



PUBLIC ACCOUNTS COMMITTEE

NATIONAL PARLIAMENT OF SOLOMON ISLANDS

COMMITTEE TRANSCRIPT

Office of the Prime Minister & Cabinet

11 March 2008, 1:50pm

Mr Chairman: I now welcome the Office of the Prime Minister led by the Ms Liloqula. Ruth we now give you the opportunity to brief the Committee on the Office of the Prime Minister's head and the budget. Thank you.

Ms Lilogula (*Secretary to Cabinet*): Thank you Chairman for welcoming us.

In regards to the recurrent budget, the Office of the Prime Minister and Cabinet acknowledges that what is given to us is well below our submission. We accept the baseline since the medium term development strategy will come within the first half of this year. When the budget is revisited we will then be submitting the difference in our budget submission. This is the agreement we have in order to also pass track the budget through to the Parliament.

But we do have some initial comments to make, and this is on publicity and promotion. This is to do with the Prime Minister's Office because a lot of publicity and promotions have been carried out in this Ministry but there is zero allocation in there.

We have incurred quite a lot of expenses that we still have to meet under head 281. I am referring to page 61, 28161 Office of the Prime Minister and Cabinet.

Hon Sogavare: Could the Secretary please repeat what she said.

Mr Chairman: Excuse me Secretary the Members want you to repeat what you have been saying.

Ms Liloqula: On page 257, this year will also be our 30th anniversary of independence and the Office of the Prime Minister will be doing a lot of publicity and promotion in respect to getting the country to see themselves as one country but what we are seeing there is a zero budget.

We have already committed a lot of expenditure under this item. Our submission was for \$200,000 to be allocated to that head but it appears zero in here.

The next item is in terms of fuel. This vote here actually pays fuel for the standby generator and also our fuel administration. This amount of \$16,000 is not enough because we still have outstanding bills previously to pay off from the service provider.

I think the seriousness of this came to the forefront when Kevin Rudd visited the country and electricity blank out at the Prime Minister's Office and the town of course. And our generator did not work because we have not paid our bill of more than \$16,000.

Mr Chairman: The outstanding bill.

Ms Liloqula: The outstanding bill let alone the bill for the power cut needs that are coming. We also need that. I just want to point that out.

Overseas travel for MPs is well below what we have spent. This quarter it is almost within the region of \$3million already spent on the travel of Ministers and MPs outside of the country. I assume that this provision of \$1million for travel will only cover the Prime Minister's travel. In actual fact this is inadequate for the engagements that the Prime Minister has outside of the country, as well as other Members of Cabinet.

One trip alone can cost us up to half a million dollars. This amount of \$1,863,496 is well below what the Prime Minister's Office needs in order to support the overseas engagement of Ministers, chairmen of SOEs and other Members that travel using this vote. Our original submission was for \$8million.

On overseas travel - public service, this is to do with Permanent Secretaries as well as officials that are in the Prime Minister's office including officials of the Ministry of Foreign Affairs as well as the securities and other officials traveling with the Prime Minister. This amount of \$545,000 is not enough but may be the Ministry of Finance and other ministries have budgeted for their Permanent Secretaries' travel overseas then that is fine. If not then it means the Prime Minister's office will not raise any Permanent Secretaries living allowance or any other costs out of the Prime Minister's Office because the budget is only for \$545,000.

We do not have any local supplementation because we are alright with the other allocations in here.

Subvention and grants is the next one I would like to bring your attention to. On subvention and grants, our office looks after the SIBC. We are putting subvention grants for the SIBC for \$600,000. This one is missing and so I guess we will have to vire everywhere in order to give the SIBC some money.

In terms of gifts and presents we are spending well over \$92,000 to buy gifts and presents for people who visited the country as well as when Prime Minister and other Members of the Cabinet go visit overseas.

For information service, we accept what is provided for in this budget basically because we are yet to put together our corporate plan and an annual management plan. We want to see how these things will fan out, and we are hoping to come into supplementation in order to properly support the information service coming out of the Prime Minister's Office informing the public what the government is doing and also inform everyone else as to where we are in regards to government programs.

We are hoping to produce a government weekly bulletin that talks about what is happening in the Public Service as well as in the Government.

The Commission of Inquiry has already spent \$22million in 2007 and the estimated remaining cost of that Commission will be \$21million.

The Constitutional Reform Task Force allocation is \$5million, for which \$2million is for operational costs and the other \$3million for the actual work this Task Force is going to do.

Renovation of the Prime Minister's residence as well as the Governor General's residence, which appears somewhere else but we are intending to take it back to this vote is on page 258.

For the Policy Evaluation Unit, we do not have any disagreement with the allocation here. We will go along with the budget and see how we go and then re-look at it again come June.

For office fuel expenses, \$16,000 is fine. I guess this fuel is included in the main budget and that is why it is zero here. For staff travel, \$10,000 is fine. We will see how we go with this until June or May.

For office maintenance we have \$6,000, capital expenditure \$20,000, and training & general is \$12,000. We are just happy with these allocations even though they are well below what we have submitted but it is alright we will work within these allocations and see how we go.

The main thing the Prime Minister's Office is very conscious of is not to lock up the money. Allow the money and we will work with it as and when we find the need to be, and what we are going to need will come in the supplementation because Cabinet is a coordinating Ministry.

For the Leadership Code Commission, our only concern here is their electricity and gas which is zero. The budget given to the main Office of the Prime Minister is even not enough to cover their costs too. I cannot understand how we are going to deal with this. Electricity cost is very, very expensive and our submission for the Leadership Code Commission was at least \$200,000.

I am very concern because the Leadership Code Commission along with the Auditor General's Office and others are institutes of integrity and they need big support to ensure they fulfill their role in making the public service accountable for the work it is doing within the public service. I am just asking if consideration can be given to give these offices a bit for their electricity. But again with the understanding that we will look at our spending and when supplementation comes, we would be given the chance to put in the other requirements based on how much we spend each year.

The next item in the Prime Minister's Office is the Economic Reform Unit. This one is wrongly labeled. It should have been the Prime Minister's Private office where political appointees and the Caucus Office are funded out of. I ask you to re-label item code 281-0071 as the Prime Minister's Private Office then it will be right.

I can see item code 281-0071-1054 labeled as Cabinet Office. However, it should not be Cabinet Office but Caucus Office. I am not sure whether it is legal to put Cabinet Office or Caucus office, and this is to cover this office's costs with their salaries. It should be other allowances other than Cabinet. But I have a question here as to where we are going to fund the Caucus office because the amount provided for under the Prime Minister's Private Office is only enough to run the Prime Minister's Office.

Hon Sogavare: This private office also includes Caucus.

Ms Liloqula: Yes, it also includes the Caucus. The Prime Minister's private office funds the operations of the Caucus office as well as the people employed in the office. The point I want to raise here is that the amount given here does not show the expenditures incurred within this office.

Hon Sogavare: We might not be aware but the Chairman might want to abolish Caucus.

Ms Liloqula: Well, I think that is why the Cabinet is put because we do not exactly know whether it is legal or not to include Caucus inside the budget.

Hon Sogavare: Mr Chairman, I would have thought that it should come under the Prime Minister's private office because they are all part of the Prime Minister's set up, but I am sorry Secretary that may be the allocation is not enough.

Ms Liloqula: The allocation is not enough.

Overseas travel for MPs and others has a zero allocation. But this is our most expensive item and our original submission was for \$8million. Under this Office too we pay for house rentals but it is zero. May be everyone will now live under tents.

For legal expenses, the governments still has a lot of legal fees to pay as a result of High Court rulings and so we need \$1million for this. So far there are outstanding bills to be paid that we are yet to pay. This is every legal case the government is involved in whether the present one or the previous one. So we are asking for \$1million for this. Of all the bills the High Court has asked us to pay already more than \$500,000 has been cleared

Economic Reform should be the Prime Minister's private office.

Renovation of the Prime Minister's residence as indicated here is what I would like to clarify. This one should be renovation of the Governor General's residence and it should appear under the head I have already mentioned on page 61.

Otherwise for the rest, I would just like the committee to take note here that this is well below the submission of the Ombudsman's office. But we have managed to ask Finance and agree that we are going to spend whatever we have here and then we see how we go.

The next one is the National Intelligence Office, and we accept what is given now. We have no comment with this because we are quite happy with it.

The last one is National Planning. This Unit now is not going to be National Planning but a new division has been created in the Prime Minister's Office to be known as the Legal Policy Unit. This unit will look at the legal aspects and implications of the government's policy intention with the view to working with other ministries and others to get information, do research, and then turn those into legal drafting instructions to see if we can fast track some of the amendments that needs to be done to the Constitution as well as new bills that the government is expecting to do so that whatever policy being agreed upon by the government, the legal implication of those policies will also be brought up with respect to looking at what legislations have been in place as well. This is now not National Planning but the Legal Policy Unit. And we are happy with these provisions. Until we have done our planning we will see how we go with this. I think that's all.

Generally we agree with what is there, although it is well below what we have originally submitted. It also does not reflect the amount of expenditure the Prime Minister's Office has incurred. But currently I am advised to work with what we have been given at the moment and see how we go. And then look at May, June session where the budget will be reviewed for any additional funds. Thank you Chairman.

Mr Chairman: Thank you Ms Liloqula for that well presented brief on your estimates.

I think the work of the Committee is to reveal in here whereby it is intended to promote good governance, transparency and accountability. What you have revealed this afternoon is the truth that the allocations are well below your original bids. But it would seem to us that there is going to be another review of the budget in mid year, a mid year review.

But looking at the allocations and the trend we have been taking, it raises the question whether we are really making a genuine focus of revenue estimates. It would seem to me that they were deliberately done or have been very cautious in our estimating of the revenue.

In some of the allocations like travel we made allocations that are well below actual expenditures in 2007. Where do you get money from? Is this denying other expenditure heads? Or are we deliberately undermining revenue for the sake of making a balance budget, knowing that the end of the year there is going to be increase in revenue?

I am raising these questions for us to think about because we are conscious about control of expenditures but we are not truly reflecting the cost of running the departments.

What you have admitted this afternoon Secretary is that your bids are well below what your office submitted to the Budget Unit.

Hon Sogavare: I think this raises some questions of policy on how the budget is actually structured.

The Secretary was raising arrears of legal fees, arrears of fuel, which are payments that will eventually have to be paid by the government. What's the policy on that? There are other items as well like rentals of house, rentals of office, traveling expenses etc. Are there policies on how these things are structured into the budget, or maybe specific allocations somewhere that will cater for them? If they do not appear in the Prime Minister's Office then they might appear somewhere.

Arrears will probably be paid out of debt servicing reserve. Maybe the Budget Unit needs to explain more to us.

Mr Bob: Thank you Mr Chairman and thank you Leader of the Opposition. The basic question the Chairman was asking was how we restructure this whether we just try to get a figure that will balance. The answer is no. The answer is that the government is trying to direct as much expenditure as it possibly can into its stated policy set out in the framework implementation document.

That has been the over lining priority of the government with the exception that the government must be able to continue with its stated business. I think that sorts of address concerns at this point.

In regards to some of the issues that have been raised, I would like to separate them into four characters.

First is overseas travel. I recognize what the Ms Liloqula said. The Cabinet has decided this year to half all overseas travel for MPs and public servants. That is a decision made by the Cabinet and that is why the levels we need have been halved of last year.

The second is house rents. House rent for every department in every category is 50% increased of last year's actual expenditure. If last year's actual expenditure is zero then it would still be zero, and that does apply in someone's cases. But we recognize what's happening in Honiara, the rents are going through the roofs, the offices are suffering, so that goes for a specific policy.

The third item is where it appears that this year allocation is insufficient, but when we look back we have to acknowledge that it has not been required, and so in one case one the Cabinet set the issue of electricity which is expensive and so on. Last year the bill in that particular area was \$853.00, the year before zero. I see that someone else is paying it later or something to resolve.

The last question is been run is arrears, and that is a difficult question. One of the problems we face with that one, we do acknowledge it to be a problem, is that sometimes we get information too late and then we have to make adjustments. We are not in business to try and make people out of business for not paying bills. So that sort of thing does need adjustments.

Those are the primary shortfalls that the supplementary budget is required. When we in Finance become aware of the situation of urgency by central agencies, the line agencies that have specific unavoidable payments that they have to make and then we have to find revenue to address that.

I hope that addresses the concerns of the administration.

Hon Sogavare: The decision to half the trip is quite a a challenging decision the Cabinet has made, and so I wish them well in keeping up with that commitment. What is the policy on subventions?

Mr Bob: The policy on subvention is that the subvention should not take place until the audited accounts have led to the shortfall being submitted.

Hon Sogavare: So that is why it is zero rated.

Mr Bob: I believe that to be the case. I really need to confirm that it is the case. But the problem historically has been that the subventions are going to be paid in the absence of accounts. And so there is a more cautious approach.

Ms Liloqula: So does that mean the subvention is with you, once the audited accounts and the shortfall are presented.

Mr Bob: The Budget Unit is not responsible for making decisions on expenditures. That is for Cabinet to decide.

Hon Sogavare: Normally, you work through your Minister.

Mr Chairman: But do we reflect the subventions?

Ms Liloqula: Inside our budget.

Mr Bob: We have audited accounts of accounts we believe are going to be audited in time to be presented. But there needs to be a certain degree of It is an established fact that MPs are going to go overseas and we budget for it, but it is not an established fact that we get audited accounts. The Auditor General through yesterday is waiting ways some and small agencies have These difficulties are very, very

Mr Chairman: I still find it quite difficult to reconcile government policy and government actions. Getting back to page 257 on the issue that was raised by the Honorable Leader of Opposition on overseas traveling, in 2007 there is an allocation of \$3.1million but that was blown out under the actuals by \$4million. We have an actuals of \$7.1million.

In 2008 there is an allocation budgeted for \$1.8million but the Secretary has confirmed an actuals expenditure of \$3million.

How do we reconcile the government's policies and its actions, because it is difficult?

Mr Bob: I am afraid that is not a question the Budget Unit should address. We look at what we believe to be likely to make recommendations and those recommendations are addressed by Cabinet. But we don't make final decisions. The Cabinet does on the basis of but the submissions we put forward and our priorities and our

Mr Chairman: I am simply raising this issue because this reflects directly on the integrity of the budget, the budget preparation framework that has been presented to the Committee. We are only three months into this fiscal year, now is March but we have blown that allocation by \$2million.

Ms Liloqula: The point here is that this \$1.8million is only enough for the Prime Minister's next leg of the Forum countries to visit. It is not going to be enough for any other Ministers to travel. He still needs to go to other Forum countries, he has only been to Australia, New Zealand, PNG, and so the others he will have to make after.

Mr Chairman: So you are struggling for money somewhere.

Ms Liloqula: Yes

Mr Chairman: Where?

Ms Liloqula: That is a necessary visit which goes inline with the government's policy rebuilding relations.

Mr Chairman: We understand that building of relations, building bridges and mending fences. But this budget is not saying that.

Hon Sogavare: Mr Chairman, I find it very difficult to reconcile this. The officials here made an earlier statement that this budget reflects the policy of the government and now the Secretary is saying that it is not.

This is a breakdown in communication between politicians and their officials. But the way it is presented you will need a very big supplementary appropriation coming before Parliament in June. That would again, would rely on the ability of the government to actually collect revenue to support the supplementary appropriation. Normally supplementary appropriation comes after they have been spent.

Mr Chairman: Leader of Opposition I was going to repeat that because yesterday when the Permanent Secretary presented his budget before the committee, he said that this is a credible budget.

I understand and accept that but just two days into examining the estimates, this is no longer a credible budget because it lacks integrity. Where do we draw the line? Who is telling the truth? Government policies and government actions are not running in parallel.

I am just simply raising this for the committee to note this in its report.

Hon Sogavare: These are matters that you really need to discuss with the Budget Unit maybe with the politicians so that they will direct the Budget Unit to sort out some of these inadequacies because the way it is presented is basically not alright.

Ms Liloqula: At the official level I have no problem in implementing this budget. I can simply say there is no money so no travel.

Hon Sogavare: Well, lock them up, tie them up.

Ms Liloqula: May be this is an indirect way. With regards to rental here we are not talking about the rentals of public servants but we are talking about the rentals of Permanent Secretaries and political appointees, and that would be well over what is allocated here.

Mr Chairman: And the bulk of the workforce is without houses, the small men in the public service don't have houses, they are not adequately covered under rentals, and they are denied accessing rentals. This is very interesting.

Hon Soalaio: Mr Chairman, I think the good thing about having allocations clearly reflected in the budget is to enable you plan ahead and then ask for money. The beauty about having allocations is that you can make plans.

You do not know how many countries the Prime Minister would want to visit this year. And if there is not enough funds it is like going out into an unpredictable weather.

If you are given an adequate amount you could probably plan. Right now if the Prime Minister tells you that he wants to go to this country, you cannot say to him that there are not enough funds because it is going to cost your job.

Ms Liloqula: No, and you cannot even say that to Cabinet Ministers too.

Hon Soalaio: What I am saying is that it needs to be reflected in the budget.

Hon Sogavare: Mr Chairman, I just need to make the point to be recorded is that Cabinet made the decision on certain matters like overseas trip, halve it, has to be recorded and this people must be committed to that decision for not going. We will take it up if they bust the budget. I think it is a matter of just to be committed to what they are saying - political will. But like I said normally if you stop somebody from traveling overseas he will cross the floor.

Ms Liloqula: You also need to think about political stability, when looking at this, especially in the Prime Minister's Private Office and also Cabinet.

Yes, we can implement this budget but who are we to tell the Prime Minister and the Ministers where they can go or where they cannot go. I think this itself is a big problem, it is a big issue with us officials who are looking after this particular vote.

Hon Sogavare: This needs to be sorted out with the political leaders. What about the enquiry into the Guadalcanal Land dealings, where does this come in?

Ms Liloqula: On enquiry into the Guadalcanal land dealings, the steering committee that was formed to look into the term of reference for the enquiry into the Guadalcanal Land dealings is yet to come up with the terms of reference for that work. In the absence of that it is not easy to come up with a budget for that but hopefully we will have it before May/June.

Hon Sogavare: This is a very, very important program because it is to do with consolidating peace and stability here.

The government was very clear about some of the things that it wants to address, and it came out very openly about it, and I guess this is one of them, and that is to do with peace. But if it is going to be just neglected then it is quite serious. May be you can look at it with the Ministry of National Unity, Reconciliation and Peace as well. But I know it might appear in that head.

Mr Chairman: Secretary to Cabinet would you like to make any comments on the development budget.

Ms Liloqula: Yes, I want to make comments on development budget.

Mr Chairman: Yes, you have a very healthy one, the jointly administered one of \$32million. In your consolidated you have \$5.3million and your non consolidated you have \$32million, which you will jointly administer with the donors. Just your quick summary on the development estimates.

Ms Liloqula: I don't know which one is correct because there are so many papers here. With regards to the development budget, we are okay we did not have what we have with the recurrent. They gave us something that does not have us inside at all - zero, and that is why I want to make comment on it. But otherwise we are happy with it now

that I am shown the right budget, the sixth draft, but you only have the third draft. But the amount is correct.

Mr Chairman: Secretary, can you confirm that these drafts have been approved in Cabinet.

Ms Liloqula: Yes.

Mr Chairman: So you must have seen it.

Ms Liloqula: I was in Taiwan.

Mr Chairman: Looking at the development expenditures there is a big allocation of \$3.8million for support to constitutional reforms. What we want to know is what you are doing with this allocation. What is the progress of reforms on the Constitution?

Ms Liloqula: What I have is this project proposal, but they are going into congress and all of these. I must be quite honest with you that I don't know where they are up to. I still have to get an update report on this. What I have been told when we did the budget is that for them to complete the constitutional reform they will need a budget of \$13million. This year they said that they will need that amount and next year they will need another \$10million in order to complete this work on the federal system. Currently they are having a meeting, and I must say that at present I don't know where this thing is.

I have asked the Permanent Secretary (Special Duty) responsible to produce a progress report for us. I am also waiting for that to come as well.

Mr Chairman: I am simply raising the question because are we spending money for good or bad when there are recurrent expenditures that need to be allocated money to.

Ms Liloqula: When I get the report I shall be able to answer that. Thank you.

Hon Sogavare: Mr Chairman, I wonder how serious the government is with this reform.

This issue brought the country to its knees. It is one of the thirteen point demands submitted to the government in 1998. Our failure to address those demands led people to take the law into their hands, brought down a government, chased a lot of people out from Guadalcanal to go back. About 20,000 people were chased out of lands they properly acquired on Guadalcanal, a lot of people suffer as a result of us not addressing these demands for years. That is what it is.

In 2000 work started with some seriousness in it. The Buala Premiers Conference made it very clear that this policy must be taken up. The Kemakeza Government came up and took it up, and the last Grand Coalition for Change Government came up with some specific dates on time frame as to when we should achieve this.

In fact it was the intention of the Grand Coalition Government that we should be seeing the final draft of that legislation to go before Cabinet and to decide on what to do with it this year. This work on people congress and others should be done this year.

So it really boils down to the commitment the government has on this issue. It is just a matter of allocating resources to them because it is a very important matter that is costing lives and costing suffering. This country is losing billions of dollars of its wealth because of this problem. And now we suffer from the occupation of foreign forces too.

This is a very, very serious matter and the weight the present government has on this particular really shows that it is not serious about it.

And ironically the three main provinces that are so serious about this issue, all their MPs are now in the government - the Malaita Province, Guadalcanal Province and Western province.

This is a bit of political talk in here, but I feel that little provinces not commanding majority in parliament are taken for a ride by the very people who brought this country to its knees on this very issue, but then we are not serious about it.

This is a matter that I think should be brought up to the attention of this government. This is a very serious matter, and so who is driving this budget. Is it the politicians or TAs? Who is driving this budget?

Whatever we do, I thought this budget should be peace conscious. If we do not regard the issues that brought this country to its knees in year 2000, then we are just as irresponsible as the people who led this country up until that time.

It took some of us to throw our credibility on the line to bring this country up. This is a serious issue - \$3million is quite serious. It is an issue provinces are calling for. I don't know what else to say, but I am disappointed, I am really disappointed that we took this matter very lightly.

May be we think that because of the presence of foreign forces in here that if people revolt against those issues they will suppress those revolting, and that is why we are not serious. That is temporary. We are talking about lasting peace and these are issues that can address lasting peace. If we do not address these things you will see these things blowing up again in our face.

I just want to express this concern, Mr Chairman, on this particular issue, and all other peace were issues. We must be serious about them. Thank you Chairman.

Ms Liloqula: Mr Chairman, I can assure the Public Accounts Committee that because of directive from political leaders I am now beginning to deal with the Constitutional Reform Division within the Prime Minister's Office. We are expecting some changes and fast tracking of this. In fact, previously it was a \$13million budget that was put in.

Going back to them they say this is the amount they will need this year and this is why we only have \$3million a year. But most certainly I can say that even this government is not happy with the progress of this Unit and so we are addressing it now. I think just on checking up and assessing this Unit it was revealed that it does not have any budget.

Now that they will have a budget they should be able to move much faster. But I take note of the Leader of Opposition's comments, which I will bring to the attention of the Prime Minister.

Mr Chairman: I would like to take this opportunity to thank the Secretary to Cabinet and your officials for your presence here and for your very well presented brief. Any final comments from you?

Ms Liloqula: Am I not going to cover the establishment?

Hon Sogavare: Are you satisfied with your establishment?

Ms Liloqula: I have 20 political appointees that are not catered for in the budget. I don't think the public service should take this as a criticism as I just learned about it, and that's why I brought it up but currently we have 20 political appointees that we are meeting their salaries and other allowances for some of them who will probably finish by June or July, and some may be soon. But the total I have is 20 and I don't have enough in this budget. If that can be taken care of then I am done with my submission.

Hon Sogavare: Are you saying that you are short of people?

Ms Liloqula: I am short of posts.

Another thing I would like to bring to the attention of the Committee as well is the PEC (Parliamentary Entitlements Commission). It is my suggestion that this commission comes under the Parliament and be independent like the Auditor General or something like that.

I have not quite studied it properly but from what I know since coming to the Prime Minister's Office, it should not be attached to the Prime Minister's Office for various reasons that I think you as MPs would understand.

I think the PEC should be well placed under the Parliament Office so that Parliament makes budget provision for them and somewhere along the line the terms and conditions of MPs can be standardized to make it in a such a way that they don't draw up their own contracts and also keeping within the mechanisms that governs how we operate within the Public Service when we spend public funds.

Those are the only two other comments I would like to make. Thank you.

Mr Chairman: Thank you very much Ruth. You might want to leave some of your documents like the project proposal and other documents to our Secretaries.

But at this point I would like to thank you and your officials for coming along this afternoon. I think you have said what you want to say to the committee. Nothing will be taken personal as you are doing it in your official capacity as Secretary to Cabinet.

Thank you very much Ruth.