



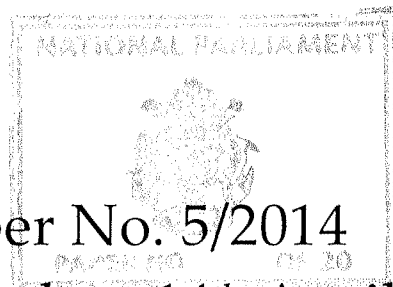
National Parliament of Solomon Islands

Public Accounts Committee

# Committee Report

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Report on the 2014 Supplementary Appropriation  
Bill 2014



NP-Paper No. 5/2014

Presented on 14<sup>th</sup> April 2014

National Parliament Office



## COMMITTEE MEMBERSHIP

The current members of the **Public Accounts Committee** (9<sup>th</sup> Parliament) are:

**Hon. Douglas Ete, MP (Chairman)**

**Hon. Peter Shanel Agovaka, MP**

**Hon. Matthew C. Wale, MP**

**Hon. John Maneniaru, MP**

**Hon. Andrew Manepora'a, MP**

**Hon. Vika Lusibaea, MP**

**Secretary:** Mr. Robert Cohen, Acting Auditor General

### **Secretariat**

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## COMMITTEE FUNCTIONS

The Committee is established under *Standing Order 69*; an Order made pursuant to the *Constitution*<sup>1</sup> and has the functions, together with the necessary powers to discharge such, to:

- (a) 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) establish the causes of any excesses over authorised expenditure and to make recommendations to Parliament on any appropriate measures to cater for such excesses of expenditure;
- (c) 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) 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) 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 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) make such recommendations as the Committee sees fit and subsequently receive comments and reports on such recommendations from the Government.

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<sup>1</sup> Section 62, *Constitution of Solomon Islands 1978*.





## CHAIR'S FOREWORD

### REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

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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 of the Inquiry into the 2014 Supplementary Appropriation Bill 2014 for laying before Parliament.



Honourable Peter Shanel Agovaka

Acting Chairman

Public Accounts Committee

April, 2014



## 1.0 BACKGROUND TO REPORT

### 1.1 Introduction

The National Parliament is the independent law making arm of government to which the Executive is accountable to. 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 is given the power to examine the annual Draft Estimates including the Supplementary Appropriation budgets prior to their tabling before Parliament.

This Report outlines the findings of the Committee's examination of the 2014 Supplementary Appropriation Bill 2014. The Bill is required to appropriate monies that have been spent but without appropriation – through Contingencies Warrant Section 58 and Advance Warrants Section 60 of the *Public Financial Management Act 2013* which commenced 1 January 2014.

In compliance with the Standing Orders, this Report has been prepared for the information of Parliament Members to assist them in their debate on the Bill. It aims to draw to the attention of the Members of Parliament those matters, which the Public Accounts Committee has identified through taking evidence by interviews of the Permanent Secretaries (PS) of the Ministry of Finance and Treasury, the Ministry of Home Affairs, the Ministry of Justice and Legal Affairs and the National Judiciary, the Ministry of Police, National Security and Correctional Services, and the Clerk to the National Parliament who came before the Committee. Accounting officers of the Ministry of Foreign Affairs and External Trade could not make it to the Committee hearing and requested to make a submission on its appropriation. The Committee had not received this submission at the date of printing this report.

## 1.2 Scope of this Report

Under Standing Order 69, the Committee is responsible to:

- (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
- (i) make recommendations as the Committee sees fit and subsequently receive comments and reports on such recommendations from the Government.

## 1.3 Methodology

The 2014 Supplementary Appropriation Bill 2014 was received by the Speaker of Parliament on Thursday 3<sup>rd</sup> of April 2014. The Speaker certified the Bill on Friday 4<sup>th</sup> of April 2014.

In addition to copies of the Bill itself which were made available to members of the Committee, the Committee interviewed and sought the views of the accounting officers and officials from five of the seven Ministries with appropriations in the Bill during the Committee hearing held on Wednesday the 9<sup>th</sup> of April 2014.

## 2.0 COMMITTEE DELIBERATIONS

The 2014 Supplementary Appropriation Bill 2014 is required to appropriate monies that have been spent or otherwise brought to account earlier this year 2014 but without appropriation – through Contingencies Warrant Section 58 and Advance Warrants Section 60 of the *Public Financial Management Act 2013* which commenced 1 January 2014.

The amounts being appropriated were as follows:

Head	Ministry	Source	Amount	Purpose
274	Foreign Affairs	SIG	1,573,594	Establish Jakarta Mission
279	National Parliament	SIG	2,000,000	MPs allowances and Discretionary Fund
296	National Judiciary	SIG	2,368,488	High Court Judge Justice Brown
273	Finance	SIG	8,213,884	Purchase SI Printers Limited office
393	Home Affairs	UNDP	2,760,000	Biometric Voter Registration
374	Foreign Affairs	UN	2,442,947	Enhancing SI Trade Related Capacity
383	Police, National Security and Correctional Services	Australia	6,627,283	Correctional Services Infrastructure maintenance and new residences
392	Justice and Legal Affairs	Australia Australia/ ROC	757,294 1,800,845	Recruitment local staff Maintenance of buildings, refurnish High Court Library [ROC]
473	Finance	Australia	45,828,672	Construction new MOFT building
		<b>Total</b>	<b>74,373,008</b>	

### 2.1 Government Accountability Relationship to Parliament through Committees

The Committee finds it unacceptable that during Committee hearings, responsible officers either withheld information or did not fully provide information in response to Committee questions on the claimed basis of the sensitivity of the information. The PS of Ministry of Finance and Treasury was requested to advise the Committee on the Government's current cash cover as part of its questioning on the current state of the Budget performance (see 2.2 below). The PS advised that the Government currently had two months cover. However, when pressed to disclose the dollar amount he refused to do so on the ground that the information was sensitive.

The Committee is concerned that such grounds for non-disclosure could be used as a cover by the Government to avoid scrutiny of expenditure that may be politically embarrassing rather than commercially sensitive.

The Committee reminds the Government and its public officers that in questioning public officials during Committee hearings, the Committee is performing its role in accordance with Parliament's broader role under the accountability and transparency process, and is fulfilling its duties under Standing Order 69(f) and (g). The Committee is concerned that public officials who do not duly provide information to the Committee when requested undermine these accountability and transparency functions of the Committee, and any claims of commercial sensitivity for the non-disclosure of information need to be properly substantiated rather than just on public officials' say so.

## **2.2 Budget Forecast Performance**

The Committee queried how well expected revenue for 2014 was performing. The PS of Ministry of Finance and Treasury advised that his ministry is currently remodelling forecast revenue as part of an International Monetary Fund (IMF) review of its three year program in Solomon Islands whereby the government's performance is measured against various benchmarks – both in terms of activities and in meeting deadlines.

The PS of Ministry of Finance and Treasury advised that the two risky income elements in the 2014 Budget related to revenue arising from the mining and logging industries; and the current closure of the Gold Ridge mine is expected to have an impact on revenue and expenditure appropriated in the 2014 Budget, and that cuts to expenditure may be expected. The results of the IMF remodelling exercise were expected to be completed in three weeks time which will give a clearer picture of the likely deficit..

## **2.3 Abuse of Contingency Warrants (CW)**

### *Continued abuse under the new Public Financial Management Act 2013*

As pointed out in Committee's Report NP No 2 of 2014 on the 2013 Supplementary Appropriation Bill 2014, the misuse of CW for budget items that are foreseeable has already commenced under the new

Public Financial Management Act 2013 despite assurances from the PS Ministry of Finance and Treasury, which were reported in the Committee's Report NP No 2, that such abuse would be more difficult under the new Act. The Committee asked the Director of the Budget Unit in the Ministry of Finance and Treasury as to why the budget shortfalls and subsequent use of CWs remained an inherent weakness in the Budget Cycle.

In response the Director advised that line ministries did not properly plan for their activities<sup>2</sup>. The Director claimed that his Unit did undertake a number of consultations with line ministries and reminded them to bid well in advance with clear explanations for the resources they need. The Committee observed that there appeared to be a conflict in some of the evidence whereby the Budget Unit alleged that the line ministries were not submitting quality bids on time whilst the line ministries claimed that they putting in essential bids that were then being cut by the Budget Unit. This complaint by ministries was heard by Committee during its hearings into the 2014 Appropriation Bill 2013 [Report NP No 25 of 2013] and Committee wondered whether some of those cuts made by the Budget Unit were subsequently found to be ill-based and were then being required to be re-inserted into the Budget under a CW.

#### *Warrants for Jakarta Mission, MP's Allowances and Discretionary Fund and Remuneration of High Court Judge*

Three items were identified as examples of current Budget Cycle deficiencies leading to the practice of using CWs; as they were part and parcel of expenditures originating in the 2013 fiscal year which should have been foreseen to continue in 2014.

The Committee queried the Ministries for Finance and Treasury, Justice and Legal Affairs and the Clerk to the National Parliament respectively as to why the continuation of 2013 expenditures into 2014 had not been foreseen and accounted for in framing the 2014 Budget.

With respect to the Jakarta Office, the PS of the Ministry of Finance and Treasury advised that this item was included in some decisions taken by Cabinet late last year that were too late to be incorporated into the 2014 Budget.<sup>3</sup>

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<sup>2</sup> Mr. Norman Hiropuhi, Director of Budget Unit, Evidence to Committee, 9<sup>th</sup> April 2014

<sup>3</sup> Mr. Shadrach Fanega, PS Ministry of Finance and Treasury, Evidence to Committee, 9<sup>th</sup> April 2014

In contrast, with respect to the item for the remuneration of the High Court Judge, the National Judiciary had not effectively budgeted for an extension of the Judge's employment contract during 2013 which had led to public criticism of the Government by the Judge, and his contract was again subject to a lack of appropriation for a further extension to September 2014 in order to complete two cases currently being heard by the Judge. This appeared to the Committee to be a problem arising from the performance of the line ministry rather than the operations of the Budget Unit or Cabinet.

With respect to the item for MP's allowances, the Committee obtained conflicting advice. The Director of the Budget Unit said he did not recall seeing the bid for MP's allowances from Parliament Office which resulted in it being omitted from the 2014 Budget. However, in evidence to the Committee regarding that same appropriation, the Clerk to the National Parliament claimed her office had made a submission on that item in its 2014 Budget bid. Furthermore, the Clerk did not get a chance to explain this budget omission to the Committee during its hearings into the 2014 Appropriation Bill 2013 last year, or resolve it in the Bill's process, because the office was not given the opportunity to come before the Committee due to time factors arising from the lateness of receipt of the Bills and the appointment of the Acting Auditor General which was required in order to enable Committee to sit.

The Committee found that these three appropriation items evidenced the sorts of Budget Cycle issues that needed to be resolved if the new Act was to better manage the use of CWs for their intended purposes.

## **2.4 Financing the Current Natural Disaster**

Funding of the current Flood Disaster was raised by the Committee given that no allocation had been made for national disaster in the 2014 Budget. The Committee asked the PS of Ministry of Finance and Treasury what financial mechanisms were in place to finance the current flooding disaster. The PS advised that government funding for disaster relief and rehabilitation will come under the CW provision and that \$5 million had been allocated to the National Disaster Special Fund. Additional amounts of funding would be determined after the Government has been advised how much will be contributed by donors towards recovery and reconstruction activities, so that the Fund will not contain idle funds urgently required elsewhere or exposed to risk of abuse.



The Committee is concerned that the current CW balances available are inadequate to meet the current relief and reconstruction needs.

## **2.5 Biometric Voter Registration (BVR)**

The Committee commended the Ministry of Home Affairs on the current progress and efficient system of the BVR. The Committee raised a number of issues that had arisen in various provinces including East Kwaio, East and West Are'Are and Makira, and was assured by the PS of Ministry of Home Affairs that these had all been resolved and registration was back on track. The PS also advised that some costing of registration activities within the provinces had been inadequate due to rising prices for very limited goods and services that had only become apparent upon acquittal of imprests from registration officers.

The Committee, however, raised its concern on instances which were happening where residents of constituencies other than Honiara are registering themselves in another different constituency either by their own initiative or at the initiative of other intending candidates. This practice had the potential to distort the distribution of constituency funds.

The Committee also queried the incidence of voters selling or losing their identification cards. The PS assured the Committee that the system would detect any person attempting to vote on behalf of another registered voter, and that draft Electoral Roll lists would be distributed to all constituencies to ensure completeness and accuracy before they were finalised ready for the election. Any corrections would be subject to an open hearing to ensure they were genuine.

The Committee also queried when residents in Honiara would be able to vote in Honiara for candidates based in the provinces from where the residents originally came and where they still had family assets and residential claims. The PS of Ministry of Home Affairs advised that such arrangements involved a number of new risks such as safe transport of ballot boxes, and the Ministry was taking an incremental approach in adding new features to the electoral system to avoid confusing voters and ensuring the new arrangements were effective.



### 3.0 RECOMMENDATIONS

1. The Committee reminds the Government and its public officers that in questioning public officials during Committee hearings, the Committee is performing its role in accordance with Parliament's broader role under the accountability and transparency process, and is fulfilling its duties under Standing Order 69(f) and (g). The Committee recommends that any claims of commercial sensitivity for the non-disclosure of information to the Committee need to be properly substantiated and any such claims made just on public officials' say so will not be accepted by Committee.
2. The Committee understands that the Ministry of Finance and Treasury has requested all government ministries to have a Budget Committee. The Committee recommends all line ministries who do not have a Budget Committee as yet to set up one so that proper and complete oversight of preparation of bids in a ministerial budget can be used to reduce and rectify any errors or omissions in the annual Budget preparation cycle.
3. The Committee strongly recommends that the Ministry of Finance, the National Disaster Management Office and any other related bodies that manage public monies to fund disaster relief and rehabilitation work prudently with those monies to appropriately address the needs of citizens affected by the Flood Disaster; and that the Government consider increasing the amounts made available to sufficiently fund the required relief and reconstruction activities.
4. The Committee recommends that the Government review the current legislative arrangements prescribing procedures for voter registration in order to rectify some weaknesses that are now becoming apparent.



## 4.0 APPENDIX

### Minutes of Proceedings



## PUBLIC ACCOUNTS COMMITTEE

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### NATIONAL PARLIAMENT OF SOLOMON ISLANDS

#### Minutes of Proceedings Committee Hearing

#### Hearing 2 /2014

Wednesday 9<sup>th</sup> April CR II, Parliament House 2:30 pm

#### 1. Members Present

Hon. Peter Shanel Agovaka, MP (Acting Chairman)  
 Hon. Mathew Wale, MP  
 Hon. Andrew Manepora'a, MP  
 Hon. John Maneniaru, MP  
 Hon. Vika Lusibaea, MP

Secretary: Mr. Robert Cohen- Auditor General (Acting)

Absent- Hon. Martin Kealoe, MP

Apologies - Hon. Douglas Ete, MP

#### Secretariat

Mrs Jasmine Waleafea  
 Miss Salome Pilumate  
 Mr. Whitmon Tabiru- Hansard Reporter  
 Mr. Sanjay Dhari- ICT  
 Mr. Eric Wate - Camera

#### Witnesses

Mr. Shadrach Fanega- Permanent Secretary, Ministry of Finance and Treasury (MoFT)  
 Mr. Norman Hiropuhi- Director of Budget Unit

2. Prayer- Hon. John Maneniaru said the opening prayer.

#### 3. Committee Hearing into the 2014 Supplementary Appropriation Bill 2014

The Chairman (Ag) welcomes members of the Committee, the PS of Finance, the Secretary to PAC to the hearing. The Chair made a brief opening statement on the hearing and invited the PS of Finance to make his statement.

The PS of Finance made his presentation on the 2014 Supplementary Appropriation Bill 2014 before the Committee.

The Committee questioned the PS and his officials regarding the MoFT.

Evidence concluded

**3. Suspension:** The Committee suspends hearing at 2:55 pm

#### **Hearing 3/2014**

*The Committee resumes hearing at 3:20 pm*

##### **1. Witnesses**

Mr. Fred Fakarii- Permanent Secretary, Ministry of Home Affairs

##### **2. Committee Hearing into the 2014 Supplementary Appropriation Bill 2014**

The Chairman (Ag) welcomes the PS of the Ministry of Home Affairs and asked him to make his presentation on the expenditure of his ministry in the Bill.

The PS made his brief presentation before the Committee.

The Committee questioned the PS on his Ministry. The PS answered the questions

Evidence concluded

**3. Suspension:** The Committee suspends hearing at 3:43 pm

#### **Hearing 4/2014**

*The Committee resumes hearing at 3:49 pm*

##### **1. Witnesses**

Mr. Freddy Meesa- Permanent Secretary, Ministry of Justice and Legal Affairs (MJLA)

Ms .Margaret Qoloni- CEO, National Judiciary

Mr. Charles Karoni – Chief Infrastructure Officer

##### **2. Committee Hearing into the 2014 Supplementary Appropriation Bill 2014**

The Chairman (Ag) welcomes the PS of the Ministry Justices and Legal Affairs and his officials asked him to make his presentation on the expenditure of his ministry in the Bill.

The PS of the MJLA made an introduction on the amount of expenditures in the Bill followed by another brief from the CEO of the National Judiciary.

The Committee questioned the PS and his officials on the expenditure heads.

Evidence concluded

**3. Suspension:** The Committee suspends hearing at 4:00 pm

#### **Hearing 5/2014**

*The Committee resumes hearing at 4:02 pm*

##### **1. Witnesses**

Mr. Edmond Sikua Permanent Secretary, Ministry of Police, national Security and Correctional Services (MPNSCSS)

##### **2. Committee Hearing into the 2014 Supplementary Appropriation Bill 2014**

The Chairman (Ag) welcomes the PS of the MPNSCSS and his officials and asked him to brief the Committee on the expenditures in the bill.

The PS informed the Committee on the purpose of the funds in the bill.

The Committee questioned the PS regarding the funds. The PS answered the questions.

Evidence concluded

**3. Suspension:** The Committee suspends hearing at 4:09 pm

#### **Hearing 6/2014**

*The Committee resumes hearing at 4:11 pm*

##### **1. Witnesses**

Ms Taeasi Sanga- Clerk to Parliament

##### **2. Committee Hearing into the 2014 Supplementary Appropriation Bill 2014**

The Chairman (Ag) welcomes the Clerk and Deputy Clerk of Parliament to the hearing and asked the clerk to make her presentation on the expenditure under National Parliament.

The Clerk informed the Committee on the purpose of the expenditure and why it came in this bill.

The Committee questioned the clerk on the expenditure. The clerk answered the questions.

Evidence concluded

**3. Adjournment:** The Committee adjourns hearing at 4:20 pm





