

NATIONAL AUDIT OFFICE

INTRODUCTION

The Auditor-General is the independent external auditor to Parliament and the people of Vanuatu. The Office of the Auditor-General is a key player in ensuring accountability to the public and promoting good governance and transparency.

The Auditor-General's office provides independent and quality assurance over the financial management of government and public entities through audit activities on financial management and the integrity of financial reports; transparency and accountability of assessment of revenue and expenditure of appropriation; and good governance and integrity of practices in the accounting and delivery of services.

This report seeks to analyze and discuss the major issues relating to budgeting and spending of the office's budget, revenue and virements for the first quarter of 2017.

SUMMARY OF KEY FINDINGS

The National Audit Office (NAO) maintains that same annual recurrent budget as in the previous years – VT 32,331,489, apart from the NPP for Team Mate License. Analysis shows that NAO unspent its budget in the 2 previous years due to accumulated payroll saving.

The second table compares the first quarter's budget against actual expenditure for the three years period, 2015 - 2017. Analysis shows that the first quarters' budget is not consistent in the three years. There was a reduction from VT 6.7 million budgeted for in the first quarter of 2015 to VT 7.1 million this year. Allocation of budget, especially operational budget should realistically align with the office's planned activities for the next financial year. NAO underspent its first quarter budgets, mainly because of unspent payroll budget. Saving for this year alone is VT 2.4 million. Spending at this rate will likely underspend the office's budget at the end of the year.

Table 3 details the expenditure chart of accounts for the national audit office in the first quarter of this year. This table details which chart of accounts was underspent or overspent in these first three months. As mentioned above, the saving came mainly because of unspent payroll related expenses – VT 1.6 million, compare to VT 6.2 million payroll saving realized in the same period last year. These payroll saving came about because of delay in recruitment of budgeted positions. This office continues to face a high rate of human resource turnover due to lower pay grade for graduate accountants, thus a lot of the new graduates find greener pastures elsewhere. However, the current management with the corporation of public service commission is currently working on the office's human resource structure, which should be completed in the second quarter of this year. This will attract and keep highly qualified accountants that can carry out the office's duties efficiently and effectively, eradicating the current back log of audits for the whole government financial accounts with its SOEs.

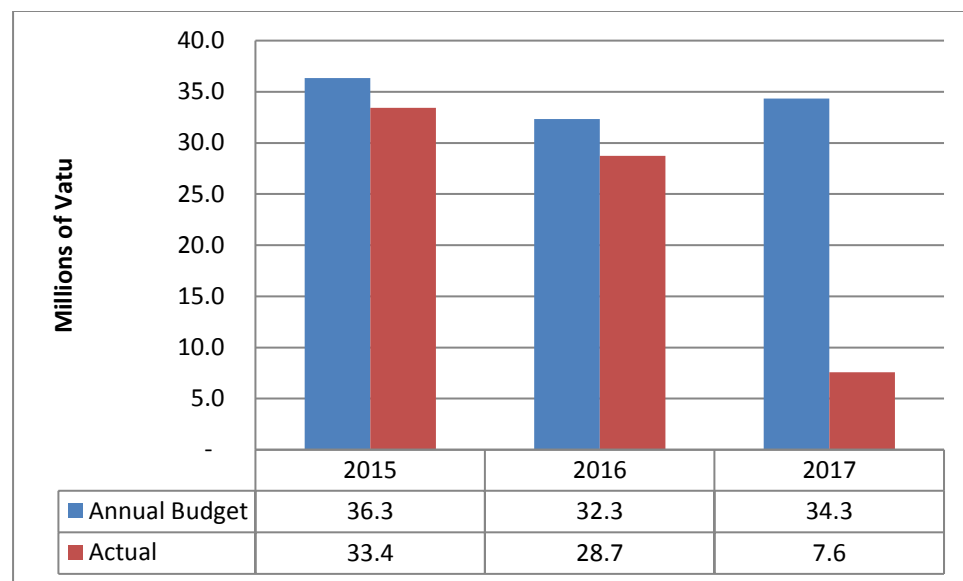
With an operational budget of VT 1.7 million for the first quarter of this year, the office unspent by VT 761,815, compare to an overspending of VT 1.4 incurred in the first quarter of 2016. NAO has not only managed to spent within its total payroll and operational budget, but also within the budget for each individual chart of accounts. As a result, overspend and unplanned expenditure was reduced. The major unplanned expenditure for this first quarter is acting allowance, which was related to the acting positions of the current auditor general. While VAT was overspent by VT 120,502, compare to VT 47,775 last year.

The national Audit office is not a revenue generating arm for the government.

No virement request in the first quarter of this year.

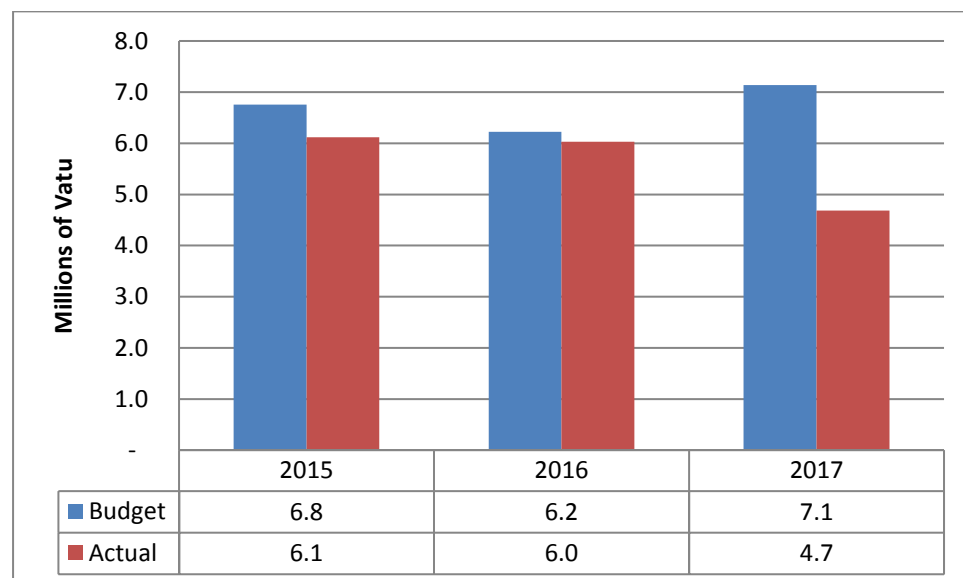
TABLES

TABLE 1: ANNUAL BUDGET VS ANNUAL EXPENDITURE FOR 2015 – 2017



Source: Finance & Treasury

TABLE 2: BUDGET VS EXPENDITURE FOR QUARTER 1, 2015 – 2017



Source: Finance & Treasury

**TABLE 3: EXPENDITURE FOR THE NATIONAL AUDIT OFFICE BY CHART OF ACCOUNTS
IN QUARTER 1, 2017**

Account	Description	Total	Budget	Under/(Over)
	Personnel Expenses			
8AAA	Acting Allowances	389,455	-	(389,455)
8AAF	Family Allowance	38,640	99,690	61,050
8AAH	Housing Allowances	207,000	636,921	429,921
8AAP	Home Island Passage Allowances	103,950	173,076	69,126
8ASP	Provident Fund	127,658	174,309	46,651
8AWP	Permanent Wages	2,782,972	4,258,020	1,475,048
PAYR	Payroll expenses	-	-	-
	Personnel Expenses	3,649,675	5,342,016	1,692,341
	Operating Expenses			
8CAB	Subsistence Allowances	100,000	75,000	(25,000)
8CFV	Vehicles Fuel	-	60,000	60,000
8CIV	Vehicles Hire	-	10,500	10,500
8CJO	Office Cleaning	1,066	9,000	7,934
8CKD	Advertising - Communications	-	10,000	10,000
8CKP	Postage - Communications	10,366	7,500	(2,866)
8CKR	Printing - Communications	-	150,000	150,000
8CKS	Stationery - Communications	-	24,999	24,999
8CKT	Telephone / Fax - Communications	9,869	67,000	57,131
8CMG	General - Materials	4,889	-	(4,889)
8CNO	Office Rental	645,000	820,494	175,494
8COI	Incidentals	8,090	-	(8,090)
8COO	International Organisation Fees	(303,557)	-	303,557
8COP	Official Entertainment	-	25,000	25,000
8COU	Uniforms	-	50,000	50,000
8CRE	Equipment Repairs & Maintenance	13,333	25,000	11,667
8CRV	Vehicles Repairs & Maintenance	-	25,000	25,000
8CSO	Other Suppliers	14,779	-	(14,779)
8CTI	International Travel	60,333	100,000	39,667
8CTL	Local Travel	1,563	48,000	46,437
8CUE	Electricity Utilities	263,334	270,000	6,666
8CZV	Value Added Tax	133,002	12,500	(120,502)
8EEA	Equipment - Additional General	71,111	-	(71,111)
8FCB	Bank Charges	2,500	7,500	5,000
	Operating Expenses	1,035,678	1,797,493	761,815
	Total Expenditure	4,685,353	7,139,509	2,454,156

Source: Finance & Treasury