

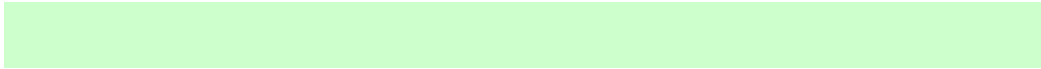


**NATIONAL PARLIAMENT OF  
SOLOMON ISLANDS**

**REPORT OF THE  
PUBLIC ACCOUNTS COMMITTEE  
ON ITS EXAMINATION OF THE AUDITOR  
GENERAL'S AUDIT REPORT ON THE**

**MINISTRY OF FINANCE AND TREASURY  
CENTRAL PAYROLL SYSTEM**

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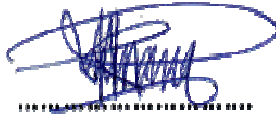


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## REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

Mr. Speaker,

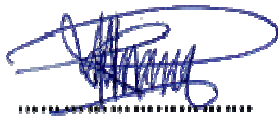
Pursuant to Parliament Standing Order No.69 (1) [a], it is an honour and pleasure for me Sir, to present the Report of the Public Accounts Committee for laying before Parliament.

A handwritten signature in blue ink, appearing to be 'Selwyn Riumana', written over a horizontal line of small black dots.

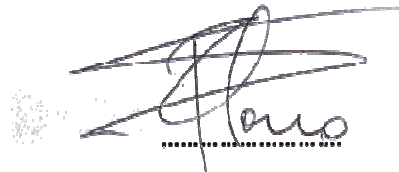
Honorable Selwyn Riumana, MP  
Interim Chairman  
Public Accounts Committee

16<sup>th</sup> July 2007

**The Members of the Public Accounts Committee are:**



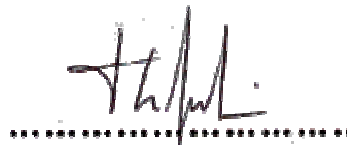
Hon. Selwyn Riumana, MP  
Interim Chairman



Hon. Fred Fono, MP  
Member



Hon. Johnson Koli, MP  
Member



Mr Floyd Augustine Fatai  
Auditor General, Secretary

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE  
ON ITS EXAMINATION OF THE AUDITOR  
GENERAL'S AUDIT REPORT  
ON THE  
MINISTRY OF FINANCE AND TREASURY**

**Summary Report**

**Special Tribute**

Before commencing the hearing the Acting Chairman paid tribute to the late Antonio (Tony) Scriva who passed away on 22 April 2007. Mr. Scriva was an Audit Advisor with the Office of the Auditor General (OAG) and the team leader of the Central Payroll Audit which is the subject for today's hearing. Tony has worked with the OAG since October 2005 and was a key player in the reforms of OAG and this Committee over that period.

**Special Audit Report**

The Public Accounts Committee (PAC), under Standing Order 69, considered a Special Report of the Auditor General into the Central Payroll System of the Ministry of Finance and Treasury. The Report was tabled in Parliament on October 2006.

The Committee noted that the Report identified a significant number of serious shortcomings in the Ministry's Central Payroll System and lack of controls over the last five years.

The main issues noted by OAG included:

- Total absence of key controls over the additions or deletions from the payroll;
- Lack of adequate policies and procedures over the payroll function;
- Serious lack of segregation of duties resulting in one officer performing both entry and checking functions;
- Significant overtime payments to ineligible persons;

- Delays in terminations resulting in significant overpayments;
- Stocktake of employees working as teachers resulted in significant staff being paid who could not be identified; and
- The current payroll system was not adequate and needed urgent replacement.

The audit report into the Central Payroll System contained 48 recommendations.

The Committee held the hearing on 25<sup>th</sup> May 2007 at which the Permanent Secretary, Mr Luma Darcy and six others, Mr Denty Tuke, Mr Lyall Patovaki, Mrs Jenny Ghoe, Mr Jack Kogua, Mr Jerold Musi and Mr Brian Lenihan appeared before the Committee.

The Permanent Secretary acknowledged and welcomed the recommendations of the Auditor General's report on the Central Payroll System which provided the Ministry with a state of play for this vital function performed by the Ministry which is responsible for ensuring the 10,000 public servants are paid each fortnight. An Action Plan was tabled with the Committee which was the initial Plan included with the Permanent Secretary's response to the Auditor General in July 2006 and a further update was provided to the Committee to outline action proposed to rectify the matters noted in the audit report.

The Committee noted the oral evidence from the Permanent Secretary which indicated that some of the issues identified in the audit report have been dealt with in the Action Plan.

The Chairman acknowledged the Action Plan that had been provided was most useful for the Committee and invited the permanent Secretary to outline to the Committee the current position with each of the recommendations contained in the Report.

Whilst the full account of the deliberations are contained in the Hansard Report the following specific matters were discussed with the Committee.

### **Procedures Manual**

The Committee asked about the status of the preparation of the revised Procedures Manual and checklist to assist Finance and other Ministries in the performance of the salary and payroll responsibilities. The Ministry advised that the procedures should be developed within the current year now that a Technical Advisor had been allocated this specific task.

## **Action by PSD**

In view of the integral role that the Public Service Department (PSD) plays in the oversight and approval of recruitment and conditions of service the Committee acknowledged the attendance at the hearing by the Permanent Secretary of PSD, Mr Ismael Avui and asked the latest position from that Ministry. The Permanent Secretary acknowledged that the audit report identified many areas that PSD had an interest and role to play to assist the Finance Ministry administer the Central Payroll System. The Public Service Improvement Program (PSIP) was an important training program which will target key financial and other officers and over the next 5-10 years the quality of staff should improve significantly.

## **Systemic Problems**

As the audit report identified that the current TELEPAY system was not supported or adequate for the many functions expected of a modern payroll system, the Committee sought clarification of the current intensions for the system. The Ministry advised that the IT section was currently looking at possible new systems and a decision for the long term solution was expected to be made shortly. The implementation and training would however take some considerable time. The replacement of the two critical systems within Finance being TELEPAY and MAXIMISE is a major challenge to ensure the solution enables compatibility between these key systems.

## **Termination Listings**

The Committee noted the identified problems with terminations of employees not being actioned quickly and stressed the need for greater automation of this process to advise Finance, PSD and Ministries. There was a need for better liaison between the principal players to ensure timely action is given to these terminations. The specific issues and concerns with the Education Ministry to enable better processes for teachers in remote locations were a particular concern to the Committee. The Permanent Secretary PSD acknowledged the challenges and indicated that legislative amendments may be required to allow funds to be accessed in remote locations.

## **Training**

The Committee noted the continuing issues with Ministries not actioning information required from Finance Ministry and PSD which demonstrate again the lack of knowledge within the Human Resource areas of Ministries. The Permanent Secretaries of Finance and PSD acknowledged the important need for training and considered that the Government's commitment to the PSIP and Solomon Islands Government Accountants (SIGA) initiatives should help to address these matters. The latter initiative where Finance is intended to commence training for the various financial and accounting staff in the Ministries and new training is to be run shortly.

The Committee noted that Finance intended to use the IPAM facilities for this training. The Committee noted these actions and stressed the need for much closer and regular liaison between Finance and the various Ministries.

## Overtime

The whole issue of overtime in the public service causes significant concerns and the Committee notes that there are differing interpretations on entitlements. This is an important matter that needs urgent consideration and legal clarification through the Attorney General's Chambers to ensure both PSD and Finance are in unison on the correct entitlements for employees.

### Recommendations

The Committee recommends:

1. That the Ministry for Finance and Treasury gives a high priority to the development of revised procedures and checklists to guide Ministries in the payroll processing.
2. That the Ministry regularly liaises with PSD and Ministries to ensure adequate direction and training is provided to relevant staff.
3. Early attention be given to the development of a replacement system for payroll which integrates with the eventual Financial Reporting system.
4. That the Ministry resolves with PSD and the Attorney General the current entitlements in relation to overtime as reflected in the General Orders to enable consistent and equitable entitlements.
5. That the Ministry provides an update of the Action Plan to the Public Accounts Committee and the Auditor General on a quarterly basis.

### Conclusion

The Committee noted that there had been some good progress on the original action plan and the update provided. The Committee requested the Ministry to provide quarterly updates of the action plan to the Auditor General and the Committee to enable continuous monitoring of this progress. The integration of input from PSD and the Education Ministry is critical to the eventual resolution of many of the findings.

In addition the Office of the Auditor General will be requested to perform a follow up audit in 2008 to appraise the extent and effectiveness of the remedial action.



## PUBLIC ACCOUNTS COMMITTEE

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### NATIONAL PARLIAMENT OF SOLOMON ISLANDS

#### Minutes of Proceedings No. 11

#### Committee meeting 2, Friday 25 May, 2007, 9:30 am

##### 1. Members Present

Hon. Selwyn Riumana, MP (Chair)

Hon. Fred Fono, MP

Hon. Johnson Koli, MP

##### Secretariat

Mr. Floyd Augustine Fatai, Auditor General, Secretary to the PAC

Mr. Eric Muir, Deputy Auditor General

Mr. Celsus Talifilu, Committee Secretariat

Mr. Jude Devesi, Committee Secretariat

##### In attendance

Mr. Luma Darcy, Permanent Secretary for Ministry of Finance

Mr. Denty Tuke, AAG/Payroll, Revenue and Impress

Mr. Lyall Patovaki, Chief Payroll Officer

Mrs. Jenny Ghoe, Accountant Payroll

Mr. Jack Kogua, Accountant Payroll

Mr. Jerold Musi, Accountant Payroll

Mr. Brian Lenihan, Adviser

Mr. Walter Malau, Office of the Auditor General

Mrs. Georgina Kikiolo, Office of the Auditor General

##### 2. The inquiry into the Special Audit Report into the Central Payroll Division.

- The Committee heard evidence from the PS and its Officials
- An Action plan was presented to the Committee
- The Committee requested the PS and his officials to ensure that quarterly reports be sent to the Committee.

##### 3. Close

The meeting closed at 12:00 pm.