

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 is the second of the three reports that will be produced by the department of finance and treasury to highlight the budget issues for National Audit office in the second quarter of this year.

SUMMARY OF KEY FINDINGS

With the annual recurrent budget of VT 34.3 million, the National Audit Office (NAO) spent VT 10.8 million (31%) in the first six months of the year (January – June, 2017) and VT 6.1 million in the second quarter alone, compared to VT 5.3 million in the same period last year. The second quarter budget trend for the 3 year period (2015 – 2017) as shown in table 2 indicated an increase of 55% in this year's budget compare to the two past years. Expenditure on the other hand has also gone up slightly by 15% in the second quarter of this year. Table 2 indicates that spending for the past 3 years was within budget ceiling, resulting in saving of VT 1.3 million, VT 896,000 and VT 3.5 million, respectively. The saving came mainly from accumulated payroll savings. Spending at this rate will likely underspend the office's budget at the end of the year.

Table 3 further details that budget verses expenditure by chart of accounts, showing which chart of accounts were budgeted for, unbudgeted and overspent in the second quarter period even though the overall budget for the national audit office in that period was underspent by VT 3.5 million as mentioned above.

Major unbudgeted expenditures as highlighted in red in table 3 below include acting allowances – not budgeted for this year, translation communications- not budgeted for this year and printing communications – budget stored in the month of December 2017. Additionally, NAO overspent the budget for VAT by VT 183,000 against an annual budget of VT 50,000.

It's obvious that the majority of the savings came mainly from unspent payroll budget. From the total saving of VT 3.5 million realized in the second quarter of this year, VT 2.2 million (62%) was payroll saving to date and will definitely increase further in the future periods. The operational budget was underspent by VT 1.3 million this year, compare to VT 1.8 million in the same period last year.

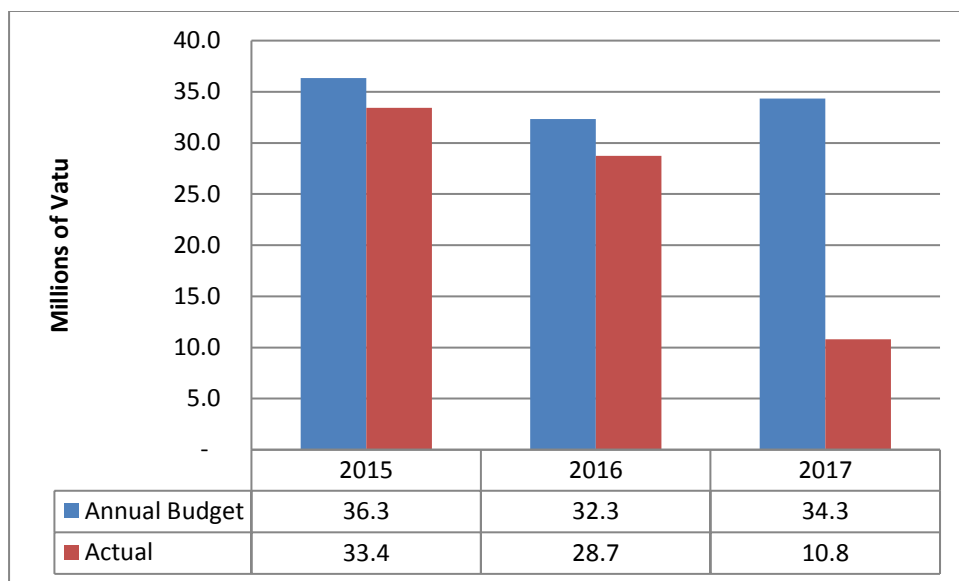
It is also important for NAO to utilize its appropriated budget fully to meet the increasing demands for the services being provided by this important government agency in order to ensure transparency and accountability of assessment of revenue and expenditure of appropriation; and good governance and integrity of practices in the accounting and delivery of services.

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

No virement request in the first quarter of this year.

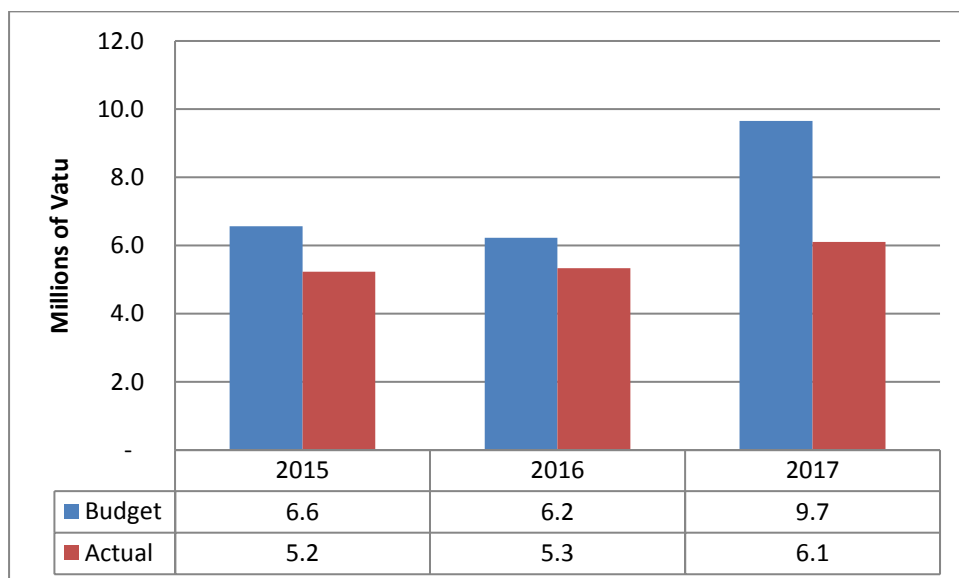
TABLES

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



Source: Finance & Treasury

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



Source: Finance & Treasury

**TABLE 3: EXPENDITURE FOR THE NATIONAL AUDIT OFFICE BY CHART OF ACCOUNTS
IN QUARTER 2, 2017**

Account	Description	Total	Budget	Under/(Over)
	Personnel Expenses			
8AAA	Acting Allowances	378,637	-	(378,637)
8AAF	Family Allowance	46,920	116,306	69,386
8AAG	Gratuitie Allowances	13,070	-	(13,070)
8AAH	Housing Allowances	282,437	743,077	460,640
8AAP	Home Island Passage Allowances	113,326	201,923	88,597
8ASP	Provident Fund	144,998	203,360	58,362
8AWP	Permanent Wages	3,350,649	4,967,700	1,617,051
PAYR	Payroll expenses	-	300,000	300,000
	Personnel Expenses	4,330,037	6,532,366	2,202,329
	Operating Expenses			
8CAB	Subsistence Allowances	-	75,000	75,000
8CFV	Vehicles Fuel	-	60,000	60,000
8CGM	Mail Carriage Freight	-	10,000	10,000
8CIV	Vehicles Hire	-	10,500	10,500
8CJO	Office Cleaning	4,969	9,000	4,031
8CKL	Translation Communications	290,667	-	(290,667)
8CKP	Postage - Communications	3,333	7,500	4,167
8CKR	Printing - Communications	152,889	-	(152,889)
8CKS	Stationery - Communications	43,166	24,999	(18,167)
8CKT	Telephone / Fax - Communications	38,668	67,000	28,332
8CMG	General - Materials	-	-	-
8CNO	Office Rental	645,000	820,494	175,494
8COO	International Organisation Fees	-	1,741,121	1,741,121
8COP	Official Entertainment	37,333	25,000	(12,333)
8CRE	Equipment Repairs & Maintenance	11,000	160,000	149,000
8CRV	Vehicles Repairs & Maintenance	-	25,000	25,000
8CSO	Other Suppliers	13,191	-	(13,191)
8CTI	International Travel	7,526	45,000	37,474
8CTL	Local Travel	25,467	48,000	22,533
8CUE	Electricity Utilities	205,748	270,000	64,252
8CZV	Value Added Tax	196,369	12,500	(183,869)
8EEA	Equipment - Additional General	23,111	-	(23,111)
8EEC	Equipment - Computer	-	-	-
8EER	Equipment - Replacement General	78,978	-	(78,978)
8EFO	Furniture - Office Furniture	-	6,198	6,198
8FCB	Bank Charges	-	7,500	7,500
OVER	Overhead expenses	-	(300,000)	(300,000)
	Operating Expenses	1,777,415	3,124,812	1,347,397
	Total Expenditure	6,107,452	9,657,178	3,549,726

Source: Finance & Treasury