SOLOMON ISLANDS GOVERNMENT
OFFICE OF THE AUDITOR GENERAL

The Special Audit of the Procurement Activity, Solomon Islands Pacific Games 2023.

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

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1 Auditor General Summary

Overview summary

1.1 This report summarises the key findings from my special audit work undertaken by our contract auditors KPMG on the use of public money to deliver the Pacific Games 2023. I have undertaken two related pieces of work: the financial statements audit of the Sports Solomon Fund and a separate Special Audit of procurement practices. The financial statements audit is nearing completion; however, the Special Audit has now been completed and my findings are summarised here.

1.2 The Government signed the 2023 Pacific Games Host Agreement (the Agreement) in 2016 and committed to provide the facilities, venues and infrastructure needed to host the Pacific Games (the Games) in 2023. Parliament then established the Sports Solomon Fund (the Special Fund) through the Pacific Games 2023 Act, 2017 (the Act). The Special Fund was intended to hold money for hosting the Games and for the ongoing management and maintenance of sports facilities after the Games.

1.3 The National Hosting Authority (the Authority) was responsible for overseeing delivery of the Government's obligations, managing and controlling the Special Fund, planning and budgeting for the Games, maintaining bank accounts, and overseeing the Games Organising and Facilities Committees. The Authority's Secretariat provided administrative support, including finance, procurement, audit, legal, ICT and general administration. These roles carried significant responsibility for lawful spending, proper records and fair procurement.

1.4 My overall conclusion is serious. The Authority did not comply with key requirements of the Public Financial Management Act (the PFM Act) when establishing the budget for the Special Fund. As a result, it did not have the legal authority needed to incur expenditure from the Special Fund. It further implemented procurement practices which were contrary to the PFM Act and have led to issues of waste and probity.

1.5 I also found significant weaknesses in records management, audit support and procurement controls. These weaknesses exposed public money to poor value for money, irregular expenditure, fraud and corruption risks, and the perception that decisions may not have been fair or impartial.

Special Audit Process

1.6 The Special Audit looked at procurement practices for the Games. This summary report sets out the most significant findings from the special audit. The Authority's response to my report focused mainly on disputing whether the PFM Act and the Procurement and Contract Administration Manual (PCAM) applied. The Court has now confirmed that they did.

1.7 I shared the detailed findings and summary with the Authority's management and the Games Board. The Authority's response to my draft findings focused largely on the applicability of the PFM Act and the PCAM to its activities. That response led the Office to seek clarification from the Court.

1.8 Resolving that legal question was important. It allowed us to finalise our view on the procurement governance and practices used to deliver the Pacific Games in 2023.

1.9 The Court has now supported the position taken by the Office in the draft report. I am therefore issuing a de-identified summary report in the form provided to the Authority. For transparency, the Office has published the Court ruling on our website, rather than including the response in the report itself.

1.10 Appendix three details of exceptions covers detailed findings on each of the samples reviewed will also be provided to Prime Minister and the Minister of Finance pursuant to s39(3) of the Public Finance and Audit Act. This approach is consistent with our past practice of avoiding the disclosure of confidential or personal information where that disclosure could affect future investigations or fraud referrals.

What we looked at

1.11 My audit looked at a sample of 16 procurements totalling SBD222.40 million from a total of SBD502.16 million purchase orders processed to the commencement of my audit. The procurements reviewed included the following:

Project	Amount (SBD)
Design and Construction of SIFF Football Academy	$84,289,258
Supply and Delivery of Catering Services for the Games	$47,425,720
Purchase of Property for Sports Legacy Haus Construction	$34,000,000
Providing Catering Services at SINU Panatina and Kukum	$12,300,000
Septic Waste Removal and Servicing	$8,508,588
Multi-purpose Hall at Whiteriver School Materials and Construction	$8,134,902
Supply, Delivery and Construction of Toilets and Showers	$7,773,750
Supply and Delivery of Sports Equipment	$5,374,000
Catering Services at Saint Joseph Tenaru	$4,600,000
Supply and Delivery of Branding and Signage	$3,850,000
U-Drainage Improvement	$2,306,520
Supply and Delivery of Toilet Paper	$1,892,635
Labour for Construction of Medical Clinic	$977,575
Supply and Delivery of Medals	$495,820

Supply and Delivery of Sports Equipment	$281,351
Storage Facility for Medical Clinic Supplies and Materials	$189,566

Audit findings

1.12 My findings in this audit are serious. The evidence shows repeated failures to plan properly, keep to approved budgets, follow the stated evaluation method, apply competition fairly, document decisions, carry out due diligence, manage conflicts of interest, and justify awards where higher-priced or less clearly qualified suppliers were selected.

1.13 In fact, the audit identified multiple layers of weak practice, missing records and errors which, in some cases, overlap and reinforce each other. This has made it challenging to trace the exact sequence of events and to determine how certain procurement decisions were made. The underlying detail in each case has been fully documented in Appendix three details of exceptions, and referrals will be made where there are concerns about fraud or wrongdoing. Below are the summary of my findings.

Controls were weak and exposed public money to integrity risks

1.14 Budget control was poor. Of 16 procurement samples totalling $222.40 million, approved budgets were not provided for 5 samples totalling $127.96 million, or 57.5% of the sample value. These included:

- Design and construction of **SIFF Football Academy** at $84.29 million
- Purchase of **property** for Sports Legacy Haus construction at $34.0 million.

Where budgets were provided, some were too weak to support proper cost control:

- For supply and delivery of **toilet paper**, an initial contract amount of $6.18 million was linked to an overall budget of only $300,000 before being reduced to $1.89 million, which was still over budget.

1.15 Without approved budgets and clear cost estimates, the Authority could not show that spending was planned, affordable, justified or value for money. This creates conditions where inflated prices, excessive variations, unnecessary spending or preferential treatment may not be detected. I will be referring these matters for further investigation.

Competition was bypassed without enough justification

1.16 Bid waivers were issued for 5 procurements totalling $29.61 million, including:

- Providing **catering services** at SINU Panatina and Kukum at $12.3 million,

- Septic **waste removal** and servicing at $8.5 million,
- Providing **catering services** at St Joseph Tenaru at $4.6 million,
- **U-Drainage** improvement at $2.3 million and
- Supply and delivery of **toilet paper** at $1.89 million.

1.17 I was not satisfied that the conditions for waivers were properly met in all cases. Examples included a drainage project and branded toilet papers where the basis for the waiver did not clearly fit the limited circumstances allowed by the procurement manual.

1.18 Waivers are high risk because they reduce competition. If they are not tightly justified and independently reviewed, contracts may be steered to preferred suppliers, prices may not be tested, and decisions may appear biased. Even where fraud or corruption is not proven, poor waiver practice creates a serious perception risk.

1.19 The Court ruling clearly indicates that the practice of blanket bid waiver approvals by NHA was unlawful.

Evaluation decisions did not follow the stated process

1.20 Several awards raise concerns about objectivity and fairness:

- The successful supplier for the design and construction of **SIFF Football Academy** was the highest-value contract, $84.3 million including variations, although an alternative supplier had higher technical scores and a lower bid price. The successful contractor's price was $9.66 million higher than the lowest conforming tender.
- The successful supplier for providing **catering services** for the Games was awarded the $47.4 million catering contract despite no evidence that it had previously delivered catering of that size and despite an experienced international bidder scoring higher technically.
- The successful supplier for supply and delivery of **branding and signage** was awarded the contract even though its awarded price was $2.045 million higher than the competitor, which had stronger relevant credentials.
- The successful supplier for supply and delivery of **medals** was awarded the contract despite its price being $0.284 million higher than the competitor, operating outside its apparent core business and having a history of deregistration for failure to file annual reports.

1.21 A basic procurement rule is that the entity must do what the tender documents say it will do. Bidders should be assessed against the process and criteria they were told would apply. The Authority did not always do this. In some cases, it used Lowest Cost Evaluation, where the cheapest compliant bid should normally succeed, but then awarded to a higher-priced bidder without clear justification.

If quality, capability or local benefits are important, they must be built into the evaluation method from the start. They cannot be added or weighted differently after bids have been received.

1.22 This inconsistency exposes the process to challenge and accusations of bias. It also weakens the Authority's ability to show that decisions were lawful, fair, objective and in the public interest.

1.23 This weakness was not limited to the Tender Evaluation Committees. The Games Tender Board also had an oversight role before awards were confirmed, and there were occasions where it departed from committee recommendations and gave reasons for doing so. However, it did not always use that role to correct incorrect assumptions about conforming bids, require the stated Lowest Cost Evaluation method to be applied, or stop an unsuitable process and require a proper quality-and-cost evaluation. In some cases, its decisions have compounded the non-compliance by relying on reasons that were not part of the stated evaluation method.

1.24 The Authority referred to local capacity building as part of the driver for supporting local firms in the process. Supporting local participation can be legitimate, but it must be stated in the tender criteria and assessed fairly. It should not be used after the event to justify awarding to a higher-priced or less experienced supplier. The objective also needs to be tested. If a local supplier relies heavily on offshore capability or most of the contract value flows offshore, the procurement may not deliver the local capacity-building benefit used to justify the decision.

1.25 There are a number of serious concerns raised around the integrity of the evaluation processes applied. I will be referring these matters for further investigation.

Due diligence checks were not strong enough

1.26 Supplier checks were weak:

- The successful contractor for the design and construction of **SIFF Football Academy**, with a revised contract value of $84.3 million, was deregistered before and during the contract period.
- The successful contractor for the supply and delivery of **Sports Equipment** was registered only six days before tender closure and was awarded a contract despite limited evidence of experience and credentials.
- The successful supplier for providing **catering services** for the Games progressed despite missing key documents referenced in the request for proposal.

1.27 Most contractors did not provide adequate financial information to support assessment of financial capacity. Some contracts allowed 30% to 50% of the contract value to be paid on signing, before goods, services or works had been delivered.

1.28 These weaknesses increased the risk of delivery failure, financial loss, regulatory non-compliance and abuse. They also weakened safeguards intended to stop shell entities, related parties, inexperienced suppliers or unsuitable suppliers from benefiting from public expenditure.

Conflict-of-interest controls did not protect the process

1.29 A conflict-of-interest process existed, but the evidence suggests it was not applied with enough care. This is a critical weakness where senior officials, committee members and board members are involved in high-value procurement decisions. Weak controls increase the risk of undisclosed relationships, preferential treatment, collusion, personal benefit and unfair advantage. They also create a strong perception risk, even where no actual conflict is proven. I will be referring these matters for further investigation.

Overuse of customs duty exemptions

1.30 Consistent with their commitments in the Host Agreement, the Government introduced a full customs and excise duty exemption from 2019 to 2023 to support imports for the Games. A high-level comparison of suppliers' contract values and their recorded duty-free imports showed that, for most suppliers, the value of exempted imports was higher than the value of their contracts. Because the Customs system includes other exemptions and supporting documents were often missing, the accuracy of these figures cannot be confirmed.

1.31 A review of selected suppliers highlighted several concerns:

- Games **catering services** contractor**:** large quantities of equipment, cutlery and food-related items were imported, some appearing excessive or lacking clear justification for Event use. Several items may be suitable for ongoing business operations rather than the Event.
- **Multipurpose Hall at Whiteriver School and U-drainage** contractor**:** Supporting documents were incomplete or inconsistent, with mismatched quantities between invoices and exemption forms. Some purchases, such as 1,000 standing fans and certain machinery, lacked clear explanation or raised questions about whether they were genuinely required for the Games.
- **SIFF Football Academy** Contractor**:** Significant discrepancies were found between quantities listed on claim forms and invoices, and key documents such as invoices and bills of landing were missing. Some imported machinery appeared more suited to general construction work than to the specific Games project.

1.32 Overall, the review indicates possible overuse or misuse of customs exemptions, weak documentation, and uncertainty about whether all imported items were genuinely required for the Event. I will be referring these matters for further investigation.

Records were poor and audit support was not good enough

1.33 Further to the key findings outlined in detail of the report, my special audit and that of the financial statements, to be released shortly, were also affected by serious weaknesses in records management and audit support. Many records were late, incomplete, unsigned or missing. The audit team had to make repeated follow-up requests and hold extra discussions with management to understand basic transactions and decisions.

1.34 Some documents and explanations were only provided after the draft audit findings had been issued. That is a serious concern. Auditors need reliable evidence at the time of the audit, not after findings have been raised. Although I did not find conclusive evidence that documents had been falsified, the late provision of records showed that record keeping and audit readiness were weak.

1.35 I am also concerned that the procurement and finance functions were not properly staffed. A project of this size needed a dedicated qualified financial controller, or equivalent, with the time, skills and authority to keep accurate records, respond to audit requests, and ensure all transactions were properly approved and documented. It also required experienced procurement staff to manage purchasing effectively. The weaknesses identified during the audit suggest that this support was not in place or not working as it should.

1.36 This must be urgently addressed. Poor records can conceal poor decisions, prevent effective audit, and weaken accountability. Public officers who approve or manage spending must keep complete, signed and organised records. Where records are missing, incomplete or unreliable, there should be clear accountability for that failure.

Lack of expenditure authority

1.37 The Court ruling highlighted a significant breach in the Authority's financial management practices declaring that the it did not have valid expenditure authority to expend monies without an accounting warrant or advance warrant issued by the Permanent Secretary of Finance to the Accountable Officer of the Authority. The Court also highlighted that a warrant addressed to the accountable officer of the Office of the Prime Minister and Cabinet, in respect of its own Head of expenditure, does not, without more, authorise expenditure by the Authority from the Special Fund once monies have been transferred to it and become subject to withdrawal decisions taken under section 33 of the Pacific Games Act.

1.38 It further declared that expenditure made pursuant to the Blanket waiver aspect of the modification policy was without lawful authority and is, to that extent, null and void. This ruling reinforces OAG view that expenditure and procurement activity of special funds, unless otherwise specifically legislated for, must comply with the Public Financial Management Act 2013.

What needs to change

1.39 The findings should not be treated as isolated to one Authority or one Event. They show wider risks for government whenever large procurements are delivered under pressure without strong planning, skilled people, clear approvals and independent assurance. Poor planning is not an excuse for a poor process. If a procurement is urgent or complex, the need for planning and control is greater, not less.

1.40 Our report contains 11 key recommendations aimed at addressing weaknesses in the procurement and financial operations of the NHA. These included:

- Budgetary Controls
- Procurement Governance and Principles
- Bid Waiver Process
- Pre-Qualification
- Supplier Due Diligence
- Conflict-of-Interest Process
- Tender Evaluations
- Games Tender Board Decisions
- Financial Bid Variances
- Customs Duty Exemptions
- Further Investigations by Appropriate Authorities

1.41 Except for Recommendation 10 (Customs Exemptions) in which NHA fully aligned with the OAG to investigate customs leakages, the NHA responses summarised in appendix 1 largely deflected, minimized, or rejected the audit recommendations. The NHA consistently relied on the defence of legislative supremacy under Section 46 of the Pacific Games Act 2017 to argue that standard public procurement rules (SIG-PCAM) did not legally apply to their operations.

1.42 The Court ruling however makes it clear that Special Funds as public money are required to comply with the Public Financial Management Act. I also remain of the view that the special funds including NHA should retain its own budget code and be effectively oversighted by both MoFT and Parliament especially for Projects of this scale. This includes the specific issuance of warrants to the accountable officers of NHA and any other special fund.

1.43 Other key areas where change is required and which is across all audits undertaken for NHA include:

- Public entities must keep complete, signed and organised records for all significant receipts, payments, approvals and decisions. These records should be readily available during the audit.
- Public officers who approve or manage financial transactions must understand their responsibility to keep proper records. Where records are missing, incomplete or unreliable, there should be clear accountability for that failure.
- Major projects and special funds must have a properly resourced financial management function. This includes people with the qualifications, time, skills and authority to maintain records, support audit requests and ensure that spending is lawful, approved and properly documented.

1.44 Whilst I acknowledge that the Pacific Games 2023 hosted in our beautiful Solomon Islands were arguably the best ever Pacific Games, our findings supported by the Court ruling highlight the importance of ensuring future such public events must follow public financial management laws and regulations to avoid waste, fraud, corruption and negligence to name a few.

1.45 It is my hope that our recommendations will assist the government and the Ministry involved to strengthen its planning and delivery of future national events.

1.46 I would like to acknowledge KPMG contract auditors especially Mr Anare Manulevu and his team for their untiring support and expertise, and my audit team for their hard work during this audit. I would also like to thank all the staff from NHA, MOFT and the Attorney General’s Chambers for their assistance and support during our audits.

David Teika Dennis
Auditor General
21/8/2026

2 Overview

2.1 Background

2.1.1 The Office of the Auditor General identified concerns regarding procurement activities undertaken by the National Hosting Authority (NHA) in relation to the delivery of Pacific Games 2023. These concerns included potential non-compliance with applicable procurement requirements, weaknesses in governance and oversight, and procurement practices that may not have adequately demonstrated transparency, competition, and value for money.

2.1.2 We therefore determined a Special Audit was required to assess the integrity and compliance of procurement activities undertaken by NHA, determine whether procurement processes were conducted in accordance with relevant legislative and policy requirements, and identify opportunities to strengthen governance, accountability, and procurement practices in future major national projects.

Sol2023 XVII Pacific Games Partners

2.1.3 Pursuant to the 2023 Pacific Games Host Agreement dated 11 May 2016, entered into between the Pacific Games Council (PGC), the Host Government, and the Host Pacific Games Association, the Solomon Islands was awarded the rights to host the XVII Pacific Games. Under the Agreement, the Solomon Islands Pacific Games Association, with the support of the Solomon Islands Government, was designated as the entity responsible for organizing and hosting the Games.

- The **Pacific Games Council (PGC)** oversees the planning, scheduling, management, and delivery of the Pacific Games in accordance with its Charter. The PGC liaises with the National Hosting Authority (NHA), the Host Pacific Games Association (PGA), and the Organizing Committee on matters relating to the organization of the Games and provides guidance and oversight throughout the planning and delivery phases.

- The **Host Pacific Games Association (PGA)**, also referred to as the National Olympic Committee of Solomon Islands (NOCSI), was responsible for supporting the PGC and facilitating the successful organization of the Games. The PGA established the Games Organizing Committee (GOC) and delegated responsibility for the organization of the Games to the Committee while remaining accountable to the PGC for compliance with applicable requirements and governance expectations.

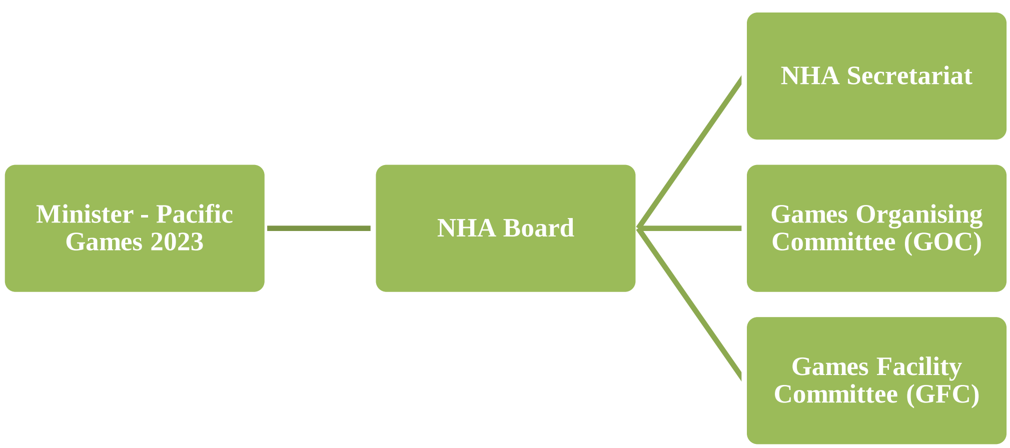
- The **Solomon Islands Government, as the Host Government**, was responsible for providing the infrastructure, facilities, security arrangements, resources, and financial support necessary for the successful staging of the Pacific Games 2023. This included the provision of sporting venues, supporting infrastructure, and other resources required to facilitate the delivery of the Games.

2.1.4 To support the delivery of the Pacific Games 2023, the National Hosting Authority was established to oversee and coordinate the procurement and delivery of infrastructure, goods, works, and services required for the Games. The NHA managed procurement activities across a range of operational and capital projects and was responsible for ensuring that procurement processes were undertaken in support of the successful delivery of the Pacific Games.

Pacific Games National Hosting Authority (NHA) and Games Organizing Committee (GOC)

<u>National Hosting Authority (NHA)</u>

2.1.5 The "Pacific Games 2023 Act 2017," enacted by the Solomon Islands Parliament on 27 February 2017, establishes the Pacific Games National Hosting Authority. In accordance with the PGC Charter and Host Agreement, the NHA serves as a joint oversight body to ensure that the administrative bodies established under the Act, fulfill their obligations under the Host Agreement.



2.1.6 As the central coordinating body, NHA was responsible for managing key governance, procurement, financial, infrastructure, and operational activities required to support the successful hosting of the Games. The Authority worked closely with Government agencies, the Pacific Games Council, the Pacific Games Association, and other stakeholders to facilitate the delivery of venues, goods, works, and services necessary for the staging of the Games.

Games Organizing Committee (GOC)

2.1.7 The Games Organizing Committee was established by the Host Pacific Games Association (PGA) to oversee the planning and operational delivery of the XVII Pacific Games 2023. Its committee members are made up of experienced technical individuals who have necessary expertise to run the games operations. As the principal operational body for the Games, the GOC was responsible for coordinating sporting events, venues, logistics, workforce requirements, and other Games-related activities, while working closely with the National Hosting Authority, the Solomon Islands Government, and other stakeholders to support the successful delivery of the Games.

Solomon Islands Government Procurement and Contract Administration Manual (SIG PCAM)

2.1.8 During the period under review, procurement activities undertaken by the National Hosting Authority were governed by a combination of Government and NHA-specific procurement policies and procedures. In the absence of a dedicated procurement framework at its inception, NHA adopted the Solomon Islands Government Procurement and Contract Administration Manual as its primary procurement framework and reference document for procurement planning, sourcing, evaluation, contract administration, and approval processes.

2.1.9 The SIG PCAM has existed in two versions relevant to the audit period, namely the SIG Procurement and Contract Administration Manual 2013 (SIG PCAM 2013) and the revised SIG Procurement and Contract Administration Manual 2022 (SIG PCAM 2022). As such, procurement activities undertaken prior to the effective implementation of PCAM 2022 in August 2022 were expected to comply with the requirements of PCAM 2013, while procurements undertaken thereafter were expected to align with the provisions contained within PCAM 2022.

2.2 Special Audit Objective

2.2.1 The primary objective of the NHA Special Audit is to assess the integrity and compliance of procurement activities undertaken between FY2020 and FY2023. This includes evaluating whether procurement processes adhered to the SIGPCAMs 2013 and 2022 and the Public Financial Management Act 2013. The audit aims to identify control weaknesses, irregularities, and potential indicators of fraud or negligence. It also seeks to determine whether procurement decisions were transparent, competitive, and aligned with value-for-money principles. Ultimately, the audit will provide actionable recommendations to strengthen procurement governance and accountability within the National Hosting Authority.

2.3 Methodology and Approach

2.3.1 The National Hosting Authority was established by the Solomon Islands Government to oversee procurement and delivery of infrastructure and services for the Pacific Games 2023. As the central coordinating body, NHA managed high-value contracts across construction, logistics, and event operations. A Special Audit was initiated following concerns raised by the Office of the Auditor General regarding procurement irregularities, including retrospective bid waivers, direct sourcing without justification, and documentation gaps. The audit aims to assess compliance with SIG procurement policies, identify governance weaknesses, and recommend improvements to strengthen accountability and transparency.

Phase One – Evidence Gathering and Process Mapping

1. Document and Financial Evidence Review

- Review procurement documentation including RFQs, EOIs, contracts, payment records, and TEC reports.
- Analyze financial transactions for consistency with procurement approvals and pricing benchmarks.
- Identify anomalies such as duplicate payments, unsupported expenditures, or pricing inconsistencies.
- Assess completeness and traceability of procurement records across departments and systems.

2. Chronology Mapping and Flowcharting

- Develop process flowcharts to visualize procurement workflows and identify gaps or inefficiencies.
- Map procurement timelines to detect delays, deviations, or irregular approvals.
- Compare actual procurement sequences against expected workflows to highlight control breakdowns.
- Apply data mining techniques to extract patterns and anomalies from procurement datasets.

Phase Two – Compliance Testing and Stakeholder Validation

3. Compliance Testing against PCAM 2013 and 2022 Versions and Other Relevant Governing Documents.

- Test procurement actions against SIG PCAM 2013 and 2022 versions and other relevant governing documents for transparency and fairness.
- Evaluate completeness of TEC reports including scoring sheets, conflict of

interest declarations, and member sign-offs

- Flag non-compliance indicators such as missing documentations, bid waivers, and sole sourcing decisions.
- Perform targeted testing on customs duty exemption claims using a sampled approach to assess compliance and documentation sufficiency.

3 Summary of Findings

3.1 Poor Budgetary Controls for certain expenditures during the Pacific Games

3.1.1 Budgetary controls are a critical element for financial planning for the procurement relating to goods, services, works, and capital projects in connection with the Pacific Games. In consideration of the huge procurement budget for the Pacific Games with purchase order totaling up to SBD 502.16 million, having a robust budgeting and planning process for the procurement activities would have mitigated the concerns regarding proper resource allocation, financial controls, financial risk management, transparency and accountability in utilization of the Pacific Games funds.

3.1.2 Based on the 16 samples of procurement activities totaling SBD 222.40 million, we note that 5 samples totaling SBD 127.96 million (57.5%) in which we were not provided with the approved budget for the respective procurement activities. Some of the procurement activity on its own merit would be considered a major procurement based on the procurement costs, magnitude, and technical complexities, yet there was no approved budget provided.

3.1.3 While we appreciate that some procurements were funded from donor funds, it is still important to have an approved budget for such procurements that are donor funded. While we understand that certain contractors were a 'design and build' concept, detailed costing under a different construction model could have an upside impact on the total costs actually incurred. Under the SIG Procurement and Contract Administration Manual 2022, it requires a detailed Project Procurement Plan which includes amongst other contents the estimated contract value.

3.1.4 For 11 out of the 16-procurement sampled there was an approved budget, however, there were numerous instances where there was a lack of detailed costing for purchase of goods and services rendered, and comprehensive estimate of costs for capital works/ projects. There were a few instances where the contractual rate approved or total contract value was different to the approved budgeted amount. In one instance where a budget was approved, one international specialist in this field tendered below the budgeted amount. This was assessed as a risk factor by the evaluators based on the exceptionally low cost, and they awarded the contract to a local provider at a higher cost. These examples show that in not properly understanding the price of a service, good or capital project, value for money has not been achieved in the procurement activity. This lack of diligence and poor budgetary practices including the related approval process, raise the risk of a lack of transparency and financial losses from the procurement activity.

3.1.5 Additionally, these findings highlight the shortcomings with regards to the budget setting and monitoring controls and processes over certain expenditures for the Pacific Games. With the lack of an approved budget, this raises the risk of lack of value for money, possible irregular activities, and a cost-effective approach in undertaking these procurements.

3.1.6 Based on our inquiries and review of the selected procurement activities, the detailed processes and guidance on budget setting, estimating contract value, budget monitoring and analysis were not adequately documented or properly understood. While there were some documentations in the SIG Procurement and Contract Administration Manual 2022, there should have been more comprehensive and practical guidance to assist staff that engaged in the budget process for the Pacific Games.

3.2 Weak procurement governance, procurement principles, and capacity building

3.2.1 Governing documents are in place to regulate and guide the procurement activities and processes, including the tender and procurement activities for the Pacific Games. The governing documents include the regulations such as the Public Financial Management Act (No. 9 of 2013) which was passed by the National Parliament on 12 September 2013. The Public Financial Management Act stipulates that the 'purpose of this Act is to promote sound public financial management, including the administration of the Consolidated Fund and other public resources, according to budget priorities, monitoring and reporting and to ensure Government accountability to Parliament in respect thereof. In addition, the SIG Procurement and Contract Administration Manuals for 2013 and 2022 were the principal regulatory procurement framework for the Pacific Games. Additional governing document referred to by the NHA included the SOL2023 – Procurement Policy; and Resolution NHA 03-23-01.

3.2.2 Notwithstanding the existence of these governing documents, we noted that the SOL2023 – Procurement Policy was not adequate for the magnitude and complexities of the procurement activities of the Pacific Games. For instance, the SOL2023 – Procurement Policy was a policy document only and lacked detailed procedures of the key elements of the procurement and tender activities. Upon reviewing the SOL2023 – Procurement Policy, some crucial elements were either missing or not sufficiently covered including the procurement principles, annual procurement plan, request for quotation process, preferred or certified suppliers, tender planning process, tender evaluation process, monitoring suppliers' performance and procurement exceptions.

3.2.3 There was a lack of process workflows to complement the procurement policies and procedures to ensure a structured sequence of activities or steps for each sub-process within the procurement and tender process. This would have ensured a consistent and sound approach to undertaking the various procurement activities. In reviewing the detailed documentation, we note that there was no consistency in the structure and contents of these documents. With a comprehensive and relevant SIG Procurement and Contract Administration Manuals for 2013 and 2022, the authority could have opted to fully comply with the requirements of SIG Procurement and Contract Administration Manual 2022 with additional guidance where necessary. This could possibly minimize the risk of inconsistency and weak understanding of procurement practices, documentation, and irregular activities.

3.2.4 Procurement policy is intended to uphold high standards of professionalism, transparency, accountability, and responsibility in the procurement process. It aims to maximize efficiency, effectiveness, and flexibility while maintaining a system of checks and balances. To support this, procurement policy should include procurement principles such as value for money, transparency, ethical and code of conduct, conflict of interests, social responsibility, and confidentiality. The procurement governing documents for the Pacific Games did not include any of these principles, except for conflict of interest. These procurement principles set the tone in terms of conduct, behavior, culture, ethics, and integrity. With weaknesses in the procurement governing documents, the tone at the top, behavior and culture relating to those involved in the procurement activities could be impaired. This results in risk of misconduct, unethical practices, and conduct.

3.2.5 We were not aware of formal training or awareness sessions being undertaken for all staff of those who participated in the procurement activities and procurement decisions. Given the number of audit findings the training that was undertaken may not have been effective. We were also not aware if staff recruited had the required capability and technical expertise to undertake some of the larger and complex procurement activities.

3.2.6 Given the spending of SBD 502.16 million on procurement and tender, with some individual large and complex tenders, training and awareness should have been conducted so they are informed about principles, policies, procedures, guidelines, risks and other considerations within the procurement and tender process.

3.3 Non-compliance to procurement policy – Bid Waiver requirements

3.3.1 There were numerous instances of non-compliance and breaches to the procurement governing documents including the SIG Procurement and Contract Administration Manuals for 2013 and 2022. The non-compliance and breaches occurred at distinct phases of the procurement cycle.

3.3.2 There were also certain non-compliances that were considered serious in terms of the non-compliance matters and associated risks. From the total 16 samples selected totaling SBD 222.4 million, bid waivers were issued for 5 samples totaling SBD 29.61 million (5.9%). Section 4.1 of the SIG Procurement and Contract Administration Manual 2022 covers the requirement of Bid Waiver.

3.3.3 It states that "The situations where bid waiver requests can be used are limited to the following: (a) A State of Emergency has been declared under section 16(2) of the Constitution and as a result procurement by competitive tendering or simple procurement is not possible; (b) Whole or part of the Solomon Islands has been declared to be a state of disaster under section 12 of the National Disaster Council Act and as a result competitive tendering or simple procurement is not possible; (c) There is a genuine market limitation of the number of potential tenderers and as a result there is no benefit to be obtained from competitive tendering or simple procurement; (d) The procurement is for specialized or technical equipment or services that are available from two or less potential tenderers (either national or international) and as a result no benefit is to be obtained from competitive tendering or simple procurement."

3.3.4 Upon evaluating and investigating the basis or criteria of the approval of the bid waiver, we were not fully satisfied that the conditions properly met the criteria set out in Section 4.1 of the SIG Procurement and Contract Administration Manual 2022.

3.3.5 Justification provided for one of the service providers was that there were only a few companies providing the required service at that time and the contracted service provider could deliver this service urgently. For a particular contractor, the bid waiver was allowed for the drainage project that did not meet the criteria for section 4.1 as noted above. Another instance noted that the bid waiver was granted to allow for the purchase of a specific product. In our assessment, there could be better value for money if these tenders were placed on competitive tendering rather than the award granted through a bid waiver.

3.3.6 The impact of non-compliance to the conditions of bid waiver stipulated in SIG Procurement and Contract Administration Manual 2022 possibly results in lack of transparency and poor value for money in the procurement process. In some cases, there were major differences in the pricing analysis between the tenderers. This could result in a perception of irregular activities occurring, including potential conflict of interest and unethical practices.

3.4 Inadequate tender pre-qualification requirements

3.4.1 Proper planning is essential to ensure a successful procurement process. Key phases in a proper tender planning process should include identifying specifications (technical or functional requirements), setting pre-qualification (technical, legal, and financial), and market engagement to understand specifications and develop comprehensive evaluation criteria. **For the 16 samples selected totaling SBD 222.4 million**, we note a key finding in relation to the tender planning process.

3.4.2 Inadequate pre-qualification process – There was no strict pre-qualification process prescribed for some of the tenders within the 16 samples. This can include technical, which means that the contractor is technically capable of delivering the goods, services, or capital works at the best value for money. However, we noted the following instances:

- **Regulatory non-compliance** - Based on our review of the 'Company Haus' website, we noted that one successful bidder was deregistered on two occasions, including periods both prior to and during the contract term, indicating non-compliance with applicable regulatory requirements. For a total revised contract value of SBD 84.3 million, it would be expected that strict pre-qualification requirements in terms of regulatory compliance would have been mandatory, and an appropriate risk assessment should have been carried out. We identified a few other successful bidders with regulatory compliance concerns that were not appropriately identified or managed during the procurement process. For example, one contractor was incorporated only six days prior to the tender closing date and was subsequently awarded a contract for the Pacific Games. In one instance, for another contractor we noted that key documents mentioned in the RFP document were not provided as part of their submissions. However, they progressed through the elimination phase and were ultimately awarded the contract. This was not only unfair but could indicate an element of bias in the evaluation processes.

- **Financial pre-qualification not clearly defined** - Financial statements, financial guarantees and solvency data are usually pre-qualifications for tender participation. These are important to ensure that contractor has sufficient working capital and cash flows to fund its obligations and to maintain the expected momentum for delivery or execution of the procurement activities. This would assist NHA to manage and minimize its financial risks. We noted that a few contractors provided information for the financial pre-qualification process. However, some contractors did not provide adequate information to allow a robust evaluation of the financial qualification. This elevates the financial risk associated with the procurement activities resulting in NHA being highly exposed to financial losses and irregular activities. Upon reviewing the payment terms for the contractors, there is an upfront payment of 30% - 50% on the signing of contract, prior to commencement of the supply of goods, services, or capital works. This elevates the risk of possible financial losses and non-performance as contracts are paid up to 50% of the total contract prior to the commencement of goods, services and capital works.

3.4.3 Not clearly defining the pre-conditions not only elevates the financial risk to NHA, but it also raises concerns regarding transparency, biasness and potential irregular activities associating with the invitation of suppliers / contractors to bid. Additionally, NHA could be exposed to reputational and regulatory exposures due to the lack of diligence in checking for regulatory compliance of all bidders.

3.5 Lack of proper process on due diligence of vendor

3.5.1 Vendor risk assessment is a critical process as it enables organization to better manage the risks associated with its vendors including supply chain, compliance, ESG (environmental, social and governance) and reputational risks. Given that some of these vendors could be classified as major procurement with varying degrees of complexity, it is a good practice to conduct due diligence and risk assessment of the vendor. However, we noted that there was no clearly documented process to undertake proper risk management of the vendors.

3.5.2 Due to lack of documented guidelines on risk assessment, key risks may not be appropriately identified, assessed and mitigated. Some examples of key risks include but are not limited to financial stability, compliance with laws and regulations, track record of past performance, ethical conduct, and any reported issues or complaints. Additionally, the risk management process could also include evaluating the integrity of shareholders and directors of the companies' supplying goods, services and capital works.

3.5.3 Based on our review of process of onboarding vendors, there have been instances where due diligence and risk assessment for vendors were not adequately undertaken. The lack of a diligent vendor risk assessment process could possibly result in the risk of poor performance and some integrity issues impacting delivery of goods, services or capital works.

3.6 Conflict of interest process

3.6.1 Demonstrating ethical conduct in procurement means that staff and board members must all behave ethically, honestly and appropriately, declare and assess any conflicts of interest. Care needs to be taken where senior public officials are also in board positions to ensure no conflicts of interest are present when complying both as an accountable officer and a board member.

3.6.2 Conflict of interest occurs when a staff member or board member involved in the decision-making line has another interest that creates (or has the potential to create) an incentive for him (or her) to act in a way that may not be in the best interests of the NHA. Everyone has multiple roles and interests at work, at home, in wider families, or in the community and conflicts of interest arise where something practical at work overlaps with one of those other roles or interests. A **conflict of interest** may be:

- ***Actual*** - where the conflict currently exists;
- ***Potential*** - where the conflict is about to happen or could happen; (or)
- ***Perceived*** - where other people may reasonably think that a person is compromised.

3.6.3 Based on our review of tender documents, there were some concerns which appear to highlight potential or perceived conflict of interests. While we appreciate that conflict of interest declaration process is in place, it appears that the process may have not been diligently and appropriately carried out. The risks associated with ethical conduct and conflict of interest are heightened risk of fraud and collusion with suppliers, negative public image, unfair advantage to certain suppliers, personal financial benefit and lack of transparency.

3.7 Evaluation of credentials, capability and capacity of contractors

3.7.1 The evaluation of past credentials, capability, and capacity of bidders during the tender evaluation process is crucial for ensuring the success and integrity of the procurement activities, particularly for some of the large and complex procurement for NHA. This evaluation process assists in selecting the most suitable and reliable bidders who can effectively deliver the required goods, services, or works. Based on our review of the bids, we noted the following findings:

1. ***<u>Bidders that were awarded the bid over much more experienced international vendors</u>*** – There were few instances in which local bidders were awarded the bid over much more experienced international suppliers. We noted that a key criterion in the award was investment in local firms to build local capacity and capability. However, during our investigations, we noted that the local firms awarded the bid were heavily reliant on capability overseas, which is not in line with the initial understanding. Also, there was a lot of procurement offshore which would have adverse impact on foreign reserves.

2. ***<u>Bidders who were awarded the bid over other local vendors</u>*** - In one instance a bidder was awarded for the supply and delivery of sporting equipment for a major sporting event. The entity was incorporated shortly before the tender submission closing date and has subsequently been de-registered by the local company registry due to non-compliance with annual filing requirements. The review was unable to obtain evidence demonstrating the entity's prior experience or relevant credentials for contracts of a similar nature and scale. In the absence of such supporting documentation, questions arise as to whether the evaluation process adequately considered bidders' capacity and demonstrated experience. This may create a perception of bias or conflict of interest during the procurement process.

3.8 Tender evaluation process

3.8.1 In accordance with the SIG Procurement and Contract Administration Manuals for 2013 and 2022, there are three types of tender evaluation. These are:

1. ***Lowest Cost Evaluation (LCE):*** This is where the minimum qualifying requirements and specifications are carefully and clearly stated. Only those Tenderers that meet the requirements will be evaluated. The remainder are non-responsive tenders.

2. ***Whole of Life Costs:*** This method of evaluation considers initial purchase price as well as costs over the life of the asset. It includes costs of maintaining the item as well as the cost of consumables.

3. ***Quality and Cost Based Selection (QCBS):*** The method of evaluation considers quality of the technical proposal and the cost of the services to be provided. Weighting is applied against quality (generally 80%) and cost (generally 20%) to arrive at a score for each Tenderer.

3.8.2 Based on the comprehensive review of the tender evaluation process, key findings were noted for some contractors noted below.

i. Discrepancies in the tender evaluation process for contractor works

A winning bidder (Contractor A) was awarded the highest contract value of more than SBD 80 million including variations amounting to over SBD 10 million for the construction works. Given that this project involves design and build components, the tender evaluation type that would be most preferred and appropriate option is the Quality and Cost Based Selection. This approach considers a higher technical score to consider capability, technical expertise, capacity, and past credentials. We noted the following issues:

a) Tender evaluation approach - The tender documentation stated that the Lowest Cost Evaluation was to be used to evaluate the bids. This approach is normally not the preferred tender evaluation option for a major design and construction project. During the detailed tender evaluation stage, we noted that another bidder (Contractor B) scored higher than the successful contractor on the technical scores and their bid price was also lower. As such, based on the preferred LCE approach, a different contractor (Contractor B) could be appointable as their pricing was lower than Contractor A, who was awarded the contract. Alternatively, had the QCBS tender evaluation approach been adopted, Contractor B could also be appointable as they had higher technical scores based on relevant experience, expertise and credentials. Accordingly, there are concerns noted on prescribed LCE tender evaluation approach for the fairness and objectivity of the actual evaluation process. This exposes NHA to the risk of unfair and bias selection of the bidder for the construction work and the possible irregular activities surrounding the evaluation tender and approval process.

b) ***Tender not awarded to bidder with the higher scores*** - Review of the procurement records noted that the final award decision differed from the outcomes reflected in the initial tender evaluation documentation. Supporting documentation made available for our review did not have sufficient evidence of how the final decision was made.

c) ***Allocation of weighted scores*** - Having a clearly defined tender evaluation scoring matrix is essential for ensuring transparency and consistency in the evaluation, properly supporting the decision-making, enduring accountability in the procurement process. We noted that for the successful bidder (Contractor C), the broad criteria were Forms of tender, qualification information, letter of acceptance and agreement; Minimum Qualifying Criteria (Demonstrated experience and capacity in design and/or construction through financial turnover, completed projects, equipment access, qualified management, and sufficient financial liquidity as specified in the Bid Data Sheet.); Experience and Capability; and Final Re-submitted Prices. All the specific criteria within the broader criteria noted were all given equal scoring of 5 points. For instance, some of the specific criteria including:

— experience in works of a similar nature and size for each of the last three years, and details of work under way or contractually committed; and

— qualifications and experience of design personnel, key site management and technical personnel proposed for the contract.

3.8.3 It was expected that the above criteria would have a greater weighted score, but it was given the same 5 points as other non-critical criteria. The allocation of weighted scores questions the fairness and objectivity of the technical evaluation of the tender and raises the potential risk of biasness in the evaluation process.

ii. Discrepancies in the tender evaluation process of a service provider

a) ***Tender evaluation approach and allocation of weighted score*** - For the evaluation of a service provider, the 12 evaluation criteria all had the same 10 points each scoring, totaling 120 points. With a total contract value of more than SBD 40 million, it would be expected that the weight of the scores would have been appropriately allocated and weighted heavily for the critical tender considerations.

Overall, the equal weighting of each criterion irrespective of whether they are critical or non-critical criteria may impair the fairness and objectivity of the tender evaluation process, particularly for the major tenders. This also raises the concern that some of the critical criteria that have been highlighted above may have not been appropriately weighed. Had these areas been properly allocated a fair scoring matrix for both the technical and financial component, we noted that this could potentially impact or change the outcome of the tender award. Furthermore, had NHA effectively followed a QCBS approach which was more a realistically weighted criteria according to the critical aspects of the service, then a more robust outcome of the evaluation could also have been achieved.

b) ***International bidder scored higher technical score then local service provider*** – We noted that the final procurement outcome differed from the results reflected in the available evaluation documentation. While evidence of the evaluation process was available, the basis for the final award decision was not fully supported by the records reviewed.

3.9 Inconsistency between scoring of the tender evaluation committee and GTB final decision

3.9.1 Under the SIG Procurement and Contract Administration Manuals for 2013, there is a well-defined process should the Central Tender Board (CTB) disagree with TEC's recommendation.

3.9.2 This is documented in Section 4.10 of the manual – *"If in exceptional circumstances the Board disagrees with the TEC's recommendation on Contract Award the Board is to discuss the matter with the TEC. The TEC may be required to consider additional information provided by the Board and, if deemed necessary, the TEC is to prepare a revised evaluation report. The Board should not reject the TEC's recommendations on technical grounds relating to the works, goods, or services. In the event that the Board disagrees with the initial and subsequent evaluations, the Board may disregard the TEC's recommendation and award the contract, based on the Board's sole recommendation. In this event the Board must prepare its own recommendation report (consistent with this*

Manual) with clear and comprehensive justifications for the recommended award. The Board must also attach to their recommendation report the TEC's recommendation reports and all relevant correspondence in regard to the disagreement of the TEC recommendation."

3.9.3 We noted the following key findings:

1. The Games Tender Board (GTB) assumed similar responsibilities, authorities, and powers as the Government's Central Tender Board. We were not provided will a formal and well-defined governing document to outline the powers and authority of the GTB. NHA was required to comply with the regulation requirements of the PFM Act (No. 9 of 2013) and the SIG PCAM 2013. This means that NHA was required to comply with the requirements of SIG PCAM 2013 Section 4.10 in circumstances where CTB may not agree with the TEC's recommendation.

2. Based on the SIG PCAM 2013, the Board should prepare its own recommendation report with clear and comprehensive justifications for their recommended award. The Board should attach to their recommendation report the TEC's recommendation report and all relevant correspondence.

3. For the supply and delivery of catering services for the Pacific Games 2023, we noted the justification for the winning bidder was documented in GTB's recommendation report. For a major construction project, the justification of the winning bidder was documented in the GTB minutes.

3.9.4 The table below summarizes the TEC recommendations, GTB recommendation and the rationale.

Supplier	TEC Recommendation	GTB Recommendation	Rationale
Contractor for construction works	1st TEC – An international bidder was recommended as most capable with most relevant experience with a high technical score and demonstrated strong financials. 2nd TEC – To maximize local content it was decided that a different contractor was the most capable contractor locally.	While the contractor identified in the 2nd TEC was technically the most capable, concerns were raised about its legal status as it was not registered as a limited liability. The awarded contractor was deregistered due to administrative lapses, and the preferred supplier was legally compliant but ranked third. GTB agreed that the contract would be awarded to the contractor contingent on them rectifying their business registration and engage FIFA-approved consultants.	Awarded the contract on the condition that if they re-register, engage FIFA-approved consultants, agree to cost negotiations, and establish a robust monitoring framework. A performance bond was also recommended to mitigate risks.
Service provider (Local)	There were three recommendations from TEC; i. Award more experienced service provider as they scored the most in technical evaluations and are the most capable with relevant experience. ii. Award contracted service provider as they are a local company, and this would build in-country capacity. iii. Award both companies if they are willing to merge.	Award of contract should be given to contracted service provider as it would promote and build in-country capacity, provide a pacific Islands atmosphere in terms of menu, and all equipment's would be kept in-country as there were purchases of cooking facilities and cooking appliances.	i. Promote and build in-country capacity; ii. Provide a Pacific Islands atmosphere in terms of menu; iii. All equipment's would be kept in-country as there were purchases of cooking facilities and cooking appliances.

3.10 Variance in financial bids

3.10.1 Based on our analysis, we noted some instances where the contract was awarded to the bidder with the higher price. Some of these contractors include:

1. Awarded construction company (Contractor A) – Bid price for awarded contractor was higher by SBD 9.66 million over other capable and more experienced construction company (Contractor C).

2. Service provider (Contractor F) was awarded Lot 1 and was higher by over SBD 400k over a service provider (Contractor G) for the supply and delivery

of specialized goods. There was no difference in the specifications, but the awarded service provider (Contractor F) provided price quotations for all the lots. There was no negotiation on their price although it was higher than the other service provider (Contractor G).

3. Awarded service provider (Contractor F) was awarded Lot 4 and was higher by over SBD 500k over a different service provider (Contractor H) for the supply and delivery of specialized goods. There was no difference in the specifications, but the awarded service provider (Contractor F) provided price quotations for all the lots. There was no negotiation on their pricing although it was higher than an alternative service provider (Contractor H).

4. Awarded service provider (Contractor I) was awarded the tender for the supply and delivery of specialized materials for the games although their price was SBD 2.04 million higher than experienced international service provider (Contractor J). It was also noted in Finding no. 7 that international service provider (Contractor J) has past credentials, capacity, and experience in delivering specialized materials. Awarded service provider (Contractor I) is a designer company with principal activity of making specific products.

5. Awarded service provider (Contractor K) was awarded the supply and delivery of specialized goods for the pacific games although their price was higher by over SBD 250k compared to the international service provider (Contractor L). It was also noted in Finding no. 7 that the international service provider (Contractor L) has past credentials, capacity, and experience in delivering specialized goods.

6. Awarded supplier (Contractor M) was awarded the supply and delivery of specialized goods for the South Pacific Games although their initial price was higher by over SBD 700K than another capable supplier (Contractor N).

3.10.2 The deficiency in these processes and award to higher value suppliers, particularly where lowest cost evaluation is the stated evaluation method, raises integrity concerns.

3.11 Customs Duty Exemptions

3.11.1 In preparation for the Sol23 Pacific Games, the Solomon Islands Government implemented a customs and excise duty exemption to support the importation of essential items. Effective from 27 November 2019 to 31 December 2023, this exemption provided a 100% import duty waiver on capital goods, equipment, materials, and supplies related to the Games. We noted the NHA total contract value by supplier.

3.11.2 We conducted a high-level comparison of the total NHA contract value and the total NSE entries by supplier.

3.11.3 It was expected that the total NHA contract value would exceed the Non-Standard Exemptions (NSE) total value, as the NHA contract value would include the following components – materials/suppliers, labor costs, overheads, contingencies and profit margin. However, based on our high-level analysis below, there were 9 suppliers where the total NSEs value exceeded the total NHA contract value.

3.11.4 With regard to the above analysis, the following are to be noted:

1. The figures extracted from the ASYCUDA system include not only exemptions relating to the 2023 Pacific Games, but possibly other NSEs recorded in the system. We are unable to determine those exemptions that specifically relate to the pacific games.

2. We relied on the system generated reports from Asycuda and we are not able to substantiate the accuracy and completeness of the NSEs value. The NSE values reflect all invoices for the respective suppliers where the 'CD and GST' column was nil in the Asycuda system generated report.

3.11.5 Due to limited availability of supporting documentation, the following observations were considered as potential issues identified during the review process concerning the suppliers:

i. Awarded service provider (Contractor B)

a) **Unusual Purchases:** From our review of customs data and documentation reviewed we note that there were some purchases that seemed unusual. Based on our sample testing we took note of these registration numbers and investigated the documentation provided:

— *Reg no.* - Purchases for this Reg number were related to procuring six 6-door freezers for a total price of SBD 15,120, six 2-door freezers for a total price of SBD 8,232, eight trash cans at a price of SBD 37,656, and 5,000 fast foods at SBD 313,808. We observed that these items lacked detailed description and appropriate justification regarding the need for these purchases in relation to the 2023 Pacific Games.

— *Reg no.* - According to documentation provided we note that purchases were related to items such as; 250,000 wooden tableware (sets with logos) for the total price of SBD 68,325, 250,000 wooden tableware (sets without logo) for the total price of SBD 68,325, 40,000 spoon for the total price of SBD 3,279, 10,000 wooden forks for the total price of SBD 819.90, and 200,000 wooden ice cream sticks for the total price of SBD 10,932. We noted that these quantities purchased seemed excessive compared to the number of meals that were required to be prepared by the supplier.

b) **Observation of Items Imported:** It is important to note that although the following items were not part of the tested sample, relevant observations were nonetheless made.

The awarded service provider served as one of the primary service providers for the Games, and it is evident that a substantial quantity of ingredients, cutlery, and equipment was imported for this purpose. While it is understandable that such imports may have supported Games related operations, the nature and volume of certain items raise questions about their intended use. Specifically, there is concern that some equipment may be repurposed for non-games related activities.

Additionally, the quantity of several items appears excessive, prompting further scrutiny regarding their necessity for the Games. This includes:

- Stoves – 26 units
- Freezers – 12 units
- Working Tables – 28 units
- Gas Cookers – 93 units
- Pressure Cookers – 63 units
- Knives – 240 units
- Wooden Utensils - 750,000 units.

The inclusion and exemption of such items warrant further review to ensure alignment with the intended scope of the Games-related imports.

ii. Awarded Construction Company (Contractor C)

a) **Lack of Clear Supporting Documentation:** Based on our review of information provided, we note the following issues with regard to Reg no:

— There were 2 different claim forms provided for this sample, we note that the two claim for exemption forms were for the same supplier, the two different forms had different tariff item numbers and one of the claimants were noted to be NHA 2023 Pacific Games Stadium Project which had the NHA stamp of approval while the other claimant was noted to be the awarded contractor and did not have a corresponding stamp. Additionally, we note that these forms were not accompanied by relevant supporting documents such as invoices, bill of lading, etc.

Furthermore, according to Reg no., we observed that the invoice provided lacks clear description on details relating to how many liters of paint and the description on the color or type of paint.

b) **Discrepancies in the claim forms provided:** In relation to Reg no., discrepancies were observed between the quantities listed on the invoice and those recorded in the Claim Exemption Form, particularly for items like the Lockable Cabinet, Drawer File Cabinet, Standing White Board, and Extension Cord. These differences resulted from varying units of measurement used in each document. This inconsistency complicates quantity reconciliation, as it requires prior knowledge of packaging structures and contents, making the task challenging without that context.

c) **Unusual Purchases:** Based on information provided, it was noted for Reg no., that there was a purchase of 1,000 standing fans which amounts to a total of $109,950. We were not provided with sufficient documentation to ascertain the purpose and use for these standing fans.

d) **Observation of Items Imported:** It is important to note that while the following items were not included in the tested sample, certain observations were nonetheless made in relation to them.

3.11.6 Although the equipment, such as the 2-ton Electric Forklift and Weld Anchor, was procured for Games-related projects, its purchase raises a question. Was the awarded contractor initially equipped with the necessary machinery to execute the Games work, or is this equipment intended for other projects? Given that having sufficient machinery is a prerequisite for being awarded a project contract, this warrants further scrutiny.

iii. Awarded Construction Company (Contractor A)

a) **Differentiation in Quantity of Goods:** Based on the review of the documentation, it was observed that there is a discrepancy in the quantity of goods reported. In relation to Reg no., the claim form noted that the unit of measurement for the imported goods was not specified; the form merely states a quantity of 10,000 units. However, upon comparison with the corresponding invoice, a discrepancy was identified, the invoice indicates that the quantity of cement to be supplied is 500,000 kilograms.

b) **Lack of documentation:** Upon reviewing the documentation provided, it was observed that the essential documents related to this import were not attached. Specifically, the invoice and bill of lading corresponding to the items listed in the attached claim form are missing.

c) **Observation of Items Imported:** It is important to note that while the following items were not included in the tested sample, certain observations were nonetheless made in relation to them.

3.11.7 From an Electric Melting Machine, Grinding Machine to Welding Guns, awarded contractor procured several assets for Games-related projects appear suitable for other projects, apart from the Games project. Notably, awarded contractor often claims to have sufficient equipment in its tenders, raising questions about the need for additional imports like welding guns and safety shoes. Additionally, the item labelled “Gateway & Other” lacks clarity, making its relevance to the Games uncertain.

Appendix 1: Auditee Responses to the Audit Recommendations

Rec. No	Recommendation	NHA response/ comments
1.	**To improve the Budgetary Controls for all procurement and particularly major projects, we recommend the following:** i. **Mandatory budget approval process -** Budget sign-off by authorized and accountable officers before initiating the procurement activities, particularly for capital works. ii. **Develop detailed and standardized costing templates -** Granular breakdowns of costing for all procurement categories to improve transparency, forecasting and planning. iii. **Sound financial oversight** – Strengthen periodic budget reviews and variance analysis to monitor procurement spending. This allows early identification of red flags in actual expenditures and the development of robust remediation strategies to effectively manage financial risks. iv. **Policy alignment and detailed guidance -** Update procurement policies, manuals and procedures to reflect stricter controls and to integrate and align with financial governing regulations such as the PFM Act and SIGPCAM. v. **Capacity Building** – Targeting effective and practical training sessions for Procurement officers and Finance officers on relevant topics for example, cost estimation, market benchmarking and risk mitigation. vi. **Enhancing Capacity for High-Value Procurement and**	**<u>Summary Response</u>** The NHA implemented a master budgeting framework through the national budget process, with annual estimates submitted via MNPDC and appropriated by Parliament under the Special Fund framework authorized by Constitution s.100(2) and PFMA s.25. Procurement planning, capital expenditure approvals, and variance decisions were reviewed by the NHA Board, Executive Management, and relevant committees under the governance structure established by the Pacific Games Act 2017. Where project costs increased due to external inflation and compressed delivery timelines, supplementary donor funds were lawfully secured to avoid project delays. **<u>Foward Action:</u>** The NHA supports further standardization of costing templates and variance tracking tools and will include these refinements in the Post-Games Legacy and Lessons Learned Framework. **<u>Responses in Detail:</u>** i. **Our response:** NHA has developed a robust budgeting framework to ensure resources are allocated efficiently. Each year NHA submits the annual budget for parliament approval via OPMC budget through MNPDC, along with the budget is the procurement plan allocation includes a detailed breakdown of costs for operational needs, equipment, salaries and planned capital works. Internally, we have committees implementing the plans, GOC, GFC, SINIS with NHA oversight. Specific projects are signed off properly prior to implementation. We may not follow SIG process of project approvals, but we adhered to NHA approval processes immediately after MOFT released funds to be managed internally. Our budget guide referred to as approved budget under key findings [section 1J were developed as budget focused that we get SIG to approve, but internally when need arises based on more accurate assessments, budgets are bound to change and NHA Board clearly understands and accepts such when requests come through normal internal budget approval processes. Most of the capital works budget occurred during the subsequent years. For example: For the major construction project, the relocation cost budget including the design and

		Investment – During the SPG 2023, several high-value procurements were managed by evaluation committees that do not appear to possess the necessary expertise and qualifications to make informed decisions. To address this, we recommend that future projects or events of similar scale invest early in building the appropriate capacity and capability framework. Where such expertise is not available locally, thoughtful consideration should be given to sourcing it externally.	construction was approved in 2020/2021 procurement plan for about $117 million submitted to MNPDC. The process through MNPDC and then approved in Parliament for spending satisfy the requirement of approved budget. In 2023, NHA reached out to other donors to supplement revenues and financial resources due to increase in capital expenditure that procurement is significantly affected. NHA then utilized donor funding to manage and offset the rising cost associated with procurement. NHA managed many of such situations well that enabled NHA/ GOC to deliver successful 2023 Pacific Games with funds well spent. The PGC, and host PGA, would have called the games off if Sections 45 and 46 of the PG2023 Act 2017. As highlighted earlier in our general response, Section 46 of the Act was put in place to cater for the types of procurements that are specific to the Pacific games which required flexibility while still maintaining accountability. The SIGPCAM does not offer the flexibility needed to address the PG2023 procurements. However, NHA used it as a guide to develop its procurement policies and procedures. ii. **Our response:** We have three main committees whose budget details were clearly laid out and implemented prior to committees/ sub-committees' approvals. We are transparent and accountable. Refer to PG2023 Master Budget. It has detailed costing for procurement categories under Work Packages. The work packages were detailed, GOC developed its own chart of accounts to deliver according to audit standards, but since SIG provided the funds, we had to be guided by MNPDC on the chart of accounts, therefore we maintained SIG standard chart of accounts linked to the work packages developed by GOC. iii. **Our response:** Such a big project like the Olympic Games, Commonwealth Games and the Pacific Games are multi-sporting events that is better managed under functional areas where authorities are delegated funds provided to committees to discharge their duties. Such events do not succeed if they follow strict government processes. Our various committees maintained and monitored their respective overall budgets whilst payments and requests for approvals of variations are coordinated through NHA compliance teams. NHA compliance team provided the

		secretariate to GTB and coordinated approvals for variances. As a sporting event and not a government event, we did everything right in accordance with section 46 of the Act, to get management and board's approvals similar to how SIG would have done it through its process. NHA management received NHA's budget variance analysis for monitoring produced via quarterly management reports for management decision making during the course. iv. **Our response:** Revised procurement policy in 2022 was to capture the procurement nature when GOC procurement increased and outline the rules and procedures to suit the nature of procurement where time is not on NHA/GOC favour. The delegations of threshold authorities to the Departmental heads. The governing structure for NHA was the Tender Boards (ITB & GTB) that promote transparency in all procurement threshold approvals. Our policy was sufficient for the purpose defined by 4 NHA pillars, i.e., delivering quality games, operate within budgets, leave a lasting legacy behind the games and Supported team Solomon what we did was exceptional achieving all key objectives. Despite challenges, we delivered one of the most successful Pacific Games events in the Oceania Region. v. **Our response:** Procurement Unit Team from MoFT conducted trainings in preparation to all procurement officers and finance team occasionally towards the busier years 2022 & 2023.NHA also conducted trainings with GOC staff and on several occasions, The Chair/ SPM held meetings with Compliance and procurement teams to ensure that we adhered to NHA procurement policies. While we use SIG tools such as those developed for SIGPCAM, NHA's use was according to NHA procurement rules was sufficient for our purposes. Our procurement was dictated by the need to meet technical and sports technological standards. vi. **Our response:** Agreed but for big events such as the Pacific Games, when authorities are delegated to the officers appointed to carry out specific roles such as procurement, we trusted the team we engaged, and everyone performed to the best of their abilities. At a time when there is pressure to deliver. We appreciate the recommendations. However, they are more applicable for normal Government projects that has to follow government procurement rules. As has been highlighted Pacific Games project is very different from normal SIG projects, hence the specific provisions under

		Section 46 of the Act [see attached letter from PGCJ. Where the NHA procurement rules fall short, we then revert to relevant aspects of the SIG process, but the flexibilities are paramount.
2.	**To strengthen procurement governance and principles, we recommend the following:** **i. Develop a sound governance structure for tender and procurement -** Establish clearly defined roles for Board, CEO, Tender Committees and Procurement Managers to ensure accountability and oversight. This also means obtaining the right mix of capability, experience and specialization on these governing committees to make informed decisions. **ii. Centralized policy manual -** Fully adopt PCAM 2022 with supplementary guidelines, as necessary. The procurement policy should include procurement principles such as value for money, transparency, ethical and code of conduct, confidentiality, social responsibility, and conflict of interest. These procurement principles should set the tone in terms of conduct, behaviour, culture and ethics. **iii. Targeted training programs -** Training staff in procurement planning, tender evaluation, contract management, and ethical sourcing improves overall capability. These are specialized trainings that will assist staff in undertaking their roles and responsibilities, and particularly in decision making.	**<u>Summary Response</u>** The NHA operated a multi-layered procurement governance structure comprising the NHA Board, Games Tender Board, Internal Tender Board, Technical Evaluation Committees, and Compliance and Procurement Units. These arrangements are consistent with Section 46 of the Pacific Games Act 2017, which authorises procurement procedures tailored to the fixed and immovable deadlines of the Pacific Games. SIG-PCAM tools were used as guidance, but the primary legal basis for procurement was the PG Act, as required under the PGC Charter and Host Agreement. **<u>Forward Action:</u>** NHA supports continued refinement of documentation templates, centralisation of conflict-of-interest registers, and periodic refresher training for future large project environments. **<u>Responses in Detail</u>** i. **Our responses:** The National Hosting Authority (NHA) has consistently focused on enhancing procurement governance and ensuring that best practices are integrated throughout its operations. Addressing your recommendations, here's how our ongoing initiatives align with each of them: With developing a Sound Governance structure for Procurement. NHA has established a robust governance framework that includes clearly defined roles across different levels: • **Board Oversight:** The Board regularly reviews procurement activities to ensure compliance and accountability. • **CEO & Executive Directors Leadership:** The CEO and ED's play a pivotal role in fostering a culture of transparency and integrity in procurement processes. • **Tender Committees:** Specialized committees are in place to assess tenders objectively, ensuring fairness and adherence to established criteria. • **Procurement Managers:** Our Procurement Managers & Officers (NHA & GOC) have well documented responsibilities that delineate accountability, which supports effective oversight. ii. The PG2023 Act 2017 which is the principal legislation for the Pacific Games, specially included the provisions for the NHA to establish and implement procurement policies and

		procedures that are more appropriate to the delivery of the Pacific Games [see letter from PGC President and CEO - Annex 2]. The NHA procurement tools are guided by SIG-PCAM hence implementing them is also like implementing PCAM but there are also subtle differences in areas requiring greater flexibilities than what PCAM can provide. The NHA procurement rules are better suited to the nature of a huge project with very tight delivery timeframe, complemented by comprehensive supplementary guidelines. The key principles embedded in our procurement framework include: • **Value for Money:** All procurement activities are designed to maximize economic returns while ensuring quality. • **Transparency:** Processes are documented and accessible, fostering trust among stakeholders. • **Ethical Practices:** Our code of conduct and ethical guidelines mandate integrity, confidentiality, and social responsibility, which are integral to our NHA's culture. • **Conflict of Interest Management:** Clear protocols are in place to identify and manage conflicts of interest. So, we use NHA rules under Section 46 of the Act and use SIG tools to fall back on where NHA tools developed under Section 46 of the Act, still have gaps and do not have clear guidelines. **Our responses:** These principles not only guide our procurement processes but also cultivate a culture of ethics and accountability within NHA. They are prescribed specifically for the games by the Act. [See letter from PGC President and CEO - Annex 2] iii. Recognizing the importance of capabilities in procurement, NHA has implemented ongoing training initiatives for staff Our training programs focus on: • **Procurement Planning:** Ensuring that staff are equipped with skills to identify needs and plan efficient procurement strategies. • **Tender Evaluation:** Training on best practices and criteria for evaluating tenders, which upholds fairness in awarding contracts. • **Contract Management:** Workshops on managing contracts effectively to ensure compliance and value delivery. • **Ethical Sourcing:** Educating staff on ethical

		practices in procurement to reinforce our commitment to integrity and social responsibility. In overall, NHA was committed to advancing procurement governance and principles through continuous improvement and alignment with best practices. We believe that by systematically implementing these recommendations, we will further enhance accountability, ethics, and efficiency in our procurement activities. The NHA has accomplished this recommendation - especially for a huge event like the Pacific Games.
3.	**To improve the bid waiver process, we recommend the following:** **i.** To ensure that bid waivers are only approved when documented evidence clearly meets the criteria in Section 4.1 (PCAM 2022) or Section 2.7 (PCAM 2013). During the bid waiver evaluation process, subjective interpretations of “urgency” or “market limitation” without supporting market analysis or disaster declarations should be minimized. **ii.** To require a formal justification memo for each bid waiver request, including market analysis; emergency declarations and technical specifications. Attach all supporting documents to the waiver approval form with proper retention process on the documents. **iii.** To maintain a current and updated delegation of authority register and ensure all waiver approvals are signed by authorized personnel. To include a verification step in the procurement checklist to confirm signatory authority. **iv.** To establish an oversight body such as a Procurement Oversight Committee to review all bid waiver requests before final	**<u>Summary Response</u>** Waivers were approved only where urgency, specialist scope, or market limitations prevented competitive tendering within delivery timeframes. This approach was legally authorized under Pacific Games Acts.46, which recognizes that strict adherence to SIG-PCAM could jeopardize timely Games delivery. Waiver decisions were justified and recorded, though documentation templates can be further strengthened. **<u>Foward Action:</u>** Lessons relating to bid waivers will be included in the Legacy Capability Transfer Plan for future national events. **<u>Response in Detail</u>** **Our responses**: This recommendation has come far too late to benefit the NHA for PG2023, and we can only take the learnings to incorporate in our legacy lessons-learnt for future major events. In any case, we have been constantly asked by PGC and PGA not to allow SIG rules to bog us down and fail to deliver quality games, instead, we should focus on NHA rules using PCAM tools to aid us. i. To ensure that bid waivers are only approved when documented evidence clearly meets the criteria In Section 4.1 (PCAM 2022) Section 2.7 (PCAM 2013), During the bid waiver evaluation process subjective interpretations of "urgency” "market limitation" without supporting market analysis or disaster declarations should be minimized. **Our responses:** Not relevant to NHA, By GOC/PGA and agreed to by NHA, we should be judged according to NHA approving authority not according to PCAM as a SIG rule. Undergoing SIG rules as such will delay the works and we would have failed to deliver the games. The needs to be a major shift in understanding and

		approval. Include representatives from legal, finance, and procurement to ensure cross-functional expertise are in place. **v.** Develop and maintain an annual Procurement Plan to anticipate needs and reduce last-minute waivers. Conduct supplier pre-qualification and market sounding exercises to expand vendor pools. **vi.** Training and capacity building to minimize misinterpretation of waiver conditions and poor documentation practices.	acceptance that the Pacific Games is not a project like any normal SIG project. That this has been foreseen and as with the previous 16 Games before the 17th in Honiara, procurements needed to be independent of strict government procurement processes. This is requirement under the PGC charter and also articulated in the host agreement. SIG as the host government agreed to this. To this effect the Pacific Games 2023 Act, 2017 was established to give effect to this principle. Sections 30 and 46 are specially to ensure the games procurement processes are independent of SIG procurement process [accepting that when the NHA did not yet have its rules it needed to see the SIG processes]. In addition, both the NHA and the GOC are established as independent, not government agencies. Hence it raises the question if SIG-PCAM has remit to be the tool to be used. Annexes 2, 3, 4, read together with the PGC Charter, the Host Agreement, the PG2023 Act 2017, make it very clear that the proper legal foundation for the NHA procurement is section 46 of the PG2023 Act 2017, and not PCAM. This understanding needs to be accepted by the OAG and then aspects of this report will become easier to deal with, because the report will also have to be tweaked so that it complies with the proper legal basis for the Audit. ii. **Our response:** The result was value for money, for instance, quality medals purchased, quality buildings (Building built by prominent contractor, also used for competition instead of going to elsewhere). The building of this facility was also a good example, change in scope due to need to relocate to a new area, also due to need to strengthen structure to withstand earthquake and cyclones. Hadn't it been for the waivers, we would not have delivered quality. This is good use of public funds by NHA/ GFC/ GOC/PGA. The same goes with other waivers done in other functional areas. Had we followed SIG rules we would have underused our resources, built temporary substandard buildings that will not leave lasting legacy. Above all we wouldn't have delivered a very successful PG2023. iii. **Our response:** We agreed and done, and we intended to do this perfectly, but at emergency situations or when urgency dictates in major events such as the pacific games, the rules may delay progress and impact overall performance. iv. **Our responses:** This function was done by NHA compliance team overseeing all procurements ensuring there

		are key principles of procurement such as transparency and accountability are used as a guide in out procurement. But because of the magnitude of the event, we experienced last-minute changes did occur that impacted performance, but we were warned by PGC/ PGA and GOC that such situation will arise and if we allow rules to dictate there will be delays that will impact performance negatively. v. **Our responses:** NHA had an overall 5-year plan, that was updated for each operating year based on the overall plans. Our annual plans were based on timelines for all the deliverables. vi. **Our responses:** Agreed and believe NHA took necessary training on procurements.
4.	**The following recommendations will enhance the integrity and transparency of NHA's procurement processes, particularly the tender pre-qualification process. This should ensure better value for money in public spending for similar programs/events such as the Pacific Games.** **i. To establish a mandatory pre-qualification framework for NHA.** - Define clear criteria for technical, legal, and financial pre-qualification. - Require evidence of past performance, certifications, and financials. - Enforce minimum thresholds for liquidity, solvency, and working capital. **i. To implement a regulatory compliance checklist.** - Verify business registration status via official registries (e.g., Company Haus).	<u>**Summary Response**</u> Supplier pre-qualification and capability assessments were undertaken; however, the compressed timelines and limited market capacity required balancing due diligence with delivery certainty. Local supplier engagement was also prioritized to support national capacity building and legacy outcomes. NHA recognizes that documentation of financial capacity checks and performance history validation can be enhanced. <u>**Forward Action:**</u> NHA supports development of a future event pre-qualified vendor registry with risk scoring and past performance records **Our Response:** i. We agree. We have done some of this and we acknowledge that we need improvement, However, we are also bound by the PGC and PGA requirements and therefore tried as much as possible to accomplish both objectives. Nevertheless, PGC and PGA position was that stringent measures that delays progress must be dealt with as they will make us fail to deliver successful PG2023 - in which they were right. ii. Verifications were done by the procurement and compliance team. It's an important practice however in emergency situations, administrators of such a big project like PG2023 face challenges from GOC who care about honesty and value for money but do not want processes to tie them down to the extend delay of procurement hampers progress and quality of the games. We had done this, but we acknowledge the challenges we faced.

	- Require tax clearance certificates and litigation declarations. Include a signed regulatory compliance form in all submissions. **ii. To define and enforce financial pre-qualification criteria for major tenders:** - Mandate submission of audited financial statements. - Bank guarantees or performance bonds. - Payment milestones tied to deliverables, not contract signing. **iii. Strengthen Evaluation Governance and Transparency** - Establish a cross-functional Tender Evaluation Committee (TEC) with right individual and mix of relevant capability. - Use scoring matrices with weighted criteria. - Require conflict of interest declarations and maintain audit trails. **iv. Integrate Risk Assessment into Pre-Qualification** - Use a vendor risk assessment tool to evaluate financial, compliance, and reputational risks. - Assign risk ratings and apply mitigation strategies accordingly. **v. Align with SIG PCAM and International Best Practices** - Adopt SIG PCAM 2022 guidelines into NHA	On requiring tax clearance certificates and litigation declarations. Include a signed regulatory compliance form in all submissions. **Our response:** Tax certificates provided for businesses who registered for Tax. iii. **Our response:** We had done this but we acknowledge that we need improvement, nevertheless, PGC and PGA advised NHA that stringent measures that delays progress need to be addressed. iv. **Our response:** We had done this but we acknowledge that we need improvement, nevertheless, PGC and PGA advised NHA that stringent measures that delays progress must be addressed. v. **Our response:** We have done this, but we acknowledge that we need improvement, nevertheless, PGC and PGA advised NHA that stringent measures that delays progress must be addressed. vi. **Our responses:** Please note response in 2.7 above. The Pacific Games legislation prescribed the legal basis for Pacific Games specific procurement rules, and it is not PCAM. Please review this recommendation. vii. **Our responses:** Agreed.

	procurement procedures. - Conduct regular training for procurement staff on compliance and ethical standards. **vi. Monitor and Audit Pre-Qualification Compliance** - Perform internal audits of pre-qualification compliance for high-value tenders. - Report on findings on quarterly procurement compliance reports to the Board.	
5.	**To strengthen process of supplier due diligence, we recommend the following:** **i. Comprehensive Risk Framework -** Develop a vendor risk assessment framework covering all procurement stages for effective risk management. **ii. Due Diligence Protocols -** Include financial checks, legal compliance and performance reviews assessments in due diligence. **iii. Governance and Monitoring -** Assign clear roles and oversight, maintain a risk register, and regularly monitor vendor risks and remediation actions. **iv. Training and capacity building -** Implement training programs to educate procurement staff on risk assessment procedures and ethical standards.	**<u>Summary Response</u>** Due diligence checks were performed, yet NHA acknowledges that a more standardised vendor risk assessment tool would improve audit traceability. Time-sensitive procurement requirements influenced the level of documentation during the Games delivery period. **<u>Forward Action:</u>** Future major event frameworks should incorporate vendor risk registers, due diligence checklists, and structured monitoring procedures. **<u>Response in Detail</u>** i. Comprehensive Risk Framework Develop a vendor risk assessment framework covering all procurement stages for effective risk management. ii. Due Diligence Protocols Include financial checks, legal compliance and performance reviews assessments in due diligence. iii. Governance and Monitoring Assign clear roles and oversight, maintain a risk register, and regularly monitor vendor risks and remediation actions. iv. Training and capacity building. Implement training programs to educate procurement staff on risk assessment procedures and ethical standards. **Our response:** We have done this, but we acknowledge that we need improvement. We tried to balance the pressure from PGC to use s46 of the Act.
6.	**The following recommendations should strengthen the conflict-of-interest process:**	**<u>Summary Response</u>** Conflict of interest declarations were collected, reviewed, and recorded. NHA acknowledges that a centralised digital registry

	i. Centralized Conflict of Interest Registry: - Maintain a digital registry updated quarterly and referenced in procurement decisions. **ii. Mandatory Conflict of Interest Training:** - Annual training for all involved personnel using real case studies to improve awareness and compliance. **iii. Independent Conflict Review Panel:** - Establish a panel with legal, compliance, and audit representative to review and document conflict declarations. - To appoint a senior legal officer to independently evaluate and advise complex conflict of interest matters. **iv. Audit Trail and Accountability:** Ensure all decisions are supported by signed declarations, meeting minutes, and conflict assessments.	would support more consistent tracking across committees. The unique environment of sponsorship negotiations required flexibility to secure value and delivery support. **<u>Forward Action:</u>** NHA will include centralised conflict-of-interest tracking in the Legacy Governance Recommendations. **<u>Response in Detail</u>** **Our responses:** We have done this, but we acknowledge that we need improvement, nevertheless, PGC and PGA advised NHA that stringent measures that delays progress must be removed, as they will make us fail. Our colleagues argue that this clause has limited the ability for GOC to negotiate sponsorship deals with potential sponsors and we risk missing out on sponsorship deals. Which is a different procurement process. Nevertheless, we blended all procurement styles to cater for the needs of delivering successful 2023 Pacific Games. All points raised below sections (i) to (iv) are noted but it is not fair for us to be judged by SIGPCAM but NHA Procurement rules and where we use SIGPCAM is to use it as a basis to comply with sound finance management but it must be understood that the nature of the game's delivery is clearly not normal. **<u>Response to (i) and (ii):</u>** **Our response:** Training sessions have been provided for staff, and this should be removed. **<u>Response to (iii):</u>** **Our response:** There was an assigned officer already assigned to review conflicts and risk management. This should be removed.
7.	**To improve the process of tender evaluation, we recommend the following:** **i. Independent Audit of the Tender Process** - Commission regular review and audit of major tender evaluation and approval process. - Review scoring sheets, committee minutes, and decision documentation. **ii. Mandate QCBS for Design and**	**<u>Summary Response</u>** Tender evaluations were undertaken by multidisciplinary Technical Evaluation Committees, and final decisions were made by the Games Tender Board, consistent with Section 46 of the PG Act. In several cases, GTB decisions considered delivery feasibility, risk mitigation, and local capability, which are appropriate decision criteria for fixed-date international events. NHA acknowledges that final decision rationale can be documented more systematically. **<u>Foward Action:</u>** NHA supports standardised scoring templates, evaluation reports, and GTB justification formats for future high-value procurement.

	Build Projects - Update procurement policies to require QCBS for all major and complex infrastructure projects. **iii. Establish a Tender Oversight Committee** - Include representatives from legal, technical, and financial departments. - Require documented justification for any deviation from prescribed evaluation methods. **iv. Training and Capacity Building** - Provide targeted training for evaluation committee members on procurement ethics and methodology. - Develop standardized scoring templates and evaluation guides. **v. Enhance Transparency and Accountability** - Publish summary evaluation reports for high-value tenders. - Engage independent observers for tenders exceeding a defined financial threshold. **vi. Implement a weighted scoring matrix** - Develop a tiered scoring system that reflects the relative importance of each criterion. - Assign higher weights to technical and financial capacity, experience, and personnel qualifications. - Publish the scoring matrix in tender documents to	<u>**Response in Detail:**</u> **Our Response:** All points raised under sections 7 (i) to (v), Sections 8, 9 and 10 are noted but the NHA used the processes under NHA rules based on Section 46 of the PG2023 Act 2017, which we developed guided by SIG-PECAM hence the assessment are still relevant. We believe while the principles are accepted, it is the NHA procurement rules that apply here. Because the NHA rules used PCAM as a guide, these principles are also contained, however it also focusses on the fact that the games delivery is different from a normal SIG project. SIG/ PCAM is fine for normal operations but not for operations such as PG2023. PGC/ PGA and GOC continually reminded us of who were restrictive SIG processes that can affect games delivery need to be addressed. It needs to be understood and accepted that the PG2023 Act 2017 is the legal authority for the Games and Section 46 of the Act provides the legal basis for procurement and audits for the games. **Our responses:** Agree for any other SIG ministry but for Pacific Games, Compliance team set up within NHA performed that role, so we had met this expectation which was also NHA boards expectation.

	ensure transparency. **vii. Enforce score-based award decisions** - Require that contract awards align with the highest evaluated scores unless justified by documented exceptions.	
8.	**To improve the consistency between scoring of the tender evaluation committee and GTB final decision, we recommend the following:** **i. Formalizing GTB Governance** - Develop and adopt a formal governing document that clearly defines the GTB's mandate, powers, and decision-making protocols. This will align GTB operations with the standards set by the CTB under SIG PCAM and the PFM Act 2013. **ii. Enforce Compliance with Section 4.10 of SIG PCAM. Ensure that in cases of disagreement with TEC recommendations:** - The GTB engages in documented discussions with the TEC. Additional information is considered, and TEC should be given the opportunity to revise its evaluation. - If disagreement persists, the GTB prepares a standalone recommendation report with clear and comprehensive justifications. - All TEC reports and related correspondence are attached to the final	**<u>Summary Response</u>** Tender evaluations were undertaken by multidisciplinary Technical Evaluation Committees, and final decisions were made by the Games Tender Board, consistent with Section 46 of the PG Act. In several cases, GTB decisions considered delivery feasibility, risk mitigation, and local capability, which are appropriate decision criteria for fixed-date international events. NHA acknowledges that final decision rationale can be documented more systematically. **<u>Forward Action:</u>** NHA supports standardised scoring templates, evaluation reports, and GTB justification formats for future high-value procurement. **<u>Response in Detail</u>** **Our Response:** All points raised under sections 7 (i) to (v), Sections 8, 9 and 1 O are noted but the NHA used the processes under NHA rules based on Section 46 of the PG2023 Act 2017, which we developed guided by SIG-PECAM hence the assessments are still relevant. We believe while the principles are accepted, it is the NHA procurement rules that apply here. Because the NHA rules used PCAM as a guide, these principles are also contained, however it also focusses on the fact that the games delivery is different from a normal SIG project. SIG/ PCAM is fine for normal operations but not for operations such as PG2023. PGC/ PGA and GOC continually reminded us of who were restrictive SIG processes that can affect games delivery need to be addressed. It needs to be understood and accepted that the PG2023 Act 2017 is the legal authority for the Games and Section 46 of the Act provides the legal basis for procurement and audits for the games. **<u>Our Responses:</u>** - The GTB engages in documented discussions with the TEC. Additional information is considered, and TEC should be given the opportunity to revise its evaluation. - If "disagreement persists, the GTB prepares a

	recommendation. **iii. Standardized Documentation Practices** - Ensure that all decisions, especially those diverging from TEC recommendations, are documented in formal recommendation reports. - Reliance solely on meeting minutes does not meet the documentation standards required under Section 4.10.4. **iv. Build Capacity Through Training** - Provide targeted training to GTB members on the SIG PCAM 2022, emphasizing Section 4.10 and the legal implications of non-compliance. This will enhance informed decision-making and reduce procedural risks.	standalone recommendation report with clear and comprehensive justifications. - All TEC reports and related correspondence are attached to the final recommendation. **<u>Responses to (iii) and (iv):</u>** **Our Response:** All points raised under sections 7 {i) to (v), Sections 8, 9 and 10 are noted but the NHA used the processes under NHA rules based on Section 46 of the PG2023 Act 2017, which we developed guided by SIG-PECAM hence the assessments are still relevant. We believe while the principles are accepted, it is the NHA procurement rules that apply here. Because the NHA rules used PCAM as a guide, these principles are also contained, however it also focusses on the fact that the games delivery is different from a normal SIG project. SIG/ PCAM is fine for normal operations but not for operations such as PG2023. PGC/PGA and GOC continually reminded us of who were restrictive SIG processes that can affect games delivery need to be addressed. It needs to be understood and accepted that the PG2023 Act 2017 is the legal authority for the Games and Section 46 of the Act provides the legal basis for procurement and audits for the games.
9.	**To improve the process of managing variances in Financial Bids, we recommend the following:** i. **Mandatory value-for-money justification -** All procurement decisions involving higher-priced bidders must be supported by a formal justification report detailing: - Comparative analysis of bidder qualifications and experience. - Technical evaluation scores and rationale for selection. - Risk assessment of lower-priced bids. - Approval from a senior procurement officer or committee.	**<u>Summary Response</u>** Tender evaluations were undertaken by multidisciplinary Technical Evaluation Committees, and final decisions were made by the Games Tender Board, consistent with Section 46 of the PG Act. In several cases, GTB decisions considered delivery feasibility, risk mitigation, and local capability, which are appropriate decision criteria for fixed-date international events. NHA acknowledges that final decision rationale can be documented more systematically. **<u>Forward Action:</u>** NHA supports standardised scoring templates, evaluation reports, and GTB justification formats for future high-value procurement. **<u>Response in Detail</u>** All points raised under sections 7 (i) to (v), Sections 8, 9 and 10 are noted but the NHA used the processes under NHA rules based on Section 46 of the PG2023 Act 2017, which we developed guided by SIG-PCAM hence the assessment are still relevant. We believe while the principles are accepted, it is the NHA procurement rules that apply here. Because the NHA rules

	ii. **Competitive negotiation protocols** - Where multiple bidders meet technical specifications: - Initiate price negotiations with all qualifying bidders. - Document negotiation outcomes and rationale for final selection. - Include negotiation records in the procurement file. iii. **Enhanced Bid Evaluation Criteria -** Revise the evaluation framework for fairness and transparency: - Clearly define and weigh non-price factors (e.g., past performance, delivery timelines). - Ensure price remains a dominant factor unless justified otherwise. - Use a scoring matrix to transparently rank bidders. iv. **Procurement Oversight and Audit Trail** - Require independent review of high-value procurement decisions. - Maintain a comprehensive audit trail including bid submissions, evaluation reports, negotiation records, and approval memos. v. **Capacity Building** - Conduct regular training on procurement ethics, value-for-money principles, and bid evaluation techniques. - Develop a procurement decision checklist to guide evaluators and approvers.	used PCAM as a guide, these principles are also contained, however it also focusses on the fact that the games delivery is different from a normal SIG project. SIG/ PCAM is fine for normal operations but not for operations such as PG2023. PGC/ PGA and GOC continually reminded us of who were restrictive SIG processes that can affect games delivery need to be addressed. It needs to be understood and accepted that the PG2023 Act 2017 is the legal authority for the Games and Section 46 of the Act provides the legal basis for procurement and audits for the games.
10.	**To Improve Customs Exemptions and**	<u>**Summary Response:**</u>

	ensure Government Interests are protected the SIG should: - Ensure that a public register is developed and updated on a periodic basis. - Ensure that a detailed listing of qualified exemptions exists, listing only approved and qualified businesses and authorities. The listing should be reviewed and approved on a periodic basis. - Consider an exemptions review committee that should be responsible for the review and approval of all customs exemption requests, review and make decisions on any suspicious customs exemption claims.	NHA confirms that import verification was conducted; however, discrepancies identified require reconciliation between NHA-endorsed exemptions and other approvals. NHA supports further review to distinguish exemptions authorised under Games procurement from exemptions not authorised by NHA. **<u>Forward Action:</u>** NHA will conduct a joint data reconciliation with Customs and report findings to the Auditor-General. **<u>Response in Detail</u>** **Our responses:** NHA acknowledges this finding and recommendation. NHA take the step-in verifying imported packing list based on the business contracts listing materials or goods. The verifications are done by each responsible committee/department before sign off. This process enhances the integrity and effectiveness of customs exemptions, ensuring both government interests and legitimate business needs are balanced. However, we are also surprised with the levels of exemption that have been recorded so even for our own 'need to know the truth' we undertake to investigate this further with the documents we hold to compare them with what Customs provide. Given the huge amount of leakage through NSE that are virtually tagged to the PG2023, we need to investigate further, because while we need to verify what we actually approved for Customs consideration versus the final approved list, we also need to find out what other commodities that have not even been ordered by or for the games that have been added to the list of the games so that the suppliers get huge NSEs such as the ones we are seeing in the report. We commend the Auditors for picking this up, because there is almost half a billion dollars' worth of NSE just for the supplies listed. We ask auditors to ask Customs to differentiate exemptions authorised by NHA and exemptions that are not authorised by NHA.
11.	**Appropriate Authorities to Further Investigate -** The appropriate authorities should undertake further investigation into the areas identified in the report. This includes in relation to: - Poor conflict of interest management. - Non-compliant use of bid waivers.	**<u>Summary Response</u>** NHA supports further investigation into where evidence warrants it. However, the correct legal platform for assessment must first be confirmed. Based on the PGC Charter, Host Agreement, PG 2023 Act 2017, Constitution s.100(2), and PFMA [2013] s.24-26, the appropriate legal basis for procurement and audit is the Pacific Games 2023 2017, not SIG-PCAM. The Attorney-General's legal opinion and PGC correspondence confirming this are attached.

		- Poor evaluation and flawed decision to award.	**<u>Response in Detail</u>** **Our responses:** The NHA welcomes the recommendation for further investigations where it is warranted. However, we also note that some of the areas recommended for further investigations result from assessment against SIG-PCAM, which we have argued is not the correct legal platform. to assess the games procurement and the audits. The NHA seriously recommends that we must first discuss and agree which legal platform is the correct one to assess the PG2023 activities and therefore the NHA and GOC procurement processes against. To aid this discussion the NHA had reached out to the owners and supreme authority for the Pacific Games - the 'Pacific Games Council' - to seek some clarity from them on the implementation of Pacific Games by host countries what happened[s]. We also sought advice from the Attorney General to try and seek guidance as to which is the correct legislation to base the games specific procurements and therefore the audits. Letters from the PGC and AG's Chambers are included in this submission. As has been stated in one of the responses, when read together, the PGC Charter, the Host Agreement, the PG 2023 Charter 2017 - Sections 30 and 46, the S. I Constitution Section 100 [2], [1 & 3], the PFMA 2013, Sections 24 - 26, the Letter from the PGC President and CEO [Annex 2], the Opinion piece from the AG's Chambers [Annex 3] and he Background information and discussion on the legal documents that are important for PG2023 [Annex l], there seems to be no doubt that the correct legal basis for the PG 2023 specific procurement and therefore its Audit is the Pacific Games 2023 Act 2017, which domesticated the requirements of the PGC Charter and the Host Agreement to be in compliance with the mode in which Pacific Games are implemented by all host countries, and which by signing the host agreement, the host government had accepted to implement accordingly. Therefore, this is the most important point that now needs to be urgently addressed, because we must get this right which ever one is the correct interpretation and application, and if it is as what PGC Charter, the Host Agreement, the PGC President, the Attorney General's office and the PG2023 Act 2017 all seem to be indicating then it is important to have that agreed. Below is the written opinion from the AG Chambers that was provided following NHA's enquiries. **<u>Legal Platform and Governance Basis for the Hosting and Delivery of the 2023 Pacific Games</u>**

		The 2023 Pacific Games were delivered under a distinct legal, institutional and operational framework, which was established to reflect the unique nature of the Games as a once-off, fixed-date, international event. The Pacific Games Council Charter and the 2016 Host Agreement (as amended in 2018} required the Solomon Islands to establish a delivery structure capable of ensuring timely implementation. This requirement was domesticated through the Pacific Games Act 2017, which provided the legal basis for: 1. The establishment of the National Hosting Authority (NHA), the Games Organising Committee (GOC}, and the Facilities Committee as independent delivery bodies, separate from SIG ministries; 2. The creation of the Solomon Sports Fund, as a Special Fund under Section 30 of the PG Act and Section 100(2) of the Constitution, for the purposes of financing Games delivery; and 3. The issuance of Procurement Instructions under Section 46 of the Act, enabling streamlined procurement arrangements specifically designed for Games delivery. The NHA acted within its lawful mandate under the Pacific Games Act 2017, the Constitution s.100(2) Special Fund authority, and the Host Agreement and PGC Charter requirements. The procurement approaches used were necessary and proportionate to ensure delivery of a fixed-date international event, and were executed in good faith, with oversight and transparent reporting to the NHA Board. Where the audit has identified opportunities for improvement, NHA accepts these in-principle, and will ensure the lessons learned are recorded, transferred, and institutionalized to strengthen future national major project governance capability. On the side, Solomon Islands hosted and successfully delivered, the largest, the best, and the most successful Pacific Games ever so far, and it has provided the best food ever for athletes and officials in any games so far.

Appendix 2: Procurement Thresholds

April 2013	September 2021	March 2023
Purchasing Limits & Selection of Procurement Method • **Up to $10,000:** Accountable Officer must approve the Sole Supplier/Contractor based on one Written Quotation. • **More than $10,000 up to $200,000:** Accountable Officer must approve the Supplier/Contractor based on a minimum of three Written Quotations. • **More than $200,000 up to $500,000:** Ministerial Tender Board must approve the Supplier/Contractor based on a competitive Tender. • **More than $500,000:** Central Tender Board must approve the Supplier/Contractor based on a competitive Tender. **Contract Execution** • **More than $100,000 up to $500,000:** Accountant General (or authorised delegate) • **More than $500,000:** Permanent Secretary of Finance (or authorised	**Purchasing Limits & Selection of Procurement Method** • **Up to $1,000:** Executive Director or Managers approve based on 2 written quotations (email is acceptable). • **More than $1,001 up to $10,000:** Executive Director approves based on 2 or more written quotations if they can be obtained in the timeframe specified bid/tender documents can be email. • **Over $10,000 but equal to or less than $100,000:** Simple procurement process where 3 or more written quotations are required in response to invitation as specified in the process outlined below. Authorization is done by Executive Directors level. • **Over $100,001 but equal to or less $500,000:** competitive tender process where request for proposal is developed and advertisement is run at least 2 weeks for the public to bid using the process outlined below. Authorization is done by ITB where GTB/ITB	**Modifications to Tendering Requirements** The NHA Board approves a Blanket Waiver for all priority procurement to be implemented by respective committees. • **GOC amounts up to $1,000,000:** CEO and Chair GOC plus ED NHA • **All other committees amount up to $500,000:** ED NHA • **Amounts above $500,000 for all committees and above $1,000,000 for GOC:** ITB • **Amounts up to $8,000,000:** Chair NHA • **Amounts above $8,000,000:** Chair NHA and Co-Chair GTB **Modifications to Tendering Requirements** • Unless waivered, amounts up to $250,000 can be obtained through a simple three quote system • Retain the current threshold of $10,000 for no quotes and single quotes for amounts between current threshold and $25,000 **Modifications Delegated Authority** • **$200,000:** Executive Directors and FOMU/CTO • **$500,000:** CEO GOC, ED PMU + Chair GFC, ED SINIS + Co-Chair [1] GHPC, ED NHA + Chair NHA,

April 2013	September 2021	March 2023
delegate) ***Source: Solomon Islands Government Procurement and Contract Administration Manual***	Secretaries provide support to the TEC. • **Over $500,000:** competitive tender process where request for proposal is developed and advertisement is run at least 2 weeks for the public to bid using the process outlined below. Authorization is done by GTB where ITB Serves as TEC and Secretaries to ITB/GTB provide supports to the TEC. **<u>Expenditure</u>** • **Up to $10,000:** Executive Directors. • **More than $10,000 up to $500,000:** Internal Tender Board (ITB) • **More than $500,000:** Games Tender Board (GTB) ***Source: SOL2023 – Procurement Policy, edited 10th September 2021.***	CTO/FOMU + Chair NHA • **$501,000 - $2,500,000:** ITB • **$1,000,000:** CEO + Chair GOC • **$2,500,000 - $8,000,000:** Chair NHA • **$8,000,001 - $10,000,000:** NHA Chair & Co-chair GTB • **$10,000,000 above:** GTB ***Source: Modifications to the NHA Procurement Policies and Practices | RESOLUTION NHA 03-23-01***

Appendix 3: Detail of exceptions

This information will be provided separately due to the confidential nature of the data.

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