

## FRIDAY 2<sup>ND</sup> DECEMBER 2011

The Speaker, Sir Allan Kemakeza took the chair at 9:40am.

Prayers.

### ATTENDANCE

At prayers, all were present with the exception of the Ministers for Foreign Affairs and External Trade; Finance and Treasury; Commerce, Industry and Employment; Provincial Government and Institutional Strengthening; Public Service; Communication and Civil Aviation; Environment, Conservation & Meteorology & Disaster Management; Tourism; Lands, Housing and Survey; Police, National Unity and Correctional Services; Women, Youth, Children & Family Affairs; and the Members for North Malaita, East Kwaio, North West Guadalcanal, South Guadalcanal, Hograno/Kia/Havulei, Fataleka, East Honiara, South New Georgia, North Guadalcanal and West Honiara.

## STATEMENT OF GOVERNMENT BUSINESS

### MOTIONS

#### Motion No.6

That Parliament resolves itself into a Committee of the Whole House to consider National Parliament Paper No.18 of 2011, Annual Report of the Auditor General 2010.

**Mr Speaker:** Honourable Members, the Annual Report of the Auditor General 2010 was tabled on 17<sup>th</sup> November 2011 and today the Honourable Member for Aoke/Langalanga is moving the motion according to Standing Orders 17 and 18. I will now call on the Member for Aoke/Langalanga to move the motion standing in his name on today's Order Paper."

**Mr MATTHEW WALE** (*MP Aoke/Langalanga*): Thank you for allowing me to move the motion. I beg to move that Parliament resolves itself into a committee of the whole house to consider National Parliament Paper No. 18 of 2011, Annual Report of Auditor General of the year 2010.

The report was issued in April of this year and was tabled in Parliament, as you have stated, last month. In this report, the Auditor General summarised some of his findings on audits and activities he has done last year 2010. In the report, in relation to Solomon Islands

Government's financial statements, the report said the Auditor General was unable to form and provide an audit opinion because a significant amount of supporting documentation for transactions could not be located; internal controls over expenditure and revenue processes did not provide enough assurance, the recording of transactions is accurate and statements were not prepared in accordance with/or verifiable accounting framework.

The Auditor General did say there had been significant improvement in the reliability of figures and systems supporting the statements since the 2008 financial statements. During the audit of the 2009 Solomon Islands Government financial statements, the Auditor General examined the internal controls applying in ministries and the report is very clear, that it identified various weaknesses and these include the failure to manage standing and special imprests, the lack of action for recovery of non acquittals for the imprests; basic bank reconciliations not performed; cash books not properly maintained; lack of evidence of preparer and reviewer and reviewer of bank reconciliation; lack of records and documents; lack of proper filling system; required tender processes not followed; lack of verification of daily revenue collection; lack of the Public Service Rental waiver (PSRSW) for staff accommodation in some ministries, and lack of division of responsibilities in key institutional functions and controls.

That is a serious list. All of these internal control weaknesses, of course, do not apply to all ministries but they are common and often very significant. Many of them have been reported repeatedly over a number of years. These weaknesses must be remedied to provide adequate governance over the collection and expenditure of public funds. In the report, the Auditor General made strong recommendations that ministries better comply and the financial instructions better enforced in these matters.

In regards to provincial governments for the year 2010, the Auditor General began the program of visiting the provinces twice a year. The goal is to provide more timely management letters to strengthen internal controls and record keeping in each of the provinces. The first visit took place in May or June 2010, as stated in the report, and included all nine provinces. Only four of the provinces were audited in the November/December period in 2010 being Central, Choiseul, Isabel and Western. This was because the other five provinces still have not submitted their financial statements for the year ending 31<sup>st</sup> March 2010. This is because provincial governments' financial year is different from the Solomon Islands government.

The audit reports issued in 2010 on provincial government financial statements from all provinces indicated that the Auditor General was not able to form and provide an opinion on the financial statements again. Because first, the internal controls over the recording and controlling of accounting transactions were poor, and there was an absence of sufficient audit evidence to support transactions and accounts. Secondly, the statements again, were not prepared in accordance with an acceptable accounting framework: what standards are used in preparing it so that it is easily understandable when looking at the financial statements.

The Ministry of Provincial Government has announced that the provinces will be moving to a more appropriate and achievable accounting framework, the International Public Sector Accounting Standards - Cash Basis (IPSAS-Cash), for their financial statements for the year ended 31 March 2011. The Auditor General informs us that his office continues to provide some training to provincial accounting officers so that they can comply with the standards in the preparation of their financial statements.

The various issues raised in relation to provincial accounts include incomplete/missing executive minutes; poor controls over collection, recording and banking of monies; poor control over employee attendance; poor control over payroll; missing unsupported and/or unauthorized payment vouchers; poor management of property, plant and equipments; poor control over trade payables; PAYE and NPF contribution and remittance delayed; limited management oversight of investment enterprises; poor controls over ward development grants; poor controls over imprest and advance registers; incomplete bank reconciliations; not all bank accounts accounted for; general ledger not up to date and poor controls on the general ledger. My goodness, this list is like the main one of the government too. These are very serious lapses, of course, not all provinces exhibited all these problems but all had some of them and some were common to all provinces.

The report informs us to address these issues, audit management letters were issued to the provincial governments identifying specific areas where the controls and the record keeping need to be strengthened, and the Ministry of Provincial government also provides ongoing training to staff, which is a good thing.

The findings of these audits indicate that provincial governments are seriously lacking in their ability to account for the activities of the government and that the Ministry of Provincial Government has a big task ahead of it to improve the capacity of the provinces to control, process account for and report transactions well.

In regards to performance audit, the Auditor General is developing a performance audit function, and the first performance audit was completed in 2010, and the report was tabled in this House this year 2011. This audit was on the management by the government of its motor vehicle fleet so perhaps we should also look into that report some time. That audit disclosed a lack of adequate systems and processes and missing documentation to evidence and support key management activities. The findings of the audit indicated that the government and ministries must develop a much more effective control over this major costly and very visible government asset class. When we look at government vehicles running on the roads we can see this problem. We do not know who is entitled to vehicles and how many vehicles they are entitled to, and whether those vehicles should be pooled or have after hours use, whether it has been paid for by the government – all these issues.

In regards to audit of state owned enterprises, the SOE Act requires that SOEs produce audited financial statements within three months of the end of the financial year. The Auditor

General reported that SOEs are not meeting this requirement and unless specific action is taken to upgrade the accounting skills available to them, it is likely they will not be in a position to comply with this section of the Act for some time yet. This is a serious point that we have to consider.

He also advises us that if no action is taken to develop the capacity of the SOEs to manage their accounting systems and produce useful financial reports from those systems, the situation might quickly deteriorate to the point where no financial statements are produced within reasonable time, and then accounting capacity and internal control systems of the entities will decline even more and significant funds will be wasted through inefficiency or misappropriation.

It is imperative for the economy that these major public entities become financially viable, efficient and effective. This will not happen until there are effective accounting systems capable of producing credible, believable financial reports and providing reliable financial and performance data to management on a day to day basis. The audit results to date indicate that this objective is still in the distant future.

In year 2010, the Auditor General declined to issue an opinion on the financial statements of seven entities because he was unable to obtain sufficient appropriate evidence to form an audit opinion, and these are as follows:

- (1) Solomon Airlines for the year 31<sup>st</sup> December 2009
- (2) Solomon Islands College of Higher Education 31<sup>st</sup> December 2009
- (3) Solomon Printers for the financial year of 31<sup>st</sup> December 2008
- (4) Solomon Islands Broadcasting Corporation for 31<sup>st</sup> December 2008
- (5) CEMA for the year 31<sup>st</sup> December 2008
- (6) Postal Corporation for the year 31<sup>st</sup> December 2008
- (7) Ports Authority for the years 30<sup>th</sup> September 2006, 2007 and 2008

This is quite serious. The reasons for the inability to form an opinion, generally related to the fact that most public entities had limited capacity to maintain proper books and records and prepare financial statements. There were many internal control weaknesses as well as frequent lack of compliance with control requirements that did exist.

He is also telling us that most entities are not yet capable of maintaining an effective accounting system to produce reliable financial or performance information. Only statements from the Central Bank and the National Provident Fund are credible receiving an unqualified audit opinion. The statement of the Honiara City Council is receiving an opinion but it is a qualified audit opinion. Just to help members understand this – when an audit report is produced and is qualified it means or the auditor general or the auditor is able to form an opinion so the underlying systems, records and information he finds it alright to form an

opinion of its financial statements, but for a number of issues that qualifies it, issues like this are what I am concerned about. But if a statement is unqualified it means everything in the statement is good, everything is being complied with and appropriate accounting standards are guidance in the preparation of the financial statements.

In this report, the Auditor General noted and I think is pleading with us that he is seeking new legislation that would significantly improve the independence of that office and to prescribe more fully the responsibilities and powers the office needs to do its work more robustly. We know – those of us who were in the last House and in the last government that a bill was drafted back in 2008 and has been to and fro between the Cabinet and Attorney General's chambers. He tells us that it is now in its final draft form and once it receives the blessing of Cabinet it should come to Parliament. If the bill is passed in its current form, and I say this on the basis of my involvement with the bill when I was in cabinet in the last house, it will provide the Auditor General with the independence it requires and importantly appropriate resourcing so that the office is able to effectively and adequately discharge its function.

As we can see in my brief presentation of the report that is before us today in this House, those issues are serious issues. And in years gone by because reports were tabled in Parliament and then just lay in the pigeonholes gathering dust, we have never come to appreciate the full extent of the decay and rot happening in our society and in these important organisations within our governance system and within our important SOEs. Therefore, it is important that Parliament in committee considers this report, consider these issues seriously and allow the public to better understand the challenges the government is facing in trying to address these issues and also appreciate the important work, the essential work that the office of the Auditor General is doing and that that office requires the full support of the government and of the House. Make sure the government resource it, gives a good budget to the office – do not cut its budget request so that it helps everyone of us do what our laws require us to do and to do what our own conscience compels us to do the right thing on these issues in all the organisations. With those few remarks, I beg to move.

**Mr Speaker:** It is proposed that Parliament resolves itself into the committee of the whole house to consider National Paper .18 of 2011 annual report of the auditor general 2010. Member may now speak on the general principles of the report and discussions in accordance with the rules of debate. I kindly remind all members to adhere to the rules of debate and standing orders. The floor is now open for debate.

**Hon GORDON DARCY LILO** (*Prime Minister*): Unfortunately, the Minister for Finance is not here and so I will briefly contribute to the motion, a very good motion moved by the member

for Aoke/Langalanga for Parliament to be given another chance to look in more detail at the status of the performance of the Auditor General's office in the country.

As you know, the office of the Auditor General, for quite some time, in fact we can count to almost about two and half or so decades have gone through some period of neglect. If you look carefully at this office, since we gained independence, during the first decade, it has good people in the office and the strength of the establishment that has been backing the office of the Auditor General has been at a reasonable size and then slowly it diminishes to the extent that I think in the middle of 1990, that office was left with only three people - the Auditor General himself, the deputy Auditor General and an audit investigator who sometimes comes to work and sometimes not. It is an office that every one of us should appreciate has gone through some period of neglect by successive governments in the country. So much so that even if this office were to have been given a good responsibility to monitor the financial performance of the government would be a time, for example, when there is boom in the forestry sector in the beginning of 1990 onwards. Quite interestingly, it was that period of time that the audit office was left with a total reduction in staff of the office. I do not know what could be the reason but at a later part of that period, I have had the chance to be given the opportunity to work in that office and at that time even the member for East Choiseul was around there, the Minister of Planning and we can all vouch for the way the Government treated this office at that time.

What I am saying is that the cry of the Auditor General now and I think it is good that we are starting to see an Auditor General who has shown commitment and passion in ensuring that we find a way and to continue bringing up the signals to us that we must beef up the capacity of the Auditor General's Office.

Most of the time people are afraid of audit. When they talk about audit they think in case they do something and it catches up on them. People fear audit. But in fact audit is there to minimise risk; that is the most important thing about audit, it is there to help minimise risk in the way we do, manage and perform in the various organisations we are in. It also helps to improve to improve systems, it helps to improve performance. It is a mechanism that would enable the system to improve. That is what audit is all about. I can only and could not agree more with the sentiments made by the Auditor General in the forward and the introductory part of his report, and I would like to start off with those because I think he is pointing us to some very, very important developments that we need to look into to strengthen the audit office in the country.

After three decades of independence, I think it is true that we need to now ensure the independence of the Auditor General's office must be beefed up. I think that is the first and foremost thing we need to address. This institution cannot be effective if its independence cannot be guaranteed, and we need to give it support to ensure the independence of the Auditor General is given that kind of guarantee because it provides one important role, and that is the assurance services to ensure that whatever we do inside an institution goes out in a very

accountable and transparent way. That is the very important service the Auditor General is providing. It provides assurance services that whatever we do in an organization or within an institution, it is the Auditor who will sharpen it up and say, yes it is done properly in order to lead towards achieving a particular outcome we are working on. So we need to give that independency to this office.

Of course, with that comes all the other value that we are now talking about; beefing up accountability to ensure transparency. When we beef up accountability and transparency systems within an organization, it will act as a whistle blower to stop all wrong doings in an organization, and we need to do that.

The second issue the Auditor General mentioned which, I think goes without saying to us that we must give the kind of support he needs is that we need to resource this office. I just spoke about the way this office has been resourced since independence. With the help of that independent settlement, we have advisors from the colonial administration that beefed up the office, 10 years after we gained independence it started to decline. When you see a situation where an organization operates very well to the point where it hits its peak point and then it started to decline, it means something is wrong. It could be that the office itself, the system is not the right one or that something needs to strengthen the system for it to operate.

It is very sad to see that within the middle of the second decade of our independence, this office as I have already mentioned earlier on, for some two to three years we only had three staff there, and I knew those people at that time - the second Auditor General of the country, his deputy which is late the auditor general who has already passed away and one audit investigator. Those people just could not do any work. It shows the kind of behavior we accorded to this institution. Now, given the ineffective or inadequate resourcing we have done to this organization, we have started and it is interesting to note from the Auditor General's report that even with the support that is given, 60 percent of that vacancy still remains. It calls for not only those of us now, I am just talking generally like this just to show the years of neglect we have had on this office, not only that we are trying to push to improve the organization, but historically we go back and see the way it comes up, it shows that we are all contributing to the kind of neglect this office is facing, 60 percent vacancy rates. . How can we expect this office to perform in that way? So much so that even the recruitments the office made; and it is quite interesting the observation made by the Auditor General here that they are not highly marketable. Because audit is an assurance service, quality is very important, the expertise put in to do auditing work is very important because audit reports are the most used reports in any organization, it helps to guide the future of an organization. We still have that problem, the problem of attracting good positions or qualified people to be able to man the positions in that office.

The fifth point I take from the observation of the Auditor General is in terms of the professional skills of the office. When he moved in there the office was totally down which

means we need to do a bit more re-skilling of the staffs there. I noted he made mention the kind of improved courses organized through IPAM. I think this is one of the success stories about the whole public sector reform program undertaken since 1996 up until now, which obviously quite a number of people in here would have been engaged in re-establishing the old administrative training centre we now called the Institute of Public Administration in Solomon Islands (IPAM) that starts introducing these courses - on the job training courses; re-skilling courses to help our people.

Coming to another point noted by the Auditor General here is the idea of audit as an institution. It is a whistle blowing institution that looks at internal control mechanism, transactions involved, documentations that are used in decision making by managers whether or not these information are made available for managers to make decisions. If we do not sharpen up our managerial tools to address those things, there will still be shortfalls. In that way how can we guarantee the Audit office will play a whistle blowing responsibility? It cannot.

I agree with the Auditor General's observation that we now need to work in beefing up the status of this office to another level. If after 30 years of independence of this office being in operation and hitting a point where it does not move any further up but rather tilts downwards, then let us revisit it and see what we can do about it. Is it the system or is it the legislation there that does not work or are there internal managerial issues affecting the office? We need to ask question like that this time. I think we all need to do something about it, and it is good that this report is brought here so that it gives us an opportunity to relook into what has been lacking in the way the Auditor General's offices in Solomon Islands functions.

Let me come to some of the summary findings and the Auditor General made mention of SIG Accounts - that is very true. In that position, I mean every ministers of finance who have served in that position will agree with the findings of the Auditor General in that issues like managing standing and special imprests is a very big problem. Non Acquittals - we in here also have acquittals problems. When it comes to making acquittals to our RCDF, we are struggling. We should not only put the blame on the ministries, some of us in here do it too. So much so that when it comes to us lodging another request for some tranches of our RCDF, we still have to wait for two or three peoples to submit their acquittals. That is what the Auditor General is talking about here.

Issues like bank reconciliation; lack of proper filling, records and documentation and this is a very big problem in the system. Records of documents that support a particular transaction, for instance, there are times when decisions made by the appropriate authorities of the government were never reflected in the way the transactions are processed. At times the Auditor General ended up with his own opinions just because of the lack of information that led him to make audit opinions, which at times are erroneous, but we cannot blame him because he has given the time for us to respond, and when we do not respond because of the

inadequacy of system to properly record documents, data and so forth to support a particular transaction, he has to pass an audit opinion. We cannot blame the Auditor General for that.

But in all of these, recently, might I just say what we have been trying to do to help improve internal control, the internal operation of the SIG accounts, and there have been some marked improvements. I was quite impressed to see compliance, for instance, reporting on a monthly basis which before was normally called monitoring accounting where transactions from ministries come to the Ministry of Finance—and before it was done manually on big sheets like from here to there recording the transactions. But today they just flip the screen, just like what your officer in front here, Mr Speaker, is doing, controlling the microphone. That is all they need to do, they just click the screen and input the information. In the past, big papers were used to record transactions that happen on this month, this day and those monitoring and accounting documents were brought down for reconciliation at the Treasury. They do not need to do that now because of improvement in technology.

What I am saying is that work in trying to improve the internal control mechanism of the system is now going on, and I am quite pleased to see the kind of improvement that has happened. I have not read the Auditor General's report but I have seen a lot of improvement in compliance. And when I said improvement, it does not mean total compliance, no. I am saying that from where we were before to now, improvement is starting to come on. I think one thing we need to do now is improve internal auditing. If internal auditing is improved within the capacity of the system, not only at the Treasury but it must be done right throughout every other ministries, I think there will be a lot of improvement to some of the issues identified by the Auditor General in this report. The development that is going on now in the Ministry of Finance right now is to improve internal audit so that it acts as the first buffer to deal with issues - accounting issues first before it becomes an auditing issue. That is what internal audit must do. This goes back to all of us, especially those of us in the ministries that we need to take leadership in driving the development of internal auditing within the ministries because in the absence of that kind of mechanism we would not be able to tell what goes wrong. There is need for us to start to do that. And when it comes to internal audit because the whole accounting transaction is sourcing its origin from one thing, and that is the appropriation act, from the budget itself. If you do the budget very poorly whatever will come out from the accounts will be poor as well. It is only logical – the causation effect. If what starts from here is not done properly then everything else will not be good as well. That is why we are emphasising that the budgetary system must be strengthened and improved. The budgetary process and preparation must be of good quality. Any information gathered to make up the budget must not be a misleading one. Not just raw guesses, but it must be based on some evidences to prove that, that particular decision made to make up that particular budgetary information is credible enough.

We need to go back a little bit; from there to internal audit needs to be improved and then move on to where the whole transaction is sourced, which is the budget itself, and now we are going to talk about the budget of this year, let us hope to see some of those improvements happen because if the budget itself lacks credibility in the way we come up with the estimations, in the way we translate the figures from program to what they are and then we say "it is okay, I will sleep tonight, tomorrow morning I will come up with my own guess". If you think that way you will definitely come up with garbage at the end of the day, we will definitely come up with garbage.

Recognising what the Auditor General said, in particular in relation to the SIG national account, I think we need to link it back in that way too. In the preparation of the budget, there is need to have an internal control mechanism there so that things are done properly because it is not even the auditors job to make up the accounts. Making up accounts is an accountants job and auditors are just to make an opinion whether or not the transactions that need to be audited are of good status. That is what I wanted to say something about here because the Minister of Finance is not here, he is attending a very important meeting right now - the core economic working group, and I am sure he will come and offer his views as well on this.

But very interestingly that one of the key issues noted by the Auditor General, for instance, is the need to have audit action plans. These audit action plans must be embedded in all the ministries and government departments, and that is the current attitude that is going on right now. Because we cannot continue to say something is wrong this year and when we go on to the next year it still continues to be wrong. We must have audit action plans to try to make an improvement. Why an audit action plan is very important is because if it is not followed, the next part of what is wrong in audit will come. Just like what the member for Aoke/Langalanga said that if it is qualified it means that something is wrong there, but if another one comes, if a disclaimer comes then the report is nothing – it is very bad. But if we have audit action plans to address it, we will minimize the possibility of the audit making disclaimers on audited reports.

One observation made by the Auditor General, makes which I totally agree with and I think this report is not a report for us to argue about. I think it helps us to find improvements. That is the most important thing about this report. And no one in this room will say 'oh, I am good at that or I am free of any blame on that'. No, not anyone of us in this room can say that, no. This report provides us with an opportunity to say that thing has been neglected. I have already mentioned the period of neglecting the Auditor General's Office, which is for 30 years and now it is almost 40 years, and so we need to find ways to make an improvement on it. But one interesting finding mentioned in this report is the difficulty in even having supporting documentations on payments and things like that. I mean a simple thing like this. If it only comes to that, then it means not only those in the accounting should make improvement but also those in the administration. Because how could people in the accounts department have

appropriate information for requisitioning if poor information is providing to them. I think the Auditor General is pointing us to some very overarching issues that need to be looked into.

The audit of our provincial government accounts is also another thing neglected for so many years, and we need to draw a line and say the whole qualification that we will be doing will be stopped here and let us start a new page and move forward. I think what the Auditor General has suggested to us is good - let us start a new page from here and move forward. The audit of provincial government accounts is very poor very poor indeed.

Interestingly, when you look at most of the premiers communiqué that come into this House, one thing you would notice that is not included in the communiqués is the audit of the provinces; very interesting. You will not see it in this Communiqué, but there needs to be a lot of that to happen because only then can we know how effective are the resources given to the provinces.

On SOEs, what is mentioned in this report about SOEs is very true. The whole idea of establishing the SOE Act is to find another mechanism to make improvement to the performance of the SOEs because of the very nature and the way the SOEs have been established either by virtue of legislation or the nature of their incorporation. And that is why we have the SOE Act that gears towards setting up some kind of arrangement for us to see the path they should follow to improve the general management, financial management and in particular the delivery of services they are tasked to do by virtue of the legislation or the incorporation under the Companies Act.

Improvements we need to do to the SOEs is something that I think needs to be seen in the broader context of the SOE Act to find out whether or not the SOE Act can really pitch us to some kind of improvement that we were not able to do if they are just left alone as they are and then only use the audit mechanisms we now have to audit them. The SOE Act just came into operation some four years ago and so maybe we will need a little bit of time. But there have been a lot of improvements in the way some of the SOEs have been managed recently. In fact, there have been a lot of discoveries of, say for instance, some of the reports that came out here on the audit of some of the SOEs, some of them were heavily qualified. And not only that, some disclaimers have also been made on those reports, which shows that we still need to do a lot of work to try and improve the performance of some of those SOEs. But I think are now benchmarking ourselves to set targeted tasks for us to work towards improvement of some of the SOEs, and so far we have seen some changes that have happened to these SOEs.

I think the audit report as it comes out has mapped out some very important issues we need to address and more generally I have classified them into some of the internal issues that need to be done and the broader issue of the office of the Auditor General that we need to seriously consider to strengthen the function of the office in the country.

With those observations, I think it is a very good report and one that I think we should thank the member of Aoke/Langalanga for bringing it forward for us to have another go to see how we are going to strengthen this office for the future.

The member for Aoke-Langalanga has also mentioned another audit report which came in here, and that is very true. It only goes to say that if certain documentations and information have not been well covered in audit, and that is why I emphasised a point about that; have not been recognised by the audit, then there is mechanism for you to go back to the audit and say 'why do you not recognise these issues'. Because otherwise you will only be throwing back ...

**Mr Speaker:** I have made my ruling not to discuss that previously because I have received legal advice not to. You can continue debate on the paper Mr Prime Minister.

**Mr Gordon Darcy Lilo:** Thank you. I was just drawing some relevant comments in the context of this point and the fact that the member for Aoke/Langalanga made mention of it, and I just mention it this way.

But I think this report is a very good report. It is one that helps us, it is another pointer to finding out some improvement into the Auditor General's office in Solomon Islands. With that I think we should give our thoughts into it in the way it is given here. With those remarks, I resume my seat.

**Mr MANASSEH SOGAVARE** (*MP East Choiseul*): Thank you for allowing me this opportunity to speak on this motion. The motion as clearly worded requests the approval of this Parliament to refer National Paper No.18 2011, the annual report of the Auditor General's report 2010 to the committee of the whole house to discuss it in detail.

I listened to the mover of the motion and, of course, the Prime Minister as well and I could not agree any more to the points they emphasised, all of them are true. My concern whilst reading the report of the Auditor General is whether we believe the things we are saying and are serious about it. I take the point stated by the Prime Minister that the problem is ongoing since independence, and he is quite right in pointing out that the office was seriously neglected over a period of time by successive Solomon Islands Government. It is very easy as well for us to take that line of thinking and throw the responsibility back and say 'they have not done it too and so we should be blaming each other' and so I take that point raised by the Prime Minister. But I just want to emphasise again the very point raised by the Prime Minister which is also raised by the mover of the motion that we need to take responsibility. In regards to responsibility, in the way we are structured in Parliament, we are the opposition and we can only out areas that needs to address. It is actually the government of the day that is in custody of the system that has the primary responsibility to ensure that recommendations and concerns raised by reports are taken up.

This report is the report of the Auditor General for 2010 and so the government in place then is the very government that is now in place, although there is a change in leadership but it is still the same regime and so we need to take note of that when it comes to taking responsibility on the recommendations raised in this report.

In confining my debate on the general principles of the motion, I will dwell more on the constraints, and as rightly pointed by the mover and the Prime Minister, the Auditor General has picked that up in his introductory comment, in the foreword of that report and he picked it up in detail in chapter 4 of the report, and I will dwell more on that area and highlight, as highlighted by the Auditor General and may be probe the question whether we really appreciate the role of the Auditor General in our parliament democracy. I think that is basically what the Auditor General seems to be saying. He seems to be saying that 'our reports are coming and you are aware of the problems we have but do you really appreciate the role of the Auditor General'. And, of course, it is important enough to support the call by the Auditor General to improve the independence of the office. I think all other concerns we are raising all boils down to that. I want to dwell on that because it seems to be clear that this is an issue the Solomon Islands Government seems to have problem with.

As a matter of fact, all the constraints highlighted by the Auditor General highlighted in the introduction of his report in regards to the effectiveness of his office all centred around the question as to whether the executive government sees the importance of improving the independence of that office . If not then the question is, what could be the reason? And the Prime Minister has expressed some views on that. This is a very direct question because it is a direct question raised by the Auditor General in his report. In other words, the Auditor General is concerned that Parliament or for that matter members of Parliament may still fail to understand the role of the Auditor General and where that office is structured in our parliamentary democracy. And I would like to probe into that area.

The role of the Auditor General is derived from the very functions of Parliament. The Parliament exists and so the role of the Auditor General is derived straight from the very fact that Parliament exists. It is a constitutional role. That is a very significant statement because what that means is if we fail to understand the functions of Parliament, an institution which we are members of now, then it logically follows that we will fail to appreciate the role of the Auditor General as well. Maybe that has been the sickness throughout the years that this office seems to be marginalized as rightly pointed out by the Prime Minister.

This may also explain why certain people are not comfortable with the role of the Auditor General as it exists to provide Parliament with independently derived audit information about the executive arm of the government. I say this as and the Prime Minister has also said that we should not be afraid of audit, but you should see what happened when the former Auditor General wanted to audit the RCDF. Every one received letters inside their pigeonholes and the Parliament was empty because everyone was sitting in all the corners there

reading that letter. The Auditor General was saying 'I am going to audit the RCDF' and people were looking at the letter saying 'this is not right'. What the Auditor General was saying was that anything wrong he will refer it to the appropriate authorities to look further into it, and that means the court and the police and so everyone was saying 'this is not right'. But it is only right. So there are people who are afraid of audit. For us to say we should not be afraid of audit is not right because this Parliament really shows very clearly, maybe members of the last house of which some are still here were really scared to death when the Auditor General said he was going to audit the RCDF.

The role of the Auditor General to produce an independent report on how the executive arm of the government works is absolutely necessary in a representative parliament. We represent people in here and we come to talk on issues that people are concerned about, and the Auditor General helps us play that role effectively in Parliament.

As we all know, by virtue of the democratic system of government we adopted at independence, the people are really the government. The governing party or parliament or members of parliament for that matter are all entrusted as stewards under a social contract, which spells out our mutual responsibility and how we should be accountable to the people and the kind of relations we owe to our people.

Sadly, and I think that is we have institutions of good governance in any democratic system, this is no longer the case or to be more accurate, has hardly been the case in Solomon Islands. The ideals of democracy that we are talking about are just that; just ideals. The system never works that way. Instead, the relationship of people with government is one of government (that is the governing party) versus consumer or customers rather than fellow citizens that need to know what government is doing.

There is a clear case of what we might see as a systematic usurpation of position over the years to an extent that the people who are supposed to be the government have become objects. This, as we all know, is changing the whole structure and focus of governance and is a subject of discourse between this legal entity we called the 'government and the supposedly citizens' to one of complaint and satisfaction. And as logically expected, the ruling government must always ensure that the complaint - satisfaction scale must always lean towards the satisfaction side just enough to maintain the popularity of the government. And to survive, the government must make the majority happy - they do not really care about what the minority says. This is probably one of the downsides of democracy. But we already have the system in place. That is why we have good governance institutions in any parliamentary democracy to place a check on the exercise of executive power by the executive government on behalf of our people.

My point, I guess in making that, because the Auditor General seems to be pointing that. If we have difficulty understanding that concept, then what we are saying is we do not believe in the principles of good governance and our duty to advocate it in the exercise of people's power that is entrusted in our hands.

I want to join the Prime Minister and the mover of the motion to be effective in exercising that role. The Auditor General must be seen to be independent and competent as well, and he must be free from any influence and the direction by the executive government; free from political bias, he must also have the means to get resources necessary to do his work properly. We must accord those to him. As well as that, to be effective also, the Auditor General must have appropriate functions, duties and powers to achieve the tasks of auditing and reporting on a range of matter that Parliament seeks independent assurance from him. So he is very closely connected with this National Parliament - we cannot sideline him.

These functions, duties and powers reflect the range of interest of Parliament - our interests. Therefore, any limitations will have the effect of reducing Parliament's ability to rely on information and reports and whatever the Auditor General gives to this Parliament. We can see therefore that the Auditor General's office holds a prominent position amongst good governance institutions in the country because whether we like it or not, Parliament relies on the Auditor General to provide independent assurance that governmental activities are carried out and accounted for consistent with the intentions of this very Parliament. That is how we are closely connected to the office of the Auditor General.

Also, his role in ensuring greater accountability and transparency in the process of governance is really crucial. Why? He must present Solomon Islands as a worthy partner in the effort to weed out corruption in government and its various agencies. This role, I think, is yet to be fully appreciated by the National Government. This only goes to put, I guess additional pressure on the already under resourced institution the Auditor General's office to make the government transparent. As a matter of fact, the gap between approved budgets and the realisation of the policies and goals the budget is trying to advance continues to stand among key governance challenges we are facing in this country which the Auditor General is trying to bridge.

The Auditor General's office should play an important role in holding government to account. Noble though this role is to the understanding of the government as declared in colourful policy statements, it never transpires into tangible assistance to the office of the Auditor General all these years. I am still speaking within the spirit of what the Prime Minister has mentioned already - this is an ongoing issue.

The fact of the matter is that in Solomon Islands, the Auditor General is still facing serious challenge when trying to evaluate expenditures and the performance of government and its agencies. This does not make any logical sense when one looks at the declared commitment of any government taking over the reign of power to these principles of good government, going 33 years now. They sound very good, but they are not supported by the commitments that we declare. I do not have the policy statements of every successive Solomon Islands government here with me. But since the report is about 2010 I will use NCRA's policy to illustrate this point, and the NCRA Government just like any other governments has a

definite policy on this matter. It reads like this, "The NCRA Government recognises and upholds the principles of good governance and is committed towards ensuring that leadership at all levels of the government reflects highest standards of conduct and quality decisions affecting the affairs of Solomon Islands (Part 7, NCRA policy page 24).

As a strategy to realize the objective of this commitment, the policy further went on to identify, 'good governance institutions to be strengthened'. Indeed strengthening of the office of the Auditor General is among 12 strategic policies identified by the Government on page 24. It would appear that this commitment just like any other commitments in successive governments got lost in the way because the very problems that should have been addressed, if indeed the government's commitment to good governance was genuine were not attend to. The Auditor General summarised these on pages 1, 2 and 3 of the report and the Prime Minister made reference to them. And I just want to enforce it again to this Parliament by actually reading this statement. It says 'legislation to guarantee the independence of the Auditor General's office was drafted in 2008 and has been floating in a legislative void since that time, vainly waiting for the support and sponsorship in successive cabinets. But finding only a lack of interest in most quarters and entrenched opposition from a few areas'. What would be those areas? We need to identify them.

The second is on staffing, and as rightly pointed out by the Prime Minister, the Auditor General says 'the other area which is required of my office to be effective is resources. This includes staff to do the audits we can do, and money to pay audit firms to do the audits we cannot'. And he quoted the statistics that the Prime Minister has already mentioned to us that their office was under staffed by 60 percent since 2009. Thirdly, the Auditor General has also identified the turnover of qualified staff as a serious constraining factor to the effectiveness of his office. He lost two senior staff in 2010 because his request was, 'request to have them promoted to higher grades were not taken up by the government'. And to quote him directly he says "complete inaction on the part of the Ministry of Public Service or the Public Service Commission on any of the staffing submissions by my office has left me in an untenable position".

To sum it all up, he says 'I have been in the office for almost two years and I have had to continually struggle to find the necessary support'. That is a very powerful statement to wrap up his concern 'whether you are serious or no'. You have been saying all these, commitment to good governance, and all these, please 'I am two years in office and you do not seem to be looking at me, you are not concerned about the problems that I am raising'.

This, as I would like to emphasise, does not speak well of the Solomon Islands Government declared commitment to the principles of good governance. I might be wrong but it may be a reflection of the government's general attitude towards all good governance institutions in this country, in which case it probably explains the reason why people are seen to be getting away with crimes and misconduct in our government system.

The question for all of us is, what importance are we placing on the role of the office of the Auditor General? Are we serious about our commitment to do so as clearly written in our flashy colourful brochures and policy statements or are they just there to merely attract attention? This is a pertinent question because our actions do not correspond to our declared commitment. I believe our duty is to assist the office of the Auditor General to overcome the institutional, technical, political and communication challenges which constrain the work of the Auditor General all these years to make the system transparent and accountable to the people that we represent in this very Parliament and we do that by, and I want to hammer down these points in a summary point raised by the mover of the motion and the Prime Minister.

The first is to get the new Audit Act to Parliament for consideration; get it to Parliament, where is the act now, why has it not come? We must get it to Parliament. The second is by ensuring that the office as rightly pointed out by those two is properly funded, staffed with appropriately skilled personnel and look at maybe expanding its mandate as well to areas that successive Solomon Islands Government have shifted its public funds to. And these areas are the constituencies and wards; these have become service delivery agents. The third is by getting the staff to cope with the developments and information technology and new approaches to public finance management to put them at the cutting edge of modern technology as to assist them to effectively monitor electronic transactions such as electronic procurement and obtain access to computerized government systems and data. They need to have that.

The fourth is by improving on the financial autonomy of the office in terms of access to and control of financial resources to carry out its work without being constrained, and as alluded to by the Prime Minister, by cuts and reservations imposed by the Ministry of Finance. We are talking about the importance of this office but when it comes to budget control we cut and we cut across the board and this is also affecting this very important good governance institution. And so our claim to believe in the principles of good governance has gone out the window when we take policies like that. And that is why the Auditor General was saying do you will believe in what you are saying or not.

The fifth is by giving the Auditor General sufficient authority to ensure that audit findings and recommendations are acted on within the public resource management process - it must be made available, we must act on it, we just do not leave it like that. If the Auditor General submits a report, let us deal with it, deal with it as it is on behalf of this very Parliament that he is doing it. He is very closely connected and attached to this Parliament and therefore what he produces is in the interest of this very Parliament and in the interest of the people that we are representing in this very Parliament so deal with those reports.

Sixthly, we improve communication between the office of the Auditor General and the legislature - which is this Parliament, the civil society organizations, the media and the public. That will conclude, I guess, this package of getting government system transparent and

accountable to the people of this country. I know these are very challenging propositions but it boils down to whether we are interested in making the government more transparent, accountable and responsible. That is the challenge we must come to terms with.

I just want to elaborate on the second point I raised and this is regarding the portfolio of the Auditor General. That is the coverage in terms of entities and institutions that the Auditor General can and may audit. And I made reference to areas that successive Solomon Islands Governments have shifted public funds to.

As highlighted in the report, under the Public Finance and Audit Act Chapter 120, the Auditor General is required to examine and report on the accounts of the National Government and the nine provincial governments. Under the State Owned Enterprises Act 2007, the Auditor General is required to audit State Owned Enterprises. But there are differing views in this very House as to whether the Auditor General has the power to audit the Constituency Development Fund. (I know we are touching on thorny grounds here). I would like to believe that he does because it is an item of expenditure under the Ministry of Rural Development and Indigenous Affairs and the National Parliament Micro project fund that is paid out of Parliament too. This is an area of expenditure that is very vulnerable to all the weaknesses associated with lack of proper administrative structure to manage the utilization of the fund.

At the current level of funding, we are talking about more than \$2million, including other funds from the National Parliament as well. Of course, this must be preceded by the establishment of an accountability process, which will clearly outline the accounting procedures to be adopted by the constituencies in the disbursement and utilization of funds that come through the constituency.

With the kind of moves taken by the government now to place more responsibility on the constituencies to deliver goods and services, it demands the formal recognition of the constituencies as delivery agents of the National Government, below the provincial government system and taken up formally as cost centre in the national budget. We need to do that. If we want to increase more funds for the constituencies, that is a prerequisite, if we do not that then all these talk about good governance, to be accountable, to be transparent will go out the window. It will indicate that we do not believe in what we are saying.

I have a gut feeling that if formal audits were to be carried out in all the constituencies now, it will disclose expenditures that are clearly outside of the objectives of the fund, which is to fund sustainable development in the constituencies. I will leave Parliament to ponder over that. And that is why we were so scared of auditing when the Auditor General wanted to audit the accounts, people acted like they were seeing a ghost or something.

The only other area that I wish to express my views on before I resume my seat is on the reason given for the disclaimers – disclaimer opinion on the financial statements of some ministries, provinces and the state owned enterprises. Maybe in the committee of the whole house, and since this report is for 2010, the appropriate ministers, you will have to tell

Parliament on of the issues raised by the Auditor General raised. In respect of SOEs, the Auditor General says and I quote straight from what the Auditor General says and also quoted by the mover of the motion as well.

“The reason for the inability to form an opinion general related to the fact that most public entities have limited capacity to maintain books and records and prepare financial statements”. The reason is also similar for the provinces and certain ministries. So maybe in the committee of the whole house, the appropriate ministers will brief us as to what actions have been taken to respond to the issues raised by the Auditor General. And as a matter of procedure, there should be a response document attached to this; if there is an intention to bring any report to Parliament, there has to be some kind of response to it by the government and the appropriate ministries so that we know exactly what is the government’s view on the issues that are raised in the report.

But be that as it may, this report really requires an urgent and immediate attention. And as I have said already, the House would appreciate some briefings by the responsible ministers on actions taken to address weakness identified by the Auditor General. Like I said I confine most of my contribution on areas of improving the effectiveness of the Auditor General’s office. I do not have any problem in supporting this motion to refer this report to the committee of the whole house for us to consider it further.

**Mr MILNER TOZAKA** (*MP North Vella La Vella*): Thank you for giving me the floor to contribute very briefly to the motion moved by the Deputy Leader of Opposition and member of Parliament for Aoke/Langalanga. I would be very brief in responding to one of the whistle blower in government, the Auditor General. His task, as we all know is almost similar to a referee on a football field that when the referee blows his whistle, it is either a handball or an over-bye or something like that, a breach of the rules of game. In this case, it is a government machinery that blows the whistle to say that there is a handball or an over-by and things like that that he is blowing in this report. What he is saying here is that I think we are receiving these things but we are absolutely going out of the rules, there is no rule, there is no financial management sort of control to this institution that is responsible for things we receive from donors and also from the government itself during times of disaster.

I would like us to look at this very seriously that in the event of a natural disaster like a tsunami and an earthquake, it is a disaster. There are two particular events that normally happen; one is an emergency event and the other is rehabilitation. You can compare this with the time there is an accident on the road and you can see that the ambulance that was sent to address the accident will be given way by all vehicles on the road, they have to allow this particular medical vehicle to go through to address the accident. That is exactly what happens during times of disaster. In a normal situation is this report we are talking about now, but in the event of a disaster it is different. The National Disaster Council at that point in time

becomes the government. It takes over the whole operation of the government. The Director of the National Disaster Council (NDC) becomes almost like the Prime Minister. All the ministries come under the control of the Director of NDC and he also has the National Disaster Act, which according to the Auditor General is out of date at this time. It is one of the points raised in here. He becomes the boss of the operation. All the operations at that time were already yesterday. The people who are in need wanted these things yesterday, not now. Just imagine financial instructions, the Auditor General's Act and things like that stop at that point in time. That is how it operates. The Director of the National Disaster Council becomes the controller. All the other permanent secretaries are answerable to him.

If you read the National Disaster Council Plan and also the Act, you will find that there is also a special fund there. My colleague, the member of Parliament for East Choiseul mentioned the financial autonomy of the Council. It has a financial autonomy under the Act. All funds donated by donors to the government all goes to that fund, and not the consolidated fund, and the disaster council becomes the boss together with his committee. In here he points out that 'yes, I am the boss but the Ministry of Finance also comes into play'. And that is why the Auditor General blows the whistle that there is a duplication of responsibility there, can it be sorted out.

What I am saying here is that when a disaster hits it is not a normal government system when everything is normal. Again, if you look at the organization of the National Disaster Council, it is the National Disaster Council and provincial disaster offices in the province. The capacity of the provincial disaster councils is just the same as what we were talking about earlier on the motion by the Minister of Provincial Government that they do not have the capacity to operate. Because when the National Disaster Council operates in an ideal situation, all these disaster councils come into play. But in a real situation it does not happen that way. What happens is the central system becomes the base controlling the operations, relief assistance and rehabilitation programs as well.

My point here is I accept all that the Auditor General is saying in this report. I accept all the points mentioned in the report, and we should also be happy that the office of the Auditor General is working. This House too is very concerned about the neglect of the office, which the Prime Minister mentioned. That is true that the office of the Auditor General does not have the required staff, it does not have an office and facilities, but now he is producing a report and should appreciate it.

The point that I want to clarify here is that no one should fear this report and also feel bad about it and say they are questioning me, North Vella is here and where do you put this money to. There should not be questions like that. The report is just saying that this is what happens to it and it is not accounted for. During the tsunami and the earthquake we were given some money, very openly, I think during our time and that was in response to the call by our people in the Western Province especially, minus Choiseul basically because he is lucky that it

did not hit his particular constituency, and so my colleague MP for East Choiseul was not affected. But the others like me, we were affected. And how it was done was done according to the plan where the damage was assessed and from assessment reports from the provinces, many canoes sank, there were no canoes as well because all of our canoes drifted where some ended up in Shortlands and some ended up in Bougainville, all these things were lost. Those of us in Vella, most of us do not have canoes at that time. Therefore, receipts and things like that have also gone missing and so it is very hard for us to keep the receipts.

When we tried to help them, and you heard all about the stories of the tsunami that some from Ranongga were not very happy as it gained some land for them and those of us in Vella we lost some land. If you go there you will see many reefs there.

**Mr Speaker:** Honourable MP for North Vella La Vella, perhaps the Auditor's report on the tsunami and earthquake is not allowed to be discussed in the House because a court case is already there before the courts. What we are now discussing is the Auditor's report on the ministries of Government and SOEs.

**Mr Milner Tozaka:** Thank you Mr Speaker and colleague member for Aoke/Langalanga for reminding me about that. I was just making the point about the magnitude of the damage at that point in time that affects the efficient management and accountability of the fund that is also reflected in this particular report.

I am happy about this report. I think we have no problem with it as other colleagues have spoken as well as the Prime Minister himself. I am happy that the Prime Minister himself stated he will strengthen the Auditor General's office. Mr Prime Minister, I think you have made a very important statement and we want you to put that word into action - to address the need of the Auditor General. He is a hardworking person. I have worked with him in some of these committees and he has a lot of good ideas to improve government accounts and so we need to work together with him.

I have no problem with this motion, but I would also like to point out here if the Minister could take note that in the plan of the National Disaster Council, accountability itself misses out, it is not very strong. The Auditor is saying here that the Act itself is out of date because the plan is focused only on the delivery of services at the time of disaster, which means the person who looks at the plan himself must not be an accountant but a disaster officer, a person who looks at relief and things like that. Therefore, that particular important area on the accounting of funds and things like that was not very well looked after. I hope the Minister and the Director of the Disaster Council will take note of this so that there is a special accounting system, perhaps in the Disaster Act to account for things like that so that it takes into consideration emergency operations during that point in time that we overlook the very important accounts and management processes and systems of government that is in our

regulations and legislations. I think with those few remarks, I have no problem supporting this motion and I resume my seat.

*Sitting suspended at 11.30am*

*Parliament resumed at 2.04pm*

**Mr Speaker:** Debate on the motion by the member for Aoke/Langalanga continues.

**Hon WALTER FOLOTALU** (*Minister for Provincial Government and Institutional Strengthening*): First of all I would like to thank the member for Aoke/Langalanga for moving this motion and bringing it to Parliament. Since provincial governments have been implicated in this motion, I would like to make some responses to it.

In response to the audit queries for 2010, it is quite right that the provincial government audit reports are not good enough. The report of the OAG normally indicates a disclaimer of opinion. This is auditing terms meaning that the accounting records have not been prepared satisfactorily.

I wish to deal with the following general conclusions of the 2010 audit report, and indicate the major steps that my Ministry has been taking to rectify this situation. Statements were not prepared in accordance with acceptable accounting framework. This was the case before 2011. The provincial governments like the national government have no accounting framework, but the situation is changing and from this year, provincial government accounts shall be prepared in accordance with the International Public Accounting Sector Accounting Standards just like the National Government. In this case, the auditors shall be able to use a specified international accounting standard to audit the books of provincial governments. Provincial officers have, since last year, undergone some training exercise on this standard before it becomes fully operational.

International control over recording and controlling of accounting transactions were poor and there was an absence of sufficient audit evidence to support transactions and accounts. This is a valid statement but the Ministry since last year has taken the following steps to address issues being raised in the reports: Firstly, the international audit framework has been developed and would soon be tabled before Cabinet for consideration. Secondly, the public service has allocated two positions to the Ministry's establishment for 2012. The terms of reference for these internal audits have been done and interviews have already taken place. Thirdly, the objective of hiring internal auditors and creating an internal audit unit is to ensure there is compliance with the internal control procedures both in the Ministry and in the provincial governments. Fourthly, the two auditors shall be visiting the provinces to ensure compliance. Fifthly, to ensure the auditors operate effectively and that reports are acted upon, the Ministry is setting up an audit review committee. We shall be assisting the permanent

secretary of the Ministry of Provincial Government & Institutional Strengthening, to look into periodic audit reports and recommend the most appropriate actions. Sixthly, these measures are designed to kick off from next year and the Ministry hopes the outcome shall be a clean audit report for the Ministry and also for the provincial governments. Seventhly, the public expenditure training being conducted by the Ministry is also geared towards building the capacities of the provincial staff to ensure financial transactions and records are of the highest quality. Capacity building shall continue. (I cannot not see Aoke/Langalanga over here). The eighth point is that the Ministry has computerized the accounting systems in all provinces through the PGSP, which is now improving not only the recording systems but also automating their production of financial statements on a timely basis.

This is my Ministry's response to provincial government accounts because they are implicated in this audit report. However, I support the motion.

**Mr Speaker:** I now call on the member for Aoke/Langalanga to wind up the debate.

**Mr Matthew Wale:** I do not have anything more to say but basically to thank honourable colleagues who have contributed to this motion for us to look in committee on this report.

The headline this morning in the Island Sun, I did not read the article but I saw the headline from a distance says 'Solomon Islands is the second most corrupt country in the Pacific'. PNG, I think, some kind of ranking I am not sure who did it, but probably Transparency International on the world perception index shows Solomon Islands is ranked at 100 plus, PNG a bit further up, and in the Pacific I think Samoa is further up.

As pointed out by the Prime Minister earlier today, to strengthen and support the Auditor General in his work in turn helps us in the general sense of eliminating room for corruption within the public sector.

As he noted, it is not an office for us to be afraid of, but an office to help us so that we are also clear of the boundaries within which we work and the processes that applies to the responsibilities that we have, especially with regards to our financial matters but also public resources that are under our control. In that sense, it is in the interest of everyone in this country, and especially all of us in this House that represents everyone in the country that this office be strengthened and be resourced. Its staffing when they are qualified and experienced run away to the banks and other institutions that offer better salaries. If we can give supplementation to keep good quality staff in other agencies, why can we not do the same for this very, very important office? However, of course, that is one aspect the new Audit bill seeks to address. Once that office has greater autonomy, it can retain good talents because it can give good remunerations to attract and retain good people.

The Prime Minister has made very clearly his personal commitment as head of government on the principles of transparency and accountability, and this is good for the

government and good for the country and it is important that it must be demonstrated in our actions. And the number of ways to demonstrate our actions is also outlined inside this report on looking at staffing and the question of resourcing. If the Auditor General says he wants to visit provinces twice a year but he does not have the budget to do the second visit, it is just a resourcing question. Because he does not do the second visit, perhaps some work is incomplete and perhaps the reliability of information that maybe he could have assured himself of that reliability had he made that second trip, but he cannot do it and so it contributes to the kind of opinion that he may form at the end of it or the lack of such an opinion. So resourcing is an important question

The independence of the Auditor General is very clear in the constitution under section 108. This whole section is very clear about the mandate and the powers because of the aspect of public funds that we all are responsible for.

Our constitution, as you note is based on the principle of government by consent – that people consent to be governed. Therefore, the people giving the consent require accountability. Those that are in possession or hold in custody government must account to those that gave their consent to be governed. That is very important.

We must not feel, and not just us in the House but other public officials, senior management people within the SOEs, those in our institutions that form the public sector which the Auditor General has mandate on, we must not feel we own these institutions and the resources that are channelled to them are resources that we can do whatever we want with them. We have a duty of care to account to the people because these institutions belong to all of us, belong to everyone in the country.

Also, some speakers touched a bit on performance audits. Next week I hope to move another motion to another report by the Auditor General on teacher absenteeism. These kinds of audits are value for money audits that provide the government with really basic but important significant information to guide the government in decision making, protect the government against loss by way of malpractice and also by way of excessive pricing of goods and services that government procures and by way of how the government transacts itself within the economy. That is one important aspects of that office that its capacity must be developed at the moment, which this report says its capacity on this is not as strong as he would like it to be.

The function of internal audit is an important one - no doubt about that. It is important that perhaps all ministries must have at least a minimum of one internal auditor. I know during the last house when I was still in the Ministry of Education, we fought very hard to have an internal auditor, and the public service never allowed for that. If the Prime Minister is saying this is the way the government is going to go, we want to support that and the Ministry of Public Service must not dance to another tune. It is important that when the government says it wants to do this that it is actually done. Because it will enhance the reliability with which the

Auditor General can put in the systems internal controls and figures and information that come out of the systems.

The independence of the Auditor General as outlined in section 108 of the constitution is very clear that he is very, very independent. But the point raised by the Prime Minister earlier is the one that we must consider. Even if the Auditor General has all the power in the world and he has full independence, but if he does not have money to do his work or he has insufficient money to do his work then his independence is all but only good to on the paper of the constitution it is written on it. Independence “darae nomoa”: he cannot do anything about it. I can see the Minister for Finance smiling because it is important as he is responsible for the budget and he must think seriously that to give effect to ensure the independence of the Auditor General to properly work, we must give him the resources.

And again, perhaps as a point forward, when the government looks at the Audit bill, it is important that the Auditor General’s office is independent in the way funds are allocated to it. The Auditor General is an officer of Parliament and therefore the executive has a way of constraining it because the executive controls budget allocations. It is important that perhaps in the new bill, there ought to be something like a statutory formula where depending on the size of the budget, some formula is there where an allocation automatically goes to this important office because the size of the budget will determine the number of transactions and so the scope of what audit work needs to be done. It is important the government must consider this.

It is important that in order for our people to trust our governing system to know. Knowledge leads to trust. Because we know in our culture, many times we can mislead ourselves or maybe even outright deception. The Auditor General’s office helps people to understand how the government works; it helps them know what government priorities are and how the government achieves its priorities and where money goes to. Because where government spends its money on is where the real priority is. Because even if the government announces its priority on something and does not spend money on that priority, but spends money on something it did not announce, it is that something the government spends money on that becomes its priority. But people need to know and that knowledge is an important part of the accountability loop we have because people consent to be governed and it is their resources in the process of governing that we use.

The office of the Auditor General is an apex of an open government. I was very heartened the other day when the Prime Minister talked about his desire to open cabinet up - cabinet decisions perhaps open to some level of participation from outside of the formal, as we know it, governance system, perhaps even some cabinet conclusions coming out on the web, on the internet where people can access it and see how government is conducting its affairs. That is really good. Open government is no longer optional. It is an important step that must be taken. And one important step in that direction is strengthening the office of the Auditor General.

You know, sometimes we can see a man or a woman is responsible for certain powers in an office and he/she treats that office as his/her own, everything is used personally, and we would say 'it is not yours, it belongs to all of us'. Actually, that is right. But in many other instances there is lack of ownership by our people and especially those occupying, possessing offices that are discharging important responsibilities to own those offices. We treat it as something public and so even if we are careless about it, it is all right.

The kind of thinking where if you own a business you would want to make sure there is proper accountability; you want to know how much money you put into it, how much money goes out and what goes out is according to directions you set, all the little things you want to know as contributing towards the overall goal you set up that business for; because you own it you take active interest in it.

Mr Speaker, we own the government, the constitution is very clear about this and so we must take an active interest to make sure the government serve the purpose for which it was established. And that is the delivery of services to the people. How do we know it is delivering optimum good value for money services, the right quality of services? It is the Auditor General's office that helps us know it and that is why it is very important.

Just by human nature, all of us, from the holier of us to the less holy, if that could be an appropriate thing to say, we are all humans, we all suffer the human condition, greed and the lust for more, we all suffer under the oppression of these. And so we need each other to keep each other honest, and this office is an important institution to help keep us all honest, set clear boundaries within the laws, the constitution, finance audit act, financial instructions, general orders and common sense. It helps us to see what is sensible, what is right and wrong from the point of view of law and what is required by open government principles in good governance and so forth.

I am not going to say much but I would like to express my appreciation to the contributors of this motion, and I would also like to note the responses given by the Minister of Provincial Government gives as to the steps the Ministry is taking to assist strengthening the provinces.

An issue, and that is why the resourcing question is important, it cannot be postponed any further, it must be addressed in the 2012 Budget, perhaps not right up but in some supplementary to meet all its requirement is the fact that the Auditor General says that in his struggle to find resources, he always goes back to RAMSI. If RAMSI does not give the resources, what will happen? His office will slowly but surely go back to what it was before. And so it is important that the Solomon Islands Government, the funds that it controls should be put as guarantee to the work this office is doing to effect its independence and not to rely on any other sources; any other source that come is like a bonus on top so that the office can perhaps expand the scope of the work it is doing.

I now beg to move that Parliament resolves itself into a committee of the whole house to consider national paper no.18 of 2011 Annual Report of the Auditor General 2010. Thank you.

*Question agreed to.*

*Motion is carried.*

### **Committee stage**

**Mr Chairman:** Honourable Members, the paper before the Committee is National Parliament Paper No 18 of 2011, Annual Report of the Auditor General. Before we go through the paper I wish to remind honourable members that discussion may extend on all details contained in the paper. I will allow discussions on the paragraphs of this paper but will not put any question or allow any amendment in relation to the paper.

I propose that we go through page by page. And in doing, so I would like to remind the Ministers, especially the Minister of Finance, the Minister of Provincial Government, the Minister of Infrastructure, the Minister of Education and the Prime Minister to answer questions raised about this paper.

### **Page 7**

**Mr Manasseh Sogavare:** Page 7 on the summary of findings. I want the Minister of Finance to brief Parliament on the steps taken to address these weaknesses, all those dotted points.

**Hon Gordon Darcy Lilo:** The exercise we are doing right now in the Ministry of Finance first of all is the accounting control mechanism in which before it was manually done but now there is a system we have adopted to properly record all transactions. We moved from the Maximus and now into the Orion system. What it means is with any requisitions coming in from the ministries there is already a system there that has provisioning provided for under the Appropriation Act that you have to check against any requisitions that come. And so if a requisition comes and is knocked into the system, it produces that, there is insufficient provision provided for under the appropriation act, a signal will come up to say "hang on, you have no provision under this particular vote." It sort of kicks you back to the ministry and then the ministry has to be asked to ask for additional provisioning so that it can have appropriation, and the appropriation is done either by doing virement or contingency warrants. These are mechanisms that will enable provisioning of expenditures under the Appropriation Act, which is quite apart from the actual amount that is appropriated by the appropriation act.

There is also an additional system that is put in place and that is on assessment of standards that have to be satisfied to actually qualify for expenditure. So there checklists that have to be made where, for instance, on procurements that have gone beyond certain amounts that allows a particular accounting officer to be able to authorise, then requirements will trigger almost immediately saying "have you made provisions for three quotations to be provided," and then appropriate assessment has to be made as to why a particular quotation is selected and not the other. Generally, these are what are being put in place so that we can start off with a foundation of treatment of transactions that come inside that will finally get into the recording of ledgers inside the Treasury.

On standing and personal imprests, you will find there is marked improvement in the way recipients are required to make retirement on the imprests. Standing imprests, obviously, runs for one fiscal year (one financial calendar year) and special imprest is for a particular session or project or for a particular purpose. What we have done so far is basically ask all imprest holders that sign for the form to obtain an imprest, we have officers that actually follow you up on the imprests. And you get a lot of officers now that are called to repay for any excesses or for any unjustified retirements made that are not done to the satisfaction of the assessment done through the system at the Treasury.

On the area of acquittals, which is one very big area where sometimes we run into tipping the toes of us leaders in here too. And I would like to encourage all of us to be patient with our officers whenever they call on us to do acquittals. Sometimes we ourselves too unnecessarily drive the weakening of the system, compliance in the system. When officers come to us sometimes we turn around and approach each other (each ministers) and say, "Hey, your officer is doing this, you remove him from there". That kind of attitude! (Do not look at me, some of you here normally do this, and so I am telling you straight here). I would like to ask, just like the member for Aoke/Langalanga is asking all of us, asks the best part of our heart and mind, please let us be patient with our officers by showing good leadership to them, because sometimes the acquittals that we submit are every poor; you know that very well. These problems started during our time, Mr Chairman, you know this very well and they are still coming, we still have not sorted it out and so it gets to our time now and so you are now going to throw it onto us.

What we are saying here is that if this kind of practice and attitude continues, then all these will still continue on. Only one page of acquittal report and we say it is acquitted. My goodness, what kind of acquittal is that. And then when the officers turn around and say you cannot qualify for anymore disbursement because your acquittal is not right, we turn around, run to the boss and ask him to sack that person. Why? We say because he discriminates against us. The kind of things he used to do to us in the past is what he is going to us now. I am emphasizing this because it is a risk point to us leaders. The incidence of none compliance that we leaders are responsible for do come into this acquittal.

Bank reconciliations and cash books and all those, as we improve the system by updating the system and computerizing the system, the pressure on reconciliation is eased in that way whereas in the past, as we know, un-presented cheques is always the case. In the past, sometimes it takes three to four years and the cheques were never presented, partly because there is no money during those times and so the people holding the cheques hold on to the cheques and when they go to the bank, the government cheques bounced and so on like that. But now this problem should be eased because we now have a good stable fiscal balance and therefore this particular problem I can say has been sorted out.

Tender process is a big problem to us. I am just going through these points because the member for East Choiseul raised these. Let me tell you some first hand information and I am sure the Minister of Finance will also share some experiences. I will let you know what I found out some two weeks ago before I was sacked.

The tender processes; one part that we leaders also contribute to is the tender process, in particular when it comes to procurements under rural livelihood. Sooner or later this thing is going to belt around all of us in this House. I can say this to all of you. Because if we continue to demand, for instance, if disbursement on rural livelihood continues to be done as it is, it will shoot straight back to us. If we ease a bit some of our stands and see it from the angle that we should not be exposed to some of these risks and allow the tendering process to take place, it will ease our problem. But most of the time, in particular when it comes to rural livelihood we want to hold onto it and we are seen to be delivering straight down. These questions came out, and the MP for East Choiseul always reminds us in here, and I think we should have more of these reminders in here, to continue to show us the danger points, a traffic light kind of signal to us that we should not go down that path. But one area that this kind of risk normally comes out from is rural livelihood.

Of course, we can extend flexibility at times, and this is where the Minister of Finance sometimes faces a lot of difficulty, to extend flexibility on rural livelihood. But if we think we should get ourselves out of this risk area, I think we should allow the tendering process to happen. Because the Financial Instruction says that if you go beyond half a million dollar in purchases, it must be put out on tender. I am sorry I forgot the amount but I think from \$50,000 and something like that is ministerial tender and beyond that, it has to go through the Central Tender Board.

But what we have done is we have beefed up the capacity of the Central Tender Board. Because of donor interest also in the provision of budget support and accountable grant, we have actually asked donors to provide technical support to do assessment of costs, assessment of procurements and the design of projects so that we know the sort of selection of contractors maybe or the materials would be able to guarantee as value for money delivery on those particular work. What we have done so far is to come up with technical assistance to help us in the tendering process. And this is the overall procurement arrangement; procurement,

procurement is a big problem. We have donors that have cried out at us that a lot of their money given to us was bled out of wastages and through some inefficient designs of work by our officers in the ministries. The Ministry of Education is one of the biggest one. I am sure the Leader of the Opposition and the Member for Aoke/Langalanga and the others who have been involved in education will find out that donors are complaining bitterly about procurement in the Ministry of Education. Health is also being featured. So we are now beefing up some of the requirements that have to be done in terms of procurement. That is on the part of procurement.

I think if we really follow the system by following the Financial Instructions, but most of the time people would want to bend the system because of the reality of our politics and the reality of the situation we are facing and so sometimes we bend it a little. I am just telling you the reality of this. I think generally what we should be doing is that we must not do that. We must be conscious of the fact that if we start to bend the system you will get used to bending it. These are some of the jokes we used to say in this House, but I think we should get out of it

**Mr Matthew Wale:** I would like to ask, perhaps the Minister of Public Service. Some of these issues highlighted under bullet point seven are fairly basic process or procedural issues. I mean things like filing and doing bank reconciliations. If these are not happening or at least not happening satisfactorily sometimes is a symptom of lack of training, but other times it is because of over working; not enough staff and too much work and we see lack of, for instance, division of responsibilities one officer is doing many things and so he does not do other things because the government is growing every year and the budget is growing every year.

To what extent when the Public Service is setting the establishment for each year takes into consideration this kind of issues. Because obviously the division of responsibility is a basic accounting responsibility without it, accountability is greatly weakened. Perhaps if the Minister of Public Service would care to comment and I do not know whether the Minister of Finance and Treasury would like to comment a little bit on this.

**Hon Alfred Ghiro:** As we have heard from many of you today, one of the basic reasons why certain offices do not perform their functions properly is due to manpower. Maybe even training is not happening. But currently at the IPAM now, it is going ahead dishing out training programs for registry clerks and supervisors in the various posts in the public sector. Very soon next year, it will extend its training program to the provinces. That is our program for next year. The office of the Auditor General will be considered by our division because there are some serious concerns raised in the report of the Auditor General.

**Mr John Maneniaru:** I want to make a comment and then ask my question. I thank the Prime Minister for enlightening us on the summary findings; these are diseases within our system. I am encouraged to see we have seen the need for it to be rectified, and it is quite urgent. Now

that you are looking after our government, it is good that you share your ideas about these issues.

You were making reference to imprests, acquittals and livelihood, and this 'carry forward' 'bending' sickness, when you were talking about them, I am not really convinced. It is high time we put a stop to it and move forward. Leave the sickness of bending as something of past governments, maybe the fifth, sixth, seventh and eighth parliament. We have to come to a stage where we put a stop to this attitude of allowing things to be as they are. Like the acquittals you have mentioned, Prime Minister, is a simple one. If we continue to be lenient and continue bending it, it means this sickness is going to be carried into the next parliament – the 10<sup>th</sup> parliament. And that means this disease will continue to go on as such. That is my comment on that.

On procedure and discipline measures in the Ministry with regards to auditing, auditing comes later - the measures are in place, but they are not effective, and it takes a long time to be effective. And that gives slackness and weakness to our officers to really uphold accountability and transparency in their responsibility as officers. And I think that is what we need to pull up. Because when one person does it and no appropriate discipline is taken and no appropriate measures are taken, others will take advantage of it. That is already an inherited culture we have in our system and we have to really seriously address this.

My question, and may be it also applies to acquittals and this is on imprests. The Prime Minister mentioned that requests were made. Were they for only this year or what year was this gone back to? Because when I was a public servant in the ministry, outstanding imprests were already accumulating. Is there a cut off or are we still addressing those even from the 1980's outstanding imprests, are we still addressing them this time, like what you have said Prime Minister?

**Hon Gordon Darcy Lilo:** Thank you West Are Are for those comments, observations and your question.

Firstly, on the level of tolerance that is prevalent in the leadership or management of the public service about some of these inefficiencies and deficiencies and breaches of regulations and so forth, is very true. I am sure you would appreciate that this government is only two weeks old. We have already issued some very strict measures so far, especially on some of the prevalent wastages that have been around for quite some time. One of which we are trying to tackle now is the hiring of government vehicles by almost everyone. In fact, yesterday instruction has gone to one of the departments that has been hiring vehicles, they are in the business of hiring cars, for them to stop and return all the cars. Many officers that are seen to be driving around in those cars will have to face disciplinary action in one of the departments. So we are taking those measures now within our first two weeks.

One prevalent area that always creates a lot of wastage on government is communication. I would like all of us to come out very honestly on this that there are some mobile phones held by all of us members of Parliament that are not qualified for it, but we are still holding onto them and paid for by the government. They are still around. You will not be surprised if by next week all our mobiles are going to be turned off. They will have to go off and we have to take stock and find out who is rightly, constitutionally or under the PER is qualified to have these phones. We may have to work through some kind of a system like, for instance, the contracted officers that are also enjoying post-paid mobiles must be also cut off and work on prepaid so that a part of their salary, may be some X amount of money for them to refill and when they run out of that refill, they have to make it out of their own. I am sure we will yield some good results if we do this. That is why I said that we will have to now teach everybody to be able to adjust to some levels of tolerance in the way we tolerate some of these inefficiencies and deficiencies, wastages inside our system.

Coming to the point you mentioned about taking actions against officers on the imprest, you will find that those of us that have outstanding imprests, we will never be allowed to hold any imprests any more. That is the new rule imposed since last year. You will not be able to hold any more impress until that imprest is fully recovered. And there are officers that have previously been holding imprests, now that is leverage against their salary for recovery of the imprests. Some of us missed our terminal grants in the past because we did not properly retire the imprests and so lose our terminal grant or our gratuity and so forth. But for our officers, recovery is still ongoing on and also surcharges are being imposed on them too.

Some of these measures are quite strict, and I noted the comment made by the Auditor General here that there are some degree of compliance with Financial Instructions and others rules that he has noted during the audit of the ministries. But I think the areas that still remains very, very risky right now is on the performance audits.

#### Pages 12 and 13

**Mr Matthew Wale:** This is a general question but it relates to revenue. Back on page 7 talks about lack of verification on revenue collection and then page 13 gives a summary of moneys coming in and going out. But I think verification, and obviously there are the main ones; Customs and Inland Revenue and Treasury, but even more worrying are the receiving points outside the Treasury, out in the ministries. What steps are being taken to strengthen those so that revenue that is being collected are actually being verified and moved to Treasury to the bank and the rest of it?

**Hon Gordon Darcy Lilo:** That is very true. This is one very high risk area in as far as internal control is concerned in terms of the management of revenue collection.

In terms of Inland Revenue, as you all know, the system has been centralized in that we have tax auditors that actually go out and vigorously contact our tax auditor clients to respond on time. For the first time whatever has been done in terms of getting our taxpayers to respond, we are now giving what the law says about the **state** free period that is required for every taxpayer to respond to queries that are sent to them. I guess that sort of protects revenue collection in Inland Revenue.

The linkage between the collection point and tax auditors is visible - there is a connection and so you know exactly what is going to come in. And those at the collection point are given some fair information ahead of time to know who is going to come.

Tax audit in Customs is an area that we are still working on because as you know, there are two parts collected there; both direct and indirect in terms of Customs point where goods tax are also collected there. There are some slippages and there is why the Auditor General has made some concerns and observations on that.

In regards to the Ministry of Lands, the Minister for Lands is not here, but that is a really worrying concern. And again coming back to the point raised by the member for West Are Are we have to take some very strong drastic actions to impose compliance in regards to lands, including also the need to have a very, very strong Commissioner of Lands. I am sure all of us honourable colleagues will appreciate the fact that the situation in the Lands Department is not only that of one officer trying to improve and restore the management there. But the restoration of integrity and credibility of that office is very important, and also that institution. It has to start off with that; we have to restore the integrity of that office.

And the view that we all will have is that we either get well qualified or expatriates outside to come in to restore that integrity; these are options that we have to explore. In my own view, and this is my person view, I think should just get our old hands of the past to come and try to make some improvements there. But what I am saying is that not only the restoration of management is a need, but we have to restore some integrity and credibility into that office.

Currently, anyone who is appointed to that office, before the commissioner goes into his office, some people are already sitting in his office. That is what I am saying. Before the officer arrives, clients wanting to see the commissioner already have the keys and so they open his door and sit there waiting. People are running around with files, which they should not be, but they go and do it where only the commissioner should do it, but they run around in vehicles looking for the commissioner in the hotels or somewhere to sign documents. That is what happens, and I only hope that not one of us inside here is an agent of that kind of practice. If we are then we must stop because if we do it then we are the ones weakening the system. Although there are some marked improvements in the way we maybe observing things there, but there remains a lot of risks that if not followed up and strengthened further, it is going to slip into some very bad practices and bad results to our system.

Pages 14 and 15

**Mr Matthew Wale:** This also raises the issue, and again perhaps the Minister for Public Service might care to comment on, and it will become clearer when the establishment comes with the budget. In the provinces, especially, the officer who is the treasurer or deputy treasurer is overworked in the day to day aspects, let alone trying to keep records and trying to put together financial statements and things like that. The separation of duties and responsibilities for accounting staff in the provinces becomes next to none existent. So it is a human resourcing question, and usually in this situation the treasurer is a seconded officer from the national government and the rest are direct employees. But if the Public Service is really serious to enhance the capacity of provincial government assemblies to improve their accounts, we ought to be thinking that not just the treasurer is seconded to the province but maybe another two or three in addition to make sure the accounting functions of provinces are really robust to undertake their duties and responsibilities that come with the assemblies. That is a comment for the Public Service.

**Hon Alfred Ghoro:** I think in the establishment there are two posts, one for treasurer and another for the deputy. There are posts held by direct employees of province that look after the accounts. For instance, when I was a member of the Makira Provincial Government we have four staffs there. One is a senior accountant employed by the province, one looks after the ledger, a cashier and one looks after payments. Those are supporting staffs to the two treasurers. I think that is sufficient as they can sort out files. What I see is that they do not work. I think to add some more staff is not in the view of the Ministry now, maybe next time we might think of adding some more officers to look after those offices. Currently, I emphasize to my Ministry to extend training programs it is doing at IPAM down to the provinces to strengthen the capacity of staffs down to be able to do the work required of them.

**Mr Matthew Wale:** Just a follow up on what the Minister has said. In the case of Malaita, the two officers there and the accounting function for the province covers the whole province – the substations in Afio, in Atori and Malu'u and so forth and so they too had four direct employees. That perhaps may work for Makira but for Malaita because it is a bigger province it does not work. So perhaps the Ministry needs to discriminate a little bit on the basis of the work load required in different provinces. The Western Province, for instance, is a much broader geographical area, and their substations and so the work will be a little bit more. Otherwise everything is based in Gizo and everyone goes there and so it is likely that some things will not go there and then we can end up in a situation where receipt books in one of the substations was never brought. By the time it arrived some pages are already wet and so they cannot read

it. These are issues that contribute to the lack of reliability overall on information and on the systems and the information that comes out of it.

I heard what the Minister has said that his Ministry does not want to do anything more in 2012; I am sorry to hear that but maybe in 2013 the government might think of looking at bigger provinces, at least and see how they could supplement human resourcing there.

**Mr John Maneniaru:** Page 13 touches on strengthening internal controls. The member for East Choiseul in his presentation this morning talked about internal audits in government agencies for that matter. I think private companies are doing this but it looks like not having enough resources would be an issue. May be in the new bill that is yet to come to the floor of Parliament, we could look at having internal auditors within a number of ministries who are seconded from the office of the Auditor General to become watchdogs in the ministries as to how money is spent in the ministry. May be one in three or four ministries and this could also apply to the provinces. Because sending seconded officers to the provinces is just the same because all they care about is working until 4.30 pm and that is enough. May be the training which the Minister for Public Service is talking about will really improve and enhance this situation. But my fear is that it may drag on for a couple more years. I see the need for us to now have watchdogs or control within the ministries and now constituencies, as the MP for East Choiseul has said that a lot of money will go to the constituencies, and we do not even have the capacity in terms of control mechanism that we are talking about. And so I think this is an urgent matter that we need to seriously look at. We need to staff the provinces as well as the constituencies by having internal auditors to check on us and making life easy for the Auditor General. But it could be a question for our bill to answer. Just a way forward on this thinking is what I would like the Finance Minister or Prime Minister to encourage us on.

**Hon Rick Hounipwela:** I want to comment on the comment made by the honourable member for West Are Are. It is really true that this is one of our long time issues and it still exists that we have capacity constrain both in terms of what we currently have and also in terms of the pool that we take from. Today the government is stealing from the private sector and the private sector is stealing from the government and so forth. The public service is asking line ministries to recruit, but trying to look for the right people is quite difficult, the people that we want. The Auditor General's office is not well staffed as well exactly for the same reason. We want quality people but because that quality is not possible, we will still be like this. What we are trying to do through the Public Service, what we currently have we must try to sharpen properly.

There is one sad thing about seconded officers that went out of the head office to the province that some of them were not even accepted by the province and so they have to come

back and the headquarters is filled up with people that came back from the various provinces. The headquarters is trying to put them to the provinces, but the same problem can happen because if that man steps down as compliance, they tell him to return to the headquarters. This is a problem with every one of us in the central government and also the provinces, and it is something that we leaders must try to address. The comment raised by the member for West Are Are is very true that we must work on the capacity constrain that we now have.

**Mr Matthew Wale:** I would like to ask the Minister of Finance who has just responded and so I would like to ask him that the report and the response of the Minister of Provincial Government, but the Auditor General is saying that the provinces will shift to use the IPSAS-Cash for 2011 reporting, and so that is a very good thing. But he did not say whether the main government accounts will be moving to another standard or will it be IPSAS-Cash because he just simply said that it has not been prepared in accordance with recognised accounting frameworks. I am just wondering whether the provinces providing leadership in this direction or the Ministry agrees to adopt a set of standards for presentation on the financial statements of the government. .

**Hon Rick Hounipwela:** At this time, we are still using the same standard of format, and that is why treasurers that are seconded from the headquarters are people who learn the same thing and go back to the provinces.

**Mr Matthew Wale:** Just to clarify that I was asking about here, in the central government - the national government. For the provinces, it is all right, I mean the report points to the fact that the Ministry is pushing them to move to IPSAS-Cash, but for us here, there is no indication to that direction. Is the government also going to adopt the IPSAS-Cash for the main government accounts? Has there been a decision or no decision? Something like that for us to be clear.

**Hon Gordon Darcy Lilo:** For the time being I think we have to live with what it is at this time. As you know....

**Mr Matthew Wale** (*interjecting*): Which is?

**Hon Gordon Darcy Lilo:** Yes, the IPSAS- Cash is what the provinces have been urged to move towards, although you know they have not yet perfected that particular practice, even though that is the desire of the Ministry for them to move towards, but I am not too sure whether they have gone that far. But I think for the time being we will have to live it, the cash basis, the cash counting that we have at this time.

**Mr Matthew Wale:** Just to clarify. The system itself of cash accounting is the same and so cash accounting will not change, we are yet to move to accruals - that perhaps is three or four years away, if that is the way the Prime Minister wants us to go, and I would encourage him that we should head in that direction. But IPSAS-Cash is an accounting framework, a set of standards like international accounting standards for the private sector, for example, IPSAS-Cash is for public sector reporting where cash system is used like what we are doing. I am just asking whether a decision has been made on whether government will move in that direction or is it going to adopt a different set of standards or a decision has not been made. This is just for clarification.

**Hon Rick Hounipwela:** The Government has signed up to adopt the IPSAS. The problem we have at present is the need to consolidate all the accounts including the SOEs. But SOEs accounts at this time, we have difficulty with. We have signed up or agree to take up this new system, but one problem we have this time is the consolidation of SOE accounts into the system for reporting. We will work towards this objectives but it is slow at this time.

Pages 16 & 17

**Mr Matthew Wale:** This consolidation the Minister of Finance is talking about if it happens smoothly, obviously there then is the issue of the provincial assemblies reporting their yearend by statute - by the Provincial Government Act itself is on the 31<sup>st</sup> of March, whereas for us as stipulated in the constitution and the Public Finance and Audit Act, the National Government is 31<sup>st</sup> of December. And the SOEs, some are in March, some in June, some in December and so forth. I am asking whether the Government is taking any decision to standardise all the public sectors' financial reporting periods.

**Hon Rick Hounipwela:** That is a very important the Government will be working on, so be assured.

**Hon Derek Sikua:** The Guadalcanal province seems to be the worse province to submit its financial statements. The 2009 statements were not available until the end of 2010, in late December. Overall, the Auditor General states that the Guadalcanal province is not making any improvement. Everything that is happening is getting worse and is getting severe. This is not good news.

Can the Minister tell us how is he going to fix this problem? What is the problem of Guadalcanal province? Honiara is just in Guadalcanal – it is not far. Choiseul is really far but it

seems to be one of the best run provinces. Guadalcanal is on the contrary, it is far worse. What is happening here Minister?

**Hon Gordon Darcy Lilo:** I think we all know the situation of Guadalcanal province. Its office is broken, burnt - it lost almost everything. The periods leading up to the time that is required by the Auditor General to report to him is just so difficult for them to assemble data together, and I think we.....

**Hon Derek Sikua** (*interjecting*): This is for 2010.

**Hon Gordon Darcy Lilo:** Yes, it is right, 2010 brother, but the thing is also not good. Managing an organisation is all about the culture. If the workmanship culture in an organisation is poor, things like that will happen.

Obviously, a lot of us here expect Guadalcanal province to be quick, to be really good. But we can understand the situation it has so much so the feeling that they do not have any office around. Previously, where were they located? They said they were located at Doma, but there is no office and so only in 2007 that we purchased an office for them. Half the time they go to those offices, people are sleeping in those officers and so people cannot do any work. The environment on Guadalcanal province is still very, very difficult to really quickly pick it up.

But the good thing is that they are starting now to respond. We have put the right people to move in and so we would be expecting some good results from the Guadalcanal province.

**Hon Bradley Tovosia:** I stand up to say that I think what the report says about the Guadalcanal province is very true because I think a lot of things contributed to the failure of reporting its accounts on time.

I was with the Guadalcanal province for about two or three years because I joined Parliament in 2009. But I can well remember that the treasurer, I am not sure which government sent him, because Guadalcanal province is like a dumping place, we are not giving people that would help the province to move on. I think part of this problem is also with us leaders of government as being responsible.

I think all the things we are talking about here boils down to one thing, and that is the way we bring in people to work in the ministries and then transfer them to the provinces is very important. I think the seriousness of this is the people elected to be members of the provincial governments. I think that is also something that leaders and people that carryout the elections must think about.

I agree with this report by the Auditor General. I think very important points have been raised by those who have spoken and I think what we talk about in here we must make sure things happen otherwise we will talk about them the second time in this chamber.

**Mr John Maneniaru:** This point relates to almost all provinces. I think we also need to appreciate the comments made by the Auditor General about the provinces that they are now making some notable improvements during the year. That is a good sign. As we know, the provinces are really way behind.

I was encouraged when I heard over the radio while rushing up here that the Minister of Provincial government is seriously looking at enhancing the accounting system and accountability of our provinces by the staffing that he is looking at. That is the way to go. That is how I see it. But going back to the point made by the Minister for Fisheries, we have to also be careful on the seconded process or dumping process or whatever you call it, as alluded to earlier by the Minister of Finance.

The problem I see with our seconded officers is that some are just accounts clerks and by experience they are put to those positions. Some are bookkeepers, some with diploma, and I do not know whether degree holders are there in terms of accounting. Here we are actually looking at technical work as the officer is expected to come up with reports that we want. It would be good if we give money to the provinces so that they recruit the right people or we recruit the right people and post them to the provinces - qualified people rather than putting people who will not perform.

I want that point for the Ministers, especially the Minister of Finance and Public Service to note. We usually put experienced people because they are financial controllers in the ministries, but they cannot really achieve what we are talking about here in terms of the requirements of the Auditor General's office. And so we must put in the right people to the provinces. And I think our experienced Minister for Fisheries highlighted that really well. That is what I want to comment on and put it to the Ministers responsible for them to look at. This is a comment.

#### Pages 22 & 23

**Mr Matthew Wale:** In all those summaries up to 22 on the provinces, obviously like Guadalcanal and Malaita it says 'no notable improvements' and so forth. A management letter after audits were done but there is no response and so forth. And so there is got to be some responsibility that rests with the Ministry of Provincial Government to pursue to help provinces fulfil their responsibility to respond to the management letters. If the letters are just sitting down idle there and nothing comes back, they will also not benefit and then overall all of us

will not benefit and the wider and broader accountability responsibility to the people breaks down there – it is not fulfilled.

Perhaps if the Minister for Provincial Government could outline to us because this report has been out for some time now and so what steps is the Ministry is taking to make sure that the management letters are responded to and that recommendations contained in those management letters are being implemented.

**Hon Walter Folotalu:** As I have alluded to today, these measures will kick off next year. The outcome is a clean auditor report from the Ministry and also from the provincial governments, and so we will start to work on these measures. So far we acknowledged the defects that have happened and we will start to work on it next year.

**Mr Matthew Wale:** If that is what you are saying Minister, then it means the management letters that are not responded to, will they be left like that? Because, obviously if you say it will be next year then it must be cleaned from then onwards. Actually this year – the end of March 2011 hat this report says that provincial governments will report on IPSAS-Cash that we will assume it will be put right. But still the management letters of 2010 are in the report and we are not sure what has happened to those. Is the Ministry of Provincial Government decides to just leave it that way and we start 2011? If that is so, then I am quite concerned about that kind of approach as it seems to be a cowboy one. Whether steps are actually being taken to put a bit of pressure, a nice pressure and not a bad one?

**Hon Walter Folotalu:** I said we have identified the problems and now we starting to rectify the situations. Just give us time to rectify the situations.

Pages 28 & 29

**Mr Manasseh Sogavare:** Earlier on in regards to the audit of government motor vehicles, and the Minister for Infrastructure who is the minister responsible for these vehicles is not present here. But it is heartening to hear what the Prime Minister said earlier on that he has put a stop to the permanent hire of vehicles. We take it that the reason for hire of vehicles is because the Ministry does have enough vehicles to give to the people who are entitled to it. Now that the government is taking that action, does it mean there are enough vehicles now to give to the people who are entitled to the vehicle?

**Hon Manasseh Maelanga:** I think the Ministry of Infrastructure will deal with that. But to my understanding, I think the new government is going to look into people who are using government vehicles. I think the new arrangement the government will take is to look at

responsible people who are entitled to government vehicles. There are others who are also entitled to a vehicle like the commissions. I think this government will be strictly looking into that issue as the Prime Minister has already mentioned.

**Mr Matthew Wale:** Perhaps the Deputy Prime Minister might care to clarify that if that is the case, because the issue is hiring of vehicles, there is far too much money spent on hiring of vehicles plus of course the basic issue of people not legally entitled but are holding at least one vehicle perhaps more, so that needs to be cleaned up. I know the government's budget into acquiring a proper fleet for next year, for instance, and that I think we applaud as the right thing to do. The issue of hiring, is that by policy what the government wants to move away from?

**Hon Manasseh Maelanga:** As I have stated earlier on, the government will look into that very seriously by getting a fleet for the right people who are entitled to a vehicle so as to cut the cost of hiring vehicles. That is the plan the government is looking into.

**Mr John Maneniaru:** Just a follow up question. I understand from the Ministry of Infrastructure that hiring eases the government's budget. It makes it easy because when we look at the fleet, the PS explained that it is going to be costly — the capital upfront payment is quite high and the government cannot afford it. But it will be different next year. I think the Ministry is looking at about 30 plus vehicles in its budget and the Ministry of Finance will fund the ministry as a fleet. The capital upfront will go into millions, and so going away from hire, which is cheaper as explained to us yesterday by the Permanent Secretary of the Ministry, can we now afford to get these 30 plus vehicles that will fit everyone who is entitled and our office workers as well?

**Hon Manasseh Maelanga:** As I have already explained, there are ways this government will look into this. We still have some G-vehicles around. But when it reaches the limit that the Ministry of Infrastructure is looking to sell on tender. Those are some of the things the Ministry will be doing so that we could get some more new vehicles. That is what the Ministry will be working on to help out with the budget. We are now looking at vehicles that some ministers and chairmen are using, of which some are already more than five years and so those are some of the vehicles the ministry is looking at tendering through process, and then the government will put some funds on top of the money for the ministry to get a new fleet.

**Mr Douglas Ete:** May I ask your permission that before you move on to the next page, I just want to make a follow up comment. The control deficiencies found in the provincial system are

listed here as executive minutes missing in many of the provinces like Central, Guadalcanal, Isabel, Malaita and Renbell. Things that were approved are no longer in the files, such as confidential ones. There is poor control over revenue collection. For the last 20 or so odd years, we understand that ministers and staffs of provincial governments also collected revenues which never gone into provincial accounts. And so what was listed were payments gone missing or PVs because this goes on for a long time now. Provincial development grants given to them have not been accounted properly, including bank accounts, receivables and even poor management of property plant equipment. A lot of time, outboard motors in the provinces were sold without the central government's knowledge because there is no proper asset management system and policy there.

My comment is I would like to encourage the Minister for Provincial Government and probably the Minister of Finance to work hand in hand to try and curb, rectify and improve systems in the provinces. Otherwise we would be coming back with reports like this next year and onwards. I want to encourage us to put our efforts into doing it by probably going down and do trainings for them to improve the system. This is just a word of encouragement.

**Hon Manasseh Maelanga:** I just want to comment on some of the comments that my brother, the member for East Honiara has raised. I think the Minister for Provincial Government has already stated clearly how the Ministry will work to ensure everything in the provinces works well. I just want to say here that sometimes it is us leaders. I was once a minister for provincial government during the time of my former Prime Minister on the other side there and the minister for education at the back. Sometimes it comes back to provincial members, the executives when giving decisions. Sometimes we put blame on those who administer the funds or the administration work of the province, when actually they are doing their best. This comes back to us sometimes, like I noticed this during my time as minister for provincial government that members just go to the treasurer and say 'give us this', and that is not according to procedure of waiting for the time for grants to be released. Those things come back to leaders.

Now that the Ministry is working on it by doing trainings for officers down at the province, training them on the system they want to operate on it, computer systems, all these, I know they are starting to work on it. It also comes back to us, the leaders that even though we are taking about the provincial governments we must also look into the national government system, I mean us leaders.

I just want to comment on what the honourable member for East Honiara said is very true, but yes we have to look into that. Some of the officers are well qualified, the treasurers who are looking after the accounts, those officers are well qualified, but it comes back to us as to how we go through the system to approach them on certain issue that we want. I just want to clarify that.

**Hon Walter Folotalu:** I would like to reiterate what I have said today and I still stand by that statement that the public expenditure conducted by the Ministry is also geared towards building the capacities of provincial staffs to ensure financial transactions and records are of the highest quality. Give me time!

**Mr Matthew Wale:** The Minister for Provincial is shouting there but I do not believe him. I think he thought the volume of his voice might make a difference, but public service must give sufficient personnel to him before I will believe him. Because if there is only two of them, even if he shouts loud like that, when he returns next year we might be still discussing the same issues. But I do not doubt the sincerity of the Minister. I am sure his heart is in the right place.

My question with regards to motor vehicles, and this goes to the point that the Prime Minister outlined earlier on that the government is trying to rationalise its requirements for vehicles. And I think one of the points he made earlier on is that it is important that we leaders lead by example and the difficulty when we politicians hold onto things that we are not entitled to or we hold more than what we are entitled for and that places difficulty on the Ministry of Infrastructure Development to enforce compliance with regulations that governs what kind of vehicles should be acquired, who is entitled to them, and some of us are holding on to more than one vehicle. This is not right. We ought to feel a tinge of guilt about it and return it; we do not have to wait for them to ask for it if we are holding more than one vehicle.

The other matter that is under the motor vehicles of government is the pressures that comes, mostly political pressure that comes to buy a vehicle that is actually unsuitable for the role. For example, perhaps ministers insist on double cab hiluxes whereas a car is probably the MID standard or whatever standards it comes up with. This is more a comment so that when the Prime Minister looks at the rationalisation policy, and these are just things we have been practicing in the past, and so it is good for us to go back and clean it up. Some people who have been holding on to vehicles before and now are not eligible are still holding on to the vehicles, and to repossess those vehicles is becoming difficult because even the police too are afraid to repossess the vehicles. There is a new culture brewing in our midst of people feeling they are entitled to something for life from the public purse. Perhaps the Prime Minister would take that into consideration in his vehicles rationalisation policy or efforts.

**Hon Gordon Darcy Lilo:** Obviously, we have to show zero tolerance to that kind of practice. It is something that we have to do. The Government is only two weeks. We have already showed some initiatives to address some of these wastages, and I do not think it is a difficult task for us to tackle. I am sure that leaders are more than capable enough to be able to understand where the bounds of their entitlements are. There is no need for us to throw words at length at each other to make us show that. I think a minimum signal to everyone can adjust that attitude. I believe that some good changes will happen, it will happen because already, if the government

shows that kind of indication in the first place, then it shows that the government will continue to do so.

**Mr John Maneniaru:** Just a general observation and maybe a good suggestion for the Minister of Public Service to note. I was really by what my brother, the Deputy Prime Minister has said. It is good to know that we are pointing fingers at our brothers in the province so that three fingers are pointing back at us. And it is really a good start so that when we point, we also look at ourselves. The Deputy Prime Minister has put it very appropriately to us that we must look at ourselves, the members of Parliament who are sitting down here. Here we are talking about moving forward, we are advancing our country and therefore we have to rectify some things. I just want to make that comment.

On the effectiveness of our reporting and accounting system, I think in the province the boss is the premier, his deputy and the treasurer is the third or fourth person. And so responding to the letters should be the responsibility of the boss on top, the number one should be responding. But it also applies to us that may be the financial instruction and rules are not read by us and so even we members of Parliament forget about them. And so we go, as the Deputy Prime Minister said where we ourselves enforce our new rules when we say 'treasurer, you give us the payment, you give it to us or if not then...' and the threat goes. That happens because we do not know our boundaries.

I would like to encourage the Minister for Public Service to conduct a workshop for us the MPs, the premiers, deputy premiers and provincial secretaries for the Auditor General's office, the Ministry of Finance and the Public Service to remind us on these things so that we do not lead by example on bad attitudes but we lead by example knowing what our parameters, our limits are so that we show good examples to our officers. That is my observation and also a good suggestion for the Minister for Public Service to think about.

**Mr Douglas Ete:** I want to go back to teacher absenteeism before we move because I think it is a very important area for us to discuss here.

One thing I found in the budget appropriation for 2010 and this year's budget is that it excludes or we did not budget for the inspectorate department. But it is a very important department, and I also suspect it will not even come on in the 2012 budget after having a look at it. This department is very important when it comes to teachers that usually miss classes.

The backdrop of this situation goes deeper than what is on paper. I would like the Minister of Public Service and the Minister of Education to relook at the principle of 'carrot and stick'. When you induce a donkey with a carrot, you really cannot whip the donkey to do what you want. You must first give the carrot to the donkey. That is a principle of labour.

There is a whole lot of complexity on this issue of teacher absenteeism, some of which were discussed in the Buala Communiqué. But I think that if we strengthen an inspectorate

department, it will work well. Because in medical, if you want to know the duties of the doctors and whether they are working or not, or a nurse whether he/she works or not, you go down at random and put 50 case notes here on this table and we inspect the case notes. You will find that they are not complete. In some of the places, the name of the patient is not even written. The patient's dietary on his/her discharge is also not there. The operations and procedures done to the patient when discharged are also not there. Automatically, if you see 100 records on the table and you pick at random any one in a given year, you can say they are not working, or the nurse or doctor is not working, even his/her coding system is not done. The same is true when it comes to education. We are missing some big things, quite small, but protecting a mass drop out in our country because these kids have never been taught. Countries like Fiji and Papua New Guinea, come September they go around to all the schools, put one hundred standard six on the table and see where they reach. If they do not reach the level prescribed in the curriculum for them to reach, the whole class is suspended and the teacher is disciplined.

We seem to forget this thing because only if they are budgeted for before it works. Otherwise we will be shouting until the cows come home. This is very important for our children at form six, at form seven level, at every level of the education system in this country, we must put this in. I encourage whoever is responsible, which I think is probably the Minister of Education to carefully look into this and try to do something about it.

**Mr Chairman:** The government is taking note of those comments. I want to remind members that there is a report coming on teacher absenteeism which the House will debate. But that is a very valid point by the MP for East Honiara.

**Hon Gordon Darcy Lilo:** I think we have to understand that one of the difficulties we are facing is the geography of this country so much so that the coordination of inspection at the primary school level is always difficult or it is very difficult in that way

We have to resource a primary inspectorate division with the appropriate level of resources to be able to reach out to all the very remote schools throughout the country so that we can monitor that situation wherever. But I think there is a need for us to involve the communities, the education authorities, church education authorities, provincial education authorities and even the communities for them to play some role to be to carry out monitoring of the presence of teachers throughout primary schools in the country.

At the same time, I think it calls for, like what the MP for East Honiara said that it has to come with appropriate level of resourcing and resources do not come that easy too, we have to work hard for it. That is why, at times when we call for a better fiscal policy for us to make sure that Government can stand strong physically to deliver on the other sectors. It is something that we must respond to. But thank you for all the concerns that have been raised.

We need to work with all the education authorities, the communities to be able to make these changes to happen. We cannot just say the government has to do it. But obviously the government will have to take the leading role to be able to pull all the other stakeholders together to address it.

Pages 36 & 37

**Mr Manasseh Sogavare:** Just to get the appropriate minister to tell us that the two issues raised by the Auditor General is the bill that will improve the independence of the Auditor General's office. Where is this Bill, what is its current status and when will it come? That is one question. The other issue raised by the Auditor General is the pay structure of that office. He thinks he cannot retain qualified staff because the pay level in the office is not attractive enough to do that and so people are going out from that office. Those two issues for the Government to clarify.

**Hon Rick Houenipwela:** In regards to the legislation, the Cabinet has already given endorsement to separate them - the public finance and the audit part of it. With those two, I think audit is a little more advance at this time in the sense that there is probably a draft bill that is ready and public finance is coming later.

In terms of time frame, we are looking at sometimes next year to bring this bill through to Parliament. Depending on what will happen we are looking at the second half of the year, maybe even the third quarter of 2012 for those two legislations to come into place.

The point about resourcing is very true, the point raised in the report on human resource is an important point, which the government takes note. I think if all goes well, it is an issue that will be considered in the legislation.

**Mr Matthew Wale:** Just a follow up on the question by the MP for East Choiseul, and perhaps a comment for the Prime Minister and the Government to think carefully about when considering the draft audit bill to come. The fact that that office is an office of Parliament as part of Parliament's overall oversight role on the executive arm and therefore to enhance that, to strengthen that, of course, the internal audit function is an internal management tool in the executive arm and the two, of course, collaborate so much so that perhaps even obviously for reporting issues onto the floor, I had this problem suddenly this morning I thought to myself if questions are raised who will answer them. Should the Auditor General be sitting down with me here? Is it through the Public Accounts Committee or is it through the Minister of Finance or the Prime Minister? But perhaps that is something for the bill to clarify as well. With the overall understanding that it is an office of Parliament, he is an officer of Parliament to assist Parliament in its oversight role on the executive arm of the government. I am just flagging it

like this, and the government can take a policy decision as to how it will go about that particular point.

**Hon. Gordon Darcy Lilo:** As the Minister for Finance has stated, recently the Cabinet has decided for the separation of the Public Finance and Audit Act where audit will be different from public finance.

As you know, audit functioning also serves two parts. One is the accountability oversight responsibility that is in Parliament. The other is systems improvement, which is a public finance management issue. Here is an organization that we are holding. We are not clipping the wings but we are holding the wings together for all of us to fly together at the same time. Parliament requires that oversight and then there is the public sector or the executive that does require it too, to advice on public management improvements and systems and that sort of thing.

The constitution is very clear. What we are looking at on the audit part is the independency it will have to take for being held down under one legislation. Obviously, you are quite correct to where its actual placement is and should it be a strictly financial bill or a financial matters bill or should it overarch some issues of governance and integrity and then at the same time public management issues, and if that is the case then it will have some relevance that must be somewhere, and its reporting obviously will be in the office of the Prime Minister. But you have to have it at arms length, but for purposes of us getting it to become a law has to come through that route because there is no other way. The Speaker cannot bring it here to become a law, but it has to come from the executive.

Those are options we are looking at, but to make it independent, yes, I think that is the overall objective and when the consultation is made people will actually see that that is the first and foremost objective of the whole reform.

The second objective of the reform is for us to feature the governance integrity, credibility part of it and then the oversight responsibility that Parliament will have to play in it, and then the automatic link of the information that comes out from audit to improve public finance management, systems improvements and things like that. These things, like what I have said today and I always hold the view is that audit in a way is a mechanism for us to produce risk, the risk of the system going into problem or even if the risk already exists, it will minimize or mitigate the risk by providing recommendations and action plans to address it.

That is a valid point and through this consultation we will address it.

Pages 40 & 41

**Mr Matthew Wale:** This is a very important point obviously and so I want to follow up on the bill itself on the way the government is thinking, and specifically with regards to the resourcing

question, not just human resources but also the resourcing question. Already the Auditor General has complained about the Ministry of Public Service, inaction by the Ministry of Public service and inaction by the Public Service Commission and then the question of resourcing. His budget is half a million short and so he is not able to do half of the work he wants to do for provincial assemblies. Obviously, if the executive arm controls resourcing, the manpower resourcing and financial resourcing of this office, it is an effective tool to render the independence ineffective. And so there must be some ways of finding the office to be financially resourced statutorily, if you like and also the human resourcing aspect of it that perhaps it needs to break free from the Public Service Commission. Again, I am just flagging this for the Prime Minister to think about because he raised these issues, and only those two issues are affecting everything else we are talking about.

**Hon Gordon Darcy Lilo:** As you know, the emoluments of the Auditor General are constitutionally charged to the consolidated fund, the one that Parliament does not vote on it. The office itself, by virtue of the fact how every government department are organized is subject to the appropriation under the appropriation act in which Parliament has to appropriate.

This is where in theory we can argue about who actually does the appropriation. It is Parliament eventually, but obviously these fingers are generated out of the executive and then it finally ended up in Parliament and then the appropriation is formalized.

But whether or not it is the executive that has the responsibility to put all the resourcing for appropriation, is I think the question which the member for Aoke/Langalanga raised which is a very relevant question.

The options we have been looking at in this act is that even right now it is the form of that body. This is what we have been talking about where it either will take the form of a commission or it should take the form of an authority. Whichever way it will goes there will be some autonomy in which the Auditor General can levy fees, raise its own revenue and by virtue of that Act, Parliament must appropriate money through some kind of statutory arrangements of special fund or something like that to have that independency.

As we all know, even Parliament does not have that exclusivity in terms of resourcing itself. It has to come through the appropriation act in which those of us in here too will appropriate it. Until such time that we have to cause some amendments to the constitution for direct charging where Parliament charges its own resources upon itself, the judiciary charges its resources upon itself to the consolidated funds, maybe we will have to take it in a very measured way as we move along. Because public resource management in countries that even have some greater independency on the authorities are always facing a lot of problems. And those of us of today who have shown some public finance management improvement and we try to push some entities to have some autonomy might be a very risky exercise if that authority goes and makes its own decision beyond the capability of public resource to be able to meet. So

there has to benchmark. I think we should have some kind of mechanism to be able to determine how resources that are determined by some bodies that granted some independency or autonomy for them to be able to resource themselves. I think the way to go is the statutory arrangement for a special fund so that Parliament can have automatic freedom to give that resource to them under the appropriation act.

**Mr Manasseh Sogavare:** Just this initiative on anti-corruption task force, I think an initiative by the last government to establish a taskforce to develop a national anti-corruption policy for Solomon Islands. The Auditor General is raising a concern here that it looks like it is fading away where the draft policy has not been developed by the end of 2009. I just want to find out from the Government whether we are still pursuing the idea of developing a national anti-corruption policy, may be come up with a commission or something like that. That is one question.

The other one is the suggestion by the Auditor General for Solomon Islands to become a member of the ADB or OECD anti-corruption initiative for Asia Pacific. He said that he recommends Solomon Islands should become a member of that initiative. Where are we on that? Is the Government giving green light for Solomon Islands to become member of that initiative?

**Hon Gordon Darcy Lilo:** We have not put this at the back-burner. I do not know why the Auditor General has decided to make such a very low key observations here. I thought he should put a very high key on it because the present government is really in support of this. And I ask that I disagree on maybe that part of this report because this government has given a very high key note to this particular aspect on anti-corruption.

In fact, the person crawling to me over here is a member of the anti-corruption team, the person crawling to me here and is now sitting behind us here, the Special secretary to the Prime Minister - him together with the Auditor General are members of the government's taskforce, and they have recently attended the meeting in Kuala Lumpa. We have officially made a submission to the ADB/OECD. It is very important because as a member of the ADB and for us to have the overarching supervision under the OECD on the development assistance, development cooperation throughout the world, we have to be part of the anti-corruption.

We have already made a submission that was agreed to, and I think it will be followed up with some workshops that we will soon commission. There are ample resources in the 2012 budget to be able to resource this effort under the office of the Prime Minister so that the government can move very strong in taking, first of all, an anti-corruption targeted activities and then eventually to look at what sort of mechanisms we will put in place so that we tie ourselves into that commitment in the long term.

There is thinking in the past for us to have, for instance in South Wales, they have what is called the anti-corruption commission, which is geared towards more whistle blowing within the system in which their work is to stay around and do whistle blowing. Whereas what we are suggesting here too is that we have internal auditors - internal audit personnel that we will cluster in the ministries; may be one for four ministries and something like that because they do weekly runs on transactions that are transacted by ministries or decisions made by permanent secretaries on ministers on their discretion powers and they just whistle blow on them or give them advice that if they make decisions, you blow the whistle and say 'something is wrong there'. You have to make changes or improve on that decision or change the transactions you are doing.

I can assure this House that NCRA is fully in support of this anti-corruption taskforce, and we can only thank those of us in the previous government for establishing it. I mean you could wonder anymore to say that those of us who have been part of the previous government will give a marginal treatment on this initiative. We have to give our full and uttermost best to see it must move. For instance, the Minister of Police down there is a very strong supporter of anti-corruption. Just like when I looking around here, everyone in here is very strong, they are very anti-corruption group here. I think it is good to end on this note on this report by pledging all of us that we are all anti-corruption agents in the Solomon. I think that is the message we should show everybody.

**Mr Chairman:** Honourable Members, the Committee has considered the National Parliament Paper No.18 of 2011, Annual Report of the Auditor General 2010. That concludes proceedings of the Committee of the Whole House and the Honourable Member for Aoke/Langalanga will report when Parliament resumes..

*Parliament resumed*

**Mr Matthew Wale:** Mr Speaker, it gives me great joy to report that we are all agents of anti-corruption and that the annual report of the Auditor General has been through the committee of the whole house.

**Mr Speaker:** Honourable Members, the Member for Aoke/Langalanga has reported according to Standing Order 18 (2) that the Committee of the Whole House has considered the report. Standing Order 18 (3) allows the House to go a step further and agree in principle to proposals in that report. There is no requirement for the Member to move that motion under the Standing Orders, although he is at liberty to do so at sometime on a later date after notice.

I also wish to remind Members in that if Parliament agrees to the proposals contained in the report, this gives the Government the Parliament's blessing to go ahead and explore

whatever approach or policy it wishes to develop to address the recommendations in that report. However, this blessing is in no way a blanket approval or resolution of the Parliament given in advance of those actions. Any action that the government may wish to take following its exploration of approaches in the National Parliament Paper No.18 of 2011, Annual Report of the Auditor General would, where necessary, require separate legislative action or budget approval which obviously must be put before Parliament for its consideration and approval. Notwithstanding, its general approval given under the provisions of Standing Order 18(3), this House reserves its right to consider separately, whenever the need arises, and to approve or reject any legislative reform, constitutional amendment or other actions that may be proposed on the basis of the report.

Honourable Members, that brings us to the end of our business for today. May I now call on the Honourable Prime Minister to move the adjournment motion.

**Hon Gordon Darcy Lilo:** I now move that Parliament do now adjourn.

*The House adjourned at 4.25pm*