



AUDIT REPORT
REPORT ON AN
AUDIT OF THE
SOLOMON
ISLANDS
GOVERNMENT
ECONOMIC
STIMULUS
PACKAGE

For the period
March 2020 to December 2021
Reported by:
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Abbreviations

ADB	Asian Development Bank
CDF	Constituency Development Fund
CDO	Constituency Development Office
DBSI	Development Bank of the Solomon Islands
ESP	Economic Stimulus Package
MFAT	New Zealand Ministry of Foreign Affairs and Trade
MID	Ministry for Infrastructure Development
MoFT	Ministry of Finance and Treasury
MP	Member of Parliament
NTF	National Transport Fund
NTP	National Transport Plan
NTI	National Transport Initiative
OAG	Office of the Auditor-General
PCAM	Procurement and Contract Administration Manual
SIRAP	Solomon Islands Road and Aviation Project
SME	Small and Medium Sized Enterprises
SOE	State-owned enterprises

Auditor General Overview

In anticipation of the negative economic fallout of the COVID19 pandemic, the Solomon Islands Government implemented an economic stimulus package (ESP) of SBD309 million dollars to support and enable businesses and households to continue to produce, trade, employ people, spend and boost aggregate demand in the economy.

The ESP was approved by Cabinet and published on 6 May 2020 in the ESP booklet. Applications for this support were accepted starting 26 May 2020 with payments made over 2020 and 2021.

My office undertook an audit of the ESP appropriated expenditure in 2020 and 2021 to assess whether it complied with the financial rules and regulations, and the expenditure was made in accordance with the ESP approved by Cabinet and published on 6 May 2020.

During the COVID-19 pandemic, the International Monetary Fund (IMF) provided budget support for the Solomon Islands Government's balance of payments. In the Government's Letter of Intent to the IMF, the Solomon Islands government committed to an audit of the COVID-19 spending. This audit is the final of the COVID19 series of audit made under this commitment.

At the onset I would like to again acknowledge the extraordinary circumstances created by COVID19 which heightened the inherent risk for expediting procurements and delivery of payments and services at the expense of following established procedures. In this case the ESP lacked underlying legislative or procedural guidance for issuing grants on the scale involved with the ESP and had insufficient resources needed to adequately receive, process, pay and document the thousands of applications leading to weaker internal controls.

In relation to the conduct of this audit my team were faced with numerous delays including slow delivery or missing documentation and, in some cases, only forthcoming after the draft audit report had been shared. My team also had payments to undertake audit fieldwork being blocked raising serious concerns about the impingement of the independence of my office.

Other common themes include the lack of transparency about who received funding and what it was received for, inadequate documentation and reporting across the ESP and in many cases documentation to support the validity of actions and transactions were not available. This area remains a concern across Government which requires urgent attention.

There are also areas in which noncompliance and potential of fraud was evident with many payments being signed for by Government officials on behalf of beneficiaries without documented authorisation, including payments totalling over \$6 million being signed for by one officer.

It is my hope that our recommendations will assist the Government and the Ministries involved to strengthen their payment and procurement processes both in emergency and normal operations. I intend to do a follow up of findings and commitments made in future audits of the Ministries involved.

I would like to acknowledge my audit team including donors, PASAI and USAID for their assistance during this audit. I would also like to thank all the staff from MoFT and PMO for their assistance during our audits and for their dedication during the COVID19 period.

Yours sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above the name.

David Teika Dennis
Auditor General

1. Introduction

The Solomon Islands Government developed the Economic Stimulus Package (the ESP) to boost the economy to compensate for the expected economic downturn resulting from COVID-19 and the State of Public Emergency introduced to curtail the spread of COVID-19.

The ESP was approved by Cabinet and published on 6 May 2020 in the ESP booklet. Applications for support were accepted starting 26 May 2020. The aim of the ESP was to enable businesses and households to continue to produce, trade, employ people, spend, and boost aggregate demand in the economy. The ESP outlined a range of cost neutral activities but also detailed in the ESP booklet a budget of \$309 million for direct and indirect assistance.

An initial appropriation of \$306 million was made in the Supplementary Appropriation Bill in 2020, of which \$205 million had been spent by the end of 2020 while the remaining \$101 million lapsed. An additional \$10 million was budgeted in 2021 and a further \$93.5 million was appropriated in the 2021 Supplementary Appropriation Bill giving a final total appropriation of \$308.5 million.

This audit was concerned with these funded activities and was undertaken to review ESP expenditure to assess whether it complied with the financial rules and regulations, and expenditure was made in accordance with the ESP approved by Cabinet and published on 6 May 2020.

During the COVID-19 pandemic, the International Monetary Fund (IMF) provided budget support for the Solomon Island Government's balance of payment. In the Solomon Islands Government's Letter of Intent to the IMF, the Solomon Islands Government committed to an audit of COVID-19 spending.

Our audit work took place in two stages:

1. Reviewing the process for receiving, assessing, and making payments under the ESP; and
2. Verifying through our fieldwork whether grant recipients received the approved ESP payments or supplies, used them as proposed in their application, and for the purposes of the ESP.

2. Background

The administration of the ESP was the responsibility of the ESP Implementation and Oversight Committee (the ESP Oversight Committee), comprised of senior officials of involved Ministries with the Permanent Secretary of MoFT the Chairman.

The ESP had five major types of funded assistance:

- Direct payments to support State-owned enterprises and to the Development Bank of the Solomon Islands; (\$80 million);
- Direct support for government activities, specifically education and provincial government health facilities; (\$15 million);
- Grant payments to small business in the agriculture, forestry, fisheries, and tourism sectors as well as to other businesses in the form of rent support (\$119 million);
- Completion of significant infrastructure projects (\$90 million); and
- Engagement of women, youths, and students to monitor State of Emergency Regulations; (\$5 million)

These five types of support had different payment modalities. Payments to State-owned enterprises, DBSI and the Ministry of Education were paid directly to the beneficiaries through the MoFT

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payment system. Some grants to small business were paid directly to applicants while others were provided with equipment and supplies to keep businesses running. Other grants were paid using the Treasury Corporate Service Standing Imprest Account (the Imprest Account). Other grant monies were paid to Constituency Development Offices and administered by them.

Significant infrastructure projects were managed by the Ministry of Infrastructure and paid using the MoFT payment system. Other payments for infrastructure were paid to Constituency Development Offices.

Table 1 Analysis of payment types and methods of payment

Payment	MoFT Payment System	Imprest	Constituency Offices	Totals
Payments to SOEs and DBSI	\$ 85,000,000			\$ 85,000,000
Grants to productive and resources sector	\$ 59,986,256	\$ 33,547,110	\$ 41,254,634	\$ 134,788,000
Payments for infrastructure	\$ 58,565,623		\$ 14,020,000	\$ 72,585,623
Support to business tourism etc	\$ 6,020,447			\$ 6,020,447
Payments to support education	\$ 5,000,000			\$ 5,000,000
Payments to monitoring workforce	\$ 2,486,720			\$ 2,486,720
	\$ 217,059,046	\$ 33,547,110	\$ 55,274,634	\$ 305,880,790

3. Summary

Management of the ESP

The ESP was managed by a small Secretariat located in the Office of Prime Minister and Cabinet. This resulted in many control weaknesses and control breakdowns as the number of staff working full-time on the program was too small to effectively deal with the large number of applicants and beneficiaries

There was no standard application form and there was often a lack of documentation supporting decisions - less than 10 percent of successful applications could be provided to the OAG. During our audit work we were provided with copies of the ESP Oversight Committee meeting minutes for two meetings. During the report's consultation phase, we were provided with copies of minutes for three more ESP Oversight Committee meetings.

Conflicts of interests, or potential conflicts of interest, were not appropriately identified or managed. Grant criteria was established but there was often no documented assessment against the criteria. Some successful applications did not appear to meet the designated criteria.

Several monitoring activities were initiated. A performance auditor was engaged to monitor the performance of exporters who received grants to confirm that they continued to buy product, a price monitoring team of young people was established to review prices in Honiara and some provinces and a consultant were engaged to assist the Technical Advisory Committee and to provide reports on the screening of applicants. Reports were not made available to the Office of the Auditor-General on this monitoring.

MoFT also undertook evaluation of the ESP with the assistance of the Asian Development Bank (ADB) and prepared ten evaluation reports. The reports were provided to Members of Parliament, but have not formally been tabled in Parliament, nor made public.

Payments to SOEs and DBSI

Payments to SOEs and to DBSI were as reported.

Grants to the productive and resources sector paid through the MoFT payment system

Grant applications were not standardised and varied considerably in details provided. Applications sighted by the OAG did not always address pre-determined selection criteria. Most of the direct payments were payments made to suppliers to provide material and supplies to individual beneficiaries.

Applicants selected their own supplier without any requirement for a competitive process. MoFT told us that the general bid waiver had been discussed and approved by the Central Tender Board (CTB). However, we note the bid waiver was for future procurements, and we consider the Public Financial Management Act 2013 does not provide for in advance blanket procurement approvals, as was attempted here. Such a process undermines controls and the effectiveness of procurement rules. Moreover, a copy of the bid waiver was not provided to the OAG.

Other direct payments were for grants to businesses in the export industries to allow them to continue to buy products. The OAG was not provided with any of these applications but some grants appear to have been gifts with no conditions attached.¹ There was no requirement for these larger businesses to repay the Government once they had sold the product the grant allowed them to buy.

Smaller grants were applied for purposes consistent with the ESP and often made a difference to communities. However, issues arose with the provision of grants and materials including some recipients not receiving any payment for amounts that had been approved, applicants not receiving what they applied for (for example receiving goods rather than cash payments), which was of much less benefit to them. Also, recipients often received less money than that applied for which meant that they could not undertake the proposed activity. In some cases, applicants received different materials than they needed for their business. The ESP Oversight Committee told us that applicants sometimes received less funding than they applied for due to limited available funding.

Grants to the productive and resources sector paid through the Imprest Account

Cash grants totalling \$33 million were paid to farmers and local produce handling businesses. \$7 million was paid to tourism businesses. Applications were not always filed with payment forms or payment documentation, so it was not possible for the OAG to confirm that all payments were made in response to valid applications.

The payment process breached expected internal control procedures in that officers personally signed for many payments for beneficiaries but provided no evidence that they had handed the payment on to the designated person. This was the case with almost a third of the payments made through the Imprest Account.

This was a significant breakdown of internal control - allowing government officers to sign for payments for beneficiaries who may not even be aware they are due to receive payment or how much they are to receive was a major fraud risk.

Funding through the Imprest Account was important for applicants to meet their household needs, but applicants told us they were frustrated by decisions to approve less than the amount applied for which was often unexplained. Reduced funding also caused problems, for example, applicants could not complete projects or had to delay them until they could find further funding.

¹ Refer section 81 of the Public Finance Management Act 2013.

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We identified one government officer who had personally signed for 251 Imprest Account cheques worth approximately \$6.8 million. The officer was also involved in encouraging and preparing applications for individuals. This created potential conflict of interest issues by the person being involved in both the application and approval of grants.

Grants to productive and resources sector paid through Constituency Development Offices

\$41.3 million was paid to Constituency Development Offices to distribute to constituents. In most cases the offices received \$600,000 in 2020 and a further \$200,000 in June or July 2021.

Applications were called for from Members of Parliament, but it appears some Constituency Development Offices of some MPs received grants even though they did not apply.

One Constituency Development Office the OAG spoke to did not realise the funds were ESP funds.

There was little reporting on how the funds were used. Apart from confirming that these funds were paid to Members of Parliament through the MoFT payment system there was no practical way, through any documentation review, of confirming how the funds were used.

Payments for infrastructure projects through MoFT payment system

Payments totalling \$57 million were made for infrastructure projects. \$41 million of this was paid to three Government instrumentalities - the Solomon Islands Provincial Airports Trust, the Solomon Islands Road and Aviation Project and DBSI. For the remaining expenditure the absence of documentation made it impossible for the OAG to confirm that normal tendering processes had been applied. Testing did confirm that normal payments controls applied once the contract had been awarded.

Infrastructure payments through Constituency Development Offices

Payments totalling \$14 million were made to 24 Constituency Development Offices. Members of Parliament did not have to provide a detailed project plan to access these funds. Although standard funding agreements were used which included detailed reporting requirements, the reporting generally provided little detail about what had been achieved with the funds.

The limited reporting indicated that grants had been used for a range of purposes, from buying excavators and dump trucks for maintaining roads, buying ships and giving grants to constituents to start taxi services. For one agreement the purpose of the grant was 'to support projects within the Constituency'. At the time of our audit we identified one case where funds had not been distributed, with the Constituency Development Office still trying to identify a suitable ship to purchase.

Rent relief

Some businesses were given a grant to cover their rent for a limited period while the business was shut down or receiving reduced income. This totalled \$4.2 million to 77 different businesses. The OAG reviewed a sample of these and found that some business which were not registered received grants, and one business owned by people closely associated with the Solomon Islands Government received a single payment which was 10% of the total paid out for rent relief. No evidence was found of undue influence being exerted in this case, but the perception of conflict of interest exists.

Payments to support the education sector

A single payment of \$5 million was made to the Education Sector Trust. These funds were mostly used to roll out washing facilities to schools. Although none of the transactions tested by the OAG caused concern insofar as the OAG could see what happened, the documentation was again lacking.

Our fieldwork identified examples of funding that supported improving water supply for drinking and handwashing. However, we saw examples where improved water supply had not occurred and outcomes sought not achieved, due to poor installation of a water tank and relevant parts for tanks not supplied.

4. Recommendations

Grant administration

Finding 1

There was no standard application form making it difficult for applicants to draft their applications and time consuming for assessors to assess applications.

Recommendation 1: In the future grant programs, application forms be developed to help applicants apply for grants and allow applications to be properly assessed.

Management Response: The recommendation is noted and agree for any future grants

Finding 2

Government officials did not properly identify or manage conflicts of interest, or potential conflicts of interest, arising during administration of the ESP.

Recommendation 2: In future grant programs, the organisation administering the grants programme ensures that any conflicts of interests, or potential conflicts of interests, are appropriately managed.

Management Response: The Committee welcomed the recommendation to further strengthen for any future policy response, in similar nature. The Committee however, wish to confirm that under the reference policy, the conflicts of interest, or potential conflicts of interest have been properly managed through the establishment of an oversight committee where all recommendations were made. During the Committee meetings of Conflict of Interest by Committee Members are declared as well.

Finding 3

Some grant criteria were established but there was often no documented assessment against the criteria. Documentation supporting grants was often unavailable. Some successful applications did not appear to meet the designated criteria.

Recommendation 3: In future grant programmes, the organisation assessing grants should document its assessment of each grant including ensuring grants meet any designated criteria. It should also retain all relevant documentation supporting each grant.

Management Response: The Committee welcomed the recommendation. The recommendation is very important.

Under the Policy, a standard set of criteria was used. The final decision for approval and disbursement, however, is subjected to budget allocation and fair distribution to all provinces and sectors

Reporting and public accountability

Finding 4

There was no public reporting of who received funding from the ESP and public reporting would increase transparency and accountability of the ESP.

Recommendation 4: In future grant programmes, the organisation responsible for distributing grants publish a list of grant recipients, the amount received, and the purpose of the grant.

Management Response: The recommendation is noted for any future grants.

The Committee, however wish to clarify that under this Policy, a list of grant recipients has been published through a website. Not all applicants can view or have access to the website, especially those in the provinces due to poor internet services.

The website was discontinued due to technical issues as well as being abused by public, as some people claimed to be the recipient present themselves to the Committee to receive the payment.

Finding 5

Grant recipients did not always provide reports on the grant as required confirming they had complied with any grant conditions.

Recommendation 5: In future grant programmes, the organisation responsible for distributing the grants ensures that grant recipients comply with grant conditions, including any reporting requirements.

Management Response: The Committee welcomed the recommendation and will ensure that such grant conditions are observed in any future policy.

Finding 6

The MoFT has not publicly released the ten evaluation reports on the ESP.

Recommendation 6: MoFT make public the ten evaluation reports on the ESP.

Management Response: The Committee take note of the recommendation and will publish the report after Parliament presentation

Constituency Development Offices

Finding 7

Constituency Development Offices purchased capital equipment but were not required to comply with the Procurement and Contract Administration Manual. This resulted in poor procurement decisions. No reporting standards were established so it was unclear if the expenditure was effective. Constituency Development Offices kept poor records supporting funding decisions.

Recommendation 7: In future grant programmes where funds are provided to a Constituency Development Office to distribute, the Constituency Development Office be required to comply with the relevant procurement rules, document its decision-making process and outcomes sought, and report on all distributions.

Management Response: The Committee welcomed the recommendation. This will be further strengthened in the future. Under the reference Policy, grants are disbursed directly to the constituencies for the purposes as provided in the request. It is the sole decision of the Offices to manage the procurement of goods and services for the applied projects. This is similar to all SIG grants related support to all Constituencies.

Imprest Account

Finding 8

Significant cash cheques were signed for by government officers and others on behalf of beneficiaries with no documentary evidence available that beneficiaries received the funds, presenting a fraud risk.

Recommendation 8: The MoFT ensure it has rules to ensure that government officers who receive cash, or cash cheques, on behalf of a third part are authorised to do so. Rules should also be in place to confirm the third party has received the funds.

Management Response: The Committee welcomed the recommendation and will ensure this loop-hole is not repeated.

Under the reference Policy, an internal control mechanism was put in-place, and in some cases, officers consented to facilitate the release in good faith without any favour.

The Committee however, cannot rule out conflict of interest from some officers. The Committee agree that such cases needed to be further investigated. But the Committee agree with the recommendation.

Finding 9

Some government officers signed for more than \$1 million worth of cheques for beneficiaries and OAG has been unable to verify that all these funds were paid to the beneficiary.

Recommendation 9: The MoFT follow up all payments signed for by government officers to ensure that the named beneficiary received the amount stated.

Management Response: The recommendation will be actioned.

Finding 10

Imprest payments made in 2021 totalling over \$473,696 have not been acquitted or recovered, in contravention of relevant financial instructions relating to the management of standing imprest accounts.

Recommendation 10: The MoFT recover all imprest payments from the Imprest Account that remain unacquitted from 2021.

Management Response: The committee welcomed the recommendation. The committee, however wish to confirm that all single payments from the Imprest Account are fully retired.

The committee believes that the unretired imprest in the system may come about due to changes in the system from AX to D365.

Finding 11

Imprest Account documentation supporting payments was often incomplete or missing. Responsible Ministries were only able to provide a small percentage of applications to the OAG for review.

Recommendation 11: The MoFT ensure that it maintains all documentation support payments from the Imprest Account, including applications and assessments.

Management Response: All documents are kept safely in MoFT accounts section only documents or applications removed from MoFT and used by the Technical Screening committee are outside of MoFT control measures.

Grants and supplies to businesses

Finding 12

Supplies paid for as part of grants to farmers and other small businesses were not always collected by the beneficiary.

Recommendation 12: The MoFT ensure that when supplies are purchased on behalf of grant beneficiaries, vendors are required to provide evidence that those supplies have been provided.

Management Response: The Committee agreed with the recommendation. The reference issue or challenges arises when the new payment system was implemented towards the end of 2021.

Finding 13

Over \$25 million was granted to produce exporters to ensure they continued to buy and export produce, but there was no requirement for exporters to repay the funds once they had on-sold the products overseas.

Recommendation 13: Recommendation 13: In future grant programmes, consideration be given to supporting large businesses in the form of loans, not gifts, with loan repayments made when economic conditions allow.

Management Response: The committee reserves its position on this recommendation, given the nature of the policy

5. Conclusions

The ESP Booklet set out a comprehensive strategy for stimulating the Solomon's Island economy. Implementing the strategy by the distribution of \$306 million suffered many challenges with the OAG's main concerns being:

- There was no underlying legislative or procedural guidance for issuing grants on the scale involved with the ESP;
- The resources needed to adequately receive, process, pay and document the thousands of applications were underestimated resulting in weak internal controls;
- The Imprest Account was used to pay grants totalling over \$33 million to farmers and other small agricultural enterprises. Many of these payments were signed for by government officials on behalf of beneficiaries without documented authorisation, including payments totalling over \$6 million being signed for by one officer. This practice violates fundamental internal control requirements and creates a risk of fraud;
- During our fieldwork we identified instances of a government official's involvement in the applications and approval process giving rise to potential conflict of interest issues;²
- The lack of guidance to Constituency Development Offices responsible for the distribution of millions of dollars of funds created the opportunity for waste through ineffective or absent

² Refer SI Government Code of Conduct Solomon Islands Public Service, "Avoiding or disclosing any conflict of interest", page 7.

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procurement. It also meant funds could be diverted from projects to stimulate the economy to private individuals;

- Documentation and reporting across the ESP were inadequate, significantly reducing transparency and accountability and in many cases documentation to support the validity of actions and transactions was not available;
- Giving grants to large produce businesses to buy inventory without requiring them to repay those funds when they sold that inventory provides a windfall profit to those businesses and is not an appropriate use of public funds; and
- There was a lack of transparency about who received funding and what it was received for.

6. Audit objective, scope and methodology

The objective of the audit was to assess whether the ESP was managed in a way which ensured that it met its stated objectives, was administered in accordance with required procedures and best practice for the management of grants programs and was fully transparent and accountable. We did not assess whether the ESP's economic goals were achieved.

Our audit work involved two stages:

1. Reviewing the process for receiving, assessing, and making payments under the ESP; and
2. Verifying whether grant recipients received the approved ESP payments or supplies, and used them as proposed in their application, and for the purposes of the ESP.

To undertake the first part of our work we selected payments made under the nine different payment methods identified in Table 1. We selected specific grants based on the grant amount, grant type, grant recipient, and the location of the grant recipient. Our selection process ensured we audited sufficient grants to support our conclusions.

The verification part of our work involved us visiting the grant recipients identified in our stage 1 work to confirm the recipients had received their funding and had used it for the approved purpose. Our fieldwork included visits to Guadalcanal, Honiara, Choiseul, Western, and Isabel. Other Provinces were not visited due to both budget and capacity constraints.

The verification part of the audit proved challenging as we were not always able to locate some grant recipients during our fieldwork. This was due to a range of factors including the isolation of some recipients (we could not physically get to the address due to adverse weather), the recipient not being at the address when we visited, and inaccurate address information. However, we were able to locate sufficient grant recipients to support our audit findings.

The audit criteria came from the ESP which described how funds were to be used. The criteria also included the Solomon Islands Government financial rules and procedures including those in Chapter 7 of the Interim Financial Instructions 2014 relating to Supply Chain management and the Procurement and Contract Administration Manual, and included ensuring:

- Procurement was in line with the stated purposes outlined in the ESP;
- Procurement specifications were identified, and a purchase requisition was raised and approved for every procurement; and
- Procurement was conducted in accordance with quotation/tendering procedures including, where appropriate, procedures for waiving the competitive process.

Section 81(1)(d) of the Public Financial Management Act 2013 provides that in giving grants the responsible Minister should 'generally promote the principles of transparency and accountability.' As the Solomon Islands Government has not provided more detailed regulation on the giving of grants, the OAG has also relied on controls that are generally accepted by governments around the world as providing good controls over the provision of grants.

The audit was conducted in accordance with the International Standard of Supreme Audit Institutions for Compliance Auditing (ISSAI 4000).

7. Management of the ESP

7.1 Establishment of the ESP

COVID-19 was declared a worldwide pandemic by the World Health Organisation on 11 March 2020. On 31 March 2020, the Solomon Islands Government advised the public that it was consulting private sector representatives to put together a stimulus package to relieve any serious impacts on the national economy arising from the pandemic. The Cabinet deliberated on the proposed package of measures in late April 2020 and the public were advised of the details of the package and invited to apply for assistance on 26 May 2020 with a deadline for applications of 5 June. The Solomon Islands Government later extended the deadline until 31 July 2020.

Chart 1 below shows the cumulative expenditure under the ESP starting in June 2020 and finishing in September 2021 when proposed expenditure was complete.

The approach to the ESP in the Solomon Islands was different to similar packages used in other countries to stimulate the economy. In places like the United States, Australia and the United Kingdom, stimulus payments were made either to individuals who worked in industries which had been most impacted by shutdowns resulting from COVID-19 – retail, transport, hospitality, and accommodation, or to businesses which operated in those industries on the basis they continue to employ staff.

Payments made to businesses in other countries were either payments made for wages to keep employing staff (the JobKeeper payment scheme in Australia is an example of this³) or low-interest loans to be repaid once economic conditions had improved (for example the Bounce Back Loan Program in the UK).⁴ Other countries in the region such as Fiji, Papua New Guinea, New Zealand and Vanuatu introduced measure to delay the payment of tax liabilities or to support banks offering low cost loan facilities to businesses or made payments to support individuals who lost their jobs because of the COVID-19 downturn. None appear to have made large direct payments to businesses as has happened with the ESP.

The ESP also provided grants to small and large businesses, particularly in areas such as logging, cocoa production, and kava production. It did not provide grants to retail shops, transport businesses such as bus owners or restaurants to support wages payments, except for some assistance with rent.

There was no requirement for recipients of grants to continue paying staff during shutdown periods. Business owners could collect the grant and keep it while laying off staff who had no work. Timber exporters, who received large benefits, had to simply agree to continue to buy timber as a condition of being given grant money and there was no agreement as to how much timber to purchase.

7.2 ESP administration

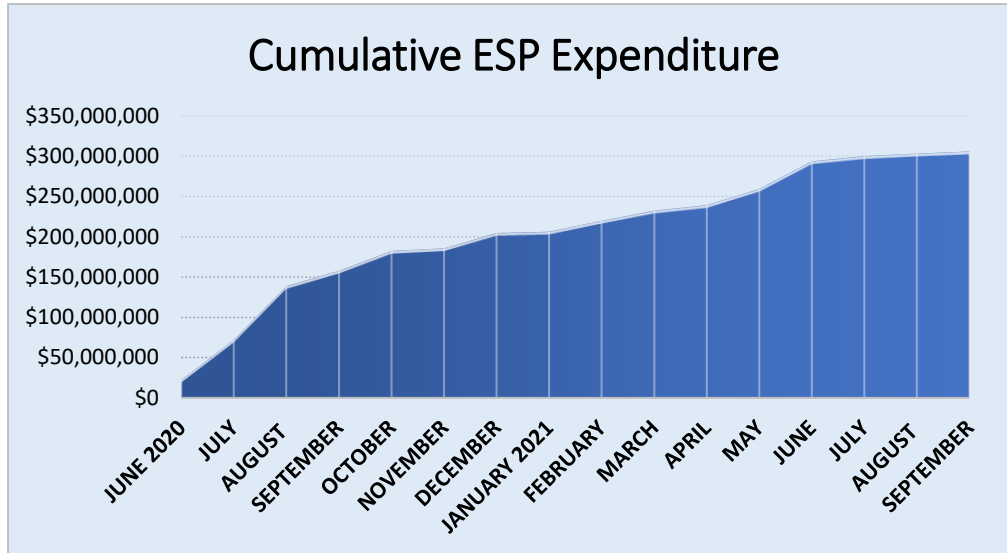
The Cabinet established the ESP Implementation and Oversight Committee (the ESP Oversight Committee) to manage the ESP. The ESP Oversight Committee was chaired by the Permanent Secretary of the Ministry of Finance and included the Prime Minister's Chief of Staff and the Permanent Secretary of the Ministry of Commerce, Industry, Labour and Immigration as well as

³ Australia's JobKeeper Program.

⁴ Fact Sheet Bounce Back Loans – Gov.uk.

officers from both the MoFT and Prime Minister and Cabinet Office. The ESP Oversight Committee would assess and approve payments to be made through the various payment methods.⁵ The ESP Oversight Committee also had a small Secretariat.

Chart 1 Cumulative ESP Expenditure



7.3 Expenditure categories

Table 2 below shows the expenditure recorded in the MoFT payment system for each of the sub-heads used to make ESP payments along with the initial estimates provided in the ESP Booklet and the amount appropriated in the 2020 Supplementary Appropriation Bill.

Table 2 Planned ESP expenditure vs Amount Appropriated vs Actual Expenditure

Sub Head	ESP Booklet	Supplementary Appropriation	Actual
ESP Equity Support to SOE's	\$ 85,000,000	70000000	\$ 70,000,000
ESP Relief Support for Grants	\$ 20,000,000	25000000	\$ 13,507,168
ESP Support to Infrastructure Initiatives	\$ 90,000,000	90000000	\$ 77,585,623
ESP Support to Productive and Resource Sector	\$ 114,000,000	121000000	\$ 144,788,001
	\$ 309,000,000	\$ 306,000,000	\$ 305,880,792

7.4 Processing grant applications

The notice calling for applications advised that the ESP had three overarching guiding principles:

1. A quick economic return, which means the applicant’s proposed activity for funding should have a quick turnaround preferably not more than six months;
2. Having a significant impact to the rural and national economy by encouraging income generating activities and employment. This means the proposed activity should employ a good number of people and contributed to the national economy through taxes, business licenses and growth in manpower resources; and

⁵ ESP Booklet Page 4.

3. Provide a platform for long term economic recovery post COVID-19 which sets the foundation for a multiplier effect from economic activity, investment, and growth.

Some 16,000 grant applications were received. Many of the smaller grants were paid through the Imprest Account, and the OAG has reviewed some of the applications for these grants against the guidelines. For the larger grants the applications have not been made available. Despite repeated requests the OAG has not been provided with the Minutes of the Oversight Committee where these grants were approved, or the applications related to these grants.

The case below highlights the OAG's concerns about the grant decision-making process not being fully documented.

Case Study – Grants to establish a kava export business in competition with existing businesses

Three firms in the business of exporting kava received significant grants. Two of these were existing businesses, one was incorporated in 1989 and the other in May 2019. These two firms received \$0.67 million each. The third kava exporter to receive a large grant was a new business formed after the start of COVID-19 and received the largest grant of \$2.5 million. The owner of the company and sole director of this new company was still working as the General Manager of one of the rival companies as late as September 2019 when he submitted the annual return for that company. The owner had registered the name of this new business when he was still the General Manager of the existing kava business in May 2019 but the new company was not registered until 13 October 2021 and its was deregistered in May 2023 for failing to submit an annual return to Companies Haus. In fact, after its creation it never submitted any returns at all.

The company stated in the media that it had spent all of the \$2.5 million on buying kava but media reports indicate that some of the funds were used to purchase a truck for the new business.

The Guidelines on the Disbursement of ESP Funds provide that eligible kava exporters would need to have a recent export history.⁶ When the new business exported a container of kava to the United States in September 2020, media reports indicated that the owner was proud of having exported his first container.

The new business received \$1.33 million on 30 June 2020 and another \$0.67 million on 12 August 2020 and yet another \$.5 million on 31 August 2020. The agreement between the Solomon Islands Government and this company was included with the payment documentation reviewed by the OAG and included an exclusivity clause. In exchange for agreeing to accept a grant of \$2.5 million, the company sought to exclude the Solomon Islands Government from providing similar grants to other kava exporters, which automatically targeted the owner's previous employer. Having signed the agreement, the Solomon Islands Government ignored this clause and provide smaller amounts to the two other exporters.

As the applications submitted by businesses to receive grants were not made available to the OAG despite repeated requests, it was not possible to review the analysis which determined that providing \$2.5 million to a new company rather than focusing on existing exporters was the most effective way of supporting the kava export industry. One of the existing companies had first exported kava to the US in 2014 and the new firm made its first export to the United States in September 2020.

⁶ Guidelines for Disbursement and Monitoring of Stimulus Package page 2.

7.5 Assessment and approval of applications

The ESP Oversight Committee set up a Technical Committee to assess grant applications before submitting appropriate grants to the ESP Oversight Committee for approval. The Technical Committee developed a comprehensive guideline to use to assess applications from the various industry sectors and sub-sectors.⁷

Application criteria varied depending on the type of business. For example, a copra buyer only needed to meet three criteria - they had to hold a Provincial Business Licence, had to be an existing buyer with records of recent purchases from farmers and had to be indigenous to the Solomon Islands. Copra processors, on the other hand, had to meet seven criteria including owning a factory, being tax compliant, having recent export sales, employing more than 10 people and having an existing sales contract with an overseas buyer.

The guideline is a well-constructed document which includes description of the expected activity and performance expectations.

There was no application form so the ESP Oversight Committee received free form applications which may have included the information requested in the call for applications. However, this information was not in a standardised form, making the assessment of applications more time-consuming as the required information had to be found to be assessed. The absence of an application form also made it more difficult for users to frame their applications, resulting in a distinct advantage for applicants who had previous experience dealing with Government bureaucracy. Some applicants submitted handwritten applications on a single piece of paper and others submitted 30-page business proposals.

In the interests of fairness to all applicants, grant applicants should be assessed on the merits of the applicant's situation, not on their ability to write the best story about their situation. Providing an application form would have provided equal opportunity for all applicants to present the required information and would have made the job of assessment much simpler and quicker.

Recommendation 1: In future grant programs, application forms be developed to help applicants apply for grants and allow applications to be properly assessed.

In the course of our audit, we identified that a government officer had personally signed for 251 Imprest Account cheques worth approximately \$6.8 million. Our stage two verification work identified that the officer also was sometimes involved in encouraging and preparing applications for individuals.

A person should not be involved in both the preparation and approval of a grant as this creates a conflict of interest, or potential conflict of interest, which should be avoided.⁸

In addition, during our audit we spoke to some recipients of grants. We identified one case where one beneficiary reported that they were given a cheque for \$80,000 and told to take it to the bank and cash it and return to the government offices with the money. They then gave the money back to

⁷ Guidelines for Disbursement and Monitoring of Stimulus Package

⁸ Refer SI Government Code of Conduct Solomon Islands Public Service, "Avoiding or disclosing any conflict of interest", page 7.

the staff member who then handed him \$60,000, retaining \$20,000. The recipient did not see the grant form which indicated how much he was supposed to collect as the form had been signed by a government officer.

Recommendation 2: In future grant programs, the organisation administering the grants programme ensures that any conflicts of interests, or potential conflicts of interests, are appropriately managed.

Although there were over 2000 grant payments made, only around 200 applications could be found for OAG review. There was no clear responsibility as to whether these were held by the Ministry of Finance or the Prime Minister's Office where the ESP Oversight Committee was located. In any event, only a few boxes of applications were able to be located and these were all for smaller grants.

Because the responsible Ministries only provided less than 10% of approved applications to the OAG, the OAG was restricted in assessing whether successful applicants had made a convincing argument as to why they should receive a grant. From the applications reviewed there was significant variability between successful applications. Some applicants submitted comprehensive business cases with data and graphs and detailing the history of the business, while others submitted what amounted to little more than a request to fund a business idea. The detailed information provided in the application addressing the stated criteria did not seem to be a determinant of whether funding would be provided, or how much would be approved. There was no documentation available to indicate what was considered in assessing applications. There were numerous examples where the applicant provided very little information and still received a grant.

As could be expected, the grants programs received thousands of applications. The Technical Committee was not a full-time committee with participants not being released from their normal jobs. It quickly became overwhelmed by the volume of work and the ESP Oversight Committee eventually stopped relying upon it to pre-approve applications, doing the full assessment themselves.⁹ As the ESP Oversight Committee consisted of high-level officers who also had to manage their normal jobs, it is doubtful whether they spent sufficient time assessing applications to be sure they met the identified criteria.

Case study – grants to business

Amongst the small number of applications made available to the OAG, there were a group of applications that were received from seven villages in one province. These applications were all on a single hand-written page. The pages these were written on were all the same type of paper and were all written with the same pen. All were prepared by the same person as the handwriting and format were identical. The argument used to support the request in each case was:

"We have a lot of local chickens roaming the village vulnerable to dogs and prey birds. Therefore, we need your assistance for proper keeping and feeding for cash."

There were two other sections for each application. One provided the name of the village, ward, and constituency. And the other provided details of the materials needed to cage and support the chickens - chicken wire, nails, chainsaw hire, chicken food etc. The amounts requested ranged from \$2,719 to \$3,860. The amount approved in each case was \$15,000, significantly above the amount requested.

⁹ Audit interview with Committee Secretary 14 September 2022.

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The Guidelines for Disbursement and Monitoring of ESP Funds provide that applications for funds in the poultry sector must have an existing farm and links to local buyers. It is arguable whether having some chickens meets the definition of an existing farm.

As there were no documents to provide analysis of these decisions, it could not determine during our fieldwork why \$15,000 had been approved for each chicken farmer. Subsequently, MoFT provided us with an ESP Oversight Committee Minute recording the decision to approve an allocation of \$15,000 to poultry farmers in the East Choiseul Constituency.

During our fieldwork we visited six of the farmers whose names were on the applications at their location on the application form. They told us that they had given their name to a community representative along with the amounts requested with the expectation that the community representative would submit applications on their behalf, which the person did, as the applications were among those the OAG had access to.

Five of the farmers interviewed said they had received no payment and had heard nothing from anyone since providing their names. The other person was a relative of the applicant and did not know whether the applicant had received any funding.

After we sent the draft report to MoFT for its comment, MoFT confirmed that no amounts were in fact distributed to the chicken farmers, or their representatives despite evidence of approval by the ESP Oversight Committee.

The OAG has seen some evidence that the Technical Committee had a methodology for reviewing applications against the criteria, but this was only documented in a few cases. There was no evidence of any such methodology being applied once the Technical Committee ceased to function. Many people received much less than they asked for and some applicants received more.

Recommendation 3: In future grant programmes, the organisation assessing grants should document its assessment of each grant including ensuring grants meet any designated criteria. It should also retain all relevant documentation supporting each grant.

In publicising the ESP program, the Solomon Islands Government failed to manage the expectations of the population. This led to many people submitting applications for far more than they were ever likely to get, resulting in significant disappointment for many people who had spent a considerable amount of time preparing their application. The average amount applied for in the 200 applications seen by the OAG was \$200,000.

For example, one kava farmer applied for \$5,000,000 and received \$5,000. Another applicant for a fishing project asked for \$314,000 and received just \$5,000. There was also a copra buyer who asked for \$20,000 and received \$50,000 and a timber miller who asked for \$66,000 and received \$130,000. (This is based on the small number of applications provided to the OAG. It is possible that these two cases had more than one application so they may have been funded in response to a different application to that seen by the OAG.)

Media reports indicate there was significant citizen dissatisfaction with the grants process and this was due, in part at least, to the Solomon Islands Government not indicating what was possible under the program. More detail could have been provided as to what was likely to be funded and examples could also have been provided so that, for example, a seaweed farmer in Choiseul would have

expected that he might get \$10,000 to improve infrastructure but not \$100,000 to buy a boat and outboard motor.

7.6 Reporting requirements

In other ESP programs in the region, Governments published lists of who received grants under the program. No such lists were published in the Solomon Islands. Such transparency would provide an increased measure of control such that people with local knowledge could identify any grants which were made to people who were not in the business they had professed to be in in their applications.

Recommendation 4: In future grant programmes, the organisation responsible for distributing grants publish a list of grant recipients, the amount received, and the purpose of the grant.

The ESP Oversight Committee did introduce reporting requirements for grant recipients, but these were not generally adhered to, and the ESP Oversight Committee did not have the resources to follow-up. There were over 2,000 individual grants and trying to take action to compel these people to report on their activities was beyond the resources of the ESP Oversight Committee and its small Secretariat. This meant there were no consequences if people failed to report on what they did, or didn't do, with the grants they received. Very few reports were provided to the OAG.

Recommendation 5: In future grant programmes, the organisation responsible for distributing the grants ensures that grant recipients comply with any grant conditions, including any reporting requirements.

7.7 Program evaluation

An evaluation of the ESP commenced in September 2021 after a pilot survey in July 2021. Up to 16 youths were co-funded by the Solomon Islands Government and the Asian Development Bank (ADB) to take part, and work commenced in Honiara and Auki through the undertaking of a household survey. An evaluation of ESP grant recipients was undertaken and also interviews conducted of some non-recipients. Work also started in Isabel Province at the same time and then in the rest of Guadalcanal, Choiseul and Western Provinces the following month. The Ministry of Commerce managed the evaluation work.

Subsequently, we understand that the MoFT completed ten separate evaluation reports on the ESP but these reports have still not been made public, even though the Solomon Islands Government advised in August 2022 that the reports were nearing completion and would be released to the public.^{10 11} We understand the reports have been provided to each Member of Parliament but have not been formally tabled in Parliament.

Public release of these reports is an important accountability measure that would provide public access to an independent review of how effective the ESP was.

In addition, an audit concern with these evaluations is that they were undertaken by a consultant who was a member of the Technical Committee and who also received money from the ESP. Money received included payment for services as a consultant to the Technical Committee and running the evaluation program, a grant for an agricultural business owned, and also rent relief for a tenant. It is

¹⁰ Sol Time Article March 2022 Economic Stimulus Report to Be Published Soon.

¹¹ Media Release 10 August 2022 ESP Report expected soon.

difficult to see how someone who received over half a million dollars from the ESP could be perceived as a suitably independent person to evaluate the ESP.

Recommendation 6: MoFT make public the ten evaluation reports on the ESP.

Part 8 - Use of Constituency Development Offices to distribute ESP funding

Over \$55 million of ESP funds were provided to Constituency Development Offices for Productive and Resources Sector Grants or for Infrastructure. In internal documentation some of this funding was referred to as being for the National Transport Initiative.

The process for applying for these grants was unclear. In the examples the OAG sighted, Members of Parliament wrote a letter to the Prime Minister asking for money and signed a funding agreement where the objective to be achieved was generally vague. One agreement, for example, stated that the purpose of the grant was to 'assist with machines to construct and maintain existing roads, and the expected outcomes were 'good reliable and safe roads'. There was no agreement as to what sort of machines were to be purchased or which roads were to be constructed or maintained, nor was there a defined start point or objective that would enable any measurement of what was achieved.

The accountability and reporting mechanism were internalised in the Constituency Development Office. The standard agreement required for the Constituency Development Office to prepare monthly reports to the Member of Parliament on expenditure and progress, with copies to the Ministry for Infrastructure Development. The Member of Parliament was responsible for reporting to the Prime Minister and Cabinet on the progress of projects but this did not appear to require a documented report. One Constituency Development Office did create a report on its expenditure, but only when the OAG asked if such a report existed, two years after the event. As Members of Parliament did not report to the ESP Oversight Committee, the Committee did not establish any review mechanism to ensure that expenditure reports were accurate or that questionable items were questioned. The OAG cannot conclude that the funds were spent as planned or reported.

The reports that were available often listed payments without context. There was no indication that there was any process around deciding how much money was paid out and to whom, or for what purpose. Funding provided through Constituency Development Offices should adhere to the accountability standards imposed by the Ministry of Finance on expenditure by Ministries. In this case, reporting should have been done to the entity approving the funding, the ESP Oversight Committee.

Allowing individual Members of Parliament to determine how funds are used comes with its own set of problems. In a 2017 OAG report on the use of Constituency Development Funds, the then Auditor-General made the following comment:

'It is clear from this audit report that there are significant problems with the implementation of Constituency Development Funds as a method of rural poverty relief.

...

In the budget system of democratic states, the most important manifestation of the separation of powers is that the legislature enacts the budget and evaluates, but is not directly involved in, its implementation. It determines the rules of the game and pronounces on whether these have been

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*followed but does not “play the game” itself — it is the executive that manages and spends the budget. CDF schemes appear to breach the separation of powers by conferring the executive powers of budget implementation on MPs.*¹²

Giving ESP funds to Constituency Development Offices and not specifying how those funds will be spent significantly reduces internal control and accountability. Decisions on how much to provide and to which offices should be based on a detailed application which sets out what the funds are to be used for, and the outputs that will be created.

The ESP Oversight Committee decided to award further funding to some Constituency Development Offices on top of the \$800,000 that was routinely paid to most offices, and it unclear whether there was a methodology behind these decisions or that this distribution was equitable.

Table 3 shows the Constituency Development Offices which received over \$1 million in ESP grants. In all but one instance these are Minister’s offices. Constituencies of other Ministers and Government backbenchers also generally received more than those held by members of the Opposition.

Table 3 Constituency Development Offices which received over \$1 million in ESP funding

Constituency	Member	Total
East Malaita Constituency	Deputy PM	3300000
South New Georgia Rendova Constituency	Government Backbencher	2450000
Fataleka Constituency	Minister of Planning and Aid Coordination	2000000
North Vella la Vella Constituency	Minister for Justice and Legal Affairs	1965000
North West Choiseul Constituency	Minster for Finance	1856000
South Guadalcanal Constituency	Minister for Provincial Government	1800000
Temotu Nende Constituency	Minister for Forests (til 12/2020)	1800000
West Honiara Constituency	Chairman of Caucus	1800000
Central Makira Constituency	Minister for Fisheries	1300000
East Guadalcanal Constituency	Minister for Mines	1300000
Hograno Kia Havulei Constituency	Minster for Foreign Affairs	1295700
Temotu Pele Constituency	Minister for Rural Development	1150000
Baegu Asifola Constituency	Minister for Public Service	1141984
Shortland Islands Constituency	Minister for Home Affairs	1100000
Lau Baelelea Constituency	Minsiter for Agriculture	1082101
Ghizo Kolombangara Constituency	Minister for Education	1050000

The impact of the skewed nature of this funding is that Constituency Development Offices where the Member of Parliament was associated with the Government received, on average, \$180 per 2019 registered voter whereas those where the Member of Parliament was not associated with the Government received \$89 per 2019 registered voter.

The weaknesses in distributing funds through Constituency Development Offices could be mitigated through increasing citizen participation, progressively distributing funds, implementing rigorous reporting and third-party oversight of Constituency Development Office activities, and developing sufficient project management capacity.

Constituency Development Offices do not have the infrastructure or range of skills necessary to manage large payments programs or large projects and do not have the necessary focus on accountability to ensure that all expenditure is transparent and accountable or that procurement achieves best value for money. Government procurement rules would not generally allow the

¹² SIOAG Report - Constituency Development Fund Audit Report 2009 – 2012.

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Ministry for Infrastructure to purchase a piece of capital equipment for \$1.75 million based on a single quote. Under the ESP, one Constituency Development Office was able to do just that and others made similar purchases.

The use of Constituency Development Offices to distribute funds also creates other problems including the possibility of some beneficiaries 'double dipping'. Review of the detailed lists of awards by one office revealed that it gave grants to four individuals who also received grants from the main grants process as well and there appeared to be no coordination between the ESP Oversight Committee and the individual Constituency Development Office to prevent this happening. Also, from the same list of grants, four of the recipients did not appear to be registered voters in the constituency. If there is no check on voter registration prior to awarding a grant, there is nothing to stop people applying for grants from more than one Constituency Development Office.

At a minimum, any program such as the ESP which channels a large volume of funds through Constituency Development Offices should require complete documentation of allocation, procurement and distribution decisions similar to that required for all Ministry expenditure. This documentation should be created at the same time transactions take place. The documentation should be available for external review by relevant Ministries and provided to the OAG immediately that it is requested.

Recommendation 7: In future grant programmes where funds are provided to a Constituency Development Office to distribute, the Constituency Development Office be required to comply with the relevant procurement rules, document its decision-making process and outcomes sought, and report on all distributions.

Part 9 – ESP distributions

9.1 Payments to SOEs and DBSI

A total of \$85 million was paid to support State-owned enterprises and the Development Bank of the Solomon Islands (DBSI).

The ESP proposed an equity injection into the Government's portfolio companies for immediate recovery and to provide for continuation of their operations. This was to be in the form of direct payments to State-owned enterprises totalling \$52 million as well as a further cash injection of \$18 million and \$10 million to the DBSI to fund support to business activities and SME growth in rural areas respectively. Table 4 shows a breakdown of these funds. A further \$5 million was later added to be paid to DBSI and this is discussed below under infrastructure payments.

Table 4 Payments to State-owned enterprises

Payments to State Owned Enterprises	Amount
Commodities Export Marketing Authority (CEMA)	\$ 2,000,000
Sol Water	\$ 5,000,000
Sol Tuna	\$ 5,000,000
Sol Airlines	\$ 20,000,000
Development Bank of the Solomon Islands (DBSI)	\$ 20,000,000
DBSI - to support business	\$ 18,000,000
DBSI - to support SME's in rural areas	\$ 10,000,000
Total allocated to SOEs	\$ 80,000,000

OAG has confirmed that these payments were made to the State-owned enterprises. The objectives for the payments were to provide for recovery and business continuity and these State-owned enterprises continued to operate, so the objectives have been met.

9.2 Grants to the productive and resources sector

The first part of financial support to business was through grants to the productive and resources sector to assist with immediate recovery and provide food security. Grants also aimed to increase rural production and incomes and employment and assist with the diversification of the export and economic base. Sectors targeted included agricultural products such as noni, kava, cassava, taro, potatoes, coconut and cocoa, as well as the forestry, fisheries and tourism sectors.

These grants were paid through three different mechanisms. Some were paid through the MoFT payment system either to recipients directly or to local business to buy goods such as equipment for recipients, some were paid in cash, being processed through the Imprest Account and some were paid to Constituency Development Offices. \$135 million was paid in total, \$21 million more than was identified in the ESP Booklet. A further \$10 million was paid to DBSI.

Table 5 Breakdown of payment methods to the productive and resources sector

Method of Payment	Total Paid	No. of Payments	Average Payment
Paid through Treasury Corporate Services Imprest Account	\$ 33,547,270	369	\$ 90,914
Paid To Consitutory Offices	\$ 41,254,635	115	\$ 358,736
Paid Directly to Businesses	\$ 59,986,256	1515	\$ 39,595
	\$ 134,788,161	1999	

9.2.1 Grants to the productive and resources sector paid through Treasury’s Corporate Services Standing Imprest Account

The process for receiving, assessing, and making payments through the Imprest Account

A total of \$33.5 million was paid as grants to the productive and resources sector through the Imprest Account in 369 individual imprest transactions and many of these transactions had multiple payees so there were over 1500 individual payments.

OAG selected a sample of acquitted Imprest Account payments and found that there was little in the way of supporting documentation. Applications were not filed with payment vouchers and these vouchers only indicated how much was being paid to whom, and what sector that person was involved in. As a result, it was not possible to conclude that all payments were made in response to approved applications although the vouchers themselves were all approved by appropriate MoFT officials. Lists of payments to be made were created and authorised by accountable officers but there was no indication how these lists were assembled.

For payments paid from the Imprest Account, it was not possible to determine if payments were made to the person named on the voucher. Payments were generally made in the form of a cheque made out to cash. Recipients were required to sign the voucher to indicate receipt of payment but in many cases someone other than the person named on the voucher signed for the receipt of the cheque. In less than ten percent of these instances there was an indication that the person had authorisation to collect the payment or how they were related to the named beneficiary.

More concerning was the vast number of payments signed for by government officers on behalf of the named applicant. The methodology for this was that a cheque would be prepared, made out to cash, and then an officer would sign for the cheque. It is not clear from records what then happened with the cheques. Most of the payments made in this way were signed for by three officers, with one of these officers signing for 251 cheques with a total value of \$6.8 million. Most of the forms authorising release of the payment were also signed by one of these three officers although there was no instance where an officer authorised release of a payment to him or herself. There was no further accountability for these payments. This is a major and continuing breakdown of internal control and represents a major fraud risk.

The Ministry’s use of the Corporate Services Standing Imprest account as a special imprest holder for grant payments with retirement via a general adjustment journal are not consistent with the SIG financial instructions.¹³

The testing of these imprest transactions could not be completed because 11 payments of the sample selected with a total value of \$473,696.97 had not yet been acquitted, even though the last of these payments was made in September 2021. The failure to properly acquit imprest accounts is endemic in the Solomons Island Government bureaucracy and undermines accountability. Also,

¹³ See Chapter 7: Supply Chain Management Interim Financial Instructions

amongst the imprest payments were payments totalling \$1.2 million to 7 different Constituency Development Offices to distribute.

As noted elsewhere most of the applications for grants could not be found so it is not possible to confirm that grants were made to beneficiaries who met the criteria.

Whether amounts paid under the Imprest Account were effective and achieved the aims of the ESP

Because of these concerns about the application, approval and payment process for payments made through the Imprest Account, we undertook a range of audit fieldwork to see if the payments were effective and achieved the ESP's purposes.

This work included undertaking a phone survey of applicants who had received payments from the Imprest Account. We also visited applicants who had received payments.

Applicants told us that ESP funding was important as it meant they could meet their household needs during COVID-19

Many of the applicants we called¹⁴ received cash to help them with their small income generating farming businesses such as piggery, poultry, forestry, fishing, seaweed farming, meat and also kava production. Several told us that they normally save 10-20% of their income after every sale and make a profit on every chicken or pig they sell. However, as the effect of the pandemic increased, they used their savings to meet their household needs.

Applicants told us that decisions to approve less than the amount applied for was frustrating and unexplained

Decisions to approve less than the amount applied was frustrating for many small and medium-sized business owners. Examples of reductions included a piggery farmer who owned a large farm and applied for \$409,000 and received only \$10,000, another piggery farmer who applied for \$97,000 and received only \$7,000 and another poultry farmer who applied for \$82,000 and received \$15,000. The reasons behind the decision to approve less than the asking amount was not communicated or transparent to the various applicants, however the ESP Oversight Committee told us that it was often due to funding constraints.

Most applicants saw approval of the requested amount as critical for the identified project to be undertaken. Some applicants spent many hours putting together a comprehensive proposal that would convincingly indicate what their needs were and the economic benefits to come from the success of the project. Many of the projects were not divisible. If a fisherman needed \$50,000 for an outboard motor, \$5,000 was not going to be of much assistance.

Some applications were for a set of materials to undertake a project. One piggery farmer told us that once they got their money, they didn't know which part of the project to fund, as roofing iron for the pen was not much use without nails and cement. Another pig farmer received \$7,000 although he had applied for \$26,000. His plan was to extend their existing piggery fencing, install better flooring and drainage to improve the living standards for the pigs. This would allow him to compete with other farmers, as customers were now only buying pigs that were kept in clean pens. However, as he only received \$7,000, he could only get materials for fencing and pig feed with no funding for the needed water suppliers and concrete flooring.

¹⁴ More than 100.

Applicants told us they did not always receive sufficient funding

Often the amount received was not even enough to allow the farmer to keep operating. One poultry farmer who applied for \$45,000 only received \$6,000 and told us that this was not enough to support the operational cost of the poultry during the COVID-19 period. They could only afford to run the poultry for six weeks and then had to sell the birds and stopped the project due to the high operating cost and lack of support to keep the business running. Another poultry farmer, who applied for \$97,000 and only received \$7,000, confirmed that the money received was below what was necessary to keep operating. They subsequently stopped operating.

Applicants told us they had to make other arrangements due to insufficient funding

Many beneficiaries received a cash grant and materials to be supplied by a hardware store. The materials were paid for through the MoFT payment system and the beneficiary had to go and pick up the materials. At least one farmer the OAG interviewed indicated that the cash grant was too small for him to undertake his project, so it wasn't worth the cost of picking up the materials.

Many of the recipients delayed their activities until they had could raise sufficient finds elsewhere. One poultry owner explained he had applied for \$82,000 and received \$12,000. As the money was less than expected, he kept the money and sought additional funding from family before buying some chicks. Some of the recipients we interviewed received less than the money they had applied for and when they received the money, used the money to partly fund the project. However, the money received was unable to sustain them for more than a few weeks.

Ten farmers OAG interviewed planned to expand their small businesses by, for example, improving living conditions of their pigs or providing a proper water supply for their livestock. Most of them were small scale existing businesses, seeking assistance to maintain their operations and expand on their existing businesses. Many indicated that the amount they received was significantly below what they needed, and the funds were diverted to other short-term needs, with no economic return.

Recommendation 8: The MoFT ensure it has rules to ensure that government officers who receive cash, or cash cheques, on behalf of a third part are authorised to do so. Rules should also be in place to confirm the third party has received the funds.

Recommendation 9: The MoFT follow up all payments signed for by government officers to ensure that the named beneficiary received the amount stated.

Recommendation 10: The MoFT recover all imprest payments from the Imprest Account that remain unacquitted from 2020 and 2021.

Recommendation 11: The MoFT ensure that it maintains all documentation supporting payments from the Imprest Account, including applications and assessments.

9.2.2 Grants to productive and resources sector paid through Constituency Development Offices

A total of \$41.2 million was paid as grants to the productive and resources sector through Constituency Development Offices. As shown in Table 6, offices were not paid the same amounts.¹⁵

¹⁵ MPs \$600,000 and infrastructure payments. MPs Constituency support of \$200,000.

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Most Constituency Development Offices received \$800,000 paid in two payments, \$600,000 in mid-2020, with a further \$200,000 paid in mid-2021. The OAG asked the Committee Secretariat for copies of the submissions for these funds. The Secretariat could only provide nine of these applications. The applications received promised a range of activities across agriculture sectors, most of which involved pushing these funds out to the community which would have had the desired stimulus effect.

The South Choiseul Constituency did not have a Member of Parliament at the time these funds were distributed, after a successful election petition against the incumbent, so no ESP funding was received. Two payments of \$120,000 were made to Choiseul Provincial Government Members of Parliament and a third payment of \$360,000 was made to the successful candidate after the South Choiseul by-election in 2021.

The payments were paid directly to Constituency Development Offices with no conditions on how the funds were to be used. The ESP Oversight Committee in approving these payments indicated that Constituency Development Offices should report on the use of funds but only limited reporting was available. None of the reports provided details of how beneficiaries were selected or if this selection provided all constituents with an equal opportunity to access these funds.

One Constituency Development Office provided a list of payments averaging \$20,000 to 30 constituents with no indication of how those constituents were chosen or what they intended to do with the funds. Another provided a receipt for \$290,000 for wire mesh with no indication what the mesh was for.

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Table 6 Productive and Resources Grants Received by Each Constituency Office

Productivity and Resources Grants Paid to Constituencies	Funding Received
South New Georgia Rendova Constituency	\$ 1,450,000.00
Hograno Kia Havulei Constituency	\$ 1,295,699.00
Ghizo Kolombangara Constituency	\$ 1,050,000.00
Fataleka Constituency	\$ 1,000,000.00
North Guadalcanal Constituency	\$ 1,000,000.00
Malaita Outer Island Constituency	\$ 950,000.00
Baegu Asifola Constituency	\$ 941,984.00
Shortland Islands Constituency	\$ 900,000.00
Ulawa Ugi Constituency	\$ 900,000.00
North West Guadalcanal Constituency	\$ 873,850.00
North West Choiseul Constituency	\$ 856,000.00
North Vella la Vella Constituency	\$ 845,000.00
Lau Baelelea Constituency	\$ 832,101.00
Aoke Langalanga Constituency	\$ 800,000.00
Central Guadalcanal Constituency	\$ 800,000.00
Central Honiara Constituency	\$ 800,000.00
Central Kwara`ae Constituency	\$ 800,000.00
Central Makira Constituency	\$ 800,000.00
East Are Are Constituency	\$ 800,000.00
East Central Guadalcanal Constituency	\$ 800,000.00
East Choiseul Constituency	\$ 800,000.00
East Guadalcanal Constituency	\$ 800,000.00
East Honiara Constituency	\$ 800,000.00
East Kwaio Constituency	\$ 800,000.00
East Makira Constituency	\$ 800,000.00
East Malaita Constituency	\$ 800,000.00
Gao Bugotu Constituency	\$ 800,000.00
Maringe Kokota Constituency	\$ 800,000.00
Marovo Constituency	\$ 800,000.00
North East Guadalcanal Constituency	\$ 800,000.00
North Malaita Constituency	\$ 800,000.00
Rannonga Simbo Constituency	\$ 800,000.00
Rennell Bellona Constituency	\$ 800,000.00
Russells & Savo Constituency	\$ 800,000.00
South Guadalcanal Constituency	\$ 800,000.00
South Vella la vella Constituency	\$ 800,000.00
Temotu Nende Constituency	\$ 800,000.00
Temotu Pele Constituency	\$ 800,000.00
Temotu Vatud Constituency	\$ 800,000.00
West Areare Constituency	\$ 800,000.00
West Guadalcanal Constituency	\$ 800,000.00
West Kwaio Constituency	\$ 800,000.00
West Kwara`ae Constituency	\$ 800,000.00
West Makira Constituency	\$ 800,000.00
Ngella Constituency	\$ 600,000.00
North New Georgia Constituency	\$ 600,000.00
Small Malaita Constituency	\$ 600,000.00
West Honiara Constituency	\$ 600,000.00
West New Georgia & Vonavona Constituency	\$ 600,000.00
South Choiseul Constituency	\$ 560,000.00
Total	\$ 41,254,634.00

9.2.3 Grants paid directly to businesses

A total of \$60 million was paid as grants to the productive and resources sector directly, through the MoFT payment system.

Funds were provided directly to businesses requiring support. Some of this was done by procuring equipment for businesses which needed support and in other cases paid directly to these businesses. A total of \$60 million was spent on 1515 payments to 165 businesses. It is not clear from the available reporting whether payment was directly or in the form of equipment. However, there are a number of retail businesses which received multiple payments of smaller amounts which are presumed to be purchases for other beneficiaries and some businesses received one or two payments of a large amount. These latter ones appear to be grants. OAG examined a sample of transactions from each method of support.

Payments for supplies

A total of 505 payments totalling \$12.5 million were made to the four leading suppliers of equipment.

Many grant applicants had both cash and supplies components. Applicants identified the material and equipment they needed to acquire and obtained pro-form invoices from suppliers. When an application was approved, the payment was made to the supplier through the payments system and the applicants were advised to pick up the supplies. As noted in the case above, when the grant was too small for the applicant to undertake their project, they may not have picked up the supplies from the vendor.¹⁶ There appears to have been no follow-up by officials, so the vendor just received a windfall profit in such cases.

Recommendation 12: The MoFT ensure that when supplies are purchased on behalf of grant beneficiaries, vendors are required to provide evidence that those supplies have been provided.

For those grants where equipment was procured, the OAG found there was no formal procurement process.

Applicants selected their own supplier without any requirement for a competitive process. MoFT told us that the general bid waiver had been discussed and approved by the Central Tender Board (CTB). However, we note the bid waiver was for future procurements, and we consider the Act does not provide for in advance blanket procurement approvals, as was attempted here. Such a process undermines controls and the effectiveness of procurement rules.

As part of our audit work, we visited some applicant's business address and asked them whether they received the supplies applied for and what they used them for. We saw good examples of supplies provided through the ESP making a difference to individuals and communities. These included the supply of equipment for fishing businesses ventures, the supply of equipment to transport people, and the supply of materials to complete construction of tourist accommodation.

However, our fieldwork highlighted issues with the supplies, set out below.

Payment for supplies

We sighted a case where the applicant had applied for an outboard motor, freezer, and a generator. However, they were only provided with a generator. Although the generator has proved useful it was not what the applicant applied for, nor required for his fishing business.

¹⁶ Beneficiary survey.

An applicant applied for funding to pay off some business debt. However, they were provided with buildings supplies which they used to build a house. The applicant told us that funding to pay off debt would have been much more useful to them.

Grants to businesses

Where large grants were paid directly to business no evidence could always be provided supporting the application and approval process. We understand a reason for the lack of supporting evidence was that applications were moved to a different office and were subsequently unavailable to the OAG. Payment vouchers provided to the OAG by MoFT included payment documentation, but none included either the proposal by the business to support the grant or details of the assessment undertaken by the ESP Oversight Committee.

A total of just over \$25 million was given to timber, copra, cocoa and kava exporters to buy product and none of them were required to repay this money once they had sold that product. There is a fundamental concern with giving public funds to companies to buy timber or other products for export and then allowing those same companies to keep the proceeds of the sale of those products. If the purpose of the grants was only to ensure that companies continued to purchase copra, timber, cocoa and kava to support the economy around production of those products, then those funds could have been in the form of an interest-free or low-interest loan that the companies could repay once they had sold their products overseas, as happened in other countries.

In addition, we note that funding activities by way of gift does not support the broader principle of having a national fiscal sustainability strategy, ensuring that government spending is sustainable into the foreseeable future without substantial amendment, particularly without increases to tax rates or spending required to prevent a substantial deterioration in the fiscal position.

Also, the absence of a formal reporting mechanism meant that there is no record as to whether these businesses continued to purchase products or how much they spent on those products. There was one example where a timber business received a second grant and the payment documentation for that grant indicated that the ESP Oversight Committee had checked to see if the company had continued to buy timber following the initial grant. However, there was no analysis of whether the timber purchased with the first grant had been sold or what happened to the proceeds of any sale that had occurred.

Recommendation 13: In future grants programmes, consideration be given to supporting large businesses in the form of loans, not gifts, with loan repayments made when economic conditions allow.

As part of our audit work, we visited some applicant's business address and asked them whether they received the grant they applied for to keep their business operating. Some good examples included grants being used to support the basic needs of farmers, provision of equipment to provide transport services, the provision of business equipment, the upgrade of tourist accommodation, and funding to help the broader community (e.g. store and freeze fish).

However, our fieldwork highlighted issues with grants to businesses, set out below.

Grants to businesses

One applicant applied for \$50,000 for a coconut dryer but was only had \$10,000 approved. The applicant used the funding to brush his coconut plantation. The applicant was frustrated that he had only received \$10,000 as he had understood he had been approved to receive \$50,000.

An applicant applied for funding for a coconut crushing mill but received \$20,000 to renovate a leaf hut. The grant was ineffective as when we visited the leaf hut it was in a state of disrepair.

An applicant received \$50,000 to build a tourist transit lounge. However, when we visited the location, the lounge was incomplete and not operational. Another applicant received \$50,000 to complete homestay accommodation. However, the building works had not been completed when we visited the location.

We also identified a grant for a milling machine that had been purchased. However, we were told the machine had never been operational which, in the OAG’s view, was a waste of ESP funding.

9.3 Infrastructure payments

The medium-term element of the ESP was focussed on support to stimulate and build the capacity of the economy to develop and grow and revolved around building essential infrastructure. Some projects not funded under the National Transport Plan (NTP) were included in the ESP. These projects included upgrading and building roads and bridges and sealing airfield runways. Aside from the specific projects detailed in the ESP Booklet, a further \$15 million was set aside to meet caucus and cabinet priorities. In the event \$14 million of this amount was spent through Constituency Development Offices. In all, almost \$78 million was spent on infrastructure, a \$12 million underspend when compared to plan in the ESP Booklet.

Table 7 Infrastructure Payments

Infrastructure Payments	
Paid to Contractors	\$ 57,097,032
Paid to DBSI	\$ 5,000,000
Paid through Constituencies	\$ 14,020,000
Journal Entry	\$ 1,468,592
	\$ 77,585,624

9.3.1 Payments directly to infrastructure contractors

A total of \$58.6 million was paid for infrastructure projects.

The ESP Booklet stated that the infrastructure component of the package would ‘commit the government to bring forward key unfunded major infrastructure under the National Transport Plan within the Development Program of the Government’ and listed two major wharf upgrades, Kirakira wharf/ramp and Maluú for \$39 million, construction of major bridges including Fiu bridge for \$30 million and upgrade of major domestic airports for \$21 million, a total of \$90 million.¹⁷ Actual

¹⁷ ESP Booklet.

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payments totalled \$57 million were made either directly to contractors or through either the Solomon Island Provincial Airports Trust or the Solomon Island Road and Aviation Project.

Table 8 shows the expenditure for these direct infrastructure payments.

Table 8 Payments made directly for infrastructure

Direct payments for infrastructure	
Solomon Islands Road and Aviation Project	\$ 25,000,000
Solomon Island Provincial Airfields Trust	\$ 16,000,000
Trades Transformation Company	\$ 8,173,544
Lion Heart Plant Hire Company	\$ 3,330,613
Nofokava Construction Limited	\$ 3,092,875
Lopia Resort	\$ 1,000,000
Segeo Shipping Service Ltd	\$ 500,000
	\$ 57,097,032

OAG's review of these transactions indicated that much of the documentation required for procurements made under the Procurement and Contract Administration Manual was not filed with the payment voucher as expected. This means the OAG was unable to confirm that appropriate tender processes were adhered to. Also, it was noted that no bid waivers were received for any of these procurements. These would not be required if normal competitive procurement processes were used, but without tender documentation it is not possible to confirm this was the case.

9.3.2 Payment to the Solomon Islands Provincial Airports Trust

A single payment of \$16 million was paid to the Solomon Islands Provincial Airports Trust to fund the ongoing Seghe domestic airport upgrade project. This amount was funded specifically by the World Bank and the project is being managed by the New Zealand Ministry of Foreign Affairs and Trade (MFAT). OAG has sighted the project agreement between the MoFT and MFAT regarding the management of the project and MoFT has ceded all management responsibilities to MFAT. Contracts are to be managed by MFAT in accordance with MFAT procurement guidelines.

The documentation of this arrangement is detailed, and the project is being managed by MFAT under MFAT guidelines which include being covered by MFAT's normal audit arrangements. As such it was deemed that any further OAG activity in regard to this payment was redundant.

9.3.3 Payment to the Solomon Island Road and Aviation Project

The Solomon Islands Road and Aviation Project (SIRAP) is a World Bank project to improve operational safety and oversight of air transport and associated infrastructure and strengthen the sustainability and climate resilience of the Project Roads. The funding from the ESP was a single payment of \$25 million to upgrade the Fiu Bridge in Malaita which is on the main road between the airport and Auki town and was in urgent need for replacement. The bridge was to be procured by the project using financing from National Transport Fund (NTF), with the supervision undertaken by the SIRAP supervision consultant.

The tendering process for this project was managed by the World Bank and the successful tenderer was a Chinese firm. This tenderer was eventually regarded as not suitable and the tender lapsed by

which time the initial payment of \$25 million had been paid to SIRAP. The funds provided for this project are still with SIRAP, to be used when the bridge contract is eventually let.

9.3.4 Payment to the Development Bank of the Solomon Islands (DBSI)

A further \$5 million that was paid to the DBSI was recorded as being for infrastructure. This amount was not specified in the ESP Booklet and was for DBSI to make available a small loan facility for small and medium sized businesses.

9.3.5 Infrastructure payments through Constituency Development Offices

A total of \$14 million was paid to Constituency Development Offices to support infrastructure development.

In regard to these payments, the Implementation Guidelines produced by the Committee Secretariat merely stated that there was an Infrastructure Facility of \$15 million and implementation would be *'in accordance with Caucus and Cabinet priorities.'*

Table 9 shows the payments made to each Constituency Development Office. Twenty of the 24 payments went to Constituency Development Offices where the Member of Parliament was a Minister in the then Government, and the other four went to offices where the Member of Parliament was associated with the governing party. None of these payments went to offices where the Member of Parliament was a member of the Opposition.

Table 9 Infrastructure Funding received by each Constituency Office¹⁸

Infrastructure spending to Constituencies	Funding Received
East Malaita Constituency	\$ 2,500,000
West Honiara Constituency	\$ 1,200,000
North Vella la Vella Constituency	\$ 1,120,000
Fataleka Constituency	\$ 1,000,000
North West Choiseul Constituency	\$ 1,000,000
South Guadalcanal Constituency	\$ 1,000,000
South N/Georgia Rendova Tetepare Constituency	\$ 1,000,000
Temotu Nende Constituency	\$ 1,000,000
Central Makira Constituency	\$ 500,000
East Guadalcanal Constituency	\$ 500,000
Ngella Constituency	\$ 400,000
Temotu Pele Constituency	\$ 350,000
Lau Baelelea Constituency	\$ 250,000
Baegu Asifola Constituency	\$ 200,000
Central Guadalcanal Constituency	\$ 200,000
Central Kwara`ae Constituency	\$ 200,000
East Central Guadalcanal Constituency	\$ 200,000
East Kwaio Constituency	\$ 200,000
Gao Bugotu Constituency	\$ 200,000
Maringe Kokota Constituency	\$ 200,000
North Malaita Constituency	\$ 200,000
Shortland Islands Constituency	\$ 200,000
Temotu Vatud Constituency	\$ 200,000
West Guadalcanal Constituency	\$ 200,000
	\$ 14,020,000

The application process for this money was not clearly defined. Of the transactions examined in detail, two consisted of letters from Members of Parliament which just asked for the money. Members of Parliament did not have to say precisely what would be done with the funds received so there could have been no realistic assessment as to whether this was the best way to spend these funds. As there was no defined outcome, there were no performance measures that could be put in place or assessed by OAG in this audit.

One letter simply stated *'I am writing to request the above funding (\$1 million) to assist in enhancing the transportation needs of my constituency. Grateful please to facilitate the disbursement as soon as it is practicable.'* and the purpose of the funding in the Project Agreement was to 'assist with the shipping services in [the Constituency]'. There are no details as to how this would be achieved or what the end result would look like. There were no financial details about expected expenditure. There was no mention of what would happen to funds that weren't expended. This was a cash grant to a Member of Parliament without any requirements attaching to it.

The National Transport Plan (NTP) provides the strategic framework and direction for achieving the Government's mission for the transport sector by:

- Developing transport sector services;

¹⁸ MPS \$600,000 and infrastructure projects.

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- Developing and maintaining transport sector physical infrastructure;
- Improving the competency and capacity of Government agencies; and
- Developing the transport private sector.

The details in the NTP are mostly about building and maintaining infrastructure. A large number of specific construction/maintenance projects are listed in the NTP. The infrastructure projects listed in the ESP are also listed in the NTP. Aside for the amounts identified for infrastructure projects such as the Fiu Bridge or the ramp at the Kira Kira wharf, almost \$16 million of ESP funding provided to Members of Parliament was described as either infrastructure funding or as NTP initiative funding. This funding is not in relation to specific projects in the NTP.

The OAG reviewed the applications and reporting for a range of Constituencies Development Offices and the results of this review are set out below.

Case study: Grants received and results reported in eight constituencies

OAG has only been able to obtain a small number of the proposals for this funding and these show the purposes of the grants below:

1. The purpose of the fund is to procure a ship for the Constituency;
2. The purpose of the fund is to procure a ship for the Constituency;
3. The purpose of the fund is to assist with machines to construct and maintain existing roads in the Constituency;
4. The purpose of the fund is to assist with the construction of new road and maintenance of existing roads [in the Constituency];
5. The purpose of the fund is to procure machines and plans for the Constituency;
6. The purpose of the fund is to construct and maintenance of roads in the Constituency;
7. 1 -upgrading of community feeder road, drainage, culverts and infrastructure development to maintain road access, good drainage and proper infrastructure and 2- family commercial transportation project;
8. To assist with shipping services. It should be noted that in this case the MP appeared to own the shipping company providing those services.

The results reported against these objectives were:

1. Second hand ship procured;
2. Still looking for a ship to procure;
3. No report available;
4. Bought a grader and two dump trucks for \$2.5 million. The customs clearance for these three vehicles gave an import value of only \$1 million;
5. Bought an excavator for \$1.1 million and a dump truck for \$600,000;
6. No report available;
7. Gave grants to 25 individuals or families to go towards purchase of cars to start a taxi service, as well as to other individuals for a boat, an outboard motor and car washing equipment. Total grants \$1 million. None was provided for upgrading roads or drainage.
8. Paid over half a million to shipping company, \$200 thousand in assistance to constituents and \$60 thousand for office administration.

The Ministry of Infrastructure is responsible for infrastructure development and the use of the NTF and may have been better placed to coordinate expenditure on the upgrade of infrastructure.

Payments were made under the ESP and the NTP Transport Initiative and classified as infrastructure payments. However, this did not mean that they necessarily qualified as any of these things. The case below shows examples from two Constituencies Development Offices illustrating this.

Case Study – Million-dollar grants in two Constituencies

For two of the Constituencies which did provide reports on their spending the Constituency Development Office received a million dollars each as National Transport Initiative funds.

One Constituency gave grants to 25 different constituents to purchase cars or small trucks. The applications for these grants generally consisted of a one-page letter explaining how the funds would be used to purchase a vehicle, generally to run a taxi service although two of them just seemed to say that the funds would improve their quality of life. One of the recipients was living in another Province and was starting a taxi service there. The value of the grants varied from \$22,000 to \$150,000. The National Transport Plan does not indicate that getting more taxis onto Honiara roads as one of its priorities and doing so puts more strain on the existing infrastructure.

There were no detailed proposals and no follow-up to see what was proposed was indeed what happened. The funds were paid to the Constituency Development Office in August 2020 and the first grants from it made 8 months later in April 2021. In four cases, the application for the grant was submitted after the money had already been paid to the applicants. By the middle of June 2022 there appeared to be no more applications available so the Constituency Development Office went back to requests that had been submitted for National Transportation Initiative grants in 2019 and funded car repairs, an outboard motor, a boat and car washing equipment. These last four grants totalled \$85,000 and took the total paid out to exactly \$1 million, enabling the funds to be fully acquitted.

During our fieldwork we tried to locate the 25 constituents who had received the constituency funding to purchase cars or small trucks. However, we had difficulty locating the recipients and could only locate five of them. Two of them told us they had used the funds for transport purposes. However, one told us they had sold the car after a year and the other person said they had used the funding to buy materials to build a house.¹⁹

In the second case the Member of Parliament requested funds to ‘improve shipping services’ and the OAG reviewed the detailed report on how the \$1 million was spent. These funds were also paid to the Constituency Development Office in August 2020 and the acquittal report indicated that the first grants from it were made in May 2020, four months before the funds were allocated and a month before the Member of Parliament even made a request for funding. According to the acquittal report \$0.5 million had been paid out before the funds were even provided.

Also, a total of \$565,000 was paid to a shipping company which the Business Registration details indicate that it was owned by the Member of Parliament’s son, and according to documentation, \$210,000 of this was shipping fees paid in advance. None of the receipts for these funds indicate what was being shipped. The expenses incurred before the funds were approved by the Government could not have been incurred in relation to a grant that didn’t exist and should also not have been reported that way.

¹⁹ One person was deceased.

Approximately \$200,000 was paid in direct assistance to members of the public, mostly described as 'canteen assistance'. While not related to transport or infrastructure this injection of funds into the community could have provided economic stimulus, the purported aim of the ESP.

Neither of these Constituencies made payments to undertake infrastructure development activities despite being funded in relation to the NTP.

It is also not clear why Constituency Development Offices were managing infrastructure projects when the Ministry of Infrastructure and Development is established to do that and has engineers and project managers to oversee such work.

9.4 Grants to support to business by providing rent relief

A total of \$6 million was paid as grants to business in the form of direct payments and rent relief.

A total of \$4.2 million was paid to 77 different business to relieve the burden of rent payments while businesses were shut down. Payments ranged from \$12,600 for three months' rent up to three payments of \$150,000 to commercial premises in Honiara for three to five months' rent. We also identified one payment of \$420,000, 10% of the total amount spent on rent relief, for a bar and restaurant. The OAG was not provided with the application or assessment for this large payment.

The testing of transactions showed that even though business registration was a condition to be eligible for rent relief, four out of twelve businesses tested receiving funding were not registered. Another anomaly noted was that in one case payment was not made to a verified landlord as specified in the rent relief rules. The lease document did not appear to have been signed by the landlord and the payment was made to an individual, not to the company which owned the building.

Documentation provided for rent relief applications was haphazard, and in some cases appears to have been put together in order to apply for the grant. The largest payee had a lease that was signed on 1 January 2020 but the commencement date was 1 April 2020. The rent invoice accompanying the application included charges for February and March 2020, before the signed lease commenced and before COVID-19 was declared a pandemic and before incoming flights were suspended at the end of March 2020.

Other rent invoices were for varying months, ranging from June 2020 to January 2021 and some invoices just gave a number of months, rather the specifying the months it related to. Most of the grants in the sample provided three months of rent relief but some provided five months. There was no documentation of the reasons for this variation. As with most other elements of the ESP, documentation was inconsistent. Some payments had sufficient documentation to review the application and associated payments, but others did not. There was no documentation of the decision-making process, which would have explained why some businesses received relief for a longer period.

Other payments made in this category were made to individual businesses. Some appear to be related to the administration of the program. For example, there were payments to a consultant who assisted the Committee, payments to Solomon Airlines and a payment to a motor vehicle company. Although these appear reasonable, it is unorthodox to pay for the administration of a grants program from the funds of that program.

9.5 Payments to support the education sector

A total of \$5 million was provided in a single grant to the Education Sector Trust Account and paid to support schools. These funds were mostly used to roll out washing facilities to schools, including water tanks.

Although none of the transactions tested by the OAG caused concern insofar as the OAG could see what was paid, documentation was again lacking. Procurement processes had to comply with PCAM requirements but documentation associated with that compliance were often not filed. For example, bid waivers were required for some transactions but there was no evidence that they had been obtained and the payment approval form was missing in three out of 14 cases.

In recent audit reports the OAG has stressed the importance of ensuring that all documentation necessary to support a payment is securely stored and is accessible for review.

Payments to support the education sector

During our fieldwork we visited schools to review the roll out of washing facilities to schools.

One school told us that the support was extremely useful as it meant the school could put in place sanitation measures and controls to reduce the spread of COVID-19.

However, a second school told us that they did not receive any direct funding but received a 10,000-litre water tank to collect and store water for drinking and personal washing. However, the water tank had been delivered without any fittings and went unused for two years. Subsequently, a local church group helped the school install the water tank.

Another school told us that a water tank had been provided but due to poor construction of the tank's base, the tank collapsed.

Our fieldwork identified examples of funding that supported the desired outcome of improving water supply for drinking and handwashing. However, as highlighted above, we also saw examples where improved water supply had not occurred and outcomes sought not achieved.

Annex 1: Audit Recommendation response sheet

Rec. No	Recommendation	Accepted Y/N?	Name & Position of Officer responsible for implementation	Implementation Date	Ministry Comments
1.	In future grant programs, application forms be developed to help applicants apply for grants and allow applications to be properly assessed	Accepted	Project Manager & Oversight Committee	As and when future funding Available	The recommendation is noted and agree for any future grants.
2.	In future grant programs, the organisation administering the grants programme ensures that any conflicts of interests, or potential conflicts of interests, are appropriately managed	Accepted	Project Manager & Oversight Committee	As and when future funding Available	The Committee welcomed the recommendation to further strengthen for any future policy response, in similar nature. The Committee however, wish to confirm that under the reference policy, the conflicts of interest, or potential conflicts of interest have been properly managed through the establishment of an oversight committee where all recommendations were made. During the Committee meetings of Conflict of Interest by Committee Members are declared as well.
3.	In future grant programmes, the organisation assessing grants should document its assessment of each grant including ensuring grants meet any designated criteria. It should also retain all relevant documentation supporting each grant	Accepted	Project Manager & Oversight Committee	As and when future funding Available	The Committee welcomed the recommendation. The recommendation is very important. Under the Policy, a standard set of criteria was used. The final decision for approval and disbursement, however, is subjected to budget allocation

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Rec. No	Recommendation	Accepted Y/N?	Name & Position of Officer responsible for implementation	Implementation Date	Ministry Comments
					and fair distribution to all provinces and sectors.
4.	In future grant programmes, the organisation responsible for distributing grants publish a list of grant recipients, the amount received, and the purpose of the grant	Accepted	Project Manager & Oversight Committee	As and when future funding Available	<p>The recommendation is noted for any future grants.</p> <p>The Committee, however wish to clarify that under this Policy, a list of grant recipients has been published through a website. Not all applicants can view or have access to the website, especially those in the provinces due to poor internet services.</p> <p>The website was discontinued due to technical issues as well as being abused by public, as some people claimed to be the recipient present themselves to the Committee to receive the payment.</p>
5.	In future grant programmes, the organisation responsible for distributing the grants ensures that grant recipients comply with grant conditions, including any reporting requirements	Accepted	Grants Recipients, Project Manager & Oversight Committee	As and when future funding available	The Committee welcomed the recommendation and will ensure that such grant conditions are observed in any future policy.
6.	MoFT make public the tenevaluation reports on the ESP	Accepted	Project Manager & Oversight Committee		The Committee take note of the recommendation and will publish the report after Parliament presentation.
7.	In future grant programmes where funds are provided to a Constituency Development Office to distribute, the Constituency Development Office be required to comply with the relevant procurement rules, document its decision-making	Accepted	Constituency Development Office, Project Manager & Oversight Committee	As and when future funding available	The Committee welcomed the recommendation. This will be further strengthened in the future. Under the reference Policy, grants are disbursed

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Rec. No	Recommendation	Accepted Y/N?	Name & Position of Officer responsible for implementation	Implementation Date	Ministry Comments
	process and outcomes sought, and report on all distributions.				directly to the constituencies for the purposes as provided in the request. It is the sole decision of the Offices to manage the procurement of goods and services for the applied projects. This is similar to all SIG grants related support to all Constituencies.
8.	The MoFT ensure it has rules to ensure that government officers who receive cash, or cash cheques, on behalf of a third part are authorised to do so. Rules should also be in place to confirm the third party has received the funds	Accepted	Project Manager & Accountant & Oversight Committee	As and when future funding available	<p>The Committee welcomed the recommendation and will ensure this loop-hole is not repeated.</p> <p>Under the reference Policy, an internal control mechanism was put in-place, and in some cases, officers consented to facilitate the release in good faith without any favour.</p> <p>The Committee however, cannot rule out conflict of interest from some officers. The Committee agree that such cases needed to be further investigated.</p> <p>But the Committee agree with the recommendation.</p>
9.	The MoFT follow up all payments signed for by government officers to ensure that the named beneficiary received the amount stated.	Partly Accepted	Project Manager & Accountant & Oversight Committee		The recommendation will be actioned.
10.	The MoFT recover all imprest payments from the Imprest Account that remain unacquitted from 2020 and 2021	Accepted	Project Manager & Accountant & Oversight Committee	31/12/2024	The Committee welcomed the recommendation.

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Rec. No	Recommendation	Accepted Y/N?	Name & Position of Officer responsible for implementation	Implementation Date	Ministry Comments
					<p>The Committee, however wish to confirm that all single payments from the Imprest Account are fully retired.</p> <p>The Committee believes that the unretired imprest in the system may come about due to changes in the system from AX to D365.</p>
11.	The MoFT ensure that it maintains all documentation support payments from the Imprest Account, including applications and assessments	Accepted	Project Manager & Accountant & Oversight Committee	31/12/2024	All documents are kept safely in MoFT Accounts Section. Only documents or applications removed from MoFT and used by the Technical Screening Committee are outside of MoFT control measures. .
12.	The MoFT ensure that when supplies are purchased on behalf of grant beneficiaries, vendors are required to provide evidence that those supplies have been provided	Accepted	Project Manager & Accountant & Oversight Committee	Complete – 31/12/2021	The Committee agreed with the recommendation. The reference issue or challenges arises when the new payment system was implemented towards the end of 2021.
13.	In future grant programmes, consideration be given to supporting large businesses in the form of loans, not gifts, with loan repayments made when economic conditions allow	Partly Accepted	Project Manager & Oversight Committee	N/A	The Committee reserve its position on this recommendation, given the nature of the Policy.

Report on an Audit of the Solomon
Islands Government Economic
Stimulus Package

