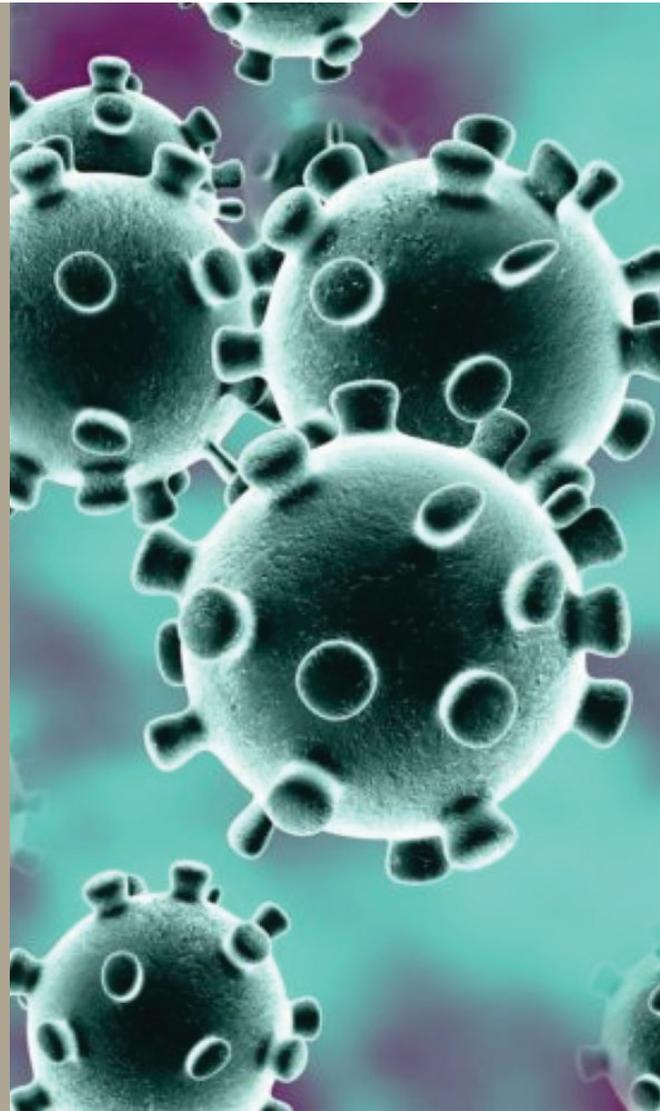




AUDIT REPORT

ON PROCUREMENT
RELATING TO COVID-19
DISASTER RELIEF FUND
BY THE MINISTRY OF
INFRASTRUCTURE
DEVELOPMENT



Ministry of Health & Medical
Services-protect yourself,
protect others form
coronavirus/Picture

AUDIT REPORT

ON PROCUREMENT TO
COVID-19 DISASTER
RELIEF FUND BY THE
MINISTRY OF
INFRASTRUCTURE
DEVELOPMENT

For the period
1 April to 31 December 2020

Reported by:
Office of the Auditor-General
P O Box G18, Honiara
February 2023

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Auditor Generals Overview

The use of disaster relief funds is critical to the Solomon Islands Government response to State of Public Emergency (SOPE) COVID response plan.

Immediately following the declaration of the SOPE, the Government reallocated existing Ministries budgets towards enabling funding of the Government's emergency Preparedness and Response Plan (PRP).

My report provides an independent view on the manner and level of compliance of the Ministry of Infrastructure Development (the Ministry) demonstrated during the period following the declaration of SOPE. This Ministry was selected as part of three Ministries who each played a key role in the use of COVID-19 disaster relief funds. This audit was initiated by my predecessor in 2020 with fieldwork and reporting completed in 2022.

The majority of expenditure by the Ministry in relation to the COVID-19 response was for the refurbishment of existing buildings to provide quarantine facilities and to organise repatriation charters. The cost of the repatriation charters (\$7.3 million) was not included in the PRP and this was funded separately by the Government out of the Disaster Relief Fund.

This audit has reviewed whether the Ministry's procurement activities for disaster relief complied with applicable Acts and Regulations.

It is important to acknowledge the extraordinary circumstances this pandemic created which heightened the inherent risk for expediting procurements and delivery of services at the expense of following established procedures. It is my view however that the existence of an urgent requirement should mean that controls are applied with urgency, and not discarded.

My audit team found that a lack of transparency and required documentation, even in a bid waiver situation, left the Government open to a significant risk of loss or waste.

The lack of transparency in sourcing of suppliers and the inability to provide my office with full documentation to review transactions indicates a major failure of accountability and is an area the Ministry needs to address.

Whilst I acknowledge the attendance of the Permanent Secretary and members of his senior team during the exit meeting, it is disappointing to note no formal response to our report was received from the Ministry.

In my view the Ministry should endeavour to work in compliance with required procedures, even where those procedures are made more onerous by the prevailing environment. It is my hope that our recommendations will assist the Ministry to strengthen their procurement processes both in emergency and normal operations.

I intend to do a follow up of findings in future audits of the Ministry and do hope that senior management do engage with our audit findings.

My thanks to my audit team, and the Australian Department of Foreign Affairs and Trade for their assistance in this audit. I would also like to thank all the staff from the Ministry including senior management for their dedication during COVID-19 and for their assistance during our audit.

Yours sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the top.

David Teika Dennis
Auditor General

Abbreviations

<i>COVID-19</i>	<i>Corona Virus</i>
<i>CTB</i>	<i>Central Tender Board</i>
<i>FI</i>	<i>Financial Instructions</i>
<i>MoFT</i>	<i>Ministry of Finance and Treasury</i>
<i>MTB</i>	<i>Ministerial Tender Board</i>
<i>OAG</i>	<i>Office of the Auditor General</i>
<i>PCAM</i>	<i>Procurement and Contract Administration Manual</i>
<i>PR</i>	<i>Purchase Requisitions</i>
<i>PRP</i>	<i>Covid-19 Preparedness and Response Plan</i>
<i>PSF</i>	<i>Permanent Secretary, Ministry of Finance and Treasury</i>
<i>SIG</i>	<i>Solomon Islands Government</i>
<i>SoPE</i>	<i>State of Public Emergency</i>
<i>The Ministry</i>	<i>Ministry of Infrastructure and Development</i>

1. Introduction

- 1.1 After the World Health Organisation (WHO) declared the COVID-19 as a pandemic, the Solomon Islands Government (SIG) took steps to protect the country and deal with the crisis. The State of Public Emergency (SoPE) was declared on 25 March 2020. The Government developed a COVID-19 Preparedness and Response Plan (PRP) and introduced border controls and established quarantine facilities for incoming travellers. To support its actions in protecting and dealing with the pandemic, SIG rechannelled funds towards the Ministries responsible for implementing the plan. The budget of most SIG Ministries was reduced and these funds were redirected towards the COVID-19 frontline ministries.
- 1.2 A multi-agency Oversight Committee was established, chaired by the Secretary to Cabinet and a total of \$167,328,248 was identified to implement the COVID-19 National Disaster Operation Committee (N-DOC) PRP for the whole of SIG approach. The Ministry of Infrastructure and Development (the Ministry) was responsible for readying designated quarantine centres by commissioning necessary refurbishment and maintenance of those facilities and organising repatriation charters to return people to their home provinces.
- 1.3 In the Solomon Islands Government's response to the international COVID-19 pandemic, the Ministry was allocated \$13.3 million for its role in the implementation of SIG Covid-19 PRP. This amount goes towards maintenance and improvement of facilities and other requirements under the SoPE. The Ministry also received \$7.3 million to charter ships to repatriate people from Honiara back to their home provinces. The objective of this audit was to assess whether the Ministry managed COVID-19 Procurement in accordance with relevant laws, policies and regulations of Solomon Islands Government.

2. What we looked at

- 2.1 This audit has reviewed whether the Ministry procurement activities for disaster relief complied with applicable Acts and Regulations
- 2.2 The OAG conducted this audit in accordance with International Standards for Supreme Audit Institutions (ISSAI) namely the ISSAI 400: *Compliance Audit Principles* and ISSAI 4000: *Compliance Audit Standard* issued by the International Organisation of Supreme Audit Institutions (INTOSAI).
- 2.3 The objective of this audit was to assess whether the Ministry managed COVID-19 Procurement in accordance with relevant laws, policies and regulations of Solomon Islands Government. These include the Public Financial Management Act 2013, the Interim Financial Instructions currently in force and the Solomon Islands Government Procurement and Contract Manual (PCAM).
- 2.4 In relation to procurement, the urgent nature of the implementing a response to - COVID19 SIG meant that there was pressure to accelerate normal processes. When this happens there is an inherent risk that funds are not spend in the most systematic, productive and fair way. Even during a national emergency, public funds should be protected and a requirement to conduct business more quickly does not mean that internal control may be discarded.

3. Summary Results

- 3.1 In the sample tested, OAG identified transactions that did not comply with financial requirements in the tendering and awarding for contracts including not implementing the required competitive quotation/tendering process without an appropriate waiver, committing to procurements without an authorised Purchase Requisition, engaging businesses to undertake complex construction and refurbishment work without detailed specifications or contracts and failing to maintain adequate supporting documentation for transactions.
- 3.2 The identification of these deficiencies in a relatively small sample indicates that internal controls cannot be relied upon to ensure that procurement will achieve best value for money or eliminate the possibility of conflict of interest and misuse or misappropriation of public funds.
- 3.3 OAG also found that the Ministry was unable to provide records associated with some procurement transactions, particularly in relation to the decision-making process around what to procure, how to procure and who to procure it from, but also some basic transactional documentation such as purchase requisitions, delivery docketts and evaluations reports. Compliance checklists which are used to ensure that all controls have been implemented, were also not available for all transactions. In one case, a procurement of \$2.5 million, OAG was not even able to locate a Payment Voucher.

4. Recommendations

Finding 1

- 4.1 The approval of a bid waivers does not mean that other procurement rules should be discarded but the Ministry either omitted or delayed key controls that should have been implemented.

Recommendation 1

- 4.2 The Ministry should seek specific guidance from MoFT as to the rules which are to apply to procurement during a state of public emergency.

Management Response

- 4.3 The Ministry for Infrastructure Development has not responded to the recommendation.

Finding 2

- 4.4 Sole-source procurement increases the risk of loss, waste or impropriety. The lack of documentation around sole-source selection decisions in the transactions tested does not allow the Ministry to manage the increased risks associated with this procurement method.

Recommendation 2

- 4.5 The Ministry should issue clear guidance to its public officers regarding their procurement responsibilities and, using examples, make clear the risk they place themselves in if they act without written authority.

Management Response

4.6 The Ministry for Infrastructure Development has not responded to the recommendation.

Finding 3

4.7 Because no tenders were issued, officers involved in significant procurements were not required to sign a declaration stating that they had no conflict of interest in the transaction.

Recommendation 3

4.8 The Ministry should require that all officers with a decision-making role in a significant procurement should be required to sign conflict of interest declaration.

Management Response

4.9 The Ministry for Infrastructure Development has not responded to the recommendation.

Finding 4

4.10 Businesses which compete for tenders for government procurement must be appropriately registered. This protects Government interests in the transaction but because no tenders were submitted for procurement where bidding was waived, many suppliers were not appropriately registered.

Recommendation 4

4.11 The Ministry should require that all vendors selected to provide goods or services provide proof that they are a registered business in the Solomon Islands, irrespective of whether they have bid for the job through a tender process or provided a quotation or are selected as a sole source supplier.

Management Response

4.12 The Ministry for Infrastructure Development has not responded to the recommendation.

Finding 5

4.13 Documentation management was inconsistent with some documents containing handwritten changes to documents after signature, reducing accountability for decisions.

Recommendation 5

4.14 The Ministry should ensure that manual corrections are not made to any procurement forms but particularly to procurement requisitions and payment vouchers. Where corrections must be made, new correct forms should be generated.

Management Response

4.15 The Ministry for Infrastructure Development has not responded to the recommendation.

Finding 6

- 4.16 Documentation management was inconsistent with some documents not able to be found reducing accountability for decisions.

Recommendation 6

- 4.17 The Ministry should ensure that all transactions are faithfully recorded and supporting documentation is maintained for all decisions and processes. In addition, original documents should be scanned to have electronic back up for filing management systems.

Management Response

- 4.18 The Ministry for Infrastructure Development has not responded to the recommendation.

5. Conclusion

- 5.1 Procurement documentation has been made generally compliant with the requirements of the Financial Instructions and the PCAM but in most cases only after the procurement has been finalised.
- 5.2 There appears to be no regulation or instruction issued that allowed it to discard proper procurement practices, but rather than look for ways to accelerate processes, the Ministry just discarded them altogether, completing them as a paper work exercise so as to facilitate payment for work that had been commissioned and completed well before this paperwork was done. Under the law, an action that is not properly authorised at the time it is carried out is not made legitimate by retroactive authorisation.
- 5.2 The Ministry should endeavour to work in compliance with required procedures, even where those procedures are made more onerous by the prevailing environment.

6. Audit Scope and Methodology

- 6.1 The objective of this audit was to assess whether the Ministry managed COVID-19 Procurement in accordance with relevant laws, policies and regulations of Solomon Islands Government. These include the Public Financial Management Act 2013, the Interim Financial Instructions currently in force and the Solomon Islands Government Procurement and Contract Manual (PCAM).
- 6.2 The audit scope included all pandemic-related expenditure incurred through the Ministry in the period of April to December 2020. This expenditure involved the procurement of works, goods and services, maintenance and consulting services.
- 6.3 The audit was an audit of compliance focusing on high-risk transactions. The audit criteria arise from Chapter 7 of the Interim Financial Instructions, 2014 and the PCAM and included:
- A procurement plan must be developed for large or complex purchases;
 - Agencies must ensure that there is a genuine need to procure which cannot be met by existing resources;
 - Procurement specifications should be identified and purchase requisition must be raised and approved for every procurement;

- Procurement must be conducted in accordance with quotation/ tendering procedures including, where appropriate, procedures for waiving the competitive process;
- Contracts must be managed to ensure that goods/services are received and are as contracted and fit for purpose;
- All records associated with procurement transactions are securely maintained and made available for audit as required.

6.4 The audit was undertaken using a risk-based approach, identifying areas and activities which represented a higher level of risk and methodologies included:

- interviews with key personnel;
- review of relevant documentation;
- quantitative and qualitative analysis of data and sample testing; and
- conducting asset inspections to ensure the existence of assets and verify their condition.

6.5 The audit was conducted in accordance with ISSAI 4000.

7. Detailed audit findings

Procurement in a State of Public Emergency

- 7.1 The declaration of the State of Public Emergency on 25 March 2020, automatically brought into effect P7 7.1 of the Financial Instructions which provides that competitive quotations or tenders are not required during a state of emergency, subject to the limits and requirements of the declaration. The PCAM provides that a Bid Waiver may be granted during a state of emergency but should only be used in exceptional circumstances and will not be approved unless the justification is reasonable.
- 7.2 The PS Finance Memo 479/5/1/ of 26 February 2016 requires that granting of bid waiver for purchases over \$10,000 is the sole responsibility of the CTB, and for those between \$10,000 and \$100,000 that authority was delegated to the Accountant-General. That Memo also revokes 'any and all previous SIG issuances, instructions or memoranda that are contradictory to the intents and purposes of [the memorandum].' This creates confusion for the users of the Financial Instructions and the PCAM and there have been no Regulations issued during the State of Emergency which clarify this situation. The Ministry has sought CTB Bid Waiver approval for transactions over \$10,000 as if the PSF Memo applies, but only retroactively, sometimes months after the procurement has occurred, as if the CTB Bid Waiver is a mere rubber stamp.
- 7.3 There have also been no Regulations issued which set aside the application of other key internal controls. The operations of the Prime Minister's Oversight Committee have subsumed some of the planning provisions in the PCAM, reportedly providing direction regarding the establishment of quarantine stations and the charter of ships for repatriation of people to their home provinces. But the key processing controls such as: developing specifications; receiving at least one written quote even if a bid waiver is approved; signing a contract for more complex purchases; only committing to a procurement on the basis of an approved purchase requisition; and certifying that the goods or services have been provided before payment is made; should all still apply. As will be seen in the comments below, the Ministry continued to do these things, but

generally long after the goods or services had been provided and it was already committed to the purchase.

Procurement Planning

- 7.4 The majority of expenditure by the Ministry in relation to the COVID-19 response has been around refurbishment of existing buildings to provide quarantine facilities and to organise repatriation charters. There was no provision for the COVID-19 response in the Ministry's annual procurement plan for 2019/2020 because the pandemic was not envisaged when that plan was developed, but the PRP incorporated the procurement necessary to bring these sites up at an appropriate standard. The cost of the repatriation charters (\$7.3 million) was not included in the PRP and this was funded separately by the Government out of the Disaster Relief Fund.

The COVID-19 Preparedness and Response Plan drove procurement

- 7.5 The need to procure the items and services procured in this sample has been driven by the PRP. The PRP specifies that five quarantine sites should be established, three in Honiara, one in Munda and one in Noro and should be brought up to the standard necessary to provide accommodation for people under quarantine. There is no documentation available to support the specific decisions made regarding which sites to establish and what to provide at those sites, although the OAG did not identify any procurement which appeared to be at odds with the need to establish liveable quarantine accommodation. The absence of documentation to support decision-making does however preclude detailed analysis of those decisions.
- 7.6 One significant procurement from the funds provided for pandemic preparedness and response that was not related to the pandemic was \$300,000 paid to hire a helicopter to look for people who were missing at sea in a boating incident. While the helicopter hire was an essential procurement, it was not pandemic related but was general search and rescue and should be paid for from funds appropriated for that purpose.

Procurement Specifications were not detailed

- 7.7 Where requests for quotation or tender were made, the procurement specifications were generic and utilitarian, not favouring any particular vendor. Most procurement activity was related to the establishment and operation of quarantine facilities and the items and services specified were directly linked to the function of those facilities.
- 7.8 Section 2.4 of the PCAM provides that "Preparation of Specifications" includes:
- State the requirements clearly, concisely and logically
 - State how the item is to be used, including the context of usage
 - Contain enough information for suppliers to accurately scope a solution and offer
- 7.9 The specifications sighted in the OAG sample were rudimentary, but to a large extent this aligned with the basic nature of the items being procured. Items of household furniture and meals and consumables to support the people in quarantine do not need complex specifications, and the requests for quotation provided enough information for vendors to submit a bid. However, the absence of more detailed specifications did not allow officers to make a comprehensive analysis of one bid against another because, for

example, one type of plastic chair may be of somewhat different quality to another type of plastic chair, but both meet the description of 'plastic chair'. Where there was a competitive bidding process, the cheapest quote generally was the successful one but because the specifications were so broad, the cheapest quote may not have represented best value for money.

Implications

7.10 Failure to have sufficiently detailed specifications means that:

- Items with the same description may meet the generic specification equally while providing significantly different degrees of satisfaction in meeting the actual need;
- Officers may be comparing items of different quality with insufficient information about their specific characteristics
- The Ministry may not have grounds to take action over items which meet the description of what is required but are not actually suitable for the purpose for which they are purchased.

The bid waiver process eliminated most competitive procurement practices

- 7.11 At the commencement of the audit the Permanent Secretary advised that all Directives were made by the Oversight Committee in the Prime Minister's Office. The implication was that all procurement decisions made in relation to COVID-19 preparedness and response were made in that Committee. OAG requested documentation of these Directives but none was produced. While it is reasonable that the Oversight Committee may have directed the Ministry to organise repatriation charters or provide suitable quarantine facilities at the various centres named in the Emergency Powers (COVID-19) (No.2) Regulations 2020 of 29 March 2020, it does not appear that the Oversight Committee directed that a specific business be engaged to undertake a particular charter/construction/refurbishment activity.
- 7.12 Also, the Oversight Committee did not direct that the Ministry forego all internal controls that protect the interests of the Government in procurement activities. Where directions are received from the Oversight Committee, these directions should be documented, if not by the Committee, then at least by the Ministry and that documentation should form part of the transaction documentation.
- 7.13 Even when time is of the essence, the application of relevant internal controls is possible, and perhaps even more essential. The use of the Bid Waiver process appears to be the only weakening of internal control provided by the declaration of a public emergency. The Oversight Committee directives may override normal planning procedures outlined in the PCAM, but the procurement process itself should be able to respond to the urgent nature of the procurement. Aside from the preparation of quotes and tender submissions, the entire process is within the control of the Ministry except for CTB meetings, and that, too, is able to respond to the emergency. Instead, the Ministry seems to have taken that approach that all procurement procedures could occur after the actual procurement.
- 7.14 In most transactions examined, the Ministry waived not just the bidding requirement, but all procurement procedures. Decisions were made to engage suppliers were not properly documented and there was generally no documented evaluation of different vendors.

- 7.15 Transactions were initiated with purchase requisitions or contracts although most of these documents were prepared after the transactions was completed to precipitate payment for the goods or services procured.
- 7.16 Bid Waiver submissions, if they were prepared, were submitted to the Central Tender Board after work had been done or the goods delivered. For example, one contract for refurbishment of the Kiwi hostel at the NRH was for \$625,123. This contract involved significant construction and concreting work. A bid waiver request was submitted on 7 April 2020 at which time the work must have been substantially complete as it was certified as such just two days later. The contract to undertake this work was signed on 24 September 2020. The Bid Waiver was approved by the CTB on 17 September 2020. The approval to incur this expenditure on the Purchase Requisition was signed on 19 October 2020, 7 months after the expenditure had actually been incurred.
- 7.17 *The justification for waiving a bidding process should be fully documented and the procurement should only progress after the waiver has approved by the relevant authority.***
- 7.18 A submission was made to the Ministerial Tender Board on 8 July 2020 supporting payment of this and other contracts associated with the refurbishment of Kiwi Hostel. This submission noted that there was an absence of very important documents – ‘Scope of Works’, ‘Completion Reports’ and ‘Standard Rates’ – and an architect engaged to ‘realign rates, prices, materials, labour and other essential costs’ for these contracts indicated that it was difficult to justifiably verify works that had already been completed without proper documentations. The architect did manage to affect a total reduction of \$194,000 or 8% on contracts totalling \$2.3 million. As contracts had yet to be signed, the suppliers had no choice but to accept the revised figures determined by the architect but the act of agreeing to a price to do the work and then revising the price downward after the work is done is damaging for the reputation of the Government.
- 7.19 Conversely, engaging suppliers to undertake construction work without specifying in detail what is to be done and getting an equally detailed response from that specification from the vendor, places the Government at significant risk from an unscrupulous or non-performing vendor.
- 7.20 Significant refurbishment work was also done at the King George VI School, as this was designated a quarantine centre on 27 March 2020. By 8 April 2020 all of the required work had been certified as complete. OAG examined 12 individual procurement activities for this refurbishment. The purchase requisitions for all of this work were signed in early May 2020 and Bid Waivers were issued by the CTB for all 12 procurements on 5 May 2020, nearly a month after the work had been completed. All 12 contracts were signed on 11 May 2020 more than a month after the work was completed. The urgency to refurbish KGVI School seemed misplaced as it was not actually used as a quarantine centre until 6 December 2020, almost 8 months after the work was done.
- 7.21 The Ministry also procured a number of ship charters to repatriate people in Honiara who wished to return their home province during the pandemic. The PCAM allows that single ship charters may be done on the basis of a single quotation as an exemption from the normal procurement rules. We found that altogether there were 32 individual voyages for a total cost of \$7.3 million. The Ministry did not appear to have any documentation of a quotation for any of these voyages but they did seek bid waivers which were approved through the CTB. The written waiver approvals were granted by the CTB only long after the Government was already committed to pay the vendors for the voyage. All other available procurement documentation was dated after the voyages had occurred. For

the vendor who provided the most trips, for expenditure of \$2.5 million, neither the Ministry nor MoFT was able provide any documentation, not even the Payment Voucher.

7.22 The proclamation of a SoPE creates a situation where Ministries may apply to the CTB for a Bid Waiver. The reason for each Bid Waiver request still has to be justified and the granting of such a waiver cannot be taken for granted. For a public officer to engage a contractor without competing bids before a bid waiver has been granted is in contravention of the Financial Instructions and according to those Instructions will be 'dealt with in accordance with the "Non-compliance, Misconduct and Penalties" section of Chapter 1 of the Financial Instructions.'

7.23 *Later approval of the Bid Waiver by the CTB does not make the earlier procurement action legitimate.*

Implications

7.24 The failure to ensure that there is adequate documentation of the reasons for waiving the bidding process or that such a waiver has appropriate approval may result in:

- Insufficient justification for not considering competitive bids;
- Failure to achieve best value for money;
- Favouring of existing suppliers over other vendors who may be able to provide better quality or better value;
- Action being taken against the responsible officer if the vendor fails to perform;
- Lack of scrutiny of decisions which made involve nepotism or corruption.

7.25 Most of the transactions reviewed by the OAG in this audit were not in accordance with the Financial Instructions. The major departures from these instructions were:

- Engaging suppliers to provide services without detailed specifications
- Sole-sourcing procurement over \$10,000 without Bid Waiver approval
- Letting contractors start construction work without a contract
- Committing to a procurement without a suitably approved purchase requisition

7.26 A public officer who commits to a single source procurement without first receiving a Bid Waiver from the CTB is placing themselves at risk of prosecution, particularly if something unforeseen goes wrong with the procurement. In most cases, procurement was actioned before a purchase requisition was raised. This is procurement made without proper authority. This once again places the officer agreeing to the procurement at risk of misconduct charges.

7.27 For example, if an officer were to agree to Government charter of ship for repatriation purposes and something went wrong on the voyage, that officer would bear sole responsibility for the trip occurring, because at that point there would be no other documented involvement by any other officer. It would not be possible to argue that it was at the direction of the Oversight Committee unless the Oversight Committee had directed the officer to charter that particular voyage. The CTB is unlikely to later sign off on a Bid Waiver for such a voyage, and an accounting officer may not later authorise the procurement.

7.28 If officers are already not complying with the procurement rules, the OAG making a recommendation that they comply is not likely to have any impact. Officers should, however, be made aware of the personal risk they are exposed to if they do not do things in the order set out in the Financial Instructions.

No declarations regarding conflict of interest were signed

- 7.29 Section 94 of the Constitution provides that public officials should avoid making any decision that could result in a conflict of interest. Section 4.7 of the PCAM requires that every member of a tender evaluation committee sign a Declaration of Conflict of Interest. This means that they are required to state that they are not in a position to benefit from the particular procurement being made. Examples of a conflict of interest include sourcing goods or service from a relative or other associate or the promise of receipt of a gift or benefit from a vendor. As none of the procurements reviewed in this audit went to tender, no tender evaluation committee was established and no declarations were made. Officers who are not members of a tender evaluation committee but have some other role in a procurement can also have conflicts of interest.

Implications

- 7.30 The failure to declare a conflict of interest could lead to decisions being made that are in the best interests of the decision-maker rather than the best interests of the Government. This can lead to:
- Paying too much for goods and services;
 - Not getting the goods and service that are most suited to fulfilling the requirement;
 - Waste or loss of resources given to less effective suppliers; and
 - Corruption of public officers.
- 7.31 A sound general principle is that all officers involved in a procurement should declare that they do not have a conflict of interest, and this includes members of an MTB or CTB who may be involved in a decision to sole-source a procurement. In these procurements the Ministry's PS has advised that contractors were pre-selected without going through a normal tender process.
- 7.32 *Any officer who is involved in a decision to select a vendor with or without a normal tender process should declare they have no conflict of interest.***

Suppliers were not registered

- 7.33 The PCAM, S4.8, provides that to be considered in a tender process, vendors must be registered with the Companies Haus. There are three classifications of registration: Business, Companies and Foreign Investments. This provides some protection the Government in that business must have some sort of formal structure and are less likely to quickly disappear if something goes wrong with procurement. Also, in order to remain active, the registered companies or businesses needs to prepare annual return filings.
- 7.34 As there was no tender process involved in these procurements, there was no specific requirement for chosen suppliers to be registered, and testing showed that a number of them were not. The requirement that suppliers in procurement that go to tender should be a registered business in the Solomon Islands should apply even when the procurement does not go to tender because of an approved Bid Waiver.

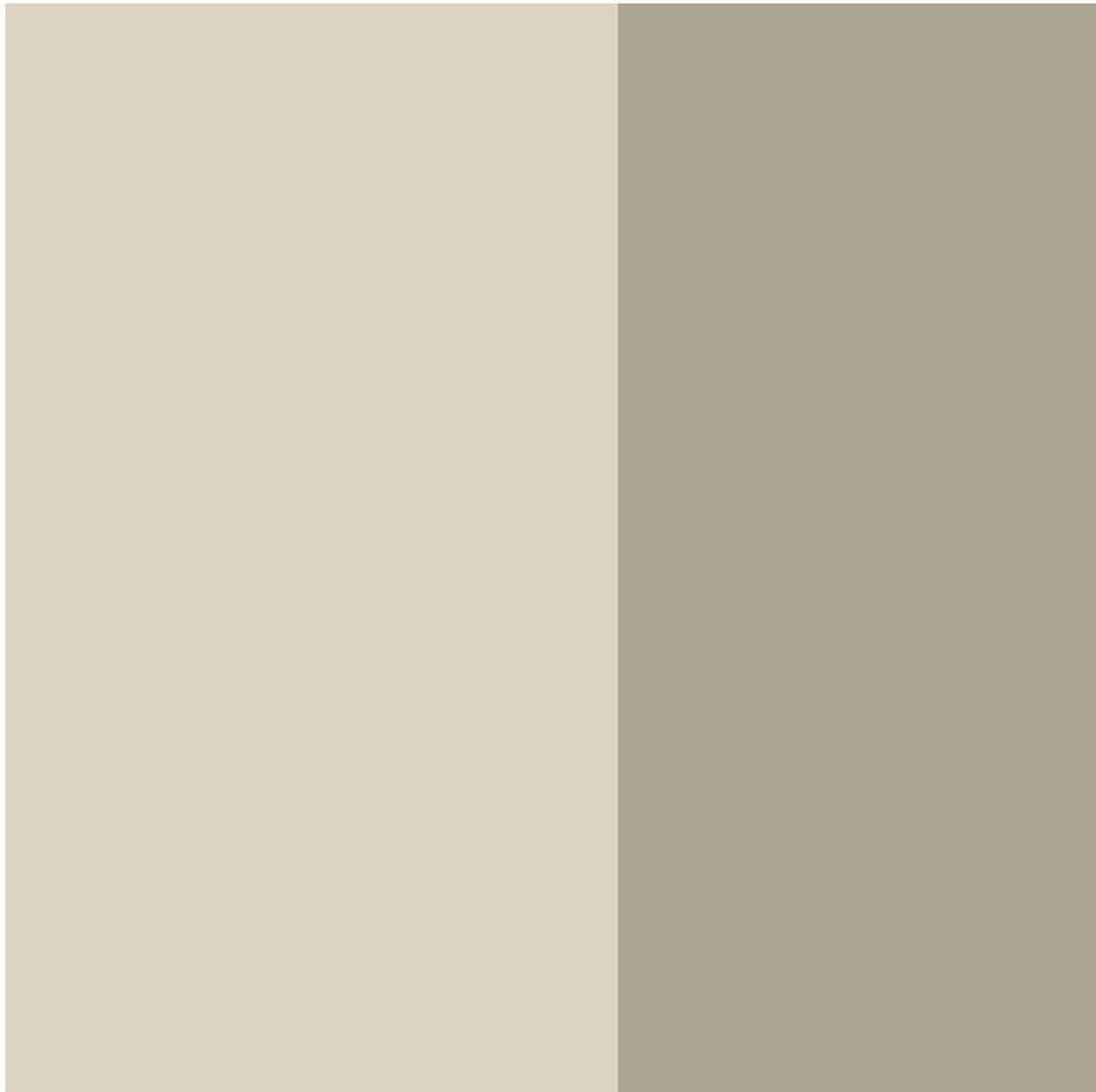
Procurement documentation was not well maintained

- 7.35 During the testing of transactions, OAG noted that some procurement requisitions and payment vouchers had manual corrections. Some of these changes were initialled but others were not. Even where the changes were initialled it was generally not possible to determine which officer had actually initialled the change. Purchase requisitions and payment vouchers are key documents which provide for accountability for transactions by the officers who have signed those documents. If those documents are changed after signature, then the signing officer may not be aware of the change in a document that is issued in his or her name. OAG was advised that the manual corrections were made to save time rather than creating new vouchers. Creating a new voucher is a task that takes a few minutes. The time-consuming facet of this process is seeking the signatures of officers responsible for any certification or authorisation required. It is also the essential part of the process if these officer are to be accountable for the form. Allowing a manual change made by someone who cannot be identified from their initials is a significant breakdown of internal control.
- 7.36 Documentation of transactions often seemed to start with the arrival of an invoice. In many cases, vendors appeared to be selected by a single officer with no documentation of the reason for the decision. There was generally no supporting documentation provided to know if the Ministry had enquired with other suppliers or contractors before picking the preferred one. There was often no documentation as to why a particular vendor was chosen.
- 7.37 *The failure to document reasons for selecting a single supplier meant that decision-making before work started or goods were delivered was invisible, so one-one may be held accountable for those decisions.***
- 7.38 During testing of transactions OAG also found that not all relevant documentation could be located for all transactions. These ranged from the directives from the Oversight Committee which may have prompted the Ministry to initiate some of these procurements, to supporting documentation for some transactions. Many Bid Waivers were approved by the CTB but only a few of the Bid Waiver submissions were located. The quality of documentation to support ship charters was variable. Some companies provided copies of ship logs and passenger manifests, others merely provided a one-line invoice. In one case, a procurement of repatriation charters for \$2,455,269.50, the Ministry was not even able to provide a Payment Voucher. The original document is missing from MoFT and the Ministry did not have a copy, even an electronic one.
- 7.39 *The absence of documentation means that reviewers, including the OAG, cannot provide assurance that a transaction has been processed correctly and that all necessary approvals, certifications and authorisations have been made and that the correct goods and services have been received.***

Implications

- 7.40 The failure to maintain full supporting documentation for procurement decisions means that:
- It is not possible to ensure that all decisions made during the process are made with the aim of achieving best value for money;
 - Errors or judgement or analysis may be made during the process which may not be picked before the procurement decision is made because there is no documentation to review;

- There is no audit trail and decisions which involve corrupt practices may go undetected;
- Future similar decisions are not informed by past decision-making processes which are not adequately documented.



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