

## NATIONAL AUDIT OFFICE

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### INTRODUCTION

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The national audit office ensures that the public money (revenue or expenditure), assets and properties is handled properly and accounted for. It also ensures that all finances are spend lawfully and for its rightly appropriated purpose given in the appropriation Act.

The independent external auditor to the parliament is a key player in ensuring accountability to the public and promoting good governance and transparency.

Under the section 25 (5) of the Constitution states that the function of the Auditor-General shall be to audit and report to Parliament and the Government on the Public accounts of Vanuatu. There are a number of types of audits carried out by auditors such as financial audits, compliance audits, performance audits, investigations and information system audits, however due to the current shortage of audit staffs, the office only carries out Financial and compliance audits. Audit reports were done for the whole of government and not by ministry level due to the capacity issue in which the government is currently addressing in phases to increase the current human resource capacity and ensure that the office fulfils its mandates on a timely manner.

The office also tendered 20% of its audit works to domestic private auditors to audit mainly corporatized SOEs, regulatory bodies, non-corporatized SOEs, Mutual Financial institutions and minority holdings.

This first of three such 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 2018.

### SUMMARY OF KEY FINDINGS

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The annual budget for that national audit office increase by 44% this year compare to 6% last year, 2017. The increase of VT 15 million approved NPP will catered for payroll cost for additional recruitments to fill up the newly approved organizational structure and additional operational budget. The office will continue to seek additional budget support to fully implement its structure in the coming years to ensure full capacity and delivery of services as required.

Table 2 shows that the payroll budget increased by 51% while the operational budget rise by 27% from last year's budgeted figures. The high payroll budget consumes 70% of this year's annual budget was due to the implementation of the recent remuneration of the public sector and recruitment of additional staffs. The office only budgeted for VT 13.6 million as operational budget this year, while actual spending of VT 20 million was realised last year, which will likely lead to a budget shortfall in the second half of the year unless there is additional financial support is sourced to sustain the operation until the end of the financial year.

With the annual budget for VT 49.3 million, the office spent VT 9.7 million (20%) in the first quarter for this year leaving the remaining 80% to be utilized in the remaining 3 quarters. This spending rate will underspend the office's recurrent budget at the end of the year.

The national audit office (NAO) budgeted to spend VT 8.1 million in the first quarter but actual spending went over budget by VT 1.5 million due to overspending and unplanned operational expenditures realized in the first quarter and accrued outstanding LPOs for 2017 paid in the first quarter of this year. The office is forecasted to spend within its budget for the remaining three quarters of this year. In the same period last year, NAO underspent its budget by VT 2.4 million mainly because of accumulated payroll savings.

Table 4 shows the detail expenditure chart of accounts budgets verses actual expenditures incurred in the first quarter of this year. With the total budget of VT 8.1 million, NAO planned to spend 94% on payroll and 6% as operational budget for the first quarter however the actual spending deviates slightly from the budget, especially the operational budget showing a negative figure of VT 1.5 million realized in that period due to overspent and unbudgeted expenditures and virements of budget from the operational budget to payroll to offset negative payroll budgets caused by the increased GRT remuneration.

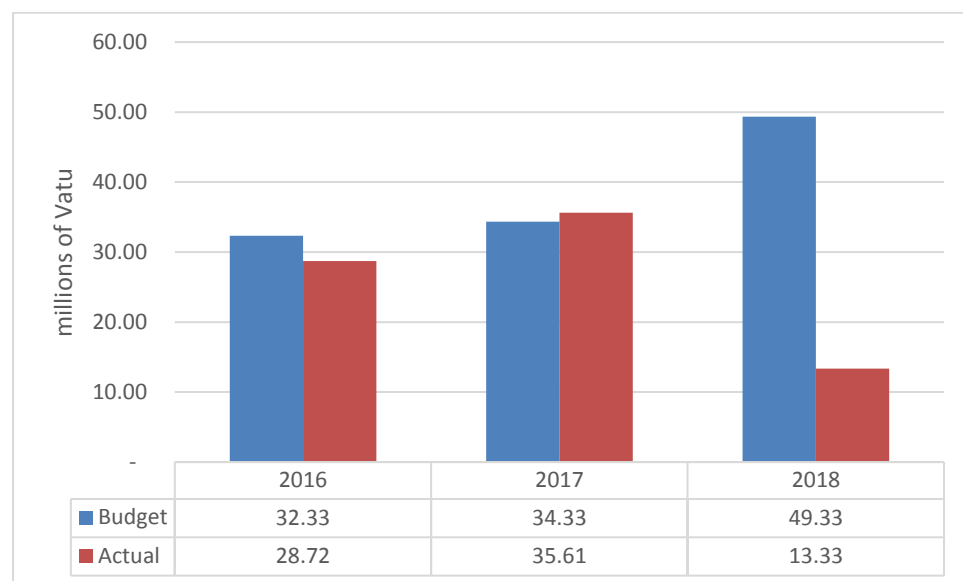
The analysis shows that acting allowance, facilities hire and VAT as major unplanned expenditures incurred in the first quarter, while permanent wages was overspent by VT 2.7 million followed by office rental as the major overspent chart of accounts. The office should minimize overspending in the 3 remaining periods.

Table 5 shows virements transactions processed in the first quarter from operation cost centres to payroll cost centres for the national audit office and vice versa to amend NAO's operational budget and ensure sufficient budget to cater for the new GRT remuneration salary grading. Virement incurred in the first quarter total up to VT 8,038,171.

The national Audit office is not a revenue generating arm for the government, thus no revenue is recorded under this government agency.

## TABLES

**TABLE 1: NATIONAL AUDIT OFFICE ANNUAL BUDGET VS EXPENDITURE FOR 2016 – 2018**



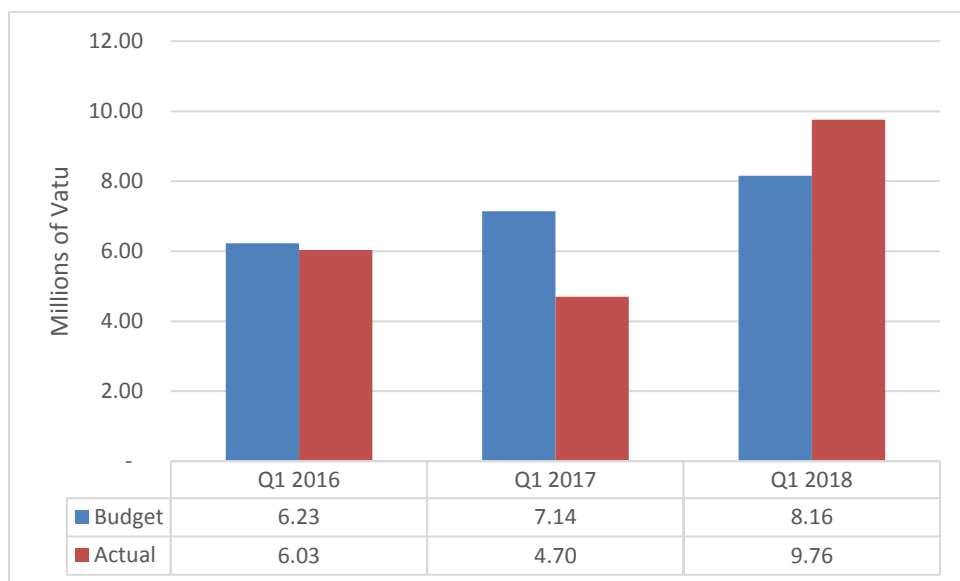
**Source:** Finance & Treasury

**TABLE 2: ANNUAL PAYROLL BUDGET TO OPERATION RATIO 2016 – 2018**

Constitutional Agencies - National Audit Office				
Description	2018 Recurrent Budget	2017 Budget	2017 Actual to date	2016 Actual
Personnel	35,677,116	23,619,177	15,547,739	17,140,338
% Share of Payroll	72%	69%	44%	60%
Operational	13,654,373	10,712,312	20,064,119	11,584,142
% Share of Operation	28%	31%	56%	40%
<b>Total for all accounts</b>	<b>49,331,489</b>	<b>34,331,489</b>	<b>35,611,858</b>	<b>28,724,480</b>

**Source:** Finance & Treasury

**TABLE 3: NATIONAL AUDIT OFFICE BUDGET VS EXPENDITURE FOR  
QUARTER 1, 2016 – 2018**



**Source:** Finance & Treasury

**TABLE 4: EXPENDITURE FOR THE NATIONAL AUDIT OFFICE BY CHART OF ACCOUNTS  
IN QUARTER 1, 2018**

Account	Description	Total	Budget	Under/(Over)
<b>Personnel Expenses</b>				
8AAA	Acting Allowances	109,671	-	(109,671)
8AAF	Family Allowance	1,840	88,614	86,774
8AAH	Housing Allowances	220,782	747,690	526,908
8AAO	Other Allowances	20,000	-	(20,000)
8AAP	Home Island Passage Allowances	-	161,538	161,538
8ASP	Provident Fund	265,435	230,457	(34,978)
8AWC	Contract Wages	-	1,382,214	1,382,214
8AWP	Permanent Wages	7,021,038	4,290,585	(2,730,453)
PAYR	Payroll expenses	-	799,263	799,263
	<b>Personnel Expenses</b>	<b>7,638,766</b>	<b>7,700,361</b>	<b>61,595</b>
<b>Operating Expenses</b>				
8CAB	Subsistence Allowances	10,000	-	(10,000)
8CBL	Local Accommodation	96,955	-	(96,955)
8CEC	Consultants Fees	-	-	-
8CET	Other Fees	2,301	-	(2,301)
8CFV	Vehicles Fuel	26,956	-	(26,956)
8CIF	Facilities Hire	778,174	-	(778,174)

8CJO	Office Cleaning	12,392	9,000	(3,392)
8CKR	Printing - Communications	-	-	-
8CKS	Stationery - Communications	-	55,116	55,116
8CKT	Telephone / Fax - Communications	52,768	54,000	1,232
8CNO	Office Rental	425,000	249,999	(175,001)
8COI	Incidentals	10,000	-	(10,000)
8COO	International Organisation Fees	-	45,000	45,000
8COP	Official Entertainment	23,217	-	(23,217)
8CRE	Equipment Repairs & Maintenance	44,623	-	(44,623)
8CRV	Vehicles Repairs & Maintenance	-	-	-
8CTI	International Travel	216,383	148,488	(67,895)
8CTL	Local Travel	26,069	18,000	(8,069)
8CUE	Electricity Utilities	115,066	270,000	154,934
8CZV	Value Added Tax	270,082	-	(270,082)
8EEA	Equipment - Additional General	10,430	-	(10,430)
8EER	Equipment - Replacement General	-	-	-
8EVR	Vehicle - Replacement	-	-	-
8FCB	Bank Charges	-	7,500	7,500
OVER	Overhead expenses	-	(397,215)	(397,215)
	<b>Operating Expenses</b>	<b>2,120,416</b>	<b>459,888</b>	<b>(1,660,528)</b>
	<b>Total Expenditure</b>	<b>9,759,182</b>	<b>8,160,249</b>	<b>(1,598,933)</b>

*Source: Finance & Treasury*

TABLE 5: VIREMENT FOR THE NATIONAL AUDIT OFFICE IN QUARTER 1, 2018

Date	fund_Out	dept_Out	activity_Out	account_Out	fund_In	dept_In	activity_In	account_In	Amount
29-Mar-18	2	05AB	CEAB	PAYR	2	05AC	CEAC	OVER	895,000
13-Mar-18	2	05AB	CEAB	OVER	2	05AA	CEAA	OVER	80,000
13-Mar-18	2	05AB	CEAB	OVER	2	05AC	CEAC	OVER	1,200,000
13-Mar-18	2	05AC	CEAC	OVER	2	05AB	CEAB	PAYR	1,200,000
12-Mar-18	2	05AB	CEAB	PAYR	2	05AC	CEAC	OVER	1,200,000
12-Mar-18	2	05AB	CEAB	PAYR	2	05AA	CEAA	OVER	3,463,171
<b>Total</b>									<b>8,038,171</b>

*Source: Finance & Treasury*