

**REPUBLIC OF VANUATU  
OFFICE OF THE OMBUDSMAN**

**PUBLIC REPORT  
ON THE  
IMPROPER ACQUISITION OF  
16 VEHICLES FOR THE  
SANMA PROVINCIAL GAMES  
IN 1997**

**26/07/2001**

**7312/2001/05**

## SUMMARY

This report describes how the Vanuatu Government through the Ministry of Internal Affairs failed to properly plan for the acquisition of sixteen vehicles properly plan to acquire sixteen vehicles for the transport of government officials, game participants and others during the Sanma Provincial Games in May 1997.

Due to the Ministry of Internal Affairs failure to organise adequate transport arrangements, there was a last minute rush which resulted in the Ministry of Finance approaching only Asco Motors to supply the vehicles, without contacting any other potential suppliers. After the games, the vehicles were then sold **duty and tax free**. This resulted in the Government losing Vt7,130,127 in revenue which should have been collected. In turn, the people of Vanuatu were deprived of money. This is a blatantly inexcusable management decision.

The Ministry also did not comply with procurement procedures as required by the Finance Regulations. It failed to invite tenders to supply the vehicles and as a result other vehicle dealers did not have the opportunity to make a bid to supply the Games.

The Ombudsman recommends that in future, the Ministry of Internal Affairs and every other Ministry must ensure that proper transport arrangements are made in good time for such events.

Also, if car rental companies or the Land Transport Association can supply and meet this short term need for vehicles at reasonable rates, this would be a commendable cost cutting measure on the part of the government, and the Games Organizers. This approach would be more in line with the principles of Comprehensive Reform Program (CRP).

## TABLE OF CONTENTS

SUMMARY.....	2
1. JURISDICTION.....	4
2. PURPOSE, SCOPE OF INVESTIGATION AND METHODS USED.....	4
3. RELEVANT LAWS, REGULATIONS AND RULES.....	4
4. OUTLINE OF EVENTS.....	4
5. RESPONSES.....	5
6. FINDINGS.....	6
7. RECOMMENDATIONS.....	6
8. CONCLUSION.....	7
9. INDEX OF APPENDICES.....	8

## **1. JURISDICTION**

- 1.1 The Constitution and the Ombudsman Act allow the Ombudsman to examine the conduct of Government, related bodies and leaders. This includes looking into the defects in laws and administrative practices, including the improper acquisition of vehicles for the Sanma Games.

## **2. PURPOSE, SCOPE OF INVESTIGATION AND METHODS USED**

- 2.1 The purpose of this report is to present the Ombudsman's findings as required by Article 63 of the Constitution and Section 34 of the Ombudsman Act.
- 2.2 The scope of this investigation is to establish the facts about the acquisition of sixteen vehicles from Asco Motors in May 1997 and also to establish:
- A The total revenue lost by the Government by allowing the vehicles to be imported duty and tax free, and
  - B Whether the conduct of the Government was proper and in line with the procurement procedures as set out in the Financial Regulations.
- 2.3 This Office collects information by informal requests, summons, letters, interviews and research.

## **3. RELEVANT LAWS, REGULATIONS AND RULES**

### **The Government Financial Regulations**

- 3.1 Regulation 361 states that:  
Where the cost of a specific work or service exceeds 1 million vatu, at least three (3) written tenders must be obtained. These tenders must be submitted to the Central Tenders Board for valuation and for the awarding of the contract<sup>1</sup>.

## **4. OUTLINE OF EVENTS**

### **Acquisition of the vehicles**

- 4.1 In May 1997 the Provincial Games were held in Luganville, Sanma Province from 3<sup>rd</sup> to 10<sup>th</sup> May 1997. There were about nine hundred athletes who travelled to Sanma from the other Provinces for the games, including game officials.

As the Government did not have enough vehicles in Luganville to transport government officials during the games an order was placed with Asco Motors in Vila to arrange and supply 12 vehicles to be used in Luganville.

- 4.2 On 11<sup>th</sup> April 1997 the President of the Provincial Games Council, Mr Joe Carlo, requested Asco Motors to supply a quote for twenty vehicles to be used for transport during the games (**Appendix A**). He further stated that due to the very late notice that the Ministry of Internal Affairs had given to his committee and in view of the time factor, Asco Motors was requested to submit a quote for that number of vehicles. The

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<sup>1</sup> While the vehicles were not purchased directly by the government, it is the view of the Ombudsman that the supply and use of 16 vehicles is a service to the government which falls within regulation 361.

General Manager of Asco Motors confirmed on 14<sup>th</sup> April 1997 that they were willing to supply sixteen vehicles. However, he requested a letter from the Customs Department to advise him that the vehicles were to be exempted from duty and service tax. In addition some agreement must be reached between the Games Council and Asco Motors as to the payment of shipping costs and insurance to Santo from Port Vila. (**Appendix B**).

- 4.3 On 29<sup>th</sup> April 1997 the Private Secretary in the Ministry of Finance Mr Simeon Poilapa requested Asco Motors to supply 12 vehicles for the games and that the vehicles be exempted from Customs duty. The vehicles should then be shipped to Santo before 30<sup>th</sup> April 1997 (**Appendix C**). These vehicles were later shipped to Santo in early May 1997.
- 4.4 On 2<sup>nd</sup> May 1997 the Acting Minister of Finance, the late Fr. Walter Lini, wrote to the General Manager of Asco Motors in Vila requesting the supply of four additional vehicles. He assured the General Manager of Asco Motors that the four vehicles would also be exempted from duty (**Appendix D**). This increased the number of vehicles to sixteen.

#### **Insurance**

- 4.5 On 30<sup>th</sup> April 1997 the Second Secretary in the Office of the Prime Minister Mr William Tari, informed Asco Motors that because the vehicles had to be shipped to Santo, the Government would meet the cost of insurance and freight for the 16 vehicles. Following this, in a meeting in October 1997, the Council of Ministers approved that Vt859,239 be paid to the insurance company for the vehicles. This was paid in November 1997.
- 4.6 On 12<sup>th</sup> May 1997 the acting First Secretary, Mr Peter Taurakoto, wrote and advised the President of the Sanma Games that the insurance cover ended as of the date of that letter. He further advised that any department wishing to purchase any of the vehicles had to earmark them and settle with Asco Motors.

#### **Granting of Exemption**

- 4.7 On 22<sup>nd</sup> May 1997 after the games, a meeting was held with representatives from Asco Motors, the Private Secretary of the Ministry of Finance, Mr Simeon Poilapa and the Director of Customs Department Mr John Simbolo. It was agreed at the meeting that the used vehicles would be sold without duty and service tax (**Appendix E**). Following this meeting, the Director of Customs gave his approval under his powers under schedule 3 of the Customs Tariffs Act for the vehicles to be sold by Asco Motors free of duty and service tax.

The Ombudsman was informed by the Director of Finance, Mr Jeffrey Wilfred, that due to this arrangement the Government lost Vt7,130,127 in duty and tax on the sixteen vehicles (**Appendix F**).

The Ombudsman was informed in February 1999 by Asco Motors that there were no vehicles imported for the Sanma games. All the vehicles supplied were from Asco Motors ex stock in Vila. The used vehicles were later sold by Asco Motors to the general public excluding duty and tax.

### **5. RESPONSES**

- 5.1 In reply to the Working Paper the former Private Secretary in the Ministry of Finance, Mr Simeon Poilapa, stated that it was the failure of the Ministry of Internal Affairs at the time to make proper arrangements for the event. As a result there was a rush at the last minute to get things together and he had to ask Asco Motors to supply the vehicles. He further stated that he had no idea about the four additional vehicles which were requested by the Acting Minister of Finance.

5.2 There were no other responses received by the Ombudsman.

## **6. FINDINGS**

**Finding 1:**           **The Ministry of Internal Affairs failed to ensure that the transport arrangements for the Sanma Provincial Games were made in good time.**

6.1 This failure by the Ministry of Internal Affairs caused the Government to rush at the last minute to secure vehicles to be shipped to Santo. This resulted in the unnecessary spending of Vt859,239 on the cost of freight and insurance for the vehicles. There is nothing on record to show that attempts were made for alternative arrangements to secure vehicles in Luganville for transportation of games officials.

**Finding 2:**           **The Ministry of Internal Affairs failed to comply with the procurement procedures set out in the Financial Regulations.**

6.2 The Ministry of Internal Affairs did not follow the Ministry of Finance Financial Regulations. The request to Asco Motors to supply sixteen vehicles was a service and was covered by tenders procedures. As a result only one car dealer was approached and there was no competitive tendering. This gave Asco Motors a monopoly in supplying vehicles to the government and removed any opportunity for competitive pricing from other car dealers.

**Finding 3:**           **The Government lost a substantial amount in revenue as a result of granting exemptions on duty and tax to Asco Motors for the vehicles.**

6.3 The Government lost Vt7,130,127 on duty and tax on the vehicles which were shipped to Santo to be used by the Government officials. The Ministry of Internal Affairs could have arranged to hire vehicles from hire car companies in Luganville which would have saved the Government Vt7 million plus shipment and freight costs. As a result of this arrangement the people of Vanuatu lost over Vt7 million in revenue. This went to the benefit of the few Government officials by providing them with comfortable vehicles to be paid for out of the public revenues of Vanuatu.

If the arrangements were made properly, hiring of cars and other bigger vehicles for ten days at an appropriate cost of Vt150,000 per vehicle would have cost a fraction of the Vt7 million loss in revenue.

## **7. RECOMMENDATIONS**

**7.1 Recommendation 1:**           **The Ministry of Internal Affairs should ensure that preparations for such major events are made well in advance.**

Last minute preparation demonstrates lack of proper planning. This represents maladministration on the part of the Ministry and departments involved in the preparation work on the Sanma Games. Preparation for future events such as this should be made well in advance to prevent unnecessary last minute spending.

**7.2 Recommendation 2:**           **The Ministry of Internal Affairs should seek legal advice if it is in doubt about whether a service provided to them is covered by the Procurement Procedures in the Financial Regulations.**

Government Ministers are required to follow procurement procedures for obtaining goods and services. The guidelines are clearly set out in the Financial Regulations. If a Ministry is in doubt, it should seek legal assistance on the issue to avoid charges of alleged maladministration.



- 7.3 Recommendation 3: The Ministry of Internal Affairs should consider hiring vehicles from local licensed car dealers and or the Land Transport Association for such future events.**

Hiring vehicles from licensed hire car companies and Land Transport Association would save the Government losses in revenue from exemptions in duty and tax payable on new imported vehicles for such events. If rental car dealers can supply vehicles at a reasonable price this would save the Government substantial revenue on duty and taxes on new vehicles. Licensed car hire companies can certainly meet this need and at a fraction of the cost.

## **8. CONCLUSION**

- 8.1** The Ministry of Internal Affairs and every other Ministry should ensure that proper transport arrangements are made in good time before such major events. The Ministry and officers involved should follow the Financial Regulations and make sure that other options are taken to eliminate such unnecessary losses in revenue.

Dated the 26<sup>th</sup> day of July 2001.



**Hannington G ALATOA**  
**OMBUDSMAN OF THE REPUBLIC OF VANUATU**

**9. INDEX OF APPENDICES**

- A** Letter from Mr Joe Carlo, President of the Provincial Games Council to the General Manager of Asco Motors.
- B** Letter from Mr D J Pullin, General Manager of Asco Motors to MR J Carlot, President of the Provincial Games Council.
- C** Letter from Mr Simeon Poilapa, Private Secretary of the Ministry of Finance to Mr David Pullin, General Manager of Asco Motors.
- D** Letter from Hon. Fr Walter H Lini, Acting Minister of Finance to Mr David Pullin, General Manager of Asco Motors.
- E** Letter from representative from Asco Motors, Mr Narongo S Raikatalau to the Director of Customs Department.
- F** Letter from Director General of Finance, Mr Jeffrey Wilfred to the Ombudsman.



# Appendix A

## PROVINCIAL GAMES COUNCIL

P.O. Box 284, Port Vila, Vanuatu

Ph/4: 678 - 23230

Date: 11.4.97

To: The General Manager - ASCO Motors

From: Joe Carlo - President PGC

Subject: QUOTES FOR VEHICLES - PROVINCIAL GAMES

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The First Provincial Games to be held in Luganville from 3rd to 10th May will require use of transport for officials and other logistical support in the organisation of the event. The Ministry of Home Affairs, responsible for Youth & Sports has given this committee a mandate, at this very late notice, to negotiate for exemption of duty on 14 VIP Cars and 6 Pickups (total 20).

The vehicles are to be used by the Government during the event and later sold by your company to the general public under the duty exemption agreement.

Would you please supply quote for above number of vehicles you have in stock as a priority. The committee would like to finalise details by next Tuesday, in view of the time factor.

Thankyou for your assistance.



Joe Carlo  
President PGC



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# Appendix B

BPTI VANUATU LIMITED

HEAD OFFICE  
KUMUL HIGHWAY PORT VILA  
TELEPHONE 22341 FACSIMILE (676) 23374  
PO BOX 18 PORT VILA VANUATU

SANTO BRANCH  
LUGANVILLE SANTO  
TELEPHONE 36244 FACSIMILE (676) 36121  
PO BOX 179 SANTO VANUATU

14 April 1997

Provincial Games Council  
PO Box 284  
PORT VILA

Attention: Mr J Carlo

Dear Sir

We thank you for your enquiry to Asco Motors for assistance in the supply of vehicles for the Provincial Games.

Asco Motors could supply sixteen (16) vehicles in total, 11 passenger and five (5) pickups providing the following is complied:-

- letter from Customs advising of the 16 units being exempt from duty and service tax
- some agreement is reached between the Games Council and Asco Motors as to the payment of shipping costs and Insurance.

Assuring you of our continuing support, we wish you all the success with your games.

Yours faithfully  
ASCO MOTORS VANUATU

  
D J Pullin  
General Manager

cc: Narogo S Raikatalau



Sac Postal Reserve No. 058, Port-Vila

Private Mail Bag 058, Port Vila

REF:

■  
Telephone (678) 23032

DATE: 29<sup>th</sup> April 1997

The General Manager  
ASCO Motors  
P.O.Box 18  
PORT VILA

Appendix c

Att : Mr. David Bullin

Dear Sir,

**RE : TWELVE (12) VIP VEHICLES FOR THE SANMA PROVINCE REGIONAL GAMES**

I am directed by the Instruction from the Prime Minister's Office to advise you and the company that you have been contracted to supply the above numbers of vehicle to service the VIP/Heads of Government attending the Vanuatu Regional Games to be hosted by the Sanma Provincial as of May 1<sup>st</sup> to May 10<sup>th</sup>, 1997.

The total fleet will be exempted from Customs Duty, however, the company will be advised formally by Friday 2<sup>nd</sup> May, 1997, on the Council of Ministers Decision and duty exemption granted by the Minister responsible for Finance.

The type of vehicles to be supplied should not be less not than cc.1000 and more than cc.2100. (ie. Between cc.1000 and cc.2100)

Sir, due to the time limit and the further work process to be fitted within the limited time frame to have the vehicles shipped up to Santo/Sanma Province before the Official Opening of the Regional games on May 2<sup>nd</sup>. I suggest that for everyone safety and avoiding any further anxiety, the shipment of the vehicles should be done without delay or not later than Wednesday 30<sup>th</sup> May, 1997.

Please come back to me to confirm your position now or not later than 8.00am at the earliest tomorrow, Wednesday 30<sup>th</sup> May, 1997.

Regret for any inconvenience this may cause.

**Simeon POILAPA**  
**Private Secretary**



CC. MR-W. TALEY - Prime Office.

REPUBLIQUE DU VANUATU

MINISTERE DE LA JUSTICE,  
DE LA CULTURE  
ET DE LA  
CONDITION FEMININE



REPUBLIC OF VANUATU

MINISTRY OF JUSTICE  
CULTURE  
AND WOMEN'S AFFAIRS

MJCWA/PKT/400/1 eg

Mr David Pullin  
General Manager  
ASCO Motors Vanuatu  
P.O.BOX 18  
Port-Vila

2nd May 1997

Dear Sir

As requested by his Excellency Prime Minister Vister Rialuth Serge Vohor MP I am writing to authorise the release of the following vehicles as discussed with my First Secretary - Mr Peter K Taurakoto as follow.

- |    |              |                 |
|----|--------------|-----------------|
| 1) | 1 Starlet    | Car             |
| 2) | 1 To 702-015 | 4 x 2 hilux     |
| 3) | 1 To 703-048 | 4 x 2 hilux and |
| 4) | 1 To 702-030 | 4 x 4 hilux.    |

Please be assured that all these four vehicles will be exempted from duty.

Thank you very much for your usual prompt action on our request.

Yours Sincerely



Hon Fr Walter H. Lini MP  
Acting Minister of Finance

cc: Accountant General  
Director of Customs  
Hon Minister of Home Affairs  
Hon Prime Minister  
Attorney General  
Auditor General

## Appendix E

SPT (VANUATU) LIMITED

4/26

HEAD OFFICE  
KUMUL HIGHWAY PORT VILA  
TELEPHONE 22341 FACSIMILE (678) 23374  
PO BOX 18 PORT VILA VANUATUSANTO BRANCH  
LUGANVILLE SANTO  
TELEPHONE 36244 FACSIMILE (678) 36121  
PO BOX 179 SANTO VANUATU

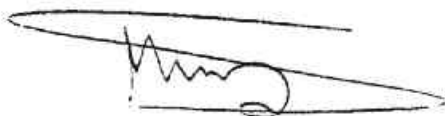
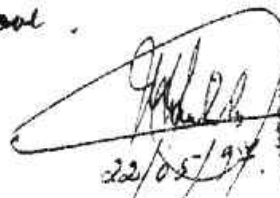
22 May 1997

The Director  
Customs Department  
Private Mail Bag 012  
PORT VILAAttention: Mr J Simbolo

Dear Sir

VEHICLES USED DURING SANMA PROVINCIAL GAMES

Referring to our discussions of this morning with regard to the above subject, I wish to confirm that a round-table meeting was held in the presence of Asco Motors General Manager, Mr D Pullin and the Private Secretary of Finance, Mr S Pollapa who agreed that after the games, the vehicles which were used would be sold under full duty and service tax free.

Yours faithfully  
ASCO MOTORS VANUATUNarogo S Raikatalau  
Sales Manager*Endorsed as arranged  
above.*  
22/05/97J. Simbolo  
*Director of Customs & Taxes.*





GOUVERNEMENT DE LA  
REPUBLIQUE DE VANUATU

SERVICE DES FINANCES

Sac Postal Privé No. 031, Port Vila

YOUR REF:  
VREF

OUR REF:  
NREF

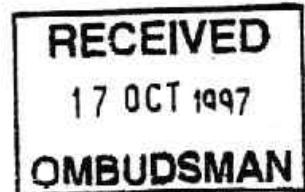


GOVERNMENT OF THE  
REPUBLIC OF VANUATU

DEPARTMENT OF FINANCE

Private Mail bag 031, Port Vila

Date 14 October, 1997



Ms Marie Noelle FERRIUX PATTERSON  
OMBUDSMAN OF THE REPUBLIC OF VANUATU  
PO Box 126  
Port Vila  
Vanuatu

Dear Ms FERRIUX PATTERSON

Duty Free Import by Asco Motors

Thank you for your letter of September 29<sup>th</sup>, 1997.

Consultations with the Director of Customs and Taxes have revealed that 16 vehicles were imported duty free for the provincial games in Santo.

The duty lost for the sixteen vehicles was estimated at 7,130,127 Vatu.

I trust the above information will be of assistance.

Yours sincerely

Jeffrey Wilfred  
DIRECTOR GENERAL OF FINANCE

