solomon Islands.*

## **Our Mission**

### ***Our Mission***

*As a centre of excellence, we enhance the strengthening of public sector accountability, transparency and integrity to the people of Solomon Islands through professional, independent audit services and reports to our elected legislatures.*

## **Our Values**

### ***Our Values***

- ***Behaving Ethically*** – we adhere to the SIG Code of Conduct and the Code of Ethics for Professional Accountants established by the International Ethics Standards Board;
- ***Treating others with Respect*** – we treat others in a manner in which we ourselves would expect to be treated;
- ***Operating with Integrity*** – we consistently act in accordance with a set of principles that reflect the highest values of our society;

- **Displaying Reliability** – we do what we commit to doing and, if events conspire to prevent us doing so, we advise the people we are dealing with as soon as it becomes apparent that we cannot meet our commitment;
- **Practising Diligence** – we strive to complete all of the work we are required to complete within the designated timeframe;
- **Being Accountable** – we act in a transparent manner and are willing to be held to account for actions;
- **Being relevant** – we strive to ensure that our work is always focused on making a difference to the lives of our citizens; and
- **Believing in our system of Government** – we respect the authority of our elected legislatures and the rule of law.

## Part #3: Governance

### Governance Structure

The OAG has a structured approach to governance that supports the delivery of the OAG's purpose and outcomes. The OAG's governance framework sets a clear direction on organisational priorities and how progress is monitored. The framework also provides assurance that management is achieving this direction in an ethical and legal way and that risk and opportunities are recognised and addressed.

Elements of our corporate governance framework include committees, strategic planning framework, risk and fraud management, audit and assurance activities, Auditor-General Instructions, policies and guidelines.

### Committees

The following committees continue to function during the reporting period:

- **Executive Management Team (EMT):** meets every fortnight to review reports, pass resolutions and provide directions regarding the operations and management of OAG. The membership of the team comprises all the branches heads and the AG;
- **Budget Implementation Committee (BIC):** coordinates budget preparation and implementation within OAG during the year;
- **Performance Management Review Committee (PMRC):** is responsible for the review and endorsement of submissions for confirmations of probations, promotions and annual reports for all staff of OAG. Seventeen submissions were then submitted to MPS for approval and further action;
- **Ministerial Tender Board (MTB):** is responsible for approval and endorsement of tender submissions from the Technical Evaluation Committee (TEC) regarding tenders. The MTB endorsed and approved three tenders during the year. One was for the outsourcing of audit services for Solomon Islands Ports Authority (SIPA) for the years 2017 to 2021 which was awarded to KPMG Fiji by the Central Tender Board (CTB).

The other two tenders were for the replacement of the whole roofing of the OAG building and the rebuilding of the drainage system and the car park. The roofing contract was finalised in 2017 while the drainage and car park project would be completed in 2018.

*Table 2: Approved Tenders 2017*

Project	Annual Value (\$)
SIPA 5 yeas outsourced audit	334,240
OAG office building roofing replacement	387,306
OAG drainage system and car park	425,190

- **Training and Staff Development Committee (TSDC):** is responsible for assessing training requests from staff and training offers from other parties. This covers short term and long term trainings, workshops and conferences. The committee assessed and forwarded four for approval by EMT and Auditor General in 2017.
- **Communication Committee (CC):** is responsible for developing the communication strategy and media releases for the OAG. This committee is yet to fully operational in 2017.

### ***Strategic Planning Framework***

Organisational priorities are recognised in the OAG Corporate Business Plan (CBP) and performance is measured and reported in the Annual Performance Statement in the Annual Report.

The CBP and Audit Work Programme are key components of the OAG's strategic planning framework. These documents work together to progress the OAG's future approach ensuring that attention is given to all aspects of the OAG's mandate.

### ***Risk Management Framework***

The OAG is committed to the effective management of risks and ensuring that sufficient resources are available to manage risks within the organisation. Those allocated responsibility for managing particular risks or being accountable for critical controls must ensure appropriate monitoring and reporting occurs through the OAG's existing management and governance framework.

The effective management of risk plays an important role in shaping the OAG's strategic direction as outlined in the Corporate Plan and, thereby, contributes to evidence-based decision-making and the successful delivery of the OAG's purpose.

### ***Corporate Business Plan***

The OAG is currently using the Corporate Plan 2017 – 2022.

However, it has become apparent that this plan is too complex and not “fit for purpose” as a tool to guide the OAG's future development.

Accordingly, in 2018, we intend developing a Corporate Business Plan for the period 2019 – 2023 to address this problem.

### ***Audit Work Programme***

The Audit Work Programme is a key element in the strategic planning processes identifying, as it does, the audit work to be undertaken in the upcoming year.

However, we are aware of the short comings in only having an annual plan. Accordingly, we intend to develop a Five Year Strategic Audit Plan in 2018 which will identify, for all clients, the level of audit service planned in order to achieve the required level of service under the audit mandate.

This plan will also provide sound evidence of the size of OAG necessary to complete the legal mandate in this period.

## ***Monitoring and Financial Management***

These are some of the things that are monitored at OAG using different means of monitoring systems:

- **Budget and Payments:** is monitored using the Commitment, SigInfor and the AX system;
- **Resource and Asset Needs:** monitored regularly by observation and reporting from staff;
- **Performance Management Process (PMP):** monitored by following MPS templates and guidelines schedules; and
- **Staff Attendance:** using electronic attendance record system -“SIGTaac” (Time attendance and access control) system.

The vigorous application of the above monitoring systems and processes, ensures transparency, accountability and effective delivery of the government goals and objectives.

The Auditor General is the **Accounting Officer** for OAG. Corporate Services is responsible for the management of OAG financial matters. The responsibilities include budget planning, preparation of budget bids, execution of the budget, procurement of assets and needed services as well as monitoring of the budget.

The accountant had graduated with Diploma in Finance studies from SINU in April. And this is a bonus for effective finance and management to support the MCS in daily management and execution of the budget.

In 2017, the development budget was heavily decreased by 50%, from SBD2.2m to SBD1.2m. Consequently, the scope of our development plan was narrowed to align with the limited funds allocated.

For all procurement, there is full compliance to the general procurement guidelines and Financial Instructions.

## ***Accountability and Transparency***

OAG participates in the annual march to raise awareness on International Anti-Corruption Day.

The Auditor-General speaks at forums, meetings and in the media throughout the year to raise awareness of key stakeholders and the public of work being done to improve accountability and transparency within the Solomon Islands public sector.

## ***Enhancing the Capability of Our Staff***

### ***General Training***

Of the 27 OAG auditors currently on staff, 18 are now degree qualified or higher. Of the remainder, three have substantially completed their degrees and are working towards finalising. OAG auditors have benefited from significant donor support to undertake tertiary studies both overseas and within the Solomon Islands in order to achieve this qualification rate in recent years.

For OAG corporate service, only one staff is a degree qualified or higher. The remainder are studying towards diploma or degree qualifications.

During 2017, more than 23 OAG staff completed the following programmes and other public service study programmes:

- English Grammar Course;
- Audit Approach, methodology and strategy;
- PASAI Young Leaders Symposium;
- Code of Conduct;
- Twinning arrangements with New South Wales Audit Office;
- Public Service Induction Course;
- International Public Sector Accounting Standards (IPSAS) Cash Online Course;
- SAI Communication Training;
- SAI fighting corruption programme;
- Public Financial Management ;
- Pacific Regional Branch of the International Council on Archives (PARBICA);
- Audit of preparedness for implementation of SDG; and
- Procurement process.

OAG actively seeks out opportunities for training and development of all staff. Staff participated in internal on-the-job training and workshops, as well as having the opportunity to attend externally run workshops and courses.

Six staff are on long term study leave: five auditors and one corporate service staff.

The following table summarises the formal training attended by OAG officers during 2017.

*Table 3: Training and Workshops 2017*

Date	Description	Location	No. of Days	No. of participants
Jan-June	English Grammar Course	Honiara	5 Months	1
7-13 Mar	Peer Review over Audit approach, methodology and strategy	Honiara	6	11
2 <sup>nd</sup> – 8 <sup>th</sup> April	PASAI Young Leaders' Symposium	Auckland, NZ	5	1
18-20 <sup>th</sup> April	Revenue Mobilization and Strategy	Honiara	3	2
21 <sup>st</sup> April	Code of Conduct	Honiara	1	2
1-12 <sup>th</sup> May	Twining Programme with NSW	Honiara	11	11
18 <sup>th</sup> April – 5 <sup>th</sup> May	Public Service induction course	Honiara	10	2



1-16 <sup>th</sup> Jun	IPSAS Cash online Course	USP Online	15	5
6-9 <sup>th</sup> Jun	SAI Communication Training	Honiara	3	23
11-22 <sup>nd</sup> Aug	SAI Fighting Corruption Programme	Bangkok	10	2
4-7 <sup>th</sup> July	PARBICA	Suva, Fiji	5	2
24 <sup>th</sup> -28 July	Twinning Programme with NSW	Honiara	4	11
27 <sup>th</sup> Nov – 1 <sup>st</sup> Dec	Planning Meeting for Audit of Preparedness for implementation of SDGs	Suva, Fiji	5	2
4-8 Dec	Quality Assurance Audit Review for Cooperative Procurement and Manaoba Audit Report	Nadi, Fiji	5	1
6 <sup>th</sup> Dec	Analytics for Financial Professionals	Honiara	1	2



*Figure 9: OAG staff enthusiastically engaging in a Communication training activity-June 2017*

### **TeamMate**

OAG acquired the audit working paper documentation and management software **TeamMate** in 2014.

OAG appointed TeamMate Champions to drive and facilitate the implementation and training within OAG. To date a comprehensive database of checklists, test programs, questionnaires and other documents has been compiled within TeamMate for use in either all or specific



audit types. Use of these will enhance OAGs compliance with the International Standards of Supreme Audit Institutions (ISSAI).

Use of TeamMate will also facilitate easier audit supervision and management. As more audits are completed in TeamMate, future audits will become more efficient as system documentation and specific audit programs for auditees can be rolled over into the next year's TeamMate file.

Auditor utilisation of TeamMate has become stronger and the following branches have fully utilised the software for their audits: GFAB (15 files), CGFAB (6 files), PGB (9 files).

The TeamMate Audit Management System (TM AMS) has in production a total of 75 audits from three (3) audit branches excluding performance audit branch namely:

- Corporate Governance Financial Audit – 6 files;
- Government Financial Audit – 15 files; and
- Provincial Government Audit – 9 files.

The table below provides a summary of the total number of audits for the three audit branches.

*Table 4: No. of audit files*

Year	2017	2016
No. of files	35	29

From when the TeamMate Audit Management System (R10.4.2) was first introduced to OAG in 2015 and rolled out, the number of users has increased to about 30. In 2017 we have recruited four new auditors; thus, the number has increased to 34 users.

The number of users include all the auditors, in this instance, the Performance Audit Branch are also included in the TM AMS, even though their audits were executed outside of the TM AMS.

*Table 5: No. of Users*

Year	2017	2016
No. of users	34	30

OAG TeamMate champions and users have attended TM user training locally while some TeamMate champions attended overseas training.

OAG also has a TM AMS scheduled consultation times for its users, purposely for any trouble shoots or questions or general enquires relating to the usage of the system that the user may have experienced during audit.

*Table 6: In-Country Training*

Date	Purpose	Number of Attendees	Training Provider
12/09/2017	User acceptance testing for R12.1 upgrade from R10.4.2	1	Wolters Kluwer
14/09/2017	Familiarization with the R12.1 new features.	5	Wolters Kluwer

*Figure 10: TeamMate Training (local) Session in Progress**Table 7: Overseas Training*

Date	Purpose	Number of Attendees	Training Provider
6-10 Nov 2017	TeamMate Sydney University	2	Wolters Kluwer
12-14 Nov 2017	TeamMate User Forum	2	Wolters Kluwer

The TeamMate audit management system was first introduced around 2014 and actual implementation was done in 2016 for a Provincial Government Audit. When it was installed until when it was first implemented, the OAG champions and users went through training in house in county provided for by the Wolters Kluwer, the software developer.

In 2017 the software was upgraded from version AM R10.4.2 to TeamMate version AM R12.1.

OAG Champions and users **collaborate with other national stakeholders** with regards to TeamMate. Those stakeholders include:

- Ministry of Finance & Treasury Internal Audit Office;
- Ministry of Education and Human Resources Development Internal Audit Division;
- Ministry of Health and Medical Services Internal Audit Division;

- Forum Fisheries Agency Internal Audit Division;
- Solomon Islands National Provident Fund;
- Ministry of Finance and Treasury Information, Communication and Technology Support Unit; and
- Solomon Power.

The OAG has a cordial and established teammate **network with overseas stakeholders**. The following are overseas stakeholders:

- Wolters Kluwer TeamMate Australasia;
- Pacific Association of Supreme Audit Institutions;
- Audit New Zealand;
- Cook Islands Audit Office;
- Auditor General's Office Papua New Guinea;
- Other Pacific SAI; and
- TeamMate Connect.com.



*Figure 11: Participants of 2017 TeamMate Oceania Forum in Melbourne*

### **PASAI and IDI Capacity Development**

OAG participates in the **PASAI and IDI Capacity Development**. Auditors from OAG shared knowledge and experience with PASAI IDI facilitators and auditors from various countries while conducting:

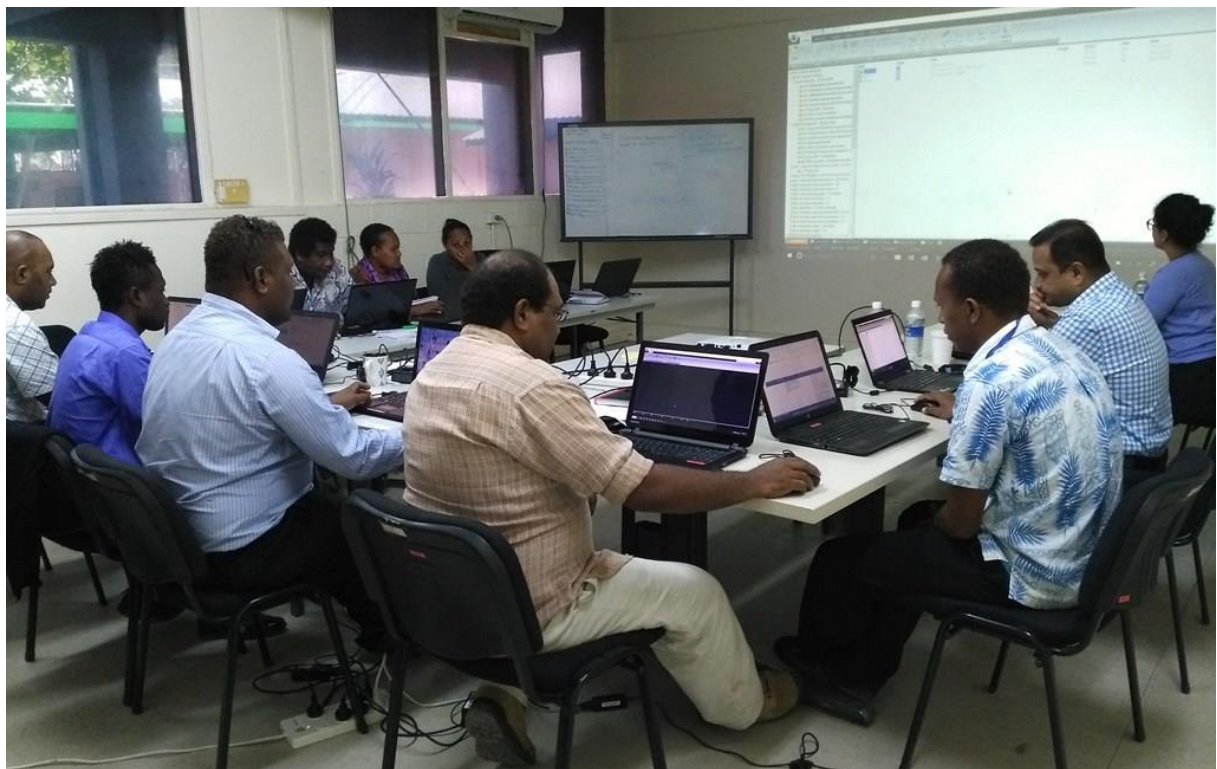
- **IDI PASAI Co-operative Audit on Procurement Audit on Manaoba airport project:** This audit was completed and tabled in 2017. The final report was presented during a workshop in Fiji involving various countries of the Pacific, PASAI secretariat and IDI;
- **IDI global programme on SAI Fighting Corruption – 2015 – 2020: audit of institutional framework for fighting corruption:** The planning stage of the audit was completed in 2017

including a planning workshop in Thailand involving the eleven countries from the Asia Pacific region. The audit field work and reporting will be done in 2018; and

- **The IDI PASAI 6<sup>th</sup> cooperative performance audit on preparedness for implementation of Sustainable Development Goals (SDG):** The planning stage for the audit was completed in 2017 including a planning workshop in Fiji involving 10 countries in the Pacific in December 2017. The audit field work and reporting will be done in 2018.

### ***Twinning***

The Australian Department of Foreign Affairs and Trade (DFAT) is providing support to the OAG through a **twinning arrangement with the New South Wales Audit Office (NSWAO)**. This is a three year programme. Three visits to OAG were done by officers from NSWAO. Capacity development in the following areas was provided during the visits: audit planning, execution and reporting for the financial audits.



*Figure 12: OAG staff with Senior Officials from New South Wales Audit Office*

## **Other Management Issues**

### ***Inclusion and Diversity***

The OAG aims to create an organisation that encourages and welcomes diversity. This includes diversity of background, views, thoughts and approaches.

The OAG's objective is to attract a range of people to build a success and sustainable organisation with a culture that enriches our work and impact.

### ***Gender***

As part of this process we intend ensuring that there is equality of opportunities regardless of gender and it is the aim of the OAG to ensure that there is no gender pay-gap in the OAG.

## ***Disability***

As part of our commitment to the disabled community, we guarantee to interview all disabled candidates who meet the minimum criteria for the role. In addition, we will make adjustments to the arrangements for interviews and selection tests and, if appointed, agreeing a package of workplace adjustments.

We aim to support anyone who becomes disabled during their employment to remain in their post and achieve their potential.

## ***Equality and Fairness***

We are committed to fostering an inclusive working environment in which individual differences are respected and everyone is encouraged to reach their full potential and contribute to the OAG objectives.

We aim to ensure that all staff receive equal treatment that is free from discrimination and we follow all employee related procedures impartially and objectively. This approach includes decisions relating to training and development, performance management, reward and benefits and promotion.

We do not tolerate bullying and harassment of any kind. We are working hard to ensure people feel confident that they can raise issues in a safe, supportive and confidential environment.

## ***Environmental Impact***

It is our policy to manage our organisation in the most environmentally responsible manner to comply with all applicable environmental legislation and with any other requirement necessary. Our direct environmental impacts include the greenhouse gas emissions associated with business travel and energy use, water use, paper consumption and general waste in our building.

We will establishing the environmental impact of our activities in future years and will set and review environmental targets to support continuous improvement.

## **External and Internal Scrutiny**

### ***External Scrutiny***

The OAG's operations, processes and reports are periodically subjected to external review.

The OAG reports to the Public Accounts Committee of Parliament.

We produce this Annual Report to Parliament which details our actual activities with regards our planned activities.

As indicated above, the Performance Measurement Framework (PMF) was used to measure the current status of the OAG and where it needed to improve. This was led by members of the Cook Islands SAI.

In future, the OAG will continue external reviews using "peer reviews" – possibly reciprocal – with other PASAI members.

### ***Internal Scrutiny***

This is provided by the various in-house committees.

In future consideration will be given to developing an Audit Committee, with outside members, to ensure the governance of the OAG.

### ***Internal Audit***

The OAG is too small to justify a separate internal audit service.



## Part #4: Report on Performance

### Introduction

This section of the Annual Report details the work undertaken by the OAG during 2017.

### State-owned Enterprises (SoE)

Table 8 below indicates the financial reporting performance of the various State-owned Enterprises (SoE). Of the eight SoE, six have received clean audit opinions while one Solomon Islands Postal Corporation (SIPC) has received a disclaimer opinion. One SoE, Investment Corporation of Solomon Islands (ICSI), failed to produce any annual financial statements (AFS) for the reporting period. Three SoE (SIPA, SIPC and Solomon Airlines) failed to meet their reporting deadlines for the reporting period. The financial reporting performance of most of the SoE have improved and produced on time due in part to continuous dialogue and consultation between the SoE and OAG, assistance from SIG and development partners and measures taken by management and staff of each SoE.

*Table 8: State Owned Enterprises which Received Audit Certificates during 2017*

Auditee	Financial Year-End	Date AFS Certified by Management	Date of Audit Certification	Audit Opinion
CEMA	31/12/2016	26/03/2017	29/03/2017	Unqualified
SIBC	31/12/2016	29/03/2017	31/03/2017	Unqualified
SIPA	30/09/2015	18/01/2017	23/01/2017	Unqualified
SIPA	30/09/2016	08/05/2017	11/05/2017	Unqualified
SIPC	31/12/2015	18/07/2017	20/07/2017	Disclaimer
SIPC	31/12/2016	12/09/2017	02/10/2017	Disclaimer
SIEA	31/12/2016	27/03/2017	30/03/2017	Unqualified
SI Water Authority	31/12/2016	31/03/2017	31/03/2017	Unqualified
Solomon Airlines	31/12/2016	12/07/2017	17/07/2017	Unqualified

### Statutory Bodies

Table 9 below shows the state of financial reporting by the SA which continued to show improvements. SIVB is yet to meet its reporting deadline while SINU failed to produce financial statements during the reporting period.

*Table 9: Statutory Bodies & Other Agencies which received Audit Certificates during 2017*

Auditee	Financial Year-end	Date AFS Certified by Management	Date of Audit Certification	Audit Opinion
CBSI	31/12/2016	20/04/2017	25/04/2017	Unqualified
NPF	30/06/2017	29/09/2017	29/09/2017	Unqualified
SIVB	31/12/2014	12/10/2017	19/10/2017	Unqualified
TCSI	31/12/2016	22/02/2017	06/09/2017	Unqualified

## Solomon Islands Government (SIG), Honiara City Council (HCC) and Provinces

The audit of SIG, HCC and provincial governments continues to be a challenge for the OAG due in part to the state of record keeping and the quality of the financial statements produced by the entities and the capacity within OAG.

Only three provinces (Choiseul, Isabel and Western) received qualified audit opinions while the rest including the SIG received disclaimer opinions.

*Table 10: SIG, HCC and PG which Received Audit Certificates during 2017*

Auditee	Financial Year-end	Date certified by management	Date of audit certification	Audit Opinion
SI Government	31/12/2014	30/06/2015	26/09/2017	Disclaimer
Central Province	31/03/2016	20/12/2016	05/09/2017	Disclaimer
Choiseul Province	31/03/2016	06/12/2016	23/06/2017	Qualified
Guadalcanal Province	31/03/2016	28/12/2016	12/10/2017	Disclaimer
Isabel Province	31/03/2016	21/07/2016	15/05/2017	Qualified
Makira Ulawa Province	31/03/2016	23/12/2016	11/08/2017	Disclaimer
Malaita Province	31/03/2016	21/12/2016	31/07/2017	Disclaimer
Rennell Bellona	31/03/2016	20/06/2016	08/05/2017	Disclaimer
Temotu Province	31/03/2016	12/12/2016	25/08/2016	Disclaimer
Western Province	31/03/2016	14/11/2016	30/06/2016	Qualified
HCC	31/12/2011	03/02/2017	17/02/2017	Disclaimer
HCC	31/12/2012	03/02/2017	17/02/2017	Disclaimer
HCC	31/12/2013	03/02/2017	17/02/2017	Disclaimer
HCC	31/12/2014	03/02/2017	17/02/2017	Disclaimer

## Performance and Special Audits

The OAG finalised seven performance and special audits during the year. Performance audit will be a priority area for OAG in future and measures are being taken to address capacity issues within the office. Capacity continues to be a challenge for OAG regarding performance and special audits. Table 11 details the performance and special audits completed during the reporting period.



*Table 11: Performance and Special Audits Certificates in 2017*

<b>Audit Type</b>	<b>Audit Title</b>	<b>Date certified by Auditor General</b>
Performance	Performance Audit Report of SIVB Marketing and Promotion Programme	April 2017
Performance	Performance Audit Report on the National Shipping Grant Initiatives	April 2017
Special Audit	Special Audit Report Festival of Pacific Arts 2012 within the Ministry of Culture & Tourism and Provincial Government Satellite Venues	April 2017
Special Audit	Special Investigation report into the financial Management of Rennell and Bellona Province for the period 2012 to 2014	April 2017
Special Audit	Civil Aviation Special Fund	March 2017
Special Audit	Cooperative Audit on Procurement and special Investigation on Manaoba Airport project	October 2017
Performance	Audit Report on the Tax Exemption Committee and its Framework	November 2017

### **Audit Reports Tabled in Parliament**

Nine OAG reports were tabled in Parliament during the reporting period. Table 12 provides the details of the reports tabled in Parliament during 2017.

*Table 12: Audit Reports Tabled in 2017*

<b>Audit type</b>	<b>Audit title</b>	<b>Date Certified by Auditor General</b>	<b>Parliament Paper No.</b>	<b>Date tabled in Parliament</b>
Performance	Performance Audit Report of SIVB Marketing and Promotion Programme	April 2017	12/2017	26/6/2017
Performance	Performance Audit Report on the National Shipping Initiatives	April 2017	13/2017	26/6/2017
Special Audit	Special Audit Report Festival of Pacific Arts 2012 within the Ministry of Culture & Tourism and Provincial Government Satellite Venues	April 2017	14/2017	26/6/2017
Special Audit	Special Investigation report into the financial Management	April 2017	17/2017	26/6/2017

	of Rennell and Bellona Province - period 2012 -2014			
Special Audit	Civil Aviation Special Fund	March 2017	23/2017	25/7/2017
Special Audit	Cooperative Audit on Procurement and special Investigation on Manaoba Airport project	October 2017	28/2017	23/10/2017
Performance	Audit Report on the Tax Exemption Committee and its Framework	November 2017	29/2017	24/11/2017
Financial statements	Report of the Auditor-General of the Solomon Islands on the Solomon Islands Government 2014 National Accounts.	November 2017	34/2017	12/12/2017
Financial statements	Report of the Auditor-General of Solomon Islands on the Provincial Governments 2015 – 2016 Accounts.	November 2017	35/2017	14/12/2017

## Audits in Progress

Table 13 details the financial statements audits in progress during the reporting period.

*Table 13: Annual Financial Statements Audits in Progress as at 31st December 2017*

Auditee	Latest AFS received	Signed off by Auditee	Signed off by AG
SIG	2015	Yes	Not yet signed off
Nine Provincial Governments	2016/2017	Yes	Not yet signed off
Investment Corporation of SI	2009 to 2011	Not yet signed off	Not yet signed off
Solomon Islands Ports Authority	2017	Not yet signed off	Not yet signed off
Solomon Islands National University	2013 to 2016	Not yet signed off	Not yet signed off

Table 14 details performance audits currently in progress during the reporting period. These audits are cooperative audits facilitated by IDI and PASAI with other audit offices in Asia and Pacific.

*Table 14: Special and Performance Audits in Progress as at 31st December 2017*

Audit Type	Audit Title	Status
Performance	Anti-corruption framework	Planning stage
Performance	SIG preparedness for SDG implementation	Planning stage

## Public Accounts Committee

Effective and transparent accountability for spending public money is central to democratic government and good public administration. The OAG's role, independent of government; is to offer insight and expertise to support Parliament in ensuring accountability for public spending and simultaneously provide a robust platform for improvement in the public service. In 2017, the OAG has continued to play this vital role in what can only be described as a challenging time for the public sector.

### *Budget Estimates Hearings*

The Auditor-General is the Secretary to the Public Accounts Committee (PAC) and the OAG provides the secretariat support. This consumes considerable resources of OAG in attending hearings and preparing the reports of the committee.

The following table shows the hearings of the PAC that OAG provided secretariat support to.

*Table 15: PAC hearings*

Hearing date	Type of hearing	No of days of hearing
22/03/2017	2016 Supplementary Appropriation (No.3) Bill 2017	1
23/03/2017 - 24/03/2017	2017 Supplementary Appropriation (No.1) Bill 2017	2
11/07/2017 - 18/07/2017	2016 Final Budget Outcome	6
18/08/2017 - 22/08/2017	2017 Supplementary Appropriation (No.2) Bill 2017	4
05/09/2017	Government Borrowings for 2016 and 2017	1
	Total	14

### *Hearings into Reports of the Auditor-General*

The PAC did not undertake any hearings into the tabled audit reports in 2017 due to heavy workload of the members of the Committee during the year.

## **Part #5: Annual Financial Statements 2014 to 2017**

### **Introduction**

Due to long term organisational problems with the OAG, Annual Financial Statements (AFS) have not been audited or submitted for a number of years.

This section of the Annual Report contains the unaudited AFS for the four years 2014 to 2017. I will be arranging for these to be audited in future. The audit of the 2018 AFS will take place in accordance with the legal provisions.

**Unaudited AFS 2014 and 2015**

<b>Office of the Auditor-General: Statement of Cash Receipts and Payments</b>				
<b>For the years ended 31 December 2014 and 31 December 2015</b>				
<b>Notes</b>		<b>31-Dec-15</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>
		<b>Receipts / (Payments)</b>	<b>Receipts / (Payments)</b>	<b>Receipts / (Payments)</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Receipts</b>				
Allocations	/ 2	7,613,010	8,180,685	6,514,887
Appropriations				
External assistance	3.1	-	-	-
– Multilateral agencies				
Solomon Islands Economic and Public Sector Governance Programme (SIGOV)	3.2	-	-	-
<b>Total Receipts</b>		<b>7,613,010</b>	<b>8,180,685</b>	<b>6,514,887</b>
<b>Payments</b>				
Wages, salaries and employee benefits	4	(2,273,426)	(2,302,100)	(2,095,497)
Operating payments	5	(2,900,076)	(3,366,229)	(3,218,912)
Learning and development		(209,337)	(193,726)	(141,079)
Repairs and maintenance		(312,011)	(323,129)	(40,448)
Capital payments		(238,330)	(334,543)	(381,215)
<b>Total Payments</b>		<b>(5,933,181)</b>	<b>(6,519,727)</b>	<b>(5,877,151)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>1,679,828</b>	<b>1,660,958</b>	<b>637,736</b>

*The accompanying notes form part of these financial statements.*

Office of the Auditor-General: Statement of Comparison of Budget and Actual Amounts							
For the years ended 31 December 2014 and 31 December 2015: Budget Approved on the Cash Basis							
	Actual amounts (2015)	Actual amounts (2014)	Final budget (2015)	Final budget (2014)	Difference: Actual amount and final budget (2015)	Difference: Actual amount and final budget (2014)	Final Budget (2013)
	\$	\$	\$	\$	\$	\$	\$
<b>Receipts</b>							
Allocations / Appropriations	7,613,010	8,180,685	8,446,196	11,339,131	833,186	3,158,446	8,711,990
<b>Total Receipts</b>	<b>7,613,010</b>	<b>8,180,685</b>	<b>8,446,196</b>	<b>11,339,131</b>	<b>833,186</b>	<b>3,158,446</b>	<b>8,711,990</b>
<b>Payments</b>							
Wages, salaries and employee benefits	(2,273,426)	(2,302,100)	(3,046,242)	(3,105,976)	(772,816)	(803,877)	(2,512,541)
Operating payments	(2,900,076)	(3,366,229)	(3,076,427)	(5,416,390)	(176,351)	(2,050,161)	(4,361,932)
Learning and development	(209,337)	(193,726)	(211,115)	(208,270)	(1,778)	(14,544)	(196,362)
Repairs and maintenance	(312,011)	(323,129)	(315,348)	(443,835)	(3,337)	(120,706)	(121,504)
Capital payments	(238,330)	(334,543)	(243,411)	(664,660)	(5,081)	(330,117)	(1,475,430)
<b>Total Payments</b>	<b>(5,933,181)</b>	<b>(6,519,727)</b>	<b>(6,892,543)</b>	<b>(9,839,131)</b>	<b>(959,362)</b>	<b>(3,319,405)</b>	<b>(8,667,769)</b>
<b>Net cash flows</b>	<b>1,679,828</b>	<b>1,660,958</b>	<b>1,553,653</b>	<b>1,500,000</b>	<b>(126,175)</b>	<b>(160,959)</b>	<b>44,221</b>

The accompanying notes form part of these financial statements.

## **Notes to the Financial Statements**

### **1. Accounting Policies**

#### ***Basis of Preparation***

The annual accounts have been prepared in accordance with the International Public Sector Accounting Standards Financial Reporting Under the Cash Basis of Accounting (IPSAS - Cash Basis).

The accounting policies have been applied consistently throughout the period.

#### ***Reporting Entity***

The annual accounts are for the Office of the Auditor-General, a public sector entity. The Office is fully funded by appropriations by the Solomon Islands Government. The Office's principal activity is to provide audit services to the Solomon Islands Government, public bodies, Provincial Governments and Honiara City Council. These financial statements cover the Office of the Auditor-General as individual entity.

The Office does not operate its own bank account. The Solomon Island's Government operates a centralised treasury function which administers cash expenditures incurred by all Ministries and Offices during the financial year. Payments made on this account in respect of this Office are disclosed in the Treasury Account column in the Statements of cash receipts and payments.

The Office was established under the Solomon Islands Constitution, complies with the Public Finance and Audit Act (Cap 120) and operates within the Solomon Islands and overseas where the Solomon Islands Government may operate constitutional offices.

#### ***External Assistance***

The Office receives a benefit from payment made by external third parties (entities external to the Solomon Islands Government) for goods and services. These payments do not constitute cash receipts or payment for the Office, but do benefit the Office. They are disclosed in the Payments by external third parties column in the Statement of cash receipts and payments.

#### ***Reporting Currency***

The annual accounts are presented in the Solomon Islands currency and are rounded down to the nearest dollar.

### ***Foreign Currency Transactions***

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction.

### **Note 2. Allocations /Appropriations**

Amounts appropriated to the Office of the Auditor-General are managed through a central account administered by the Ministry of Finance and Treasury as described in Note 1 to these accounts. These amounts are not controlled by the Office but are deployed on the Office's behalf by the central account administrator on presentation of appropriate documentation and authorisation. The amounts reported as allocations/appropriations in the Statement of Cash Receipts and Payments is the amount the Ministry of Finance and Treasury has expended for the benefit of the Office.

	31-Dec-15	31-Dec-14	31-Dec-13
	Receipts	Receipts	Receipts
<b>Appropriations</b>	5,933,182	6,519,727	5,877,151
<b>Contract Audit Fee Revenue</b>	1,679,828	1,660,958	637,736
	<b>7,613,010</b>	<b>8,180,685</b>	<b>6,514,887</b>



### **Note 3. External Assistance – Multilateral agencies**

#### **3.1 Payments by External Third Parties**

There were numerous payments or payments in-kind made to the Office of the Auditor-General over the 2014 and 2015 financial years. These included the provision of training and other support. All payments made by external third parties are made by external third parties that are not part of the Office.

#### **3.2 Solomon Islands Economic and Public Sector Governance Programme (SIGOV)**

Over 2014 and 2015 financial periods, the Office had a total of two international technical adviser positions which were funded by Australian Aid. One of these positions was in-line and the other was an advisor. The non-cash benefit to the Office of the Auditor-General for the two positions was not available because it has commercial significance and was confidential. For 2014 and 2015, external third party payroll payments included salaries for international technical advisor positions for varying periods during the course of the year. It was not possible to determine the quantum of these costs sufficiently to include them in the financial statements.

<b>Note 4. Wages, Salaries and Employee Benefits</b>								
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2015</b>	<b>2014</b>
	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Treasury Account</b>	<b>Treasury Account</b>	<b>Treasury Account</b>	<b>Difference: Actual Amount &amp; Budget</b>	<b>Difference: Actual Amount &amp; Budget</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Wages and salaries</b>	(1,652,134)	(1,950,654)	(1,608,046)	(1,126,079)	(1,130,155)	(1,252,542)	(526,055)	(820,499)
<b>National Provident Fund</b>	(143,904)	(124,179)	(127,366)	(112,925)	(100,669)	(100,293)	(30,979)	(23,510)
<b>Allowances<sup>1</sup></b>	(1,250,204)	(1,031,143)	(777,129)	(1,034,422)	(1,071,276)	(742,663)	(215,782)	40,133
	<b>(3,046,242)</b>	<b>(3,105,976)</b>	<b>(2,512,541)</b>	<b>(2,273,426)</b>	<b>(2,302,100)</b>	<b>(2,095,497)</b>	<b>(772,816)</b>	<b>(803,877)</b>

The under spent in actual wages and salaries compared to budget for both 2014 and 2015 occurred due to delays in receiving approval from the Ministry of Public Service to restructure the number of audit and support staff required as previously budgeted for and the vacant position of the Auditor General.

The under spend in actual allowances compared to budget during the 2015 financial year arose due to the timing of when provincial audit visits occurred. The overspend in 2014 due to statutory expenditure on payroll allowances.

<sup>1</sup> Allowances includes staff house rent subsidies paid under Other Charges in the SIG Budget which are usually classified as operating payments.

Note 5. Operating Payments								
	2015	2014	2013	2015	2014	2013	2015	2014
	Budget	Budget	Budget	Treasury Account	Treasury Account	Treasury Account	Difference: Actual Amount & Budget	Difference: Actual Amount & Budget
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Contracted audit fees</b>	(1,840,634)	(2,625,000)	(1,648,919)	(1,737,933)	(2,018,173)	(1,119,374)	(102,701)	(606,827)
<b>Office expenses</b>	(256,734)	(645,025)	(575,252)	(253,274)	(454,876)	(353,879)	(3,460)	(190,149)
<b>Utilities</b>	(416,175)	(794,895)	(783,816)	(400,385)	(344,838)	(531,575)	(15,790)	(450,057)
<b>Staff travel costs</b>	(562,884)	(1,351,470)	(953,945)	(508,485)	(548,342)	(1,214,084)	(54,400)	(803,128)
	(3,076,427)	(5,416,390)	(3,961,932)	(2,900,076)	(3,366,229)	(3,218,912)	(176,351)	(2,050,161)

The under spend between actual and budgeted contracted audit fees during 2014 and 2015 arose due to delays in receipt and subsequent payment of contract audit invoices for work performed over the period.

The under spend in expenses for 2014 and 2015 arose due to tighter monitoring of office costs and repairs made to building utilities.

**Note 6. Cash and Cash equivalents**

The Office does not have any cash balances which are not available for use and there are no cash balances subject to external restrictions. The cash used by the Office is administered centrally by the Ministry of Finance and Treasury.

**Note 7. Authorised date**

The unaudited annual accounts were authorised for publication on 17 April 2018 by the Auditor-General.

**Unaudited AFS 2016 and 2017****Office of the Auditor-General:****Statement of cash receipts and payments****For the years ended 31 December 2016 and 31 December 2017**

	Notes	31-Dec-17	31-Dec-16	31-Dec-15
		Receipts / (Payments)	Receipts / (Payments)	Receipts / (Payments)
		\$	\$	\$
<b>Receipts</b>				
Allocations	/ 2	11,169,507	8,670,809	7,613,010
Appropriations				
External assistance – Multilateral agencies	3.1	-	-	-
Solomon Islands Economic and Public Sector Governance Programme (SIGOV)	3.2	-	-	-
<b>Total receipts</b>		<b>11,169,507</b>	<b>8,670,809</b>	<b>7,613,010</b>
<b>Payments</b>				
Wages, salaries and employee benefits	4	(3,121,651)	(2,600,762)	(2,273,426)
Operating payments	5	(2,939,506)	(4,070,752)	(2,900,076)
Learning and development		(294,768)	(280,595)	(209,337)
Repairs and maintenance		(245,250)	(402,966)	(312,011)
Capital payments		(1,473,378)	(302,248)	(238,330)
<b>Total payments</b>		<b>(8,074,553)</b>	<b>(7,657,322)</b>	<b>(5,933,181)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>3,094,954</b>	<b>1,013,488</b>	<b>1,679,828</b>

*The accompanying notes form part of these financial statements.*

Office of the Auditor-General: Statement of comparison of budget and actual amounts							
For the years ended 31 December 2016 and 31 December 2017: Budget approved on the cash basis							
	Actual amounts (2017)	Actual amounts (2016)	Final budget (2017)	Final budget (2016)	Difference: Actual amount and final budget (2017)	Difference: Actual amount and final budget (2016)	Final Budget (2015)
	\$	\$	\$	\$	\$	\$	\$
<b>Receipts</b>							
Allocations / Appropriations	11,169,507	8,670,809	12,289,630	12,161,054	(1,120,123)	(3,490,245)	8,446,196
<b>Total receipts</b>	<b>11,169,507</b>	<b>8,670,809</b>	<b>12,289,630</b>	<b>12,161,054</b>	<b>(1,120,123)</b>	<b>(3,490,245)</b>	<b>8,446,196</b>
<b>Payments</b>							
Wages, salaries and employee benefits	(3,121,651)	(2,600,762)	(2,904,499)	(2,975,696)	217,152	(374,934)	(3,046,242)
Operating payments	(2,939,506)	(4,070,752)	(3,654,852)	(4,375,232)	(715,346)	(304,481)	(3,076,427)
Learning and development	(294,768)	(280,595)	(315,738)	(283,727)	(20,970)	(3,132)	(211,115)
Repairs and maintenance	(245,250)	(402,966)	(323,130)	(403,130)	(77,880)	(164)	(315,348)
Capital payments	(1,473,378)	(302,248)	(1,860,998)	(2,538,543)	(387,620)	(2,236,295)	(243,411)
<b>Total payments</b>	<b>(8,074,553)</b>	<b>(7,657,322)</b>	<b>(9,059,217)</b>	<b>(10,576,328)</b>	<b>(984,664)</b>	<b>(2,919,006)</b>	<b>(6,892,543)</b>
<b>Net cash flows</b>	<b>3,094,954</b>	<b>1,013,488</b>	<b>3,230,413</b>	<b>1,584,726</b>	<b>(135,459)</b>	<b>(571,238)</b>	<b>1,553,653</b>

The accompanying notes form part of these financial statements.

## **Notes to the financial statements**

### **1. Accounting policies**

#### ***Basis of preparation***

The annual accounts have been prepared in accordance with the International Public Sector Accounting Standards Financial Reporting Under the Cash Basis of Accounting (IPSAS - Cash Basis).

The accounting policies have been applied consistently throughout the period.

#### ***Reporting entity***

The annual accounts are for the Office of the Auditor-General, a public sector entity. The Office is fully funded by appropriations by the Solomon Islands Government. The Office's principal activity is to provide audit services to the Solomon Islands Government, public bodies, and the Provincial Governments and Honiara City Council. These financial statements cover the Office of the Auditor-General as individual entity.

The Office does not operate its own bank account. The Solomon Island's Government operates a centralised treasury function which administers cash expenditures incurred by all Ministries and Offices during the financial year. Payments made on this account in respect of this Office are disclosed in the Treasury Account column in the Statements of cash receipts and payments.

The Office was established under the Solomon Islands Constitution, complies with the Public Finance and Audit Act (Cap 120) and operates within the Solomon Islands and overseas where the Solomon Islands Government may operate constitutional offices.

#### ***External assistance***

The Office receives a benefit from payment made by external third parties (entities external to the Solomon Islands Government) for goods and services. These payments do not constitute cash receipts or payment for the Office, but do benefit the Office. They are disclosed in the Payments by external third parties column in the Statement of cash receipts and payments.

#### ***Reporting currency***

The annual accounts are presented in the Solomon Islands currency and are rounded down to the nearest dollar.

#### ***Foreign currency transactions***

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction.



**Note 2. Allocations /Appropriations**

Amounts appropriated to the Office of the Auditor-General are managed through a central account administered by the Ministry of Finance and Treasury as described in Note 1 to these accounts. These amounts are not controlled by the Office but are deployed on the Office's behalf by the central account administrator on presentation of appropriate documentation and authorisation. The amounts reported as allocations/appropriations in the Statement of Cash Receipts and Payments is the amount the Ministry of Finance and Treasury has expended for the benefit of the Office.

	31-Dec-17	31-Dec-16	31-Dec-15
	Receipts	Receipts	Receipts
<b>Appropriations</b>	8,074,553	7,657,322	5,933,182
<b>Contract Audit Fee Revenue</b>		1,013,487	
	3,094,954		1,679,828
		8,670,809	7,613,010
	11,169,507		

**Note 3. External Assistance – Multilateral agencies****3.1 Payments by external third parties**

There were numerous payments or payments in-kind made to the Office of the Auditor-General over the 2016 and 2017 financial years. These included the provision of training and other support. All payments made by external third parties are made by external third parties that are not part of the Office. The monetary value of these costs could not be determined for inclusion in the financial statements.

**3.2 Solomon Islands Economic and Public Sector Governance Programme (SIGOV)**

Over 2016 and 2017 financial periods, the Office had a twinning arrangement with NSW Audit Office funded by Australian Aid. It was not possible to determine the quantum of these costs sufficiently to include them in the financial statements.

Note 4. Wages, salaries and employee benefits								
	2017	2016	2015	2017	2016	2015	2017	2016
	Budget	Budget	Budget	Treasury Account	Treasury Account	Treasury Account	Difference: Actual Amount & Budget	Difference: Actual Amount & Budget
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Wages and salaries</b>	(1,592,828)	(1,717,561)	(1,652,134)	(1,673,696)	(1,370,159)	(1,126,079)	80,868	(347,402)
<b>National Provident Fund</b>	(129,567)	(136,031)	(143,904)	(131,363)	(108,345)	(112,925)	1,796	(27,686)
<b>Allowances<sup>2</sup></b>	(1,182,104)	(1,122,104)	(1,250,204)	(1,316,593)	(1,122,258)	(1,034,422)	134,489	154
	<b>(2,904,499)</b>	<b>(2,975,696)</b>	<b>(3,046,242)</b>	<b>(3,121,651)</b>	<b>(2,600,762)</b>	<b>(2,273,426)</b>	<b>217,152</b>	<b>(374,934)</b>

<sup>2</sup> Allowances includes staff house rent subsidies paid under Other Charges in the SIG Budget which are usually classified as operating payments.

Note 5. Operating payments								
	2017	2016	2015	2017	2016	2015	2017	2016
	Budget	Budget	Budget	Treasury Account	Treasury Account	Treasury Account	Difference: Actual Amount & Budget	Difference: Actual Amount & Budget
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Contracted audit fees</b>	(2,010,474)	(2,818,174)	(1,840,634)	(1,530,790)	(2,641,431)	(1,737,933)	(479,684)	(176,743)
<b>Office expenses</b>	(349,566)	(398,877)	(256,734)	(297,810)	(364,254)	(253,274)	(51,756)	(34,623)
<b>Utilities</b>	(602,039)	(509,839)	(416,175)	(542,119)	(461,262)	(400,385)	(59,919)	(48,577)
<b>Staff travel costs</b>	(692,773)	(648,342)	(562,884)	(568,787)	(603,804)	(508,485)	(123,986)	(44,538)
	<b>(3,654,852)</b>	<b>(4,375,232)</b>	<b>(3,076,427)</b>	<b>(2,939,506)</b>	<b>(4,070,752)</b>	<b>(2,900,076)</b>	<b>(715,346)</b>	<b>(304,481)</b>

**Note 6. Cash and Cash equivalents**

The Office does not have any cash balances which are not available for use and there are no cash balances subject to external restrictions. The cash used by the Office is administered centrally by the Ministry of Finance and Treasury.

**Note 7. Authorised date**

The unaudited annual accounts were authorised for publication on 17 April 2018 by the Auditor-General.

## Part #6: Appendices

The following table provides a summary of the acronyms used in this report:

Acronym	Detail
AFS	Annual Financial Statements
A-G	Auditor-General
BIC	Business Implementation Committee
CAAT	Computer Assisted Audit Techniques
CBP	Corporate Business Plan
CC	Communication Committee
CGFAB	Corporate Governance Financial Audit Branch
CTB	Central Tender Board
DFAT	(Australian) Department of Foreign Affairs and Trade
EMT	Executive Management Team
EPS	Executive Personal Secretary
GFAB	Government Financial Audit Branch
HCC	Honiara City Council
ICSI	Investment Corporation of Solomon Islands
ICT	Information and Communication Technology
IDI	INTOSAI Development Initiative
IFRS	International Financial Reporting Standards
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISIA	Institute of Solomon Islands Accountants
ISSAI	International Standards for Supreme Audit Institutions
MCS	Manager, Corporate Services
MoFT	Ministry of Finance and Treasury
MPS	Ministry of Public Service
MTB	Ministry Tender Board
NSW	New South Wales
NSWAO	New South Wales Audit Office
OAG	Office of the Auditor-General
PAB	Performance Audit Branch
PAC	Public Accounts Committee
PASAI	Pacific Association of Supreme Audit Institutions
PEC	Public Expenditure Committee
PGAB	Provincial Government Audit Branch
PMF	Performance Measurement Framework
PMRC	Performance Management Review Committee
SA	Statutory Authority

SAI	Supreme Audit Institution
SBD	Solomon Islands Dollar
SDG	Sustainable Development Goals
SIG	Solomon Islands Government
SIGOV	Solomon Islands Economic and Public Sector Governance Programme
SIPA	Solomon Islands Ports Authority
SIPC	Solomon Islands Postal Corporation
SINU	Solomon Islands National University
SIVB	Solomon Islands Visitors Bureau
SIWA	Solomon Islands Water Authority
SoE	State-owned Enterprise
TCSI	Telecommunications Commission of Solomon Islands
TMAMS	TeamMate Audit Management System
TSDC	Training and Staff Development Committee