



SOLOMON ISLANDS GOVERNMENT

Special Audit Report into the Affairs of the

**MINISTRY OF EDUCATION AND HUMAN
RESOURCES DEVELOPMENT**

TERTIARY SCHOLARSHIPS PROGRAM

Reported By

Auditor General

Office of the Auditor General

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FOREWORD

Background

I have pleasure in presenting this Report on a Special Audit into the financial affairs of the Tertiary Scholarship Program administered by the Ministry of Education and Human Resources Development.

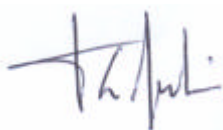
The National Training Unit (NTU) within that Ministry is responsible for the administration of the various scholarship programs provided by the Solomon Islands Government and various donor agencies.

Audit

The audit reviewed the Unit's administrative processes and systems to ascertain their adequacy. The audit disclosed many significant issues in the manner in which the Unit had operated during the four years from 2003 to 2006.

The Report contains numerous recommendations which have been accepted by the Ministry and where possible remedial action has been taken.

The lack of adequate systems and processes and documentation to evidence and support decisions in relation to the granting of scholarships and other shortcomings were a major concern and I have made a number of recommendations to provide a framework going forward for the Unit.



Floyd Augustine Fatai

Auditor General

5 October 2006

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RESPONSE FROM PERMANENT SECRETARY

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OVERVIEW

Background

The audit of the National Training Unit (NTU) which is part of the Ministry of Education and Human Resource Development was in recognition of the important role the Unit plays in providing tertiary scholarships to the Solomon Islands Community.

It was also undertaken as a result of concerns by senior government officials over increasing costs of funding the program and the annual outlays exceeding of the budget allocation for tertiary scholarships.

Audit Objective and Scope

The principal objective of the audit was to review the adequacy of NTU's administrative systems and processes for the provision and ongoing monitoring of tertiary scholarships and to ensure that sufficient controls are operating over the use of expenditure.

Key Findings

The Audit disclosed the following matters:

a) **Inappropriate Budget Practices**

- *Budget overruns due to poor budgeting practices*
 - The Ministry of Education is currently not adhering to the financial instructions, in particular Chapter 8, Paragraph 203 and 205.
 - The Ministry does not budget for tertiary scholarships on an annual basis and as a consequence has annual budget overruns and is reliant on contingency warrants, supplementary funding etc to meet the costs of providing tertiary scholarships. From available information the following table illustrates the budget and actual expenditure:

	2002 \$	2003 \$	2004 \$	2005 \$	Total Expenditure \$
Budget	16000	16000	16,000	11,000,000	
Revised Budget			8,516,000		
ROC Funding				9,970,000	
Actual	884,264	35,812,293	5,803,999	39,281,888	*81,782,444

*This amount is mainly SIG expenditure and may not include all donor funds. This has resulted in funds having to be used from other Education priority areas, such as secondary and primary schools, reducing the effectiveness of these programs.

- The Ministry has a limited understanding of how much it costs to fund current tertiary scholarships and does not determine how much funding is required annually to fund new scholarships.

- ***Failure to adhere to measures agreed to reduce budget overspends***
 - Failure to comply with some of the initiatives as detailed in this Report in particular in relation to capping new scholarships for 2006 at 140 students, review of student performance for possible termination of scholarship and a review of those students graduated but who are still taking subjects over those required to graduate.

- ***Failure to process scholarship invoices in a timely manner***
 - Significant delays were noted in the payment of accounts to Tertiary Institutions due mainly to budget constraints.
 - The Ministry does not maintain complete records of amounts not yet billed for services provided, therefore it is not aware of its current debt situation with its suppliers in relation to the provision of scholarship funding.
 - Failure to comply with the Financial Instructions, in particular Section 215.

- ***Poor monitoring of student activities***
 - SIG funding of students who have been previously terminated for poor academic performance or due to expiration of term of scholarship prior to completion of degree by donor scholarship provider.
 - Students extending their stays through holidays and getting paid additional allowances.
 - Swapping of programs without NTU approval once scholarships have been awarded thereby increasing the number of years scholarship is funded.
 - Awarding of scholarships to students who, after applying for a particular course that is not provided by a USP but provided by an Australian or New Zealand University, are sent to the USP Centre to do any subjects while waiting for a placement at an Australian or New Zealand University.
 - Ad-hoc unbudgeted for expenses being approved for payment from the tertiary budget during the year.
 - Distance Education Subjects being studied by students on campus.

b) Ineffective Scholarship Selection, Approval and Monitoring Processes

- ***No Guidelines for on-going monitoring of Scholarships***
 - The Ministry currently has no approved Guidelines for the selection, approval and on-going monitoring of tertiary scholarships which is leading to subjective and inappropriate practices.
 - There is minimal assessment criteria applied to scholarship applications, no weighting of selection criteria, no ranking of student applications, no documentation maintained to explain why a scholarship was awarded or not.
 - Applicants are provided with no guidance when applying for scholarships which is resulting in numerous queries being directed at NTU officers which diminishes their ability to perform their duties effectively.

- ***Poor Record-keeping practices – National Training Unit (NTU)***
 - Inability to locate large numbers of applications for 2004, 2005 & 2006
 - Numerous incomplete applications – i.e. applications without the required supporting documentation attached.
 - Director, NTU was unable to provide audit with a complete list of current donor and Solomon Island Government (SIG) funded scholarship holders. Listing provided to audit was incomplete and inaccurate.
 - Separate scholarship list maintained for PNG students which is not fully integrated with the main listing of total current scholarships maintained by the Director, NTU – this list was also incomplete and inaccurate.

- ***No systems in place within NTU to manage and monitor scholarships***
 - There are no procedures for retention of student data; there is poor recording of student information; and poor monitoring of on-going student performance.
 - We identified a number of students who were awarded pre-service scholarships however did not meet the Grade Point Average (GPA) requirement.

- ***Failure to collect Scholarship Application Fee***
 - Number of instances in 2005 and 2006 where an application fee was not collected.
 - Many applications sighted by audit were not date stamped or the stamp was not an original which indicates that the application forms were photocopied to avoid the \$15 application fee.

- ***Scholarship Application Forms***
 - Scholarship applications forms are not submitted in all instances.
 - No tracking of the progress of the application is undertaken.

- ***Failure to maintain documentation to support decisions made***
 - There is no documentation maintained by the Ministry to support NTU's and NTC's selection and approval of tertiary scholarships.
 - NTC meeting minutes are not certified as true and correct by the Chairperson and are not prepared in a timely manner.

- ***Inadequate Scholarship Award Letter***
 - The letter is deficient as it doesn't advise the student of the termination provisions, nor does it request students to forward semester transcripts to NTU to assist in monitoring of student performance. The letter also doesn't require the student to come back to Solomon Islands at the end of their study to use the skills learned for the benefit of the country.
 - Audit identified numerous instances where the letter of acceptance had not been returned by the student.
 - Award conditions are not adhered to resulting in additional costs to SIG.

- ***No evidence of approval of scholarships by NTC***
 - Audit was unable to sight approvals for large numbers of awarded scholarships for 2004, 2005 & 2006.
 - The Ministry may be funding non-approved students for tertiary education.

- ***Preferential treatment of applicants and approval of scholarships***
 - Audit identified many instances where scholarships have been awarded at the Minister's discretion or by the Permanent Secretary or Under-Secretary outside of the normal NTC process.
 - Students who do not meet the scholarship requirements are being awarded scholarships.

- ***Failure to use bonding agreements for In-Service Scholarships***
 - Bonding agreements are not always put in place. This is a very ad-hoc process which is not monitored by any central body.
 - Non-compliance with the General Orders.

- ***Subjectivity in awarding of In-Service scholarships***
 - There are no established selection criteria for the awarding of in-service scholarships – particularly in relation to the private sector applications managed by the Labour Division.
 - There is minimal documentation maintained to support the basis for the priority given to some applicants.
 - The opportunity list is not always used in assessing and awarding scholarships.

- ***Australian and New Zealand SIG Funded Scholarships***
 - Lack of documentation to demonstrate transparency of selection processes for Australian and New Zealand Universities.

- ***Limited monitoring of poor performing students***
 - There is no formal policy in relation to the monitoring of student performance and the avenues available to address poorly performing students (i.e. suspension/termination of scholarships).
 - Audit review of current scholarship holders identified 21 students who had held scholarships prior to 2002, and seven students having held scholarships prior to 2000.

- ***Preferential treatment in awarding of scholarships to partners***
 - NTC are awarding scholarships to partners of students already in receipt of a scholarship based primarily on the fact that one partner already has a scholarship, in an attempt to keep the family unit together.
 - This is unfair to other more qualified applicants who may miss out on a scholarship or who may provide greater benefit to Solomon Islands through their studies.
 - Also in some instances couples delay completion of their studies so that both partners can remain together until the partner who received their scholarship last has completed their study.

(c) **Scholarship Expenditure**

- ***No policy for rates paid for student allowances***
 - There is no approved schedule of allowances payable to students to assist in meeting the expenses incurred during their study programs. As a result, audit was unable to confirm whether allowances paid to students (particularly those not studying at one of the University of the South Pacific (USP) campuses) were appropriate.
 - Student allowances do not take into account the actual cost of living, resulting in over and under payment of allowances.

- ***Delays in payment of student allowances are hindering student studies***
 - Problems with student harmony arose in 2006 due to delays in payment of allowances for students studying in PNG and Fiji.
 - Failure to pay the allowances in a timely manner means students are not able to purchase necessary course equipment (i.e. textbooks, pens and paper) and are living on credit in relation to board and meals.

- ***Limited review of invoices prior to payment***
 - Errors in billing by Universities may not be identified by the Ministry.
 - The Ministry may be paying for unauthorised/inappropriate services.

- ***Limited understanding of obligations in relation to USP Contributions***
 - No memorandum of understanding in place between the Ministry and the University of the South Pacific in relation to its obligations as a Member Country.
 - Discrepancy in obligations and current debt position provided by the Ministry's Chief Accountant and the Deputy Director of Finance from the USP.
 - Reliance on supplementary appropriations to meet its obligations due to poor budgeting.

- ***Overpayment of Student Allowances for students at FSM & FIT***
 - There was a double payment of student allowances paid to students studying at Fiji School of Medicine (FSM) for 2nd Semester 2005 of \$88,032.
 - SIG has been paying book allowances to FSM & Fiji Institute of Technology (FIT) students, while the University has also been charging some students a book allowance as well. The overpayment in relation to 2nd Semester 2005 was \$3378.
 - The Ministry has sent incorrect payment schedules to Treasury for payment of allowances containing the names of persons who were awarded provisional awards which did not end up being formally awarded.

- ***Inability to confirm payments made to approved scholarship holders***
 - Audit was unable to confirm legitimacy of a large number of allowance payments made to students in 2004, 2005 & 2006 due to an inability to sight documentation awarding scholarships.

- ***Inappropriate payments made to scholarship holders***
 - Payments for non-related scholarship expenditure are being provided to scholarship holders and resulting in budget overspends.
 - Preferential treatment may be provided to some scholarship holders.
- ***Inability to confirm payments for student tuition and other fees***
 - Audit was unable to confirm legitimacy of a large number of scholarship payments made to students in 2004, 2005 & 2006 due to an inability to sight documentation awarding scholarships.
- ***Ministry funds spent prior to expenditure being incurred***
 - Requisitions are not being approved prior to the good/service being procured resulting in goods/services being procured without sufficient funds available to meet the costs.
 - The Ministry does not make any assessment of annual costs associated with each student studying at each campus, and raises requisitions to incur funds for services provided only after invoices have been received.
- ***Delays in payment resulting in exchange rate variances***
 - Timing differences between payment of invoice, receipt of invoice and date of requisition are resulting in the Ministry paying additional funds for goods and services due to changes in exchange rates.
- ***Insufficient supporting documentation attached to Payment Vouchers***
 - Lack of documentation attached to the payment voucher to support the payment making it impossible for audit to determine if the payment was legitimate.
- ***Payments made on Photocopies of Invoices***
 - The Ministry is not complying with the Financial Instructions, in particular Sections 277 – 279. There was no evidence that a search was conducted to ensure invoice wasn't previously paid, there was no endorsement of photocopied invoice by accounting officer that payment had not been previously made, and no approval by the Permanent Secretary for payment on a photocopied invoice has occurred. This could lead to fraudulent or duplicate payments being made.

- ***Poor record keeping in relation to refund of airfares***
 - No records are maintained by NTU in relation to the number of tickets to be refunded, whether all tickets were returned for refund; whether only students returned on the charter flight and/or if non-students flew on the charter flight and uncertainty whether these persons were ever billed.

- ***Mismanagement and recording of airfares provided to students***
 - Inaccurate student lists are being provided to Solomon Airlines to produce tickets with student names on the list including graduated students, students who have deferred; students at USP Centre; students who did not end up getting awards; students who have been suspended or terminated, delays in confirmation from USP on whether student had a place; students who remained in Fiji during the semester break – requiring large numbers of tickets to be reissued.

- ***Overpayment of 2005 allowances to students studying in Australia***
 - Overpayment of SBD\$82,842 due to poor record keeping practices and inappropriate fortnightly rates being used.

Conclusion

The audit of the Tertiary Scholarship Program has revealed serious breakdowns in critical management systems and procedures in the administration of the program. This has resulted in significant budget overruns which have deprived other important areas within the Ministry of Education of funds, such as Secondary and Primary Schools programs. In addition the integrity of the awarding of scholarships has been compromised by the lack of appropriate guidelines, selection criteria and monitoring and management of scholarships.

In relation to the National Training Unit many critical records were not available to Audit and these were important to the management of the program. It is evident that the budgeting process for the Tertiary Scholarships has not been effective and that even when the numbers of students are capped this cap is exceeded. Furthermore there seems to be a lack of expertise in the budgeting process within the Unit. The maintenance of records for scholarship holders is poor and in many instances Audit was unable to verify the legitimacy of a wide range of payments such as allowances, airfares and other expenses. In addition, Audit has identified a number of overpayments to various parties due to poor administration and a lack of guiding policies.

The National Training Committee has responsibility for approving scholarships; however in many instances Audit was unable to sight approvals for a large number of awarded scholarships, in particular for 2004, 2005 and 2006. There is a lack of critical documentation in the selection process with little or no selection criteria used to assess applications, minutes are not certified as true and correct by the Chairperson and are not prepared in a timely manner. In many cases decisions are made by government officials outside the normal National Training Committee and thus depriving opportunities for scholarships to other worthy students.

It is evident that the Scholarship Program is poorly managed and is not providing value for money to the Solomon Island Government. This view is supported by a report commissioned in 2005 to review overall education expenditure which found that at the end of 2005, the tertiary sector was absorbing approximately 40% of available education funding but had approximately 2% of all enrolled students or approximately 800 students receiving SIG scholarship funding.

Overall Recommendation

Audit has submitted a series of important recommendations but it is considered that the National Training Unit will need to be strengthened. In particular, consideration be given to:

- Urgently developing a tertiary scholarship policy;
- Placing a moratorium on any new awards until the costing of the scholarship program is determined and the affordability taking into consideration the cost of the ongoing awards. This might mean suspending the program until 2008;
- Outsourcing the selection and management/administration of the tertiary overseas scholarship program and this remove outside interference.

In order to strengthen the unit and implement these recommendations contained in the Report it is considered that the National Training Unit may require the assistance of a donor organisation.

Permanent Secretary's Response

In a response dated 30 August 2006 the Permanent Secretary advised that his Ministry accepts the findings of the Report and has now put in place a number of strategies and actions to address the problems identified in the Report.

In summary the Ministry has implemented:

- Tertiary awards for 2007 will be reduced in line with budget constraints;
- The World Bank/NZAID/EU funded National Skills Training Plan, which will be ready in November 2006, will be used to determine the number and kind of tertiary awards in future;

- A technical adviser to assist with the preparation of a tertiary education policy is being recruited and will be funded through our EU Stabex funds. The audit report recommendations relating to Student study contracts and a bonding/loan scheme will be covered by the policy;
- The SCHOLAR award management and administration software programme developed by UNIQUEST (as part of their (SEIMIS development work with the Ministry) is being implemented immediately and this is supported by extending the contract of the Ministry's current financial management Technical Adviser. Attached are the details of the features of the SCHOLAR scholarship management programme. Particular attention is being paid to the Scholarship selection, approval and monitoring process. The priority will be to enter all awards for 2007 onto the system, then to enter all the records for the continuing students for 2007. It is recognised that as some of the records for current students are available, the National Training Unit will need to recreate these records and where source documentation is missing then this will have to be captured again by ensuring that all students with awards complete application forms again;
- Additional staff have been recruited to the National Training Unit, including administrative staff to re-organise their paper records system;
- Enhancements (see attached) are planned for the SCHOLAR awards management system in response to the recommendations in the Tertiary Scholarships Audit Report and
- The Ministry plans to invite the Auditor General to carry an audit when all the students with awards for 2007 have commenced their academic year.

A copy of the response from the Permanent Secretary is shown in Attachment A.

1. INTRODUCTION

1.1 Background

The audit of the tertiary scholarship program, managed by the National Training Unit within the Ministry of Education and Human Resources Development, was in recognition of the urgent need for the Ministry to improve its budgeting and selection processes in relation to the funding and selection of tertiary scholarships.

Our audit focussed on the following areas:

- Scholarship Selection, Approval and Monitoring Processes
- Scholarship expenditure
- Budget deficiencies

The audit addressed efficiency and effectiveness of performance considerations as well as internal controls and compliance issues.

1.2 Our Mandate for the Audit

The Public Finance and Audit Act provide that the Auditor General “*shall have and may exercise all the powers and authority and shall perform the duties conferred and imposed upon him by this Act and by section 108 of the Constitution.*”

1.3 Legislation/Instructions

The following are relevant instructions:

- General Orders – Chapter N Training.
- Financial Instructions 2004 – in particular in relation to expenditure and payments.

1.4 Audit Scope

In conducting our audit, we sought to provide Parliament with assurance that:

- The scholarship process is transparent and has effective systems in place to ensure scholarships are awarded in line with government expectations and skills requirements and
- Parliament, donors and all other interested parties can place reliance on the performance data that the Ministry reports.

Audit’s scope covered pre-service and in-service Solomon Island Government funded tertiary scholarships for the period 2002 to 2006. SICHE scholarships were excluded from this audit, however many of the recommendations made in this report can also be used to improve the SICHE scholarship process.

2. BUDGETING ISSUES

2.1 Background

Due to poor budgeting practices, the Ministry has exceeded the annual budget for tertiary scholarships for three of the past 4 years. It is also expected that the 2006 budget allocation will be exceeded.

Audit examined the reasons for the overruns and has provided a number of suggestions that can be implemented to prevent this from occurring in the future.

2.2 Summary of Audit Findings and Recommendations

The following is a summary of audit findings and recommendations:

2.2.1 Budget overruns due to poor budgeting practices

Paragraph 203 of the Financial Instructions states:

“An Accounting Officer is responsible for ensuring that no commitment is entered into that would result in an accounts code exceeding the approved estimates once the subsequent charge is made. Where an Accounting Officer realises that uncommitted funds available on a recurrent accounts code are insufficient to meet further expenditure, he shall make no further commitment.”

Paragraph 205 of the Financial Instructions states:

“Under no circumstances shall an Accounting Officer incur or commit expenditure in anticipation of further funds being released by de-reservation, virement or supplementary estimate. An Accounting Officer shall be personally and financially responsible, for any expenditure incurred or committed in anticipation of the release of further funds by de-reservation, virement or supplementary estimates, in cases where application for such release is subsequently refused.”

Audit noted that the Ministry of Education

- is currently not adhering to these financial instructions;
- does not budget for tertiary scholarships on an annual basis and
- has limited understanding of how much it costs to fund current tertiary scholarships and does not determine how much funding is available annually to fund new scholarships.

Advice from the Chief Accountant and the Director, NTU is that the Ministry just pays bills when they receive them; they do no forward planning or estimation of expected annual bills for student scholarships. The Ministry offers as many scholarships as it chooses with no thought given to whether this is achievable within the annual recurrent budget funding. As a result it is dependent on contingency warrants, supplementary funding and funding from the developmental budget to meet its debts.

The Ministry has exceeded its recurrent budget allocation annually, as follows:

	2002	2003	2004	2005
Budget	16000	16000	16,000	11,000,000
Revised Budget			8,516,000	
ROC Funding				9,970,000
Actual	884,264	35,812,293	5,803,999	*39,281,888
Difference	868,264	34,960,029	(2,712,001)	18,311,888

- In 2004, the original budget was \$16,000; however this was later revised to \$8,516,000. The actual expenditure for 2004 was \$5,803,999 hence was under budget by \$2,712,001 for 2004. The under budget was due to 2004 bills being paid in 2005.
- In 2002, 2003 & 2004 the budget allocation was only \$16,000 hence making the budget overspend look excessive, particularly in 2003. Also note that the majority of funding for 2003 was met from the Development Budget (\$33.8m). Also note that in 2005 ROC Funding of \$9.7m had been added to the SIG recurrent budget for tertiary scholarships. However this still did not prevent a large overspend in 2005.
- *In 2005, the Ministry required additional funding of approximately \$27m to meet its obligations.

A NzAid report commissioned in 2005 to review overall education expenditure found that at the end of 2005, the tertiary sector was absorbing approximately 40% of available education funding but had approximately only 2% of all enrolled students or approximately 800 students receiving SIG scholarship funding. The report further stated that this is diverting significant amounts of funding away from other levels of education. The donor support received by the tertiary sector has grown by approximately SBD\$60m since 2003.

Implications

Insufficient funds available to meet the costs of the tertiary scholarship program is resulting in funds having to be used from other Education priority areas, for example secondary and primary education, reducing the effectiveness of these programs or in requests for supplementary funding from Treasury which may be reducing the funds available to meet other priority areas (i.e. health, road maintenance etc). Also non-compliance with the Financial Instructions.

Recommendation 1

We recommended that:

- The Financial Instructions be adhered to
- Annual budgeting for tertiary scholarships ensures that NTU operates within set budgets and that the budget includes Student allowances, Student tuition fees and charges are available from the relevant institutions, and any other student charges – available from the relevant institutions
- Budgets be prepared in June/July each year for the following year. This budgeting should be the basis for determining how many new scholarships can be offered in the next year, and this number should be adhered to, with no exceptions.

2.2.2 Failure to adhere to measures agreed to reduce budget overspends

A meeting was held between the Permanent Secretaries of Finance and Education on 5 December 2005 concerning interim sustainable education policy on government sponsorship for overseas and in county tertiary training which resulted in a number of interim measures to be taken in order to contain another blow-out in the tertiary support budget allocation in 2006. A letter from the Prime Minister to the Minister for Finance and Treasury dated 12 December 2005 set out a number of measures to be taken by the Ministry of Education, these included:

- \$10M budget allocation to be reserved to meet 2005 outstanding accounts;
- Review of student performances for the 2005 academic year to identify poor performance for possible termination of scholarship;
- Review of ongoing SIG students to possibly terminate students who have already graduated but were undertaking subjects over the number of units required to graduate and
- Capping of student numbers.

Audit reviewed the above proposed interim measures to determine what action had been taken by the Ministry to implement them and in the main Audit found little or no implementation action has been taken. The following position was noted in relation to the above measures:

- The Chief Accountant advised he was not aware if a reserved budget allocation had occurred.
- On 21 February 2006 audit was presented with a list of students that NTU recommended be terminated due to poor performance however no meeting of the NTC had occurred. The meeting to be convened on that day was cancelled as a quorum was not available. Audit's concern is that by the time the NTC meets and decisions are made, students will be almost half way through the first semester and SIG will have been funding their scholarship costs during this time. This is worsened in the case of appeals being made. To date, no scholarships have been terminated in 2006.
- At time of the audit no review of any such students had taken place. Advice from the Director, NTU is that he was waiting until end of Semester 1, 2006 and will be reviewing transcripts and terminating scholarships if appropriate.
- It was agreed that the Ministry would cap 2006 scholarships at 140 which was to match the number of SIG sponsored students who were supposed to graduate in 2005. This was to be comprised of 90 new pre-service and 50 in-service scholarships. To date, audit has been advised by the Director, NTU that approximately 200 scholarships have been awarded for 2006, however no final approved listing of 2006 scholarship recipients has been made available to audit, hence this number is unconfirmed. This number could include scholarships awarded in prior years where the student had deferred their studies and decided to commence in 2006. However these numbers are not factored into the number of scholarships which can be awarded each year and as a result may result in new scholarship numbers exceeding the cap and NTU exceeding its annual budget allocation. NTU were unable to provide audit with information on how many deferred students were commencing their studies in 2006. However comparison of student lists provided by NTU on two separate occasions identified a large number of variances in student names and numbers which audit has concluded are either new students awarded scholarships in 2006, deferred students commencing study in 2006 or students who were previously omitted from the prior list. The number of students who graduated at the end of 2005 was 113 (this includes donor funded scholarships). NTU was unable to provide audit with a list of only SIG sponsored graduating students. Therefore, not only did the Ministry exceed the capped number of new scholarships to be granted in 2006, graduating students were also less than anticipated. Based on this alone, it is evident that the Ministry will again exceed its budget allocation for tertiary SIG sponsored scholarships in 2006.

The Ministry of Finance & Treasury have assessed the tertiary education sector as absorbing 30% of total SIG education funds and a further 35% of all donor education funds. Tertiary students make up less than 2% of all education enrolments making this budget support extremely disproportionate. It was also suggested that funding so many scholarships is a waste of scarce funds providing people with tertiary skills they will never require in jobs they can get in the Solomon Islands or providing them with opportunities to get well paying jobs overseas with no return on SIG investment. It is impossible to determine what benefit the current scholarship program has provided to the country as poor records are maintained of graduated students and what has become of them since they graduated.

Implications

The implications are that the Ministry of Education will exceed its budget allocation in 2006 for tertiary scholarships; is not displaying its commitment to limiting budget overruns; and lacks proper records to manage and monitor the budget process.

Recommendations 2

We recommended that the Ministry of Education:

- urgently assess the expected students fees, charges and allowances to be paid in 2006 (including all prior year outstanding invoices) and put measures in place to ensure it does not exceed its budget allocation.
- maintains complete records of expenditure and that the tertiary scholarship expenditure be continually reviewed to ensure there is adequate funding available to meet anticipated expenditure.
- cease funding student expenditure that is outside of the 'normal' student fees, charges and allowances.
- establish how many new scholarships it can afford annually and NOT exceed this number. Scholarships should not be granted mid-year.
- give consideration to, on an interim basis, ceasing awarding new scholarships until the current situation has been rectified; and
- consider 'means testing' scholarship funding and/or providing funding as a 'repayable loan'.

2.2.3 Failure to recognise and/or pay scholarship invoices in a timely manner

Financial Instruction 215 (6) requires: *“During the last month of the financial year, all Accounting Officers are responsible for making suitable arrangements with suppliers and other Government creditors for the prompt submission of all invoices and claims in respect of goods supplied and services rendered during that year...”*

Audit noted that the Ministry does not maintain complete records of outstanding amounts not yet billed for services provided, therefore it is not aware of its current debt situation with its suppliers in relation to the provision of scholarship funding. The audit review identified numerous outstanding invoices of significant value (some SBD \$9.3M) owing to Institutions which were not recorded in the Ministry’s accounts as outstanding at the end of 2005.

Advice from Director NTU is that the above instances are an annual problem, due to budget constraints, delays in payment by the Ministry of Finance and resourcing shortages in NTU which results in delays in payment of student allowances and other associated charges.

Implications

Overseas universities may become reluctant to allow Solomon Island students to study at their campuses, reputational damage to SIG, and non compliance with Financial Instructions.

Recommendation 3

We recommended that the Ministry ensure invoices are paid promptly and establish the outstanding debts and record these in the Commitment Ledger, and arrange to promptly pay all outstanding debts.

2.2.4 Poor monitoring of student activities

In awarding and budgeting for tertiary scholarships it is necessary to have a mechanism in place to monitor student activities so that the budget is framed based on eligible students who meet the appropriate criteria, are taking approved courses as well as achieving satisfactory results and do not incur expenses outside the given guidelines.

Audit has noted the failure by NTU to strictly monitor student activities which is having a negative impact on the budget. Some of these activities include:

- Students, who have been terminated for poor academic performance by donor scholarship providers, are being provided with SIG scholarships;
- Students extending their stays;
- Swapping of programs once scholarships have been awarded;
- Students extending scholarships by doing more subjects than required;
- Awarding of scholarships to students who apply for a particular course that is not provided by a USP;
- Ad-hoc unbudgeted expenses being approved for payment and
- Distance Education Subjects being studied by students on campus.

Implication

Inadequate monitoring of student activities and/or inadequacies in the scholarship award letter is having an adverse impact on the scholarship annual budget, resulting in budget overspends.

Recommendation 4

We recommended that NTU:

- Apply stricter monitoring of student activities.
- Refuse to pay for unauthorised activities.
- Develop a more strident scholarship award letter that advises students clearly what SIG will pay for and what is a student expense.

3. SCHOLARSHIP SELECTION, APPROVAL AND MONITORING PROCESS

3.1 Background

Our review of the tertiary scholarship selection, approval and monitoring process concentrated on tertiary SIG scholarships awarded for 2004, 2005, 2006 and included both pre-service and in-service scholarships.

3.2 Summary of Audit Findings and Recommendations

The following is a summary of audit findings and recommendations:

3.2.1 **Poor Record-keeping practices – National Training Unit**

The office of the National Training Unit (NTU) has unsatisfactory methods of retaining and filing student applications, student correspondence, correspondence with Universities, meeting minutes of the National Training Committee etc.

Audit was confronted with piles of documents, maintained on desks and on the floor of the NTU Office, in no particular order and was required to search through hundreds of documents to attempt to find the information required.

a) *Scholarship applications*

As a result of poor record-keeping, audit was restricted to reviewing the scholarship application process for the 2004, 2005 and 2006 years. Audit was provided, by the Director, NTU, with a listing of scholarship holders and attempted to find all successful scholarship applications submitted for 2004, 2005, 2006. Audit was unable to locate the following applications for awarded scholarships in each year:

Scholarship Type	2004	2005	2006
Pre-service	24 from 93 (25%)	108 from 305 (35%)	23 from 83 (27%)
In-Service	11 from 27 (40%)	67 from 101 (66%)	27 from 42 (64%)

In relation to 2006, audit was provided with a listing of approved scholarship holders on 10 January 2006 which, audit has since been advised by the Director, NTU has subsequently grown from 125 to approximately 200 scholarships. This may be due, in part, to students deferring their studies when previously awarded scholarships in prior years who have decided to commence studies in 2006, however due to poor record keeping it was impossible to determine which students, if any, where deferments. The above results are based on initial testing conducted on the 10 January 2006 list. At time of audit finalisation, the Director, NTU was not able to provide audit with a final listing of 2006 approved scholarships.

Audit review also identified a large number of incomplete applications. Applicants are required to provide the following documents with their scholarship applications:

- Police clearance certificate
- Medical report
- Birth Certificate
- School transcripts

Audit review identified that scholarships have been provided to students without this information being attached to the applications.

b) *Current scholarship holder records*

As a result of poor record-keeping, the Director, NTU was unable to provide audit with a complete list of donor and Solomon Island Government (SIG) funded scholarship holders. The listing provided was incomplete in terms of current scholarship holders and also in terms of information maintained in relation to each scholarship holder (i.e. there were a number of instances where details in relation to commencement date and program of study were not contained on the list or were incorrect).

In addition, audit was advised that a separate list of students studying at Papua New Guinea Universities is maintained and is not always consolidated with the list maintained by the Director, NTU. A review of this list identified numerous inconsistencies whereby 52 from 153 (34%) students were not included on the masterfile listing of students.

In addition, scholarship approvals to PNG Universities are not always advised to the Director, NTU therefore any attempt to cap scholarship numbers annually would fail as two separate officers are arranging for scholarship approvals without consultation. In 2006, approximately 46 new students were approved to study at PNG and of this number, the Director NTU was only aware of 33 students.

Audit was advised by the Director, NTU that the records are in such poor condition due to NTU not having a registry clerk and the Unit being severely under-resourced for the work required to be performed by it.

Implications

The implications of the failure by NTU to maintain up to date records may result in under budgeting for scholarship expenditure, incorrect information on current scholarships being provided to senior management within the Ministry and other interested bodies hence reducing the effectiveness of decision-making in relation to tertiary scholarships. In addition there is no transparency in selection process due to numerous missing documents.

Recommendations 5

We recommended that the NTU employs a registry clerk and maintain separate files for each student (pre-service & in-service) with appropriate evidential documentation to support the decisions made. In addition the NTU should maintain only one complete central listing of all scholarship holders and should be responsible for ensuring this record is accurate and up-to-date and contains both donor and SIG funded scholarship recipients.

3.2.2 Guidelines for selection, approval and on-going monitoring of Scholarships

The Ministry currently has no approved Guidelines for the selection, approval and on-going monitoring of tertiary scholarships which is leading to subjective and inappropriate practices.

a) *Guidelines for selection and approval of scholarships*

In 1994 'Criteria and conditions for awarding of scholarships for pre-service and in-service training' were developed by the Ministry however have never been formalised and are not currently used according to the NTU Director.

Currently there is minimal assessment criteria applied to scholarship applications. There is no weighting of selection criteria, no ranking of student applications, and no documentation maintained to explain why a scholarship was awarded or not awarded.

For pre-service applications, a Grade Point Average (GPA) of at least 3 is the main requirement, together with completion of Form 7 and availability of scholarships – particularly in the Arts stream. The applications are also assessed against the opportunity list which details those programs which will provide students with skills desired by SIG.

The opportunity list is used to identify the priority skill areas in which Solomon Islands needs to develop its skills and this is used to ensure students are studying programs of benefit to the country. This list is subjective in nature and is not used to award all scholarships. Audit is aware that the Ministry is to conduct a National Skills Survey in conjunction with the World Bank that will identify the skill shortages in the country.

Currently if a pre-service applicant receives a Grade Point Average (GPA) of 3, he/she is supposed to be provided with a scholarship irrespective of the budget implications. Audit was advised by the Director, NTU that students were ranked by GPA and those with a GPA of 3 often missed out, however the list of 2006 scholarship holders provided to audit contained two students with rankings of only 3 who were favoured over other students with a similar GPA that missed out for no apparent reason.

There were an additional 30 Arts places provided after 10 January 2006 which went to students with GPAs in excess of 3 - however there were an additional 13 students identified by audit with GPAs also of 3 or more that did not receive scholarships. This subjective manner of selecting successful applicants is unfair to the students who are missing out on scholarships. Audit was advised by the Director, NTU that the unit 'keep quiet' about students with low 3 GPAs who weren't awarded a scholarship however if the student was to query why they weren't placed, it is more than likely that NTU would provide a scholarship to them.

It is imperative that the Ministry develop formal guidelines in relation to selection and approval of tertiary scholarships against which applications are assessed and which must be adhered to in all circumstances. Any deviation from these guidelines needs to be documented and should only occur in exceptional circumstances.

b) *Guidelines for applicants applying for scholarships*

Applicants are provided with no guidance when applying for scholarships which is resulting in numerous queries being directed at NTU officers which diminishes their ability to perform their duties effectively.

As students are not aware of the eligibility requirements, NTU are bombarded with numerous applications from persons who are not eligible to receive a scholarship.

The Ministry needs to develop scholarship guidelines for applicants that outline the eligibility requirements, selection process, entitlements, obligations etc.

The Department also needs to cap the number of scholarships available for Pre-service Science and Arts and for In-Service Scholarships, and programs available for funding annually and make this information available to applicants to increase transparency in the selection and approval process. This information is not available and as a result students get upset when they meet the requirements (i.e. GPA of 3) but do not receive a scholarship. The Department often subsequently provides them with scholarship funding which contributes to the budget overruns.

Lack of strict selection criteria and ranking of applications and determination of numbers of available scholarships is resulting in a lack of transparency and budget overruns on an annual basis.

Implications

Scholarship selection process is not transparent and lack of formalised guidelines may lead to inappropriate approval of scholarships that may not meet the needs of the Government in terms of training and development. Failure to have formal guidelines in place has also resulted in budget overruns, as no structure has resulted in numerous scholarships (particularly pre-service) and extensions to existing scholarships being provided with no thought to the budget implications.

Scholarships may be awarded for students to study programs which will be of no benefit to the country or programs in which the country already has an overabundance of this skill. This may result in the student not being able to find employment in Solomon Islands and either becoming unemployed or migrating to another country to gain employment.

Recommendation 6

We recommended that the Ministry:

- a) Urgently develop and implement guidelines and procedures for the selection, approval and on-going monitoring of scholarships and scholarship recipients. These guidelines need to cover both pre-service and in-service scholarships and to include both donor and SIG funded scholarships. Other areas which need to be covered in the guidelines include the following:
 - General eligibility criteria
 - Student selection process – including weighted selection criteria
 - Application submission process and application fee requirements
 - Scholarship approval policy – who can approve scholarships
 - Student acceptance process
 - Termination and appeals policy and process
 - Award benefits and conditions i.e. travel; establishment allowance; living allowance; tuition fees; student health cover etc.
 - Policy on allowances paid direct to student – including \$ amount of applicable allowances payable in advance or directly to institution.
 - Policy on use of Australian and New Zealand Universities
 - Policy for on-going monitoring of student performance – i.e. requirement to send in transcripts at end of each semester; what is considered satisfactory academic performance etc
 - Extensions; deferments; variations of scholarships; award suspensions; transfers of courses and/or institutions; field of study changes; course upgrades, serious student illness etc
 - Family costs policy and procedures
- b) Consider developing and implementing guidelines for applicants which outlines the application and approval process for the applicant, and how an applicant can lodge an application for a tertiary scholarship.
- c) Undertake the National Skills Survey as a matter of priority and use the results to improve the Tertiary Scholarship program for the benefit of the entire country.

3.2.3 No systems in place within NTU to manage and monitor scholarships

NTU has poor manual systems. There are no procedures for retention of student data; there is poor recording of student information; and poor monitoring of on-going student performance.

Student documentation is maintained in a number of different places in piles throughout the NTU office. It is impossible to obtain details on all scholarships issued as documentation pertaining to each scholarship may or may not be kept by NTU, and if it is kept, it is not filed in any logical order.

In view of the poor documentation process audit sought information from other sources and identified some 40 students who were awarded pre-service scholarships who, however, did not meet the GPA requirement of at least 3

and these ranged from a GPA level of 0.77 and 2.94. This information was received from the USP Centre or from academic transcripts provided to NTU.

When queried about why these applicants received scholarships, the Director, NTU advised that he was directed by either the Permanent Secretary or the Minister to provide the scholarships, however he could not provide documentation to support his statement.

In addition, audit also identified several students who met the GPA requirement however were not awarded with a pre-service scholarship.

Implications

Students who meet the GPA requirement may go unnoticed and miss out on a scholarship or conversely students who do not meet the GPA requirement may be awarded a scholarship.

Recommendation 7

We recommended that the NTU:

- Prepare student files which contain all student information in one place – i.e. original application including all supporting documentation; copy of award letter; copy of NTC approval; semester transcripts; any other documentation in relation to the student.
- Implement a student database that records all student information from date application received, educational results, course of study, commencement date; fees and allowances paid etc.

Audit understands that there is a student database currently being developed through the assistance of donor funding which would be suitable for NTU's purposes. It is recommended that NTU immediately commence using this database once it is available for use.

3.2.4 Failure to collect Scholarship Application Fee

Scholarship applicants are required to pay a \$15 application fee when submitting an application for either a pre-service or in-service tertiary scholarship. Audit was advised that application forms were not provided to applicants unless the \$15 application fee is paid. Application forms are dated stamped with the date the application is provided to the applicant.

Audit reviewed revenue collection in 2004 and 2005 in relation to application fees received for 2005 and 2006 scholarships and found evidence that the application fee is not always paid nor is the application form always date stamped.

Audit testing identified the following instances where the application fee was not paid:

Scholarship Type	2005	2006
Pre-service	223 from 305	62 from 83
In-Service	76 from 101	35 from 42

In relation to 2006, audit was provided with a listing of approved scholarship holders on 10 January 2006 which has subsequently grown to approximately 200 scholarships. The above results are based on initial testing conducted on the previous list.

This has resulted in a loss of income of \$1455 in 2006 and \$4485 in 2005. While the amounts are not significant, it does indicate a breakdown in controls.

Audit sighted many applications which were not date stamped (the Ministry date stamps the application form when collected by an applicant) or the stamp was not an original which indicates that the application forms were photocopied to avoid the \$15 application fee.

Implications

A loss of income for the Ministry and a break down in controls over distribution of application forms.

Recommendation 8

We recommended that the NTU:

- Sequentially number scholarship applications upon receipt to assist in tracking of applications through the entire selection and approval process and also to prevent applications from being photocopied by students to avoid payment of the \$15 application fee: and
- Refuse to accept unstamped applications in the future to prevent this practice.

3.2.5 Scholarship Application Forms

All applicants for tertiary scholarships are required to complete an application form which can be obtained from the Ministry. Scholarship applications forms are not submitted in all instances. As detailed previously, audit was unable to locate large numbers of applications either due to poor filing and document retention practices within NTU or because applications were not actually submitted.

In some instances, applicants applied under cover of a letter rather than using the application form and this was accepted by NTU. In other instances, no application or letter was submitted.

On the current application form, there is a 'NTU use only' section which is not in use. This section should be used to track the process of the application and details the following:

- Date the application was received;
- Date the application is under consideration as of;
- Date the decision was made;
- Date the application was approved/not approved and
- Date the candidate was informed of the decision.

Implications

Inconsistent application process may result in unfair advantage/preferential treatment being awarded to some applicants and a lack of transparency in application and selection process.

Recommendations 9

We recommended that the:

- NTU cease accepting applications via letter and also refuse to award a scholarship if an application is not submitted.
- Ministry consider implementing a common application form for both donor and SIG funded scholarships. If NTU continue to use the existing form, commence using the "NTU use only" section immediately to assist in the tracking of applications.

3.2.6 Failure to Maintain Documentation to Support Decisions

Audit noted that there was no documentation maintained by the Ministry to support the selection and approval of tertiary scholarships. In addition, NTC meeting minutes are not currently certified as true and correct by the Chairperson and are not prepared in a timely manner.

No documentation on how decisions to award or not award scholarships is maintained. NTC meeting minutes only record the names of persons approved to receive a scholarship, there is no documentation maintained by either NTU or NTC on the assessment of each application and supporting documentation maintained (for example individual ratings/score sheeting of candidates against selection criteria etc).

Meeting minutes should be reviewed and signed by the Chairperson to ensure accuracy of minutes and should be maintained in a safe place for further reference. All documentation used by the Committee to make its decisions should be maintained in meeting folders, together with the certified minutes of each meeting.

Audit attempted to review NTC meeting minutes to ensure all current scholarships had been appropriately approved. In some instances, meeting minutes were either not able to be provided or were not available for audit review.

Audit reviewed approvals for 2004, 2005 and 2006 awarded scholarships (based on lists of current scholarship holders provided by NTU) and identified the following current scholarships for which no NTC approval could be sighted:

Scholarship Type	2004	2005	2006
Pre-service	52 from 93 (56%)	186 from 305 (61%)	36 from 83 (43%)
In-Service	15 from 27 (55%)	34 from 101 (34%)	12 from 42 (28%)

In relation to 2006, audit was provided with a listing of approved scholarship holders on 10 January 2006 which has subsequently grown to approximately 200 scholarships. The above results are based on initial testing conducted on the previous list. At time of audit finalisation, the Director, NTU was unable to provide audit with a final listing of 2006 approved scholarships.

As discussed in previously, a separate list of current scholarships at PNG Universities is maintained by NTU. In relation to this list, audit was unable to confirm NTC approval for 40 scholarships.

There are three main reasons why scholarship approvals could not be sighted by audit:

- Student has not been approved for a scholarship;
- Poor record-keeping and
- Approval of scholarships outside of the NTC process.

Implications

No transparency in selection and approval process and the Ministry may be funding non-approved students for tertiary education. In addition senior management within the Ministry are making decisions in relation to scholarship funding on incomplete information. Further preferential treatment may be being awarded to some students.

Recommendation 10

We recommended that:

NTU or NTC maintains documentation on how decisions in relation to the awarding of scholarships are made and NTC ensures that:

- Applications are ranked against selection criteria. Each member of the NTC should separately rank each application, in a spreadsheet, and then meet to deliberate and award scholarships to successful applicants.
- Selection criteria are to be weighted i.e. most important criteria awarded the highest score; the less important criteria awarded the lowest score.
- Meeting minutes are prepared in a timely manner and certified by the Chairperson at least a week after the meeting.
- All scholarships are approved by the committee.

3.2.7 Inadequate Scholarship Award Letter

Students awarded with either a pre-service or in-service scholarship receive a Solomon Islands Government Scholarship Award letter from NTU which advises the recipient of the scholarship provided (i.e. SIG or donor), the program approved and the term. It also outlines what expenditure is covered by the scholarship funding. The letter advises that any expenditure outside of that contained in the letter is not covered. The letter also advises that a change from an approved program is not allowed unless approved by the NTC.

The letter does not advise the student of the termination provisions, nor does it request students to forward semester transcripts to NTU to assist in monitoring of student performance. The letter also doesn't require the student to come back to Solomon Islands at the end of their study to use the skills learned for the benefit of the country.

The student is requested to sign the Letter of Acceptance attached to this letter if they accept the terms and conditions of the award. Audit identified numerous instances where the letter of acceptance had not been returned by the student and the terms of the letter had not been adhered to by students or enforced by NTU.

The conditions in the award letter should be strictly adhered to and any variations should be considered a breach of the scholarship conditions and consideration be given to an immediate suspension/termination of the scholarship. This does not currently occur, with SIG paying for expenditure not contained in the award letter (i.e. accommodation over semester breaks etc) and also with students undertaking additional subjects outside of the approved program of study.

Implications

Currently SIG pays a number of additional expenses in relation to students which are not covered by the scholarship and this is contributing to the budget overruns experienced annually. Students may not be aware of their responsibilities and/or the terms and conditions of the scholarship. Further students may not return to the country at the completion of their studies which results in a loss of skills and knowledge and no return for SIG on its investment.

Recommendation 11

We recommended that the Ministry consider amending the Award letter to include the following:

- failure to complete the program within the time period may result in termination of the scholarship;
- scholarship funding is for the award recipient only – SIG will not pay for family-related expenditure;
- student must return to Solomon Islands during semester breaks – SIG will not pay for any living expenses incurred by students remaining on campus during semester breaks;
- student to provide Universities transcripts/results to NTU each semester;
- acknowledge that no additional studies will be undertaken;
- agree to study full-time, achieve satisfactory academic results and meet all course requirements set out by the University;
- agree to come back to Solomon Islands at completion of program to work for a period of at least 3 years (i.e. a bonding agreement) and
- details on the grounds for suspension/termination of scholarship funding.

These award conditions need to be strictly enforced by NTU and breaches of award conditions must be immediately forwarded to NTC for consideration of suspension/termination of scholarship funding, and scholarship funding should not be provided to a student until the letter of acceptance has been returned to NTU.

3.2.8 Preferential Treatment of Applicants and Approval of Scholarships

As discussed previously, all SIG scholarships must be approved by the National Training Committee (NTC). Audit review has identified many instances including cases where the GPA was as low as 0.62, where scholarships have been awarded at the Minister's discretion or by the Permanent Secretary or Under-Secretary outside of the normal NTC Board process.

Audit was unable to locate scholarship applications or NTC approval for these scholarships. In many instances the NTC had originally denied the initial application as these applicants did not meet the scholarship requirements, particularly in relation to the required Grade Point Average of 3. However on query by student's parents etc, these students were subsequently awarded scholarships.

A further example of this improper practice is in relation to the awarding of the 2006 tertiary scholarships. On commencement of the audit of the tertiary scholarship process, Audit reviewed the latest NTC meeting minutes and identified the 2006 nominations as recommended by NTC for approval by the Permanent Secretary and the Minister for Education. This list contained a number of applicants with a GPA less than 3 and was rejected by the Minister as not satisfactory. NTU and NTC were asked to recommence the nomination process to ensure only students with a GPA of 3 or greater were awarded scholarships.

On 10 January 2006 a new list of 2006 scholarships were sent to the Permanent Secretary and Minister for approval. This list awarded 42 in-service and 67 pre-service scholarships – a total of 109 scholarships. Since this time, audit has been advised by the Director, NTU that further scholarships have subsequently been awarded by either the Permanent Secretary, Under-Secretary or the Director of NTU increasing the number to approximately 200 new scholarships in 2006. However as the Director, NTU has been unable to provide audit with a complete list of 2006 approved scholarship holders, audit has been unable to confirm the final number of scholarships awarded in 2006.

Implications

A potential loss of faith in the selection and approval process of tertiary scholarships from the public whereby students who do not meet the scholarship requirements are being awarded scholarships. This could also result in an increase in students failing subjects as a result of scholarships being awarded to students with poor academic records, hence they are not capable of meeting the standards required of University studies.

Recommendation 12

It is recommended that:

- All applicants should be required to submit applications, and all applications should be processed through the NTC.
- The scholarship selection and approval process should not be influenced by any outside bodies.
- The selection and approval process should be free of bias and consideration should be given to outsourcing this process to an independent body like the South Pacific Board of Educational Assessment.

3.2.9 Failure to use Bonding Agreements for In-service Scholarships

Chapter N, Section 105 of the General Orders requires officers undertaking overseas training/study to complete an agreement called a bonding agreement.

Audit reviewed in-service scholarships for both the public and private sector and was advised that bonding agreements are not always put in place. This is a very ad-hoc process which is not monitored by any central body and is left to the discretion of each Ministry.

Discussions with the Public Service Department (PSD) representative responsible for public in-service scholarships highlighted the current difficulties associated with ensuring adherence to the General Orders and also advised that PSD are looking to rectify this shortfall in the near future.

Implications

Scholarship recipients may not return to Solomon Islands and put into practice skills learned through higher education thus SIG funds spent may not be recouped through benefits to Solomon Islands. In addition there is a non-compliance with the General Orders.

Recommendation 13

We recommended that:

- One central body be responsible for ensuring bonding agreements are completed by each in-service scholarship recipient.
- As the Ministry of Education is responsible for awarding the in-service scholarships, it would be appropriate for that Ministry to issue bonding agreements.
- Bonding agreements should be completed in all instances irrespective of whether scholarship is funded by SIG or donor.

3.2.10 Subjectivity in Awarding of In-service Scholarships

In-Service scholarships can be awarded to private or public sector employees, for study either in-country or overseas. There are no established selection criteria for the awarding of in-service scholarships – particularly in relation to the private sector applications managed by the Labour Division.

In-service scholarship applications are provided to NTC by the Public Service Division (for government employees); Teachers Services Division (for teachers) and Labour Division (for private individuals).

Applicants are short-listed or prioritised prior to review by NTC. Awarding of scholarships is primarily based on the judgement of the representative from each of the above bodies. There is minimal documentation maintained to support the basis for the priority given to some applicants.

The opportunity list is not used in assessing and awarding scholarships. We noted examples demonstrating the inadequacy of the current system whereby in the awarding of a scholarship in 2006 to study sound engineering. As no course of this nature was available, NTC decided to award the person a scholarship to study a BA in Music and Theatre because there are some sound engineering type subjects in this program. This is a potential waste of SIG funding because the knowledge obtained from this degree will be of limited benefit to both the student and the country.

Implications

Bias may occur in the short-listing process and scholarships may be given to study inappropriate programs of no benefit to Solomon Islands may occur as a result of not using the opportunity list.

Recommendation 14

We recommended that:

- Weighted selection criteria be developed and implemented for the assessment of in service applications.
- All applications should be forwarded to NTC for consideration – there should be no short-listing of applicants undertaken by the PSD, Teachers Services Division or the Labour Division
- NTC should not rely solely on the judgement of the PSD, Teachers Services Division and Labour Division representatives but should assess each application themselves against weighted selection criteria.
- Reasons for the awarding of scholarships and the rejection of applications should be clearly documented in the NTC meeting minutes and certified as accurate by the members of the NTC.
- Consideration of the benefit to be derived by the country should be considered when awarding scholarships.

3.2.11 Australian and NZ SIG Funded Scholarships – Irregular Processes

The audit identified that nine students are the only current SIG sponsored students studying in either Australia or New Zealand. Audit has been unable to:

- obtain any evidence to confirm that these students met the GPA requirements;
- confirm that the students had completed Form 7; and had submitted an application form or
- locate NTC approval for the above scholarships.

The Director, NTU was not able to provide any documentation in support of these scholarships.

In some instances, their initial requests for scholarships were rejected by NTC however they were subsequently awarded SIG scholarships to study in either Australia or New Zealand. Given the lack of proper processes and many of the student's family connections it could be construed that preferential treatment in awarding scholarships may have been afforded to these students.

Implication

Preferential treatment to prestigious Universities for students based on family connections results in a loss of public confidence in the tertiary scholarship allocation process. Furthermore, there is no equitable distribution of public resources to ensure that equality and fairness is applied to all people.

Recommendation 15

We recommended that:

- All applicants should receive equal treatment irrespective of family connections. All applicants should be required to submit scholarship applications, and all applications should be processed through the NTC.
- The scholarship selection and approval process should not be influenced by any outside bodies.

3.2.12 Limited Monitoring of Poorly Performing Students

There is no formal policy in relation to the monitoring of student performance and the avenues available to address poorly performing students (i.e. suspension/termination of scholarships). As a result, poorly performing students are continuing to receive scholarship funding.

Audit review of current scholarship holders identified 21 students who had held scholarships prior to 2002 and the 7 students who have held scholarships prior to 2000.

One of these has since been recommended for termination in 2006. Of further concern is the fact that the Director, NTU had no knowledge of a student couple or whether these students were still studying, or had graduated etc.

The Director, NTU advised the main reasons for these lengthy scholarships are:

- students dragging out their studies - only doing 2 subjects a semester or
- failures in subjects and student having to redo the subject or
- reactivation of a previously terminated scholarship.

The Director, NTU advised in the past that there was limited monitoring of poor performing students and also that although a student's scholarship may have been terminated, there have been many instances where the student has had their scholarship reactivated at a later date.

These practices are intended to cease from 2006 with the students now being required to submit their academic transcripts to NTU each semester for a review of their performance. Additionally, NTC have decided that in future there will be no reactivations of terminated scholarships and this relates to both SIG and donor sponsored scholarships. Audit has, however, not seen any formal documentation to support either of these new policies.

Implications

The SIG funding is wasting a substantial amount of public funds for financing of students who are poor performers or deliberately delaying the completion of study programs. In addition incomplete records maintained

by NTU may result in incomplete or incorrect information being available for decision-making.

Recommendations 16

We recommended that the NTU:

- Develop and implement a policy for monitoring of student performance and for the strategies available to address poorly performing students (i.e. suspension/termination of scholarships);
- Determine the current status of the couple identified and terminate their scholarships if appropriate and
- Review all student performances each semester and enforce the suspension/termination policy rigorously.

3.2.13 Preferential Treatment of Awarding Scholarships to Partners

The audit noted cases where the National Training Unit (NTU) awarded scholarships to partners of students already in receipt of a scholarship based primarily on the fact that one partner already has a scholarship, in an attempt to keep the family unit together, without regard for the availability of funding or the applicant's ability to meet the scholarship eligibility requirements. The decisions were made on humanitarian grounds by the Under Secretary overturning the previous NTC decisions.

Scholarship applicants need to consider the impact on family prior to applying for scholarships. No preferential treatment should be given to partners of scholarship holders as this is unfair to other more qualified applicants who may miss out on a scholarship or who may provide greater benefit to Solomon Islands through their studies.

Additionally, the Director, NTU advised that in some instances couples delay completion of their studies so that both partners can remain together until the partner who received their scholarship last has completed their study.

Implications

Students who do not meet the scholarship requirements are being awarded scholarships at the potential disadvantage of other more deserving applicants. In addition NTC may have contravened sound public sector financial management procedures resulting in additional costs being met from the overstretched scholarship budget.

Recommendations 17

We recommended that:

- No preferential treatment be afforded to scholarship applicants just because one partner in a family unit has obtained a scholarship.

Awarding of scholarships should be on merit only and not be detrimental to other applicants.

- The Ministry ensures that its officials do not exert undue pressure on members of NTU/NTC to award scholarships to unsuitable applicants.

4. SCHOLARSHIP EXPENDITURE

4.1 Background

Audit examination of scholarship expenditure involved a review of material expenditure from 2002 to 2006.

4.2 Summary of Audit Findings and Recommendations

The following is a summary of audit findings and recommendations:

4.2.1 No Policy for Rates Paid for Student Allowances

Currently, there is no approved list of the type and rate of allowances payable to students to assist in meeting the expenses incurred during their study programs. As a result, audit was unable to confirm whether allowances paid to students (particularly those not studying at USP) were appropriate. Allowances are paid on an ad-hoc basis and do not always take into account the actual cost of living in each country.

Based on information provided by NTU, the average cost of study per student across all campuses in 2005 was as follows:

University	Total Average Cost per student per year	Total average Allowance per student per year
Fiji School of Medicine	\$ 75,376.32	\$ 24,953.27
Fiji Institute of Technology	\$ 53,113.18	\$ 18,526.52
PNG Universities	\$ 69,636.96	\$ 23,838.88
Australian Universities	\$ 183,468.74	\$ 104,360.68
USP - Laucula	\$ 42,811.74	\$ 34,887.45
USP Centre	\$ 38,848.08	\$ 34,752.50
USP - Alfala	\$ 54,415.30	\$ 44,436.90
USP - Emalus	\$ 74,566.87	\$ 67,359.25

Allowances include the following – book allowance; material allowance; maintenance allowance; study allowance; board; medical allowance; study assistance and general allowance.

Not all students are entitled to all allowances available and these depend on the program of study and location of the University. Allowances paid to students studying at centres other than the USPs are paid in advance either directly to their bank accounts or to student accounts maintained by the University. However audit could find no evidence that the basis for calculation of these up-front allowances has been approved by senior management, the Minister or Cabinet.

Audit was advised by the Director, NTU that students studying in Australia and New Zealand were paid allowances based on rates paid by AusAid and NzAid, however audit was unable to sight approval of this basis of payment. As indicated in the above table, students studying in these countries are receiving annual allowances which are equivalent to the current salary paid to a political appointee in the Solomon Islands.

Student allowances paid to students studying in PNG and Fiji (other than at the USP) are based on USP student charges; they are not calculated taking into account the actual cost of living in these countries. Allowances paid increase by approximately SBD \$25,000 for students living in off-campus accommodation.

Students studying at the Fiji School of Medicine, Fiji Institute of Technology and PNG universities received a 60% increase in allowances from Semester 2, 2005, which was approved by Cabinet as a part of a Supplementary Appropriation Submission approved on 16 June 2005. However audit was not able to confirm the basis for the increase or whether it was appropriate.

Implication

It is imperative that budget holders are aware of, and approve the, basis of calculation of allowances as excessive payment of allowances has a direct impact on the ability of the Unit to function within its annual budget.

Recommendation 18

We recommended that the Ministry:

- Urgently develop an Allowances policy which needs to be approved by Cabinet. It needs to be based on the actual cost of living in each country and
- Includes in the policy the types of allowances payable including the relevant rates and the categories of approved expenditure (all other expenditure not covered). It should be made available to NTU officers, students and Universities for reference.

4.2.2 Delays in Payment of Student Allowances are Hindering Student Studies

Student allowances are paid directly to student bank accounts for students studying in Australia and New Zealand. For students studying in PNG or Fiji (other than at the USP), allowances are paid directly into the student accounts maintained by the Universities. For students studying at the USP campuses, student allowances are billed directly to the Ministry by each University on a semester by semester basis.

Problems arose in 2006 due to delays in payment of allowances for students studying in PNG and Fiji.

In relation to PNG students, PNG Government is providing \$12.5m in 2006 to fund tertiary scholarships. The process was that PNG Government was going to hand this money to the PNG High Commission who would then provide it to the Solomon Island (SI) High Commission in Port Moresby to administer. A schedule of student allowances was forwarded to the SI High Commission for payment in mid March 2006. However funds were not released by the PNG Government until the end of March – resulting in a delay in making student allowance payments.

The student allowances are paid into the student accounts maintained by the Universities and failure to pay them means students are not able to purchase necessary course equipment (i.e. textbooks, pens and paper) and are living on credit in relation to board and meals. While audit accepts that the delay in payment by PNG contributed to this problem, the Ministry should have arranged for student allowances to be paid into the student accounts maintained by the Universities prior to the commencement of Semester 1 (early February) and then recouped the money from the PNG funding when received.

In relation to students at Fiji Institute of Technology and Fiji School of Medicine, requests in relation to student allowances were raised by NTU on 2 March 2006 and 27 February 2006 respectively, however at the time of the audit, these allowances had still not been paid. Students commenced Semester 1 2006 in early February.

No adequate reason was provided by NTU for the failure to pay students allowances in a timely manner.

Implication

Failure to provide students with adequate living allowances in a timely manner is damaging the reputation of the Solomon Islands Government and also having a negative impact on student well being which may affect their ability to devote adequate effort to their studies.

Recommendation 19

We recommended that student living allowances be paid to student bank accounts maintained by the Universities prior to the commencement of each semester or prior to the student's departure.

4.2.3 Limited review of invoices prior to payment

Section 234 (d) of the Financial Instructions requires, among other things, that in certifying and signing a General Payment Voucher the Accounting Officer, or authorised signatory, is responsible for ensuring:

"..that all goods supplied or services rendered are correct and in accordance with the contents of any purchase order, requisition or other contract that has been made between the payee and the Government and to which that General Payment Voucher shall refer"

Discussions with the Director, NTU and the Chief Accountant confirmed that this does not occur in all instances. Audit reviewed invoices issued by the Universities to NTU for any unusual fees and charges. Examples of unusual fees/charges identified are as follows:

- General Service fee (approximately \$125/student/semester for students studying at the USPs);
- Capital enhancement fee (approximately \$40/semester for most Fijian students);
- Enhancement fee (approximately \$2000/semester for some Fijian students) and
- Trust fee – Fijian charge which varies in amount – relates mainly to students undertaking the Aircraft Maintenance Program.

Audit discussed the above unusual charges with the Director, NTU who was unable to provide audit with a reason for the charges. The Director, NTU also advised audit that he doesn't review the invoices; he just assumes the invoices from the Universities are correct. The Chief Accountant advised that he relies on the review conducted by NTU.

Implications

The implications are that the Ministry may not identify the errors in billing by Universities and may be paying for unauthorised/inappropriate services.

Recommendation 20

We recommended that the Director, NTU:

- Review each invoice received in relation to student fees and charges and make a notation on each invoice indicating that the fees and charges are appropriate and approved for payment and
- Any unusual fees/charges be immediately followed up with the individual institution.

4.2.4 Limited understanding of obligations for USP Contributions

As a member country of the University of South Pacific (USP), the Government is required to make an annual contribution towards the upkeep and maintenance of the four USP Centres. Audit was advised by the Chief Accountant that there is a Memorandum of Understanding in place between the Government and USP-Laucala, however further investigation has identified that there is no such document. Audit was further advised by the Chief Accountant that the Ministry receives its annual invoice from USP – Laucala in the first quarter of each year. This invoice is due for payment in the first quarter of each year. However, the Ministry currently pays its contribution on a quarterly basis, incurring a late payment fee of 15% on all outstanding amounts. Audit was advised that at 18 April 2006 SIG owed USP F\$1,629,139 (SBD\$7,361,000).

Audit sought clarification from USP-Laucala in relation to SIG's current obligations and outstanding debt situation and was advised that payments are required to be made on a quarterly basis and 5% interest is technically due on any amounts outstanding at 31 December each year, however this will be waived if the debt is paid in full by 31 January of the following year. Audit was advised that at 1 May 2006 SIG owed USP F\$2,146,605 (SBD\$9,503,664) for the 2006 contribution payment.

Audit is concerned with the discrepancy in information provided by the Chief Accountant and the Deputy Director of Finance from USP - Laucala.

In addition, audit was provided with information that identified that the USP Contribution has been under budgeted for both 2005 and 2006, as follows:

Year	USP Contribution Actual	USP Contribution Budget	Difference
2005	8,432,921	7,000,000	1,432,921
2006	10,966,680	7,210,000	3,756,680

The Chief Accountant advised that the Ministry is reliant on supplementary appropriations to meet its obligations. In 2005, the Ministry received supplementary appropriation of \$1,510,618 to pay the balance of the 2005 USP Contribution commitment.

Implications

Mismanagement/poor understanding of the Ministry's obligations in relation to USP contributions may result in failure to meet its obligations and may damage SIG's reputation. Failure to appropriately budget for USP Contribution expenditure may result in funding being directed away from other areas to meet the Ministry's obligations under its agreement with USP-Laucala.

Recommendations 21

The Ministry should:

- Commence discussions with USP to put in place a Memorandum of Understanding between USP - Laucala and the Ministry outlining the responsibilities of each party;
- Seek clarification from USP on current outstanding debt and ensure the Ministry's records are maintained up-to-date in the future and
- Improve its budgeting methods to ensure it does not have to rely on supplementary appropriations in the future.

4.2.5 Overpayment of Student Allowances for Students in Fiji

There are currently limited controls in place within NTU to avoid the double payment of student expenditure. Audit has identified three types of overpayments which are occurring in NTU:

a) Double payment of student expenditure due to different people raising a requisition for the same amount. For example, there was a double payment of student allowances paid to students studying at FSM for Semester 2, 2005. The overpayment amounted to \$88,032. The overpayment was as a result of:

- two different vendor codes being used – hence the overpayment was not picked up by Finance and
- two requisitions being completed by different NTU officers, both approved by the Director NTU.

b) NTU providing an allowance and University billing NTU for the same expenditure. For example, SIG has been paying book allowances to FSM & FIT students, while the University has also been charging some students a book allowance. For example for Semester 2, 2005, SIG was

charged book allowance for three students studying at FIT, who also received a SIG book allowance – the overpayment totalled \$3,378. Audit was advised by the Director, NTU that this double payment for book allowance at both FIT & FSM has occurred for a number of years, but ceased in 2006 for FSM with no book allowance being paid to students in Semester 1, 2006. However it was still paid to students of FIT.

- c) Payment of allowances to provisional scholarship awardees whose names haven't been removed from the payment schedule provided to Treasury for payment – for example in 2005 allowances were paid to FIT for a recipient who did not end up receiving a scholarship due to failure to meet GPA requirements at the end of the year. Audit was advised by the Director, NTU that this occurred for a number of students, and the money has not been recovered from FIT at this stage. In 2006, an airfare was also purchased for the same recipient even though he still is not a scholarship holder.

Implication

Poor record keeping and lack of awareness by NTU of University charges and/or lack of review of University invoices is having an adverse impact on NTU's ability to manage within its annual budget allocation.

Recommendation 22

We recommended that NTU:

- Use only one vendor code and only one person should be completing requisitions for payment. Records of payments made should be maintained to ensure duplicate payments do not occur.
- Meet with Fijian Universities to ensure events like over payment of textbook allowances do not occur in future and to clarify what expenses SIG will pay on behalf of student and what will be covered by the living allowance provided by SIG each semester. Clearer communication and guidelines need to be put in place between SIG and each institution to ensure this does not occur in future.
- Reviews payments made to FIT to determine what overpayments have been made and to take the necessary recovery action.

4.2.6 Inability to Confirm Allowance Payments

Audit reviewed allowance payments made to students and payments to Universities in 2004, 2005 and 2006 and was unable to confirm that many of

the payments were legitimate. In relation to one of these payments, audit was unable to locate the payment voucher. For the other payees, audit was unable to confirm that these were legitimate scholarship holders, as application forms were not located, and no approval of scholarship or payment were also sighted by audit. Subsequent conversations with the Director, NTU was unable to provide audit with evidence to confirm these were approved scholarship holders.

Many of these payees did not appear on the master listing of current scholarship holders maintained by the Director, NTU. The concern for audit is that these payees could be fictitious or “ghost” students. Alternatively, the students may have graduated or been terminated and their names removed from the list, however audit still could not find any evidence that they were ever approved for a scholarship and no evidence that they had since graduated or been terminated due to poor recording keeping within NTU.

Implications

Payments may be made to persons not holding approved scholarships.

Recommendation 23

We recommended that:

- the NTU maintains the appropriate records so that payments are only being made to or in relation to NTC approved scholarship holders.
- Policy in relation to what expenses SIG will pay for all students (including donor-sponsored students) be developed and implemented immediately.

4.2.7 Inappropriate payments made to scholarship holders

Due to no formal allowances policy being in place, NTU may be approving payments to meet student expenses which may not be in accordance with the scholarship program. Audit reviewed payments made to expenditure holders from 2002 to 2006 and identified several payments which may not be appropriate:

- a) Payments made to one scholarship holder on 14 February 2006 totalling \$1015 for a return flight to Solomon Islands (SI) for dental work and also for refund of costs associated with dental work performed. The student returned because of the expense of having dental work done in

Australia, however instead of attending a free clinic in SI, he attended at a private clinic to have the work done. SIG paid for this treatment. NTU should not have paid for this expense as the student could have received treatment for free. NTU needs to be stricter and not just give in to student requests.

- b) Payment made to three students in the one family on 11 October 2005 for \$34,843 for them to stay in Australia during the mid semester break of four weeks. SIG paid for these students to holiday in Australia instead of returning to Solomon Islands for the holiday break. This cost SIG \$34,000 rather than approximately \$18,000 to fly the students home for the break. Students should be made to either fund their own costs during semester break or fly home during these breaks rather than incurring additional SIG funding. The ability to remain in Australia at SIG cost during semester breaks was not afforded to all students in Australia and hence may be regarded as preferential treatment.
- c) Payment made to a further student on 11 October 2005 for reimbursement of expenses totalling \$4,411. In this case, the student was sponsored by AusAid however on completion of his study SIG paid for shipping and airlifting his personal effects back to the country. Audit was unable to sight NTC or Permanent Secretary approval for this expenditure.

Implications

Inappropriate funding is being provided to scholarship holders resulting in budget overspends. Preferential treatment may be provided to some scholarship holders.

Recommendation 24

We recommended that NTU:

- Enforce students to either fund their own costs, if they desire to remain in-country during semester break, or fly home during these breaks rather than incurring additional SIG funding.
- Carefully monitor student requests and only incur expenditure that is legally due or reasonable.

4.2.8 No approval to Expend Ministry Funds Prior to Expenditure Being Incurred

Best practice requires that a requisition be completed prior to the incurrence of expenditure. The requisition is used to provide authority by the budget

holder to incur expenditure for goods and services. Best practice requires that this approval should occur prior to the good/service being procured.

Audit review of NTU expenditure identified 38 instances from a total of 88 (43%) payment vouchers reviewed where authority to incur the expenditure was obtained after the good/service was procured.

The Ministry does not make any assessment of annual costs associated with each student studying at each campus, and raises requisitions to incur funds for services provided only once invoices have been received.

NTU is in a position to estimate annually how much it is going to cost to fund each student from contacting each Institution to obtain student course and other related fees or accessing websites which detail these costs and make an estimate for each student and raise appropriate requisitions at the beginning of each year to determine if sufficient funding will be available.

Implications

Failure to ensure expenditure is appropriately approved by the budget holder prior to incurrence may result in inappropriate expenditure being incurred or services being provided without sufficient funds available to meet the costs and may lead to an overspend on the budget.

Recommendation 25

We recommended that the Ministry:

- be aware of when invoices from Universities are expected and budget accordingly for the associated costs and
- Through NTU contact each Institution at the beginning of each year to determine the relevant student course and other relevant fees and make an estimate for each student and raise appropriate requisitions at the beginning of each year to determine if sufficient funding will be available. This information should also be used to formulate the budget and thereby coming up with a more realistic budget.

4.2.9 Delays in Payment Resulting in Changes to Exchange Rates

Timing differences between payment of invoice, receipt of invoice and date of requisition are resulting in the Ministry paying additional funds for goods and services due to changes in exchange rates. An example of the differences in dates can be seen from the table below.

See following table which tabulates results from the invoices sampled by audit:

	2002	2003	2004	2005
Amount per Invoice	826,681	*	1,252,124	16,947,861

Amount paid	870,537	*	1,292,526	17,079,020
Difference due to exchange rate change	7,855	*	40,401	131,159
No of Invoices	9	*	4	10

* Please note the majority of invoices relating to 2003 students charges were paid from EU funding therefore invoices reviewed by audit only related to USP Contribution payments, therefore 2003 has been excluded from this analysis.

Audit acknowledges that in some instances delays in payment does result in a favourable exchange rate movement, reducing the payment required, however the Ministry needs to be made aware of the damage to the Government's reputation which results from delays in payments, particularly in relation to student allowances. Delays in payment of student tuition and other charges may also result in students not being able to enrol for the next semester which can result in late fees being charged by the University – for example – one student who is studying at the University of Otago was charged a late enrolment fee of NZ\$56 due to the Ministry not paying his Semester 1 2005 invoice on time.

Implication

The Ministry is paying additional funds for goods and services procured which increases the strain on the Ministry to operate within its annual budget.

Recommendation 26

We recommended that the Ministry ensure payments of student charges are made promptly, especially those which may increase as a result of exchange rate movements and/or late payment charges.

4.2.10 Insufficient supporting documentation attached to Payment Vouchers

Section 239 (2) of the Financial Instructions requires “Originals of available documents will be firmly stapled to the original copy of the General Payment Voucher in support of the payment”.

Audit identified a number of instances where there was a lack of documentation attached to the payment voucher to support the payment making it impossible for audit to determine if the payment was legitimate.

From the 88 payment vouchers reviewed, audit was unable to express an opinion on the legitimacy of 13 payments or 15% of sample reviewed. For example, a payment of \$11.2M was made on 6 August 2005 for which the Ministry was unable to provide audit with any documentation to support the

payment. Only the final invoice paid was provided which showed the bill was for FJD\$2,495,306, however, the Ministry paid FJD\$2,486,452 – which equates to SBD \$11.2M. No reason for the underpayment is detailed on the payment voucher nor could Ministry staff provide any explanation.

Additionally in 27 instances audit was unable to find the completed payment voucher due to inadequate filing by the Ministry of Finance, therefore was only able to review the copy maintained by the Ministry.

Audit was also unable to confirm 8 payments made due to payment vouchers being unable to be located at either the Ministry of Education or Finance.

Implication

Ministry may be making inappropriate payments to inappropriate persons.

Recommendation 27

We recommended that adequate supporting documentation be attached to each payment voucher which details the reason for the payment. Payment vouchers which lack adequate supporting documentation should be returned to the appropriate area within the Ministry with a request for further information to support the payment.

4.2.11 Payments made on Photocopies of Invoices

The Financial Instructions 277 - 279, require payments to only be made against original documents unless the invoice has previously been forwarded but not paid; however such payments should not be made without the approval of the Permanent Secretary. Once it has been established that the payment has not been previously made, the copy or duplicate invoice should be endorsed by the Accounting Officer who then should forward it to the Permanent Secretary with a written request for payment.

Audit was unable to sight evidence that a search was conducted to ensure invoice wasn't previously paid, there was no endorsement of photocopied invoice by accounting officer that payment had not been previously made, and no approval by the Permanent Secretary for payment on a photocopied invoice has occurred.

From the 88 payment vouchers reviewed by audit, photocopied invoices were used as support documentation on 20 occasions or 22% of sample reviewed.

Implications

Potential for duplicate payments and payment process is open to fraud and misappropriation of funds and in addition non-compliance with the Financial Instructions.

Recommendations 28

We recommended that the Ministry ensure all future payments are made only on original invoices, unless approval from the Permanent Secretary has been obtained and documented on the invoice certifying to appropriateness of payment.

4.2.12 Poor Record Keeping in relation to Refund of Airfares

As a result of poor organisation by NTU, no seats were booked for students returning from Fiji at the end of 2005. Delays by NTU in arranging return seats resulted in insufficient seats being available to transport all students back to the country. As a result, NTU needed to arrange two charters to fly the students back to the Solomon Islands – on 17 November 2005 and 6 December 2005.

Students were required to return the unused portion of their previously issued return airfare tickets so that a refund could be provided to the Ministry.

However as no records are maintained by NTU in relation to number of tickets to be refunded, audit could not ascertain whether all tickets were returned for refund, whether any students returned on the charter flight and/or if non-students flew on charter whether these persons were ever billed.

The Ministry of Finance has also been requesting information from the Ministry in relation to the refund. A letter was issued to the Permanent Secretary on 3 February 2006 by the Accountant General requesting a reconciliation of monies paid to and reimbursed by Solomon Islands Government to determine if Solomon Airlines still owes the Ministry any funds.

The Ministry also used funds refunded from the students who travelled on the first charter to fund the second charter. The Ministry of Finance has advised that this is a breach of the Finance and Audit Act as there was no proper approval process.

Director NTU advised that he relied on Solomon Airlines to handle all matters relating to the refund. He assumes that SIG will receive all funds owing to them.

Implications

SIG may be paying for ineligible persons to return to Solomon Islands via charter and SIG may not have received all refunds it was entitled to.

Recommendation 29

We recommended that NTU:

- ensure students have seats on commercial airplanes to and from the overseas institutions – seats should be booked for the return leg at the beginning of each year to ensure mix-ups like this do not occur in the future;
- in instances where charters need to be arranged ensure they maintain the suitable records of students travelling on the charter and reconcile previous tickets issued to refunds expected and numbers of students travelling and
- follow up the refunds due in relation to the charters dated 17 November 2005 and 6 December 2005 with the view of making any necessary recovery action.

4.2.13 Mismanagement of the Issue and Recording of Airfares

Currently NTU request tickets for all students known to be studying in overseas countries irrespective of whether they require the tickets and this is resulting in large numbers of tickets being reissued to alternate students. If NTU needs to reissue tickets it sends an advice to Solomon Airlines advising which tickets need to be reissued to which students.

Inaccurate student lists are being provided to Solomon Airlines to produce tickets with student names on the list including graduated students, students who have deferred; students at USP Centre; students who did not end up getting awards; students who have been suspended or terminated, delays in confirmation from USP on whether student had a place; students who remained in Suva during the semester break – requiring large numbers of tickets to be reissued.

Audit reviewed tickets issued to students travelling to Fiji in 2006 and found instances where tickets had to be reissued due to incorrect information being provided to Solomon Airlines by NTU and also a number of instances where tickets have been issued but not picked up or used by students. Audit has been unable to confirm that many of these students are scholarship holders as no documentation was available from NTU or NTC approving a scholarship. Similarly we could not conduct a similar exercise over tickets issued to students studying in PNG due to no records being maintained of ticket numbers issued or evidence of tickets being collected by students. There is little consistency in record-keeping for students in PNG and all other scholarship holders.

NTU also do not maintain records on reissued tickets and do no follow-up to ensure tickets are being used or returned to Solomon Airlines if not required.

Officers from Solomon Airlines advised audit that:

- tickets purchased by Government monies can not be refunded or changed without written permission from the relevant Ministry and
- there have been many instances where Miscellaneous Charge Orders (MCOs) which have been reserved for scholarship student airfares have been used by the Minister and Permanent Secretary for domestic and international travel.

Approximately 14 unclaimed tickets still remain with NTU. These have not been returned to Solomon Airlines for refund nor have they been reissued to students. Audit was unable to locate any information in relation to tickets issued to students studying in Australia. Additionally, delays in using tickets are resulting in additional cost to the Ministry as ticket prices increase or alternative airlines are required to be used.

Implications

Inaccurate student listings resulting in increased workload for both NTU and Solomon Airlines in having to reissue large numbers of tickets every year. Further, poor recording leads to confusion over which students have received and used their tickets.

Recommendation 30

We recommended that the NTU:

- maintains the comprehensive records of all tickets (including tickets for students studying in PNG) issued by them with evidence of travel undertaken;
- Ensure that it only requests tickets for students who are actually leaving the country – tickets should be based on actual names/or numbers of students who require tickets to reduce the amount of additional work required in reissuing tickets;

- Ensure that all MCOs are only used to pay for student fares. The Ministry should immediately cease using scholarship funds to fund Permanent Secretary and Ministerial travel and
- Ensure that unclaimed tickets are returned to Solomon Airlines for a refund if not reissued in a timely manner.

4.2.14 Overpayment of \$82,842 for 2005 Allowances to Students

Allowances paid to SIG students studying in Australia is based on rates set by AusAid. For 2005, the fortnightly living allowance was approximately AUD\$705. Therefore a student studying in Australia in 2005 would have received AUD\$7,050 (SBD\$42,014) per semester.

Audit identified an overpayment of allowances made to three student members of a Ministers family for Semester 1 and 2 in 2005 while studying in Australia at Southbank TAFE.

Each student should have received a living allowance of SBD \$41,966 (AUD \$7,042) per Semester, in total \$83,932 for 2005. Instead they each received total allowances of SBD\$111,765. Therefore the overpayment per student was approximately SBD\$27,614.

The Director, NTU could not explain how the overpayment had occurred.

Implications

Failure to pay the correct living allowance is resulting in budget overruns.

Recommendation 31

We recommended that:

- NTU recovers the overpayments; and
- Guidelines for the provision of SIG scholarships to study in Australian and New Zealand Universities should be developed, including the amount of living allowances to be provided to students. These guidelines should be approved by the Minister and must be strictly adhered to in all circumstances.

4.2.16 Married Students remaining in Fiji between semesters at SIG expense

Audit has been advised by the Director, NTU that the Permanent Secretary approved the payment of accommodation and living allowances to a number of married students who chose to remain in Fiji at the end of Semester 2 in 2005 until the commencement of Semester 1 in 2006. Audit testing identified an example of this in which 23 students received SBD\$80 per day for 93 days at a total cost of \$171,120.

The efficacy and cost effectiveness and this decision should be considered in the light that the Ministry was unable to meet its normal scholarship expenditure from its allocated budget and was forced to rely on supplementary funding to meet its obligations in 2005.


Implication

Payment of expenditure outside of the 'normal' budgeted scholarship expenditure is having an adverse impact on the Ministry's ability to operate within its allocated budget.

Recommendation 32

We recommend that unbudgeted expenditure should not be approved.

ATTACHMENT A

 <p>30 August 2006</p>	<p style="text-align: center;">SOLOMON ISLANDS GOVERNMENT MINISTRY OF EDUCATION AND HUMAN RESOURCES DEVELOPMENT</p> <p style="text-align: right;">P O Box G28 HONIARA Solomon Islands</p> <hr/> <p>Telephone (677) 28613 Facsimile: (677) 22042/28805</p>
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Mr Floyd Augustine Fatai
Auditor General
Office of the Auditor General
PO Box G18
Honiara
Solomon Islands

Dear

Tertiary Scholarship Programme 2001 -05: Auditor's Report

I am writing to follow up on your letter of 26th June 2006 confirming that this Ministry accepts the findings of the Report and has now put in place a number of strategies and actions to address the problems identified in the Report.

In summary we have implemented the following actions:

1. Tertiary awards for 2007 will be reduced in line with budget constraints
2. The World Bank/NZAID/EU funded National Skills Training Plan, which will be ready in November, will be used to determine the number and kind of tertiary awards in future.
3. A technical adviser to assist with the preparation of a tertiary education policy is being recruited and will be funded through our EU Stabex funds. The audit report recommendations relating to student study contracts and a bonding/loan scheme will be covered by the policy.
4. The SCHOLAR award management and administration software programme developed by UNIQUEST (as part of their SIEMIS development work with the Ministry) is being implemented immediately and this is supported by extending the contract of the Ministry's current financial management Technical Adviser. Attached are the details of the features of the SCHOLAR scholarship management programme. Particular attention is being paid to the scholarship selection, approval and monitoring process. The priority will be to enter all new awards for 2007 on to the system, then to enter all the records for the continuing students for 2007. It is recognised that as some of the records for current students are unavailable the National

- Training Unit will need to recreate these records and where source documentation is missing then this will have to be captured again by ensuring that all students with awards complete application forms again.
5. Additional staff have been recruited to the National Training Unit, including administrative staff to re-organise their paper records system
 6. Enhancements (see attached) are planned for the SCHOLAR awards management system in response to the recommendations in the Tertiary Scholarships Audit Report.
 7. The Ministry plans to invite the AG to carry an internal audit when all the students with awards for 2007 have commenced their academic year.

I have attached a description of the SCHOLAR award management system and a schedule to improve and enhance it in relation to the recommendations to improve the administration and processing of awards as well as financial controls.

Yours sincerely,

Original Signed

Barnabas Anga
Permanent Secretary

Cc: Dr Derek Sikua, Minister of Education
Br Tim Ngele, Chair of the National Training Council
Selu Maezama, Director