



National Parliament of Solomon Islands

Public Accounts Committee

# Committee Report

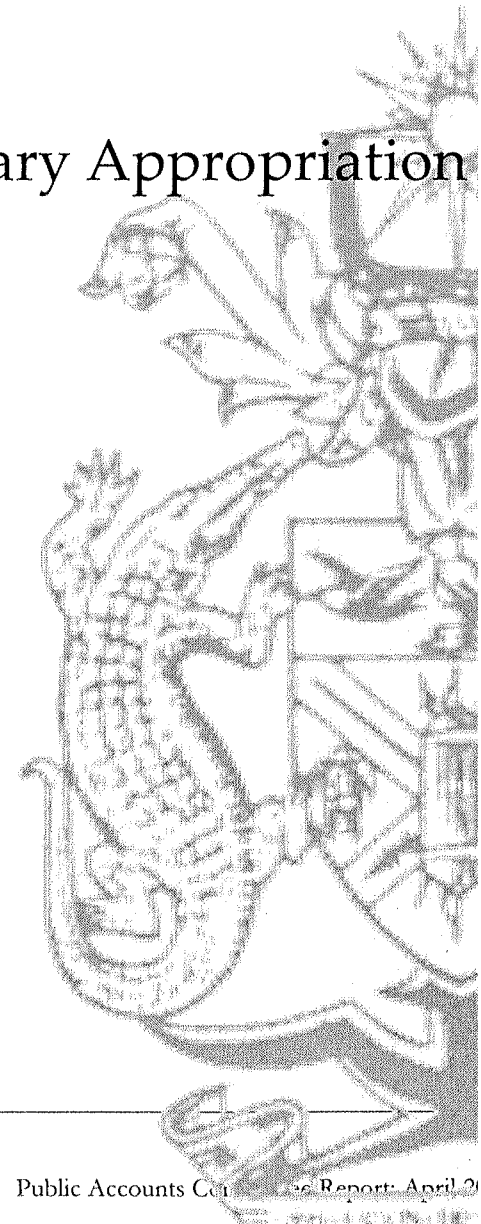
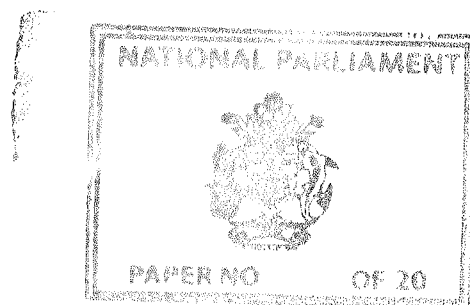
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Report on the 2013 Supplementary Appropriation  
Bill 2014

NP-Paper No. 2/2014

Presented on 10<sup>th</sup> April 2014

National Parliament Office





## COMMITTEE MEMBERS

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**

Mrs Emily Kupenga  
Mrs Jasmine Waleafea  
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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 Treasury 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

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 2013 Supplementary Appropriation Bill 2014 for laying before Parliament.

A handwritten signature in black ink, appearing to read 'Peter Shanel Agovaka', with a large, stylized flourish at the end.

Honourable Peter Shanel Agovaka

Acting Chairman

Public Accounts Committee

April, 2014



# BACKGROUND TO REPORT

## 1.0 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 2013 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 its inquiry and in particular through the questioning of the Permanent Secretary (PS) of the Ministry of Finance and Treasury who appeared before the Committee on behalf of six ministries with expenditures in the Bill.

Due to the time given for the 2<sup>nd</sup> reading of the Bill and the state of disaster we have in Honiara and parts of Guadalcanal, which some government officials and Members of the Committee are engaged in, the Committee was not able to hear directly from all 6 Ministries in the Bill. In addition, the Committee accepted that the moneys appropriated had already been spent during the previous fiscal year. Accordingly, only the Ministry of Finance and Treasury was requested to come before the Committee and explain the provisions in the Bill.

## 1.1 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.

## 1.2 Methodology

The Committee interviewed and sought the views of the Permanent Secretary of the Ministry of Finance and Treasury, the Ministry responsible for the development of the 2013 Supplementary Appropriation Bill 2014, in addition to copies of the Bill itself which the Committee received in good time.

## 2.0 COMMITTEE DELIBERATIONS

The 2013 Supplementary Appropriation Bill 2014 is required to appropriate monies that have been spent in late 2013 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
279	National Parliament	SIG	900,000	MPs Discretionary Fund
287	Culture and Tourism	SIG	2,000,000	Pacific Beauty Pageant Show
299	Environment, Climate Change, Disaster Management and Meteorology	SIG	850,000	Monitoring and regulating Gold Ridge tailing storage facility
477	Infrastructure Development	NZ/SIG	10,000,000	Shipping Grants Initiative
376	Health and Medical Services	WHO	155,697	WHO Health Support Service Program
489	Communication and Aviation	ROC	2,000,000	Munda Airport Upgrading Project
		Total	15,905,697	

### Misuse of Contingency Warrants

The Committee expressed its concern over the continued use of Contingency Warrants to expend unappropriated monies when the purposes for those expenditures were foreseeable or not urgent. The Committee was of the view that such practices lent themselves to political expediency. PS Finance and Treasury acknowledged the Committee's concerns and expressed the intention that management of Contingency Warrants will be strengthened under the new *Public Financial Management Act 2013*.

The Committee queried whether the new Act would be effective in preventing continuation of this practice, and the PS Finance and Treasury advised that the new arrangements are conducive to improved budgeting practices but that ultimately Cabinet, after full consultations with all stakeholders and after consideration of all information available at the time, needed to ensure that government services continue to be provided to the people which sometimes meant that Contingency Warrants would be required.

## Shipping Grants

That Committee raised a number of issues in relation to the shipping grants.

### *Ownership of vessels purchased for constituencies*

In its hearings into the 2014 Appropriation Bill 2013, the Committee queried the number and quality of applications for grants which showed that in 2013 five grants were for \$1M – \$3M while the 17 others were for less than \$100,000. Where those ships were purchased for constituencies, the Committee requested advice on how ownership would be determined – indeed for all constituency assets purchased under the CDF arrangements. The ministry [MID] advised at that hearing that the Attorney General was being requested to provide advice on how to establish ownership of such assets. That advice is still outstanding.

### *Expenditure under the revised budget amount*

An analysis of the transactions from the relevant 2013 Budget vote showed that a total of \$21,600,000 was paid to nine constituencies as follows:

Recipient	Order total	Payment date	Explanation
Small Malaita Constituency	3,000,000.00	12/4/2013	Cost of Vessel for Small Malaita
Rennell Bellona Constituency	2,600,000.00	12/4/2013	2013 Shipping Grant
South Vella la vella Constituency	3,000,000.00	12/20/2013	Cost of Vessel for South Vella Shipping Project -LC Bilua
East Makira Constituency	3,000,000.00	12/23/2013	Shipping Grant
North Malaita Constituency	3,000,000.00	12/31/2013	Purchase of new vessel north malaita-shipping grant

Russells & Savo Constituency	3,000,000.00	12/31/2013	Transfer of remaning bal from SIG rural to NTF
Malaita Outer Island Constituency	3,000,000.00	12/31/2013	Purchase of new vessel for malaita outer island-shipping grant
East Guadalcanal Constituency	300,000.00	12/31/2013	General maint & overhaul engine refurbuse overall deck repair-MV Solomone
East Central Guadalcanal Constituency	700,000.00	12/31/2013	Maintance & repair cost for MV Kangava

21,600,000.00

The original budget under the *2014 Appropriation Act 2013* for this initiative was \$14 million, and the additional \$10 million appropriated under the *2013 Supplementary Appropriation Bill 2014* resulted in a total appropriation of \$24 million.

As the expenditures disclosed only amounted to \$21.6 million, the Committee queried whether the difference of a further \$2.4 million was still to be accounted for. PS Finance and Treasury undertook to find out.

#### *Lack of a shipping policy*

The Committee expressed its concern that there did not appear to be any shipping policy needed to regularise the approval of projects involving the purchase of ships. The Committee felt that such a policy was essential to ensure that shipping purchases were properly evaluated and the procurement rules enforced.

The Committee also queried whether some constituencies were receiving multiple grants whilst other constituencies with urgent needs for coastal transportation were missing out. PS Finance and Treasury advised that he was unaware of any such circumstances and suggested that if this was happening it was probably under different funding arrangements than through this particular Budget item.

*Purchases of foreign vessels*

The Committee expressed its concerns that the amounts being appropriated for the purchase of vessels appeared to be inadequate which could be leading to the purchase of foreign vessels which were being discarded by their owners as being beyond their economic life. The Committee also queried whether such practices discouraged local shipbuilding businesses which specialised in wooden hull vessels.



### 3.0 RECCOMENDATIONS

The Committee recommends that;

1. the Government establish a national shipping policy that would assist in ensuring an optimal outcome for assistance to the shipping industry and the constituencies' dependent upon coastal shipping for transport, communication and freight.
2. the Ministry of Finance and Treasury and the Ministry of Infrastructure Development account for the difference of \$2.4 million of the total of \$24 million appropriated for the shipping grants initiative.
3. the Ministry of Finance and Treasury strengthen its capacity to enforce normal procurement requirements on all government payments to achieve the good intentions of the *Public Financial Management Act 2013*



# PUBLIC ACCOUNTS COMMITTEE

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## NATIONAL PARLIAMENT OF SOLOMON ISLANDS

### Minutes of Proceedings Committee Hearing

Hearing 1/2014

Tuesday 8th April CR II, Parliament House 2:08 pm

#### 1. Members Present

Hon. Peter Shanel Agovaka, MP (Acting Chairman)

Hon. Mathew Wale, MP

Hon. Andrew Manepora'a, MP

Hon. John Maneniaru, MP

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

**Absent-** Hon. Martin Kealoe, MP

- Hon. Vika Lusibaea, MP

**Apologies -** Hon. Douglas Ete, MP

#### Secretariat

Mrs. Emily Kupenga

Mrs Jasmine Waleafea

Miss Salome Pilumate

Mr. Davidson Kukuti - Hansard Reporter

Mr. Sanjay Dhari- ICT

Mr. Eric Wate - Camera

#### Witnesses

Mr. Shadrach Fanega- Permanent Secretary, Ministry of Finance and Treasury

**2. Prayer-** The Acting Chairman Hon. Peter Shanel Agovaka called the hearing to order and said the opening prayer.

#### 3. Committee Hearing into the 2013 Supplementary Appropriation Bill 2014

The Chairman (Ag) welcomed members of the committee, the PS of Finance and Treasury, the Secretary to PAC and parliament officials to the hearing. The Chair made a brief opening statement on the hearing and invited the PS of Finance and Treasury to make his statement.

The PS of Finance and Treasury made his presentation on the 2013 Supplementary Appropriation Bill before the committee. The committee questioned and sought clarifications from the PS.

Evidence concluded

**3. Adjournment:** The committee adjourned hearing at 3:01 pm



