



**SOLOMON ISLANDS GOVERNMENT**

**Report on**  
**Cooperative Audit on Procurement and Special**  
**Investigation Audit of Manaoba Airport Project Under**  
**Ministry of Communication and Aviation**  
**For the years**  
**2012 - 2015**

**Reported By:**

**Office of the Auditor-General**

**P O Box G18**

**Honiara**

**National Parliament Paper No. 28 of 2017**

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On Manaoba Airport Project – 1January 2012 – 31 December 2015  
Ministry of Communication and Aviation*

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## **Foreword from the Auditor General**

### **Honourable Speaker**

I have great pleasure in submitting this cooperative audit on procurement and special investigation audit on Manaoba Airport project report for tabling in Parliament as required by section 108 (4) of the Constitution.

The audit was conducted in the Ministry of Communication and Aviation for the periods from 2012 to 2015 financial years.

### **Audit Results**

The audit was part of a cooperative audit in procurement with the Pacific Association of Supreme Audit Institutions in the region and a special investigative one on the procurement of Manaoba Airport.

The report has once again highlighted issues surrounding procurement and management of large and complex projects by SIG agencies.

The audit concluded that the management of the Ministry had some serious weaknesses from ensuring that the objective of the project was met.

Those weaknesses include the lack of planning, monitoring and management of the project by MCA staff through internal controls within the ministry by the executive management. There was total ignorance of government legislations and procurement process guidelines.

I have made a number of recommendations to improve the management and procedures that the Ministry has in place.

### **Acknowledgement**

I would like to acknowledge the Permanent Secretary of the Ministry of Communication and Aviation and his staff, Ministry of Finance for accessing supporting documents and others who had assisted in the production of this audit report.

I would like to thank IDI and PASAI for the continuous support in capacity building and my team who participated in the audit planning, discussion during field work and for assistance in conducting of the audit work with the Ministry Officials to collect the necessary information.



Peter Lokay  
Auditor General  
4 October 2017

## **List of Acronyms**

APP	Annual Procurement Plan
CTB	Central Tender Board
FC	Financial Controller
FIs	Financial Instructions
HRM	Human Resources Manager
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
LPO	Local Purchases Order
MCA	Ministry of Communication and Aviation
MDPAC	Ministry of Development Planning and Aid Coordination
MFR	Ministry of Forest and Research
MID	Ministry of Infrastructure Development
MLHS	Ministry of Lands, Housing and Survey
MOFT	Ministry of Finance and Treasury
MOU	Memorandum of Understanding
MTB	Ministerial Tender Board
PCAM	Procurement and Contract Administration Manual
PS	Permanent Secretary
PSF	Permanent Secretary Finance
SIG	Solomon Islands Government
TEC	Technical Evaluation Committee
US	Under Secretary

## Executive summary

The Ministry of Communication and Aviation (MCA) is responsible for the aviation sector and has the oversight responsibility over the airport operations and regulations of the aviation safety and security for the travelling public. MCA is one of the core line ministries in the Solomon Islands Government (SIG) with its annual budget amounting to on average 2.5% of the national government's budget for the years 2012 to 2015.

The objective of the audit was to determine and obtain sufficient and appropriate audit evidence to enable the Auditor General to form a conclusion on whether the procurement practices for Manaoba airfield project under MCA was in compliance to the Financial Instructions 2010, Interim Financial Instructions 2014 and the Procurement and Contract Administration Manual (PCAM) 2013. Secondly to confirm to the management of MCA whether the alleged \$62 million expended for the Manaoba Airport project was properly accounted for and expended for the construction of the airport.

In the course of planning the audit and in order to identify, evaluate and prioritize the associated risks in the procurement process of the Manaoba Airport, a risk analysis was conducted. The analysis was based upon an examination of the Acts, accounting regulations, policies, manuals and standards that govern the procurement process, on data analysis, and on the results of interviews with personnel considered key. The criteria and methods used in the audit were based on the identified risks.

The audit covered the financial years from 1<sup>st</sup> January 2012 to 31<sup>st</sup> December 2015. The audit conducted data analysis, interviews and meetings to gather information for the audit. The audit also held interviews and meetings with key senior management staff of the MCA and various stakeholders who were involved in the procurement process with the Ministry including the Ministry of Development Planning and Aid Coordination (MDPAC), Ministry of Infrastructure Development (MID) and Ministry of Finance and Treasury (MOFT). The key criteria used for this audit were the Public Finance and Audit Act (CAP 120), Public Financial Management Act 2013, Financial Instructions 2010, Interim Financial Instruction 2014 and Procurement and

Contract Administration Manual 2013 (PCAM). We conducted the audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI).

The audit examined the following aspects of the procurement process; the planning, sourcing process and contract management and our audit assessment focused on ensuring that the ministry complied with the audit criteria.

### Summary of findings

The key findings of the audit showed that MCA's administration and management of the procurement practices did not comply with the requirements of the relevant Acts, Regulations and procurement manual. Some of the issues relating to non-compliance are as follows:

- MCA did not prepare a procurement plan and annual budget bid for Manaoba Airport project;
- There was lack of consultation on the project with relevant stakeholders;
- In-appropriate procurement methods were used to procure goods and services during project implementation. Sourcing of procurement did not comply with the PCAM;
- Contracts were not advertised or tendered to the open market. Tender bid documents were not evaluated by the Tender Evaluation Committee (TEC); and
- Source documents were not made available for audit therefore it was not possible to verify the appropriateness of the payments made to the suppliers and contractors.

The key results of the procurement audit was that the alleged amount of \$62 million spent on the Manaoba Airport project couldn't be verified and established by the audit due to the following limitations:

- Lack of Annual Procurement Planning led to the in-efficient usage of funds by the ministry;
- Lack of Procurement Plan for large and complex projects like Manaoba airport;
- There was no feasibility study carried out prior to construction of Manaoba airport;
- Land ownership issue was not resolved prior to construction of airport;

- Lack of separate annual budget for Manaoba Airport project and no detailed budget that itemise the type of expenditure or costs that would be allowed to be met by the ministry during the procurement process;
- Lack of procurement source documentations to support the appropriateness of the payments;
- Lack of transparency and accountability on the payments raised;
- In-complete project activities and non-performing contracts;
- Payments processed were not genuine; and
- The inherent presence of conflict of interest was obvious and it was draining off huge amount of money to related parties, cronies and relatives that undermined established procurement procedures.

Despite the limitation encountered audit was able to identify an amount of \$26,394,506.80 as expenditures actually spent on Manaoba airport project. The amount could be higher given the circumstances mentioned above.

There were non-compliance with relevant regulations and Acts. Audit identified deficiencies in compliance, internal control measures, procurement practices as well as other areas where improvements in management were needed.

The audit concluded that the MCA failed to comply with key Government Acts and regulations that resulted in wastage of Government monies and resources. The ministry has got the relevant legislations to guide them during the procurement process; however, these were totally ignored by the ministry.

Recommendations made were included in section 9 of this report for management to address and improve on its internal controls and procurement management.

It is also recommended that the report is referred to the appropriate authorities to investigate further and bring those implicated to account for their actions.

## **1 Introduction**

### **1.1 Background**

The Office of the Auditor-General of Solomon Islands (OAGSI) was part of the Regional Supreme Audit Institutions engaged in the Cooperate Procurement Practices audit and the Ministry of Communication and Aviation (MCA) was selected for that project based on a request by the Permanent Secretary (PS) of MCA to conduct a special investigation on the Manaoba Airport project funding.

The ministry did not have an initial budget and there was no initial contract price for the whole project. The MCA awarded a contract valued at \$7,024,121.50 in 2012 for the construction of an airfield at Manaoba Island in Malaita Province through the Central Tender Board (CTB); however later through an internal investigation by the Ministry, it claimed that \$62,461,974 was actually committed to the project from 2012 to 2015.

The audit was conducted purposely first, to confirm whether the procurement of Manaoba Airport Project complied with the relevant legislations and secondly to confirm to the management if the alleged amount was actually expended on the project.

MCA is one of the core line ministries in the SIG with an annual budget as per table 1 below which shows the total appropriated for the fiscal years from 2012 – 2015. The annual budget allocations to the ministry represented on average about 2.5% of the National Budget per year.

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On Manaoba Airport Project – 1 January 2012 – 31 December 2015  
Ministry of Communication and Aviation*

**Summary MCA Budget 2012 to 2015**

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>(Over)/Under Budget</b>
<b>Year 2012</b>				
Development	42,000,000	46,500,000	41,308,637	5,191,363
Recurrent	32,735,625	43,139,625	47,112,285	-3,972,660
<b>Total</b>	<b>74,735,625</b>	<b>89,639,625</b>	<b>88,420,922</b>	<b>1,218,703</b>
Revenue	<b>11,075,840</b>	<b>11,195,840</b>	<b>8,855,773</b>	<b>2,340,067</b>
<b>Year 2013</b>				
Development	47,200,000	75,600,000	68,112,223	7,487,777
Recurrent	64,735,303	64,735,303	59,702,397	5,032,906
<b>Total</b>	<b>111,935,303</b>	<b>140,335,303</b>	<b>127,814,621</b>	<b>12,520,682</b>
Revenue	<b>10,237,505</b>	<b>10,237,505</b>	<b>3,971,645</b>	<b>6,265,860</b>
<b>Year 2014</b>				
Development	20,000,000	20,000,000	14,809,503	5,190,497
Recurrent	46,142,680	50,142,680	46,269,081	3,873,599
<b>Total</b>	<b>66,142,680</b>	<b>70,142,680</b>	<b>61,078,584</b>	<b>9,064,096</b>
Revenue	<b>13,166,093</b>	<b>13,166,093</b>	<b>8,851,989</b>	<b>4,314,104</b>
<b>Year 2015</b>				
Development	15,360,000	15,360,000	9,428,730	5,931,270
Recurrent	42,366,530	43,078,675	40,717,103	2,361,572
<b>Total</b>	<b>57,726,530</b>	<b>58,438,675</b>	<b>50,145,833</b>	<b>8,292,842</b>
Revenue	<b>10,164,068</b>	<b>10,164,068</b>	<b>6,278,986</b>	<b>3,885,082</b>
<b>Totals for 4 years</b>				
Development	124,560,000	157,460,000	133,659,093	23,800,907
Recurrent	185,980,138	201,096,283	193,800,866	7,295,417
<b>Total</b>	<b>310,540,138</b>	<b>358,556,283</b>	<b>327,459,959</b>	<b>31,096,323</b>
Revenue	<b>44,643,506</b>	<b>44,763,506</b>	<b>27,958,394</b>	<b>16,805,112</b>

*Table 1: Appropriated budget and actuals to MCA for fiscal years 2012 - 2015*

MCA as the authority in the aviation sector has the oversight responsibility over the airport operations and regulations of aviation safety and security. MCA as part of its objectives does procurement of goods and services internationally and locally to fully realize its organizational

goals and objectives. One of the major procurement activities MCA had involved in was procuring goods and services for the construction of domestic airports. It was previously done in collocated manner with Ministry of Infrastructure Development (MID) but MCA took over the full responsibility of the construction of the airport in 2012. MID had the qualified technical resources to carry out the technical works for all government ministries.

The termination of the Permanent Secretary (PS), Financial Controller (FC), Human Resources Manager (HRM), and other senior officials of MCA in late 2015 has been a highlighted issue that was a tip of many other procurement issues that necessitated a compliance audit on procurement.

The Solomon Islands Government (SIG) procurement system operates in more of a centralized function. It enables the procuring entity and the Procurement Section of Ministry of Finance and Treasury (MOFT) to directly collaborate in the process to ensure compliance with the Procurement and Contract Administration Manual (PCAM) guidelines. Certain responsibilities in the procurement lifecycle rests with the procuring entity while others fall on the Procurement Section, Ministerial Tender Board (MTB) and the Central Tender Board (CTB) based on the procurement thresholds. It is the responsibility of each line ministry to ensure that there is a smooth flow of the procurement process.

MCA didn't have an Annual Procurement Plan (APP) for the years 2012 – 2015 as required under the legislation and this indicated that the risk associated with the procurement practices was ranked as high.

The audit of Manaoba Airport project was conducted following a request from MCA's Permanent Secretary (PS) to carry out a special audit due to allegations raised concerning the \$62 million as amount spent for the project. The Civil Aviation Act 2008 provides for the ministry to build and construct new airports and its maintenance for both international and provincial airports. The Manaoba Airport Project was one of these newly constructed airports that went through the ministry's procurement process. The main objective for developing the airport was to assist the population in that area in providing transport for them and furthermore to boost the economy for the province through tourism and other business activities.

Prior to developing the infrastructure, the MCA was supposed to carry out a feasibility study; however, no report was made available to audit by the ministry thus it was confirmed that none was carried out.

To formalize the agreement, the MCA signed a Memorandum of Understanding (MOU) with the landowners of Manaoba customary land on the 2<sup>nd</sup> October 2012 for the purpose of establishing, constructing and development of a domestic airport on Manaoba Island, referred to as LR 1098. As required under the Civil Aviation Act, the acquisition of the land was signed by the Ministry of Lands, Housing and Survey (MLHS) and Manaoba Landowners on the 2<sup>8</sup> June 2011 under the Lands and Titles Act (Cap. 93). Though the agreement was formalized among the tribes, the land ownership was still an outstanding issue which is yet to be settled.

The following Acts, regulations and manuals establish the core procurement policy framework for all the government ministries as well as articulating the government's expectations when conducting procurements:

- Public Financial Management Act 2013
- Financial Instructions 2010
- Interim Financial Instructions 2014
- General Orders
- Procurement and Contract Administration Manual 2013

## **1.2 Audit objectives and scope**

The main objective of the audit is to obtain sufficient and appropriate audit evidence to enable the Auditor-General to form a conclusion on whether the procurement of Manaoba Airport Project complied with the relevant legislation and regulations. Secondly to confirm to the management of MCA whether the alleged amount that was expended for the Manaoba Airport project was correct.

The scope of our audit included the management's control frame work and activities related to procurement and contracting for Manaoba Airport project.

The audit focused on assessing compliance with the procurement regulations, policies and procedures at each of the following three stages of the procurement process:

- The planning practice of MCA is in compliance with the PCAM with annual plan and annual budget bids being prepared and submitted for each individual project;
- The sourcing practice ensuring that the ministry is awarding contracts through the competitive tender procedures for goods and services; and
- The contract management practices are in line with the PCAM.

The audit covered the period from 1 January 2012 to 31<sup>st</sup> December 2015.

The audit of procurement process for the MCA was included in the 2014 Annual Audit Work Plan of OAG. The Manaoba Airport Project audit was part of the Pacific Association of Supreme Audit Institutions /INTOSAI Development Initiative (PASAI/IDI) Cooperate Procurement Process Audit. A special investigation audit was done at the same time based on a request received from PS of MCA of the allegation of \$62 million being spent for the Manaoba Airport project.

### **1.3 Audit approach**

Our audit approach is risk based with sufficient samples selected and tested to enable us to form a conclusion on MCA's overall compliance with the procurement regulations and policy. The tests were performed to ascertain whether the management of the funds as well as the expenditure was in compliance with the relevant legislations, regulations and manuals in place. A concurrent purpose is to provide recommendations where necessary for improvements.

#### **1.4 Auditing standards**

We have conducted this compliance audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs 4000) on compliance auditing.

#### **1.5 Description of the subject matter and scope of audit**

The subject matter of this audit was the procurement practises for Manaoba Airport project under the MCA. The project was selected for the compliance procurement audit based on a request by the PS of MCA to conduct a special investigation on the project funding. The Manaoba Airport project did not have an initial contract price, detailed budget that outlined the project activities and objectives to be achieved were not made available to audit. The ministry through an internal investigation in late 2015 alleged that at least \$62 million was actually committed to the project from 2012 to 2015

The audit of Manaoba airport project would help the MCA quantify whether the alleged \$62,461,974 was actually committed to the project. The audit was also examining whether the procurement practises for incurring goods, services and works for the project were in compliance with Financial Instructions 2010, Interim Financial Instructions 2014 and the PCAM 2013.

Relevant provisions of the legislations and regulations have guided us to address the question on whether the ministry was involved in the planning, sourcing the procurements and properly managed work progress on the contracts.

#### **1.6 The audit criteria**

The audit criteria for the Manaoba project were taken from the Financial Instructions 2010, Interim Financial Instructions 2014 and the PCAM 2013. The PCAM 2013 is an extract from the FI 2010. The criteria taken were discussed with the Ministry. There were no disagreements from the ministry with the criteria as they were taken from established laws and regulations. We

believe that the criteria tested in each area of the audit are sufficient to conclude on the overall compliance to the legislations.

#### 1.6.1 Planning criteria

To assess planning, we have used the paragraphs from the PCAM sections 2.1 to 2.6 and the following criteria were identified:

- Section 2.1 Procurements are planned and financial resources are allocated to fund the project;
- Section 2.3 Proper consultations are done with different stakeholders before determining the need to procure; and
- Section 2.6 Purchasing limits and selection of procurement methods are checked first whether the goods, works or services requested can be procured under existing preferred suppliers arrangement otherwise the procurement procedures be selected depend on the estimated value of the procurement threshold purchasing limits.

#### 1.6.2 Sourcing criteria

To assess the sourcing phase of the procurement process, we used sections 4.1 to 4.9 of the PCAM

- Section 4.2 Fair opportunity is given to all potential bidders by advertising the invitation to tender to all interested bidders;
- Section 4.7 Members of Technical Evaluation Committee (TEC) discloses the actual, potential and perceived conflict of interest; and
- Section 4.9 There is a consistent evaluation methodology that is fairly applied to all tenders by TEC when evaluating the tenders.

### 1.6.3 Contract management criteria

To assess contract management, we used the paragraphs from section 6.1 to section 6.6 of the PCAM

- Section 6.1 Variation is only approved when MCA requests to increase the scope of work or increase the quantity;
- Section 6.3 Entity has performed a work in progress inspection to validate the claims made by the suppliers for the work done and that a qualified person has performed the inspection; and
- Section 6.6 Entity ensures that all the procurement records and documents are filed properly. Payment records are filed away after payments are made at the Ministry of Finance and Treasury.

## 1.7 Methodology

In order to gather appropriate and sufficient evidence for this compliance audit, the audit conducted various tests which were considered necessary to ensure that there was reasonable assurance on the accuracy of the findings and recommendations. These tests included interviews, observations, walkthroughs, review of supporting documentations, transactions samplings and analytics. The focus was from year 2012 to 2015 and we looked at the management's planning, sourcing, contract management procedure in procurement and monitoring procedures against the relevant regulations.

In planning and conducting the audit and to ensure to obtain reasonable assurance that the objective is achieved we conducted the audit based on various audit procedures as considered necessary. Audit evidence was gathered through the following methods:

- The audit included interviews with key personnel from:
  - Ministry of Communication and Aviation (MCA);
  - Ministry of Infrastructure Development (MID);

- Ministry of Development Planning and Aid Coordination (MDPAC);
  - Ministry of Finance and Treasury (MOFT); and
  - Ministry of Forestry and Research (MFR).
- 
- Examination and review of documentation relating to procurement including the Financial Instructions (legislation) and the PCAM and meeting minutes from Central Tender Board (CTB) and Ministry Tender Board (MTB).
  
  - Substantive Testing: to provide assurance that contracts were processed in accordance to legislation, policies, procurement manual and procurement procedures, we examined the payment vouchers. This was due to the absent of former senior management who were directly involved with the project.
  
  - Sample selection – since the project was not funded separately, samples were selected based on interviews with MCA key personnel: the PS, the Financial Controller (FC) and various staff in the Accounts and the Administration Divisions to establish the names and individuals involved in the project and also we use our own judgement.

We also included the following approaches to gather further information for the special investigation part of the audit:

- Interview the key landowners of the Manaoba Airport project locations; and
- Site visit for physical verification to the project vicinity to ensure the existence of the airport, completion of contracted projects awarded to contractors and other individuals.

## **2 Details of audit findings**

### **2.1 Planning**

Overall, we have looked into specifically the planning, sourcing and budgeting process practices of the MCA. We assessed the practices of the ministry and the following are the results of our findings:

#### **Finding 1: Annual procurement plan and budget bid not prepared by the agency**

Section 2.1 of PCAM requires that an Agency (Ministry) prepare an annual procurement plan with annual budget bid.

The MCA was not able to provide OAG with the annual procurement plan and annual budget bid. The Ministry did submit to the MDPAC a budget bid but Manaoba Airport project was not part of the annual budget bid. There was no specific planning done for this Manaoba Airport project, whether the project was planned for, how it was identified and who decided on this project could not be verified. The key stakeholders namely the MDPAC, MID, MOFT and MCA were interviewed. Based on the interviews audit confirmed that:

- MCA did not prepare any procurement plan for the Manaoba Airport project;
- There was no project proposal submitted to MDPAC for budget bid thus confirmed no budget was allocated and approved for the project; and
- The procurement plan for the project was not forwarded to the MOFT procurement division for endorsement.

From information obtained from the stakeholders, it was confirmed that MCA did not comply with the requirement of section 2.1 of PCAM. There was:

- Lack of annual procurement plan and annual budget;
- Limited understanding of procurement process by the staff; and
- Political influence led to poor governance process.

Failure of the ministry to comply with the criteria and from information gathered from stakeholders has confirmed that the ministry diverted funds from other approved ministry projects to fund the Manaoba Airport which is a breach of legislation. [Financial Instructions FI M2 29.8 - “The Accounting Officer can allocate funds to planned project activities up to the limited agreed to in the approval”] and had an impact on the implementation of other properly approved projects of the ministry.

**Finding 2: There was no stakeholder consultation carried out by the ministry for large and complex project to determine the need to procure**

PCAM s2.3 requires the need for goods and services to go through a number of processes including stakeholder consultation, programme development to meet social and economic objectives.

It was found that there was no consultation carried out with stakeholders by the MCA as required by the regulation. The key stakeholders (MDPAC, MID and MOFT) confirmed that there was no consultation done.

From the information, the ministry did not comply with the required regulation. The main cause of non-compliance was due to lack of consultation carried out by the ministry. Furthermore, the lack of qualified and experienced technical officers and also the lack of understanding of procurement process by staff of the ministry have caused the non-compliance.

The lack of proper consultation with stakeholders and not complying with the required regulation has led the ministry to:

- Misappropriate funds for payments not linked to the project;
- The likelihood of committing fraud;
- Allow for an opportunity for conflict of interest; and

- Incur expenditures which were not part of the initial contract and there was no transparency and accountability.

**Finding 3: Lack of procurement plan for large and complex projects like Manaoba Airport**

Manaoba Airport project is one of the high values and complex procurements undertaken by the MCA, however, it was noted that MCA did not prepare and provide to audit a project procurement plan as required by PCAM 2.2. It is an analysis of the intended procurement which should be approved by the MTB or CTB responsible for procurement. The contents should include:

- *Summary of Proposed Procurement: Background, Scope, Contract Commencement Date, Proposed Procurement Timetable, Contract Term, Funding, Estimated Contract Value and Approval Processes;*
- *Risk Analysis: Identified Risks and Strategies to Manage the Risks;*
- *Procurement Research: Number of respondents, Stakeholder Research, Industry, Environmental Issue and Quality Assurance Requirements;*

**Finding 4: No feasibility study done prior to construction of the Manaobal Airport.**

PCAM 2.3 & 2.4 requires that the ministry should carry out proper detailed study of the projects. The MCA as ministry responsible for the construction of new, maintenance and upgrading of airports both for national and provincial airports delivers many major projects including the Manaoba airport project. Manaoba Airport project was one of the large procurement projects therefore it required a detailed feasibility study prior to construction. Feasibility study assists the ministry and technical officers when working on the project proposal which needs to be reliable, accurate and detailed. Based on the feasibility report, the agency will make total costings of the proposed project. The feasibility study should also provide information on:

- Cost , showing how the project will be funded by the ministry without disrupting other activities;
- Economic need for the development of the project;
- Providing for possible risks to be associated with the project life cycle;
- Consideration for any impact or compensation programs and costs to be involved;
- Information on all consultation completed with various stakeholders, including land specification for the project;
- Project management programs for monitoring and supervision should be provided to ensure they comply with approved plans;
- Identifying any possible constraint that might cause the project to be stopped
- Environment impact studies; and
- Make sure that a proper plan has been developed for the project and has compliant to legal, physical and social issues.

According to interview done with the Provincial Airport Manager, he said that the ministry did carry out a feasibility study prior to construction, however, there was no report being made available to audit by the ministry to confirm that this study was carried out. A feasibility study should be complete to assist management make sound decision.

The lack of feasibility study increased the risk for payments being processed without proper scrutiny for its genuineness, misappropriation of public funds, possible theft and fraud and conflict of interest.

#### **Finding 5: Lack of separate budget and ledger for Manaoba Airport**

The PCAM 2.1 states that *An Annual Procurement Plan should be prepared by each Agency along with the Annual Budget Bid. This should be revised based on the actual budget allocation and submitted to the Procurement Unit in MoFT within one month of the tabling of the Budget in Parliament*”.

Having a budget gives an agency an itemized cost breakdown related with each task or activity. Project costs should include costs related to the proposed project and should agree to the funding,

also provide in detail allowable and indirect costs, including the type of expenditures to be allowed.

The audit found that the ministry did not have a separate detailed budget for the Manaoba airport project to properly value and quantify the total amount committed for the whole project. FIs and PCAM requires for proper annual planning and budgeting for large and complex project, however, according to the MDPAC, the ministry responsible for allocating funding for development projects, there was no submission received from MCA for funding of the Manaoba project. Audit noted that submissions for funding sighted at MDPAC were for other provincial airports and the upkeep of Henderson airport only. Also, it was noted through substantive testing that the Ministry had been using various expenditure line items to fund the project which included both the recurrent and development budgets as per below:

- 289-0212-0000-2504: Maintenance-structures, Airfields and wharves
- 489-0003-4365-2504: Maintenance – structures, airfields and wharves
- 477 – 5250 – Ministry of Infrastructure Development – Capex- Structures, Airfields and Wharves.
- 477 – 5200 – Ministry of Infrastructure Development – Capex – Roads and Bridges

The lack of having a properly prepared annual procurement plan including a detailed budget for the project has led the ministry to fund the Manaoba Airport project using funds which had been appropriated for other projects. This means that the project was constructed without having any approved funding by the National Parliament.

The lack of having an approved budget has increased the risk of misappropriation of public funds and also this has led to budget overrun for other approved projects of the ministry.

**Finding 6: Land ownership issue was not resolved prior to construction of airport**

Audit noted through interview with ministry officers that the initial plan of the ministry was proposing to develop an airport in the main land of Malaita, however; the former Minister of

Communication and Aviation changed the plan and asked for the airport to be built on the Manaoba Island since he has some interest in the Island.

Furthermore, information gathered through interview with the management and landowners confirmed that the Manaoba Island is claimed by a number of tribes and there has been legal issue over the land ownership of the Island which was never resolved by the claimants. Although, there was still dispute among the tribes, the ministry still went on to construct and develop the airport.

The core issue was that there were interested parties who have interest over the Manaoba Island thus the legal case pending was disregarded by the government but pushed for the construction and development of the airport.

Audit noted through interview that some of the senior personnel of the ministry had some interest over the project and were linked to the project as landowners. These officers knew that they would have some benefit from the project.

The land acquisition was processed through the Ministry of Lands, Housing and Survey (MLHS) without considering that the Manaoba Island was still being disputed by the tribes.

The lack of resolving the land issue has increased the risk of budget overrun, misappropriation of public funds and processing of inappropriate payments. In addition, there was conflict of interest where government officers were personally benefiting from the project. Further, it has delayed the operation of Manaoba airport.

**Finding7: Non-compliant to procurement purchasing limits**

Section 2.6 of the PCAM states *The Requesting Officer will first check whether the goods, works or services requested can be procured under an existing Preferred Supplier Arrangement (see Section 2.8). If no arrangement is in place then the procurement procedures to be selected depend on the estimated value of the procurement as stated in the **table 2** below.*”

<b>Purchasing limits</b>	<b>Procurement procedure</b>
<b>Up to \$10,000</b>	Accountable Officer must approve the Sole Supplier/Contractor based on one Written Quotation.
<b>More than \$10,000 up to \$200,000</b>	Accountable Officer must approve the Supplier/Contractor based on a minimum of three Written Quotations.
<b>More than \$200,000 up to \$500,000</b>	Ministerial Tender Board must approve the Supplier/Contractor based on a competitive Tender.
<b>More than \$500,000</b>	Central Tender Board must approve the Supplier/Contractor based on a competitive Tender.

**Table 2: Purchasing Limits**

Audit found that the ministry did not comply with s2.6 of the PCAM. The purchasing limits were rigged to avoid going through the Ministerial Tender Board (MTB) and Central Tender Board (CTB) to suit personal interest. Payments that were not part of the initial contracts were processed and paid out. Refer to **Table 3** for payments categorized according to purchasing limits.

<b>Purchasing Limit [\$]</b>	<b>Total Amount [ \$]</b>
\$0 - \$10,000	9,504.00
10,000 – 200,000	4,419,154.96
200,000 – 500,000	8,204,140.98
More than 500,000	9,524,121.00
<b>Total</b>	<b>\$ 22,156,920.94</b>

**Table 3 – Manaoba payments according to purchase limits**

It was noted that the process of requesting quotations did not exist and the authorisation of purchase orders was limited. Splitting of payments was evident in order to work around the requirements of procurement procedures specified under PCAM s2.6. There were no MTB

decisions' being made available to verify that the ministry was complying with the required regulations. Furthermore, it was confirmed through interview with MCA that there was no established Ministerial Tender Board (MTB) in existence during this period and this was confirmed through checking the personal files of the staff involved with the Manaoba project. This was a breach of Financial Instructions P7 19.1 (a) and P7 20.1 that MTB should be officially established by the ministry's Accounting Officer.

This is evident in the contracting of security services where two parties were awarded the work for the same perimeter and also was noted that the two parties were performing the job at the same period as well.

The reason for not following the specified procurement procedures was due to the following issues:

- Lack of procurement process plan;
- Lack of Ministerial Tender Board;
- Due to lack of appropriate knowledge of the procurement rules;
- Bypassing the processes for personal benefit;
- Lack of training to enable good procurement practices; and
- There was no monitoring of compliance against the legislation.

Non-compliant to the regulations have an impact to the ministry and these are:

- There is a possibility for conflict of interest to occur;
- Misappropriation of government funds for payments not linked to the project;
- Likely for fraudulent activities to occur;
- Poor quality projects and ghost contractors; and
- Probability of government revenue not being collected through tax.

## 2.2 Sourcing

OAG assessed the sourcing of procurements for the project based on risk base assessment. The audit involved conducting interviews with MCA officers, walkthrough on the procurement processes.

In performing the above audit processes we identified high risk areas and prepared our risk matrix table in the approved audit plan under section 13 of PCAM, “the Planned Audit Procedures.

### **Finding8: Contracts were not advertised to the public**

Section 4.2 of the PCAM states that *‘It is crucial when carrying out a competitive tender to give the entire market equal opportunity to compete to provide the services to SIG – this must be the primary consideration when issuing the Invitation for Tender.’*

OAG reviewed the selected samples and noted that seven companies were contracted with a total value of \$11,885,418 and six individuals from Manaoba Island were also awarded with contracts totaling to \$3,480,651 for carrying out works at the airport site.

Of the seven companies tested OAG noted the following issues:

- Four companies received contracts without the projects been advertised to the public through the competitive tender process;
- Two companies received contracts between the procurement threshold of more than \$200,000 and less than \$500,000 through MTB deliberation; and
- One project was said to have been advertised to the public but without any documented records at the Ministry.

Further review of the six individual’s payment vouchers revealed that there were no advertisements put out to the public for competitive tenderers **Annex 1** shows details of the status of each contractor.

There was no public tender made, the contract was awarded to these companies and individuals without any cause. The lack of public tender has led to funds being unnecessarily used and value for money not being obtained.

The lack of advertising projects through competitive tendering process to the public may lead to the Ministry engaging poor performance contractors. It was highly likely that conflict of interest could be involved in awarding these contracts therefore increases the risk of misappropriation of public fund.

**Finding9: Declaration form of impartiality and confidentiality of conflict of interest and non-existence of TEC**

Section 4.7 of the PCAM states: *“The Tender Board responsible for the procurement will appoint a Tender Evaluation Committee (TEC)”. The TEC is normally a small team of officers from the Agency making the purchase who have specialist knowledge of the goods/services/works being procured. Any technical officers involved in preparing the technical specifications should also be involved in the TEC. The TEC must not include any Tender Board Members as there must be an adequate separation of duties. The TEC should have at least three members and the membership may vary depending on the nature of each purchase.*

*Members of the Tender Evaluation Committee must disclose any actual, possible or perceived conflict of interest to the Chairman of the Tender Board who may remove them from the Committee if deemed necessary.*

*All members of the Tender Evaluation Committee will be required to sign the Declaration of Impartiality and Confidentiality (See Annex 17).”*

OAG conducted interviews with various officers within MCA and found that from the year 2012 after the commencement of the project until the suspension of the Ministry’s MTB in 2015, the Ministry had never formed a TEC and there was no evidence or documentation that showed members of the TEC signed off the declaration form of impartiality and conflict of interest.

The officers confirmed that there was no formal appointment of TEC and the tasks of the committee were done by the MTB. Furthermore, the person acting as TEC did not have a recognized tertiary qualification to certify him as a qualified technical officer.

The lack of compliance to section 4.7 of the PCAM and the involvement of one person in performing the duty of the TEC increased the risk of conflict of interest in awarding of the contracts and also increased the risk of misappropriation of public funds.

**Finding10: No detailed evaluation conducted on the contractor bid documents**

Section 4.9 states *“If a tender has passed the preliminary evaluation the detailed evaluation will then be carried out. The detailed Evaluation is carried out using the Tender Evaluation Summary (Annex 19).”*

The audit revealed that there was no evidence of any form of documentation available at the Ministry to show that Tenderers’ tender documents had been evaluated by the Ministry TEC. A total of 46 payment vouchers at the value of \$14,446,925.40 were tested by OAG and found that no detailed reports of the Ministry TEC were attached to them(**Refer to Annex 2**). OAG was unable to determine whether the contracts were awarded to the contractors at the lowest evaluated tender prices with the right specifications or qualifications so that the services could be satisfactorily performed.

It was noted that individual suppliers were awarded contracts without tender evaluation summary (TES) sheets and this is not consistent to the PCAM. The reason for not attaching the TES was because there was no such committee being set up by the MCA. With no evaluation made for the contract bids there was a risk that:

- the Ministry could be selecting incompetent contractors at a higher price; and

- it increases the risk of the project to fail and not completed in a given time frame and not within budget

### 2.3 Contract management

**Finding11: Contract variation above 10% not attached to payment vouchers**

The PCAM section 6.1 states “A Contract Variation totaling more than 10% of the original approved contract value need to be approved by the Tender Board that approved the original contract award. The same contract signing delegations outlined in Section 4.11 will apply as with the signing of the original contract (e.g. any variation on a contract that was originally signed by the Accountant General should again be signed by the Accountant General). Copies of contract variations should be distributed to the same parties the original contract was distributed to (refer to Section 4.11).

The audit revealed that seven contractors were given additional funds through variations that were more than 10%. OAG performed substantive testing by examining the payment vouchers and contract agreements and noted the following issues:

- CTB and the MCA were unable to provide documentations to support details of these variations;
- Three contractors were using expired contract agreements to secure additional fund from the MCA;
- Variations were not supported with detailed report of why additional funds were requested for the project as required by the legislation; and
- There was no report whatsoever from the contractors working on-site.

The table below shows the details of the contract variations.

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<b>Contractor</b>	<b>Initial agreed price \$</b>	<b>Actual amount paid \$</b>	<b>Variation amount paid \$</b>	<b>Variation %</b>
Lion Heart	7,024,121.50	8,224,121.00	1,199,999.50	17%
Stanley Kofela	300,150.00	450,225.00	150,075.00	50%
David Kofela	498,500.80	734,251.80	235,751.00	47%
Gabriel Ramo	95,000.00	250,000.00	155,000.00	163%
Auaua Industries Ltd	60,000.00	180,000.00	120,000.00	200%
John Beui Lamani	80,000.00	350,000.00	270,000.00	338%
KR Building Construction	494,000.00	993,996.89	499,996.89	101%
<b>Total</b>	<b>8,551,772.30</b>	<b>11,182,594.69</b>	<b>2,630,822.39</b>	<b>31%</b>

**Table 4: Variation payments**

OAG further interviewed various key personnel at the MCA and confirmed that most of the documentations were removed by the former PS and US during their suspension from MCA thus this was not possible to be confirmed. Furthermore, the interviewees confirmed that because of no planning in the beginning there was no project monitoring being carried out by the Ministry.

The lack of providing detailed evidence of the variation documents would mean that public monies were spent without proper approval from the MTB and CTB. There was conflict of interest where the awarding of contracts was given to who you know or to relatives and friends.

**Finding 12: Certification of work completion not attached to the payment vouchers**

*Section 6.3 states that “Certification of the stage of completion for works contracts will need to be carried out in order to make progress payments. The certification should be carried out by a qualified person (e.g. engineer) to ensure the quality of the work is as set out in the specifications of the contract. An Inspection Report confirming the stage of completion should be completed and signed and attached to any payment requests. A Payment Certificate (see example at Annex 25) should also be prepared at this time and should include the following at a minimum:”*

- (a) The original contract amount;*
- (b) Approved variations to the contract;*
- (c) Previous payments made;*

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- (d) *Advances made and repaid;*
- (e) *Retention monies withheld;*
- (f) *The payment amount currently due; and*
- (g) *The remaining balance on the contract.*

OAG reviewed the payment vouchers and noted that 13 payments totaling to \$1,938,472 paid out to companies and individual contractors were without any certificates to support the completion of work. It was confirmed through interview with the officers of MCA that the lack of certification of work completion being attached was because there was no certification carried out by any qualified person. The ministry did not have qualified technical officers to carry out the work. The Ministry was hiring private engineers and surveyors to do jobs for them. These technical officers were supposed to have certified the progress of work done by contractors and suppliers; however, there was not certification.

Refer to **Table 5** below are details of companies' names and individuals awarded with the contracts.

<b>Date</b>	<b>Payment voucher No</b>	<b>Contractor's name</b>	<b>Amount \$</b>
12/04/2012	109042	Gabriel RAMO	95,000.00
01/06/2012	115847	Gabriel RAMO	250,000.00
19/10/2012	134274	John Beui LAMANI	120,000.00
19/11/2012	139361	David KOFELA	244,750.40
27/11/2012	140983	SI-Austra Enterprise	86,000.00
08/03/2013	151718	SI-Austra Enterprise	39,650.00
11/04/2013	155959	Manaoba Lolo Construction	195,000.00
22/04/2013	157079	SI-Austra Enterprise	86,000.00
17/06/2013	163324	Stanley KOFELA	150,075.00
20/06/2013	163693	SI-Austra Enterprise	86,000.00
20/08/2013	171639	K R Building Construction	304,409.99
04/11/2013	179754	SI-Austra Enterprise	86,000.00
22/11/2013	185258	K R Building Construction	195,586.90
	<b>Total</b>		<b>\$1,938,472.00</b>

**Table 5: Contractors**

The lack of providing certificates to certify for the completion of work performed has led to:

- Possible corruption where contractors' payments were processed without proper procurement process;
- A possible misappropriation of public fund;
- Lack of transparency in the tender process; and
- Conflict of interest.

**Finding 13: Missing payment vouchers totaling to \$4,761,732**

Section 6.5 of the PCAM states that *“Once an officer is satisfied that goods/works/services have been delivered to an acceptable level they should endorse the bottom of the LPO/Contract Specifications to confirm this. The LPO/Contract Specifications/PV should then be returned to the Procurement Unit of Treasury by either the Agency or by the Supplier along with an Invoice and a Purchase Order so that payment can be processed. The procurement unit will conduct a final check that the Agency has endorsed the receipt of the goods, works or services received and that price on the invoice is the same as the LPO/Contract. Once compliant, the LPO/Contract is paid by the payments execution team and the documents are filed away in Treasury after the payment is issued to the supplier”*

OAG selected a total of 79 payment transactions totalling \$23,758,262 from MoFT AX accounting system database and vouchered to the payment vouchers. It was noted that 16 or 20 % of payment vouchers totalling \$4,761,732 were missing.

OAG interviewed various officers at the MOFT to explain how payment vouchers were processed and filed away after cheques were paid out to suppliers. It was noted that an officer within the Treasury Division was recruited purposely to maintain the filing system for these vouchers. For the periods from 2012 to 2014 these vouchers were filed away in open shelves within the Treasury building. At the end of each financial year the accounting documents were transferred and locked up in shipping containers. It was also mentioned that during the period

there was no control over the public accessing MOFT building; therefore these vouchers were left exposed to the public.

Payment vouchers were filed in sequential number from the smallest to the biggest for each year. There was no register of missing vouchers at MOFT and the officer responsible for the filing system did not check to ensure that no vouchers were missing from the files. There was no system in place to keep track of any missing vouchers and no reporting mechanism to management of missing vouchers. Management did not ensure that the records were properly filed and organized.

Due to lack of source documentations it was difficult to determine if payments were adequately supported and were made for reasonable purposes, moreover it was possible to remove evidence once an inappropriate payment was made.

In the absence of the relevant payment vouchers:

- it is not possible to subsequently prove whether those payments were adequately supported and appropriate;
- there is an increased risk of misappropriation of public fund;
- There could be budget overrun as there was no monitoring control in place; and
- value for money was not being achieved

**Finding 14: Total identified as spent on Manaoba airport project was \$26 m but could be higher**

OAG found that the PCAM s2.1 requirement for ministries to prepare an annual budget bid for complex and high value projects was ignored totally by the Ministry when they constructed the Manaoba Airport thus an allegation of huge sum of money being spent alone for the project.

The Manaoba Airport project was a project that the ministry did not have an initial contract price and the actual cost committed to the project was not easily extracted from the MOFT ledgers to get an amount for the project. Audit noted that the project was funded under the recurrent and

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development budget of the ministry which were also for other provincial airport programs, including the up-keep and maintenance of provincial airports and the Henderson airport.

Furthermore, payment was also processed from the MID to meet some of the claims from the landowners. Refer to **Table 6** for summary of actual traceable funds committed for the years from 2012 – 2015.

Head	Ministry	2012	2013	2014	2015	Total
289,489	MCA	7,098,301.40	13,911,213.61	3,014,873.49	380,848.00	24,405,236.50
477	MID	0.00	0.00	0.00	1,713,453.30	1,713,453.30
	<b>Total</b>	<b>7,098,301.40</b>	<b>13,911,213.61</b>	<b>3,014,873.49</b>	<b>2,094,301.30</b>	<b>26,118,689.80</b>

**Table 6 – Summary of traceable payments**

Establishing the initial price for the project was not easy for audit given the circumstances and these were:

- Lack of supporting source documentations relating to expenditure therefore the total cost was based on available documents;
- No initial cost was made for the project and how it would be funded was not given;
- Most of the senior management who were directly involved with the Manaoba project were suspended and later terminated; and
- Senior government officers within the ministry as well other ministries have some interest in the project for personal gain.

The total cost of \$26.3 million was identified based on the available documents however; there was a possibility that the actual cost would be higher given the circumstance.

The lack of proper planning and consultation has increased the risk of incurring expenditures which are not appropriate and does not add value to the Manaoba airport.

**Finding15: Lack of annual procurement planning led to in-efficient usage of funds**

PCAM s2.1 requires that each ministry should prepare an annual procurement plan along with annual budget bid. Annual procurement planning assists ministries in transforming their annual plans into a budget, and also assists in an effective and efficient usage of funds allocated. Based on the size and complexity of the projects that MCA is usually mandated to develop, it was expected that the ministry would have in place an annual procurement plan to assist in the procurement activities and allocation of its resources.

However, audit noted that the ministry did not have any formal annual procurement plan in place that should have identified the need for Manaoba Airport project and its recommendation for the construction and development of the airport.

The lack of annual procurement plan increases the risk of ministries not achieving their goals; it may contribute to inefficiencies because of insufficient information for planning purpose. In addition there is a risk of increased problems happening during the process like fraud, misappropriation of public funds, conflict of interest and theft.

**Finding 16: Lack of maintaining an account code control card**

The Financial Instructions P5 90.1 states that “*Accounting Officers will prepare new Account Code Control Cards at the beginning of each financial year and enter the initial allocation given to this Account Code by the Accounting Warrant*”. Also, FI P5 91.1, states that *the AO must enter all details of purchase requisitions and other charges onto the Account Code Control Card, including estimated costs*”. In addition, Financial Instruction P5 96.1 states that “*AOs must reconcile all Account Code Control Cards to Treasury Information once a month*”.

In the purchasing process, commitment is one of the first steps to be created as required in the FIs, to ensure sufficient funds are available before entering into a contract or processing payment

and to ensure that funds are committed and allocated to its approved expenditure account code for correct reporting.

The audit found that the Ministry did not prepare any Account Code Control Card for the years under review from 2012 – 2015. Also, the lack of maintaining the control card has led the ministry not carrying out any reconciliation against the general ledger records maintained by the Ministry of Finance and Treasury. This is to ensure that funds committed to various ledgers in the ministry have been accurately coded and posted to the correct ledger records.

The Account Code Control Card, if it was maintained for the Manaoba Airport project would have assisted the audit in assessing and identifying the total amount committed for the project. It would also enable management to make sound decision. However, with lack of having separate ledger account, it was not possible either.

Lack of reconciliation between the Account Code Control Cards to Treasury information increases the risk of under or over commitment of approved ministry budget. By not performing this reconciliation, the effectiveness of management decision making is significantly reduced if financial information is unreliable. Management can see how much budget funding is available at a point in time. Fraudulent payments can be detected quickly.

**Finding 17: Storage and rental payments of \$232,960**

OAG reviewed the contract agreement, Project Title: Manaoba New Airport Project, Contract No#: CTB C 02/12 between the MCA and Lion Heart Company as the contractor for the execution of the Manaoba project and revealed that in Clause 7 Sum-Clause 7.1 (b) states that“....*The Works and Materials to be incorporation therein, whether in storage on or off the Site, under the care, custodian or control of the Contractor or any other subcontractor of the Contractor...*”

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The audit revealed that the MCA paid a total of \$232,690 on rental and storage. However, OAG reviewed the contractor’s agreement and noted that under sub-clause 7.1 (b) states that storage is the responsibility of the contractor. Details of the payments are listed in the **Table 7** below.

<b>Date</b>	<b>Voucher</b>	<b>Payee</b>	<b>Description</b>	<b>Amount</b>
15/04/2013	INV- 156204	Auaa Industries Ltd	Rental for storage	60,000
22/05/2013	INV- 160054	Auaa Industries Ltd	Rental for storage	60,000
11/11/2013	INV- 180537	Auaa Industries Ltd	Rental for storage	60,000
5/02/2013	INV- 231918	Ben Maenu	Storage of machine/plants by contractor	52,960
			<b>Total</b>	<b>232,960</b>

**Table 7 - Rental and storage payments**

The above payments were made to a service provider for providing shelter and storage on the Contractor’s machineries and plants.

The MCA breached Sub-Clause 7.1 (b) of the contract agreement between the contractor and the Ministry. For every contractor that the ministry had agreement with the ministry should have understood the contract management requirements of the contract and the obligation of the contractor engaged with. Financial Instructions P7 27.3 states that *“the contract may not be assigned or sub-contracted to another supplier without SIG’s prior written approval”* and also FIs 7 P27.2 states that *“The Attorney General must approve the form of all contracts before they are signed, including any draft contracts included in tender bidding documents”*

In this case, from the source documents (payment vouchers) reviewed, audit noted that there was no document attached that confirms the approval of the PSF for SIG.

The lack of compliance by the ministry of the contract management requirements has led the ministry to incur unnecessary expenditure at the cost of public funds. There is a risk of misappropriation of public fund, fraud and conflict of interest.

**Finding 18: Manaoba landowners accommodation payments of \$468,364**

The MCA initially invited Manaoba landowners to Honiara for the signing of Memorandum of Understanding (MOU) between the Manaoba Lolo land tribe and the Government, in which MCA was responsible for their accommodation.

OAG reviewed MOFT database and noted that seven payments were made to Tandai Seafront Hotel for accommodating Manaoba landowners (five payments were for Lolo Land Trust members) for the period from October 2012. Detailed review of the payment vouchers revealed the following:

- The two payments cheque n#: 272245 and 272838 totalling \$193,468 were made within the period Lolo tribe landowners were accommodated at the Tandai Seafront Hotel;
- The other five payments totalling \$274,896 were not supported with any detailed correspondences or documentations between the Ministry management and the landowners for the purpose of accommodation and,
- Invoices number 140106 and 150002 attached to payment vouchers numbered 230427 and 230524 respectively were billed to the Ministry without giving the names of the guests accommodated at the Hotel. These two invoices costed the Ministry the sum of \$207,888.

These costed the Ministry \$468,364. See **table 8** below for details of the accommodation payments.

Date	Payee	Voucher	Cheque N#	Payment description	Amount \$
19/10/2012	Tandai Seafront Hotel	INV-134247	272245	Accommodation 9/10-22/10/2012	116,424
26/10/2012	Tandai Seafront Hotel	INV-135326	272838	Accommodation 23/10-27/10 and 31/10 2012	77,044
				Sub total	<b>193,468</b>
21/02/2013	Tandai Seafront Hotel	INV-150041	281756	Accommodation 11/1-18/1 2013	31,104
27/02/2013	Tandai Seafront Hotel	INV-150523	282048	Accommodation 1/2/10/2 2013	9,504
14/03/2013	Tandai Seafront Hotel	INV-152494	283299	Accommodation 12/2-15/3 2013	26,400
8/01/2015	Tandai Seafront Hotel	INV-230427	338021	Accommodation 31/10-30/11/ 2014.	102,240
13/01/2015	Tandai Seafront Hotel	INV-230524	338081	Accommodation 30/11-30/12/2014.	105,648
				Sub total	<b>274,896</b>
				<b>Total</b>	<b>468,364</b>

**Table 8 - Total accommodation paid for landowners**

OAG also interviewed the Manager Operation of the hotel and noted detailed information on how the Manaoba landowners were accommodated at the hotel. It was revealed during the interview that there was no procurement process or procedures followed to accommodate them. The landowners would just walk into the hotel and ask the hotel management to accommodate them and later billed the MCA.

Audit was not able to get invoices from the management of the hotel with detailed listing of landowners or names of guests who were accommodated during the above period.

Financial Instructions P7 18.1-3 states that *“All Public Officers have a duty to report any excessive prices being charged by suppliers to the Ministry Permanent Secretary, and the report must be accompanied by any supporting documents such as written quotations or tenders and if deemed appropriate, the PS should report such to the PSF”*

It was the ministry’s responsibility to ensure that proper invoices were provided with names of the guests, the period they were accommodated and the purpose. Furthermore, the ministry totally ignored the criterion set in the legislations, regulations and manuals for compliance therefore no compliance check was noted as being performed at the ministry level when payments were processed to MOFT. There was no control by the ministry over the raising of the payments thus the payments appeared as illegitimate and not appropriate.

The lack of producing a proper invoice that includes the list of guest names increases the risk of misappropriation of public funds and conflict of interest.

**Finding 19: Unwarranted payment for refund of expense**

Financial Instructions P7 18.1-3 states that *“All Public Officers have a duty to report any excessive prices being charged by suppliers to the Ministry Permanent Secretary, and the report must be accompanied by any supporting documents such as written quotations or tenders and if deemed appropriate, the PS should report such to the PSF”*

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A payment was raised to a landowner being for refund of expenses for repatriation for the Lolo tribe trustees to their respective homes. See **table 9** below for details of the payment.

<b>Date</b>	<b>Payee</b>	<b>Voucher</b>	<b>Cheque Number</b>	<b>Payment description</b>	<b>Amount \$</b>
30/10/2012	John Beui Lamani	136684	273469	Reimbursement of Land Owners expense	85,450
		<b>Total</b>			<b>85,450</b>

**Table 9 - Unwarranted payment**

Interviews held with various Manaoba landowners confirmed that payment voucher n# 136684, cheque n# 273469 amounting to \$85,450 was for refund of expenses for repatriation for the Lolo tribe trustee to their respective homes after the signing of the MOU. Further interview held with the individual who funded the repatriation revealed that the cost of the repatriation was \$60,450 included allowances, sea fare, transport hire, and food. An additional \$20,000 was added to the cost for the service provided and another \$5,000 was added for the purpose of tax.

The additional amount of \$25,000 paid for cost for providing service and for tax purpose was not genuine as these were added cost that the individual included and accepted by the ministry without any basis for it. Furthermore, the \$5,000 added for tax purpose should have been deducted directly by MOFT when processing the payment at MOFT otherwise it shouldn't have been accepted by MCA. The Ministry officers should have better understanding when treating of tax payable to the government.

The lack of proper consultation between the Ministry and the landowners increases the risk of misappropriation and misuse of public fund and fraudulent activity. Furthermore the lack of review of invoices and other supporting documents by the ministry increases the risk of conflict of interest. Also there was no transparency and accountability in the procurement process.

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**Finding 20: Lack of supporting documentation and inconsistent rates charged for helicopter charter**

OAG reviewed six payments made to Helicopter Support Charter for hire for inspection of Manaoba airport. OAG was not able to see any documented minutes or correspondences between MCA and the Director, Civil Aviation Authority of Solomon Islands for the purpose of the trips. These cost the Ministry \$450,073. Refer to **Table 10** with details of the payments.

Date	Payee	Voucher	Cheque N#	Payment description	Amount \$
8/03/2013	Helicopter Support Charter	INV-151816	282871	Hired for Chopper Manaoba inspection	33,482
19/11/2013	Helicopter Support Charter	INV-184580	304505	Chopper hiring 20/6/2013. \$2700AUD/HR	35,849
22/11/2013	Helicopter Support Charter	INV-185240	305364	Chopper hiring 10/07/2013. \$2700AUD/HR	41,447
11/12/2013	Helicopter Support Charter	INV-188228	307797	Chopper hiring 17/9/2013. \$4300USD/HR	235,181
3/02/2014	Helicopter Support Charter	INV-192196	310524	Manaoba and Afutara chopper hiring \$2700 USD/HR. 12/12/2013 inspection	62,220
26/06/2014	Helicopter Support Charter	INV-209418	323364	Hired for chopper Manaoba Aerodrome survey 27/5/2004	41,893
		<b>Total</b>			<b>\$450,073</b>

**Table 10 - Cost of helicopter hire**

OAG further noted that there was inconsistency in the hire rates of charged by the Helicopter Supporter Charter in 2013. OAG reviewed invoices number 1700B, 1711 and 1726B for the month of July, September and December 2013 and noted an increase in the rate the company charged the Ministry. The company invoiced the Ministry, invoice number 1700B at the rate of US\$2700 per hour, invoice number 1711 at the rate US\$4300 per hour and invoice number 1726B at US\$2700 per hour. In addition the supplier was also charging the ministry in AUD 2700 per hour on two separate invoices (184580 and 185240) as per above table.

The use of two different foreign exchange rate charges (USD and AUD) and different rates over a short period of time by the Helicopter Supporter Charter puts into question the hiring arrangement between the MCA and the supplier.

The lack of documentation and inconsistency in the hire rates to support the payments increases the risk for public funds to be misappropriated, conflict of interest and there was no transparency on how the fund was administered due to lack of documentation

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**Finding 21: Excess payment paid to Manaoba landowners for providing security**

The audit revealed that three individuals from Manaoba landowners were awarded with contracts to provide security at the project site on Manaoba Island. These contractors costed the Ministry a total of \$1,886,000 for the security service. See **Table 11** below for the detailed payments received by the Security providers.

Date	Contractor	Invoice	Cheque N#	Period of security provided	Amount
15/04/2013	Auaua Industries Limited	INV-156204	285371	Storage/ Security three months Feb,Mar,Apri 2013	60,000
12/06/2014	Junior Mostin MAENU	INV-206511	321177	Maintenance/ Security Sept 2013 to May 2014	296,000
1/11/2012	Rebecca Kaelonga DAOGA	INV-136765	273579	Security services Oct, Nov 2012	170,000
28/11/2012	Rebecca Kaelonga DAOGA	INV-141234	276388	Security services Dec 2012, Jan 2013	170,000
28/02/2013	Rebecca Kaelonga DAOGA	INV-150958	282334	Security Jan-Feb 2013	170,000
25/03/2013	Rebecca Kaelonga DAOGA	INV-153329	283765	Security services Jan, Feb 2013	170,000
9/05/2013	Rebecca Kaelonga DAOGA	INV-159096	287068	Security service Mar 2013	85,000
12/06/2013	Rebecca Kaelonga DAOGA	INV-162898	289932	Security services Apr, May 2013	170,000
12/09/2013	Rebecca Kaelonga DAOGA	INV-173924	297197	Security services June/July 2013	255,000
22/11/2013	Rebecca Kaelonga DAOGA	INV-185255	304944	Security services Sept, Oct 2013	170,000
10/06/2014	Rebecca Kaelonga DAOGA	INV-206225	320939	Security Jan-Feb 2014	170,000
				<b>Total</b>	<b>1,886,000</b>

**Table 11 – Security payments**

Further examination of the payment vouchers revealed that Rebbeca Kaelonga Daoga Security Services was paid three times for the month of January 2013 and twice for the month of February 2013 giving an overpayment of \$255,000. Furthermore, OAG noted that Rebecca Kaelonga Daoga and Junior Mostin Maenu Security Service were both providing security services from the period of September 2013 to May 2014. It was also noted that Auaua Industries Limited was also operating security services from the months of February to April 2013 which costed the Ministry an excess cost of \$1,206,000. See **Table 12** below for detailed payments made to Rebecca Kaelonga Daoga.

Date	Invoice #	CHQ #	Month service provided	Total Amount Paid	Amount Should be Paid	Amount Over Paid
01.11.13	136765	273579	Oct/Nov 12	170,000	170,000	0
28.11.12	141234	276388	Dec 12/Jan 13	170,000	85,000	85,000
28.02.13	150958	282334	Jan/Feb 2013	170,000	170,000	0

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25.03.13	153329	283765	Jan/Feb 2013	170,000	0	170,000
09.05.13	159096	287068	Mar-13	85,000	85,000	0
12.06.13	162898	289932	Apr/May 2013	170,000	170,000	0
12.08.13	173924	297197	Jun/July/Aug 13	255,000	255,000	0
22.11.13	185255	304944	Sept/Oct 2013	170,000	170,000	0
10.06.14	206225	320939	Jan/Feb 2014	170,000	170,000	0
				<b>1,530,000</b>	<b>1,275,000</b>	<b>255,000</b>

**Table 12 - Rebecca Kaelonga Daoga payments**

Having a procurement plan and detailed budget would have allowed the MCA to develop a procurement strategy that would enable them to allocate resources accordingly and allow for monitoring of the actual performance against planned activities. In addition there was lack of transparency since some of the documents (payment vouchers) were missing therefore audit was not able to verify the appropriateness of the payments.

The lack of annual procurement plan and detailed budget for the project increases the risk for management to raise payments without properly monitoring the services provided by the contractor. Also there is a risk of possible corruption, fraud, misuse and misappropriation of public fund.

**Finding 22: Inventory payments without proper agreement**

A Memorandum of Understanding (MOU) was signed on the 2<sup>4</sup> of October 2012 between the MCA on behalf of the Solomon Islands Government (SIG) and (The Landowners) of Manaoba Customary Land. Clause six (6) of the MOU states: *“This MOU only formalizes the working relationship between both the parties. All financial considerations will be agreed upon mutually between the two parties in a separate agreement”*.

The audit noted that there wasn’t any separate agreement made between various landowners of Manaoba Island and MCA regarding any financial consideration during the implementation of the project. Despite not signing a separate agreement for the financial consideration the MCA

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continued to pay Manaoba landowners inventories payments amounting to \$3,109,057. The claims were made from the same area of the land. Refer to **Table 13** for details of payment of log inventories.

Date	Payee	Voucher	CHQ #	Payment description	Amount \$
20/08/2012	Lolo Development Association	127177	268010	Inventory payment for logs	344,916.00
12/03/2013	Gabriel RAMO	152172	EFT	Payment of inventory (logs)	483,595.25
8/11/2013	Gabriel RAMO	180321	EFT	Inventory payment for logs	480,545.26
22/11/2012	Patrick DAUDAU	140150	275658	For removal of resources from airport for airport construction	330,000.00
16/12/2013	Patrick DAUDAU	189306	308222	For removal of resources from airport for airport construction	735,000.00
11/04/2014	Patrick DAUDAU	200740	316850	For removal of resources from airport for airport construction	735,000.00
				<b>Total</b>	<b>\$3,109,056.51</b>

**Table 13 - Payments for inventories**

Also it was noted through interview with a prominent landowner that prior to the construction of the Manaoba Airport, the land was logged by an Asian company thus the area should have been cleared at the time with less trees left for the landowners to make their claim.

Audit noted that there was not feasibility study done on the airport project. The feasibility study report should have identified the possible items for consideration by the ministry to be included in its budget. Also, the MCA did not have proper consultation with the relevant ministry like the Ministry of Forestry and Research to verify and calculate the fair value of the logs. Had there been a proper feasibility survey report and proper consultation the Ministry should have been able to manage the claims submitted to them by the landowners.

The lack of feasibility study, proper procurement planning with detailed budget and consultation with other responsible stakeholders to verify the genuineness of the claims has led the ministry to raise payments that did not add value to the project. Furthermore, the lack of sufficient source document to support these payments increases the risk of misappropriation, corruption, fraud, theft, conflict of interest and there was no transparency.

**Finding 22: Goodwill payment to Manaoba landowners for \$1,300,000**

A Memorandum of Understanding (MOU) was signed on the 24<sup>th</sup> day of October 2012 between the MCA on behalf of the SIG and The Landowners of Manaoba Customary Lands. Clause six (6) of the MOU states: “*This MOU only formalizes the working relationship between both the*

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*parties. All financial considerations will be agreed upon mutually between the two parties in a separate agreement”.*

OAG noted that in 2013 MCA paid to Lolo Tribe a total of \$1,300,000 for goodwill payment. The goodwill payment was not part of the project amount and therefore the payment was not appropriate to be paid to the landowners.

Date	Payee	Voucher	CHQ #	Payment description	Amount \$
17.01.2013	Gabriel Ramo	146226	EFT	Goodwill payment	1,300,000

**Table 14 – Goodwill payment**

There is no definition of “Goodwill” in any government legislation, regulation or policy to guide the payment of such. OAG interviewed various officers of MCA and MID and noted that there was no supporting documentation to confirm the genuineness of the payment and how and who authorized the payment couldn’t be confirmed and this was a breach of Financial Instructions. Also, it was noted that the payment of the Goodwill was charged under the recurrent budget for 2013 financial year, (289-0511-2504: Maintenance – Structure, Airfields and Wharves) and audit is concerned with the accounting treatment of the payment since it is not part of construction neither maintenance of airfields and this is a misallocation of expenditure.

Furthermore, it was noted and confirmed through interview with landowners (recipients of goodwill payment) that some senior government officials were recipients of the goodwill payment which was about 11% of the total amount paid. Refer to **Table 15** below with details of the recipients.

Ministry	Number of Staff	Amount \$	Total \$
Prime Ministers’ Office	1	40,000	40,000
Ministry of Communication & Aviation	2	40,000	80,000
Ministry of Finance & Treasury	2	5,000	10,000
Ministry of Lands, Housing & Survey	1	5,000	5,000
Ministry of Justice & Legal Affairs	2	5,000	10,000
<b>Total</b>			<b>\$145,000</b>

**Table 15 - Recipients of goodwill payment - SIG officials**

The lack of proper planning and consultation with key stakeholders has caused the ministry to raise payments which are unnecessary and does not add value. There is an increased risk of budget overrun and might have effect on the completion of other projects of the ministry. There is also a risk of misappropriation of public fund, conflict of interest, theft and fraud.

**Finding 23: Failed contractors for building the Manaoba Airport fence**

Financial Instructions P 26 (2010) states that "*Tender Evaluation Committee report must assess:*

- (a) A reasonable cost for the tendered work;*
- (b) The technical competence of each tenderer to carry out the work;*
- (c) The ability of each tenderer to complete the work on time and within the quoted price;*
- (d) Each tenderers' previous performance;*
- (e) Each tenderers' compliance with the tender bidding documents; and*
- (f) Each tenderer's achievement of procurement principles.*

Furthermore, FI P7 28 requires for a contracts register to be maintained by Treasury to keep for all contracts signed by SIG. FI P7 28.2 states "*the Contracts register will contain details:*

- (a) Name of contractor;*
- (b) Address of contractor;*
- (c) Contract amount;*
- (d) Details of work;*
- (e) Date of contract;*
- (f) Approval reference;*
- (g) Method of financing;*
- (h) Contract number;*
- (i) Retention percentage and period;*
- (j) Start and finish date and penalties for non-completion;*

*(k) Cumulative analysis of amounts due and paid (showing the date, instalment number due, amount due on current instalment, cumulative amount due to date, amount of retention, date of current payment, amount paid, cumulative amount paid to date); and*

*(l) Contract variations.*

*28.3 The Contract register will number each contract entered sequentially within the Financial Year it is entered.*

*28.4 Contract payment claims need to have a Contract Payment Certificate issued by Treasury.*

*28.5 Contract Payment Certificates must be signed as entered in the Contracts register.*

*28.6 The total of all Contract Payment Certificates for a contract must not be more than the approved value of the contract.*

*28.7 Any Contract payment Certificate that would take the total of payments to more than the approved value of the contract must be referred to the PSF.”*

OAG noted that the contract for fencing the Manaoba Airport perimeter was awarded to two separate individual contractors and audit revealed that a total of \$1,379,791.80 was paid to these contractors to provide local building materials (timber posts) and for erecting the fence around the Manaoba airport perimeter.

**Table 16** shows detail payments paid to the contractor that was awarded the contract to provide the building materials. OAG reviewed the payment vouchers and noted that a contract agreement was signed between the contractor and the Ministry with a contract amount of \$300,150 for the supply of materials for erecting security fence around Manaoba Airport. However, OAG noted that three payments were made by MCA to the contractor totaling to \$450,225 with an over payment of \$150,075. OAG did not see any variation approval for the third payment. Refer to **Table 16** for details of payment.

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Date	Contractor	Voucher Invoice	Cheque N#	Payment description	Amount \$
19/11/2012	Stanley KOFELA	139467	275273	Erecting security fence around Manaoba airport.	150,075.00
5/12/2012	Stanley KOFELA	142761	277477		150,075.00
13/06/2013	Stanley KOFELA	163324	290219	Erecting security fencing of Manaoba airport	150,075.00
<b>Total</b>					<b>\$450,225.00</b>

**Table 16 - Total payments to contractor for supplying of local building materials**

The audit revealed that the engaged contractor for the supply of timber posts for the fence:

- Did not provide any local building materials (timber posts)
- Furthermore, the contractor was paid an additional \$150,075, without any approval for variance of payment from the Ministry.

Likewise, the contract agreement for erecting the fence around Manaoba airport perimeter was agreed at the sum of \$489,500.80. OAG reviewed MOFT database and again noted that three payments were made to the contractor totaling to \$734,251.80 with an overpayment of \$244,751. The third payment was made to the contractor without any variation approval. **Table 16a** shows details of payments made to the contractor.

Date	Contractor	Voucher #	Cheque #	Payment description	Amount \$
19/11/2012	David KOFELA	139361	275207	Erecting security fence around Manaoba airport.	244,750.40
10/12/2012	David KOFELA	142760	277451		244,750.40
20/11/2013	David KOFELA	184979	304973	Erecting security fencing of Manaoba airport	244,751.00
<b>Total</b>					<b>\$734,251.80</b>

**Table 16a: Total payments to contractor for building the fence**

The audit revealed that the engaged contractor to build the fence around Manaoba airport

- Did not build any fence around the Manaoba airport;
- Furthermore, the contractor was paid an additional \$244,751 without any application for variance and approval from the Ministry.

The final payments of the two contractors' payment voucher N#163324 cheque N# 290219 and payment voucher N# 184979 cheque N#304973 were approved by MCA and paid without applying for any variation. OAG reviewed the payment vouchers and noted the following details:

- There were no project document nor an approved procurement plan for the fencing project;
- The MID was not involved in the process of procuring the contractors;
- The payment vouchers were raised by appropriate accountable officers and approved by the former Financial controller, the former Under Secretary and the former Permanent Secretary of the MCA;
- The payments were endorsed by the MCA Property Manager instead of the Airport Manager, through the Under Secretary and Permanent Secretary of the MCA;
- The Practical Completion Certificate was signed by the property manager certifying the completion of the project;
- Contractors' invoices for payment were approved by the Financial controller;
- The payment vouchers were also approved by the Financial Controller for payment;
- Payments were split to avoid the procurement processes of payment > \$500,000 through Central Tender Board(CTB); and
- Picture attached to payment voucher N#184979 indicated an incomplete fence erected at Manaoba airport.

OAG visited the Manaoba Island project site on the 8<sup>th</sup> March 2017 to physically verify whether the contractors implemented the project. The site visit revealed that there was no fence erected around Manaoba airport perimeter. **Annex 4 Picture 1** shows a picture of Manaoba airport during the visit.

It was noted that there was no project monitoring done by the MCA as required by the legislation for an independent qualified technician to give certification of work performance for the project. In addition, the property manager appointed to oversee the project from initiation to completion was not a qualified technician. The Practical Completion Certificate signed by the Property

Manager certifying the completion of the project was false. The management of the ministry provided fabricated documents and breached their fiduciary duties.

There is a lack of transparency in the process of approving the contractor based on not first obtaining three written quotations. There is an increased risk of corruption where contractors' payments were processed using fabricated documents and without following the proper tendering process. There is also an increased risk of fraud, misappropriation occurring, conflict of interest arising and value for money not being obtained.

**Finding 24: Ghost payment for freighting of building materials**

OAG noted that a payment with a total value of \$195, 315.00 was raised to Brelly Enterprise being for freighting of building materials for the fencing of Manaoba Airport perimeter. Refer to *Table 17* for detail of payment.

Date	Contractor	Voucher	Cheque #	Payment description	Amount \$
11/12/2013	Brelly Enterprise	187172		Freighting of building materials	\$195,315.00

**Table 17 – Payment to Brelly**

Audit noted through interview with the Manaoba landowners that the service for freighting of building materials for the Manaoba Airport fence did not eventuate and this was because there were no building materials to be shipped.

Furthermore, Brelly Enterprise was not registered under the Register of Companies. Also it was confirmed through interview that the business is owned by a son of one of the senior airport officers of the MCA. There was no declaration for conflict of interest being signed by the officer of the ministry.

The lack of proper planning and monitoring of the project management had led to the ministry raising payments which did not relate to the construction of the airport.

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This increases the risk of funds being misappropriated and there is a high risk for funds being used for personal gain by officers of the ministry and conflict of interest.

**Finding 25: Split payments to contractors for Manaoba airport terminal**

The Manaoba new Terminal Building Evaluation Report which was said to be evaluated by the Technical Committee stated in the estimates section that “*The budget estimate was prepared based on the current local market price and the estimate was \$986, 231.38. All tender prices are to be compared against the Ministry’s estimate*”.

Audit noted that the ministry did not follow the relevant provisions in the Financial Instructions and the PCAM. The estimated amount of \$986,231.38 given in the report was an amount that the CTB should have approved the Supplier or Contractor based on a competitive tender. Audit, however noted that the awarding of contract for the construction of the terminal at Manaoba airport did not go through competitive tender process. The contractors were handpicked and furthermore the payments were split into two components.

One component was for the purchase of building materials valued at \$490,000 and the other component was for labor with a value of \$494,000. Details of payments to the contractors are shown in **tables 18 and 19** below.

Date	Contractor	Voucher	Cheque #	Payment description	Amount \$
29/05/2013	DJ Timber Limited	INV-159967	287639	Building materials for Manaoba terminal	490,000.00

**Table 18 - Payment to contractor for building materials (component one)**

Date	Contractor	Voucher	Cheque #	Payment description	Amount \$
29/05/2013	K R Building Construction	159966	287637	Construction of Manaoba Terminal	494,000.00
20/08/2013	K R Building Construction	171639	295634	Variation cost for fence (terminal)	304,409.99
22/11/2013	K R Building Construction	185258	304943	Variation extension of work for walkway and front of toilets	195,586.90
				<b>Total</b>	<b>993,996.89</b>

**Table19 - Payments to contractor for labour (component two)**

Audit noted that payment voucher number 171639; cheque number 295634 was a variation payment for fencing the airport terminal perimeter. Further review of the contractor's payment vouchers revealed the following details:

- There were no project document or an approved procurement plan for the fencing project;
- The MID was not involved in the process of procuring the contractors;
- The payment vouchers were raised by appropriate accountable officers and approved by the former Financial controller, the former Under Secretary and the former Permanent Secretary of the MCA;
- The payments were endorsed by the MCA Property Manager instead of the Airport Manager, through the Under Secretary and Permanent Secretary of the MCA;
- The Practical Completion Certificate was signed by the property manager certifying the completion of the project;
- Contractor's invoices of payments were approved by the Financial controller;
- The payment vouchers were approved by the Financial Controller for payment; and
- Payments were split to avoid the procurement processes of payment > \$500,000 through CTB.

Audit further noted that the ministry management was certifying false documents without ensuring that the project was complete. The Permanent Secretary, Undersecretary, and Financial Controller were Accountable Officers entrusted to manage the public fund thus by authorizing such payments were in breach of Financial Instructions.

OAG is concerned with the breakdown of the Ministry's internal controls and the non-involvement of the MID indicated higher risk that collaboration between contractors and Ministry staff might have occurred.

The action taken by the ministry to avoid the competitive tender process and splitting the contracts showed the ministry breaching the Financial Instructions. As well, this has led to contractors ignoring competitive scrutiny and the ministry went ahead and certified the project as

complete when in reality it was not. The lack of proper scrutiny and project management by the ministry increases the risk of misuse, misappropriation of public fund, conflict of interest and possible fraud and corruption. **Picture 1 Annex 4** below shows the terminal fence which was incomplete.

**Finding 26: Contractors and suppliers engaged were not registered in the Company Haus**

The PCAM s3.1 states that any entity engaged by a government agency must be a genuine and legally registered entity with authorized licenses.

Audit reviewed the contractors and suppliers that the ministry engaged and noted that some of these contractors and suppliers engaged were not registered with the Company Haus in the Ministry of Commerce, Industry and Employment. Audit checked the Company Haus registration database for these companies but the business names were not available. Any company or business that operated in the country must be registered so that it is obliged to pay tax to the Solomon Islands Government (SIG) thus it implies that those companies or businesses might be illegally doing business with SIG and not paying the appropriated taxes.

Awarding of contract to unregistered businesses by the ministry has indicated that the ministry was not complying with the relevant legislation and this has led to conflict of interest, misuse and misappropriation of public funds. Refer to table 20.

Company
Brelly Enterprise
DJ Timber
KR Building Construction

**Table 20- Unregistered suppliers**

Doing business with unregistered companies and businesses increases the risk of loss of revenue, fraud, conflict of interest, false claims being paid and misstatement of the financial statements.

**Finding 27: Lack of documentation for special imprests issued for Manaoba project**

A special imprest is an advance for a specific purpose, which must be accounted for in full within the period allowed or when the purpose has been fulfilled, whichever is the sooner.

The audit found that two special imprests were issued to the Human Resources Manager of the Ministry in two different times purposely for Manaoba Airport project. Though the fund might have been spent for its intended purpose but the handling of such large sum of cash is of high risk. The two special imprests issued to the officer on two different occasions were as detailed below:

<b>Date</b>	<b>Voucher #</b>	<b>Imprest #</b>	<b>Amount \$</b>
1/06/2013	160662	14/13	100,000.00
25/06/2013	164493	20/13	500,000.00
		<b>Total</b>	<b>600,000.00</b>

**Table 21 – Special imprests**

Though the special imprests acquittals were missing to verify the probity of the expenses, OAG noted through interview with a landowner that he was paid cash through special imprest for providing security services at the project site in Manaoba. Such payment warrants direct payments through the MOFT payment system and should have gone through proper procurement tender process as bidding documentations need to be prepared prior to delivery of service.

Furthermore, the special imprest warrant and the acquittals for these imprests were missing therefore the lack of supporting source documentation made it difficult to verify and have the assurance that the money was actually spent for the purpose it was requested for.

The decision by the management to issue special imprest for such complex project payments indicates weak control and poor management and there was no control over the issue of special imprest and public fund. The lack of source documents increases a risk of misappropriation of public funds, fraud, theft, conflict of interest and there was no transparency.

**Finding 28: Awarding of contracts for the construction of Manaoba Airport**

PCAM 4.2 states “*It is crucial when carrying out a competitive tender to give the entire market equal opportunity to compete to provide the services to SIG – this must be the primary consideration when issuing the Invitation for Tender*”.

*Audit examined the payment vouchers and noted that Section 2.1 of the PCAM were not met by the ministry or were deliberately ignored in this particular project. Only in exceptional times could a bid waiver be permitted and according to FIs and PCAM the requirement to solicit bid waivers are when:*

- *there is an emergency in which delay would be adverse to the public interest;*
- *there is a genuine market limitation on the number of suppliers/contractors; and*
- *The procurement is of national importance and could not be planned or foreseen earlier.*

Audit noted that the ministry did not carry out competitive tenders to give the entire market equal opportunity to compete to provide the services to SIG. It was seen that there were apparently conflict of interest in the awarding of contracts for the Manaoba Airport. Audit verified that most of the contracts for the Manaoba Airport were all awarded to the landowners and related parties.

If the ministry followed the open market tender process then quality suppliers with lowest bid price would have been offered the contract to procure the airport. Noncompliance to the relevant provisions of the FIs and PCAM increases the risk of conflict of interest, misconduct in office and misappropriation of funds. The project was not completed because unqualified suppliers and contractors were selected. The ministry failed to manage the project.

### **3 Conclusion**

Overall, the MCA has the relevant legislations and regulations as its control framework and was seen as adequate to ensure the proper implementation of the Manaoba Airport project. However, the results of our audit findings indicated that the Ministry did not comply with these legislations. The Ministry did not have an Annual procurement plan which should have guided

the ministry to properly monitor the project; there was no proper consultation and no appropriation for the funding of the project. Furthermore, the sourcing of the procurement was not done accordingly with procurements not going through the tender process and finally the contract management for the procurement of the project did not comply with the PCAM.

For the second objective of the audit, audit have answered the question by coming up with a figure for some of the amounts actually committed for the Manaoba Airport Project. From the available documents we have identified a figure of \$26,394,506.80 for actuals committed. The amount could be higher than what audit have come up with due to the circumstances of the limitations encountered.

The OAG reviewed the administration, procedures and effectiveness of controls over the procurement and expenditures, and noted that there were many deficiencies in internal controls to safeguard the public funds. There is sufficient evidence that no proper preparation, planning and no monitoring mechanism by the Ministry to ensure the proper running of procurement of the project and to avoid misappropriation of public funds.

In addition, the Ministry's Accounting Officer and senior officials were ignorance of or chose not to enforce the provisions of the legislation and regulations that govern government agencies procurement process. They did have the knowledge of the legal requirements in existence for procurement but these were deliberately ignored and used public funds to finance the project resulting in them failing miserably to safeguard the public funds from misappropriation. The Manaoba Airport project was commissioned in 2016 but partly completed. Thus, it is appropriate that the persons involved in this should be liable for the public monies that were abused and mishandled.

Of the alleged expenditure for Manaoba airport project reported in the period 2012 – 2015 of \$62 million, audit was able to trace and confirm that \$26 million was actually committed for the project; however, the amount could be higher and still questionable due to a number of limitations that includes:

- There was no annual budget bid submitted for funding for the Manaoba airport project at the initiation;

- The Manaoba project was funded under different account ledgers within the ministry, that is the recurrent and development ledgers but these funds were funds allocated for other airport projects;
- Extracting expenditures from the MOFT database was not easy because of the different expenditure line items used;
- There was total breakdown in the internal controls within the ministry;
- Other claims for the project were also paid from MID capital budget;
- Vital financial source documentations related to Manaoba airport project were missing at the ministry level and at MOFT; and
- The senior management who were directly involved with the Manaoba Airport project were disciplined and later terminated from the service.

Further, when reviewing the available source documents of the procurement contracts and the findings it was concluded that there was a total breakdown of internal controls and compliance to the procurement legislations were deliberately ignored by the management of MCA for personal benefit. Audit observed that the poor and weak internal controls have opened doors:

- Processing of inappropriate payments;
- deliberate excessive price variations without going through the proper process;
- deliberate predetermination of suppliers and contractors;
- Deliberate awarding of most contractors to landowners;
- Deliberate non-engagement of independent technical advice; and
- Deliberate destruction of documentations and the usage of expired contract agreements for additional project activities.

Also audit noted that, the ministry has been awarding contracts to the landowners without going to the open market for competitive tender and this has raised concern to audit since the ministry was not following the regulations that guides procurement processes. However, we have identified opportunities for improvement within the procurement and contract process for the ministry to implement through the recommendations made in the report. Also, the MOFT is currently reviewing the current PCAM to capture more in-depth better practices in the manual.

#### **4 Reply from the audited entity**

*The management of the Ministry of Communication and Aviation has accepted the recommendations in the report. See management response in the Appendix.*

#### **5 Recommendations**

The audit made recommendations according to each stage of the procurement processes and for the MCA to address the audit findings as detailed in the report.

##### **5.1 Planning**

###### **Recommendation 1**

**OAG recommends that the Ministry:**

- **Ensure to comply with PCAM s2.1 by preparing an Annual Procurement Plan for each fiscal year. This document is important for the ministry to maintain because it will assist them achieving their business needs;**
- **Ensure that the ministry properly budget for large and complex projects as required under PCAM s2.1. Having a properly appropriated budget for each project will guide the ministry on how the funds will be utilised, value for money is obtained and also for future procurement strategy;**
- **Ensure that for future project procurement strategy, the ministry must carry out proper consultation with key stakeholders as required under PCAM. This is vital so as to avoid unnecessary costs to be incurred later and for smooth flow of the procurement process;**
- **Ensure to comply with PCAM 2.6 and ensure to follow the procurement methods for payment to avoid misappropriation of funds. The ministry must ensure to sign the conflict of interest declaration form when awarding contracts with suppliers;**
- **Ensure that staff involved are provided with training and to liaise with MOFT in relation to procurement;**
- **Ensure that there is proper evaluation of suppliers, ensuring the procurement**

**process is in accordance to PCAM s2.6;**

- **To discourage awarding of contracts to individuals to carryout procurement activities;**
- **Ensure that all procurement that falls within the competitive tender threshold to be advertised to the entire market for equal opportunity. The advertising document must be approved by the Permanent Secretary and contains the appropriate details;**
- **Ensure that a TEC with specialised knowledge of the purchase must be formed after the opening of the tender documents. The committee members must sign copy of the annex 17 of the PCAM for declaration for conflict of interest;**
- **Ensures that procurement plan for high value and complex project be prepared annually as required under the FIs and PCAM;**
- **Ensures that it understands what it needs to procure without neglecting it since it warrants savings of time and resources;**
- **Ensure that it carry out feasibility study prior to implementing any major project;**
- **Ensure to identify and consult its primary stakeholders for resource sharing;**
- **Ensures that social, economic and environmental impacts are considered as significant to procurement and can be reflected in the tender requirements and evaluation criteria;**
- **Ensures that for better practice, it should understand the market, the possible suppliers and the way it should carry out the procurement;**
- **Ensure to resolve any land issue before any development project is constructed;**
- **Ensures that risk control should be an important part of all phases of procurement;**
- **Ensure that integrity should be the ultimate goal of procurement while achieving value for money;**
- **Ensure to have a separate detailed budget for every project as required by FIs and PCAM. This will provide the ministry with itemised expenditure, allowable costs, indirect cost and would assist in controlling its purchases;**
- **Ensure to review its budget annually so that if extra funding is required, funds will be provided based on prior budget as according to the legislative requirement in the**

**FIIs; and**

- **Ensure to have a separate initial costing for each project for this will assist the Accounting Officer to properly disclose the value of the project in his/her annual financial report to the PS Finance as required in PFMA s 77.**

### **Management Response**

*Management accepted the recommendation. See management response in the Appendix*

### **5.2 Sourcing**

On the issues identified relating to sourcing of procurement OAG recommendations are listed below:

#### **Recommendation 2**

**OAG recommends that the ministry:**

- **Ensure that all procurement that falls within the competitive tender threshold to be advertised to the entire market for equal opportunity. The advertising document must be approved by the PS ;**
- **Instructions that all tenders must be in sealed envelopes, unmarked with the names of the tenderer and tender reference number;**
- **The location and time for the Public Tender Opening;**
- **A statement that SIG is not bound to accept the lowest (or highest) Tenderer**
- **A statement that failure to comply with the tender instructions may lead to disqualification of the tender;**
- **A statement that any attempt by a Tenderer to influence the award of the tender in favour of any Tenderer will lead to disqualification and may lead to criminal proceedings;**
- **TEC to be form immediately after the opening of the Tenderers bid documents. Members of the committee must sign copy of the annex 17 of the PCAM for declaration for conflict of interest; and**
- **The Ministry TEC to perform detail evaluation on these tenderers' bid documents**

and presented a detail report to the MTB for decision making. The detailed evaluation of the report includes steps specified in the regulations.

### **Management Response**

*Management accepted the recommendation. See management response in the Appendix.*

### **5.3 Contract management**

#### **Recommendation 3**

**OAG recommends that the Ministry:**

- **Ensures that the Financial Controller manages the procurement process so that it is in compliance with section 6.1 of PCAM**
- **Ensure to comply with section 2.1 to section 6.3 of the PCAM**
- **Ensure payments under procurement process are followed in accordance with PCAM which involves a hierarchy of tendering procedures upon the value of the procured goods and services. Consult with MTB and CTB to ensure that both agencies have up-to-date and reconciled contract registers detailing approved contracts and variations;**
- **Ensure closer monitoring over each contracts administered by the Ministry is done so that performance certificates from independent and technically qualified verifiers to ensure terms and conditions of the contract are being complied with and value for money is achieved;**
- **Ensure that MID take the role and responsibility for monitoring the contracting activities in the Ministry. Having someone as a watchdog to monitor and enforce the program that focuses on risk would give the management better assurance that the contractors will comply with their contracts;**
- **Ensure on going monitoring of contracts so that contract milestones are fulfilled;**
- **Ensure that security over financial records to be improved with access to record storage areas restricted to authorised personnel only. MOFT and MCA should consider establishing a register recoding who has removed records from their physical storage location to enable MOFT and MCA to keep track of all financial**

**records/documents;**

- **Ensure to maintain a register for each contract to enable the ministry to monitor progress payments and performance;**
- **Carries out proper feasibility study to identify costs that are necessary to put in a budget;**
- **Consults its primary stakeholders (other ministries) for their input and recommendations in their areas of responsibility;**
- **Prepare an Annual Procurement Plan according to FIs and PCAM requirements to assist in planning of its annual procurement strategy;**
- **Prepare a budget for the project as part of procurement process and that the project is fully costed.**
- **Comply with Financial Instruction P5 90. Maintaining an Account Code Control Card should enable a ministry control and monitor its spending;**
- **Ensures to maintain an Account Code Control Card that will assist Accountable Officers provide an accurate financial report annually as required under the PFM Act 2013;**
- **Comply with FIs P5 96 by preparing a reconciliation of expenditure committed, spent and unspent and reconciled against the general ledger. This reconciliation should be reviewed by an independent officer;**
- **Maintains a commitment card record to assist in identifying funds used in a given period and to monitor that the budget is spent on its intended purpose;**
- **Ensures the Financial Controller performs its financial management responsibilities and provides proper financial management advice to the AO;**
- **Ensure these reconciliations are reviewed and signed off by an independent officer for its accuracy;**
- **Ensures that it complies with FIs 7 P27.3, and to seek prior approval from PS Finance before sub-contracting works to suppliers;**
- **Ensures that the Attorney General's approval is sought for the form of all contracts before they are signed, including any draft contracts included in tender bidding documents;**

- **Ensure that for every contract that it is engaged with, the content of the contract agreement is read together with the FIs and PCAM to gain a complete understanding of the contracts management requirements to avoid un-necessary costs be incurred;**
- **Ensure that all invoices received for payments are properly reviewed and approved by the accountable officer before submitting to MOFT for payment;**
- **Ensure compliance check is carried out at the ministry before submitting to MOFT;**
- **Ensure to obtain proper supporting documents such as actual numbers of the guests to be accommodated before accepting invoices by individuals;**
- **In future when suppliers provide invoices ensure to comply with P7 18 sub-sections 18.1 & 18.3 of the Interim Financial Instructions 2014;**
- **Should develop effective review processes to monitor compliance;**
- **Ensure that invoices for payments are genuine and are thoroughly reviewed and approved by the accountable officer before the invoices are submitted to MOFT for payment;**
- **Should ensure that taxes are paid to right authority using the prescribed forms;**
- **Ensure that proper agreement is prepared for future procurement where fixed rates are stated in the agreement for consistency;**
- **Ensure that business houses are genuine and honest; and**
- **Ensures that the Purchase requests are thoroughly check for the accuracy of rates charged before process to MOFT;**
- **Ensures that it follows a systematic and established procurement procedure as required in the FIs and PCAM. That is three quotations obtained from three different suppliers for contracts ranging between \$10,000 - \$100,000 and competitive procedure (tender board) for contracts ranging between \$100,000 and \$500,000;**
- **Ensures that the awarding of the contracts to suppliers should be decided by the Ministerial Tender Board, a board established for that purpose;**
- **Ensures that conflict of interest is declared by public officers to prevent them from undermining the proper conduct of public business and adversely affecting the**

**integrity of the organisation;**

- **Should further investigate the issue if agreed with to the relevant authorities;**
- **Ensure that the responsible ministry e.g. Ministry of Forestry and Research should provide assessment reports before payments are processed for claims;**
- **Ensure that all the payments processed relates to the planned activities of the procurement;**
- **Ensures that consultations with resourceful ministries are made for proper coordination, providing qualified technicians and for other issues like environmental matters;**
- **Should ensure to process payments that are genuine and bring value to the project;**
- **Ensure to further investigate the matter and deal with it accordingly by reporting to the right authorities e.g. the Leadership Code Commission, Police etc.;**
- **Ensure that payments under procurement process are followed in accordance with PCAM which involves a hierarchy of tendering procedures based upon the value of the procured goods or services;**
- **Ensure that the Ministerial Tender Board determines the tenders before awarding the contracts to the suppliers as according to FIs;**
- **Ensure that the ministry have a qualified Project Manager who will be responsible for the whole project from the planning to the completion phases of the project;**
- **Ensure that closer monitoring over each contract spend be undertaken by the Ministry to ensure the terms and conditions of the contract are being complied with and value for money being achieved;**
- **Further investigate the issue and to forward to the right authority;**
- **Ensure that payments under procurement process are followed in accordance with PCAM which involves a hierarchy of tendering procedures based upon the value of the procured goods or services;**
- **Ensure that the Ministerial Tender Board determines the tenders before awarding the contracts to the suppliers as according to FIs;**
- **Ensure that the ministry have a qualified Project Manager who will be responsible for the whole project from the planning to the completion phases of the project;**

- **Ensure that closer monitoring over each contract spend be undertaken by the Ministry to ensure the terms and conditions of the contract are being complied with and value for money being achieved;**
- **Ensure that the ministry avoid conflict of interest by signing the Code of Declaration form by the officer;**
- **Should further investigate the issue and report to the right authority for prosecution if required;**
- **Ensure that there is regular supervision and monitoring of the project so that genuine reports are given for payment purpose;**
- **Adhere to the Financial Instructions and Procurement and Contract Administration Manual for complex projects and follow the procurement process;**
- **Further investigate the issue to make sure the fencing is complete;**
- **that only registered companies are engaged by the ministry;**
- **that if the company or business awarded with a contract is not genuine and registered with Company Haus then they should be terminated or dropped; and**
- **that registered companies engaged have Tax Identification Number (TIN) for tax purpose;**
- **that the ministry ensures that for large and complex projects, payments are process through the normal process not through special imprest;**
- **Ensure comply with section P7 70 of the Financial Instructions;**
- **Ensures that it follows the established legislation and procurement manual prescribed;**
- **Ensures that the Ministry have an established Ministerial Tender Board (MTB) as required under FIs P7 19 which will consist of Accounting Officer, Financial Controller and one Senior Officer;**
- **Ensures that awarding of contracts to suppliers should be determined by MTB based on purchasing limits in the FIs. This is in order to select qualified suppliers with reasonable price and where value for money is achievable; and**
- **Ensures that conflict of interest as stated in FIs P7 36.1 is declared by MTB member when deliberating and evaluating the tenders, making sure to avoid and manage**

**such.**

**Management Response**

*Management accepted the recommendation. See management response in the Appendix*

Annex 1: Payments not advertised through the public tender process

**Procurements not advertised through public tender process.**

<b>Date</b>	<b>Contractor</b>	<b>Invoice N#</b>	<b>Payment descriptor</b>	<b>Amount \$</b>	<b>Tenderstatus</b>
17/04/2012	Azimuth Surveyors	INV-109690	Survey of Manaoba airport.	489,742.00	no
29/05/2013	DJ Timber Limited	INV-159967	Supply building materials for manaoba terminal	490,000.00	Waiver of tender process/evaluation report
6/06/2014	DJ Timber Limited	INV-205997	Variance payment	480,000.00	Waiver of tender process/evaluation report
29/05/2013	K R Building Construction	INV-159966	Construction of Manaoba Terminal	494,000.00	Waiver of tender process/evaluation report
20/08/2013	K R Building Construction	INV-171639	Variation cost for fence (terminal)	304,409.99	Waiver of tender process/evaluation report
22/11/2013	K R Building Construction	INV-185258	Variation extension of work for walkway and front of toilets	195,586.90	Waiver of tender process/evaluation report
16/10/2012	Lion Heart Plant Hire Company	INV-133725	Mobilisation payment for Manaoba airport construction	3,493,750.00	Advertisement was conducted, however no evidence at the Ministry.
15/03/2013	Lion Heart Plant Hire Company	INV-152629	Progress work on Manaoba airport	2,500,000.00	Advertisement was conducted, however no evidence at the Ministry.
28/05/2013	Lion Heart Plant Hire Company	INV-160423	Variance payment	1,200,000.00	Advertisement was conducted, however no evidence at the Ministry.
7/11/2013	Lion Heart Plant Hire Company	INV-179982	Final payment for completion of project	1,030,371.00	Advertisement was conducted, however no evidence at the Ministry.
11/04/2013	Manaoba Lolo Construction	INV-155959	Survey work, extension of airport terminal	195,000.00	memorandum/ MTB
27/11/2012	SI-Austra Enterprise	INV-140983	Engineering supervision on Manaoba airport	86,000.00	no
8/03/2013	SI-Austra Enterprise	INV-151718	Re-Survey of Manaoba Airport	39,650.00	no
22/04/2013	SI-Austra Enterprise	INV-157079	Contract is only for 6months	86,000.00	no
20/06/2013	SI-Austra Enterprise	INV-163693	4th progressive report	86,000.00	no
4/11/2013	SI-Austra Enterprise	INV-179754	final engineering payment	86,000.00	no
19/10/2012	Tandai Seafront Hotel	INV-134247	Accommodation land owner of Manaoba. October 2012	116,424.00	no
26/10/2012	Tandai Seafront Hotel	INV-135326	Accommodation land owner of Manaoba. October 2012	77,044.00	no

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21/02/2013	Tandai Seafont Hotel	INV-150041	Accommodation land owner January 2013	86,000.00	no
25/02/2013	Tandai Seafont Hotel	INV-150523	Accommodation for land owner for meeting in Honiara	9,504.00	no
14/03/2013	Tandai Seafont Hotel	INV-152494	Accommodation John Lamani on 12Feb-15March 2013	26,400.00	no
8/01/2015	Tandai Seafont Hotel	INV-230427	Accommodation land owner of Manaoba. 30/11-30/12/2014.	102,240.00	no
13/01/2015	Tandai Seafont Hotel	INV-230524	Accommodation land owner of Manaoba. 31/10-30/11/ 2014	105,648.00	no
13/01/2015	Tandai Seafont Hotel	INV-230524	Accommodation land owner of Manaoba. 31/10-30/11/ 2014	105,648.00	no
			<b>Subtotal</b>	<b>11,885,417.89</b>	
<b>Individual vendor</b>					
19/11/2012	David KOFELA	INV-139361	Erecting security fence around Manaoba airport.	244,750.40	no
20/11/2013	David KOFELA	INV-184979	Erecting security fencing of Manaoba airport	244,751.00	no
12/04/2012	Gabriel RAMO	INV-109042	Brushing and clearing of Manaoba airport 1500 meters	95,000.00	
1/06/2012	Gabriel RAMO	INV-115847	Brushing and clearing of Manaoba airport 1500 meters	250,000.00	
28/09/2012	John Beui LAMANI	INV-131470	Cross cutting and clearance of logs on Manaoba airport	80,000.00	no
19/10/2012	John Beui LAMANI	INV-134274	Clearing and cutting of logs on Manaoba airport	120,000.00	no
28/11/2012	John Beui LAMANI	INV-141137	Cutting of logs for the extension of 300 meters	150,000.00	no
12/06/2014	Junior Mostin MAENU	INV-206511	Airport Maintenance/ Security Sept 2013 to May 2014	296,000.00	no
1/11/2012	Rebecca Kaelonga DAOGA	INV-136765	Security services September/October 2012	170,000.00	no
28/11/2012	Rebecca Kaelonga DAOGA	INV-141234	Security services	170,000.00	no
28/02/2013	Rebecca Kaelonga DAOGA	INV-150958	Security services	170,000.00	no
25/03/2013	Rebecca Kaelonga DAOGA	INV-153329	Security service	170,000.00	no

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9/05/2013	Rebecca Kaelonga DAOGA	INV-159096	Security services June/July 2013	85,000.00	no
12/06/2013	Rebecca Kaelonga DAOGA	INV-162898	Security services Sept/Oct 2013	170,000.00	no
12/09/2013	Rebecca Kaelonga DAOGA	INV-173924	Security service	255,000.00	no
22/11/2013	Rebecca Kaelonga DAOGA	INV-185255	Security service	170,000.00	no
29/05/2014	Rebecca Kaelonga DAOGA	INV-205216	Security service	170,000.00	no
10/06/2014	Rebecca Kaelonga DAOGA	INV-206225	Security service	170,000.00	no
20/11/2012	Stanley KOFELA	INV-139467	Mobilization Manaoba airport fence materials (posts)	150,075.00	no
17/06/2013	Stanley KOFELA	INV-163324	Supplying posts materials(1500) 4x4xx200.1	150,075.00	no
			<b>Subtotal</b>	<b>3,480,651.40</b>	
			<b>Total</b>	<b>15,366,069.29</b>	

Annex 2: Contract payments not assessed by TEC

**Contract payments not assessed by Technical Evaluation Committee**

<b>Date</b>	<b>Payee</b>	<b>Voucher</b>	<b>Amount SBD</b>
30/09/2013	Anolpha Enterprises	INV-175380	115,576.00
17/04/2012	Azimuth Surveyors	INV-109690	489,742.00
5/12/2013	Brelly Enterprise	INV-187171	195,315.00
19/11/2012	David KOFELA	INV-139361	244,750.40
20/11/2013	David KOFELA	INV-184979	244,751.00
28/10/2013	David KOFELA	INV-179078	106,000.00
12/04/2012	Gabriel RAMO	INV-109042	95,000.00
1/06/2012	Gabriel RAMO	INV-115847	250,000.00
13/04/2012	Global Infrastructure Engineering	INV-109296	506,250.00
18/04/2012	Jennifer GENAOA	INV-109806	7,200.00
28/09/2012	John Beui LAMANI	INV-131470	80,000.00
19/10/2012	John Beui LAMANI	INV-134274	120,000.00
28/11/2012	John Beui LAMANI	INV-141137	150,000.00
12/06/2014	Junior Mostin MAENU	INV-206511	296,000.00
16/10/2012	Lion Heart Plant Hire Company	INV-133725	3,493,750.00
15/03/2013	Lion Heart Plant Hire Company	INV-152629	2,500,000.00
7/11/2013	Lion Heart Plant Hire Company	INV-179982	1,030,371.00
28/05/2013	Lion Heart Plant Hire Company	INV-160423	1,200,000.00
5/05/2015	Manaoba and Hatodea Community Sea Weed Farmers	INV-240953	120,000.00
11/04/2013	Manaoba Lolo Construction	INV-155959	195,000.00
1/11/2012	Rebecca Kaelonga DAOGA	INV-136765	170,000.00
28/11/2012	Rebecca Kaelonga DAOGA	INV-141234	170,000.00
25/03/2013	Rebecca Kaelonga DAOGA	INV-153329	170,000.00
9/05/2013	Rebecca Kaelonga DAOGA	INV-159096	85,000.00
12/09/2013	Rebecca Kaelonga DAOGA	INV-173924	255,000.00
22/11/2013	Rebecca Kaelonga DAOGA	INV-185255	170,000.00
28/02/2013	Rebecca Kaelonga DAOGA	INV-150958	170,000.00
12/06/2013	Rebecca Kaelonga DAOGA	INV-162898	170,000.00
29/05/2014	Rebecca Kaelonga DAOGA	INV-205216	170,000.00
10/06/2014	Rebecca Kaelonga DAOGA	INV-206225	170,000.00
27/11/2012	SI-Austra Enterprise	INV-140983	86,000.00
8/03/2013	SI-Austra Enterprise	INV-151718	39,650.00
22/04/2013	SI-Austra Enterprise	INV-157079	86,000.00

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20/06/2013	SI-Austra Enterprise	INV-163693	86,000.00
4/11/2013	SI-Austra Enterprise	INV-179754	86,000.00
30/01/2013	SI-Austra Enterprise	INV-147855	86,000.00
22/02/2013	SI-Austra Enterprise	INV-150169	14,160.00
20/11/2012	Stanley KOFELA	INV-139467	150,075.00
17/06/2013	Stanley KOFELA	INV-163324	150,075.00
19/10/2012	Tandai Seafront Hotel	INV-134247	116,424.00
26/10/2012	Tandai Seafront Hotel	INV-135326	77,044.00
21/02/2013	Tandai Seafront Hotel	INV-150041	86,000.00
25/02/2013	Tandai Seafront Hotel	INV-150523	9,504.00
14/03/2013	Tandai Seafront Hotel	INV-152494	26,400.00
8/01/2015	Tandai Seafront Hotel	INV-230427	102,240.00
13/01/2015	Tandai Seafront Hotel	INV-230524	105,648.00
<b>Total</b>			<b>14,446,925.40</b>

Annex 3: Total traceable amounts expended on Manaoba Airport

**Total traceable amount expended on Manaoba Airport 2012 – 2015**

<b>Date</b>	<b>Payee</b>	<b>Voucher</b>	<b>Payment description</b>	<b>Amount (\$)</b>
12/04/2012	Gabriel RAMO	INV-109042	Brushing and clearing of Manaoba airport 1500 meters	95,000.00
13/04/2012	Global Infrastructure Engineering	INV-109296	Document missing	506,250.00
17/04/2012	Azimuth Surveyors	INV-109690	Survey of Manaoba airport.	489,742.00
18/04/2012	Jennifer GENAOA	INV-109806	Catering of food during consultation	7,200.00
1/06/2012	Gabriel RAMO	INV-115847	Brushing and clearing of Manaoba airport 1500 meters	250,000.00
23/08/2012	Lolo Development Association	INV-127177	Inventory payment for Logs	344,916.00
28/09/2012	John Beui LAMANI	INV-131470	Cross cutting and clearance of logs on Manaoba airport	80,000.00
3/10/2012	Gabriel RAMO	INV-132059	Community awareness on manaoba airport projects	117,000.00
16/10/2012	Lion Heart Plant Hire Company	INV-133725	Mobilisation payment for Manaoba airport construction	3,493,750.00
19/10/2012	Tandai Seafront Hotel	INV-134247	Accommodation land owner of Manaoba. October 2012	116,424.00
19/10/2012	John Beui LAMANI	INV-134274	Clearing and cutting of logs on Manaoba airport	120,000.00
26/10/2012	Tandai Seafront Hotel	INV-135326	Accommodation land owner of Manaoba. October 2012	77,044.00
1/11/2012	John Beui LAMANI	INV-136684	Reimbursement of Land owner expenses	85,450.00
1/11/2012	Rebecca Kaelonga DAOGA	INV-136765	Security services sept, Oct 2012	170,000.00
19/11/2012	David KOFELA	INV-139361	Erecting security fence around Manaoba airport.	244,750.40
20/11/2012	Stanley KOFELA	INV-139467	Mobilisation payment for Manaoba airport fence materials (posts)	150,075.00
22/11/2012	Patrick DAUDAU	INV-140150	Missing document	330,000.00
27/11/2012	SI-Austra Enterprise	INV-140983	Engineering supervision on Manaoba airport	86,000.00
28/11/2012	John Beui LAMANI	INV-141137	Cutting of logs for the extension of 300 meters	150,000.00
29/11/2012	Rebecca Kaelonga DAOGA	INV-141234	Security services	170,000.00
14/01/2013	Rax Scrap Metal & Marine Ltd	INV-141454	Landing of machines	320,000.00
21/01/2013	Gabriel RAMO	INV-146226	Goodwill payment	1,300,000.00

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30/01/2013	Hedrick WANEALAFA	INV-147803	Boat hire for Manaoba boat hire	61,600.00
21/02/2013	SI-Austra Enterprise	INV-147855	Document was missing	86,000.00
22/02/2013	Tandai Seafront Hotel	INV-150041	Accommodation land owner January 2013	31,104.00
27/02/2013	SI-Austra Enterprise	INV-150169	Refund of expenses, Engineering supervision on Manaoba airport	14,160.00
28/02/2013	Tandai Seafront Hotel	INV-150523	Accommodation for land owner for meeting in Honiara	9,504.00
8/03/2013	Rebecca Kaelonga DAOGA	INV-150958	Document was missing	170,000.00
8/03/2013	SI-Austra Enterprise	INV-151718	Re-Survey of Manaoba Airport	39,650.00
12/03/2013	Helicopter Support Charter	INV-151816	Document was missing	33,482.14
14/03/2013	Gabriel RAMO	INV-152172	Payment of inventory (logs)	483,595.25
15/03/2013	Tandai Seafront Hotel	INV-152494	Accommodation John Lamani on 12Feb-15March 2013	26,400.00
25/03/2013	Lion Heart Plant Hire Company	INV-152629	Progress work on Manaoba airport	2,500,000.00
11/04/2013	Rebecca Kaelonga DAOGA	INV-153329	Security services	170,000.00
15/04/2013	Manaoba Lolo	INV-155959	Survey work, extension of airport terminal	195,000.00
22/04/2013	Auaua Industries Limited	INV-156204	Rental for storage for Aviation security	60,000.00
9/05/2013	SI-Austra Enterprise	INV-157079	Contract is only for 6months	86,000.00
29/05/2013	Rebecca Kaelonga DAOGA	INV-159096	Security service	85,000.00
29/05/2013	K R Building Construction	INV-159966	Construction of Manaoba Terminal	494,000.00
22/05/2013	DJ Timber Limited	INV-159967	Building materials for manaoba terminal	490,000.00
24/05/2013	Auaua Industries Limited	INV-160054	Document was missing	60,000.00
28/05/2013	Helicopter Support Charter	INV-160253	payment for other airport not for Manaoba	281,598.56
10/06/2013	Lion Heart Plant Hire Company	INV-160423	Document was missing	1,200,000.00
12/06/2013	Melisa Fugui OSO	INV-162698	Document was missing	150,652.00
17/06/2013	Rebecca Kaelonga DAOGA	INV-162898	Document was missing	170,000.00
20/06/2013	Stanley KOFELA	INV-163324	Supplying posts materials(1500) 4x4xx200.1	150,075.00
25/06/2013	SI-Austra Enterprise	INV-163693	4th progressive report	86,000.00
19/07/2013	Michelle MAELAUA	INV-164493	Document was missing	500,000.00

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22/07/2013	Tandai Seafront Hotel	INV-168676	Document was missing	79,860.00
31/12/2012	Fred KAKI	INV-168684	Reimbursement of expenses	14,700.00
20/08/2013	Mason WATE	INV-168824	Document was missing	95,000.00
9/09/2013	K R Building Construction	INV-171639	Variation cost for fence (terminal)	304,409.99
12/09/2013	DJ Timber Limited	INV-173556	Hiring of Instruments for Manaoba opening	90,000.00
30/09/2013	Rebecca Kaelonga DAOGA	INV-173924	Security services June/July 2013	255,000.00
28/10/2013	Anolpha Enterprises	INV-175380	Ship charter for Manaoba airport opening ceremony	115,576.00
4/11/2013	David KOFELA	INV-179078	Document was missing	106,000.00
7/11/2013	SI-Austra Enterprise	INV-179754	final engineering payment	86,000.00
8/11/2013	Lion Heart Plant Hire Company	INV-179982	Variation payment for Manaoba project	1,030,371.00
11/11/2013	Gabriel RAMO	INV-180321	Inventory payment for logs	480,545.26
13/11/2013	Auaua Industries Limited	INV-180537	Storage of Machineries of contractor	60,000.00
19/11/2013	Rax Scrap Metal & Marine Limited-Refer to V008485	INV-180808	Vehicle hiring Manaoba Islands by contractor.	80,000.00
20/11/2013	Helicopter Support Charter	INV-184580	Chopper hiring 20/6/2013	35,849.06
22/11/2013	David KOFELA	INV-184979	Erecting security fencing of Manaoba airport	244,751.00
22/11/2013	Helicopter Support Charter	INV-185240	Chopper hiring 10/07/2013	41,447.37
22/11/2013	Rebecca Kaelonga DAOGA	INV-185255	Security services sept, Oct, 2013	170,000.00
5/12/2013	K R Building Construction	INV-185258	Variation extension of work for walkway and front of toilets	195,586.90
11/12/2013	Brelly Enterprise	INV-187171	Freighting of building materials	195,315.00
13/11/2013	Helicopter Support Charter	INV-188228	Chopper hiring 17/9/2013. \$4300USD/HR	235,181.08
16/12/2013	Patrick DAUDAU	INV-189306	For removal of resources from airport for airport construction	735,000.00
30/12/2013	Nelly GEORGE	INV-190752	Catering	21,500.00
3/02/2014	Helicopter Support Charter	INV-192196	Chopper hiring \$2700USD/HR. 12/12/2013	62,220.39
6/03/2014	Manaoba Lolo Construction	INV-195398	Document was missing	485,000.00
11/04/2014	Patrick DAUDAU	INV-200740	For removal of resources from airport for airport construction	735,000.00

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29/05/2014	Rebecca Kaelonga DAOGA	INV-205216	Document was missing	170,000.00
3/06/2014	Francis LOMO	INV-205615	Document was missing	94,760.00
6/06/2014	Dominic JOHN	INV-206000	Document was missing	480,000.00
10/06/2014	Rebecca Kaelonga DAOGA	INV-206225	Document was missing	170,000.00
12/06/2014	Junior Mostin MAENU	INV-206511	Airport maintenance	296,000.00
26/06/2014	Helicopter Support Charter	INV-209418	Chopper hired for Manaoba. 27/5/2004	41,893.10
8/01/2015	Tandai Seafront Hotel	INV-230427	Accommodation land owner of Manaoba. 30/11-30/12/2014.	102,240.00
13/01/2015	Tandai Seafront Hotel	INV-230524	Accommodation land owner of Manaoba. 31/10-30/11/2014	105,648.00
5/02/2015	Ben MAENU	INV-231918	Storage ofMachineries/ Plant by contractor	52,960.00
5/05/2015	Manaoba and Hatodea Community Sea Weed Farmers	INV-240953	Document was missing	120,000.00
23/12/2015	LoloTribe Association Account	INV-272265	compensation claimed for tree	275,817.00
31/12/2015	Auaua Industries Limited	INV-272566	Initial clearing and grubbing of the airport in 2001	1,713,453.30
			<b>Total</b>	<b>25,914,506.80</b>

**Annex 4: Perimeter fence Manaoba Airport**



**Picture 1: Fence of the terminal perimeter**

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Annex 5: Contracts awarded to individuals and landowners

**Table 16 - Contracts awarded to individuals and landowners**

<b>Date</b>	<b>Payee</b>	<b>Voucher</b>	<b>Payment description</b>	<b>Amount \$</b>
12/04/2012	Gabriel RAMO	INV-109042	Brushing and clearing of Manaoba airport 1500 meters	95,000.00
13/04/2012	Global Infrastructure Engineering	INV-109296	Document was missing	506,250.00
1/06/2012	Gabriel RAMO	INV-115847	Brushing and clearing of Manaoba airport 1500 meters	250,000.00
28/09/2012	John Beui LAMANI	INV-131470	Cross cutting and clearance of logs on Manaoba airport	80,000.00
19/10/2012	John Beui LAMANI	INV-134274	Clearing and cutting of logs on Manaoba airport	120,000.00
1/11/2012	Rebecca Kaelonga DAOGA	INV-136765	Security services sept, octo 2012	170,000.00
19/11/2012	David KOFELA	INV-139361	Erecting security fence around Manaoba airport.	244,750.40
20/11/2012	Stanley KOFELA	INV-139467	Mobilisation payment for Manaoba airport fence materials (posts)	150,075.00
28/11/2012	John Beui LAMANI	INV-141137	Cutting of logs for the extension of 300 meters	150,000.00
29/11/2012	Rebecca Kaelonga DAOGA	INV-141234	Security services	170,000.00
14/01/2013	Rax Scrap Metal & Marine Ltd	INV-141454	Landing of machines	320,000.00
8/03/2013	Rebecca Kaelonga DAOGA	INV-150958	Document was missing	170,000.00
14/03/2013	Gabriel RAMO	INV-152172	Payment of inventory (logs)	483,595.25
11/04/2013	Rebecca Kaelonga DAOGA	INV-153329	Security services	170,000.00
15/04/2013	Manaoba Lolo	INV-155959	Survey work, extension of airport terminal	195,000.00
22/04/2013	Auaua Industries Limited	INV-156204	Rental for storage for Aviation security	60,000.00
29/05/2013	Rebecca Kaelonga DAOGA	INV-159096	Security service	85,000.00
29/05/2013	K R Building Construction	INV-159966	Construction of Manaoba Terminal	494,000.00
22/05/2013	DJ Timber Limited	INV-159967	Building materials for Manaoba terminal	490,000.00
24/05/2013	Auaua Industries Limited	INV-160054	Document was missing	60,000.00
17/06/2013	Rebecca Kaelonga DAOGA	INV-162898	Document was missing	170,000.00
20/06/2013	Stanley KOFELA	INV-163324	Supplying posts materials(1500) 4x4xx200.1	150,075.00
31/12/2012	Fred KAKI	INV-168684	Reimbursement of expenses	14,700.00
9/09/2013	K R Building Construction	INV-171639	Variation cost for fence (terminal)	304,409.99
12/09/2013	DJ Timber Limited	INV-173556	Hiring of Instruments for Manaoba opening	90,000.00

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30/09/2013	Rebecca Kaelonga DAOGA	INV-173924	Security services June/July 2013	255,000.00
4/11/2013	David KOFELA	INV-179078	Document was missing	106,000.00
13/11/2013	Auaua Industries Limited	INV-180537	Storage of	60,000.00
19/11/2013	Rax Scrap Metal & Marine Limited-Refer to V008485	INV-180808	Vehicle hiring Manaoba Islands by contractor.	80,000.00
22/11/2013	David KOFELA	INV-184979	Erecting security fencing of Manaoba airport	244,751.00
22/11/2013	Rebecca Kaelonga DAOGA	INV-185255	Security services sept, Oct, 2013	170,000.00
5/12/2013	K R Building Construction	INV-185258	Variation extension of work for walkway and front of toilets	195,586.90
11/12/2013	Brelly Enterprise	INV-187171	Freighting of building materials	195,315.00
16/12/2013	Patrick DAUDAU	INV-189306	For removal of resources from airport for airport construction	735,000.00
30/12/2013	Nelly GEORGE	INV-190752	Catering	21,500.00
6/03/2014	Manaoba Lolo Construction	INV-195398	Document was missing	485,000.00
11/04/2014	Patrick DAUDAU	INV-200740	For removal of resources from airport for airport construction	735,000.00
29/05/2014	Rebecca Kaelonga DAOGA	INV-205216	Document was missing	170,000.00
3/06/2014	Francis LOMO	INV-205615	Document was missing	94,760.00
6/06/2014	Dominic JOHN	INV-206000	Document was missing	480,000.00
10/06/2014	Rebecca Kaelonga DAOGA	INV-206225	Document was missing	170,000.00
12/06/2014	Junior Mostin MAENU	INV-206511	Airport maintenance	296,000.00
5/02/2015	Ben MAENU	INV-231918	Storage of Machineries/ Plant by contractor	52,960.00
<b>Total</b>				<b>\$9,739,728.54</b>

Annex 6: Management response



**SOLOMON ISLANDS GOVERNMENT**

**MINISTRY OF COMMUNICATION AND AVIATION**

P.O. BOX 1850  
HONIARA  
SOLOMON ISLANDS

**Tel: [+677] 36106**

**Fax: [+677] 36108**

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**MEMORANDUM**

Date: 8<sup>th</sup> September 2017

Our Ref: MCA/AG/23/2017

**Mr. Peter Lokay**

Auditor General

Office of the Auditor General

Honiara

Dear Auditor General

**RE: MANAGEMENT RESPONSE TO MANAOBA AUDIT REPORT 2012-2015**

First, apologies for the belated response to the request for management response to the draft Manaoba Audit sent in July 2017 mainly due to misunderstanding.

Anyway, the Financial Controller and I as accounting officer for the Ministry of Communication and Aviation have carefully studied the audit draft report sent to us. Manaoba Audit Report has similar nature to CAASI Funds and therefore, the direction for responsible authorities to take up detail investigation is fully warranted due to:

1. The magnitude of expenditure incurred during the period of alleged \$62 million. The attached report FC extracted from our ledger at MoFT can further prove this. Refer 2013 DB and execution of \$68m in total (attached).

As a Civil Engineer this is a huge amount of resources for Manaoba and Lomlom to consume in one year alone.

2. As millions of public funds have been shoved out in the name of the airport development, JANUS Taskforce must be engaged at all cost to establish the truth pertaining to huge expenditure incurred during the tenure of the former MCA management.
3. The fact that substantial financial records have gone missing in both MCA and MoFT could raise more “red flags” as to why on earth vouchers worth around \$36m have been removed intentionally to conceal vital evidence for the report? Current serving MCA staff could be part of the ploy to remove the records!

The extent of misprocurement and non-compliance with existing government regulations are viewed along with the accompanied recommendations to us in order and ministry will make sure such is taken into account in management of projects in the future.

MCA management would like reiterate that those in MCA management responsible for making decisions and recipients of monies in questionable manner are made to answer for their actions. We further recommend involvement of the RSIP Janus team to fully investigate questionable transactions that are costing government and prolonging the opening of this airports.

With the above comments MCA accepts the recommendations in the report and will work with your office and other agencies to fully investigate actions taken by MCA/contractors/individuals during the course of implementing Manaoba airport to be answerable for their actions.

Thank you.



Moses Virivolomo  
Permanent Secretary

**MINISTRY OF COMMUNICATION AND AVIATION**

Cc: Financial Controller/MCA

Ministry of Communication & Aviation														
Table 1.1 Summary of Budget/Investment trend for period 2013-2018														
	2013			2014			2015			2016			2017	2018
	Revised Budget	FYE Actuals	% YE actual	Revised Budget	FYE Actuals	% YE actual	Revised Budget	FYE Actuals	% YE actual	Revised Budget	FYE Actuals	% YE actual	Revised Budget	Original Budget
Expenditure:														
Recurrent Budget:														
Payroll Charges	9,357,145	9,458,509	101.08	9,957,808	10,590,796	106.36	10,607,674	11,000,046	103.70	11,092,352	11,046,157	99.58	10,959,991	10,959,991
Other Charges	55,378,158	50,243,888	90.73	40,184,872	35,678,285	88.79	32,471,001	29,717,057	91.52	38,129,582	33,188,901	87.04	37,462,882	37,462,882
<b>Total</b>	<b>64,735,303</b>	<b>59,702,397</b>	<b>92.23</b>	<b>50,142,680</b>	<b>46,269,081</b>	<b>92.27</b>	<b>43,078,675</b>	<b>40,717,103</b>	<b>94.52</b>	<b>49,221,934</b>	<b>44,235,058</b>	<b>89.87</b>	<b>48,422,873</b>	<b>48,422,873</b>
Dev't. Budget	75,600,000	68,112,223	90.10	20,000,000	14,809,503	74.05	15,360,000	9,428,730	61.38	26,410,000	19,276,576	72.99	45,000,000	25,000,000
X-B Inputs (Donor funds)	-	-		-	-		-	-		-	-			
	<b>140,335,303</b>	<b>127,814,621</b>	<b>91.08</b>	<b>70,142,680</b>	<b>61,078,584</b>	<b>87.08</b>	<b>58,438,675</b>	<b>50,145,833</b>	<b>85.81</b>	<b>75,631,934</b>	<b>63,511,634</b>	<b>83.97</b>	<b>93,422,873</b>	<b>73,422,873</b>
Revenue:	<b>10,237,505</b>	<b>3,971,645</b>	<b>38.80</b>	<b>13,166,093</b>	<b>4,313,919</b>	<b>32.77</b>	<b>10,164,068</b>	<b>6,278,986</b>	<b>61.78</b>	<b>10,367,348</b>	<b>6,314,181</b>	<b>60.90</b>	<b>21,133,509</b>	<b>21,133,509</b>
(Excl. CAASI Airspace fund)														
Variance (-, +)	- 130,097,798	- 123,842,975		- 56,976,586	- 56,764,665		- 48,274,607	- 43,866,847		- 65,264,586	- 57,197,453		- 72,289,364	- 52,289,364

Table 1.2 Actuals/Budget trend for period 2013-2018

