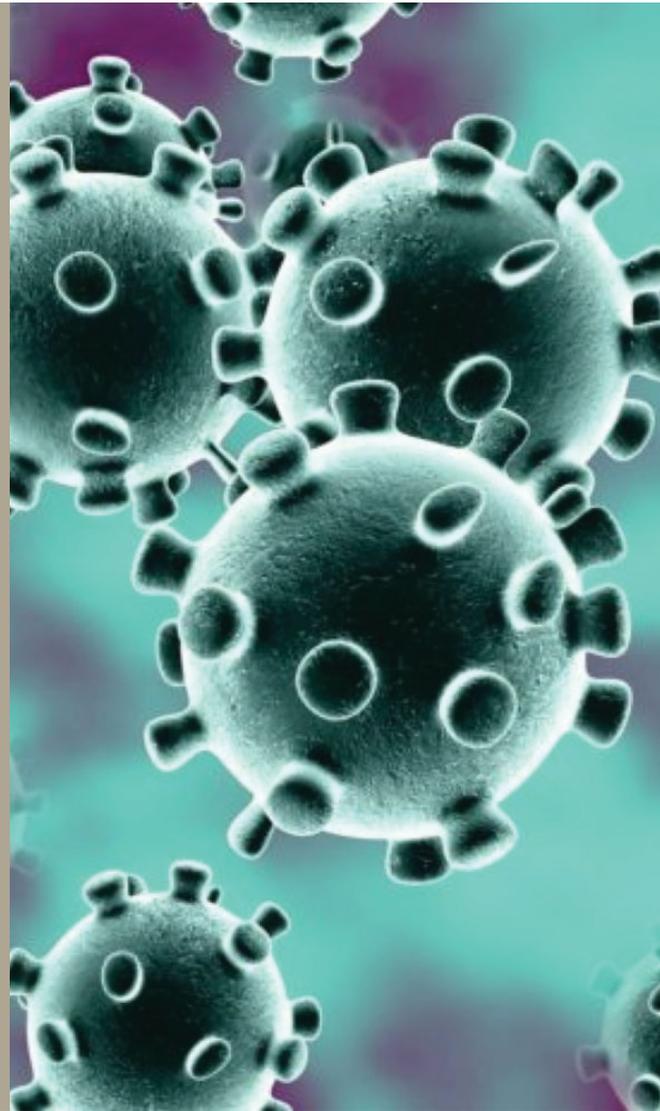




**AUDIT REPORT**

ON PROCUREMENT  
RELATING TO COVID-19  
DISASTER RELIEF FUND  
BY THE NATIONAL  
DISASTER MANAGEMENT  
OFFICE



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

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ON PROCUREMENT  
RELATING TO COVID-19  
DISASTER RELIEF FUND  
BY THE NATIONAL  
DISASTER MANAGEMENT  
OFFICE

For the period  
**1 April to 31 December 2020**

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

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## Auditor Generals Overview

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

The Government reallocated existing Ministries budgets towards enabling funding of the Governments emergency preparedness and response plan.

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

NDMO coordinated the whole-of-government preparedness and response to social and economic impacts of COVID-19 and were tasked with ensuring the quarantine centres were appropriately equipped and for the maintenance and operation of the centres. NDMO was also responsible for leasing blocks of quarantine accommodation at existing hotels.

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

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

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

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

My team also noted that funds were expended before they were appropriated in a warrant signed by the Minister for Finance in contravention of S101 of the Constitution of the Solomon Islands.

The audit scope included all expenditure incurred through the NDMO in the period of April to December 2020. This expenditure involved the procurement of works, goods and services, maintenance and consulting services.

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

I intend to do a follow up of findings and commitments made in future audits of the Ministry and NDMO.

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

Yours sincerely,

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

David Teika Dennis  
Auditor General

## Abbreviations

<b>COVID-19</b>	<b><i>Corona Virus 2019</i></b>
<b>CTB</b>	<b><i>Central Tender Board</i></b>
<b>DFAT</b>	<b><i>Department of Foreign Affairs and Trade, Australian Government</i></b>
<b>FIs</b>	<b><i>Financial Instructions</i></b>
<b>ISSAI</b>	<b><i>International Standard of Supreme Audit Institutions</i></b>
<b>MoFT</b>	<b><i>Ministry of Finance and Treasury</i></b>
<b>MTB</b>	<b><i>Ministerial Tender Board</i></b>
<b>NDMO</b>	<b><i>National Disaster Management Office</i></b>
<b>OAG</b>	<b><i>Office of the Auditor General</i></b>
<b>PCAM</b>	<b><i>Procurement &amp; contract Administration Manual</i></b>
<b>PFMA</b>	<b><i>Public financial Management Act</i></b>
<b>PRP</b>	<b><i>Preparedness and Responsive Plan</i></b>
<b>PSF</b>	<b><i>Permanent Secretary, Ministry of Finance and Treasury</i></b>
<b>SIG</b>	<b><i>Solomon Island Government</i></b>
<b>SoPE</b>	<b><i>State of Public Emergency</i></b>
<b>TAI</b>	<b><i>Transparency, Accountability, &amp; Inclusiveness</i></b>
<b>TEC</b>	<b><i>Tender Evaluation Committee</i></b>

# 1. Introduction

- 1.1 After the World Health Organisation (WHO) declared the COVID-19 as a pandemic, the Solomon Islands Government (SIG) took steps to protect the country and deal with the crisis. A State of Public Emergency was declared on 25 March 2020. The Government developed a COVID-19 Preparedness and Response Plan (PRP) and introduced border controls and established quarantine facilities for incoming travellers.
- 1.2 A multi-agency Oversight Committee was established, chaired by the Secretary to Cabinet and a total of \$167,328,248 was identified to consolidate the COVID-19 National Disaster Operation Committee (N-DOC) Preparedness and Response Plan for the whole SIG approach. The National Disaster Management Office (NDMO) coordinates the whole-of-government preparedness and response to social and economic impact of COVID-19 and has been allocated \$47,935,024 for the implementation of emergency coordination and camp management under the Plan. NDMO was mainly responsible for ensuring the quarantine centres were appropriately equipped and for the maintenance and operation of the centres. NDMO was also responsible for leasing blocks of quarantine accommodation at existing hotels.
- 1.3 As part of the Solomon Islands Government's response to the international COVID-19 pandemic, the NDMO was allocated \$47.9 million for its role in the implementation of SIG COVID-19 Preparedness and Response Plan. This amount goes towards the implementation of emergency coordination and camp management under the Plan. The objective of this audit was to assess whether the National Disaster Management Office (NDMO) managed COVID-19 Procurement in accordance with relevant laws, policies and regulations of Solomon Islands Government.

# 2. What we looked at

- 2.1 This audit has reviewed whether the NDMO's procurement activities for disaster relief complied with applicable Acts and Regulations.
- 2.2 The OAG conducted this audit in accordance with International Standards for Supreme Audit Institutions (ISSAI) namely the ISSAI 400: *Compliance Audit Principles* and ISSAI 4000: *Compliance Audit Standard* issued by the International Organisation of Supreme Audit Institutions (INTOSAI).
- 2.3 The objective of this audit was to assess whether the National Disaster Management Office (NDMO) managed COVID-19 Procurement in accordance with relevant laws, policies and regulations of Solomon Islands Government. These include the Public Financial Management Act 2013, The National Disaster Council Act 1989, Emergency Powers Acts for COVID-19, the Interim Financial Instructions currently in force and the Solomon Islands Government Procurement and Contract Manual (PCAM).
- 2.4 Prior to the advent of COVID-19, the Ministry for Environment, Climate Change, Disaster Management and Meteorology was allocated \$1,527,423 in the 2020 budget in the account 'disaster relief'. This was increased by \$33, 617,600 in the Supplementary Appropriation of 2020 in September 2020.
- 2.5 Although NDMO spent over 95% of this budget, some \$12 million was spent on disaster relief activity that was not related to COVID-19. For example, in the transactions reviewed by the OAG, over \$4.5 million of this COVID-19 money was spent on food relief for the

victims of Cyclone Harold. Technically, this money was appropriated for disaster relief but the Budget commentary makes clear that the intention was that it be used for COVID-19 related disaster relief. Drawing directly from COVID-19 funds takes the decision regarding the amount to be spent on relief from Cyclone Harold away from the elected Government which was also trying to manage funding for the more long-term emergency arising from COVID-19.

- 2.6 In relation to procurement, the urgent nature of implementing a response to COVID-19 meant that there was pressure on normal processes to speed up, which means there is an inherent risk that funds are not spent in the most systematic, productive and fair way. Even during a national emergency, public funds should be protected and a requirement to conduct business more quickly does not mean that internal control may be discarded.

### 3. Summary results

- 3.1 In the sample tested, OAG identified transactions that did not comply with financial requirements in the tendering and awarding for contracts including not implementing the required competitive quotation/tendering process without an appropriate waiver, awarding contracts to businesses which did not have a valid or current business registration and failing to maintain adequate supporting documentation for transactions.
- 3.2 The identification of several examples of these deficiencies in a relatively small sample indicates that internal controls cannot be relied upon to ensure that procurement will achieve best value for money or eliminate the possibility of conflict of interest and misuse or misappropriation of public funds.
- 3.3 NDMO has also not adequately monitored appropriated funds available and has committed funds and made payments prior to the issue of a warrant by the Minister for Finance, in contravention of S101 of the Constitution of the Solomon Islands. Over \$30 million was spent of disaster relief before the Supplementary Budget was approved and no advance or contingency warrant was issued to support this expenditure.
- 3.4 OAG also found that the NDMO was unable to provide records associated with some procurement transactions, particularly in relation to the decision-making process around what to procure, how to procure and who to procure it from, but also some basic transactional documentation such as purchase requisitions, delivery dockets and evaluations reports. Compliance checklists which are used to ensure that all controls have been implemented, were also not available for all transactions.

### 4. Recommendations

#### **Finding 1**

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

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

- 4.2 NDMO seek detailed guidance from MoFT regarding the rules which still apply to procurement during the state of emergency with the use of bid waivers.

### ***Management Response***

- 4.3 Management agreed with the recommendation, however, point out that the nature of the operation demanded that they have to provide services on a timely basis and as such, in some instances, have had to obtain goods and services on credit basis. In such circumstances, the necessary paperwork including bid waivers are prepared after the provision of goods and services. For example, when the government allowed for incoming international flights at short notice, we are pressed with the need to kit up the quarantine stations with basic essentials, including provisions of meals for the quarantine period.
- 4.4 Management recommended that for any disaster or state of emergency, MoFT should deploy its officers to the National Emergency Operation Centre to support the Logistic and Finance functional Team on rotational basis. Currently, NDMO has one dedicated Accountant but tasks during disaster and emergency is very exhaustive and demanding as all work against time to save lives and prevent secondary impacts from setting in. In addition, MoFT must relook into setting up a suitable system for procurement specific for emergencies and humanitarian response where procurement often required to be immediately carried out and services delivered. During emergencies, urgency to respond on timely basis is of paramount importance. MoFT must set implement suitable systems for procurement that recognises provinces and rural communities' context where formal financial requirements does not exists.

### **Finding 2**

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

### ***Recommendation 2***

- 4.6 NDMO provide guidance to its officers on how to manage the increased risks associated with sole-source procurement.

### ***Management Response***

- 4.7 Agree to the recommendation that we need to keep track of documentation and the rationale for selecting a sole supplier. However, the practise of sole source selection is given rise to by the unwillingness of suppliers to supply goods and services in large volumes; consequently, we resort to suppliers that are comfortable to supply goods and services on credit. The root cause of this often related to the failure and prolonged delays in settling outstanding credits. This limits our options of suppliers.
- 4.8 Management recommend that MoFT undertake a review of NDMO internal Finance and procurement documentation process and support with appropriate training for NDMO on documentation process for emergency and disaster situation.

### **Finding 3**

- 4.9 NDMO took a buy-now-sort-out-the-paperwork-later to pandemic related procurement so that actions were often taken before they were approved, contravening procurement regulations.

### **Recommendation 3**

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

### **Management Response**

- 4.11 We agree to the statement “buy-now-sort-out-the-paperwork-later” as a normal approach used during emergency operation. However, there has been some internal control been set-up to ensure that decision for procurement is accounted for. The Internal Control set-up at that time was the establishment of NDMO Request Form to provide for support in documenting the process for procurement which includes 3 person must signed to agree that there is need and it is verified and authorised. Note this system was instituted to ensure that documentation for procurement is created and most especially to form basis to access goods and services on credit basis as suppliers demand that orders can only provide once they receive request in black and authorised by those in authority.
- 4.12 However, when this control is set-up it takes time for internalization as personnel deployed to operate the operations centres (NEOC & CMSC EOC) are public servants from other Ministries and the National Emergency Response Team a newly established mechanism in 2019. In addition, operation in 2020 was a new type of operation executed that starts off with great uncertainty and focus primarily was to fully protect the country from COVID-19 importation. As times goes on the fatigue sets in as NDMO has been working around the clock and our only Principal Accountant that oversee procurements alone finds it tough and exhaustive. Request for MoFT deployment of Personnel to support NDMO Finance would reduce fatigue and enhance procurement system.
- 4.13 Management also request that MoFT develop guidelines for managing finance functions during disasters and emergencies and provide training to NDMO and National Disaster Operations Committee Sectors on the guideline. The guideline must be contextualized to our local setting and context rather being assumptive that context for Honiara is also same for Provinces.

### **Finding 4**

- 4.14 The figure provided in the field for ‘funds available’ in each Purchase Requisition was not an indication of funds which had been appropriated and as a consequence funds were expended before they were appropriated in a warrant signed by the Minister for Finance in contravention of S101 of the Constitution of the Solomon Islands.

### **Recommendation 4**

- 4.15 NDMO ensure that in the future expenditure is not committed prior to the issue of a warrant by the Minister for Finance authorising the release of funds and the ‘funds available’ field in the Procurement Requisition correctly shows the remaining balance of appropriated funds in the relevant account.

### ***Management Response***

- 4.16 Management noted the recommendation stating that it was not their intention to contravene S101 of the constitution. It should also be noted that they have an ongoing operation for which services have to be provided. Moreover, the availing of budget is beyond their remit and most of the budget availed for COVID-19 operations in 2020 was by way of advance warrants. NDMO management request MoFT to review the FI and PCAM to ensure the tools and mechanisms is fully guided.

### **Finding 5**

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

### ***Recommendation 5***

- 4.18 NDMO should ensure all officers with a decision-making role in a significant procurement should be required to sign conflict of interest declaration.

### ***Management Response***

- 4.19 Management agreed with the recommendation and requested that MOFT develop a suitable form for declaration of conflicts of interest involving significant procurement that does not involve tender.

### **Finding 6**

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

### ***Recommendation 6***

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

### ***Management Response***

- 4.22 We agree that the recommendation is an ideal one, but it is not applicable in all circumstances. For example, in the provinces and rural areas, it is difficult to have a number of registered business houses. Also as alluded to in our response to recommendation 1, in our quest to provide services and fight covid, at times, we have to get goods and services from suppliers that are willing to provide them on credit basis or have access to suppliers that can provide upfront goods and services on credit.

### **Finding 7**

- 4.23 Documentation management was inconsistent with some documents not able to be found and handwritten changes to documents after signature, reducing accountability for decisions.

### ***Recommendation 7***

- 4.24 NDMO should ensure that all transactions are faithfully recorded and supporting documentation is maintained for all decisions and processes.

### ***Management Response***

- 4.25 We agree to this recommendation and will make improvements to documentation of transactions and decisions.

### **Finding 8**

- 4.26 Documentation management was inconsistent with some documents not able to be found, and handwritten changes to documents after signature.

### ***Recommendation 8***

- 4.27 Where significant errors are made in documentation NDMO should ensure that documentation should be recreated and reauthorised rather than being changed by hand and copies of all key documents which support payments are maintained in the Ministry.

### ***Management Response***

- 4.28 We note and agree to this recommendation – MoFT to provide training package on process and rules for documentation.

## **5. Conclusion**

NDMO has been generally compliant with the requirements of the Financial Instructions and the PCAM but has often only implemented controls after the procurement has been finalised. There appear to be no regulations or instructions issued that allowed it to discard proper procurement practices. Rather than look for ways to accelerate processes, NDMO seem to discard them when not convenient, completing them as a paperwork exercise so as to facilitate payment for work that had been commissioned and completed well before this paperwork was done. Under the law, an action that is not properly authorised at the time it is carried out is not made legitimate by retroactive authorisation.

NDMO also used funds before they were legally available because no Contingency, Advance or General Warrant was issued to release them. NDMO should endeavour to work in compliance with required procedures, even where those procedures are made more onerous by the prevailing environment.

## 6. Audit scope and methodology

- 6.1 The audit scope included all expenditure incurred through the National Disaster Management Office (NDMO) in the period of April to December 2020. This expenditure involved the procurement of works, goods and services, maintenance and consulting services.
- 6.2 The audit of the National Disaster Council Accounts focus on checks for compliance on high risk transactions. The audit criteria arise from Chapter 7 of the Interim Financial Instructions, 2014 and the PCAM which included the following criteria checks:
- A procurement plan must be developed for large or complex purchases;
  - Agencies must ensure that there is a genuine need to procure which cannot be met by existing resources;
  - Procurement specifications should be identified and purchase requisition must be raised and approved for every procurement;
  - Procurement must be conducted in accordance with quotation/ tendering procedures including, where appropriate, procedures for waiving the competitive process;
  - Contracts must be managed to ensure that goods/services are received and are as contracted and fit for purpose;
  - All records associated with procurement transactions are securely maintained and made available for audit as required.
- 6.3 The audit was undertaken using a risk-based approach, identifying areas and activities which represented a higher level of risk and methodologies included:
- interviews with key personnel;
  - review of relevant documentation;
  - quantitative and qualitative analysis of data and sample testing; and
  - conducting asset inspections to ensure the existence of assets and verify their condition.
- 6.4 The audit was conducted in accordance with the International Standard of Supreme Audit Institutions for Compliance Auditing (ISSAI 4000).

## 7. Detailed Audit Findings

### Procurement in a State of Public Emergency

- 7.1 The declaration of the State of Public Emergency on 25 March 2020, automatically brought into effect P7 7.1 of the Financial Instructions which provides that competitive quotations or tenders are not required during a state of emergency, subject to the limits and requirements of the declaration. The PCAM provides that a Bid Waiver may be granted during a state of emergency but should only be used in exceptional circumstances and will not be approved unless the justification is reasonable.
- 7.2 The PS Finance Memo 479/5/1 of 26 February 2016 requires that granting of bid waiver for purchases over \$10,000 is the sole responsibility of the CBT, and for those between \$10,000 and \$100,000 that authority was delegated to the Accountant-General. That Memo also revokes 'any and all previous SIG issuances, instructions or memoranda that are contradictory to the intents and purposes of [the memorandum].' This creates confusion for the users of the Financial Instructions and the PCAM, and there have been

no Regulations issued during the State of Emergency which clarify this situation. NDMO has sought CBT Bid Waiver approval for transactions over \$10,000 as if the PSF Memo applies, but only retroactively, sometimes months after the procurement has occurred, as if the CBT Bid Waiver is a mere rubber stamp.

- 7.3 There have also been no Regulations issued which set aside the application of other key internal controls. The operations of the Prime Minister's Oversight Committee have subsumed the planning provisions in the PCAM, reportedly providing direction regarding the establishment of quarantine stations. But the key processing controls such as developing specifications, receiving at least one written quote even if a bid waiver is approved, signing a contract for more complex purchases, only committing to a procurement on the basis of an approved purchase requisition and certifying that the goods or services have been provided before payment is made should all still apply. As will be seen in the comments below, the NDMO continued to do most of these things, but often after the goods or services had been provided and it was already committed to the purchase.

### Procurement Planning

- 7.4 The majority of expenditure by NDMO in relation to the COVID-19 response has been around providing quarantine facilities in existing buildings. Some of these buildings, such as the Pacific Casino Hotel, already have the necessary furniture, equipment and supplies to adequately house people in quarantine but some are more basic and required the procurement of items including basic furniture, refrigerators and consumables to make them liveable for guests who had to stay for weeks. There was no provision for the COVID-19 response in the NDMO's annual procurement plan for 2019/2020 because the pandemic was not envisaged when that plan was developed. The COVID-19 Preparedness and Response Plan overcame this and incorporated the procurement necessary to bring these sites up at an appropriate standard and also the accommodation costs at established hotels that were drawn into the quarantine facility.

### The Need to Procure

- 7.5 The need to procure the items and services procured in this sample has been driven by the COVID-19 Preparedness and Response Plan. The Plan specifies that five quarantine sites should be established, three in Honiara, one in Munda and one in Noro and should be brought up to the standard necessary to provide accommodation for people under quarantine. On 27 March 2020 the Government Gazetted sites at KGV, NHA, Guadalcanal Beach Resort and the Henderson property. There is no documentation available to support the specific decisions made regarding which sites to establish and what to provide at those sites, although the OAG did not identify any procurement which appeared to be at odds with the need to establish liveable quarantine accommodation, aside from the example mentioned below. The absence of documentation to support decision-making does however prevent detailed analysis of some procurement decisions. As noted above, NDMO did use funds which had been appropriated for disaster relief for expenditure related to Cyclone Harold, even though the intent of the appropriation was that they be used for COVID-19 related disaster relief. There was appropriate documentation for these transactions, but also prepared after the transactions were done.
- 7.6 One significant procurement appeared to be unrelated to the pandemic. The NDMO chose to supplement its vehicle fleet with the addition of two new Toyota vehicles at a cost of \$677,500. There is nothing in the supporting documentation to indicate a close relationship between the purchase of the vehicles and the COVID-19 response and in another

procurement NDMO hired a vehicle for pandemic related activity for a limited period, which would seem to be a more appropriate response to this limited time event.

### **Implications**

- 7.7 The failure to maintain full supporting documentation to support procurement decision-making means that:
- It is not possible to ensure that all decisions made during the process are made with the aim of achieving best value for money;
  - Errors or judgement or analysis may be made during the process which may not be picked before the procurement decision is made because there is no documentation to review;
  - There is no audit trail and decisions which involve corrupt practices may go undetected;
  - Future similar decisions are not informed by past decision-making processes which are not adequately documented.

### **Procurement Specifications**

- 7.8 Where requests for quotation or tender were made, the procurement specifications were generic and utilitarian, not favouring any particular vendor. Most procurement activity was related to the establishment and operation of quarantine facilities and the items and services specified were directly linked to the function of those facilities.
- 7.9 Section 2.4 of the PCAM provides that “Preparation of Specifications” includes:
- State the requirements clearly, concisely and logically
  - State how the item is to be used, including the context of usage
  - Contain enough information for suppliers to accurately scope a solution and offer
- 7.10 The specifications sighted in the OAG sample were rudimentary, but to a large extent this aligned with the basic nature of the items being procured . Items of household furniture and meals and consumables to support the people in quarantine do not need complex specifications, and the requests for quotation provided enough information for vendors to submit a bid. The absence of more detailed specifications did not allow officers to make a comprehensive analysis of one bid against another because, for example, one type of plastic chair may be of somewhat different quality to another type of plastic chair, but both meet the description of ‘plastic chair’. Where there was a competitive bidding process, the cheapest quote generally was the successful one but because the specifications were so broad, the cheapest quote may not have represented best value for money.

### **Implications**

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

## Expenditure of funds before appropriation

- 7.12 The Constitution of the Solomon Island states that *‘No money shall be issued from the Consolidated Fund except upon the authority of a warrant under the hand of the Minister of Finance.’* This means that money should only be committed for expenditure after it has been appropriated either through the annual or supplementary appropriation process or has been made available by contingency, advance or general warrant signed by the Minister for Finance. It is a fundamental precept of parliamentary budgeting process that money not be committed unless funds have been released to fund that commitment, either through Appropriation Bill or Warrant. This means that a Purchase Requisition should not be authorised unless the Ministry of Finance has allocated sufficient funds to the relevant account. Pre-empting the approval of funds usurps the approval role of both the Minister and the Parliament as the Government then has no choice but pay vendors who have supplied goods or services in good faith. Committing to spend funds that have not been appropriated also risks budget blowouts and the Government incurring unexpected debt.
- 7.13 It appears that NDMO committed to significant expenditure using funds that had not yet been appropriated or been approved through warrant. NDMO had paid out over \$30 million by the time the Appropriation Bill was approved in August 2020 even though its initial budget for Disaster Relief was only \$1.5 million and no Advance or Contingency Warrant was issued.
- 7.14 Purchase Requisitions are a key document in the procurement process. There is a Purchase Requisition form in Annex 2 of the PCAM, TY 101/2. One of the groups of fields on this form provides the account details for the procurement. In the version in the PCAM this group includes Account No., Account Title and the Funds Available in that account. The current value of funds available is a key control so that when the Accounting Officer signs the form he/she is aware the expenditure will not exceed the funds appropriated for the account. The version used by NDMO has removed the underline for the funds available field so the field title appears to be just a statement ‘Funds available in this account’ which is not in line with the standard template. All of the NDMO purchase requisitions tested provide a value for the funds available in the account equal to the value of the individual procurement, not the appropriated funds available in the account, indicating a failure to understand what was required which MoFT did not correct, or an acknowledgement funds in the account were unknown or were insufficient. Either way accountable officers appeared to sign that funds were available when this was not the case.

## Competitive bidding and the bid waiver process

- 7.15 The Financial Instructions (P7 9) sets out clear guidelines for competitive procurement, requiring any procurement over \$10,000 to obtain at least three competitive bids and outlines Bid Waiver requirements. However, this Instruction was superseded by the PSF Memo 79/5/1/ of 26 February 2016, which required the granting of bid waiver for purchases over \$10,000 be the sole responsibility of the CBT, and for those between \$10,000 and \$100,000 that authority was delegated to the Accountant-General. S2.7 of the PCAM recognizes that during a declared emergency it may not be possible to obtain competitive bids and provides that bids may be waived “where observing the normal requirements would result in detriment to the people or assets of the Solomon Islands, or where no benefit would be obtained by observing the requirements”. S2.7 also notes that “Bid Waivers should only be used in exceptional circumstances and will not be approved unless the justification is reasonable.” The PCAM requires that when a Bid Waiver is sought, it must

be requested on a Bid Waiver Form which must be approved by the party who would normally be responsible for approving the successful bidder.

- 7.16 Requesting bids from a competitive market is the only way to ensure that the Government is getting best value from money from its procurement, so in waiving the competitive process it is probable that the procurement will be more expensive than it would be under a competitive process because the successful vendor does not need to take account of lower prices from other vendors. Also, vendors who are already engaged in contracts with the Government may have an undeserved advantage if the bidding process is waived because of their ongoing contact with decision-makers. For these reasons, the justification for waiving a bidding process should be fully documented and the waiver should only progress after it has approved by the relevant authority
- 7.17 The OAG tested a sample of transactions where no competitive bidding was used and identified some where the Bid Waiver was applied for after the goods had already been received, others where the Bid Waiver was applied for before the goods were received but was not granted until after they had arrived and others still where no waiver was approved. Some Bid Waivers were approved by the PS MEDCM and one was approved by the Ministry's Tender Board (MTB), neither of which have the authority to approve waivers. This degree of error in a sample indicates that an internal control cannot be relied upon. In this case, the NDMO's management of the procurement process does not ensure that a bidding process is only waived after it has been documented and approved by either the Accountant General or the CTB as required.
- 7.18 The proclamation of a Public Emergency creates a situation where Ministries may apply to the CBT for a Bid Waiver. The reason for each bid waiver request still has to be justified and the granting of such a waiver cannot be taken for granted. For a public officer to engage a contractor without competing bids before a bid waiver has been granted is in contravention of the Financial Instructions and according to those Instructions will be 'dealt with in accordance with the "Non-compliance, Misconduct and Penalties" section of Chapter 1 of the Financial Instructions.' Later approval of the bid waiver by the CBT does not make the earlier procurement action legitimate.
- 7.19 There were also examples of procurement being actioned before a purchase requisition was raised. This is procurement made without proper authority. This once again places the officer agreeing to the procurement at risk of misconduct charges.

### ***Implications***

- 7.20 The failure to ensure that there is adequate documentation of the reasons for waiving the bidding process or that such a waiver has appropriate approval may result in:
- Insufficient justification for not considering competitive bids;
  - Failure to achieve best value for money;
  - Favouring of existing suppliers over other vendors who may be able to provide better quality or better value;
  - Action being taken against the responsible officer if the vendor fails to perform;
  - Lack of scrutiny of decisions which made involve nepotism or corruption.
- 7.21 If officers are already not compliant with the procurement rules, the OAG making a recommendation that they comply is not likely to have any impact. Officers should, however, be made aware of the personal risk they are exposed to if they do not do things in the order set out in the Financial Instructions.

## Purchase of two vehicles was not subject to relevant competition

7.22 The competitive bidding process for the purchase of two vehicles was a paperwork process only.

- On 15 June 2020 the Director NDMO received a quote from Ela Motors for a Toyota Land cruiser.
- On 16 June at 11:18 am the PS MEDCM wrote to the PS MOFT seeking support to procure a Toyota Land Cruiser and a Toyota Hilux under the COVID-19 budget citing the age and maintenance requirements of the current fleet to support the need to do this. At this stage the Ministry seemed to be set on purchasing the two Toyotas.
- On 16 June at 1:05 pm the PS of MOFT requested the PS MECDM complete the procurement process including quotes and a report from the MTB for consideration by the CTB.
- On 16 June at 2:58 pm, PS MECDM directed the Director of the NDMO to seek quotes for a trooper and a hilux from Ela Motors and other suppliers.
- On 18 June the Deputy Director NDMO received a quote from United Auto for a Nissan Navarro vehicle which is equivalent to a Land Cruiser but not equivalent to a dual-cab Hilux. The NDMO also received an undated quote from Kosol for a Hyundai Tucson, a medium sized SUV which is not equivalent to either a Toyota Hilux or a Land Cruiser. The supposed competing quotes obtained by the NDMO were not for two vehicles which were comparable to the two vehicles they had indicated they wished to procure.
- On 18 June the Director of the NDMO sought permission from the PS of MECDM to procure a Land Cruiser and a Hilux at the quoted price, even though the quote for the Hilux had not yet been received. Although not mentioned previously the specification was for an all-terrain diesel vehicle capable of carrying 10 people with a winch and tow-bars.
- On 19 June the Director of the NDMO received a quote from Ela Motors for a Toyota Hilux.
- On 23 July the CBT approved the purchase of the vehicles from Ela Motors.
- On 29 July the Payment Voucher was certified as goods having been received.

7.23 Ultimately, a Bid Waiver was granted so the fact the NDMO did not have a comprehensive specification and was not doing a serious comparison of possible solutions as detailed in the PCAM is probably overtaken by this. Although a Bid Waiver was granted by the CTB, the OAG did not sight the Bid Waiver application so the reasoning behind the waiver is not known.

## Contract management

7.24 Most of the procurement associated with the transactions reviewed involved goods or service made available immediately or over short period and all goods and service were paid for in arrears after they had been supplied, so contract management was not a major issue. Delivery dockets were not filed in all cases, but OAG did not see any evidence that goods or services paid for had not been received. Documentation of receipt of goods should be maintained in every case.

## Declarations of conflict of interest

7.25 Section 94 of the Constitution provides that public officials should avoid making any decision that could result in a conflict of interest. Section 4.7 of the PCAM requires that every member of a tender evaluation committee sign a Declaration of Conflict of Interest. This means that they are not in a position to benefit from the particular procurement

being made. Examples of a conflict of interest include sourcing goods or service from a relative or other associate or the promise of receipt of a gift or benefit from a vendor. As none of the procurements reviewed in this audit went to tender, no tender evaluation committee was established and no declarations were made. Officers who are not members of a tender evaluation committee but have some other role in a procurement may also have conflicts of interest.

- 7.26 The Prison Fellowship of the Solomon Islands provided meals at one the Quarantine Centres. The letter supporting payment for this service was signed by the Emergency Operations Centre Manager who is also the Vice Chairman of the Prison Fellowship of the Solomon Islands. This is a clear conflict of interest and should have been declared and avoided.

### ***Implications***

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

### **Business Registration of Suppliers**

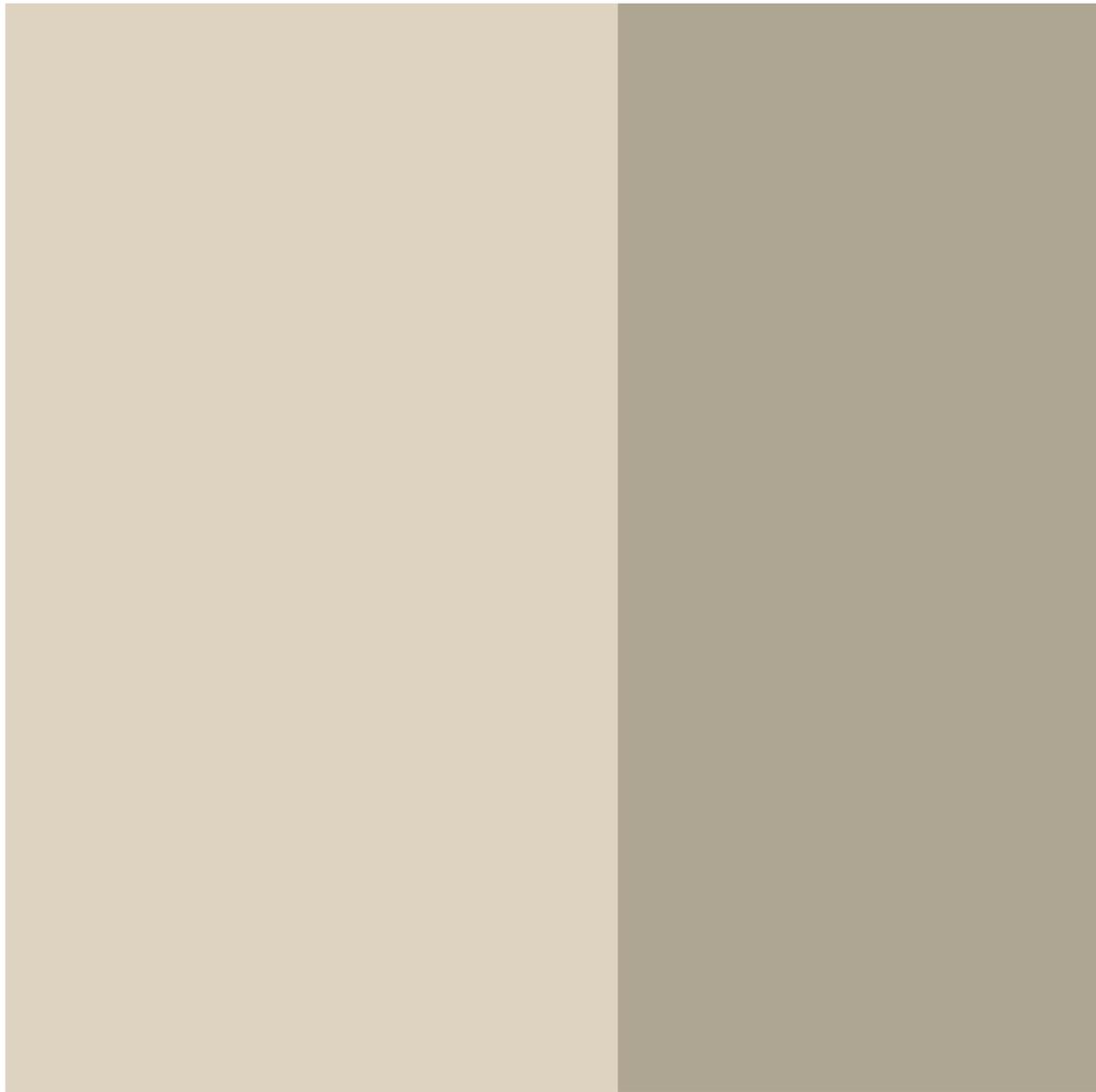
- 7.29 The PCAM, S4.8, provides that to be considered in a tender process, vendors must be registered with the Companies Haus. There are three classifications of registration: Business, Companies and Foreign Investments. This provides some protection the Government in that business must have some sort of formal structure and are less likely to quickly disappear if something goes wrong with procurement. Also, in order to remain active, the registered companies or businesses needs to schedule annual return filings.
- 7.30 As there was no tender process involved in these procurements, there was no specific requirement for chosen suppliers to be registered under S4.8 but the intent of the provision is that businesses providing goods and services to the Government should be registered. OAG found that several of the businesses which were engaged to provide goods and services were not registered with the Company Haus and some that had previously been registered were no longer registered. NDMO should ensure that providers in a material procurement are registered.

### **Preparation and maintenance of procurement documentation**

- 7.31 During the testing of transactions, OAG noted that many procurement requisitions and payment vouchers had manual corrections including to important fields such as the payment amount or the amount to be withheld for tax purposes. Some of these changes were initialled but others were not. Even where the changes were initialled it was often not possible to determine which officer had actually initialled the change. Purchase

requisitions and payment vouchers are key control documents which provide for accountability for transactions by the officers who have signed those documents. If those documents are changed after signature, then the signing officer may not be aware of the change in a document that is issued in his or her name. OAG was advised that the manual corrections were made to save time rather than creating new vouchers. Creating a new voucher is a task that takes a few minutes. The time-consuming facet of this process is seeking the signatures of officers responsible for any certification or authorisation required. It is also the essential part of the process if these officers are to be accountable for the form. Allowing a manual change made by someone who cannot be identified from their initials is a significant breakdown of internal control.

- 7.32 During testing of transactions OAG also found that not all relevant documentation could be located for all transactions. Many Bid Waivers were approved by the CBT but only a few of the Bid waiver submissions were located so it was not possible to determine whether the justification for the bid waiver was 'reasonable'. NDMO officers advised that the procurement process had been administered by the Oversight Committee but could provide no documentation relating to this. While it is reasonable that the Oversight Committee directed the Ministry to ensure that quarantine facilities at the various centres named in the Emergency Powers (COVID-19) (No.2) Regulations 2020 of 29 March 2020 where suitable for occupancy, it does not appear that the Oversight Committee directed that a specific business be engaged to undertake a particular supply/refurbishment activity. Also, the Oversight Committee did not direct that the Ministry forego all internal controls that protect the interests of the Government in procurement activities. Where directions were received from the Oversight Committee, these directions should have been documented, if not by the Committee then at least by the Ministry and that documentation should form part of the transaction documentation.
- 7.33 The absence of documentation means that reviewers, including the OAG, cannot provide assurance that a transaction has been processed correctly and that all necessary approvals, certifications and authorisations have been made and that the correct goods and services have been received.



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