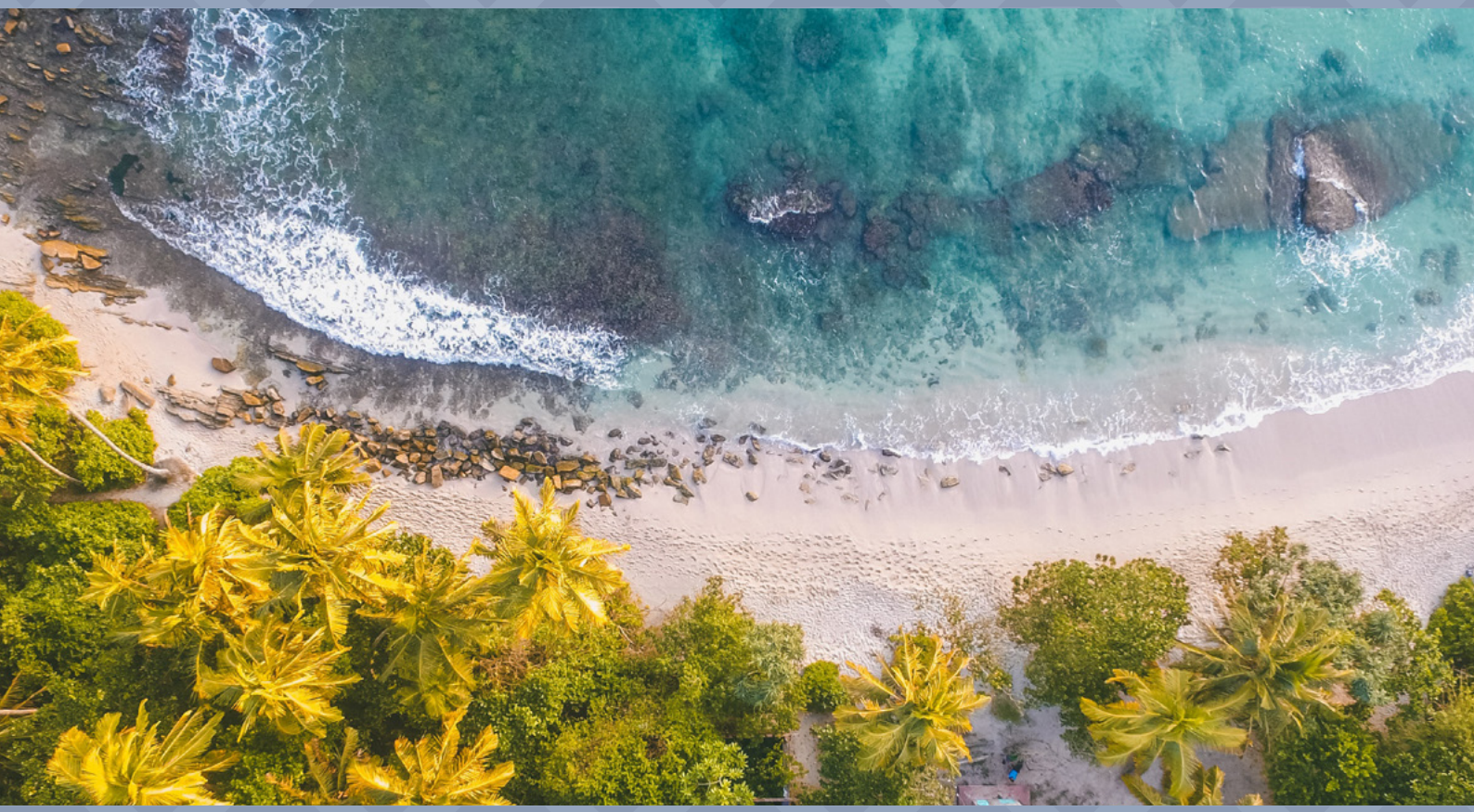
COLLECTION OF WORKS ON

PUBLIC PROCUREMENT IN THE PACIFIC



RESULTS OF THE 1ST COOPERATIVE COMPLIANCE AUDIT – PUBLIC PROCUREMENT

PASAI

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FOREWORD

Government Procurement practices in the Pacific needs improvement to help enhance integrity, accountability and transparency in the way governments deliver its services to its citizens. This is the key reasons why the Auditors-Generals in the Pacific demanded a regional workshop on this topic to find ways to make a difference!

PASAI is pleased with the collection of works from our participating Auditors-General. We are also indebted to SAI New Zealand for availing two of their procurement staff to participate in the design of this program (held in Oslo Norway) to the implementation and facilitation of the planning workshop (held in Auckland New Zealand).

Like all international development programs, the impact of this work is yet to seen. However, there have been incremental benefits achieved from this program and this is highlighted by the SAI Heads in this report.

Many thanks goes out to the auditors who were faced with the challenge of complying with ISSAI standards of compliance audits and the facilitators (combination from Pacific SAI resource personnel- Malta, Cook Islands, Samoa, PASAI Secretariat Directors, Audit NZ Procurement Officers and IDI) who delivered this workshop for the first time. PASAI aims to use these materials to include in its Learning and Knowledge web-based platform that will be launched in 2019.

PASAI's motto of Pacific Auditors Working Together has once again proven to benefit those involved and all our key stakeholders. Sharing stories and storytelling is a natural thing in the Pacific and this report epitomises this approach in report writing.

Tiofilusi Tiueti
PASAI Chief Executive

FOREWORD (CONT.)

IDI is delighted to join PASAI in presenting the results of the first 'cooperative compliance audit of public procurement' conducted in the PASAI region.

IDI and PASAI have a long and rich tradition of cooperating to support SAIs in the regions in conducting cooperative audits on topics of mutual interest. Such cooperative audits promote regional cooperation, knowledge sharing, and help PASAI in greater regional visibility and impact. They also help SAIs in conducting high quality audits as per international standards, which make a difference in the regional and national context.

I am delighted to see that this cooperative compliance audit continued the glorious tradition of cooperation, working together, professional development, high quality and adding value in the national and regional context. Besides these results this cooperative audit was the first of its kind. SAIs in the region came together for the first time to use a common framework to conduct a compliance audit of public procurement. Besides use an ISSAI based methodology, these audits were also subjected to independent quality assurance reviews.

I am enthused to see professional growth of SAI auditors in conducting ISSAI based compliance audits. I am especially delighted to find that several governments have accepted the recommendations made by the auditors and that these audits have contributed to raising the profile of SAIs in their national context.

I take this opportunity to congratulate all SAIs which have successfully completed these audits. The efforts of the audit teams and SAI leadership are especially commendable as most SAIs have conducted such audits for the first time. We are very thankful to the resource team, host SAIs, stakeholders and PASAI for their tremendous in-kind contribution to this regional effort.

IDI is committed to working with PASAI in supporting SAIs in conducting high quality audits which make a difference. We look forward to continuing and enhancing our partnership for supporting effective, accountable and inclusive Pacific SAIs which provide robust, independent oversight for the benefit of citizens.

Archana P. Shirsat
Deputy Director General

INTRODUCTION

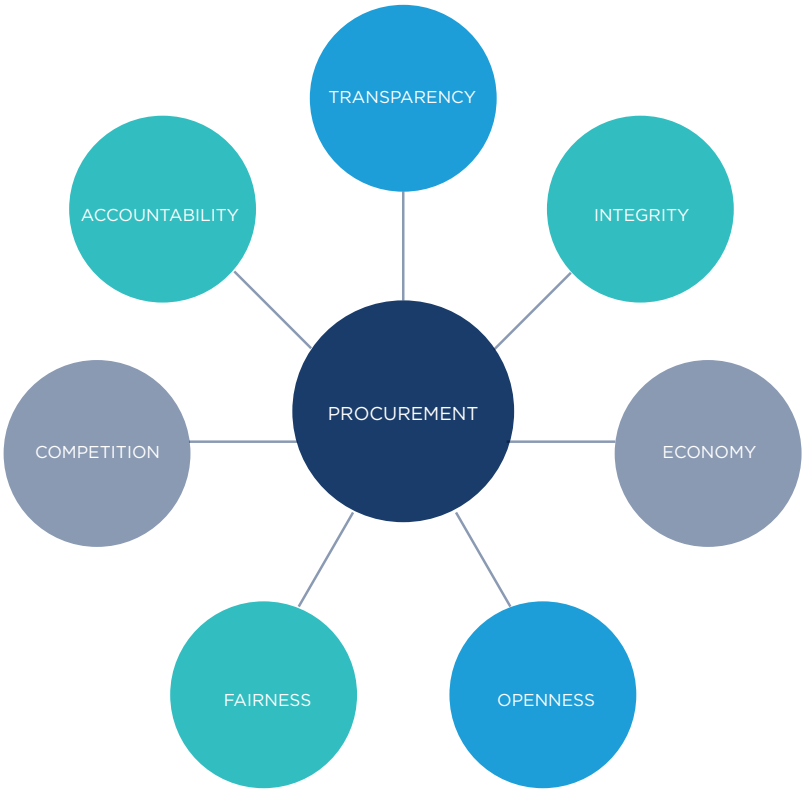
BACKGROUND

Procurement in the Public sector is one of the largest incurred by any government and is a focal point for the effective and efficient delivery of public services. According to World Bank 2015, public procurement accounts for around 15-150% of GDP in developing countries.

OECD stated that public procurement is a crucial pillar of service delivery for governments due to the sheer volume of spending it represents. Well-governed public procurement can and must play a major role in fostering public sector efficiency and establishing trust from citizens. However, according to their global study in 2013, up to 20-25% of the procurement budget is drained through corruption - either by active fraud or ineffective or negligent oversight.

If procurement practices are strengthened, this will contribute to improvements in the overall Public Financial Management (PFM) systems of government. The 'Seven Principles of Procurement' cover Transparency, Integrity, Economy, Openness, Fairness, Competition and Accountability. Procedures, policies and processes for public procurement vary widely from country to country, but in every case a well-designed and effective procurement system that reflects these seven principles will contribute to achieving government policy goals that will make a difference to the lives of citizens.

7 PRINCIPLES OF PROCUREMENT



The reform of procurement practices is an area of Government accountability and stewardship that has come under increasing scrutiny from a range of stakeholders within countries that are part of the Forum Island Countries (FICs) group within the Pacific region, not least because multilateral development partners and donor agencies provide significant amounts to procure goods and services in the public sector. Recent Public Expenditure and Financial Accountability (PEFA) assessment reports have identified procurement systems in FICs as an area of concern. The majority of FIC Governments spend at least 30 per cent of their budget every year procuring goods, services and construction to fulfill their public administration and country development needs.

PASAI'S ROLE

The Public Financial Management PEFA framework recognises the value of the external audit function or Supreme Audit Institutions (SAIs) in creating transparency in the use of public funds, through the conduct of audits to identify control weaknesses and to recommend of corrective actions. Seeing how SAIs play this essential role in ensuring transparency in the public sector procurement practices, PASAI's governing board approved a regional programme on the audit of public procurement, with the aim of strengthening the audit capacity of SAIs in effective audit procurement.

To conduct this regional programme, PASAI teamed up with the INTOSAI Development Initiative (IDI), with the objective of supporting SAIs in complying with ISSAIs in the conduct of this compliance audit and supporting them in sustainably enhancing their professional staff and organisational capacity and performance.

Ten SAIs from the Pacific participated and completed the programme which spanned across two to three years. As a result, an audit report on public procurement was completed within individual jurisdictions. A Quality Assurance review was then conducted to assess progress towards the objective of this cooperative programme, with results provided to each SAI to further improve the quality of their audits.

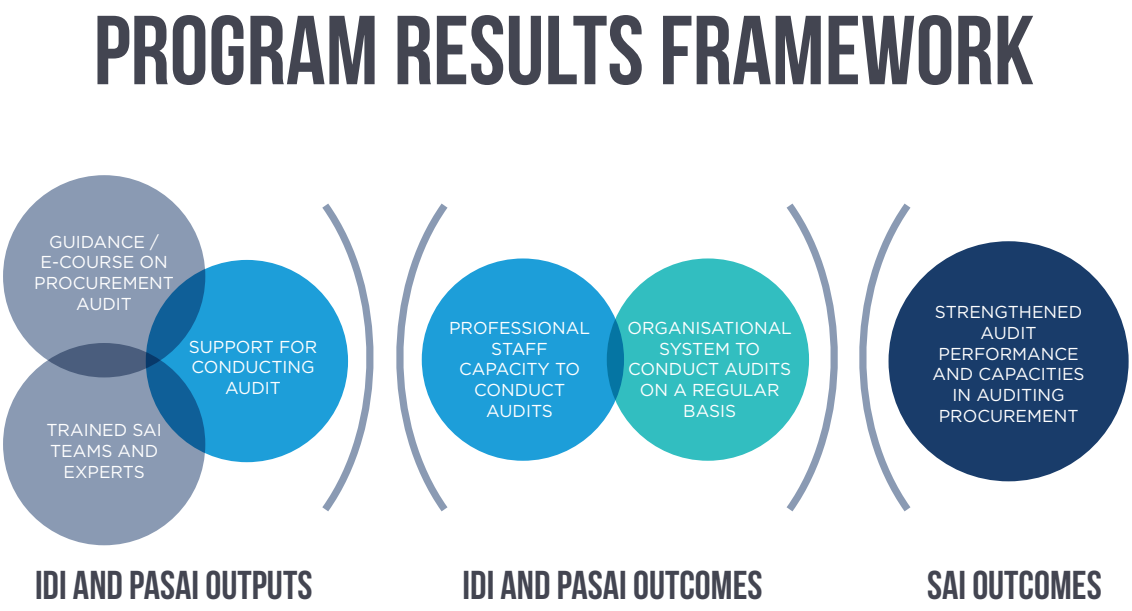


Figure 1: Programme Results Framework

The programme results framework (see Figure 1 above) aims at developing a cohort of public sector auditors in the Pacific who are able to conduct an audit on public procurement.

At the beginning of this programme, the following were the desired outcomes:

- Embedding procurement compliance auditing into SAI practice and achieving national and regional goals of enhanced governance and accountability;
- Developing procurement performance auditing capacities within individual Pacific SAIs to work with governments in order to improve the quality of their procurement policies and practices over time; and
- Stakeholders, including multilateral development partners and donor agencies, to have more confidence in the government procurement process including understanding the value of SAIs in improving these processes.

A team of experts and facilitators designed the programme which consisted of classroom exercises and support throughout the audits conducted around the procurement life cycle [refer Figure 2]. Two joint regional workshops were held at the planning and reporting phases of the audit to embed learning and provide direct assistance to build the capacity of the auditors. Each SAI finalised their reports and submitted them within their own jurisdiction.

This collection of work provides an overall view on the public procurement issues found in the Pacific Region as a result of the audits completed. This will be useful for: auditors embarking on conducting a procurement audit; procurement government officers, and development partners or any other stakeholders interested or involved in public procurement.

Figure 2: Procurement lifecycle

TELLING THEIR STORY IN THE PACIFIC - SAI AUDIT REPORTS

Details of the entity may have been deliberately omitted.

It is important for SAIs to share their stories about audits that have been completed, particularly because the challenges faced and the way they are dealing with it may help another SAI in the Pacific facing the same issues.

Sharing stories is also a good way to highlight the impact of the work of the SAI in their drive to 'make a difference to the lives of citizens' and be a significant player in improving overall public financial management.

In the Pacific tradition of storytelling, SAIs have shared longer narratives demonstrating the background, implementation and key findings of their audit. Please contact the SAI for the full report.

Mr Allen Parker

COOK ISLANDS

Government Ministry
Annual budget: NZ$33million, more than 50% of the Whole of Government capital budget
Period: FY 2014/2015
Audit Scope: Procurement Lifecycle

The end-to-end process of carrying out the cooperative audit on procurement proved to be doubly useful for the Cook Islands Audit Office, bringing about change and capacity development within both the government and the Audit Office itself.

As a large amount of procurement centres around infrastructure, Director of Audit Allen Parker decided to focus on the procurement activities of the Ministry of Infrastructure Cook Islands (ICI). He and his team identified significant non-compliance issues around the procurement of the services of a construction Contractor for labour and machinery to clear trees and scrubs and to form an access road, totalling NZD$345,000.

Although any purchase over $30k needs to be put out to tender according to the Purchase and Sale of Goods and Services Cook Island Government Procurement Policy 2014, ICI had brokered the services of three different suppliers at $115k each without a tender process.

Says Allen Parker, '*Contracts had been signed between the Ministry of ICI and three service providers, with the Ministry waiving the tender documentation according to the "emergency" status of the work. The Tender Committee told us it was news to them: they were not even aware of the procurement, let alone that it had not been tendered.'* The audit team were also unable to find any documented evidence that a waiver had been obtained.

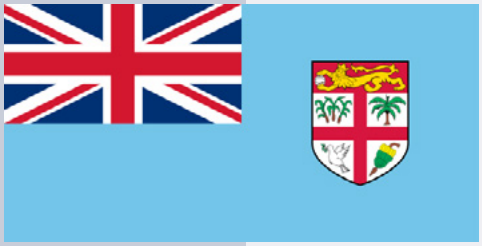
This example highlighted a number of key findings across the whole procurement process for ICI: that there was an absence of proper financial planning and budgeting, with services often costing much more than envisioned; that anomalies existed in the sourcing practices for the procurement of goods and services, and that there were many irregularities over compliance with procurement contractual agreements, including missing documentation and evidence of due process.

Recognising this, the Ministry accepted the recommendation of the audit report, albeit with a nod to their need to resort to emergency practices on occasion. '*Will adopt this as lessons learned so that there is no repetition of this in the future. We have been practicing this process; sometimes time is not on our side and we are forced to fast-track the urgent project requested of ICI. But these emergency situations should not overlook due processes going forward.'*

For the Audit Office, too, there was feedback to take on about the audit. *'Initially we had a different understanding of "compliance" and this was the first full compliance audit we did, so we still had a lot to learn,'* comments Parker about the experience.

As a result of their own reflections and IDI's Quality Assurance review of the cooperative audit which they received in December 2018, the Cook Islands Audit Office has plans for the future – to improve audit methodology as part of their strategic goals, by continuing to train staff and ensure compliance with international standards. The spirit of the 'cooperative audit' has extended to both entity and auditor, with both bodies learning at the same time.

Mr Ajay Nand



FIJI

Government Department
Annual spend: 15 contracts, valued at FJD$18.3 million
Period: FY2015
Audit Scope: Procurement Lifecycle

For the Cooperative Audit on Public Procurement, Fiji's Office of the Auditor-General focussed on the state's Procurement Regulations of 2010, and how they were applied across the whole procurement lifecycle for 15 contracts in the Ministry of Health and Medical Services, valued at FJD$18.3 million in total. The contracts were for the supply of bio-medical equipment.

The Auditor General of Fiji detected many non-compliance issues with the 2010 Procurement Regulations, guidelines and best practices. While there were many contributing factors, two significant ones were a lack of governance structure to monitor and ensure compliance with procurement regulations, and a lack of skilled procurement officers to manage, monitor and carry out the duties required to implement procurement for bio-medical equipment.

As a result, audit findings highlighted a series of related issues, such as:

- A failure to identify, consider and mitigate risks associated with procurements in procurement plans;
- There was inadequate scoping for specifications and the process was not properly managed - for example, ensuring that biomedical equipment supplied worked to the expectations of the practitioners;
- Procurement was not properly justified – a problem that was exacerbated by poor strategic procurement planning and a failure to develop business cases to ensure the needs were valid;
- Similarly, tender evaluations were not performed properly so there was often a lack of documentation to substantiate decisions and processes taken;
- The time taken to evaluate tenders was often prolonged, leading to delays in the awarding of contracts;
- Not only did suppliers fail to comply with contract requirements, but their performance was not monitored or assessed.
- Poor contract management overall, with a corresponding lack of record keeping and documentation to capture information which could aid decision-making.

All fifteen contracts showed, to some degree, that there was little effective planning, monitoring and reporting of procurement practices, and that the failure to comply with or even understand these practices resulted in significant wastage in the use of public funds.

The cooperative audit was our first in the area of procurement. However, with the wealth of learning, knowledge and insight into public spending that it brought to the Office, it will definitely not be our last.

Mr Ihlen K. Joseph

FSM POHNPEI

Health Services
Annual procurement: USD$6.7, 46% for procurement
Period: 2014 / 2015
Audit Scope: Procurement Lifecycle

When SAI FSM Pohnpei shone its X-Ray focus on procurement activities of the Pohnpei State Government Department of Health Service (OHS) for Fiscal Years 2014 and 2015, some interesting results jumped clearly into the picture.

The primary objective of the cooperative audit was to determine whether the OHS procurement practices during the period audited were in conformity with applicable procurement laws and regulations of Pohnpei State Government, and the Compact Fiscal Procedures Agreement (FPA). Precise documentation during a procurement process is critical to ensure transparency and accountability and to support procurement decisions. If documentation is poor this increases the risk of fraud and corruption during the procurement process.

The audit found the need to improve the existing Pohnpei State Financial Management regulations to include guidelines on the preparation of procurement plans as part of the planning phase of the procurement lifecycle.

Of particular importance was the requirement for comprehensive needs assessments of assets or services to be procured, conducting a planned approach to market evaluation and risk assessments to ensure they would be fully utilised. A lack of such planning, for example, resulted in a digital X-Ray machine being purchased for USD$39,000 that has never been used and has remained idle for more than 2 years.

Overall, the audit report identified seven administrative and internal control weaknesses, all relating to the absence of a clearly defined and well established procurement policy that includes planning, preparation and implementation.

1. The entity did not follow procurement process that includes (a) procurement planning (b) procurement preparation (c) procurement implementation
2. Non utilisation of X-ray equipment purchased for immobile patients

2.1. Non implementation of an effective asset and property accountability process in the department (supports issue 2 above)

3. Awarding of procurement contracts to vendors without following the bidding regulations
4. Lack of supporting documentation for procurement related disbursements and transactions
5. Non-maintenance of an inventory system for medicines and pharmaceutical supplies

5.1 Non-maintenance of inventory records of procured assets and no reconciliation with State Supply and Property records

Prior audit of the OHS procurement practices revealed similar internal control weaknesses. However, In its response to the audit findings, the OHS indicated that they agreed to our audit findings and have developed appropriate corrective measures to improve its procurement practices. These include the establishment of a newly purchase requisition routing system, an internal purchase control tracking system, and a centralised purchase processing system.

Our POPA has yet to conduct a follow-up review and examination of the OHS progress in the resolution of our audit findings pursuant to its newly established procurement policies, but is encouraged by the feedback from OHS.

Mr Benjamin J.F. Cruz

GUAM

Government agency
Annual procurement: USD$51.9m, 26%
Purchase Orders amounting to $13.3m
Period: FY2016
Audit Scope: Procurement administered by a Central Agency

The cooperative compliance audit initiated by PASAI and IDI prompted Guam's Office of the Public Auditor (OPA) to conduct another audit on General Services Agency's (GSA) procurement practices, which OPA released in 2017.

Says Edlyn Dalisay, Auditor-In-Charge, 'This was not the first performance audit that OPA had completed on this particular topic. Prior to the PASAI/IDI compliance audit, OPA had issued three reports in 2004 and another performance audit on procurement involving GSA in 2011. In the 2004 and 2011 reports, the Chief Procurement Officer (CPO) consistently disagreed with most of the audit findings.

The cooperative compliance audit proved to be no different, and at the report finalization, GSA again disagreed with all our findings. In Guam, Procurement Law and Regulations place procurement responsibilities solely with the CPO. No one has oversight of the CPO's actions, so they are not accountable for continuous disagreement or failure to react to audit recommendations.

This did not prevent OPA from moving forward with the audit. We presented the audit results to a Senator in the 34th Guam Legislature who was also the Committee Chairman on Procurement Reform.

The Senator then introduced a bill that gives the Department of Administration (DOA) Director oversight of the CPO's action and accountability with audits. The bill states that recurrent failure to materially comply with management responsibilities, as determined by the DOA Director, shall be cause for termination. In October 2018, the Governor of Guam signed the bill into Public Law 34-132.'

Every audit requires an open mind and management buy-in to implement improvements, as well as tenacity, integrity, some lateral thinking and a keen focus on the purpose of serving the state's people to press on when obstacles arise. (Edlyn Dalisay, Auditor-In-Charge)

In this case, communication to the proper channel of authority opened the doors for change. As before, GSA did not respond to the follow-up on the status of audit recommendations sent in June 2018, and the audit findings raised may still exist. With Public Law 34-132 now in effect, however, we look forward to discussing the recommendation implementation progress with both the CPO and the DOA Director.

Mr Gordon Kega

PAPUA NEW GUINEA

Government Department
Annual spend: K194million - Sample: 25 contracts, K40million
Period: FY2015
Audit Scope: Procurement Sourcing phase

All governing entities should comply with the Procurement Manual (GPM) and CSTB operations Manual to ensure transparent and accountable procurement processes are followed. However, the PNG Audit Office identified several non-compliance matters resulting in inefficient delivery of significant public services to the citizens of PNG.

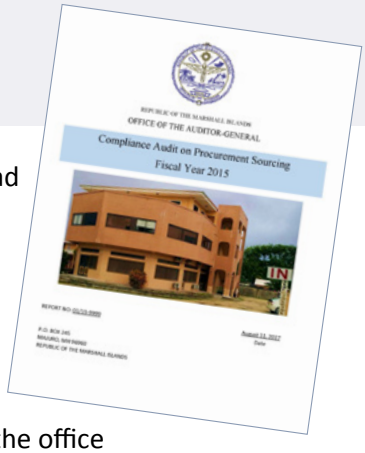
Summary of audit findings:

1. Technical Evaluation Committee (TEC) recommendation made ten months after the expiration of the Tender Validity Period - a significant delay
2. TEC failed to inform Pharmaceutical Supply and Tenders Boards (PSTB) about the delay in providing its recommendation; consequently the tenderers were not informed

REPUBLIC OF MARSHALL ISLANDS

Mr Junior Patrick

Procurement & Supply Division and Bid Committee (RMI Government)
Procurement sample: 25 contracts totalling USD$227,299
Period: FY2015
Audit Scope: Procurement Sourcing



Sometimes asking the right questions can bring forth surprising results.

For the Auditor General of the Republic of Marshall Islands, the cooperative audit on procurement triggered a review of the state's entire set of legislation around procurement, including close scrutiny of the Procurement Act which has been in place since it was enacted in 1988.

The major issue that the audit team bumped up against initially was a lack of procedures and guidelines for the Bid Committee to properly evaluate and award government contracts. Neither the Policy Office nor regulations and guidelines to supplement compliance with the 1988 Act had been formally established. Furthermore, in an evident conflict of interest, the Chief Secretary chaired a Bid Committee that was tasked with reviewing and awarding government contracts. In doing so, the Chief Secretary was overstepping the boundary of a regulatory authority as provided in the 1988 Act.

Since the audit report came out, however, a great deal has already changed.

'The audit report is not just a book sitting on a shelf. People actually read it and paid attention to what the audit team was reporting and our recommendations,' comments Junior Patrick, the Auditor General. *'The Audit triggered a review of current procurement practices which are currently underway. Part of the review includes a shift to a more modern procurement law, and Government has already secured assistance from our donors in these efforts.'*

The regulations that were meant to provide additional guidelines to supplement compliance with the Procurement Act have finally been drafted and brought into play. And as for the Chief Secretary? Well, he was the first to agree that he shouldn't be involved in reviewing and awarding government contracts, but will maintain the role of a regulatory authority as the head of the Policy Office.

Patrick is both pleased and proud that the success of the compliance audit has changed the Auditor General's office as well, and not just as a capacity-building platform that has seen the office benefit from teaming up with other SAIs, learning a great deal from the process and IDI/PASAI, and developing skill-sets alongside the Auditor General who supported the staff along the way.

This was, as he calls it, *'a high impact audit'*. The Office's profile has increased as the audit brought them into the public eye, many of whom were stunned to find that the Act had been in place without revision since 1988. They've had three further requests for compliance audits as a result, with an emphasis on strategic analysis of high risk areas and investigation into operational issues. '*The Office genuinely adds value,'* says the Auditor General, adding, *'and in the Marshall Islands we're now going to comply with Procurement Law – just thirty one years late.'*

The icing on the cake for Patrick would have been to have a little flexibility in the legislation to enable the Office to indicate that the report was done in accordance with the ISSAI standards. The principle of added value and value for money, however, is one that can be shared across the bidding process, the AG's office and government itself, as noted by Kino Kabua, Acting Chief Secretary on 11 August 2017:

"We look forward to seeing more compliance and performance audits undertaken by the Office of the Auditor General (OAG). In combination with the standard financial audits that you undertake, compliance and performance audits will directly help our efforts to strengthen performance and accountability across the public sector".

Fuimaono Camillo Afele

SAMOA

Health Services (government entity)
Annual Budget SAT$69-77million
SAT40 million average a year is spent on procurement
60% annual budget
Period 2014/2015
Audit scope: All phases of procurement lifecycle

As SAI Samoa has not yet received feedback and discussions from Parliament on the audit report they have submitted, the OAG is not at liberty to share the details of their report at this stage. These will be added once Parliament has undergone its due processes.

Mr Peter Lokay

SOLOMON ISLANDS

Airport Project
Annual budget:
Period: FY 2012/2015
Audit Scope: Procurement Lifecycle

For SAI Solomon Islands, the initiative by PASAI/IDI for the cooperative audit on procurement came about at the perfect moment. Procurement is a major expenditure component within the Solomon Islands Government, consuming 50% to 60% of the Government annual budget and much of the Government's resources, from planning, sourcing and implementing Government projects at various levels in the Solomon Islands, right down to building capital project in rural areas.

The Solomon Islands Government procurement processes were well administered by the Financial Instruction (FI) 1976, with the continued increase in Government projects over the years leading to the development of a draft Procurement & Contract Administration Manual 2012. The final copy of the Procurement & Contract Administration Manual was formalised in April 2013 to be read along with Financial Instruction 2014. The sole purpose of the Government revising and developing this manual and policies was to ensure accountability in the procurement processes of it resources. So when the Solomon Islands government constructed a new airport between 2012 and 2015, the selection for a cooperative audit covering the same financial period seemed obvious: the procurement lifecycle for the Ministry of Communication and Aviation as a whole.

However, when a request came in from the Permanent Secretary of MCA about the alleged $62million spent on the construction of Manaoba project, there was a change of strategy. Although the main purpose and objective of the audit was to determine and confirm whether the procurement practices for Manaoba airport project under MCA were in compliance with applicable procurement legislations, regulations and policies, the aim was also to confirm to the management if the alleged $62million expended was genuine.

The Audit Office started with the background. In the Solomon Islands, the Ministry of Infrastructure Development (MID) administered most Government projects, especially in implementation and monitoring. With planning and sourcing normally carried out at the Ministerial level, the disbursement of fund is usually approved by MID and payment are centralised and paid by the Ministry of Finance and Treasury.

In 2012, when the Government began prioritising the development of rural areas, it appropriated a lot of funds for the development for the Manaoba, Sasamuga, Parasi and Lomlom airport projects. Four years later, with the influence of the political will of the day, the Ministry of Communication and Aviation (MCA) requested Government to decentralise the procurement function from the MID. This led to the Government increasing the number of its political appointees in the MCA, resulting in the suspension and termination of MCA senior officers.

Their positions were replaced by political appointees. Their deployment in the Ministry had contributed to the breakdown of internal controls, as they totally ignored the public processes and procedures. For instance, it is a requirement in the procurement process that for any new development project e.g. the Manaoba Airport project, responsible ministries or stakeholders who were to be involved in the construction of the project have to prepare a procurement plan and bid for the project during annual budget for the project. This is necessary so that funding is secured and allocated for the project by the Ministry of Development Planning. Prior to allocation of funds, consultation is necessary to be carried out on the project with relevant stakeholders to ensure that the project is feasible and beneficial. However, audit noted that this was lacking.

The list continued. The absence of MCA technical staff saw the MCA implementing the project without important documents as guidelines. There was no budget bid forwarded to the Ministry of Finance Treasury (MoFT) budget division for approval or a procurement plan prepared for the project implementation. There was clear indication of a lack of coordination within MCA and respective stakeholders to carry out important assessments (feasibility studies) on the area to assist the Ministry with its ongoing development, and during project implementation there were many unresolved land disputes hindering the projects that led to huge compensations payments to various land tribes.

The planning of the Manaoba projects commenced in 2012. However, implementation of the project continued to breach Government regulation and policies at different stages of the project. The Auditor General of Solomon Islands detected significant non-compliance issues, including an alleged spend of SI$62million on this project which could not be verified.

In particular, there was a lack of an annual procurement plan that included this large and complex project, no feasibility study or stakeholder engagement conducted and generally a lack of documentation provided for us to audit to support the procurement process followed. The Government Ministry responsible for this project did not comply with many Government Acts and Regulations relating to procurement.

The Audit Office highly recommended an immediate investigation into the issues detected. At the end of the day, this was a clear scenario of how Government of the day forcibly appointed incompetent political appointees in position to implement policies without an understanding of government regulations.

The report was a highlight in the media for quite a while, with comments and concerns over the alleged amount of money spent, and individuals asking the ministry to fully investigate and even prosecute those who were involved in the report. Currently, the report is with the Police for further investigation. They have approached OAG for further information and especially for the source documents that we were able to get during the execution phase of the audit.

As Auditor General, Peter Lokay, stated, ‘The public should be able to demand accountability and transparency from government regarding procurement of goods and services. By implementing the recommendations in the report, the government will improve procurement in the government and save millions of dollars when procuring large and complex projects. As an additional benefit, my officers have learnt new auditing techniques from this cooperative audit which will assist them in similar audits in future.’

Although it was first project of its kind, being involved in this audit has really benefitted the office, helping the auditors develop and enhance new technical skills. Most of the auditors have attended training in Procurement and Project management offered by DFAT in addition to the PASAI/IDI program, so they are guided towards what they should really look for against the available legal instruments. Through the report

the OAG has really promoted accountability and transparency to the citizens in the procurement process and will continue to work to improve the process and to make known to citizens the values and benefits of Auditors.

For now, the procurement process has been revised and new Acts and regulations introduced. Improvement is evident, but there still further work needed in this area. For the future, SAI Solomon Islands is very keen to be involved in any cooperative audit, especially in Compliance.

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

- *Moses Virivolomo, 8 September 2017*

Mr Sefita Tangi

TONGA

Government Ministry
Annual approved budget for this Ministry during period of audit: TOP$1.3million
Period: FY2014/2015
Audit Scope: Procurement Lifecycle

Procurement in the public sector is a significant area in our public finance management. It involves a great amount of public funds associated with management and financial risks at a high level.

TOAG joined in a cooperative compliance audit on public procurement, which was lead and supervised by IDI and PASAI. TOAG very much benefitted from lessons learned from conducting this full compliance audit, and all in accordance with the compliance auditing standards.

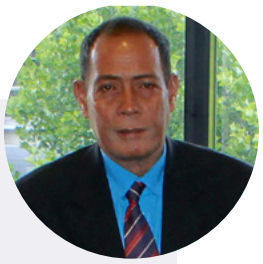
The procurement framework in the public sector has been established for several years in the form of Treasury Instructions 2010, Procurement Regulations 2010 and other related policies. However, it is evident from the key findings - no procurement plans and self-managed procurements - that the procurement practices are yet to depart effectually from the traditional practices.

We chose MoI for the financial year 2014/15, in which capital expenditure budget was $1.4m, for road rehabilitations & maintenance and purchasing of plant & equipment. The key audit findings were:

- The Annual Procurement Plan, (APP), was not completely and timely prepared. Hence the procurements undertaken were not part of MoI's APP;
- Procurements above the designated thresholds were not submitted to the Procurement Division of the Ministry of Finance in compliance with the Procurement Regulations 2010. Consequently, we identified a conflict of interest with the awarding of procurements;
- Work commenced before the contract was signed;
- Procurement records were not properly and completely maintained; and
- The post procurement review has not been conducted.

We issued twelve recommendations, with MoI agreeing to all of them. The audit resulted in MoI being more aware of the procurement procedures and requirements which they must comply with, so it certainly lifted the level of compliance. Overall, the results of the audit have added value to the procurement practices and management of MoI.

And once again, a lesson was learned by the TOAG that was most essential to our compliance audit responsibilities.



Mr Eli Lopati

TUVALU

Government of Tuvalu
Annual procurement AUD$5.3million
Period: 2015
Audit Scope: Procurement lifecycle

A good practice, transparent public procurement system that encourages competition for government contracts among eligible suppliers and contractors, and holds procurement officers accountable for their actions, is new to Tuvalu.

The Public Procurement Act and the Public Procurement Regulations both came into force on 31 January 2014. The Central Processing Unit itself was established in the Headquarters of Ministry of Finance and Economic Development (MFED) in the budget for 2014 and the first two of three professional members of staff joined in the third week of January 2014. The third joined in Mid-February 2014. Neither the existing Government staff nor the three new staff recruited to the CPU had any previous experience in public procurement, so it was generally acknowledged at the start that 2014 would be a year of learning for everybody.

In the cooperative audit, Tuvalu's Auditor-General, Eli Lopati, focussed on direct contracting practices as this was where the greatest risk of non-compliance occurred due to the nature of the methodology and the significant amounts of purchases made. The Office of the Auditor General found many issues of non-compliance with the Public Procurement Act and Public Procurement Regulation. For all responsible government entities, a significant finding was the lack of procurement planning conducted prior to purchases.

Specifically, the audit uncovered that:

- There were no procurement plans for any line ministry
- The majority of procurement does not follow the Procurement Procedures and Processes
- Central Procurement Unit (CPU) were unable to provide bidding documents and evaluation forms for major procurement
- There was a lack of monitoring of projects by CPU and line ministries
- Information and contracts were missing from the Procurement Register
- The approval by the Director of contract procurement occurs before the approval by Minister of Finance
- Monthly reports of minor procurement were not submitted to CPU
- Bid Evaluation Committees decisions were not documented.

The audit underlined how the procurement law was prescriptive but implementation was poor. Furthermore, the AG's office identified that there was a shortage of procurement staff to manage the workload for the Government's procurement needs.

The response from the Central Processing Unit for Tuvalu Government responsible for procurement put it more boldly, stating that the *"major cause of non-compliance is the act of negligence. The poor result of staff attendance to procurement awareness and training workshops reflected the act of no care and inattention to the new system".*

Since the audit took place, however, change is underway. In 2017, the majority of departments submitted their procurement plans. The CPU has recruited more staff. Furthermore, the education department now has a procurement officer and other departments plan to recruit their own procurement officers.

As the Auditor General states, *'I am confident that our next compliance audit will report on the many improvements that have taken place since Tuvalu introduced the Public Procurement Act and Regulations in 2014.'*

KEY AUDIT ISSUES

There were many audit issues identified during these audits which are recurring and all-too-common problems in the Pacific region. For instance:

- Procurement legislation is out of date and need to be reviewed on a regular basis to ensure the purchasing practices are up to date, efficient, effective and that the seven principles of procurement are met;
- There is poor implementation of the procurement life-cycle phases relating to planning and monitoring or evaluating contracts, which is largely due to the lack of focus or training in these areas for procurement staff and disagreement with those charged with governance;
- There is a lack of procedure and guidance for some aspects of the procurement life-cycle; and
- Public Officers responsible for the use of public funds through procurement practices must be reminded of maintaining high ethical standards with integrity and honesty.

However, this regional programme identified new issues that need to be addressed to improve public procurement practices in the pacific region and hopefully reduce the ongoing recurring audit issues identified:

- Responsibilities for public procurement have traditionally been seen as an administrative service function carried out by staff who have not been trained properly in the procurement lifecycle. There needs to be a change from this being an administrative role to becoming a more proactive and strategic one. Building professional procurement expertise in governments will meet the development challenges faced as a result of weak procurement practices;
- Many of the procurement units or officers responsible for procurement practices did not have a good grasp of the entire procurement cycle including the seven principles of procurement. These are written in legislation and some procedures, but not embedded in daily practice to constantly remind all officers of their responsibilities. Training is required across all government agencies involved in procurement to remind them of the importance of accountability and transparency;
- This compliance audit methodology has really fine-tuned the focus of auditors to really highlight how non-compliance with procedures, legislation and processes increases the risks of fraud, theft and misappropriate of government resources (assets and cash). However, if the audit results are not followed through with actions by government/ministries to improve on these procurement processes, then there will be no change;
- Development partners in the region provide training on procurement in-country; however, these are usually in relation to their own procurement requirements. There needs to be an alignment to the government processes to try and improve procurement processes of governments/ implementing agencies at the same time. The underlying principles of procurement will always be the same across the globe, so this is a good starting point for all training provided.

OVERALL CONCLUSION

The issues identified are attributed to non-compliance with procurement regulations or financial instructions. However, the impact from this is far more significant than this would appear, leading to fraud, maladministration and theft. Ultimately this results in the citizens suffering as a result of inefficient or even corrupt public service.

It may seem like a simple solution – for public officers to comply with somewhat well-written regulations – but many factors contribute to public officers breaching these rules. The public needs to be able to trust those who are responsible for governing public funds to have high ethical standards and carry out their roles with integrity and honesty.

As a region, the skills and competencies gained by this cohort of auditors who participated in this programme should be leveraged to support on-going improvements in country level procurement arrangements. Furthermore, at a SAI-level, it is hoped that SAIs have included the need to put more emphasis in the conduct of further procurement audits - whether compliance, special investigations or performance methodology - in their long-term strategies.

PASAI will continue to build the capacity and knowledge of public auditors in the Pacific of best practice in procurement, and will encourage SAIs to carry out more procurement type audits to highlight areas of improvement. Enhancing transparency and accountability of procurement practices across governments will contribute to the achievement of Sustainable Development Goals (SDGs) which will in turn make a difference to the lives of the citizens of Pacific Nations.

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