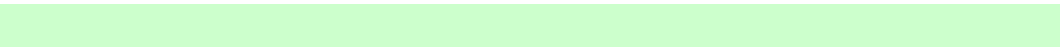


**NATIONAL PARLIAMENT OF  
SOLOMON ISLANDS**

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

**MINISTRY OF INFRASTRUCTURE AND  
DEVELOPMENT  
CIVIL AVIATION DIVISION**

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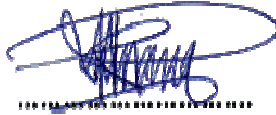
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## REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

Mr. Speaker,

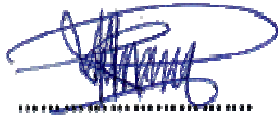
Pursuant to Parliament Standing Order No.69 (1) [a], it is an honour and pleasure for me Sir, to present the Report of the Public Accounts Committee for laying before Parliament.



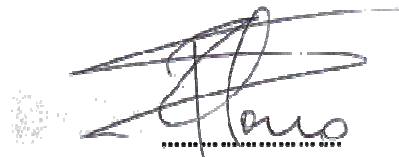
Honorable Selwyn Riumana, MP  
Interim Chairman  
Public Accounts Committee

16th July 2007

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



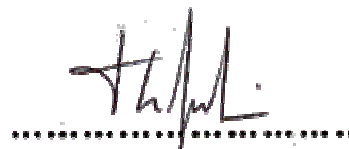
Hon. Selwyn Riumana, MP  
Interim Chairman



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 INFRASTRUCTURE AND  
DEVELOPMENT  
CIVIL AVIATION DIVISION**

**Summary Report**

The Public Accounts Committee (PAC) considered a Special Report of the Auditor General into the Civil Aviation Division of the Ministry of Infrastructure and Development. The Report was tabled in Parliament in October 2006.

The Committee noted that the Report identified a significant number of serious shortcomings in the Ministry's administration and in particular those associated with the Upper Air Space Agreement for the supply of air services with Airservices Australia and the contracting arrangements for the maintenance of the various airports in Solomon Islands. The main issues noted by OAG included:

- inappropriate arrangements with Airservices Australia for the provision of services;
- serious concerns about the nature and legitimacy of third party payments of some \$2.2million;
- inappropriate accounting and recording and control breakdowns within the Ministry;
- loss of revenue due to inadequate fee charging systems and arrangements;
- inappropriate processes and documentation for expenses and contracting arrangements; and
- potentially fraudulent activity associated with the contracting arrangements for the maintenance of airports.

The audit report into the Civil Aviation Division contained 88 recommendations.

The Committee held hearings on 29<sup>th</sup> and 30<sup>th</sup> March 2007 at which the Permanent Secretary Ms Nairie Alamu appeared before the Committee and answered questions accompanied on the second day by the Director of Immigration Mr Bill McGregor and Chief Accountant Mr Patrick Tuita.

The Committee resolved to hold all proceedings in public. As a consequence there was considerable media interest in the issues before the Committee and the evidence taken from the witnesses.

The Committee heard oral evidence from the Permanent Secretary which indicated that many of the issues identified in the audit report had been referred to the Director of Public Prosecutions (DPP) for determination as to whether charges would be laid. The Permanent Secretary went on to read out a faxed response from the office of the DPP, which acknowledged that there were many recommendations in the audit report that needed further investigations and conceded that there were indeed certain individuals who should face charges but that the DPP needed all information obtained from police investigations and a discussion with the DPP himself before any charges could be laid. The Chairman acknowledged that these matters should be put aside for the present time, however, of the 88 recommendations many were clearly the responsibility of the Ministry and the Committee requested the Permanent Secretary to prepare an Action Plan outlining action taken in respect to all recommendations and to submit this plan before the Committee the next day (30<sup>th</sup> March 2007).

The Permanent Secretary presented a draft action Plan on 30<sup>th</sup> March to the Committee and the Chairman noted the significant progress that had been made on the various issues identified in the audit report.

The full account of the evidence taken by the Committee is contained in the Hansard Report of the hearing but reference is made to the following specific matters which were discussed with the Committee.

### **Aviation Special Fund**

The Permanent Secretary discussed at length the unfortunate events surrounding the creation and operation of the certain bank accounts and transactions involving Airservices Australia. The PS indicated that the former fund had no legal basis and funds were not reflected in the Consolidated public accounts. In conjunction with the Ministry for Finance and Treasury a special fund has subsequently been established and guidelines approved for the operation of the fund to ensure appropriate financial reporting and accountability. The fund is subject to audit by the Auditor General.

### **Suspected Fraudulent Activity**

The Permanent Secretary indicated that many of the matters noted in the audit report had been referred to the DPP. She also indicated that although immediate action was taken in regard to two local staff who had been subsequently dismissed, two of the other principal players were expatriates who had left the Solomon Islands further complicating the legal processes. The Committee noted the advice from the Auditor General that the surcharge provision (Section 22 (1)), of the *Public Finance and Audit Act* [Cap. 120] can be invoked at the discretion of the Minister.

### **Contracting Arrangements**

In response to Committee concerns about the tendering arrangements associated with the maintenance of airports the Permanent Secretary advised that revised procedures had been put in place and previous contracts had been cancelled as necessary and all new contracts were in a form approved by the Attorney General. Revised procedures also included the establishment of a Ministerial Tender Board in January 2007 to review and approve all tenders within its jurisdiction. All contractual arrangements at airports have since been reviewed and recommendations made where considered necessary to regularize arrangements and ensure that airstrips and environs are of satisfactory standard. The Committee expressed concern that appropriate steps were being undertaken to ensure that the airstrips within rural areas were well maintained and suitably located to minimize ongoing maintenance costs.

### **The Ministry's Action Plan**

Pursuant to previous advice to the PS, the Public Accounts Committee requested the Permanent Secretary to table an Action Plan showing details of action taken in relation to each audit recommendation. The Auditor General tabled his original letter to the Permanent Secretary dated 2 June 2006 which contained a request for a detailed action plan. On the basis of this long standing request the Committee ordered that an Action Plan be presented to the Committee the next day. Consequently, the Permanent Secretary accompanied by her key staff attended the Committee at the appointed time and provided a draft Action Plan and briefed the Committee on the progress within the Division on the many issues and recommendations contained in the report. The committee acknowledged the significant progress made by the Ministry to address the issues identified in the audit report and commended the team for finalizing the draft plan overnight. The Committee requested that it be provided with a regular update on the plan once it was finalized with target dates and other missing information.

## Security of Cash

The Committee was informed that the issues raised in the audit report in relation to delays in banking of receipts at the airport were being addressed. However, the Committee expressed concern that collections that missed the banking were held overnight in less than satisfactory security and noted that the exposure of the Ministry would be minimized with regular banking of cash receipts.

## Liaison with Customs

The Committee heard evidence that much of the revenue relating to the Division was collected on its behalf by Customs through the Ministry of Finance and Treasury which made it difficult for the Division to control or be accountable for the budgets and performance of such collections. The Permanent Secretary acknowledged the difficulty in working with another Ministry and the Committee sought assurance that suitable liaison arrangements would be established between the Ministries to ensure proper accountability for fees collected on behalf of the Division. Issues noted in the audit report which require input from Customs would be coordinated by the Division and included in the updated action plan.

### Recommendations

1. The Committee recommends that the Ministry provide an updated Action Plan to the PAC and Auditor General within 28 days. In addition an update should be provided on a quarterly basis until all matters have been satisfactorily addressed.
2. The Committee recommends that the Division liaise closely with the Customs Division to ensure appropriate processes are put in place to address issues identified in the audit report and ongoing accountability needs of the Division.

## Conclusion

The report of the Auditor-General highlighted many critical shortcomings in the Ministry of Infrastructure and Development Civil Aviation Division. The PAC acknowledges that significant progress had been made within the Ministry to address the issues raised in the report. Some of the matters are outside the direct control of the Ministry but notwithstanding this, appropriate liaison arrangements are required to ensure eventual satisfactory resolution of all issues noted in the audit report.

The Committee wishes to emphasize, however, that it proposes to monitor and be regularly updated on progress by the Ministry in implementing the Action Plan. In addition the Office of the Auditor General proposes to perform a follow up audit in 2007-08 to appraise the extent and effectiveness of the remedial action.

**APPENDIX 1 MINUTES OF PROCEEDINGS****PUBLIC ACCOUNTS COMMITTEE**

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**NATIONAL PARLIAMENT OF SOLOMON ISLANDS****Minutes of Proceedings****Meeting No. 7**

Thursday 29 March, 2007, Parliament House, 11:30 am

**1. Members Present**

Hon. Francis Zama (Chair) MP  
Hon. Johnson Koli MP  
Hon. Severino Nuaiasi MP  
Hon. Selwyn Riumana MP

**Apologies**

Hon. Fred Fono MP

**Secretariat**

Mr. Floyd Augustine Fatai, (Secretary) Auditor General  
Mr. Warren Cahill, Parliamentary Strengthening Project  
Mr. David Kusilifu, Committee Secretariat

**In-Attendance**

Mrs. Nairie Alamu, Permanent Secretary for Ministry of  
Communication, Aviation and Meteorology  
Mr. Eric Muir, Deputy Auditor General  
Mrs. Michelle Maschmedt, Advisor, Office of the Auditor General  
Mr Tony Scriva, Adviser, Office of the Auditor General

**2. Inquiry into the report of the Auditor General into the affairs of the  
Ministry of Communication, Aviation and Meteorology.**

The Committee heard evidence and questioned the Permanent  
Secretary; Mrs. Nairie Alamu

The Committee deliberated

The hearing was adjourned as the Permanent Secretary (PS) did not  
provide an action plan before the Committee.

The Committee resolved on motion of Hon. Selwyn Riumana MP that PS be given until tomorrow afternoon to prepare an action plan and that the committee reconvene at 1.30pm tomorrow in order that the PS may present the action plan to the committee.

**3. Close**

Committee adjourned at 1.00 pm until 9:30am Friday 24<sup>th</sup> November 2006.



## PUBLIC ACCOUNTS COMMITTEE

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### NATIONAL PARLIAMENT OF SOLOMON ISLANDS

#### Minutes of Proceedings

#### Meeting No. 8

Friday 30 March, 2007, Parliament House, 1:30 pm

#### 1. Members Present

Hon. Francis Zama (Chair) MP  
Hon. Johnson Koli MP  
Hon. Fred Fono MP  
Hon. Selwyn Riumana MP

#### Apologies

Hon. Fred Fono MP

#### Secretariat

Mr. Floyd Augustine Fatai, (Secretary) Auditor General  
Mr. Warren Cahill, Parliamentary Strengthening Project  
Mr. David Kusilifu, Committee Secretariat  
Ms. Alice Fakarii, Committee Secretariat

#### In-Attendance

Mrs. Nairie Alamu, Permanent Secretary for Ministry of  
Communication, Aviation and Meteorology  
Mr. Bill Macgregor, Controller of Civil Aviation  
Mr. Patrick Tuita, Chief Accountant  
Mr. Eric Muir, Deputy Auditor General  
Ms. Michelle Maschmedt, Advisor, Office of the Auditor General  
Mr Tony Scriva, Adviser, Office of the Auditor General  
Mr. Walter Malau, Senior Auditor, Office of the Auditor General

#### 2. Inquiry into the report of the Auditor General into the affairs of the Ministry of Communication, Aviation and Meteorology.

The Committee heard evidence Mrs. Alamu (Permanent Secretary) , Mr. Macgregor and Mr. Tuita. The Permanent Secretary tabled a copy of the Ministry's plan of action for addressing the issues raised in the Auditor's report.

The Committee questioned the witnesses.

Evidence concluded.

The Committee deliberated.

**3. Close**

The Committee adjourned *sine die* at 3:00 pm.

**TABLED DOCUMENTS**

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<b>No.</b>	<b>Title</b>
01	The Auditor General tabled his original letter to the Permanent Secretary dated 2 June 2006 which contained a request for a detailed action plan.