



**NATIONAL PARLIAMENT
OF
SOLOMON ISLANDS**

**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE**

**ON ITS CONSIDERATION OF
THE CERTIFICATE AND REPORT OF
THE AUDITOR GENERAL
ON THE**

**SOLOMON ISLANDS GOVERNMENT ACCOUNTS
FOR THE YEAR ENDED
31ST December 1997**

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REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

Mr. Speaker,

Pursuant to Parliament Standing Order No.69 (1) [a], it is an honour and pleasure for me Sir, to present the Report of the Public accounts Committee for laying before Parliament.

A handwritten signature in black ink, appearing to be 'Francis Zama', with a horizontal line extending to the right.

Honorable Francis Zama, MP
Chairman
Public Accounts Committee

10 October 2006

The Members of the Public Accounts Committee are:



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Hon. Francis Zama, MP
Chairman



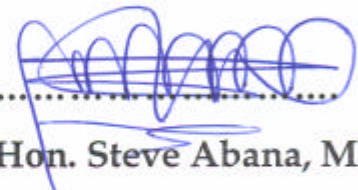
.....

Hon. Fred Fono, MP
Member



.....

Hon. Johnson Koli, MP
Member



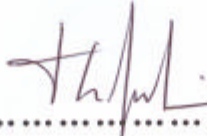
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Hon. Steve Abana, MP
Member



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Hon. Selwyn Riumana, MP
Member



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Mr Floyd Augustine Fatai, Auditor General
Secretary

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON ITS EXAMINATION OF THE NATIONAL ACCOUNTS OF THE SOLOMON ISLANDS GOVERNMENT ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

Executive Summary

Timely reporting is an essential aspect of the transparency and accountability process. The Solomon Islands Government national accounts for the financial year 1997 were prepared some eight years after the one year statutory deadline lapsed. No audit was done until in 2005/2006. Reasons for the delay in reporting on the accounts have been outlined by the report of the Auditor-General.

The Public Accounts Committee's (PAC) function to review and examine the accounts is part of the overall oversight functions of the Parliament, which seeks to ensure that significant issues raised in the report of the Auditor-General are reported on to Parliament.

The PAC report on the 1996 annual accounts had noted a number of deviations from the Financial Instructions, non-compliance with the Public Finance and Audit Act. Interestingly, most of the issues raised in that report are again identified as significant matters in the 1997 report of the Auditor-General. This implies that no corrective action has been taken by the Government to rectify its financial management systems.

We have noted with serious concern the delay in producing the accounts which subsequently led to the delay in the audit of and reporting on the accounts. Had the accounts been produced on time and the audit carried out on a timely basis, reports on the accounts would have included actions taken to address the issues raised in the previous reports.

Because of the inadequacy of the resources allocated to the Auditor-General over the years, the audit of the accounts was outsourced under the powers vested in the Auditor-General. The cost of this exercise to the Government is quite substantial. The usefulness of the report may now become irrelevant apart from satisfying the statutory requirements. Genuine positive efforts should be made to achieve on the preparation of the accounts on time and hence the audit and report thereon.

Intrinsically, we are concerned to note the adverse opinion of the Auditor-General on the accounts which, in our view, would also be the case for the years 1998 to 2003. We strongly urge the Government to consider seriously our recommendations in this report which are premised on the recommendations of the Auditor-General.

Key Findings

In our examination of the accounts and Auditor-General's report thereon, we have noted a number of serious deficiencies as follows:

Delay in Tabling of Accounts and the Audit Report

Financial Statements for 1997 were not completed for some time after the end of the financial year. This is contrary to section 38(1) of the Act¹, which requires the preparation and submission of the signed Financial Statements to the Auditor-General within twelve months of the close of each financial year.

Backlog of accounts to be audited

We have noted the backlog of audits yet to be carried out for the years 1998 to 2004 which culminated in the late preparation of the accounts and lack of adequate resourcing of the Office of the Auditor-General. It is apparent that this will be perpetuated if serious positive efforts are not made to address the issue.

Essentially, the Government should seriously consider the benefits of timely reporting and effective reviews to ensure transparency and accountability.

Audit Opinion

We noted with serious concern the inability of the Auditor-General to express an opinion on the accounts for 1997. We are certain that the same will apply to the subsequent financial years up to 2004. In our view, such issues must be looked into as a matter of high priority if the Government is to be seen to operate within the framework of good governance principles.

Recommendations

We recommend that:

- the Government seriously take note of the opinion of the Auditor-General on the 1997 accounts. The Committee notes that the Auditor-General has not been able to express an opinion on the accounts for the reasons stated in the qualification paragraphs.

¹ Reference to the Act in this report, unless specified, means the Public Finance and Audit Act [Cap. 120]

- the Government should ensure positive steps are taken to update its accounts so that 2005 can be treated as a base year from which timely reporting on the accounts should be maintained.

Conclusion

The report of the Auditor-General has highlighted many shortcomings in the public accounts of the Solomon Islands Government for the financial year which ended 31st December 1997. The apparent delay in tabling the accounts together with the Report of the Auditor-General on the financial statement has hindered the PAC in effectively carrying out its function as required under Standing Order 69(1) (a) and more importantly the requirements of Standing Order 69(1) (b) which is not only crucial in fully informing the Parliament but also to ensure that appropriate legislation is recommended to legalize any amount spent in excess of the Appropriation.

Our Observations

1.1. Delay in submission of the Report on SIG Accounts for year 1997

The Committee was informed by the Auditor General that the major reasons for the delay in tabling his report on the 1997 accounts of the Solomon Islands Government are as noted in his report thereon. We summarise the reasons pertaining thereto as follows:

- Late preparation of the 1997 annual accounts; and
- Lack of provision of human resources within the Office of the Auditor General over the past 10 years to carry out competent, effective and efficient audit services to stake holders.

Recommendation 1

In this context, we strongly recommended that strict compliance to the timeframe stipulated under the Public Finance and Audit Act be complied with.

1.2. Current State of Accounts

The Committee has noted the backlog of statutory audits to be done. At the moment Annual Accounts for 1998 and 1999 are in the process of being completed and will be ready for tabling in Parliament by next month.

The Committee also highlighted the importance of having timely reports in being able to make important economic decisions. It also highlighted its concerns over the non compliance with Finance and Audit Act in not preparing accounts within 12 months of year end.

The Committee also discussed the issue of the backlog of accounts and indicated that this was an issue that had continued for a number of years since 1997.

The Committee discussed the need for timely financial reporting and the possibility of using 2005 as a base year for financial statements. This base year would allow the SIG to move forward and once again enable timely financial reporting.

The Committee was informed by the Accountant General that a project team has been established with the aid of the Permanent Secretary for Finance to help improve the timeliness of the completion of the national accounts. The Accountant General indicated to the Committee that they were hoping to clear the backlog by 2007 and start preparing accounts within the timeframe

Recommendation 2

We further recommend that the Government address the backlog of accounts for the whole of government.

1.3. Significant matters in the Auditor General's Report

The Committee noted that there were a number of serious shortcomings disclosed as "significant matters" in the Auditor-General's report. These contributed to the Auditor-General's inability to express an opinion on the accounts. The seriousness of these key findings again should be addressed so that the Parliament is fully informed on the financial performances of the Government.

Recommendation 3

We strongly recommend that the address the significant matters identified in the Auditor-General's Report and ensure that remedial actions are taken.

Overall Recommendation

The nature and financial implications of the issues high-lighted in the Auditor-General's report must not be taken lightly. There is a need to address them with utmost urgency so as to enable the government to progress using 2005 as a base year.

In this context, we strongly recommend that the Chairman of the Committee to move a motion compelling the Government to adopt the recommendations of this report and implement them as a matter of highest priority.

APPENDIX MINUTES OF PROCEEDINGS**PUBLIC ACCOUNTS COMMITTEE**

NATIONAL PARLIAMENT OF SOLOMON ISLANDS**Minutes of Proceedings****Meeting no.1**

Tuesday 3 October, 2006, Parliament House, 4:30pm

1. Members Present

Hon Francis Zama, (Chair)
Hon Fred Fono
Hon Steve Abana
Hon Selwyn Riumana
Hon Johnson Koli

Clerk and Secretariat

Mr. Augustine Floyd Fatai, Secretary
Mr. Warren Cahill, Parliamentary Strengthening Project
Mr. Richard Alu, Committee Secretariat
Ms. Atenasi Ata Wasuka, Committee Secretariat
Mr. David Kusilifu, Committee Secretariat

In-Attendance

Mr. Eric Muir, Deputy Auditor General
Mr. Tony Scriva, Adviser
Mr. Kruno Kukoc, Senior Adviser
Mr. Bob Quiggin, Senior Budget Adviser in Budget Unit
Ms. Merylin Kodoleke, Budget Director
Mr. Jeff Cavanagh, Accountant General Designate
Mr. Alex Nicholson, Senior Budget Adviser

2. Opening remarks by Chair

The Hon Francis Zama opened the meeting and welcomed Members to the first meeting of the PAC in the new Parliament.

3. Consideration of 1997 Accounts and the Report of the Auditor General

Consideration postponed until the next meeting.

4. The 2006 Supplementary Appropriations Bill 2006

The Committee deliberated on the Bill under consideration.

The Committee heard evidence from Officers of the Department of Finance;

- Kruno Kukoc
- Merylin Kodoleke
- Bob Quiggin

Evidence concluded.

The Committee deliberated.

5. Close

The Committee adjourned at 6.15pm until 2.30pm tomorrow.



PUBLIC ACCOUNTS COMMITTEE

NATIONAL PARLIAMENT OF SOLOMON ISLANDS

Minutes of Proceedings

Meeting no. 2

Tuesday 4 October, 2006, Parliament House, 3 pm

1. Members Present

Hon Francis Zama, (Chair)
Hon Fred Fono
Hon Steve Abana
Hon Selwyn Riumana
Hon Johnson Koli

Clerk and Secretariat

Mr. Augustine Floyd Fatai, Secretary
Mr. Warren Cahill, Parliamentary Strengthening Project
Mr. Richard Alu, Committee Secretariat
Ms. Atenasi Ata Wasuka, Committee Secretariat
Mr. David Kusilifu, Committee Secretariat

In-Attendance

Mr. Eric Muir, Deputy Auditor General
Mr. Luma Darcy Permanent Secretary, Department of Finance
Mr. Tony Scriva, Adviser
Mr. Krono Kruvic, Senior Adviser
Mr. Bob Quiggin, Senior Budget Adviser in Budget Unit
Ms. Merylin Kodoleke, Budget Director
Mr. Jeff Cavanagh, Accountant General Designate
Mr. Alex Nicholson, Senior Budget Adviser

2. Audit Report of the 1997 Financial Statements

The Auditor-General (AG) presented and briefed to the committee the Audited report of the 1997 Financial Statements. The AG raised issues in relation to the preparation of the financial accounts by the Ministry of finance and the position of the Audit Office with regards to their auditing function for the government's financial years. The Auditor-General also answered questions from the members.

The committee deliberated.

Resolved on motion of Mr Fono that a draft report be prepared for consideration by the committee.

3. 2006 Supplementary Appropriation Bill

The Committee deliberated on the Bill and the revised Corrigenda.

The Committee heard evidences and the Corrigenda from the Permanent Secretary of Department of Finance and Officers.

Evidence concluded.

The Committee deliberated.

4. 2007 Appropriation Bill

The Permanent Secretary answered questions in relation to the department's progress in preparing for the 2007 Appropriation Bill.

Evidence concluded.

The Committee deliberated.

5. Close

The Committee adjourned at 5.15pm until Friday 6 October 2006 at 1pm.