

NATIONAL AUDIT OFFICE

INTRODUCTION

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, by ministry level, and upon request from the public accounts committee, ombudsman, etc. The office still faced with the capacity issue in which the government is currently addressing in phases to increase the current human resource capacity and ensure that all 20 new positions are filled up this year.

The office also tendered 20 percent 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 2019.

SUMMARY OF KEY FINDINGS

The annual budget for that national audit office continue to increase over the past three years, showing a rise of 139 percent to address the office's on going challenges of strengthening human capacity and increase operational budget. To date, NAO is currently operating with 13 officers which leaves the office with an additional 7 vacant positions to be filled this year, in which recruitment process is already in progress. The operational budget top-up help cater for additional office equipment for new staffs and facilitate audit trainings to up skill current staffs to carry out other audits that are currently not being able to be carried out, such as performance audit and investigations.

As shown table 1 below NAO's 2019 budget now stands at VT 82 million compared to VT 34.3 million received two years ago, due to the additional budget received last year and an additional VT 20 million approved NPP for this year. The bar graph also indicated that in 2017, NAO overspent its budget by 4 percent, however the last year's surplus of VT 7.4 million was due to the delay in recruitment processes to fill up vacant positions. NAO spent 29 percent of the annual budget in the first quarter and is likely to incur a saving at the end of this year.

The second bar graph shows the first quarter budget verses expenditure for the national audit office for the past two years. Since the annual budget has increased over the past few years, so as the quarterly cash flow budget, which increases from VT 7.1 million in 2017 to VT 17.7 million budgeted for the first quarter of this year. The actual spending for last year was higher than budgeted for, unlike the year 2017 and this year's quarter one surplus figures. NAO must spend according to its planned activities for this year and ensure the 7 vacant positions are filled up in order to fully utilise the budget at the end of the year, otherwise NAO will under spend its budget again at the end of the year as experienced in the previous years.

Analysis in table 3 below shows that budget and actual expenditure by chart of accounts for the first quarter of this year, highlighting in yellow the major overspent items and in red the major unbudgeted expenditures incurred in that period. NAO planned to spend VT 17.7 million in the first three months but has failed to meet that target by 31 percent, incurring a saving of VT 5.5 million compared to a deficit of VT (1.5) million realised in the same period last year and a surplus of VT 2.4 million in 2017. The major expenditures for the past three years include permanent wages, housing allowance, office rental, subsistence allowance, facilities hire, etc. These major expenditures among others are also increasing yearly due to the increased demand for citizenship services.

As shown in table 2 below, there are several major overspent items which include housing allowances, subsistence allowance, international travel, VAT and international accommodation. The housing allowance was under spent due to the late approval from PSC to reinstate housing allowance after the budget process has ended. International travel and accommodation related to on the job upscale training of senior staffs to upgrade their auditing skills.

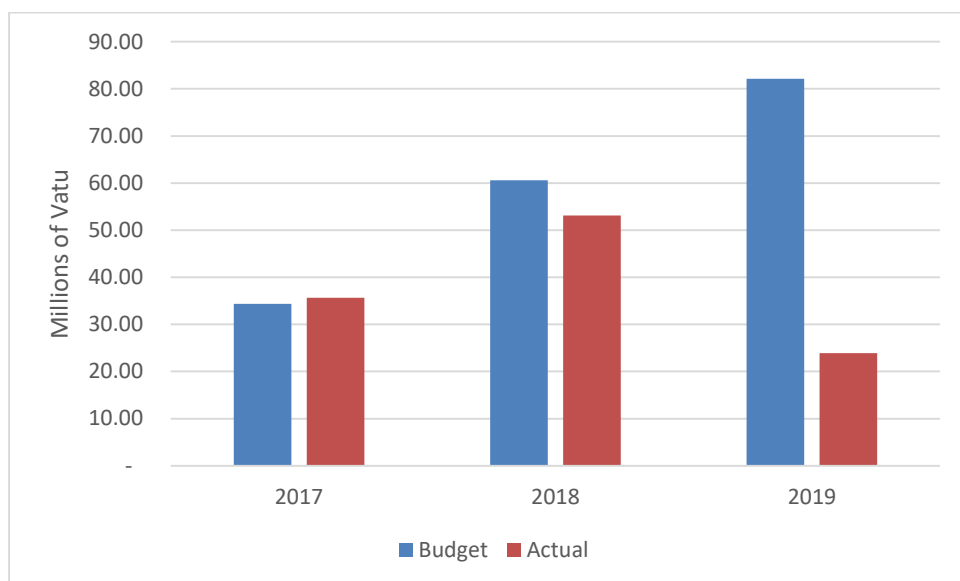
The table also shows unbudgeted expenditures for the first quarter, which include acting allowance, vehicle repairs and maintenance, equipment repairs and maintenance. Acting allowances are recurring expenditures, however still there are not attempt made since 2017 to budget for this particular expense. The spending rate for the first quarter is at 15 percent of the annual budget and at this current rate, NAO will likely underspend its recurrent budget at the end of the year.

There are no transfer of funds within the office cost centres in the first three months of this year.

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

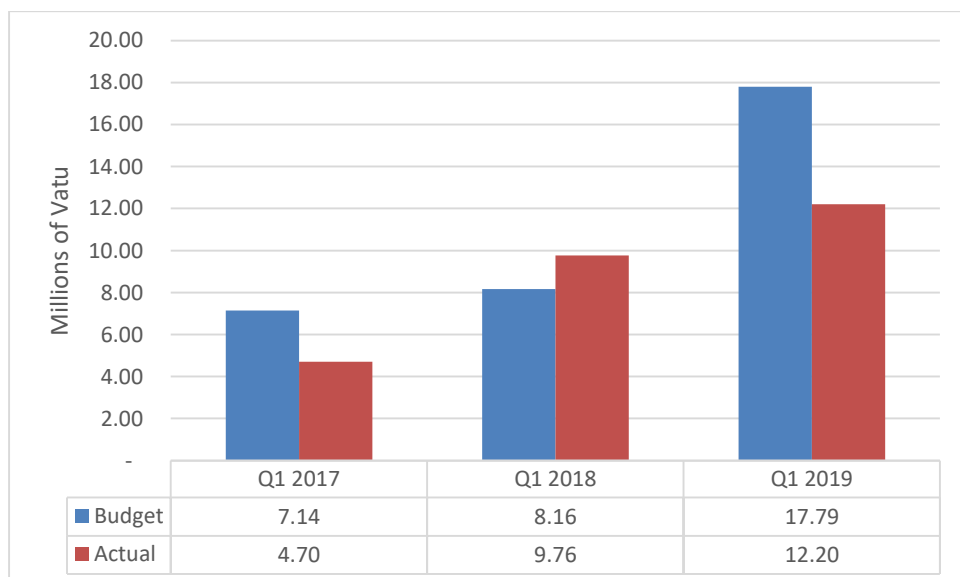
TABLES

**TABLE 1: NATIONAL AUDIT OFFICE ANNUAL BUDGET VS EXPENDITURE FOR
2017 – 2019**



Source: Finance & Treasury

**TABLE 2: NATIONAL AUDIT OFFICE BUDGET VS EXPENDITURE FOR QUARTER
1, 2017 – 2019**



Source: Finance & Treasury

**TABLE 3: EXPENDITURE FOR THE NATIONAL AUDIT OFFICE BY CHART OF ACCOUNTS
IN QUARTER 1, 2019**

Account	Description	Total	Budget	Under/(Over)
	Personnel Expenses			
8AAA	Acting Allowances	294,640	-	(294,640)
8AAF	Family Allowance	59,708	83,076	23,368
8AAH	Housing Allowances	1,246,350	512,307	(734,043)
8AAO	Other Allowances	20,000	4,614	(15,386)
8AAP	Home Island Passage Allowances	257,291	219,228	(38,063)
8ASP	Provident Fund	310,203	386,346	76,143
8AWD	Daily Rated Wages	-	-	-
8AWL	Leave expense	45,440	-	(45,440)
8AWO	Overtime Wages	52,363	-	(52,363)
8AWP	Permanent Wages	7,408,047	9,570,915	2,162,868
PAYR	Payroll expenses	-	(1,000,000)	(1,000,000)
	Personnel Expenses	9,694,042	9,776,486	82,444
	Operating Expenses			
8CAB	Subsistence Allowances	612,500	62,500	(550,000)
8CAS	Sitting Allowances	15,000	-	(15,000)
8CBI	International Accommodation	153,556	37,500	(116,056)
8CCL	Local Courses	-	146,073	146,073
8CEC	Consultants Fees	-	-	-
8CET	Other Fees	4,310	-	(4,310)
8CFV	Vehicles Fuel	48,695	125,001	76,306
8CGM	Mail Carriage Freight	-	20,000	20,000
8CIF	Facilities Hire	-	-	-
8CJO	Office Cleaning	6,450	9,000	2,550
8CKD	Advertising - Communications	-	80,000	80,000
8CKP	Postage - Communications	-	15,000	15,000
8CKS	Stationery - Communications	36,053	145,707	109,654
8CKT	Telephone / Fax - Communications	169,208	87,999	(81,209)
8CNO	Office Rental	630,000	724,497	94,497
8COI	Incidentals	24,550	75,000	50,450
8COO	International Organisation Fees	-	-	-
8COP	Official Entertainment	-	335,000	335,000
8CRE	Equipment Repairs & Maintenance	18,000	-	(18,000)
8CRV	Vehicles Repairs & Maintenance	79,481	-	(79,481)
8CSO	Other Suppliers	24,808	15,000	(9,808)
8CTI	International Travel	231,659	90,000	(141,659)
8CTL	Local Travel	-	330,000	330,000

8CUE	Electricity Utilities	236,829	270,000	33,171
8CWI	International Workshops	-	250,000	250,000
8CZV	Value Added Tax	213,525	100,002	(113,523)
8EEC	Equipment - Computer	-	400,000	400,000
8EER	Equipment - Replacement General	-	100,000	100,000
8EVA	Vehicle - Additional Vehicle	-	-	-
8FCB	Bank Charges	2,500	7,500	5,000
OVER	Overhead expenses	-	4,589,327	4,589,327
	Operating Expenses	2,507,124	8,015,106	5,507,982
	Total Expenditure	12,201,166	17,791,592	5,590,426

Source: Finance & Treasury