



REPUBLIC OF VANUATU

OFFICE OF THE AUDITOR-GENERAL

AUDITOR-GENERAL'S REPORT

ON

THE COMPLIANCE AUDIT

OF

MALVATUMAURI - THE NATIONAL COUNCIL OF CHIEFS

FOR THE YEARS 2006 AND 2007

6 October 2010

Contents

| | |
|-------------------------------------------------------|-------------|
| 1. Introduction | 1 |
| 2. Functions of the National Council of Chiefs | 1 |
| 3. Audit Mandate | 1 |
| 4. Audit Objectives | 2 |
| 5. Audit Scope and Methodology | 2 |
| 6. Summary of Audit Findings | 3 |
| 7. Detailed Audit Findings and Recommendations | 3-16 |
| 8. Conclusion | 16 |
| 9. Acknowledgment | 16 |
| 10. Index to Appendices | 17 |

1. Introduction

The report contains the results of a compliance audit and review of the budget performance of the National Council of Chiefs for the 2006 and 2007 financial years.

2. Functions of the National Council of Chiefs

The National Council of Chiefs (Council) is enshrined in Chapter 5 under Article 29 of the Constitution of the Republic of Vanuatu.

The Council's core functions as specified in Article 30 of the Constitution include:

- Discussion of all matters relating to custom and tradition.
- Make recommendations for the preservation and promotion of Ni-Vanuatu culture and languages.
- Give advice relating to custom and tradition in connection with any bill before Parliament.

In addition, section 3 (2) of the National Council of Chiefs Act No.23 of 2006 also include the following functions:

- (a) To keep and maintain a proper register of the members of the Council;
- (b) To keep and maintain a proper register of the members of an Island Council of Chiefs and an Urban Council of Chiefs;
- (c) To provide advice on matters relating to custom to an Island Council of Chiefs or an Urban Council of Chiefs;
- (d) To facilitate the functioning of an Island Council of Chiefs or an Urban Council of Chiefs;
- (e) To ensure that an Island Council of Chiefs and an Urban Council of Chiefs perform their functions as are conferred on them under this Act or any other Act;
- (f) To undertake such other functions as are conferred on the Council under this Act or any other Act.

3. Audit Mandate

The Auditor-General is required by section 27 of the Expenditure Review and Audit Act to ensure, *inter alia*, that all relevant laws are complied with in the spending of public funds and that this is done as economically, efficiently and effectively as possible and with due regard to government policy.

Also the National Council of Chiefs Act No. 26 of 2006 , section 21 (2) provides for the Council's accounts to be audited within 3 months after

the end of the financial year by the Auditor-General or a person authorized by the Auditor-General.

4. Audit Objectives

The objectives of the audit are to assess whether:

- the Council has managed its financial resources in accordance with the provision of the National Council of Chiefs Act, the Public Finance and Economic Management Act, the Public Financial Regulations and other relevant laws.
- the transactions recorded are within statutory authority and properly disclose the use of all public financial resources administered by the Council;
- effective systems of internal control are in place in the spending and safeguarding of public monies and resources, which conform to specific laws, regulations and rules;
- expenditure has been properly authorized and applied to the purposes for which funds were appropriated by Parliament and has been otherwise properly accounted for;
- revenue has been properly managed and has been accounted for.
- other administrative matters/issues of the Council are managed properly.

5. Audit Scope and Methodology

The audit covers the financial years 2006 and 2007.

This audit has been conducted in accordance with Generally Accepted Auditing Standards (GAAS). Our procedures involved:

- A review of internal control systems and processes operated by the Council to assess their effectiveness.
- A review of the accounting records to confirm validity of payments made and the appropriateness of transactions incurred.
- A comparison of actual expenditures against approved budgets.
- Obtaining information and explanations through interviews, other records and correspondences, to supplement our examination of the accounting records.

Our procedures involved compliance and substantive testing and examination on a test basis of records evidencing validity of expenditures committed, revenue collected and evaluating the overall financial controls.

6. Summary of Audit Findings

1. Budget to actual comparison; (Refer to Finding 7.1).
2. Revenue collections unaccounted for; (Refer to Finding 7.2).
3. Contracted staff employed inappropriately; (Refer to Finding 7.3).
4. Office Vehicle; (Refer to Finding 7.4).
5. No Vehicle Log book maintained for the use of the Office vehicle G533; (Refer to Finding 7.5).
6. Asset Register; (Refer to Finding 7.6).
7. Unretired Imprests; (Refer to Finding 7.7).
8. Council Chairman's Entitlements and Benefits; (Refer to Finding 7.8).
9. Organizational Structure; (Refer to Finding 7.9).
10. Non preparation of the Annual Accounts; (Refer to Finding 7.10).
11. Unauthorized Bank Accounts at ANZ Bank; (Refer to Finding 7.11).

7. Detailed Audit Findings and Recommendations

7.1 Budget to Actual Comparison

Criteria

PFR 3.1 (2): All expenditure that is approved for payment must be within:

- (a) The program or output budgets specified and voted in any appropriation Acts or warrants; or
- (b) A Ministry's program budgets after any transfer made under section 34 of the PFEM Act;
- (c) And must be spent for the purposes intended in the budget to achieve the program, activity or output objectives.

Finding

Table 1: Expenditure Analysis by Program for 2006 & 2007.

2006 Budget

| | Approved | Actual | Under/(Over) |
|---------------------------------------------------|-------------------|-------------------|---------------|
| Program/Section | Budget VT | Spending VT | Spending VT |
| 8A. Personnel Expenses | 5,702,008 | 5,638,151 | 63,857 |
| 8C. Operating Expenses | 14,453,887 | 12,472,630 | 1,981,257 |
| 8E. Fixed Assets Purchases | 500,000 | 2,460,305 | -1,960,305 |
| 8Z. Accrual Expenses | | | |
| (Payr to payr) + (Over to over). Budget Virements | | | 1,960,305 |
| TOTAL EXPENDITURE | 20,655,895 | 20,571,086 | 84,809 |

2007 Budget

| | | | |
|---------------------------------------------------|-------------------|-------------------|------------------|
| 8A. Personnel Expenses | 20,208,062 | 17,864,248 | 2,343,814 |
| 8C. Operating Expenses | 8,653,377 | 8,209,851 | 443,526 |
| 8E. Fixed Assets Purchases | 330,000 | 730,846 | -400,846 |
| 8Z. Accrual Expenses | | | |
| (Payr to payr) + (Over to over). Budget Virements | | | 400,846 |
| TOTAL EXPENDITURE | 29,191,439 | 26,804,945 | 2,386,494 |

These figures were extracted from the Finance FRX & SmartStream system [Refer to Appendix. A]

The above Table indicates that actual expenditures for 2006 and 2007 were below the budgeted allocations resulting in savings of Vt. 84,809 and Vt. 2,386,494 respectively.

No reasonable explanation was given in relation to the under-spending but based on the budget analysis, it appears that the under-spending or the savings could be attributed to lack of planning by the CEO as indicated by the virements between different accounts for expenditures that were not budgeted for in both periods.

Recommendation

It is imperative on Management to ensure that the budget is fully utilized to achieve its required output in an effective and efficient manner and most important also for CEO to appropriately plan the expenditures of the Council in order not to make unnecessary virements.

7.2 Revenue Collections unaccounted for

Criteria

The Financial Regulation, regulation 8.2 states that "a revenue collector must immediately issue an Official receipt for each sum of revenue paid to him or her for the account of the Government".

Regulation 8.12 states that "an Officer with cash under his or her control must not under any circumstances use such cash for any personal purpose, no matter how temporary.

Regulation 8.13 states that “a revenue collector is responsible for safeguarding and balancing any revenue received by him or her”.

Finding

Revenue collections for the two financial years of 2006 and 2007 were not properly accounted for in connection with the hiring of Chiefs Nakamal and the Kava bar monthly rental charges.

“Mr. Selwyn Garu, CEO stated that the former Chairman Chief Paul Tahi had always collected the revenues and used them at his disposal.

Further enquiries revealed that no proper records were maintained with respect to the use and application of these revenue funds.

The current Chairman of the Council confirmed at a meeting that the revenue collected from the hiring of the Chief's Nakamal is about Vt 60,000 a month excluding the Kava Bar monthly rental.

A Progress report presented to the Council of Chief's meeting in 3rd – 7th April 2006 confirmed that the Kava Bar rental charge was Vt 30,000 per month. Refer to attachment Appendix C.

Rental for Kava Bar – Vt 30,000 per month

| Years | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | Total |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 2006 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 360,000 |
| 2007 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 360,000 |

Total

Vt **720,000**

Given the Council's endorsement of Vt 30,000 monthly rental of the Kava bar for the two years, revenue collected should be Vt 720,000 as indicated by above Table. This was not accounted for by the CEO.

With respect to the hiring rates applied for the Chief's Nakamal, CEO was not able to provide us with a list of official rates endorsed by the Council. However at a monthly income of Vt 60,000 it is expected that the Council would earn total revenue of Vt 1,440,000 over the two years period. This was not accounted for by the CEO.

Cause of finding

CEO has failed in his financial responsibility to advise the Council Chairman that all revenues collected must be accounted for in compliance with PFR 8.2 & 8.12 and PFEM Act.

Furthermore the Council's current Office Structure does not accommodate for a Finance Officer position who should be responsible for the financial operations of the Council.

Implication of finding

Non compliance with the Public Financial regulation 8.2, 8.12, 8.13, 8.15 & 8.18 may result in the misuse, thefts and loss of public money and also a breach of the Public Financial Regulations.

Recommendation

- (a) CEO must justify the use of the rentals and hiring revenue of Vt 720,000 and Vt 1,440,000 respectively over the two years and must be held accountable for failure to account for these monies.
- (b) CEO must ensure proper book and records are maintained in connection with all cash receipts /revenue and all payments/expenditures.
- (c) CEO must produce monthly financial reports showing revenue and expenditures and the cash position for submission to the Council Chairman.
- (d) A revised Organization Chart is drawn up to include a Finance Officer who should be recruited at the earliest time possible.

7.3 Contracted Staff employed inappropriately

Criteria

Section 18 of the National Council of Chiefs Act No.23 of 2006 states that:

"Public Service Commission may appoint other staff of the Council upon such terms and conditions as may be determined by the Public Service Commission".

Finding

The Council at their meeting of 3-7 April in 2006 endorsed the employment of two local consultants on contractual basis for a year, namely Mr Edgel Tari and Mr Dickenson Tevi. Their contracts were reviewed and were in order.

In 2007 the Council extended Mr Edgel Tari's contract for another year. However despite the fact that Mr Dickenson Tevi's contract was not extended by the Council Mr Tevi appears to be still working. Several attempts to have a meeting with CEO or obtain a copy of Mr Tevi's extended contract were to no avail.

Cause of finding

Having not provided Mr. Dickenson Tevi's employment contract for 2007; might conclude that he is not a bona fide employee of the National Council of Chiefs.

Implications of finding

Unauthorized employment of a local consultant.

Payment of consultant fees not approved by the Council and not budgeted for.

Breach of PSC Act and National Council of Chief's Act No.23 of 2006.

Recommendation

- (a) Council to appraise Mr Dickenson Tevi's performance.
- (b) CEO must ensure compliance with section 18 of the National Council of Chiefs Act No.23 of 2006 at all times.

7.4 Office Vehicle

Criteria

PSC Staff Manual, Chapter 9 – Managing the Procurement, Usage and Disposal of Public Service Administrative Vehicles; under section 4.1 – Use of Government vehicles without appropriate authority commits an offence.

Although the National Council of Chiefs Office is a Constitutional body; the staff of the Office were recruited by PSC and hence should also abide by PSC rules for use of Government vehicles.

Finding

The Council has a full time driver appointed by PSC.

The Council purchased a new vehicle on 15th September 2009 with the registration number RV 722 to replace the old vehicle G533 which was no longer running well..

The Council's driver reported that vehicle G533 was usually driven by local consultant, Mr Dickinson Tevi to his home at Ohlen Flick after working hours and used for personal work. The condition of the vehicle deteriorated and subsequently was taken by Mr Tevi to a private garage owned by Mr David Kavika who stated that the vehicle G533 was already damaged when it was taken to his garage at Tagabe.

The vehicle was reported to be with Mr Tevi the whole time after the purchase of the new vehicle RV 722. In fact, Mr Tevi was liable for damages to the old vehicle to which he lied to the auditors when asked of where about the vehicle was, he told us that it was with the PSC.

The vehicle was no longer in good working condition when, in earlier 2008 PWD went and towed it to PWD garage at No. 2 at the request of the Government Tenders Board.

It was also reported that during the period of 2006 to 2007 even though Mr Tevi did not have a valid driver's license he was driving the vehicle for both Project purposes and private use.

Mr Tevi was a contracted consultant under the Council's Kastom Governance Project and not a public servant. Further, his contract of engagement does not provide him with the benefit of the use of a car.

A substantial amount of money was used on the servicing and repairs of the vehicle G533, during the time of Mr Tevi's usage.

The Council's driver reported that the vehicle has always been in good condition until Mr Tevi took control of it.

Despite the fact that the Council has a full time driver CEO went ahead in authorizing Mr Tevi who does not have a valid driver's license to have the benefit of the use of the vehicle for both work related and private use.

Cause of finding

CEO authorized Mr Tevi to drive without a valid driver's license.

Mr Tevi was using the vehicle for both official and private use.

Implication of finding

The vehicle was not adequately maintained and cared for.

The misuse of the vehicle for personal use.

The wastage of public funds on repairs and maintenance.

Recommendation

a) CEO should develop and put in place an effective internal control system with regards to the use of Office vehicles.

b) Mr Tevi should be disciplined for knowingly driving without a valid license and misusing the vehicle.

d) PSC to consider disciplinary measures against CEO for allowing someone without a valid driver's license to use the Office vehicle.

7.5 Vehicle Log Book

Criteria

Chapter 9, section 4.2 of the Public Service Staff Manual requires that:

The Office to use proper forms when using the Office vehicle. This is to avoid the misuse of office vehicle and it is important to maintain a proper logbook for the record of use of the office vehicle.

Finding

Since the establishment of the Council no Log Book was ever set up and maintained for the use of the vehicle by the Office Administration.

Cause of finding

Non compliance with the PSC Staff Manual in relation to the maintenance of a vehicle Log Book.

Implication of finding

Absence of a Log Book may result in the misuse of the vehicles.

Recommendation

a) An effective internal control system is put in place for the use of vehicles.

b) A Log Book is set up and maintained to record use of office vehicles to minimize the misuse of vehicles.

c) That standard PSC forms for use of Office vehicle must be filed and approved before using the vehicle after official hours.

7.6 Assets Register

Criteria

FR Part 9 – Regulation 9.2 states:

“the head of Ministry or the head of a public institution must ensure that all assets under his or her management are adequately maintained and care for”.

Finding

A review of fixed assets revealed the following:

- A Fixed Asset Register was set up but never maintained up to date.
- No records are on file with regards to the new acquisition of asset items.
- No records of unusable assets.

Recommendations were made from the previous audit in January 2000 for the CEO to ensure that the Officer-In-charge maintains a proper spreadsheet record of all assets and to cross check with the asset register at the Finance Department in order to update the asset register. This appears to not have been done.

Cause of finding

There is an Asset Register which is kept in the Office, but is not updated.

Implication of finding

The statement of assets does not correctly reflect assets that are operational and in use as assets may have been misused, misplaced or stolen.

Recommendation

CEO ensures that the Asset Register is continuously updated as well as the conduct of a periodic inspection and count of all assets.

7.7 Unretired Imprests

Criteria

FR Part 6 – Regulation 6.4 sets out the following:

- (1) **An imprest holder must observe these Regulations and any other instructions or regulations issued with regard to the control of expenditure and the disbursement of public moneys.**
- (2) **An imprest holder must ensure that the imprest is used only for the purpose for which it was issued.**
- (3) **An imprest holder must, wherever possible, obtain receipts, invoices or similar documents to support all expenditure from the imprest. This may include a note signed by the supplier to verify the goods or services provided and the amount charged.**
- (4) **If it is not possible to obtain a receipt, invoice or similar document, the imprest holder must personally certify the purpose for which the money was expended and why he or she could not obtain a receipt, invoice or similar document.**

Regulation 6.5 sets out the following:

- (1) A special imprest must be retired and accounted for within 10 days after being used for the purposes for which it was obtained.
- (2) When an Officer or other person replenishes or retires an imprest, he or she must account for the expenditure incurred on a form approved by the Director of Finance.
- (3) The expenditure claimed against an imprest must be coded to the account code (department, output, program, activity etc) that it relates to.

Regulation 6.7 sets out the following:

- (1) Imprest holder must take all due precaution against the loss or theft of cash held on imprest and are personally responsible for any loss.
- (2) For special imprests it is recommended that any amounts over 50,000 vatu be held in travelers' cheques or bank drafts.

Finding

In 2006 Imprests amount of Vt 2,477,000 million and Vt 150,000 respectively was obtained by CEO, Mr Selwyn Garu but did not retire the Imprests. As a result of the audit in 2008 the total imprest amount of Vt 2,627,000 million was discovered not retired, and consequently the Department of Finance commenced deductions from Mr Garu's Salaries on a fortnightly basis. The table below details the total imprests advanced by Mr Garu. Refer to attachment Appendix B.

Records of Imprests advanced by Mr Selywn Garu

| Imprest Ref | Invoice Date | Purpose of Advance | Amount | Year | Imprest Retired |
|---------------------------|--------------|---------------------------------------------------------------------------------|-----------|------|-----------------|
| LO4/02 | 3/29/2005 | Malvatumauri 1st General Meeting in Port Vila | 1,234,000 | 2005 | Yes ✓ |
| LO4/05 | 7/22/2005 | Malvatumauri 2nd General Meeting | 426,000 | 2005 | Yes ✓ |
| LO4/02 | 3/30/2006 | Malvatumauri national council of chiefs meeting | 1,288,500 | 2006 | Yes ✓ |
| LO4/04 | 9/7/2006 | Touring Tongoa Island | 50,000 | 2006 | Yes ✓ |
| LO4/05 | 9/18/2006 | 2nd National Council of Chiefs meeting and launching of Kastom economy Ceremony | 2,477,000 | 2006 | No |
| SIO4/02 0701- 44/29 | 8/21/2006 | Office Standing Imprest | 150,000 | 2006 | No |
| | 2/23/2007 | Official Visit to New Caledonie | 125,500 | 2007 | Yes ✓ |

Total Imprest advanced 5,751,000

Total Imprest retired 3,124,000

Total Imprest not retired 2,627,000

According to records obtained from the Smartstream system [refer to Appendix D] deductions made so far from Mr Garu's salaries since 5th September 2008 to 11th June 2010 totaled Vt 452,500. The outstanding balance as of 11 June 2010 was Vt 2,174,500.

Cause of finding

Mr Garu failed to retire the imprests at the due date.

The failure of the Finance department to make sure Mr Garu retired his first imprest at the due date before releasing the second imprest.

Implication of finding

Complacency on the part of the employees in the retiring of imprests within the required timeframe.

Possible misuse and loss of public funds.

Recommendation

- a) The Council is to work closely with the Department of Finance to ensure that such problems do not reoccur.
- b) The Department of Finance must ensure all imprests are retired at the due dates.
- c) Failure to retire imprests within the due date should require automatic deductions from salaries.

7.8 Council Chairman's Entitlements and Benefits

Criteria

The Official Salaries Act in the Consolidated Edition of 2006 Act clearly outlined the President's entitlements. His annual salary is Vt 945,000 with the following benefits such as B (ii) + C (ii) + D + E + G.

Finding

In addition to the entitlements and benefits he is getting as stipulated in the Official Salaries Act, the Council has breached the Act by providing extra other benefits to the former President Chief Paul Tahi which are not in the Act. These extra benefits include paying his electricity bill, gas refill and other expenses including having a handy man taken care of by the Council.

CEO concurs to the breaching of the Official Salaries Act but justifies this by stating the fact that the President's salary is not sufficient to cater for such other expenses.

However, the Official Salaries Act sets out the legal entitlements for the post of a President of the Council as follows:

| LAWS OF THE REPUBLIC OF VANUATU Consolidated Edition 2006 OFFICIAL SALARIES [CAP. 168] | | |
|----------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------|
| Office | Salary (VT) (annual except as otherwise stated) | Other Benefits |
| STATUTORY BODIES & COMMISSIONS | | |
| President, National Council of Chiefs | 945,000 | B(ii)+C(ii)+D+E+G |
| Member, National Council of Chiefs | 4,000 per day | Nil |

CLASS B

- (ii) Furnished house at rental fixed by Government.

CLASS C

(ii) Use of one car for official duties and use incidental thereto serviced and maintained at Government expense.

CLASS D

A Child allowance of VT 3,000 a month per child

CLASS E

A gratuity payable at the rate of one twelfth of the annual salary, multiplied by 2, for each year during which a person holds the office and pro rata for each uncompleted year back dated to 11 December 1987.

CLASS G

Annual leave calculated at the rate of one and three-quarter working days for every month of service.

Given the legal entitlements, CEO went ahead and approved extra benefits for the President above this legal entitlement.

CEO, Mr Garu confirmed his part in allowing for the former President to be entitled to the extra benefits although he was fully aware of the outlined Entitlements in the Official Salaries Act. His reasons were because of the fact that the President's salary is not sufficient to cater for such expenses.

CEO knowingly breached the Official Salaries Act. He should not have allowed the extra benefits to be paid to the former President until the amendments are made to the Act and have come into force.

There was an amendment made to the Official Salaries Act No.3 of 2005 through a Ministerial Order No.25 of 2008 as at 16 June 2008, which sets out the entitlements of the Chairman, instead of the President of the National Council of Chiefs. This amendment increased the salary and benefit package for the Chairman to Vt 2,400,000 per annum with no other benefits. While a member of the National Council of Chiefs is entitled to Vt 4,000 per day with no other benefits, as follows.

LAWS OF THE REPUBLIC OF VANUATU

(Amendment Act No.3 of 2005

OFFICIAL SALARIES [CAP. 168]

| Office | Salary (VT) (annual except as otherwise stated) | Other Benefits |
|--------------------------------------|----------------------------------------------------|----------------|
| STATUTORY BODIES & COMMISSIONS | | |
| Chairman, National Council of Chiefs | 2,400,000 | Nil |
| Member, National Council of Chiefs | 4,000 per day | Nil |

Cause of finding

CEO was knowingly operating outside of the laws with regards to the extra benefits the Council was giving to the former President.

Implication of finding

Breaching of the laws.

Misuse of public funds.

Funds used not budgeted for.

Recommendation

CEO must comply with the Official Salaries Act as no one is above the law.

7.9 Organizational Structure**Criteria**

Chapter 2- PSC Staff Manual sets out the requirements for a review of an organizational structure, for which CEO should have known that there was no established position for a Finance Officer under the current structure.

Finding

The Council's current Organizational Structure does not fully accommodate all the staffing to enable an efficient and effective operation and delivery of services.

As the structure does not cater for a finance officer, the appointment of Mr Dickenson Tevi as a Finance Officer in 2008 was not in line with the approved Organization Structure.

Cause of finding

The deficiency in the existing Organization Structure creates inefficiency and ineffectiveness in the overall management and operation of the Council.

Implication of finding

The goals of the Council are not achieved.

Recommendation

The current Organizational Structure must be reviewed and the restructuring to be implemented immediately so that the goals of the Council are achieved.

7.10 Non preparation of Annual Accounts**Criteria**

Section 21 (1) of the National Council of Chiefs Act No.23 of 2006 stated that **"the Council must keep proper accounting records in relation to its financial affairs and must have annual statements of accounts prepared for each financial year".** And subsection (2) reads **"the Council's accounts for each financial year must be audited not later than 3 months after the end of the financial year by the Auditor General or a person authorized by the Auditor General"**.

Furthermore, section 17 of the Act outlines one of CEO's functions is to generally assist the Council in the performance of its function.

Finding

CEO did not perform his function in ensuring that the Council has a proper accounting system in place to prepare and generate reports and annual statements of accounts for the Council.

The Council President stated in a meeting that he had not seen any budgets and annual statements of account for the Council since he had taken office.

Several attempts made to obtain explanations from CEO were to no avail.

Cause of finding

There is no proper accounting system in place to enable the preparation of annual statement of accounts for 2006 and 2007 as required under section 21 (2) of the Act.

Implication of finding

The non production of the annual accounts as required by the Act.

Failure to comply with the provisions of section 21 or sections 22 constitutes a breach of the Act.

Lack of sound financial decisions in a timely manner.

Recommendation

- a) The establishment of a proper accounting system immediately.
- b) The recruitment of a qualified accountant/finance officer immediately.
- c) The preparation of the annual statements for 2006 and 2007 and up to date immediately.

7.11 Unauthorized Bank Accounts at ANZ Bank

Criteria

Section 20 (2) of the National Council of Chiefs Act No.23 of 2006 states:

"the Council may open and maintain such bank accounts in accordance with the provisions of the Public Finance and Economic Management Act No. 6 of 1998".

The Public Finance & Economic Management Act No.6 of 1998, section 43 (2) states:

"all public money which is currency or a right or entitlement to currency must, except as otherwise provided in this Act, be paid into bank accounts designated by the Director-General for that purpose and which shall comprise the Public Fund".
Furthermore, subsection (4) states that ***"notwithstanding any other enactment to the contrary and except as provided for in subsection (5) and section 52(1), no bank account will be opened or operated or continued to be operated for the purpose of the deposit and/or withdrawal of public money without the express authority of and on such conditions as the Director-General determines".***

Section 47, states that *"all trust money must be lodged in a bank account designated as a trust account by the Director-General"*.

Finding

Council went ahead and opened two bank accounts at ANZ Bank without the prior authorization from the Director General of Finance & Economic Management as required by the PFEM Act.

The two bank accounts in Vatu currency are as follow:

First Account

Account Number: 1120088

Account Name: Malvatumauri

Address: C/- PMB 9047

PORT VILA

VANUATU

Second Account

Account Number: 1026697

Account Name: Malvatumauri Projects

Address: C/- PMB 9047

PORT VILA

VANUATU

The first bank account is for the Kastom Governance Partnership Project while the second account's purpose is unknown as no information was provided to us by the CEO despite repeated requests.

CEO was also unable to provide us with any financial reports on the Kastom Governance Partnership Project for the two financial years of 2006 and 2007.

Cause of finding

CEO did not comply with the PFEM Act for not obtaining prior authorization from the Director-General of the Ministry of Finance and Economic Management with regards to the opening of the two bank accounts at ANZ Bank Port Vila branch.

Implication of finding

Council breached the NCC Act and the PFEM Act in connection with the operation of the two bank accounts at ANZ Bank Port Vila branch.

Recommendation

- a) CEO must consult the Director General of MFEM immediately to rectify the situation.

- b) Director-General of MFEM to advise Council to immediately close the two bank accounts at ANZ Bank and transfer all the funds to Government Department of Finance and Treasury.

8 Conclusion

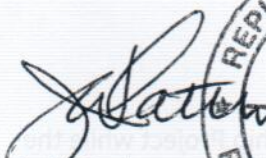
The responsibility for exercising proper controls in the expenditure of public funds, maintaining proper accounting records and for safeguarding the State assets procured out of public funds rests firmly with the head of the Council.

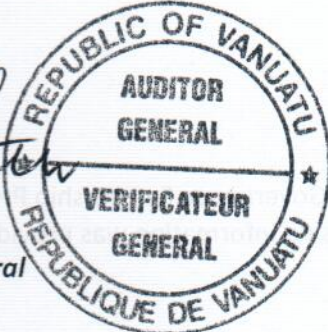
The Council has not complied with the following Acts and Regulations:- the National Council of Chiefs Act, the Public Finance and Economic Management Act, the Public Service Act, the Official Salaries Act and the Public Financial Regulations.

In this regard this report highlights several areas of maladministration and malpractices in connection with the management of the Council that requires immediate remedial action by the Council and PSC.

9 Acknowledgement

I wish to thank the Council and staff for their cooperation and assistance extended to the auditors during the conduct of the audit.


John Path
Auditor-General



Index of Appendices

| | |
|-------------|-----------------------------------------------------|
| Appendix A: | Statement of 2006 & 2007 Budget and Expenditure |
| Appendix B: | Council Decision for rental charge of Kava Bar |
| Appendix C: | Imprest Advanced in 2006 & 2007 by Mr. Garu |
| Appendix D: | Records of Deductions made from Mr. Garu's Salaries |

Appendix A

Vanuatu Malvatumauri - Financial Summary

04 Malvatumauri - December 2006

| Code | Description | <----- This Month -----> | | | <----- Year To Date -----> | | | Total Budget |
|--------------------|-----------------------------------|--------------------------|------------|------------|----------------------------|------------|------------|-----------------|
| | | Actual Exp. | Budget | Variation | Actual Exp. | Budget | Variation | |
| Personnel | | | | | | | | |
| 8AAF | Family Allowance | 16,560 | 24,927 | 8,367 | 135,792 | 216,000 | 80,208 | 216,000 |
| 8AAH | Housing Allowances | 51,750 | 75,365 | 23,615 | 448,500 | 653,148 | 204,648 | 653,148 |
| 8AAS | Special Allowances | 0 | 11,542 | 11,542 | 552,581 | 100,000 | -452,581 | 100,000 |
| 8ASP | Provident Fund | 36,711 | 32,312 | -4,399 | 195,832 | 280,000 | 84,168 | 280,000 |
| 8AWO | Overtime Wages | 422,018 | 0 | -422,018 | 422,018 | 0 | -422,018 | 0 |
| 8AWP | Permanent Wages | 479,214 | 434,427 | -44,787 | 3,883,428 | 3,765,000 | -118,428 | 3,765,000 |
| PAYR | Payroll expenses | 0 | 626,569 | 626,569 | 0 | 687,860 | 687,860 | 687,860 |
| Total | | 1,006,253 | 1,205,142 | 198,889 | 5,638,151 | 5,702,008 | 63,857 | 5,702,008 |
| Goods and services | | | | | | | | |
| 8CAB | Subsistence Allowances | 0 | 0 | 0 | 506,000 | 0 | -506,000 | 0 |
| 8CAS | Sitting Allowances | 0 | 0 | 0 | 440,000 | 0 | -440,000 | 0 |
| 8CBI | International Accommodation | 0 | 0 | 0 | 50,000 | 0 | -50,000 | 0 |
| 8CBL | Local Accommodation | 15,000 | 0 | -15,000 | 38,000 | 0 | -38,000 | 0 |
| 8CCL | Local Courses | 0 | 30,000 | 30,000 | 0 | 300,000 | 300,000 | 300,000 |
| 8CEC | Consultants Fees | 0 | 300,000 | 300,000 | 4,430,000 | 3,000,000 | -1,430,000 | 3,000,000 |
| 8CFV | Vehicles Fuel | 8,750 | 25,000 | 16,250 | 358,085 | 250,000 | -108,085 | 250,000 |
| 8CGR | Transport - Freight | 0 | 0 | 0 | 2,000 | 0 | -2,000 | 0 |
| 8CIV | Vehicles Hire | 0 | 0 | 0 | 43,000 | 0 | -43,000 | 0 |
| 8CJO | Office Cleaning | 0 | 0 | 0 | 27,796 | 0 | -27,796 | 0 |
| 8CKP | Postage - Communications | 0 | 0 | 0 | 6,000 | 0 | -6,000 | 0 |
| 8CKS | Stationery - Communications | 0 | 20,000 | 20,000 | 251,038 | 200,000 | -51,038 | 200,000 |
| 8CKT | Telephone / Fax - Communications | 18,100 | 34,900 | 16,800 | 268,431 | 349,000 | 80,569 | 349,000 |
| 8COF | Refunds | 0 | 0 | 0 | 26,050 | 0 | -26,050 | 0 |
| 8COI | Incidentals | 191,650 | 10,160,000 | 9,968,350 | 957,091 | 11,600,000 | 10,642,909 | 11,600,000 |
| 8COP | Official Entertainm | 0 | 0 | 0 | 255,000 | 0 | -255,000 | 0 |
| 8CRB | Buildings Repairs & Maintenance ✕ | 0 | 0 | 0 | 94,753 | 0 | -94,753 | 0 |
| 8CRE | Equipment Repairs & Maintenance ✕ | 5,889 | 10,000 | 4,111 | 60,336 | 100,000 | 39,664 | 100,000 |
| 8CRV | Vehicles Repairs & Maintenance ✕ | 35,287 | 0 | -35,287 | 132,388 | 0 | -132,388 | 0 |
| 8CSO | Other Suppliers | 30,000 | 0 | -30,000 | 512,349 | 0 | -512,349 | 0 |
| 8CTI | International Travel | 0 | 0 | 0 | 201,430 | 0 | -201,430 | 0 |
| 8CTL | Local Travel | 60,000 | 20,000 | -40,000 | 1,515,246 | 200,000 | -1,315,246 | 200,000 |
| 8CUE | Electricity Utilities | 0 | 30,000 | 30,000 | 411,253 | 300,000 | -111,253 | 300,000 |
| 8CUW | Water Utilities | 0 | 0 | 0 | 18,786 | 0 | -18,786 | 0 |
| 8CZV | Value Added Tax | 19,532 | 0 | -19,532 | 755,075 | 0 | -755,075 | 0 |
| 8DGO | Operating Grant | 0 | 0 | 0 | 1,400,000 | 0 | -1,400,000 | 0 |
| 8EBR | Buildings - Renovation ✕ | 0 | 30,000 | 30,000 | 40,753 | 300,000 | 259,247 | 300,000 |
| 8EEA | Equipment - Additional General ✕ | 0 | 10,000 | 10,000 | 87,242 | 100,000 | 12,758 | 100,000 |
| 8EEC | Equipment - Computer ✕ | 0 | 0 | 0 | 32,333 | 0 | -32,333 | 0 |
| 8EVA | Vehicle - Additional Vehicle ✕ | 0 | 0 | 0 | 2,012,500 | 0 | -2,012,500 | 0 |
| 8OVER | Overhead expenses | 0 | -1,618,310 | -1,618,310 | 0 | -1,745,113 | -1,745,113 | -1,745,113 |
| Total | | 384,208 | 9,051,590 | 8,667,382 | 14,932,935 | 14,953,887 | 20,952 | 14,953,887 |
| Total Expenditure | | 1,390,461 | 10,256,732 | 8,866,271 | 20,571,086 | 20,655,895 | 84,809 | 20,655,895 |

Return from SmartStream

Vanuatu Malvatumauri - Financial Summary

04 Malvatumauri - December 2007

| Code | Description | <----- This Month -----> | | | <----- Year To Date -----> | | | Total Budget |
|--------------------|-----------------------------------|--------------------------|------------|------------|----------------------------|------------|------------|--------------|
| | | Actual Exp. | Budget | Variation | Actual Exp. | Budget | Variation | |
| Personnel | | | | | | | | |
| 8AAF | Family Allowance | 11,040 | 32,077 | 21,037 | 143,520 | 417,000 | 273,480 | 417,000 |
| 8AAG | Gratuities Allowances | 0 | 7,254,219 | 7,254,219 | 6,373,771 | 7,254,219 | 880,448 | 7,254,219 |
| 8AAH | Housing Allowances | 41,400 | 62,304 | 20,904 | 743,130 | 810,000 | 66,870 | 810,000 |
| 8AAO | Other Allowances | 0 | 7,920,000 | 7,920,000 | 5,248,587 | 7,920,000 | 2,671,413 | 7,920,000 |
| 8AAS | Special Allowances | 0 | 15,381 | 15,381 | 60,000 | 200,000 | 140,000 | 200,000 |
| 8ASP | Provident Fund | 10,178 | 24,407 | 14,229 | 202,952 | 317,290 | 114,338 | 317,290 |
| 8AWP | Permanent Wages | 243,410 | 495,342 | 251,932 | 5,092,288 | 6,439,411 | 1,347,123 | 6,439,411 |
| PAYR | Payroll expenses | 0 | -8,585,549 | -8,585,549 | 0 | -3,149,858 | -3,149,858 | -3,149,858 |
| Total | | 306,028 | 7,218,181 | 6,912,153 | 17,864,248 | 20,208,062 | 2,343,814 | 20,208,062 |
| Goods and services | | | | | | | | |
| 8CAB | Subsistence Allowances | 0 | 0 | 0 | 1,750,000 | 0 | -1,750,000 | 0 |
| 8CAS | Sitting Allowances | 0 | 0 | 0 | 800,000 | 0 | -800,000 | 0 |
| 8CBL | Local Accommodation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8CEC | Consultants Fees | 155,000 | 150,000 | -5,000 | 612,760 | 1,500,000 | 887,240 | 1,500,000 |
| 8CFV | Vehicles Fuel | 26,667 | 29,151 | 2,484 | 218,112 | 291,519 | 73,407 | 291,519 |
| 8CIV | Vehicles Hire | 0 | 0 | 0 | 20,000 | 0 | -20,000 | 0 |
| 8CKP | Postage - Communications | 0 | 0 | 0 | 6,000 | 0 | -6,000 | 0 |
| 8CKS | Stationery - Communications | 17,333 | 9,200 | -8,133 | 188,582 | 92,000 | -96,582 | 92,000 |
| 8CKT | Telephone / Fax - Communications | 14,704 | 12,000 | -2,704 | 161,759 | 120,000 | -41,759 | 120,000 |
| 8COI | Incidentals | 287,955 | 170,000 | -117,955 | 1,833,005 | 1,700,000 | -133,005 | 1,700,000 |
| 8CRB | Buildings Repairs & Maintenance ✕ | 34,689 | 0 | -34,689 | 179,689 | 0 | -179,689 | 0 |
| 8CRE | Equipment Repairs & Maintenance ✕ | 8,468 | 24,000 | 15,532 | 15,787 | 240,000 | 224,213 | 240,000 |
| 8CRM | Maintenance Contrac | 0 | 0 | 0 | 20,000 | 0 | -20,000 | 0 |
| 8CRV | Vehicles Repairs & Maintenance ✕ | 56,534 | 0 | -56,534 | 73,647 | 0 | -73,647 | 0 |
| 8CSO | Other Suppliers | 10,200 | 0 | -10,200 | 111,161 | 0 | -111,161 | 0 |
| 8CTL | Local Travel | 0 | 20,000 | 20,000 | 801,605 | 200,000 | -601,605 | 200,000 |
| 8CUE | Electricity Utilities | 3,985 | 20,000 | 16,015 | 442,437 | 200,000 | -242,437 | 200,000 |
| 8CUW | Water Utilities | -18,786 | 0 | 18,786 | 64,790 | 0 | -64,790 | 0 |
| 8CZV | Value Added Tax | 57,624 | 0 | -57,624 | 334,193 | 0 | -334,193 | 0 |
| 8DGO | Operating Grant | 0 | 140,000 | 140,000 | 1,000,000 | 1,400,000 | 400,000 | 1,400,000 |
| 8EBR | Buildings - Renovation ✕ | -120,000 | 0 | 120,000 | -120,000 | 0 | 120,000 | 0 |
| 8EEA | Equipment - Additional General ✕ | 87,623 | 9,000 | -78,623 | 102,092 | 90,000 | -12,092 | 90,000 |
| 8EEC | Equipment - Computer ✕ | 78,721 | 0 | -78,721 | 78,721 | 0 | -78,721 | 0 |
| 8EEP | Equipment - Photocopiers ✕ | 25,778 | 0 | -25,778 | 25,778 | 0 | -25,778 | 0 |
| 8EFO | Furniture - Office Furniture ✕ | 220,579 | 0 | -220,579 | 220,579 | 0 | -220,579 | 0 |
| OVER | Overhead expenses | 0 | 1,325,549 | 1,325,549 | 0 | 3,149,858 | 3,149,858 | 3,149,858 |
| Total | | 947,074 | 1,908,900 | 961,826 | 8,940,697 | 8,983,377 | 42,680 | 8,983,377 |
| Total Expenditure | | 1,253,102 | 9,127,081 | 7,873,979 | 26,804,945 | 29,191,439 | 2,386,494 | 29,191,439 |

DEPARTMENT EXPENDITURE REPORT

04 MALVATUMAUARI

For the Twelve Months Ending Sunday December 31 2006

| COA | DESCRIPTION | EXPENSES | COMMIT- MENTS | TOTAL EXP & COMMIT | ANNUAL BUDGET | UNDER/ (OVER) | ORIGINAL BUDGET |
|------|----------------------------------|------------------|------------------|-----------------------|------------------|------------------|--------------------|
| | PERSONNEL EXPENSES | | | | | | |
| 8AAF | Family Allowance | 135,792 | | 135,792 | 216,000 | 80,208 | 216,000 |
| 8AAH | Housing Allowances | 448,500 | | 448,500 | 653,148 | 204,648 | 653,148 |
| 8AAS | Special Allowances | 552,581 | | 552,581 | 100,000 | -452,581 | 100,000 |
| 8ASP | Provident Fund | 195,832 | | 195,832 | 280,000 | 84,168 | 280,000 |
| 8AWO | Overtime Wages | 422,018 | | 422,018 | | -422,018 | |
| 8AWP | Permanent Wages | 3,883,428 | | 3,883,428 | 3,765,000 | -118,428 | 3,765,000 |
| PAYR | Personnel Budget Virements | | | | 687,860 | 687,860 | |
| | TOTAL PERSONNEL EXPENSES | 5,638,151 | | 5,638,151 | 5,702,008 | 63,857 | 5,014,148 |
| | OPERATING EXPENSES | | | | | | |
| 8CAB | Subsistence Allowances | 506,000 | | 506,000 | | -506,000 | |
| 8CAS | Sitting Allowances | 440,000 | | 440,000 | | -440,000 | |
| 8CBI | International Accommodation | 50,000 | | 50,000 | | -50,000 | |
| 8CBL | Local Accommodation | 38,000 | | 38,000 | | -38,000 | |
| 8CCL | Local Courses | | | | 300,000 | 300,000 | 300,000 |
| 8CEC | Consultants Fees | 4,430,000 | | 4,430,000 | 3,000,000 | -1,430,000 | 3,000,000 |
| 8CFV | Vehicles Fuel | 358,085 | | 358,085 | 250,000 | -108,085 | 250,000 |
| 8CGR | Transport - Freight | 2,000 | | 2,000 | | -2,000 | |
| 8CIV | Vehicles Hire | 43,000 | | 43,000 | | -43,000 | |
| 8CJO | Office Cleaning | 27,796 | | 27,796 | | -27,796 | |
| 8CKP | Postage - Communications | 6,000 | | 6,000 | | -6,000 | |
| 8CKS | Stationery - Communications | 251,038 | | 251,038 | 200,000 | -51,038 | 200,000 |
| 8CKT | Telephone / Fax - Communications | 268,431 | | 268,431 | 349,000 | 80,569 | 349,000 |
| 8COF | Refunds | 26,050 | | 26,050 | | -26,050 | |
| 8COI | Incidentals | 957,091 | | 957,091 | 11,600,000 | 10,642,909 | 11,600,000 |
| 8COP | Official Entertainment | 255,000 | | 255,000 | | -255,000 | |
| 8CRB | Buildings Repairs & Maintenance | 94,753 | | 94,753 | | -94,753 | |
| 8CRE | Equipment Repairs & Maintenance | 60,336 | | 60,336 | 100,000 | 39,664 | 100,000 |
| 8CRV | Vehicles Repairs & Maintenance | 132,388 | | 132,388 | | -132,388 | |
| 8CSO | Other Suppliers | 512,349 | | 512,349 | | -512,349 | |
| 8CTI | International Travel | 201,430 | | 201,430 | | -201,430 | |
| 8CTL | Local Travel | 1,515,246 | | 1,515,246 | 200,000 | -1,315,246 | 200,000 |

Appendix A

Sam Comenkeel Report.
21 April 2007

A

| | | | | | |
|------|--------------------------------|-----------|------------|------------|---------|
| 8CUE | Electricity Utilities | 411,253 | 300,000 | -111,253 | 300,000 |
| 8CUW | Water Utilities | 18,786 | | -18,786 | |
| 8CZV | Value Added Tax | 755,075 | | -755,075 | |
| 8DGO | Operating Grant | 1,400,000 | | -1,400,000 | |
| 8EBR | Buildings - Renovation | 40,753 | 300,000 | 259,247 | 300,000 |
| 8EEA | Equipment - Additional General | 87,242 | 100,000 | 12,758 | 100,000 |
| 8EEC | Equipment - Computer | 32,333 | | -32,333 | |
| 8EVA | Vehicle - Additional Vehicle | 2,012,500 | | -2,012,500 | |
| OVER | Overhead Budget Virements | | -1,745,113 | -1,745,113 | |

TOTAL OPERATING EXPENSES

| | | | | |
|------------|------------|------------|--------|------------|
| 14,932,935 | 14,932,935 | 14,953,887 | 20,952 | 16,699,000 |
|------------|------------|------------|--------|------------|

TOTAL EXPENDITURE

| | | | | |
|------------|------------|------------|--------|------------|
| 20,571,086 | 20,571,086 | 20,655,895 | 84,809 | 21,713,148 |
|------------|------------|------------|--------|------------|

Sunday December 31 2006

Government of Vanuatu

DEPARTMENT EXPENDITURE REPORT

04 MALVATUMAU/RI

For the Twelve Months Ending Monday December 31 2007

COA

| DESCRIPTION | EXPENSES | COMMIT- MENTS | EXP & COMMIT | ANNUAL BUDGET | UNDER/ (OVER) | ORIGINAL BUDGET |
|-------------|----------|------------------|--------------|------------------|------------------|--------------------|
|-------------|----------|------------------|--------------|------------------|------------------|--------------------|

PERSONNEL EXPENSES

| | | | | | | |
|------|--------------------------------|-----------|--|-----------|-----------|-----------|
| 8AAF | Family Allowance | 143,520 | | 417,000 | 273,480 | 417,000 |
| 8AAG | Political Gratuitie Allowances | 6,373,771 | | 7,254,219 | 880,448 | 7,254,219 |
| 8AAH | Housing Allowances | 743,130 | | 810,000 | 66,870 | 810,000 |
| 8AAO | Other Allowances | 5,248,587 | | 7,920,000 | 2,671,413 | 7,920,000 |
| 8AAS | Special Allowances | 60,000 | | 200,000 | 140,000 | 200,000 |

ASP

8AWP

PAYR

Provident FundPermanent WagesPersonnel Budget Virements

202,952

5,092,288

202,952

5,092,288

317,290

114,338

317,290

6,439,411

-3,149,858

6,439,411

TOTAL PERSONNEL EXPENSES

17,864,248

17,864,248

20,208,062

2,343,814

23,357,920

OPERATING EXPENSESSubsistence Allowances

1,750,000

1,750,000

-1,750,000

Sitting Allowances

800,000

800,000

-800,000

Consultants Fees

612,760

612,760

887,240

1,500,000

Vehicles Fuel

218,112

218,112

73,407

291,519

Vehicles Hire

20,000

20,000

-20,000

Postage - Communications

6,000

6,000

-6,000

Stationery - Communications

188,582

188,582

-96,582

92,000

Telephone / Fax - Communications

161,759

161,759

-41,759

120,000

Incidentals

1,833,005

1,833,005

-133,005

1,700,000

Buildings Repairs & Maintenance

179,689

179,689

-179,689

Equipment Repairs & Maintenance

15,787

15,787

224,213

240,000

Maintenance Contrac

20,000

20,000

-20,000

Vehicles Repairs & Maintenance

73,647

73,647

-73,647

Other Suppliers

111,161

111,161

-111,161

Local Travel

801,605

801,605

-601,605

200,000

Electricity Utilities

442,437

442,437

-242,437

200,000

Water Utilities

64,790

64,790

-64,790

Value Added Tax

334,193

334,193

-334,193

Operating Grant

1,000,000

1,000,000

400,000

1,400,000

Buildings - Renovation

-120,000

-120,000

120,000

Equipment - Additional General

102,092

102,092

-12,092

90,000

Equipment - Computer

78,721

78,721

-78,721

Equipment - Photocopiers

25,778

25,778

-25,778

Furniture - Office Furniture

220,579

220,579

-220,579

A

JVER

Overhead Budget Virements

TOTAL OPERATING EXPENSES

TOTAL EXPENDITURE

Monday December 31 2007

3,149,858 3,149,858

8,940,697

8,940,697

8,983,377

42,680

5,833,519

26,804,945

26,804,945

29,191,439

2,386,494

29,191,439

Minit Blong Malvatumauri Vanuatu National Kaonsel Blong Ol Kastom Jif Meeting

Date: 3rd -7th April 2006

Venue: Malvatumauri Conference Room.

Minit tekem mo pripea, by Edgell Tari, Consultant to Malvatumauri.

Day 1 3rd April 2006

9.30 – Official Opening long Nakamal. Olgeta we istap I kat Peter Sakita, 2nd PA long Ministri blong Internol Afeas, President blong Malvatumauri, Jif Paul Tahia, Vice President Jif James Liu, Nikolson Dini, Edgel Wetin, Joseph Laap, Wille Garae, Richard Tamata, Sam Tokon, Bong Temis, Aibert Aranhabat, George Avok, Ngisu Titongoa, Sakai Mata Sing, Kalkot Mormor, William Mete, Iala Fataba, Tom Numake, James Natonga. Ol memba we I absent I kat Paul Bule, Martin Kouman mo Peter Poilapa.

Secretari Genorol I luk araon mo ikat abav memba I stap, hemi askem Jif William Mete mo Jif Mete I openem day 1 wetem prea.

President blong Malvatumauri I welkamem everi MMs we I stap we oli livim everi ting long hom I stap mo kam forom miting. Hemi talem tu se hemi veri impotent se oli kam tugeta, forom yia 2006 hemi wan special yia we plande lida includim ol jifs long Vanuatu oli stap talem. Forom kavman mo jif wetem ol pipol oli stap invol long developmet mo tu ol institutional conflict we I stap tudei olsem mama loa I kat conflict wtem dubu loa. Conflict olsem Malvatumauri tu hemi stap fesem plande. Mo naoia tru long Malvatumauri yumi save handelem ol conflicts ia. President hemi talem se hemi sorry blong luk se Minista hemi no save kam long opening ia mo adressem ol jifs we I stap. Hemi wishim everi MM happy taem mo luk fowod long kontibuson blong everi wan long meeting ia.

Official toktok blong Kavman I kam long Second Politikol Advasesa long Ministri blong Intanol Afeas, Peter Sakita. Hemi talem apolosi blong Minista forom hemi no kam bikos wan brata blong hem I lus long yestedei. Hemi talem takio long Malvatumauri long inviteson mo welkamem ol jifs we oli stap. Hemi talem se Malvatumauri hemi wan veri impotent institution we Kavman I bin sitemap blong promotem mo safeguidem culture mo traditional values. Tudei Vanuatu values hemi stap facem mo jalenses forom yumi stap long era we I kat plande aotsaed influens I kam in long wan rapid base. Hemi nesesari blong yumi must adapt mo impruvum samfala loa blong akomodetem yumi long ol yias we I kam. Urban drift hemi wan bikfala problem we Kavman hemi kat bikfala concern long hem mo respect ino sem mak olsem we istap long vilej. Tudei bikfala jenis I stap tekem ples long past 10 yias. Security blong ol man hemi kam wan bikfala concern tu mo strength blong Police force hemi ni inaf tu. Bae Kavman I mekem sam recruitment long yia ia be bae hemi no ansarem loa mo oda. Kavman I kat concern tu long olgeta bik aelan komiuniti we I stap long Vila mo Santo mo luk se tudei fasin we ol man oli stap tekem loa long hand blong olgeta. Samfala actions we I tekem ples ol jifs I sapotem. Wan long letes incident hemi closa blong Electoral Ofis folem issu blong electoral code blong town mo rural eria. Ikat gud evidens se som jifs long tufala taon ino save gud wok blong olgeta. Sam I tek pat long wok blong jif, politik mo mis leading roles long religious issues. Bae hemi hard blong kam wan gud technician taem yu wan Jack of ol treds. Bae jif oli tekem gud responsibilities blong olgeta nomo sapos oli save mekem stret wok blong olgeta mo kasem respect long komiuniti blong olgeta.

Olsem Minista responibol long Malvatumauri mo national security mi appeal long yufala blong lukluk bakegen long wok blong Vila Taon Kaonsel we hemi sud wok wetem Kavman, mo polis blong ensurem live long wan hamonias environment.

Mi wandem aknolehem plande gud fala wok we jif in contribute long hem olsem voluntias mo gudfala wok tu we Malvatumauri I stap mekem long past mo fiuja plans. Kavman hemi aknolegem olgeta reconciliation ceremonies blong bring bak pis mo iuniti wetem families, komiunitis mo individuals. Inoda blong kat pis mo iunit hemi impotent se yumi coperet mo wok hand in hand blong save adressem ol kaen problems we I stap.

RECORDS OF IMPREST ADVANCED FOR MR. SELWYN GARU

| Imprest Ref. | Invoice Date | Purpose of Advance | Amount | Year | Imprest Retired |
|--------------|--------------|---------------------------------------------------------------------------------|-----------|------|-----------------|
| LO4/02 | 3/29/2005 | Malvatumauri 1st General Meeting in Port Vila | 1,234,000 | 2005 | Yes ✓ |
| LO4/05 | 7/22/2005 | Malvatumauri 2nd General Meeting | 426,000 | 2005 | Yes ✓ |
| LO4/02 | 3/30/2006 | Malvatumauri national council of chiefs meeting | 1,288,500 | 2006 | Yes ✓ |
| LO4/04 | 9/7/2006 | Touring Tongoa Island | 50,000 | 2006 | Yes ✓ |
| LO4/05 | 9/18/2006 | 2nd National Council of Chiefs meeting and launching of Kastom economy Ceremony | 2,477,000 | 2006 | No |
| SIO4/02 | 8/21/2006 | Office Standing Imprest | 150,000 | 2006 | No |
| 07O1-44/29 | 2/23/2007 | Official Visit to New Caledonie | 125,500 | 2007 | Yes ✓ |

Total Imprest advanced

5,751,000

Total Imprest retired

3,124,000

Total Imprest not retired

2,627,000

Imprest Advanced for Mr. Selwyn Garu.

| Imprest Ref | Purpose of Advance | Amnt of Advance | Year |
|--------------------------------|----------------------------------------------------------------------------------|-----------------|------|
| L04/02 | Malvatumauri 1st general meeting in Port Vila. | 1,234,000 | 2005 |
| L04/05 | Malvatumauri 2nd General meeting | 426,000 | 2005 |
| L04/02 | Malvatumauri national council of Chiefs meeting | 1,288,500 | 2006 |
| L04/04 | Touring Tongoa Island | 50,000 | 2006 |
| L04/05 | 2nd National council of Chiefs meeting and launching of Kastom economy Ceremony. | 2,477,000 | 2006 |
| 07OI-44/29 | Official Visit to New Caledonie | 125,500 | 2007 |
| SI04/02 | Office Standing imprest | 150,000 | 2006 |
| Total amount of advance taken. | | 5,751,000 | |

NOTE! This is the Records requested from Finance Dept. and they (^{Payment} ~~Section~~ Section) indicated as shown on system Invoicing that the total amount submitted this. They indicated was (2,477,000 + 150,000) vt. 2,627,000. Imprest not retired was (2,477,000 + 150,000) vt. 2,627,000.

: Imprest Record Amount advance by Mr. Selywn Garu in 2006 -2007

Henrickson Rolife Malsokle

Sent: Monday, 18 May 2009 8:58 AM
To: Cyrus Simeon; Taura Sisi
Cc: Hamilton Moli
Importance: High

Dear Syrus,

I write to follow-up my request on previous email to you regarding above.

Audit Office need the information purposely for our audit test records. As I understand, Regulation 6.3 (1) of Financial Regulations delegated such responsibility to an Officer designated by Director of Finance.

Please, if you don't mind supply the Imprest records to Office of the Auditor-General by 4:30 pm today.

* will also follow-up later in the afternoon.

Henrickson Malsokle

Appendix D

Deduction made since 2008 from Mr. Selywn Garu's salary for Imprest not retired.

| Employee | Pay period | Status | Disbursal Date | Deduction Amount |
|----------|------------|----------------------|----------------|------------------|
| 460337 | 200818 | Completely disbursed | 5/9/2008 | 14,500 |
| | 200819 | Completely disbursed | 19/09/2008 | 14,500 |
| | 200820 | Completely disbursed | 3/10/2008 | 14,500 |
| | 200821 | Completely disbursed | 17/10/2008 | 14,500 |
| | 200822 | Completely disbursed | 31/10/2008 | 14,500 |
| | 200823 | Completely disbursed | 14/11/2008 | 14,500 |
| | 200824 | Completely disbursed | 28/11/2008 | 14,500 |
| | 200825 | Completely disbursed | 12/12/2008 | 14,500 |
| | 200826 | Completely disbursed | 24/12/2008 | 14,500 |
| | 200901 | Completely disbursed | 9/1/2009 | 14,500 |
| | 200902 | Completely disbursed | 23/01/2009 | 14,500 |
| | 200903 | Completely disbursed | 6/2/2009 | 14,500 |
| | 200904 | Completely disbursed | 20/02/2009 | 14,500 |
| | 200905 | Completely disbursed | 6/3/2009 | 14,500 |
| | 200906 | Completely disbursed | 20/03/2009 | 9,500 |
| | 200907 | Completely disbursed | 3/4/2009 | 7,500 |
| | 200908 | Completely disbursed | 17/04/2009 | 7,500 |
| | 200909 | Completely disbursed | 30/04/2009 | 7,500 |
| | 200910 | Completely disbursed | 15/05/2009 | 7,500 |
| | 200911 | Completely disbursed | 29/05/2009 | 7,500 |
| | 200912 | Completely disbursed | 12/6/2009 | 7,500 |
| | 200913 | Completely disbursed | 26/06/2009 | 7,500 |
| | 200914 | Completely disbursed | 10/7/2009 | 7,500 |
| | 200915 | Completely disbursed | 23/07/2009 | 7,500 |
| | 200916 | Completely disbursed | 7/8/2009 | 7,500 |
| | 200917 | Completely disbursed | 21/08/2009 | 7,500 |
| | 200918 | Completely disbursed | 4/9/2009 | 7,500 |
| | 200919 | Completely disbursed | 18/09/2009 | 7,500 |
| | 200920 | Completely disbursed | 2/10/2009 | 7,500 |
| | 200921 | Completely disbursed | 16/10/2009 | 7,500 |
| | 200922 | Completely disbursed | 30/10/2009 | 7,500 |
| | 200923 | Completely disbursed | 13/11/2009 | 7,500 |
| | 200924 | Completely disbursed | 27/11/2009 | 7,500 |
| | 200925 | Completely disbursed | 11/12/2009 | 7,500 |
| | 200926 | Completely disbursed | 24/12/2009 | 7,500 |
| | 20101 | Completely disbursed | 8/1/2010 | 7,500 |
| | 20102 | Completely disbursed | 22/01/2010 | 7,500 |
| | 20103 | Completely disbursed | 5/2/2010 | 7,500 |
| | 20104 | Completely disbursed | 19/02/2010 | 7,500 |
| | 20105 | Completely disbursed | 4/3/2010 | 7,500 |
| | 20106 | Completely disbursed | 19/03/2010 | 7,500 |
| | 20107 | Completely disbursed | 1/4/2010 | 7,500 |
| | 20108 | Completely disbursed | 16/04/2010 | 7,500 |
| | 20109 | Completely disbursed | 30/04/2010 | 7,500 |
| | 201010 | Completely disbursed | 14/05/2010 | 7,500 |

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| | | | |
|--------|----------------------|------------|-------|
| 201011 | Completely disbursed | 28/05/2010 | 7,500 |
| 201012 | Completely disbursed | 11/6/2010 | 7,500 |

Total deduction made from 5 Sept 2008 to 11 June 2010 452,500

Total Imprest not retired 2,627,000

Balance still outstanding as of 11 June 2010 2,174,500