



**SOLOMON ISLANDS
NATIONAL PARLIAMENT**

**REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE ON ITS**

INQUIRY INTO THE 2009 BUDGET PAPERS

National Parliament Paper No 42 of 2008

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REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

Mr. Speaker,

Pursuant to Standing Orders No. 69 (1) [a] of the National Parliament of Solomon Islands, it is an honour and pleasure for me Sir, to present the Report of the Public Accounts Committee into the Inquiry into the 2009 Draft Recurrent and Development Estimates for laying before Parliament.



Honourable Francis Zama

Chairman

Public Accounts Committee

December xx, 2008

Members of the Public Accounts Committee:

Hon. Francis Zama, MP

Chair

Hon. Manasseh Sogavare, MP

Member

Hon. Mark Kemakeza , MP

Member

Hon. Peter Boyers, MP

Member

Hon. Trevor Olavae, MP

Member

Hon Clay Soaloi, MP

Member

Secretary to the PAC:

Mr. Eric Muir

Acting Auditor General

PAC Terms of Reference

The Public Accounts Committee is appointed under Standing Order 69 (1).

69. PUBLIC ACCOUNTS COMMITTEE

- (1) There shall be a Standing Select Committee designated the Public Accounts Committee whose functions shall be -
 - (a) to examine the accounts prescribed by Section 33 of the Public Finance and Audit Act 1978, together with the report of the Auditor General thereon, and to report the results of such examination to Parliament;
 - (b) to establish the causes of any excesses over authorized expenditure and to make recommendations to Parliament on any appropriate measures to cater for such excesses of expenditure;
 - (c) to examine such other accounts laid before Parliament as the Committee may think fit, together with any auditor's report thereon and to report the results of such examination to Parliament;
 - (d) to summon any public officer to give information on any explanation, or to produce any records or documents which the Committee may require in the performance of its duties;
 - (e) to consider in detail the Draft Estimates prepared by the Government in support of the Annual Appropriation Bill;
 - (f) to summon and examine the Accounting Officers and Technical staff of Ministries and Departments and require the production of background information and explanation in relation to Draft Estimates;
 - (g) to report to Parliament in such a way that the report may inform Members prior to the Parliamentary debate thereon of the background to the Draft Estimates draw attention to those matters which the Committee feels should be the subject for such Parliamentary debate; and

- (h) to make such recommendations as the Committee sees fit and subsequently receive comments and reports on such recommendations from the Government.
- (2) The Auditor General or his nominee shall be the Secretary to the Committee and shall make available to the Committee the services of his staff and other facilities of his Office.

BACKGROUND TO REPORT

1.0 INTRODUCTION

The National Parliament is the independent law making arm of government to which the Executive is accountable. The Parliament is also the only institution vested with the power to authorize the allocation of public monies through the annual appropriation acts. The Parliament also performs many of its oversight functions through its Standing Committees. The Public Accounts Committee (the Committee) is one of these committees and has given the power to examine the annual Draft Estimates prior to their tabling before Parliament.

This Report outlines the findings of the Committee's examination of the 2009 Draft Estimates that comprise the Recurrent and Development Estimates, the proposed recurrent Establishments Register and the related documents supporting the formulation of the Estimates.

In compliance with the Standing Orders this Report has been prepared for the information of members to assist them in their debate on the 2009 Appropriation Bill. It aims to draw to the attention of the members of Parliament those matters, which the Public Accounts Committee has identified through its inquiry and particularly through the questioning of senior public officers.

The Committee wishes to put on record its appreciation to those public officials who appeared before the Committee and provided valuable information to assist the Committee in undertaking its important oversight role including ensuring that public funds are allocated and expended appropriately and for the public good.

The Committee also wishes to acknowledge and thank the Minister for Education the Hon. Matthew Wale M.P. who attended the hearing into his Ministry and provided valuable insights to the Committee.

1.1 Scope of this Report

Under Standing Order 69, the Committee is responsible to:

- (e) consider in detail the Draft Estimates prepared by the Government in support of the Annual Appropriation Bill;
- (f) summon and examine the Accounting Officers and technical staff of Ministries and Departments and require the production of background information and explanation in relation to draft estimates;
- (g) report to Parliament in such a way that the report may inform Members prior to Parliamentary debate thereon of the background to the Draft Estimates and draw attention to those matters which the Committee feels should be the subject of such Parliamentary debate; and
- (h) make recommendations as the Committee sees fit and subsequently receive comments and reports on such recommendations from the Government.

In exercising these functions the Committee seeks to establish whether:

- the draft estimates have been drawn up within the prevailing legal framework;
- past budget performances were taken into consideration in developing the draft estimates;
- the draft estimates encompass the stated Government policies and that these policies are sound and have been designed and/or formulated based on relevant and appropriate information; and
- the draft estimates are feasible, practical and would ensure the achievement of those policies.

1.2 Methodology

In its consideration of the 2009 Estimates, the Committee resolved not to hear from all Ministries and Officers regarding their respective heads but rather to strategically select key government Ministries and hear from their respective Permanent Secretaries and officials.

The Committee interviewed and sought views from Permanent Secretaries, Under Secretaries, Chief Accounting Officers,

Administrative Officers and other senior officials who are responsible for the development and implementation of the draft estimates.

In addition, it also obtained and reviewed relevant documents submitted by officials of the Ministries which pertain to the development of the 2009 Draft Estimates.

1.3 Limitations

The PAC was limited in its ability to convene to undertake its inquiry into the 2009 draft estimates according to its mandate due to the late provision of the budget papers which caused the Committee to delay its hearings. While the committee acknowledges there has been some improvement in recent years in preparing and scheduling the budget for presentation to Parliament, the Committee expressed frustration that there continues to be inadequate time allowed for the Committee to properly deliberate on the Draft Estimates. The Draft Estimates were provided to the Committee only two days before Parliament commenced sittings. The time frame provided to the Committee required the Committee to schedule three and a half consecutive days of intensive hearings around the Parliamentary schedule as well as reducing the number of Ministries reviewed by the Committee from 29 to 13 Heads of Expenditure so that it could properly scrutinise government ministries as well as meeting its reporting requirements under the Standing Orders. As a result of the time constraints the Committee proposes to hold further hearings under its general powers early in 2009 to scrutinise other ministries.

The Committee also wishes to inform the House that the public and the media attended throughout its hearings, the hearings were broadcast live by SIBC each day and segments were televised on the One News channel every night. The Committee believes that this is an important mechanism in promoting accountability and transparency in the use of public funds and informing the public about the work and role of Parliament.

2.0 COMMITTEE DELIBERATIONS

BUDGET OVERVIEW

The Committee was not provided with a copy of the Budget Strategy from the Ministry of Finance and Treasury for the 2009 Budget Estimates. Members will need to refer to the Minister's second reading speech which provides the framework upon which the Budget was set.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

The Committee heard evidence from Accounting Officers and senior staff within certain key Government Ministries in relation to the Draft 2009 Recurrent and 2009 Development Estimates, the 2009 Establishments Registers. Briefing notes, planning documentation and explanatory material was also tabled with the Committee. A list of Ministries and the schedule of hearings is attached to the report (attachment). The full transcripts of these proceedings are contained in Hansard which is available on the Parliamentary website at www.parliament.gov.sb. A summary of significant issues and matters discussed in Ministries is contained in Part 3 of this Report. The following key findings, common themes and recommendations are summarized below:

2.1 Budget Process

The Committee did not receive the draft Recurrent Estimates until Monday 17th November 2008 and the Development Budget Estimates on Tuesday 18th November 2008. The scheduled commencement of the hearings was postponed from Monday 17th November 2008 at short notice due to the Development Estimates not being available on the Monday. The timetable provided for the Committee hearings in order to accommodate the proposed Budget deliberations in Parliament was not sufficient and did not allow the Committee adequate time to consider fully the many matters brought to the Committee's attention. As there were only 3 ½ days available for the hearings, the Committee was only able to deliberate on 13 of the 29 Heads of Expenditure in the Draft Estimates.

The 11 Ministries which appeared before the Committee provided excellent briefings and the Committee considered that the hearings process worked well despite the limited time available. The Committee appreciated the efforts made by the Ministries and is generally pleased with the preparations that are now undertaken by Ministries prior to their appearance before the Committee.

Recommendation 1

That the Ministry of Finance and Treasury in future provide the Committee with the detailed Budget and documentation three weeks prior to the proposed Budget deliberations in Parliament.

2.2 Adequacy of Allocations

Some Ministries who attended the hearings indicated that their current bids were adequate for most operational areas but identified that they would either seek additional funding through Supplementary Appropriation in June/July 2009, or use virements or contingency warrants to meet shortfalls in funding programs to implement some of the government's key policy areas.

The Committee was most concerned that this approach identified a lack of centralised strategic planning and failure in the approval process and had the potential to interfere with Parliament's role in approving government expenditure. These facilities are intended unplanned urgent expenditure and inappropriate use, particularly of the virements and contingency warrants, circumvents the lawful process of parliamentary appropriation. Contingency warrants are provided for by the Constitution only for cases of unforeseen emergencies. The assurance that funds are used for the purpose that they were appropriated is the fundamental control of the Budget process.

The Committee noted that the inappropriate use of contingency warrants has been identified in every report in recent years, but the

practice remains entrenched in the system due to poor planning and political necessity .

Recommendation 2

The Committee recommends that the Ministry of Finance and Treasury provide a list of all virements each year to the Committee as part of the Budget Estimates Inquiry. Further, the Committee expects Ministries to plan and budget for the financial year rather than having unrealistic expectations in terms of the Supplementary Appropriation or Contingency Warrants to fund core policy commitments.

2.3 Internal Audit

Many Ministries stated that there is a need for internal audit functions to monitor and report on compliance with internal controls, procedures and compliance with the Public Finance and Audit Act, the Financial Instructions and the General Orders. The Committee was concerned that the Ministry of Finance and Treasury's Internal Audit Bureau has only three officers due to lack of budget for payroll, even though the Establishment originally approved by the Ministry of Public Service is for 25 officers. In addition to these officers, the Committee noted that there is a small internal audit unit within the Ministry of Health and Medical Services.

Recommendation 3

The Committee recommends that the Ministry of Finance and Treasury reassess the funding for all established positions within the Ministry and ensure that there is adequate funding to properly resource the Internal Audit Bureau. The Committee also recommends that the Government should prioritise capacity development support from donor agencies to build an active and effective internal audit unit which has responsibility to review and report on all government Ministries.

2.4 Attendance of Government Ministers

The Committee welcomed the attendance of the Minister for Education at the relevant hearing. The Committee noted that the attendance of Ministers at Public Accounts Committee hearings into both Draft Estimates and the Auditor General's Reports promotes accountability of the government to Parliament and the people of the Solomon Islands and encourages all government Ministers to attend future hearings when requested.

Recommendation 4

The Committee recommends that all government Ministers attend PAC hearings when requested.

2.5 Budget Risk Analysis

The Committee discussed potential risk factors associated with the implementation of programs outlined in the Budget. Of particular concern was the lack of analysis and forecasting of the potential effects that the current global financial crisis may have on the Solomon Islands economy and whether the forecasted increase in revenue from Inland Revenue was realistic. Overall the Committee noted that there were not any risk analyses undertaken in the preparation of the 2009 Budget. The Committee further noted that this matter was raised in its review of the 2008 Draft Estimates and that a documented risk analysis has still not been prepared by the Ministry.

Recommendation 5

The Committee recommends that the future Budget process include a risk analysis to acknowledge potential risks that could impact the implementation of programs outlined in the Budget and that a copy of this be provided to the Committee.

2.6 Budget Dependency on Logging

The Committee noted the current estimates for logging reserves within Solomon Islands indicate approximately five years supply after which time this major revenue stream is expected to cease. The Committee fully supported the sustained replanting projects proposed by the Ministry and was concerned that the extent of planned support to communities for reforestation falls well short of what is needed.

Recommendation 6

The Committee recommends that funding initiatives relating to reforestation in rural areas should be increased and be carefully monitored and reported on.

2.7 Progress on Audit Reports

The Committee followed up with all Ministries subject to audit reports by the Auditor General. The Committee previously received Action Plans from many Ministries. The Committee has requested updates of all action plans and recommends strategic follow up audits be undertaken by the Auditor General.

Recommendation 7

The Committee recommends that all Ministries, which have been the subject of an audit report tabled in Parliament, provide an updated Action Plan to the Committee and the Auditor General every 6 months.

2.8 Inappropriate Role and Funding of Caucus

The Committee raised concern that the budget process was further delayed by the additional step of consultation with Caucus. The Committee noted that the Constitution provides for review and amendment by Cabinet, which is an Executive arm of government.

The Committee further noted that an item Upgrade of the Prime Ministers Office is for the office used by Caucus and has been included as receiving funding under the Draft Estimates for the Office of Prime Minister and Cabinet. The Committee expects the Prime Minister to provide full disclosure on this initiative and whether it is appropriate and lawful to allocate public funds for what may be considered as government supporter funding at the expense of the Opposition and other non government members.

Recommendation 8

The Committee recommends that government funds not be appropriated for use for political parties without the appropriate legislative framework.

2.9 Information Contained in Draft Estimates

The Committee noted from some Ministries that some budget items had been included without advice to the Ministry and some budget items had been included in the wrong Head of Expenditure.

The Committee was particularly concerned that the figures in the Estimated Actual 2008 column were incorrect or omitted in many cases. In addition information provided for comparison differed between the Recurrent and Development Draft Estimates. The committee and the House must have full and accurate information available to it during the Appropriation process.

The access to critical comparative data is essential for the Committee to perform its function. There was nothing available this year.

Recommendation 9

The Committee recommends that the Ministry of Finance and Treasury ensure that the figures recorded as Estimated Actuals be completed consistently. To enable the Committee to have a realistic review of past spending all Ministries should provide “Estimated Actuals” to 31 December when actuals are not available for the year.

2.10 Motor Vehicles

The Committee noted that the Ministry of Infrastructure Development in past years had centralized control over the government motor vehicle pool. The Committee further noted that the Ministry once had a standardized list of motor vehicles for different purposes which lead to more efficient and lower cost of purchase and easier maintenance of vehicles.

Recommendation 10

The Committee recommends that the government motor vehicle pool be recentralized under the Ministry of Infrastructure Development and that a standardized list of motor vehicles be reintroduced.

2.11 Community Policing

The Committee was concerned that the level of policing in the Solomon Islands communities was inadequate as the budget does not adequately provide for housing for police officers in the provinces and the cost of fuel which has been taken over from PPF as part of the government’s move towards self-sustainability. The Committee noted that the public, in the rural areas particularly, does not have adequate confidence in the government’s police force as the police are not responding to requests for assistance, or not responding quickly, and rely on logistical support from the PPF.

Recommendation 11

The Committee recommends that the Ministry negotiate with donor partners for greater assistance in re-establishing the infrastructure necessary for the provision of adequate policing services in all areas.

2.12 Teacher Absenteeism

The Committee was concerned at the level of teacher absenteeism. The actions taken recently by the Minister were noted. The Committee considered that in order to solve this problem, the Ministry needs to investigate and understand the reasons for teachers being away from their classrooms during school days.

Recommendation 12

The Committee recommended that the Ministry investigate the reason for teacher absenteeism and take this into account in preparing a strategy to resolve this problem.

2.13 Free Basic Education

The Committee noted the government's new initiative of free basic education up to Form Three was to be implemented as of 2009 and was concerned that the logistics and impacts of the sudden introduction of this policy had not been fully anticipated and reflected in the budget.

The Permanent Secretary advised the Committee that the budget included funding for additional teachers and increased grants which would now be paid direct to schools. She noted however that the infrastructure and logistics were not able to be funded and implemented for the introductory year. She advised the Committee that these matters had been considered and anticipated and that short term measures were proposed to deal with these problems until the government and donor partners were able to fund and implement the additional infrastructure needed.

2.14 Constituency Funding

The Committee considered, in view of the many concerns identified, that Members of Parliament should not be directly involved in administering constituency grant funds. The Committee supported the concept that government officers should take a greater role in assisting Constituency Development Committees prepare a four year Constituency Plan and to implement the planned projects in accordance with the priorities determined by the Constituency Committee. This would then free up Members of Parliament to perform their role as legislators and Constituency representatives, as well as depoliticize the use of these funds. The Committee observed that the model used for the Rural Livelihoods Fund would be appropriate for all Constituency based funding.

Recommendation 13

The Committee recommended that the Ministry's Constituency Development Officers work with the Constituency Committees to prepare four year Constituency Plans, guide the implementation of the plans and monitor the expenditure of the funds against the Constituency Plan priorities.

2.15 Provincial and Constituency Shipping

The Committee noted with concern the level of expenditure in recent years on ships for use not just by Provinces, but also by Constituencies. The Committee noted that Constituencies are not legal entities and were concerned as to who owned these ships. The Committee also expressed concern that a commitment had been given in Parliament that no further ships would be funded until the policy on provincial shipping had been reviewed and revised, but funding was provided for in the 2009 Draft Estimates while the policy review is still not completed.

3.0 DETAILED EXAMINATIONS

Standing Order 69 (1) (e) and (f) requires the Public Accounts Committee to examine in detail Draft Estimates prepared by Government in support of the Annual Appropriation Bill. For this purpose, the Committee shall summon the Accounting Officer and technical staff of the Ministries to provide background information and explanations to the Draft Estimates.

Further, provisions of Standing Order 69 (g) and (h) requires that the Committee shall report to Parliament in a manner that would fully inform the members prior to the Parliamentary debate on the Annual Appropriation Bill and shall draw attention to those matters which the Committee feels should be the subject of such Parliamentary debate.

Furthermore, the Public Accounts Committee shall make such recommendations as it thinks fit and receive comments and reports on such recommendations from the Government, particularly action that may be necessary to impose on those concerned.

As indicated previously the full transcripts of these proceedings are contained in Hansard which are available on the Parliamentary website at www.parliament.gov.sb. However, to facilitate debate on the Budget Estimates the following matters noted by the Committee during its hearings into selected Ministries are provided and additional information can be accessed through Hansard.

| Ministry | Issues | Hansard |
|---|--|----------------|
| Ministry of Agriculture | <ul style="list-style-type: none"> • Agriculture Development • Incomplete Infrastructure • Vangunu Oil Palm Plantation • Assistance to Farmers • Rice Imports • Cocoa Credit facility • | Pg.222 |
| Ministry of Education & Human Resources | <ul style="list-style-type: none"> • Internal Audit • Auditor General's Report | Pg. 86 |

| | | |
|--|--|---------|
| Develop - | <ul style="list-style-type: none"> • Emphasis on SICHE as the Prime Tertiary Institution • Free education policy | |
| Ministry of Finance & Treasury | <ul style="list-style-type: none"> • Timing of Preparation and Submission of the Draft Estimates • Impact of Global Economy • Debt Servicing account • Inland Revenue Estimates • Budget Veracity • Internal Audit • Planned Use of Contingency Warrants • Insufficient Funding to Implement Government Priorities | Pg. 3 |
| Ministry of Health & Medical Services | <ul style="list-style-type: none"> • Auditor General's Reports • Rural Development | Pg. 121 |
| Ministry of Infrastructure Development | <ul style="list-style-type: none"> • Provincial and Constituency Shipping • Procedures for project identification and analysis | Pg. 264 |
| Prime Minister's Office & Cabinet | <ul style="list-style-type: none"> • Effectiveness of Administration • SIVB Subvention • Constitutional Reform Unit | Pg. 247 |
| Ministry of Police & National Security | <ul style="list-style-type: none"> • Community Policing • Partnership with PPF | Pg. 147 |

| | | |
|---|---|---------|
| | <ul style="list-style-type: none"> • Assistance to provincial centers | |
| Ministry of Development Planning & Aid Coordination | <ul style="list-style-type: none"> • Development Budget Implementation • Development Budget Performance • Departmental Capacity • Consultations with Bilateral partners • Assistance to provinces & provincial governments | Pg. 36 |
| Ministry of Communication and Aviation | <ul style="list-style-type: none"> • Review of Telekom Agreement • Upgrade of provincial airfields • Honiara terminals • Civil Service Salary • Auditor General's Report | Pg. 174 |
| Ministry of Public Service | <ul style="list-style-type: none"> • Recentralization of Disciplinary Action • Capacity auditing • Review of General Orders • Public Sector Strengthening • Public Service reform | Pg. 59 |
| Ministry of Rural Development & Indigenous | <ul style="list-style-type: none"> • Inadequate Funding for Rural Development • Departmental management of RCDF • Rural Communication facilities • Rural livelihood funding | Pg. 196 |

3.1 Head 270 Ministry of Agriculture and Livestock Development

- *Agriculture Development* - The Committee is of the view that the future prosperity of the Solomon Islands lies in increasing exports and replacing imports with locally produced products. The Committee noted that the most realistic avenue for this is through development of the agricultural sector and Solomon Islanders have skills and experience in a number of agricultural production areas particularly copra and cocoa. The Committee also noted that traditional crops should form the basis of increasing export markets. The Permanent Secretary stated that his plan is to eventually increase the level of extension assistance to rural farmers by increasing the ratio of extension officers in the Provinces from the present one officer to 600 farmers to one officer to assist 400 farmers.
- *Incomplete Infrastructure* - The Committee was concerned that two items of infrastructure had not been completed at the time the funding ran out. These buildings are for two important support areas for the development of agriculture, being post entry quarantine and food processing, and must be given priority for completion
- *Vangunu Oil Palm Plantation* - The Permanent Secretary updated the Committee on progress of the Vangunu Oil Palm plantation and advised that the trees were now bearing fruit, but that these could not be harvested and sent to market as transport infrastructure is still being developed. The Committee expressed concern that the project was not properly planned to ensure that necessary infrastructure was in place before the trees became productive.
- *Assistance to Farmers* - The Committee noted that in earlier years the assistance to farmers was on the basis of a subsidy for actual production, and this gave a strong incentive for farmers to work, produce crops and increase efficiency. The Committee emphasized that a subsidy scheme of assistance needs to be reintroduced to replace the grants handouts scheme that has been used in recent years.

3.2 Head 272 Ministry of Education & Human Resources Development

- ***Internal Audit*** - The Minister advised the Committee that he had requested that the Establishment of his Ministry be increased to include at least one Internal Auditor. The Committee supported this in line with its recommendation to strengthen internal audit capacity particularly as the Ministry for Education has the highest proportion of the government's budgeted expenditure of all Ministries.
- ***Auditor General's Report*** - In response to a question from the Committee in relation to an audit report into King George VI School, the Permanent Secretary advised that she had written to the Commissioner of Lands requesting that the Commissioner revoke the Temporary Occupation Lease from the brick making business. The electricity has been disconnected but SIWA is still to disconnect the water supply. The Permanent Secretary also stated that the Ministry did investigate the King George Sixth Poultry Project but the staff involved is now on study leave overseas.
- ***Emphasis on SICHE as the Prime Tertiary Institution*** - The Permanent Secretary provided an update on the progress on establishing the fourth USP campus in Honiara. He advised the Committee that greater emphasis was being placed on developing SICHE as the prime tertiary institution in the Solomon Islands as SICHE courses are of benefit to a greater portion of the Solomon Islands population and the economy.

3.3 Head 273 Ministry of Finance and Treasury

- ***Timing of Preparation and Submission of the Draft Estimates*** - The Committee had only received all of the Draft Estimates on Tuesday 18th of November, which was only two days before Parliament commenced and a day after the Committee was advised the papers would be submitted. The Committee expressed concern that insufficient time for the Committee to properly review, conduct hearings and deliberate on the Draft Estimates was a continuing problem and that the Committee would not have the time to conduct the extent of hearings that it would like. The Permanent Secretary also noted that the existing computer system for budget preparation is cumbersome and that his Ministry is taking steps to improve it.

- ***Impact of Global Economy*** - The Committee was concerned that the budget did not take into account the potential negative impacts of recent events in the global economy, including the recent global financial crisis. The Permanent Secretary sought to assure the Committee that the budget was credible, conservative and affordable. The Permanent Secretary further assured the Committee that the government has \$130 million of reserves, and that the 2009 budget does not depend on utilizing the debt servicing reserve.
- ***Inland Revenue Estimates*** - The Committee was concerned that the budgeted \$200M increase in Inland Revenue contributions would not be achievable in the environment of global economic downturn.
- ***Budget Veracity*** - The Committee enquired as to how many virements had been applied for and refused as an indication of the extent of inadequate budgeting. The Permanent Secretary advised the Committee that this was a question that could be raised on the floor of Parliament. The Permanent Secretary advised that approval had been given for Permanent Secretaries to approve virements within their own Ministries.

Second Hearing 3pm Friday 21 November 2008.

- ***Internal Audit*** - The Committee noted that many Ministries had stated that they need an internal audit function and that the Ministry of Finance has only filled three of the Internal Audit Bureau positions. The Permanent Secretary advised the Committee that his Ministry will add staff gradually plus obtain technical assistance under the Public Finance Management Improvement Program of RAMSI.
- ***Planned Use of Contingency Warrants*** - The Committee was concerned that some Ministries indicated known shortfalls in their budget allocations and had stated they intended to seek contingency warrants to cover those. The Committee re-stated that contingency warrants are only to be used for unforeseen emergencies, and that these items are already known, even before the draft budget is tabled in Parliament.

- *Insufficient Funding to Implement Government Priorities* - The Committee noted that there were areas of stated government priority policies which have not been funded. The continued omissions from the budget being subsequently funded by illegal contingency warrants is unacceptable and the budget process must be improved to ensure proper planning and resulting reflection of policy and plans in the budget.

3.4 Head 276 Ministry of Health and Medical Services

- *Auditor General's Reports* - The Committee enquired as to progress in implementing the recommendations of the Auditor General's reports and the Undersecretary advised the Committee that the recommendations regarding disciplinary action had been referred to the Attorney-General.
- *Rural Development* - The Committee noted that the reintroduction of the Civil List was a substantial development by the Ministry of Public Service. The Committee noted that the Ministry needs to work with donor agencies to secure funding for high priority items such as rural clinics which are more important to the people of the Solomon Islands than some other development projects which had been undertaken.

3.5 Head 277 Ministry of Infrastructure Development

- *Provincial and Constituency Shipping* - The Committee noted with concern the level of expenditure in recent years on ships for use not just by Provinces, but also by Constituencies. The Committee noted that Constituencies are not legal entities and were concerned as to who is the owner of these ships. The Committee also expressed concern that a commitment had been given in Parliament that no further ships would be funded until the policy on provincial shipping had been reviewed and revised, but that funding was provided for in the 2009 Draft Estimates and the policy has still not been revised.

3.6 Head 281 Prime Minister's Office & Cabinet

- *Effectiveness of Administration* - The Secretary to the Cabinet (the Secretary) advised the PAC that the overall environment of the Office of Prime Minister and Cabinet a year ago was one of neglect. There was little discipline in the structure, processes or work ethic. The Office has embarked on an institutional strengthening program and is depoliticizing the administrative arm of the office.
- *SIVB Subvention* - The Secretary also advised the SIBC subvention has been reinstated because information is a human right of the people. The Committee pointed out that the subvention had been ceased until SIBC produced audited financial statements.
- *Constitutional Reform Unit* - The Committee was concerned that \$3 million had been expended on Constitutional Reform over the past two years. The Secretary advised that the project is in its final stages and a briefing is being prepared to go to Cabinet. She agreed that it was an expensive exercise and indicated that the Constitutional Reform Unit is to be audited by the Auditor General.

3.7 Head 283 Ministry of Police and National Security

- *Community Policing* - The Committee noted that there is a weakness in communications between the community and the police. The budget should reflect the resources that the police need to be able to do their job. The Committee noted that the funding for Community Policing was only \$75,000 in 2008 and \$173,000 in the 2009 Draft Estimates. The Committee expressed concern that most police are in Honiara and there is a high inequity in providing police in line with population densities.

3.8 Head 286 Ministry of Development Planning and Aid Coordination

- *Development Budget Implementation* - The Committee expressed concern that development projects are implemented late in the year, or roll over to the following year because the planning and preparation for the projects do not commence until after the budget is passed. The Committee suggested that projects be planned and ready to implement before the project is funded under the budget. The Committee also suggested that this would reduce the frustration by Ministers and

Members of Parliament which leads to the political interference noted by the Committee in the Auditor General's reports.

- ***Development Budget Performance*** - The Permanent Secretary advised the Committee that 85% of the Development Budget was paid or committed as at the end of October. The Permanent Secretary also suggested that the Ministry for Finance and Treasury could consider setting up a separate payments processing team which would give priority to payment of development budget expenditure.

3.9 Head 291 Ministry of Public Service

- ***Recentralisation of Disciplinary Action*** - The Committee noted that many public officers are on suspension pending disciplinary action, and that the disciplinary action has not been taken after lengthy delays. The Permanent Secretary advised that his Ministry has taken back responsibility for disciplinary action for officers from level 7 and higher. The Committee noted that this would encompass the situations where the Auditor General had recommended disciplinary action should be taken.
- ***Review of General Orders*** - The Permanent Secretary updated the Committee on progress of review of the General Orders and advised the Committee that these were nearing completion.
- ***Public Sector Strengthening*** - The Permanent Secretary advised that his Ministry has established an Operations and Management division which would assist line Ministries in streamlining processes, working out workforce requirements. This is a skill which has been lost to the public sector and is being redeveloped so that officers have the skills to investigate and re-engineer processes.

3.10 Head 298 Ministry of Rural Development and Indigenous Affairs

- ***Inadequate Funding for Rural Development*** - The Permanent Secretary advised the Committee that his Ministry has sufficient funds to operate, but has not been allocated the \$9.5 million requested in order to provide the core services required to implement the governments priority policies. The Permanent Secretary stated that he had been assured the

\$9.5 million would be allocated as a contingency warrant. The Committee was concerned that not only is this inappropriate use of contingency warrants, but that the budget process had not ensured there was funding available to implement high priority government policies.