

# NATIONAL AUDIT OFFICE QUARTERLY EXPENDITURE REPORT, Q3 2020

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## EXECUTIVE SUMMARY

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In the third quarter, the National Audit office spends 82 percent of the its budget and realized a 18 percent (VT 1.4 million) payroll saving due to delay in the recruitment process. The operational budget on the other hand was fully utilized to finance its operational activities for the third quarter. This third of three such reports shows that there were several chart of accounts that were not budgeted for this year and others were understated which resulted in overspending. There's need to provide sufficient office space to cater for the increase number of audit staffs. Strengthening audit systems and processes, and human capacity will improve accountability, transparency and governance of public funds and its assets. The report will also provide recommendations and conclusions on ways forward.

## NATIONAL AUDIT OFFICE OPERATION

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The National Audit office (NAO) spent 53 percent of its annual recurrent budget of VT 95.4 million in the first three quarters of this year. This spending rate could likely underspend the annual budget at the end of the financial year as seen in the previous two years where saving of up to VT 8.5 million was released, as shown in figure 2 below.

In the second quarter, the National Audit Office (NAO) underspent its budget of VT 18.1 million by VT 1.4 million (8 percent). Figure 3 below shows that the office has been underspending its third quarter's budget since the year 2018, due to unspent payroll budget caused by delay in recruitments for new auditors. Operation of VT 6.1 million was overspent by some seven hundred thousand. The office spent more on permanent wages, local travel, housing allowance, VAT, office rental and building repairs and maintenance.

Figure 4 shows that the Vanuatu National Audit Office did not budget for responsibility allowance, local accommodation, international organisation fees, building repairs and maintenance in the third quarter. Record shows that responsibility allowance and local accommodation were not budgeted for this year, while the international organisations fees and building repairs have their budgets stored in period 12. Furthermore, the yellow highlighted figures were some of the major overspent expenditures for the third quarter. Local travel was overspent by VT 1.9 million, official entertainment by VT 326,708 and stationery communications by VT 211,154. This spending rate will underspend this year's budget at end of the year.

There's no virement of funds in the third quarter.

## POLICY IMPLICATION

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The government must continue to provide annual support to the national audit office to upgrade its capacity to provide quality audit reports on a timely basis, given the increase in demand for the different types of audit reports requested at the national level, provincial level and for specific project/donor funds or government program. Strengthening measures will ensure better accountability, transparency and overall governance of public funds and assets, and allow for potential cost cutting measures. Medium to long term support should also cater for office buildings sufficient to accommodate the increased workforce in the public sector and provide a better working environment for its employees. Audit legislations and regulations that need to be reviewed and updated must be done to ensure the audits processes meet the current business demands and in line with international auditing standards. Recruitment of additional staffs to occupy budgeted vacant positions for this year should be fast tracked to strengthen the office's human resource capacity as well as utilizing the appropriated budget for vacant positions which was currently shown as accumulated payroll saving in each period.

## CONCLUSION

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Given the huge accumulation of payroll saving to date, the National Audit office should fast track the recruitment of the additional officers to better strengthen the human resource capacity for the office to undertake more audit works and better respond to the growing audit demands. There's not transfer of budget into/ from the National Audit office cost centre which indicates proper budgeting and spending pattern in the third quarter. Several recurring expenditures such as acting allowance, local accommodation and responsibility allowance must be budgeted for in the next financial year. It is also recommended for the office to reduce back log of audit reports for the whole of government and provincial offices and other specific audit requests. Lastly, NAO should fully utilized its budget for a given period to implement its planned activities.

## ANNEX/APPENDIX

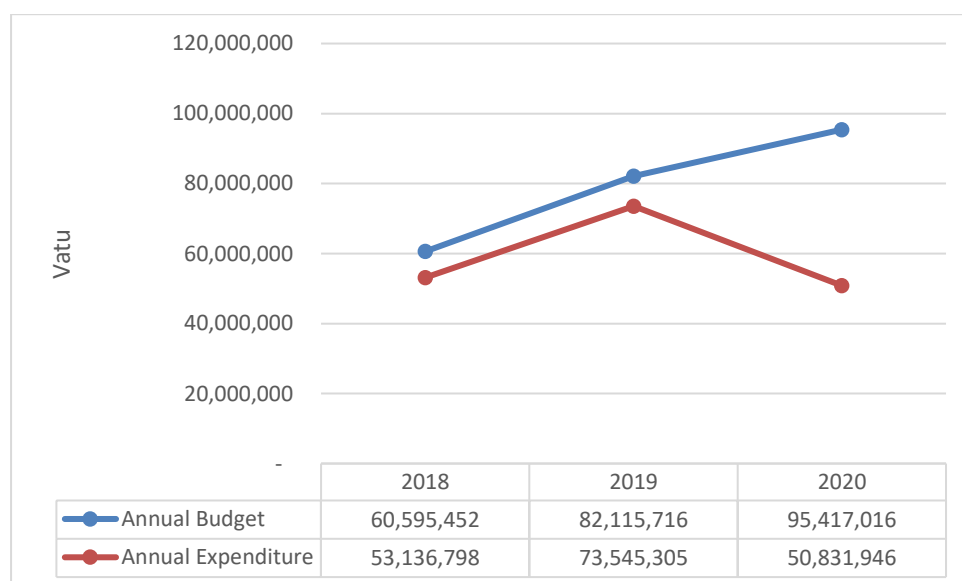
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FIGURE 1: EXPENDITURE SUMMARY FOR THE NATIONAL AUDIT OFFICE IN 2020

Code	Description	Final Budget	Total Expenditure	Under/ (Over)
<b>M01</b>	<b>Constitutional Agencies</b>			
<b>CEA</b>	<b>Public Sector Auditing</b>			
05AA	Policy & Planning Section	14,209,737	8,581,334	5,628,403
<b>CEAA</b>	<b>Planning, Policy &amp; Standards</b>	<b>14,209,737</b>	<b>8,581,334</b>	<b>5,628,403</b>
05AB	Audit Operations Section	69,459,388	34,194,638	35,264,750
<b>CEAB</b>	<b>Audit Operations</b>	<b>69,459,388</b>	<b>34,194,638</b>	<b>35,264,750</b>
05AC	Corporate Services Section	11,747,891	8,055,974	3,691,917
<b>CEAC</b>	<b>Corporate Services</b>	<b>11,747,891</b>	<b>8,055,974</b>	<b>3,691,917</b>
<b>CEA</b>	<b>Public Sector Auditing</b>	<b>95,417,016</b>	<b>50,831,946</b>	<b>44,585,070</b>
<b>M01</b>	<b>Constitutional Agencies</b>	<b>95,417,016</b>	<b>50,831,946</b>	<b>44,585,070</b>
	<b>Grand Total</b>	<b>95,417,016</b>	<b>50,831,946</b>	<b>44,585,070</b>

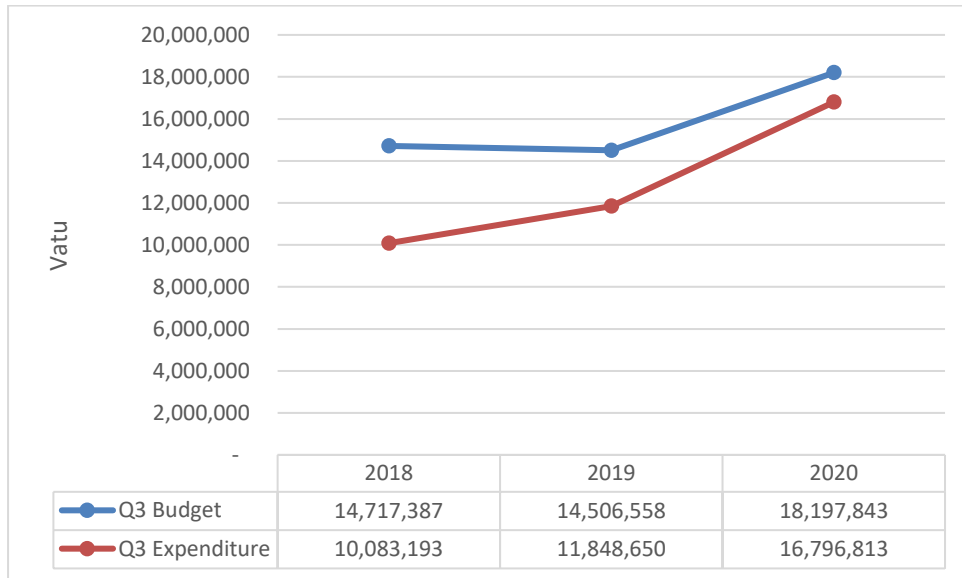
Source: Finance and Treasury

FIGURE 2: ANNUAL BUDGET VS ANNUAL EXPENDITURE TREND FOR THE NATIONAL AUDIT OFFICE 2018 - 2020



Source: Finance and Treasury

**FIGURE 3: BUDGET VS EXPENDITURE TREND FOR THE NATIONAL AUDIT OFFICE FOR THE THIRD QUARTER OF 2018 - 2020**



Source: Finance and Treasury

**FIGURE 4: EXPENDITURE FOR THE NATIONAL AUDIT OFFICE BY CHART OF ACCOUNTS, QUARTER 3, 2020**

Account	Description	Total	Budget	Under/(Over)
	<b>Personnel Expenses</b>			
8AAB	Responsibility Allowance	124,200	-	(124,200)
8AAF	Family Allowance	62,192	127,383	65,191
8AAH	Housing Allowances	914,430	1,185,228	270,798
8AAO	Other Allowances	-	4,614	4,614
8AAP	Home Island Passage Allowances	-	219,228	219,228
8ASP	Provident Fund	343,782	409,275	65,493
8AWP	Permanent Wages	8,470,218	10,099,884	1,629,666
PAYR	Payroll expenses	-	-	-
	<b>Personnel Expenses</b>	<b>9,914,822</b>	<b>12,045,612</b>	<b>2,130,790</b>
	<b>Operating Expenses</b>			
8CAB	Subsistence Allowances	208,500	687,500	479,000
8CBI	International Accommodation	-	272,500	272,500
8CBL	Local Accommodation	415,478	-	(415,478)

8CCL	Local Courses	-	50,000	50,000
8CET	Other Fees	3,130	-	(3,130)
8CFV	Vehicles Fuel	52,173	110,502	58,329
8CGM	Mail Carriage Freight	-	5,000	5,000
8CHL	Local Medical Treatment	7,500	-	(7,500)
8CIF	Facilities Hire	95,652	-	(95,652)
8CJO	Office Cleaning	70,803	16,678	(54,125)
8CKD	Advertising - Communications	-	20,000	20,000
8CKP	Postage - Communications	2,817	15,000	12,183
8CKS	Stationery - Communications	321,404	110,250	(211,154)
8CKT	Telephone / Fax - Communications	52,347	94,500	42,153
8CNO	Office Rental	661,500	724,497	62,997
8COI	Incidentals	15,125	949,998	934,873
8COO	International Organization Fees	313,062	-	(313,062)
8COP	Official Entertainment	399,208	72,500	(326,708)
8COU	Uniforms	59,612	-	(59,612)
8CRB	Buildings Repairs & Maintenance	626,294	-	(626,294)
8CRE	Equipment Repairs & Maintenance	18,261	61,250	42,989
8CRV	Vehicles Repairs & Maintenance	112,280	40,000	(72,280)
8CRW	Vehicle Servicing	23,048	-	(23,048)
8CSO	Other Suppliers	26,579	15,000	(11,579)
8CSR	Rations Suppliers	1,782	-	(1,782)
8CTI	International Travel	-	600,000	600,000
8CTL	Local Travel	2,483,782	548,798	(1,934,984)
8CUE	Electricity Utilities	172,028	270,000	97,972
8CWI	International Workshops	-	1,000,000	1,000,000
8CZV	Value Added Tax	693,255	314,730	(378,525)
8EEA	Equipment - Additional General	48,871	59,388	10,517
8EFO	Furniture - Office Furniture	-	106,640	106,640
8FCB	Bank Charges	(2,500)	7,500	10,000
OVER	Overhead expenses	-	-	-
	<b>Operating Expenses</b>	<b>6,881,991</b>	<b>6,152,231</b>	<b>(729,760)</b>
	<b>Total Expenditure</b>	<b>16,796,813</b>	<b>18,197,843</b>	<b>1,401,030</b>

Source: Finance and Treasury