



**NATIONAL PARLIAMENT OF  
SOLOMON ISLANDS**

**REPORT OF THE  
PUBLIC ACCOUNTS COMMITTEE**

**ON ITS EXAMINATION  
OF THE  
2008 SUPPLEMENTARY APPROPRIATION BILL  
2008**

National Parliament Paper No 13 of 2008

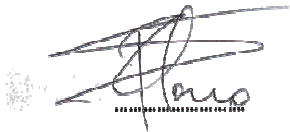
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**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE**

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.



Chairman

Public Accounts Committee

18<sup>th</sup> August 2008

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

A handwritten signature in black ink, appearing to read "Eric Muir". The signature is written in a cursive style with a large initial "E" and "M".

.....  
**Mr. Eric Muir, Acting Auditor General**  
Acting Secretary

## PAC Terms of Reference

The Public Accounts Committee is appointed under Standing Order 69 (1).

### 69. PUBLIC ACCOUNTS COMMITTEE

- (1) There shall be a Standing Select Committee designated the Public Accounts Committee whose functions shall be –
  - (a) to examine the accounts prescribed by Section 33 of the Public Finance and Audit Act 1978, together with the report of the Auditor General thereon, and to report the results of such examination to Parliament;
  - (b) to establish the causes of any excesses over authorised expenditure and to make recommendations to Parliament on any appropriate measures to cater for such excesses of expenditure;
  - (c) to examine such other accounts laid before Parliament as the Committee may think fit, together with any auditor's report thereon and to report the results of such examination to Parliament;
  - (d) to summon any public officer to give information on any explanation, or to produce any records or documents which the Committee may require in the performance of its duties;
  - (e) to consider in detail the Draft Estimates prepared by the Government in support of the Annual Appropriation Bill;
  - (f) to summon and examine the Accounting Officers and Technical staff of Ministries and Departments and require the production of background information and explanation in relation to Draft Estimates;
  - (g) to report to Parliament in such a way that the report may inform Members prior to the Parliamentary debate thereon of the background to the Draft Estimates draw attention to those matters which the Committee feels should be the subject for such Parliamentary debate; and
  - (h) to make such recommendations as the Committee sees fit and subsequently receive comments and reports on such recommendations from the Government.
- (2) The Auditor General or his nominee shall be the Secretary to the Committee and shall make available to the Committee the services of his staff and other facilities of his Office.

## **SPECIAL TRIBUTE**

Before commencing the hearing, the Chairman paid tribute to the late Floyd Augustine Fatai who passed away on 3 July 2008. Mr Fatai was the Auditor-General for Solomon Islands for 7 years and was Secretary to the Committee and played a major role in developing the Committee's important oversight role over the expenditure of public funds by the government.

## **1.0 INTRODUCTION**

### **1.1 Background**

Section 101 of the Constitution defines the process and conditions in which funds may be withdrawn from the Consolidated Fund. Issuance of funds under a Supplementary Appropriation Bill (SAB) is provided for under section 101 (2) [b] of the Constitution; hence the provisions of sections 103 or 104 shall be satisfied.

The process is further amplified under section 15 (Contingency Warrants) of the Public Finance and Audit Act [Cap. 120], the provisions of Financial Instructions (FI) 182 to 186 and section 102 (3) of the Constitution. Intrinsicly, this is a transparent process to ensure that public resources are safeguarded in the interest of those who own them – i.e. the people of Solomon Islands.

The Public Accounts Committee (PAC) is responsible for the examination of draft estimates that support Appropriation Bills. The PAC then reports on its findings to Parliament for the purpose of properly informing Members of Parliament and raising matters which will assist them in their deliberations.

### **1.2 Objective**

Aside from the parliamentary oversight responsibility which is often exercised by the PAC, the object of this report is to inform the Members of Parliament (MPs) on significant issues pertaining to the 2008 Supplementary Appropriation Bill 2008 which were examined by the PAC.

The Public Accounts Committee carries out its reviews and examinations on the SAB within the parameters of the laws underpinning government finances. Furthermore, the PAC believes that its consideration must also be premised on sound economic strategies that are essential to achieving the common objective for which Parliament has allocated resources.

### 1.3 PAC Process

In carrying out our examination of the Supplementary Appropriation Bill 2008, the PAC undertook the following:

- Review of the Supplementary Appropriation Bill;
- Heard evidence from the Permanent Secretary for Finance and certain Permanent Secretaries on the contents and specific appropriations contained in the Bill and the details of expenditure provided through contingency warrant, and
- Requested and reviewed certain additional documents from the Ministry of Finance (MOF) and other Ministries called before the Committee.

The Parliament adjourned for 2 days in order that the Committee could undertake its inquiry into the Bill prior to the second reading debate in the House. The Committee resolved to focus on 12 Ministries due to limited time available to it to undertake its work.

## 2.0 SUMMARY REPORT

### 2.1 2008 Supplementary Appropriation Bill 2008

The PAC commenced its deliberation into the SAB on Wednesday 13 August 2008. The Bill seeks to appropriate \$201,105,192 with \$41,732,139 previously funded by Contingency Warrants authorised by the Minister, and \$132,029,826 of additional recurrent expenditure and \$27,343,227 of additional development expenditure.

The PAC was provided with a briefing from the Permanent Secretary and officers from the Ministry of Finance and Treasury on 13<sup>th</sup> August 2008 outlining the major components of the supplementation bid. The Committee was not provided with any information about the source of funding for the SAB and was concerned, that in the current economic environment, the overall impact of the SAB may have on reserves.

### 2.2 Communication of Outcomes

In the early hearings of evidence from Ministries it became apparent to the PAC that the Permanent Secretaries and other senior officials had not been briefed on the outcomes of Cabinet deliberations on the Bill or the contents of the Bill. While all Permanent Secretaries who appeared before the PAC had been briefed on the figures submitted to Cabinet, they had not been advised of the final outcome of the deliberations and decisions by Cabinet. It was also apparent that many of the requests for supplementation had not been accepted by Cabinet and were consequently not included in the Bill.

The PAC noted however that Permanent Secretaries were better informed and better prepared than in previous Estimates Hearings. The PAC commends the greater cooperation, coordination and communication between the Ministry of Finance and Treasury and the line Ministries which has obviously occurred in this instance and urges all parties to continue to develop this process. The PAC also commends those Permanent Secretaries who attended the hearing well

prepared to provide information to the Committee and who had prepared the documents requested by the Committee prior to the hearing.

### **Recommendation 1**

That the Ministry of Finance and Treasury further improve the budget processes to ensure all Ministries who seek additional funds are provided with appropriate feedback on the outcomes of their submissions once the Bill has been approved by Cabinet. This should include a written report indicating the final amounts to be included in the Bill..

## **2.3 Contingency Warrants**

The PAC noted that in many cases the Contingency Warrants which had been approved by the Minister for Finance were not for items which were “urgent and not reasonably foreseeable”<sup>1</sup>. The Committee has for several years called on Ministries to seek funding for necessary expenditure during the annual budget process rather than seeking Contingency Warrant approval to permit expenditure which was able to be foreseen. The Committee is of the view that the Minister must make it clear to Permanent Secretaries that contingency warrants will not be approved without appropriate and convincing justification of how the request complies with the requirements of the Constitution.

In the cases examined by the Committee during the hearings the Minister of Finance and Treasury had pre-empted Parliament’s role in authorising future expenditure by improper use of Contingency Warrants. As previously noted Section 103 of the Constitution stipulates that the Minister needs to be satisfied that there is an urgent and unforeseen need before authorising expenditure by contingency warrant..

**Comment [w1]:** Title of the Ministry is not consistent throughout the report.

### **Recommendation 2**

That Ministries in conjunction with the Ministry of Finance and Treasury take greater care in preparing their budget estimates and in briefing their Ministers on the importance of critical items of expenditure and that Minister advise all Permanent Secretaries that contingency warrants will not be approved without appropriate and convincing justification of how the request complies with the requirements of the Constitution.

## **2.4 Budget Process**

The PAC noted that many items included in the SAB were for items which had been under funded in the original 2008 Appropriation Bill. In particular it was found that salaries had been under funded although this had been predicted by many Permanent Secretaries in the hearings held earlier this year. The PAC is concerned that in some Ministries salaries and/or utilities

<sup>1</sup> Section 103 of *The Constitution of the Solomon Islands 1978*

expenditure had been paid in excess of the annual Appropriation amount for the respective items before supplementary appropriation has been approved by Parliament. **This is illegal expenditure** which cannot be tolerated by this Committee or Parliament. While the Committee notes that this occurs as a result of a combination of factors including poor budgeting and expenditure being processed by the Ministry of Finance and Treasury without the express authorisation of the relevant Ministry's Permanent Secretary who is the Accounting Officer for each head of expenditure, the Committee calls on the Government to urgently take action to address the issue of illegal expenditure of public funds.

### **Recommendation 3**

That the Ministry of Finance and Treasury in consultation with each line Ministry develop budgets based on realistic expectations of accurate costs required to operate the Ministry's portfolio.

## **2.5 Progress of Development Budget**

The PAC noted that the 2008 Development Budget will be only partially implemented. The PAC acknowledges that the Development Budget is much greater than in previous years and that Permanent Secretaries reported expectations of greater achievements in completing development projects than in recent years. However, the PAC notes that the Appropriation Bill 2008 was not enacted until after the first quarter of 2008 had already passed.

The greater volume of projects and expenditure expected to be implemented in less than three quarters of the year creates significant difficulties for the agencies and officers in achieving delivery of important projects to the public. The Committee has previously reminded government ministries that development projects are complex and invariably include legal issues which must be resolved and require consultation with numerous stakeholders and therefore can only be successfully delivered if planning commences well before the beginning of the year in which the projects are to be implemented.

### **Recommendation 4**

That the 2009 budget be passed by December 2008 as proposed by the Constitution and that line Ministries commence initial planning for Development projects in the year prior to the year in which the project is expected to be funded and required to be implemented.

## **2.6 Timeliness of Deliberations on the Bill**

The Ministry of Finance and Treasury did not provide the PAC with the Appropriation Bill until after the first reading of the Bill. The timing of provision of the Bill led to the PAC being able to hear evidence from only 12 Ministries due to time constraints.

**Recommendation 5**

That the Ministry of Finance and Treasury further improve the timing of preparation of the Appropriation and Supplementary Appropriation Bills in order to allow the PAC to conduct proper scrutiny of the Bill and provide a meaningful report to Parliament for the guidance of Members of Parliament and to facilitate robust debate in the House.

**2.7 Supporting Information for PAC**

The deliberations of the PAC were hampered by the lack of detail supporting the Supplementary Appropriation bids for each Ministry. While there was detail supporting the contingency warrants to be ratified by Parliament within the Bill, the PAC was not provided with detail of the recurrent expenditure as is normally provided for the annual Appropriation Bill in a separate supporting document. The PAC noted that Permanent Secretaries had been provided with an early version of the detail of the bids, but not the detail of the figures which had been used for the SAB.

**Recommendation 6**

That the Ministry of Finance and Treasury provide the PAC with a supporting document for all future appropriation bills which provides a detailed explanation of the amount within each head of Expenditure.

**2.8 Errors in Bill**

During hearing evidence from two Ministries the PAC noted that two errors have occurred in the preparation of the Bill which the PAC consider require correction. In the case of the Ministry of Police and National Security additional estimates of \$466,000 for border payments was reflected in the Bill as only \$466, leaving a shortfall of \$465,534. Further the Bill shows a bid of \$1,780,000 for Hire of Shipping as a development budget item when it should be a recurrent budget item.

**Recommendation 7**

That amendments be made to the Bill to rectify the errors identified in the Bill.

### **3.0 CONCLUSION**

Our findings as contained in this report pertaining to our examination of the 2008 Supplementary Appropriation Bill 2008 have highlighted a number of serious shortcomings in the draft Bill including some that had been highlighted in previous years.

The succession of hearings by this PAC in the past few years into the Appropriation and Supplementary Appropriation Bills has identified systemic weaknesses in the preparation, communication and management of budgets. This Report contains recommendations which, if adopted by the Government will result in preventing illegal expenditure as well as ensuring better and more meaningful and robust budgets which facilitate better expenditure management and control throughout the government. This will result in greater and improved services provided by the government to all of the people of the Solomon Islands.

Minutes of the hearings held by the PAC are available from the Secretariat or the Parliament House website [www.parliament.gov.sb](http://www.parliament.gov.sb).

## 4.0 DETAILED EXAMINATION

The PAC selected 12 of the Ministries seeking funding under the SAB and they were requested to appear before the PAC to discuss their bids. The PAC commenced hearings on 13 August 2008. Whilst the full details of the hearings are in Hansard and the Parliamentary website, the following is a summary of the more significant matters that arose during these hearings under each Ministry for the Contingency Warrant, Recurrent and Development bids.

### 4.1 Recurrent Supplementary Expenditure

#### Head 270 Ministry of Agriculture and Livestock Development

Supplementary Appropriation - Recurrent	\$3,670,648
Supplementary Appropriation - Development	\$25,000,000

The Permanent Secretary thanked the Office of the Auditor General for the audits undertaken of his Ministry to date and requested the Office of the Auditor General to audit areas of the Ministry's Development budget and other high risk areas of the Ministry.

At the request of the PAC, the Permanent Secretary and Director described the National Rice project for which \$25M was included in the SAB under Development Expenditure. The Permanent Secretary explained that there are currently 50 projects scattered throughout the provinces of which 13 are in production. These projects are small holder on lots of 3 to 5 hectares. They have a total production value of \$13 to \$15M per annum. The Ministry stated that annual use of rice within the Solomon Islands is about \$130M per annum.

The PAC noted that rice production is important to national food security and that there should be civic education about the availability of locally grown rice to maximise the return to the local growers.

#### Head 272 Ministry of Education and Human Resource Development

Supplementary Appropriation – Recurrent	\$34,080,715
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The Permanent Secretary tabled three documents for the information of the PAC – the updated Audit Action Plan for the audit recommendations from the Auditor General's report of the tertiary Scholarships program, a copy of the virements submitted to the Ministry of Finance and the Study to Support the Development of a National Skills Training Plan.

The Permanent Secretary advised the PAC that the areas of over expenditure were Tertiary Scholarships, salaries, office expenses and staff travel. Some of these shortfalls have been met through virements. The additional funds requested are for the USP contribution and tertiary scholarships. Some salaries have been charged to incorrect divisions, and there is under expenditure in salaries in some divisions. However there is still a net over expenditure of salaries.

The Permanent Secretary acknowledged the Auditor General's report on Tertiary Scholarships which was discussed by the PAC last year. Her Ministry is actively actioning the report. The Permanent Secretary advised that the underfunding for tertiary scholarships has been a concern for a number of years. The number of students studying overseas has been increasing, but the budget allocation stays the same. Also, payment for some fees relating to 2007 were paid in 2008 and therefore taken from the 2008 budget.

The PAC expressed concern that the Ministry had still to expend \$30M from the Development Budget. The Permanent Secretary explained that the Ministry submitted the required Work plans to the Ministry of Development Planning and Aid Coordination, and received approvals for most of them in July. The Ministry has requested the Ministry of Finance to release the funds for these, and hoped that most of the budget allocation would be used by the end of the year.

The PAC enquired as to how the Ministry over expended the budget allocation for salaries and noted that over expenditure contravenes the Public Finance and Audit Act and the Financial Instructions and puts at risk the ability of the government to pay for other priorities such as debt servicing.

The PAC enquired as to why there was additional allocation included for the USP contribution in the Supplementary Appropriation Bill, as this is an annual contribution should this be a known amount. The Permanent Secretary replied that the number of students has increased over recent years, but the budget has remained the same. The PAC noted that as the number of students is increasing each year this is additional incentive to advance the planned expansion of the USP Centre in Honiara as this would save the additional costs such as airfares. The Permanent Secretary advised that the Ministry is waiting for the transfer of land so that construction work can commence.

### **Head 273 Ministry of Finance and Treasury**

Contingency Warrants – Development	\$8,950,000
Supplementary Appropriation – Recurrent	\$2,869,878

The Permanent Secretary noted that there were pressures on the recurrent budget which include electricity, fuel, travel, housing, water and stated that these are necessary expenditures for the government to provide basic services to the people. The Permanent Secretary emphasised that the government can only legally spend moneys which have been approved by Parliament in an Appropriation Act or Supplementary Appropriation Act.

The PAC stated they had received complaints that the Ministry of Finance has been delaying payments. The Permanent Secretary explained that Ministries must prepare and submit Work plans for scrutiny and approval by the Ministry of Finance and Treasury before funding can be released. These are proper procedures and are subject to scrutiny by the OAG. Therefore the Ministry is not delaying releasing funds, just ensuring that the proper procedures have been complied with before releasing the funds for expenditure.

The PAC emphasised that Contingency Warrants are for unforeseen circumstances where something is urgently required and cannot wait until a Supplementary Appropriation. The PAC needs to be informed what was urgent about the expenditure where Contingency Warrants were used.

The PAC was concerned as to whether the government would be receiving additional \$201M of revenue in order to pay for the additional expenditure in the Supplementary Appropriation Bill. The Permanent Secretary was confident the budget would be achieved.

The Permanent Secretary advised that the Contingency Warrants were unfunded. Contingency Warrants become priority expenditures over other items. The PAC noted that the Permanent Secretary was not able to provide a satisfactory explanation as to where the funding would be coming from to cover the additional expenditure.

The PAC was particularly concerned that the government was forecasting an increase in revenue when the government is reducing the extent of logging. The reduction in logging is evidenced by loggers laying off staff. There are also increased costs of imports.

The PAC requested details about the excessive expenditure on overseas travel. The Permanent Secretary advised that it is up to the Accounting Officer of each Ministry to determine whether expenditure on travel is more important and to submit a virement to move funding from other items. The Permanent Secretary also pointed out that the Financial Instructions provide for surcharging Accounting Officers who exceed budgeted expenditure. He advised that some strong measures are required to ensure Accounting Officers fulfil their responsibilities.

#### **Head 276 Ministry of Health and Medical Services**

Supplementary Appropriation – Recurrent	\$31,736,387
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The PAC noted that the detail of the Supplementary Appropriation Bill bid provided by the Permanent Secretary was \$12M but that the Supplementary Appropriation Bill includes a total of \$31M additional expenditure. The Permanent Secretary was unable to explain why as he had not been advised of the \$31M.

The Permanent Secretary suggested that the additional funding for salaries overspend is actually from the original budget hearings where it was discussed that the budget did not reflect their requirements. The PAC emphasised that the Ministry of Finance and Treasury needs to liaise with the line Ministries to explain the budget submissions.

The Permanent Secretary expressed concern that his Ministry had not been granted sufficient budget increase to cater for the cost of utilities. His Ministry had requested an additional \$8M but the budget allocation as advised during the hearing by Ministry of Finance and Treasury was only \$2M.

The PAC expressed concern that the Accounting Officer, the person responsible for the Ministry's expenditure, had not been consulted or advised by the Ministry of Finance and Treasury about the budget.

The Acting Auditor General noted that as the money for utilities has already been expended over the original budget allocations, it is illegal expenditure and can't be covered by Contingency Warrants. The Ministries are effectively asking Parliament for retrospective approval by the Supplementary Appropriation Bill.

The Permanent Secretary blamed the lack of consultation by Ministry of Finance and Treasury as the Ministry of Finance and Treasury pays the utility bills and allocates the cost to each Ministry. The Ministry does not know about the payments until they receive the reports. By then it is too late, the budget has already been overspent.

The PAC noted that the Ministry could have asked the Ministry of Finance and Treasury to grant a Contingency Warrant which would give approval to expend the money before it was actually committed and paid. Even that would not be correct procedure as the Constitution states that Contingency Warrants are for "an urgent unforeseen need". Utilities and salaries however are foreseen, so expenditure which has not been provided for in an Appropriation Act should not be covered by a Contingency Warrant.

The PAC stated that the Permanent Secretary for Finance will need to explain the illegal expenditure to Parliament, through the Minister of Finance.

The Budget Unit representative explained that the Ministry of Finance asks the various Ministries to process virements for such over expenditures just before the end of year.

The PAC asked the Permanent Secretary if virements were an option to cover this over expenditure. The Permanent Secretary advised he could not even contemplate it as his Ministry needs all the funding it has been given.

### Head 277 Ministry of Infrastructure Development

Contingency Warrants – Development	\$5,280,000
Supplementary Appropriation – Recurrent	\$1,976,094

The PAC enquired as to why there is a Contingency Warrant in the Development Budget when there is already funding for hire of shipping in the recurrent budget. The Budget Unit representative advised the Contingency Warrant figure is for repairs and refit of the Western province ship MV Tomoko. The PAC noted that the account code Hire of Shipping does not reflect the actual use of the funds, and that the actual expenditure appears in the reports on Recurrent Expenditure, not Development. The PAC requested that this item be moved from Development to Recurrent in the Bill.

The PAC noted that very little of the Development Budget has been expended. The Permanent Secretary advised that he expects 70-80% of the budget to be expended. The development program was delayed due to the late passing of the 2008 Appropriation Bill as the design and planning of projects takes time.

The PAC commented on the importance of this Ministry in developing infrastructure in the country which is imperative for economic development. The Permanent Secretary advised that the Ministry is required to follow lengthy and detailed processes before works can commence including design, environmental impact studies, work plans, tendering.

### Head 281 Office of the Prime Minister and Cabinet

Contingency Warrants – Recurrent	\$3,497,708
Supplementary Appropriation – Recurrent	\$3,901,032

The Secretary to Cabinet briefed the PAC on the reasons for the requests for Contingency Warrants and the Supplementary Appropriation. This included the cost of computer equipment to equip the political office of the Prime Minister. This was not budgeted for in the original 2008 Appropriation but was needed urgently as the staff of the previous Office removed the equipment resulting in a need to re-equip the Office.

In response to a question by the PAC the Budget Unit representative advised that the Ministry has overspent its salary budget by \$1.3M year to date, but has not overspent the total budget allocated. The PAC noted that this is an outcome of the original budget under allocating salaries as noted in the hearings into the 2008 Appropriation Bill 2008.

The PAC noted that the cost of Members of Parliament overseas travel was budgeted under Office of the Prime Minister and Cabinet to provide for control of this cost, but that there is now expenditure recorded and allocation for overseas travel for Ministers in most Ministries budgets. The Secretary to Cabinet advised that there is now a new process where all applications for overseas travel are submitted to Cabinet and must be fully costed and justified on the basis of areas of benefit to the country. Cabinet will deliberate and approve the travel.

The PAC enquired as to how much of the Supplementary Appropriation Bill amount had already been expended. The Secretary to Cabinet advised she could not state how much, but advised that some had. The PAC emphasised that the budget needs to be accurate to begin with, and Ministries must not spend funds unless they have been appropriated.

The PAC enquired about the process for determining the Cost of Living Adjustment (COLA) amount. The Secretary to Cabinet explained that the COLA amount is not a unilateral decision by the government. It is based on negotiations between SIPEU and Cabinet. The two parties negotiate to work out what is reasonable. The negotiations are still ongoing. The PAC expressed concern that while negotiations are ongoing the cost of living continues to increase. The Secretary to Cabinet advised that the decision has been made to allocate \$15M. If the amount needed at the end of negotiations is more than this, then the government will need to use a mechanism such as a Contingency Warrant. The PAC noted that the government has a serious Contingent Liability until the negotiations are complete and expressed concern that the amount may be considerable.

The PAC enquired as to the status of the Political Integrity Bill and when it is expected to be presented to Parliament. The Secretary to Cabinet advised on progress of research and that the cost of \$1.2M is being met by RAMSI as part of the capacity building within the OPMC.

### **Head 283 Ministry of Police and National Security -**

Supplementary Appropriation – Recurrent	\$10,777,297
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The Permanent Secretary tabled virements year to date and the updated Audit Action Plan.

The Permanent Secretary explained that the budget bid provided by the Budget unit is \$464,584 more than the total included in the Supplementary Appropriation Bill. The amount for Border Payments was recorded as \$466,000 in the document provided by the Budget Unit, but only \$466 has been included in the Bill.

The PAC stated that the Bill could be corrected as it is still at the second Reading. The Budget Unit representative stated that it was not intended to amend the Bill.

The PAC asked the Permanent Secretary to describe how the gun owners' compensation had been calculated. The Permanent Secretary advised that \$3.742M had been provided for rifles and short guns. The PAC asked if the Ministry knows how many gun owners are to be compensated. The Permanent Secretary advised they do, as they know how many licences there were and only licensed gun owners are going to be compensated. The permanent Secretary described the consultation process which had been undertaken with stakeholders to determine the amount to be compensated.

The PAC asked the Permanent Secretary to describe what his Ministry is doing with regard to former police officers who remain in government housing. The Permanent Secretary advised that the former police officers who were made redundant or retired submitted a log of claims and remained in the houses. The Ministry convened a committee to review the claims by the former police officers. The Committee found that nearly all of the entitlements as per the General Orders had been paid. The Permanent Secretary further advised the PAC that the Court had ruled that the Ministry may proceed with eviction orders.

#### **Head 286 Ministry of Development Planning and Aid Coordination**

Contingency Warrants – Recurrent	\$650,000
Supplementary Appropriation – Recurrent	\$62,000

The Permanent Secretary advised that the Contingency Warrant was for overseas travel for the Minister and public servants. The cost of the Minister's overseas travel was not included in their budget originally as it was understood that overseas travel for the Minister was included in the budget for Office of Prime Minister and Cabinet.

The Permanent Secretary further advised that the Supplementary Appropriation of \$62,000 is for extra costs, mainly in utilities.

The Chairman noted that the Ministries are behind expenditure for implementing the Development Budget. The Permanent Secretary advised that Ministries have been submitting their Work plans and about 60% of the Development Budget has now been committed.

The PAC enquired as to whether all of the \$650,000 for overseas travel had been expended. The Permanent Secretary advised that it had not, and that further expenditure was required for officers of the Ministry to attend meetings later in the year. The PAC noted that only \$117,000 had been expended to date on the two items in question.

The PAC noted that Contingency Warrants are for emergency expenditure, but that a Contingency Warrant has been issued for future expenditure. The future expenditure should have been provided for under the SAB, not a Contingency Warrant. There appeared to be a pattern of the government using Contingency Warrants to allow additional expenditure over what had been approved by Parliament in the Appropriation Act.

The PAC noted that in fact the Ministry had not expended \$520,000 of the \$650,000 Contingency Warrants granted. The PAC emphasised that Contingency Warrants are for expenditure that could not have been foreseen, which is not the case for the overseas travel. It appears that the government has been using Contingency Warrants as an excuse for poor budgeting.

### **Head 288 Ministry of Commerce, Industry and Employment**

Contingency Warrants – Recurrent	\$2,000,000
Supplementary Appropriation – Recurrent	\$3,545,833
Supplementary Appropriation - Development	\$1,000,000

The Permanent Secretary briefed the PAC and gave details of initiatives which were either underfunded or not funded at all.

The PAC enquired about the \$2,000,000 Contingency Warrant. The Permanent Secretary explained that this was requested during the National Trade Show as additional funding.

The PAC enquired about the funding of salaries and the Permanent Secretary confirmed that he was satisfied with the level of funding and that was an appropriate baseline for the 2009 budget for salaries.

The Permanent Secretary stated his Ministry had been advised by Finance to apply for Supplementary funding to pay the outstanding bills for the Trade Show which have not been included in the SAB. Therefore his Ministry will have to do virements.

### **Head 291 Ministry of Public Service**

Supplementary Appropriation – Recurrent	\$8,781,882
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The PAC expressed concern at the level of rent being paid by the Ministry. The Permanent Secretary stated that is the reason his Ministry is in the process of designing a building to be built in the Ministry of Finance compound. The Ministry is awaiting the outcome of the Central Tender Board review.

The PAC enquired as to how many public servants are paid by the government now. The Permanent Secretary stated that it is about 12,000 including teachers and police.

The PAC expressed concern that salaries had been significantly under budgeted which resulted in the need for additional funds to be allocated in the Supplementary Appropriation Bill. The PAC asked the Permanent Secretary what the actual cost of the 12,000 employees is. The Permanent Secretary explained that the Ministry of Public Service system is not compatible with the Ministry of Finance budget system, so it is difficult to calculate this. He stated that there is a new system being implemented which will improve the quality of information available.

The PAC asked how much the Ministry of Public Service had overspent payroll. The Budget Unit representative advised \$6.2M. The PAC noted that this was a pattern in all Ministries they had heard from to date and reflected under budgeting of salaries across the board. The Budget Unit representative stated that some Ministries had under spent and some Ministries had over spent.

In response to a question from the PAC, the Permanent Secretary advised that over 400 officers have been recruited this year. The PAC noted that this is possibly one of the contributing factors to the budget being inadequate as new recruitment was not taken into account in the original budget allocation.

In response to a question from the PAC, the Permanent Secretary advised that the minimum wage adjustment included in the SAB is separate to the COLA increase being negotiated. The legal minimum wage recently increased from \$2.69 to \$4.00. The difference of \$1.31 is being applied to the salaries of lower level public officers on a reducing scale.

The PAC emphasised that the public service needed a much better way of calculating salaries budgets so that the finances of the government could be managed better.

#### **Head 293 Ministry of Home Affairs**

Contingency Warrants – Recurrent	\$5,568,967
Supplementary Appropriation – Recurrent	\$1,550,807

The PAC noted that the Supplementary Appropriation Bill included additional expenditure of \$3.45M for the 30<sup>th</sup> Anniversary celebrations which would have already been incurred. Also the Supervising Permanent Secretary had advised there was a further \$400,000 required to pay for costs of the Anniversary celebrations.

The PAC further noted that there was a lack of discipline in planning and managing to budgets in all Ministries which had been ongoing for a number of years and the Ministry of Finance needed to stop over expenditures from occurring or granting Contingency Warrants in such cases.

#### **Head 298 Ministry of Rural Development**

Contingency Warrants – Recurrent	\$1,357,733
Contingency Warrants – Development	\$5,000,000
Supplementary Appropriation – Recurrent	\$4,851,363

The PS briefed the PAC on the Supplementary Appropriation bid from the Ministry. The Ministry requested additional items totalling \$13.7M but only \$4.85M was included in the Bill. These include salaries for posts they are about to fill. The Ministry has been under funded in some priority areas.

The PAC stated that the Permanent Secretary should discuss funding of priority items with his Minister to take up in Cabinet. The PAC was concerned that this Ministry was set up to give attention to Rural Advancement which is a stated priority of the Government but the PS claims has not been funded adequately to undertake the required activities.

The PAC noted that a Contingency Warrant for \$5,000,000 for RCDF had been approved and paid. The PAC queried the legality of this payment given that in terms of the Constitution the amount was neither urgent nor foreseen. The PAC requested the Permanent Secretary to discuss this matter with his Minister and request that the Minister discuss the matter with the Auditor General's Office.

The PAC requested clarification of whether the Ministry was under funded, and the Permanent Secretary confirmed that the Ministry was underfunded. The PAC expressed concern that the costs incidental to the new officers to be recruited had not been provided for.

The PAC stated that it is important that the proper budget baseline be calculated so that the 2009 budget which is in the process of being prepared now can be realistic and reflect the real costs of operating the government.

The PAC asked the PS to take note of the PAC's concerns that the Ministry is under funded as the government is very rural focussed. In particular the Ministry needs to do proper costings to derive the real budget baseline.