

THE REPORT OF THE AUDITOR GENERAL



ON THE GOVERNMENT OF KIRIBATI ANNUAL ACCOUNT

PART II- Recurrent Revenues and Expenditures for
the year ended 31 December 2020

1. ACKNOWLEDGEMENT

With great pleasure and honor, I take this opportunity to convey my deepest appreciation to members of the Central Government Audit team of the Kiribati Audit Office for their dedication, commitment and hard work that has made possible the completion of this report. A special thanks to their team leader and Principal Auditor Mrs. Tematang Raimon, her steadfast and outstanding leadership especially working under the new normal amid the Covid 19 lockdowns and other restrictions.

I would also like to thank the Senior Responsible Officers of the various Government Ministries that we have worked with for their unwavering support and cooperation throughout the engagement. We also acknowledge with much appreciation the Accountants, Head of Divisions, and those staffs who have assisted our team of auditors one way or another in our work with your respective Ministries or departments. Without your supports and assistance, the successful completion of this report would not have been possible.



Eriati T Manaima
Auditor General
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2. ACRONYMS

FR	Financial Regulations
DSA	Daily Subsistence Allowance
FA	Form A
FY	Financial Year
GL	General Ledgers
ICT	Information Computer Technology
KAO	Kiribati Audit Office
KPS	Kiribati Police Service
LPO	Local Purchase Order
MFED	Ministry of Finance Economic Development
MHMS	Ministry of Health & Medical Services
MISE	Ministry of Infrastructure and Solar Energy
MOE	Ministry of Education
MTCIC	Ministry of Tourism, Commerce, Industry and Cooperative
NCS	National Conditions of Services
OAG	Office of Attorney General
OB	Office of 'Te Beretitenti' or President
PSC	Public Service Commission
PSO	Public Service Office
PVs	Payment Vouchers
SMM	Senior Management Meeting

3. EXECUTIVE SUMMARY

Scope Of Work

This audit engagement focuses on the control and management of Government's Recurrent Revenue and Expenditure for the financial year ended 31st December 2020 in compliance to the existing and relevant laws and policies.

Our objective is (i) to identify compliance gaps or areas of improvement regarding financial compliance of specific practices; and (ii) to understand if specific business practices are conducted in line with local laws and regulations

For the purpose of this report, we have within the above scope of this compliance audit engagement, considered the following laws and regulations: (i) Public Finance (Control and Audit) Ordinance; (ii) Procurement Act 2002; and (iii) Government's Financial Regulations 2011.

Key Findings

Listed below are the summaries of our compliance audit findings for government line ministries in relation to the above policies and regulations:

3.1.1. Untimely Revenue & Expenditure Reconciliation (FR section 9.12)

The result of our audit showed that 90% of ministries had performed their revenue and expense reconciliations but not in a timely manner like at the end of each month. This is blamed on the Ministry of Finance's slack in updating and producing its central report.

3.1.2. Budget overrun resulting from an advance from the public funds

Ministry of Employment and Human Resources Development was overspent during the year 2020. The budget overrun is due to using the recurrent funds to prefinance their activities before actual project funds arrive. The details of overspent and response to this are further elaborated in section.14.2.1.

3.1.3. Lack of payroll validation and verification (FR section 21.1)

Most of the ministries mentioned that they had performed verification of salaries and wages as in line to FR section 21.1, however the audit noted that these verifications were not usually documented.

3.1.4. Poor compliance to the national procurement laws and regulations Control over Expenditures

3.1.4.1. Purchase of office equipment (FR section, 9.1 & 9.2 and Procurement Act 2002)

The audit found that the most common issues across ministries in the purchase of office equipment are such as:

- Items purchased without attaching three quotations from suppliers
- Items were broken
- Items could not be physically sighted
- Items purchased and are not used
- Items were charged incorrectly

3.1.4.2. Poor compliance to the Imprest rules and regulations (NCS E5.4)

We continue to find cases of employees failing to acquit travel imprest in line with the two weeks requirement. This issue also indicates the continued failure of the concerned Ministry/Department to enforce this regulation.

3.1.5. Weaknesses in the control of accounting databases or records (FR. Section 2.1.1.)

The audit noted that there are ministries that do not maintain and update their accounting databases or records both in manual and electronic which include major ministries such as MHMS and MOE.

COMPLIANCE AUDIT FINDINGS FOR GOVERNMENT MINISTRIES RECURRENT ACCOUNT 2020

4. OFFICE OF TE BERETITENTI

4.1. Issues over the Controlling of Expenditures

4.1.1. Lack of expense reconciliation

‘Expenses should be reconciled at the end of each month between the concern Ministry and Ministry of Finance.’ (*Financial Regulation section 9.12*)

Audit Finding and Analysis

Expense reconciliation between the ministry and MFED is performed but not regularly done at the end of each month.

Management Response

There was a reconciliation made between Finance and the ministry vote but not regularly or at the end of each month given that it depends on the GL report to be sent by the MFED. It would be conducive for MFED to dedicate its staff to assisting ministries to expedite the reconciliation process.

AUDIT RECOMMENDATION: The audit would highly recommend MFED to send GL reports to ministries in a timely manner so that ministries are able to proceed with expense reconciliation at the end of each month.

5. PUBLIC SERVICE OFFICE

5.1. Issues over the Controlling of Expenditures

5.1.1. Lack of expense reconciliation

‘Expenses should be reconciled at the end of each month between the concern Ministry and Ministry of finance.’ (*Financial Regulation section 9.12*)

Audit Finding and Analysis

Expense reconciliation between the ministry and MFED is performed but not regularly done at the end of each month.

Management Response

There was a reconciliation made between Finance and the ministry vote but not regularly or at the end of each month given that it depends on the GL report to be sent by the MFED.

AUDIT RECOMMENDATION: MFED should send GL reports to ministries in a timely manner so that ministries are able to proceed with expense reconciliation at the end of each month.

5.1.2. Lack of control over the purchased of office equipment expense

Financial Regulation Section 9.2, *accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.*

Audit Finding and Analysis

5.1.2.1. No certification of Invoice

The audit noted that the purchase of a printer on PV#: 167/10 amounted \$2,247.80 was not certified correct as no one signed the invoice to indicate true copy of invoice.

Management Response

The ministry noted that the payment for the printer was released without being certified. Normally, payment approved once the invoice is certified. This can be the oversight and PSO deeply regrets that this happened. As a way forward to eliminate such oversight, the authorizers have been reminded to approve payments i.e., to sign LPO and PVs only if the invoices are certified.

AUDIT RECOMMENDATION: The ministry should strictly enforce the certification of invoice and those causing future oversight in processing uncertified invoices should be held accountable.

5.1.2.2. Unavailability of laptop to be sighted

The purchase of three laptops on hqpv#2822 amounted \$4,797. The audit was able to sight two laptops used at the IT and Admin division while one laptop is not yet sighted.

Management Response

- 1. The HP ProBook serial #5CD939F5PB was purchased for the former secretary at that time. After his contract ended at the end of 2020, the laptop was returned and then kept among many other laptops inside the ICT room. Early 2022, The ICT room was spruced up and most of the unused equipment were temporarily moved to a vacant room next door for storage. A short while after, the laptop could not be sighted anywhere inside the PSO premises.*
- 2. Actions taken were 1) investigation by verbal communications to all PSO staff who might have knowledge of the whereabouts of this laptop, and 2) the matter was reported to SMM members and asked to convey the information to their respective division members. Still todate, there is no laptop found or reported seen in PSO.*
- 3. At this point, it has been concluded that this laptop is now been labelled as lost. The case could not be investigated any further due to lack of mechanism in place that can help in resolving this addition. This issue not very common within PSO and this is why the relaxed and minimal sense of security towards this valuable equipment.*
- 4. It is very unfortunate that this is beyond us to resolve this issue. What is important is that we make sure this will not happen again in the future. A way forward to address this issue is to provide a*

secure storage of these type of equipment, security cameras to be installed as approved by the SMM and a constant awareness on moral and good ethics in the workplace.

- 5. Our IT team will procure the security cameras from local suppliers and if not possible will order from overseas.*
- 6. Also, the door facing the corridor has been agreed to be CLOSED at all times to avoid customers from OB or PSO from entering any time.*

AUDIT RECOMMENDATION: The ministry should check regularly valuable assets such as laptops to ensure are safeguarded and when any item missing, they would report immediately to relevant authorities so that proper actions are taken on time.

6. MINISTRY OF FOREIGN AFFAIRS AND IMMIGRATION

6.1. Issues over the Controlling of Revenues

6.1.1. Lack of Revenue Reconciliation

'Revenue should be reconciled at the end of each month between the concern Ministry and Ministry of finance.' (Financial Regulation section 9.12)

Audit Findings & Analysis

The audit noted that there is no evidence provided by the ministry to show that revenue reconciliation is performed at the end of each month.

Management Response

Reconciliation of revenue has not always been the practice due to the fact that receipts of all revenues are usually channelled through the Ministry of Finance. However, the Ministry will ensure to do a monthly revenue reconciliation if this is a requirement.

AUDIT RECOMMENDATION: Revenue should be reconciled at the end of the month in line with FR section 9.12.

6.2. Issues over the Controlling of Expenditures

6.2.1. Lack of Expense Reconciliation

'Expenses should be reconciled at the end of each month between the concern Ministry and Ministry of finance.' (Financial Regulation section 9.12)

Audit Finding and Analysis

Expense reconciliation between the ministry and MFED is performed but not regularly done at the end of each month.

Management Response

There was a reconciliation made between the Finance record and the Ministry vote but not regularly or at the end of each month given that it depends on the GL report to be sent by the MFED. Refer to Annex A for evidence of our reconciliation.

AUDIT RECOMMENDATION: MFED should send GL reports to ministries in a timely manner so that ministries are able to proceed with expense reconciliation at the end of each month.

6.2.2. Lack of Control over Travel Imprest

Audit Finding and Analysis

'NCS E5.4 (j) stated that imprest should be retired two weeks upon return of official trips.'

6.2.2.1. Imprest was not retired in a timely

Our examination of three overseas imprest travels we found that the two trips taken by senior officers did not comply with NCS E5.4 (j) whereas imprest are not retired two weeks upon return of official trips.

- Travelling Claim- FA 250/14/20 is a travelling claim processed in 2020 which relates to an official trip taken in Oct to Nov 2018
- Travelling Claim- FA 251/14/20 is a travelling claim processed in January 2020 and was retired many months later in 22/10/20

Management Response

This is noted and the Ministry will ensure that all its staff members will abide by the NCS E.45v. regarding the need to acquit the DSAs after two weeks of return to normal duty station.

AUDIT RECOMMENDATION: The ministry should enforce a policy on the retirement of Imprest to ensure that imprest are retired within 10 days upon return from official trips.

7. KIRIBATI POLICE SERVICES

7.1. Issues over the Controlling of Revenues

7.1.1. Lack of revenue reconciliation

'Revenue should be reconciled at the end of each month between the concern Ministry and Ministry of finance.' (Financial Regulation section 9.12)

Audit Findings & Analysis

The audit noted that revenue reconciliation is reconciled but not at the end of the month.

Management Response

On behalf of the Commissioner of Police, the KPS account is apologizing for not making a reconciliation of revenue on a monthly basis. The KPS account only did the reconciliation of revenue at the end of the year

if the one revenue code did not achieve the approved estimate. As refer to the Management report for KPS for the year 2020 (as appendix 1), all the approved revenue code were over the estimated provision. Apology for this and hope to do the reconciliation in future as it is clearly state in the Financial Regulation section 9.2. The main reason not reconciling the revenue at the end of each month is because before the cash collected deposited was checked by the Accountant or the Senior Accountant. That they have to do the cash counting and check across with the form A before submitting to Finance. Then at the Finance, the Revenue staff will re-count the cash with the Form A and the cash is left in the revenue custody to do the deposit at the Bank. (Refer to original KPS response for further supporting documents Appendix 1)

AUDIT RECOMMENDATION: MFED should send GL reports to ministries in a timely manner so that ministries are able to proceed with expense reconciliation at the end of each month.

7.1.2. Non-submission of arrears of revenues

‘A return of arrears of revenue should be submitted to the Accountant General at the end of the year.’
(Financial Regulation section 4.35)

Audit Findings & Analysis

As part of monitoring revenues, the audit noted that the ministry did not submit at the end of the year a return of arrears of revenues to the ministry of finance.

Management Response

The KPS account is apologizing for not submitting the arrears of revenue since the actual fact is that Police brass band always mentioned to us that they will not perform if the payment is not yet received from the account. The KPS account is regretting to say that this is not in line with the financial regulation that every factor should be well supported with black and white. Hope this will not happen again in future.

AUDIT RECOMMENDATION: The Ministry should submit a return of arrears of revenue at the end of the year in compliance to FR section 4.35.

7.2. Issues over the Controlling of Expenditures

7.2.1. Overpaid Salaries

Upon checking of Kiribati Police Service’s payroll, the audit noted a total salary overpayment of \$4,995.90 for three selected employees. (Details can be provided)

Management Response

On behalf of the Commissioner, the overpaid of salaries based on the administration side and especially from the concerned individual. As already mentioned during the exit meeting that the account section is not responsible for this overpaid of salaries as the procedure in every ministry is through the registry and to their admin officer for writing a support or covering letter to the Public Service Office (PSO) for approval. Then, once the approval is received either by the concerned ministry or by the Salary section of Ministry of Finance, then the salary will be ceased accordingly. (Refer to original KPS response for further supporting documents Appendix 4)

AUDIT RECOMMENDATION: The ministry should liaise with payroll division on the recovery of the above salary overpayments via salary deductions.

7.2.2. Lack of control over purchase of office equipment expense

Section 9.2, *accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.*

Audit Finding and Analysis

7.2.2.1. *Four broken laptops*

In our observation of 6 Lenovo laptops (PV# 0586/20) total valued of \$5,393.25, the audit found that 4 of these laptops had been broken a few months ago in 2022.

Management Response

The KPS would like to clearly state that the purchasing of the six (6) laptops was in a high demand since there is a high and widespread complaint from officers for the lack of office equipment. Therefore, the purchasing of these laptops were locally purchased, and it is the only brand or model that was available at this time of high need from officers. In addition, the costing for those six laptops seemed cheap in which the KPS budget could cater to purchase for that number of laptops. Furthermore, the purchase of the appropriate model from overseas would literally take two to three months or even longer and that is why this purchasing is done.

7.2.2.2. *Violation of Procurement Act 2002*

'Section 51 the ministry should at least attach three suppliers' quotations in looking for quality and cheaper cost'.

The audit noted that PV no. 0384/20 and 0595/20 amounted \$4,733.33 and \$9,990 respectively did not attached at least three quotations from suppliers.

Management Response

In relation for the above, the KPS is also complying to the Procurement Act 2002. This is in the sense that the KPS did purchase the server and antenna from a single supplier. The responsible officer did carry out the procedure in purchasing equipment asset for the office use.

In regard to the server on pv no. 0595/20 @ \$9990.00, this was purchased from Pintech. The IT officer did seek the quote from via phone from other suppliers such as Taotin, Tikatai and Pintech. And only Pintech has the stock on hand with the preferred specification of server which is Dell PoweEdge T440. The IT has been informed by the Account that he should do it on the requisition form the Store unit as a supporting and proof for his action to be inline with the procurement. Then regarding for the Antenna that purchased on pv.0384/20 @ \$4733.33 was Tentanini. The IT officer applied for the single source because the UBNT AF5 antenna was not and still not available in Tarawa. He liaise with Taotin, Pintech and Tentanini to do the special order on this equipment as they are extremely bulky, heavy and expensive. And Tentanini is the only supplier willing to order this equipment on behalf of the KPS. Also, apology for this as it is still against the procurement system and the financial regulation that should be written in black and white and inform the IT officer that should not do this in future.

AUDIT RECOMMENDATION: The ministry should perform proper control over the purchase of office equipment as in line with FR section 9.2 and the requirement of Procurement Act 2002.

8. PUBLIC SERVICE COMMISSION

8.1. Issues over the Controlling of Expenditures

Audit Finding and Analysis

8.1.1. Violation of Procurement Act 2002

'Section 51 the ministry should at least attach three suppliers' quotations in looking for quality and cheaper cost'.

The review of the following purchases under office equipment, the audit noted that the ministry did not usually attach at least three quotations for each payment.

DATE	PV#	DETAILS	AMOUNT
10/08/2020	HQPV2288/10 psc:211/20	Payment for 2 laptops for commissioners	4,272.72
13/10/20	HQPV2444 PSC:225/20	Payment of 2 laptop for commissioners	4,272.75

Management Response

The PSC might have not provided the required supplier's quotations from the three sources but at that time of purchase for the Commissioners four (4) laptops the two other suppliers (TIKATAI Electronics- did not have a DELL laptop and Taotin Electronics was way too expensive) and since PINTECH was the only Computer Supplier that PSC has always been purchasing its laptops and computer accessories from for a long time as a the only supplier that does not need a 'notification' or 'payment' it was for the reason the PSC opted for PINTECH. Another reason, PINTECH was also able to fix or provide computer spare parts within its warranty period agreement for free. However, PSC will maintain to comply with the procurement act 2002 and make payments on every item purchased on a timely manner.

AUDIT RECOMMENDATION: The Ministry should seek and attach at least three quotations for each payment to comply with the requirement under Procurement Act.

9. OFFICE OF THE ATTORNEY- GENERAL

9.1. Issues over the Controlling of Expenditures

9.1.1. Lack of expense reconciliation

'Expenses should be reconciled at the end of each month between the concerned Ministry and Ministry of finance.' (Financial Regulation section 9.12)

Audit Finding and Analysis

Expense reconciliation is performed but not on a timely basis only when the GL from Finance is received.

Management Response

Apologies from OAG side because the lateness from MFED gl reports can cause the delay of reconciliation. In 2020 we received the GL report from MFED in 5th November 2020.

AUDIT RECOMMENDATION: MFED should send GL reports to ministries in a timely manner so that ministries are able to proceed with expense reconciliation at the end of each month.

9.1.2. Misallocation of purchased Vehicle

Financial Regulation 9.1. 'It is the duty of the accounting officer to monitor expenditures and to charge to their correct code'.

Audit Finding and Analysis

The purchase of vehicle was coded incorrectly under office equipment (code 243) when it should be recorded as a Fixed Asset expense under code 287.

Management Response

OAG did not have budget output 287, had been the case from years before 2020 and we were advised by the seniors at Finance to use code 243 for the purchase of our vehicles. Finally last year 2021 the seniors from finance advise me to create my 287 to cater for our vehicles.

AUDIT RECOMMENDATION: The Ministry should perform proper control over the purchase of office equipment as in line to Financial Regulation 9.1.

10. LEADERSHIP COMMISSION

10.1. Issues over the Controlling of Expenditures

Audit Finding and Analysis

10.1.1. Violation of Procurement Act 2002

'Section 51 the ministry should at least attach three suppliers' quotations in looking for quality and cheaper cost'.

The review of office equipment purchases during the year the audit noted that the ministry did not attach three quotations for this payment.

31/12/20	HQPV3187/12 LC:059/20	Cost of billboard	\$	1,102.50
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Management Response

The supplier and service provider is Hannan. This is the only billboard so far (installed at Bairiki opposite to ANZ Bank) by the Commission as part of the public awareness program. The account recalled that there was a requisition form just like other office purchases unfortunately can't trace the copy even with MFED records. The Commission also recalled that suppliers for the Billboard at that time were Hannan and Taotin only. The Commission usually opts for the cheapest supplier.

AUDIT RECOMMENDATION: The Ministry should seek and attach at least three quotations for each payment to comply with the requirement under Procurement Act.

11. MINISTRY OF COMMUNICATION INFORMATION & TRANSPORT

11.1. Issues over the Controlling of Revenues

11.1.1. Lack of Revenue Reconciliation

'Revenue should be reconciled at the end of each month between the concern Ministry and Ministry of finance.' (Financial Regulation section 9.12)

Audit Findings & Analysis

The ministry reconciled its revenues but not at the end of each month depending on the submission of the monthly GL from the Ministry of Finance.

Management's response

We agree with the Auditor's comments regarding the above findings, and the following will be taken to improve the situation. We will have to work in line with the procedures in the Financial Regulations as our

guideline throughout the financial process. And as also noticed on this issue that the submission of the monthly GL both on the Revenue and Expenditure reports from the Treasury Department still delayed and it could take more than one month. However, we can't do our reconciliation unless the GL reports were submitted on time. These reports are also vital as we need them to compare and matched our record with the Treasury reports. Hence, the reconciliation process was progressed for the FY 2020. Therefore, we will try our best to improve and to ensure to comply according to the Financial Regulations recommended.

AUDIT RECOMMENDATION: MFED should send GL reports to ministries in a timely manner so that ministries are able to proceed with revenue reconciliation at the end of each month.

11.1.2. Non submission of arrears of revenue

'A return of arrears of revenue should be submitted to the Accountant General at the end of the year.'
(Financial Regulation section 4.35)

Audit Findings & Analysis

As part of monitoring revenue, the audit noted that the ministry did not submit at the end of the year a return of arrears of revenues to the Accountant General.

Management's response

As recommended by the Audit Office of the above queries, we do also agree to this comment. However, the problem is that our divisions have not completed their reports on arrears of revenue which we have already advised them to send over at the end of the year.

AUDIT RECOMMENDATION: The Ministry should submit a return of arrears of revenue at the end of the year in compliance to FR section 4.35.

11.2. Issues over the Controlling of Expenditures

11.2.1. Lack of Expense Reconciliation

'Expenses should be reconciled at the end of each month between the concern Ministry and Ministry of finance.' (Financial Regulation section 9.12)

Audit Finding and Analysis

The ministry reconciled its expense but not at the end of each month depending on the submission of the monthly GL from the Ministry of Finance.

Management's response

Same response as in query above 11.2.1. for Lack of Revenue reconciliation.

AUDIT RECOMMENDATION: MFED should send GL reports to ministries in a timely manner so that ministries are able to proceed with expense reconciliation at the end of each month.

12. MINISTRY OF INFRASTRUCTURE & SOLAR ENERGY

12.1. Issues over the Controlling of Revenues

12.1.1. Non submission of arrears of revenue

'A return of arrears of revenue should be submitted to the Accountant General at the end of the year.'
(Financial Regulation section 4.35)

Audit Findings & Analysis

As part of monitoring revenues, the audit noted that the ministry did not submit at the end of the year a return of arrears of revenues to the ministry of finance.

Management Response

- *The management agreed with KAO's findings that MISE failed to provide the return of arrears of revenue to Finance so MISE will prove on this in this year.*
- *The Ministry's remain revenue is Petroleum License fee, Building Permit, Technical Service Fee, Hire of Plant and Equipment, and the Nippon Causeway tollbooth. The arrears of revenue could be Seasonal Ticket for all Ministry's vehicle. Also, another arrears of revenue was from the Minister's decision to wave the Technical Services fee to MISE's client who were using MISE's technical services including architectural design, costing, and structure analysis. The Ministry starting this year (2022) is trying to improve this by recording all Technical Services fees that are waved by the Minister to include in the reporting by MISE to MFED to give a complete picture on how much the Ministry's revenue it could have collected in a year.*

AUDIT RECOMMENDATION: The Ministry should submit a return of arrears of revenue at the end of the year in compliance to FR section 4.35.

12.2. Issues over the Controlling of Expenditures

12.2.1. Weakness in the control over salaries & wages

'The Ministry should periodically verify the accuracy of salaries and wages paid to employees.' (Financial Regulation section 21.1)

Audit Finding and Analysis

The ministry did not periodically perform a verification of employees' salaries to be in line with their authorised position and number of hours worked.

Management Response

- *It is indeed our responsibility to follow up on over payment of our staff with Ministry of Finance but sometimes due to the oversight in the process, cannot follow up the overpaid of Salary and Wages of employees. To avoid these issues, the Management has assisted*

in controlling and monitoring the Public Funds to be spent wisely according to FR 9.2 e.g. since November 2021 to date, MISE has started improving this issue by writing formal letter to salary on recovery action.

- *Another measure to control overpay of wages and salary of employees, the Ministry deducts late hours from the employees by sending the amendments form to salary on a monthly basis for deduction of late hours and absence from work without approval using the sign in and sign off machine record (Fingertech machine) and this also started in November 2021.*

AUDIT RECOMMENDATION: The Ministry should perform a verification of salaries periodically as indicated by FR 21.1.

13. MINISTRY OF ENVIRONMENT LANDS & AGRICULTURE DEVELOPMENT

13.1. Issues over the Controlling of Revenues

13.1.1. Lack of Revenue Reconciliation

‘Revenue should be reconciled at the end of each month between the concern Ministry and Ministry of finance.’ (Financial Regulation section 9.12)

Audit Findings & Analysis

There is no evidence provided by the ministry to show that revenue reconciliation is performed at the end of each month.

Management Response

The management confirmed that no reconciliation been done to revenue collection as no copies of revenue reconciliations could not be found. The only control that been carried out is the management report usually provided at the end of the month to management officials for their information to ensure that the amount of revenue collected against the approved estimates were recorded and allocated to their correct output. The ministry is agreed with the Audit office report; that was not taken very seriously in 2020, however the ministry is currently now reconciliation its revenue on a monthly basis as in accordance to the FR rulings.

13.1.2. Non submission of arrears of revenue

‘A return of arrears of revenue should be submitted to the Accountant General at the end of the year.’ (Financial Regulation section 4.35)

Audit Findings & Analysis

As part of monitoring revenue, the audit noted that the ministry did not submit at the end of the year a return of arrears of revenues to the Accountant General.

Management Response

The ministry believed that no arrears of revenue were submitted at the end of the year 2020. The main arrears of revenue this Ministry have is the Land Rent Arrears from the Lands and Management Development in Bairiki. Apologies for this oversight as this should be included as part of the report for the year. The Ministry will ensure that a list of arrears is submitted in its future account.

AUDIT RECOMMENDATION: Revenue should be reconciled at the end of the month to comply with FR 9.12 and to submit a return of arrears of revenue at the end of the year as in line with FR section 4.35.

13.2. Issues over the Controlling of Expenditures

13.2.1. Lack of Control over purchase of office equipment expense

Financial Regulation Section 9.2, *accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.*

Audit Finding and Analysis

13.2.1.1. Violation of Procurement Act 2002

'Section 51- the ministry should at least attach three suppliers' quotations in looking for quality and cheaper cost'.

The audit found only one quotation attached for the two payment vouchers HQPV 2154/09 and HQPV 3058/09 amounted \$5,816.70 and \$3,387.38 respectively.

Management Response

The ministry agreed with the recommendation made by the Audit Office, however, after having gone through our copies apart from the ones in query, we noticed that there were three quotations attached to every payment been made. We believed that we make payment according to the Procurement Act and just wondering maybe the incomplete supporting for the two payments was not seen when the payment was processed for the payment at that time. Otherwise, should have not been processed for payment. Kindly note that the Ministry is noting well the Audit Office queries and will ensure that future payment are well supported and comply to Procurement Act 2002

13.2.1.2. Broken chairs

According to HQPV 2952/12 amounted 5,645.25, this refers to the purchase of 10 set tables that include 10 office chairs. The audit found that the chairs are not of good quality since upon physical observation, there were 7 chairs already been broken in 2021. The three remaining chairs are not in good condition and yet would soon be broken.

Management Response

The Ministry is also agreeing to the Audit Office recommendation, and this is noted with concern in its future purchases and to ensure that proper verification and assessment is done prior the purchase of such items.

13.2.1.3. Work is not yet started for Car Park flooring

There is a payment amounted \$5,434.90 on HQPV 3621/12 for car park flooring. As per our conversation with the responsible officer, the work for this car park is not yet started until date (2 years now). Further mentioned that the 155 cements (materials) were still on hand with the supplier not yet release.

Management Response

The Car Park was not budgeted for in the budget and it has been decided that it would be funded using the remaining fund for the year, however at the end of 2021, it was not possible as the remaining balances was used to purchase other priority items. It is now anticipated that the funding would be sourced from remaining balance towards the end of 2022. Please kindly note that some materials for the car park has been purchased and been with the supplier to be released once the funding is available.

AUDIT RECOMMENDATION: The Ministry should comply with FR 9.2 and the requirement under Procurement Act when purchasing office equipment.

14. MINISTRY OF EMPLOYMENT & HUMAN RESOURCES DEVELOPMENT

14.1. Issues over the Controlling of Expenditures

14.1.1. Overspent Outputs

The approved budget in 2020 is a policy to ensure that actual commitments are not overspent during the year.

Table 1: 2020 Annual Budget against Actual by division

Division	MHER	Original Budget	Revised Budget	Actual	Under/(Over)
1	Admin	660,585.00	660,585.00	660,404.41	180.59
2	Labour & Employment	454,305.00	454,305.00	454,172.20	132.80
3	KIT	1,697,599.00	1,697,599.00	1,755,682.60	-58,083.60
4	MTC	2,234,781.00	2,234,781.00	2,234,727.08	53.92
	Total	5,047,270.00	5,047,270.00	5,104,986.29	-57,716.29

The above table showed that the ministry annual budget against actual commitments was overspent by \$57,716.29 at the end of the year. An overspent was mainly caused by Division 03 (KIT) in the amount of \$58,083.60.

14.1.2. Violation of advance policy

The audit noted that MEHR had financed its project by advancing from the recurrent fund resulting to the above overspent. Advancing from the recurrent account is not allowed, and this has been repelled in section 7 of the CAP 79 Public Finance and Control Audit Act.

Management Response

The Ministry apologies for this oversight. MEHR was hoping to receive its revenue from SPMS, airfares of seafarers amounting \$81,200. This revenue never received in 2020 and just receipted in 2021 vide RR#884029 dated 28/10/21 crediting MFED Sundry Revenue. Please refer to attached receipt.

14.1.3. Lack of control over purchase of office equipment expense

Financial Regulation 9.1. 'It is the duty of the accounting officer to monitor expenditures and to charge to their correct code'. Section 9.2, accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.

Audit Finding and Analysis

13.2.2. b) Lost Acer Projector

The audit could not confirm the existence of one projector Acer- serial no. Mpjpk11008833003248400 since it was not sighted during the audit.

Management Response

MTC has tried its best looking for this missing projector. The Ministry will inform KAO once the search is completed.

13.2.2. c) Violations of Procurement Act 2002

'Section 51- to at least attach three suppliers' quotations in looking for quality and cheaper cost'.

The audit found that the ministry did not comply with the Procurement Act by not seeking at least three quotations from suppliers when purchasing vehicles total valued \$27,000 each cost \$9,000.

Management Response

Based on my understanding, each division placed and paid their own order with amount of \$9,000 each. Since the order cost was less than \$9,000 but with the same supplier, may be that why each division proceeded with the purchases.

14.1.4. c) Non-existence of two vehicles

In our observation to the above purchase of vehicles we confirmed that only one vehicle was arrived while the other two were not yet arrived until date.

Management Response

It is true that two more vehicles are expected to receive from the concerned supplier. MEHR has made arrangement visiting the supplier in person to enquire about the remaining vehicles. Likewise, it has tried to seek legal advice from the Attorney General's Office.

13.2.3.d) Misallocation of vehicles

The above vehicles were wrongly posted under office equipment (code 243) when they should be posted to code 287 Fixed Assets.

Management Response

The Audit team must aware that all purchases of certain assets are to be met under office equipment (243). Based on the advice from the Ministry of Finance, MEHR regrets to say that the purchase of such vehicles must remain under office equipment.

AUDIT RECOMMENDATIONS: The ministry should ensure to comply with the Budget policy during the year and to perform proper control over office equipment as in line to FR 9.1 & 9.2.

15. MINISTRY OF EDUCATION

15.1. Issues over the Controlling of Revenues

15.1.1. Lack of Revenue Reconciliation

‘Revenue should be reconciled at the end of each month between the concern Ministry and Ministry of finance.’ (Financial Regulation section 9.12)

Audit Findings & Analysis

There is no evidence provided by the ministry to show that revenue reconciliation is performed at the end of each month.

Management Response

Lack of Revenue Reconciliation

⇒ *It is now carried out in 2022.*

15.1.2. Non submission of arrears of revenue

‘A return of arrears of revenue should be submitted to the Accountant General at the end of the year.’ (Financial Regulation section 4.35)

Audit Findings & Analysis

As part of monitoring revenue, the audit noted that the ministry did not submit at the end of the year a return of arrears of revenues to the Accountant General.

Management Response

⇒ *It is now carried out i.e., Head teacher at Rurubao Primary school was reminded through e-mail to send letter of notice & reminder to each student’s parents for their children’s school fees.*

AUDIT RECOMMENDATION: The Ministry should reconcile revenues in a timely manner as in accordance with FR section 9.12 and to submit arrears of revenue as in line to FR section 4.35.

15.2. Issues over the Controlling of Expenditures

15.2.1. Weakness in the control over salaries & wages

‘The Ministry should periodically verify the accuracy of salaries and wages paid to employees.’ (Financial Regulation section 21.1)

Audit Finding and Analysis

There is no evidence that the ministry regularly performs a verification of employees’ salaries to be in line with their authorised position and number of hours worked.

Management Response

=> I agree with this, but we will try and work closely with Salary unit at MFED and also to work closely with our Administrators. (Since all these staffs' attendances are kept and filed within their unit)

AUDIT RECOMMENDATION: The ministry should comply with FR section 21.1. in the controlling of salaries & wages.

Financial Regulation 9.1. 'It is the duty of the accounting officer to monitor expenditures and to charge to their correct code'. Section 9.2, accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.

Audit Finding and Analysis

15.2.2. Violation of Procurement Act 2002

'Section 51- ministry should at least attach three suppliers' quotations in looking for quality and cheaper cost'.

The following payments under office equipment did not attach at least three quotations from suppliers:

- PV#1402/20 purchase of laptops \$7,495.10
- PV#1136/20 purchase of desktop computers \$7,912

Management Response

=>You may need to note that we did seek of at least 3 quotations from 3 suppliers when purchases/orders are to be placed but this was done verbally without filling up a Requisition form until lately when all concerned payment vouchers are treated PENDING.

15.2.3. Mis posting of food & ration expense

In 2020 management report, there is no actual cost for food and ration under KGV and EBS. The audit found that food & ration had been mis-posted to Statistics and IT division in the amount of \$258,816.

Management Response

=>SA needs time to work on this.

AUDIT RECOMMENDATION: The ministry should comply with FR section 9.1 & 9.2 and the requirement of Procurement Act 2002.

15.3. Other Internal Control audit issues

According to Financial Regulation, section 2.1.1, the ministry should maintain and updated all accounting records both manually and electronic means.

Audit Finding and Analysis

15.3.1. Weak maintenance of Database for food and rations

After our discussion with the responsible officer and reviewing of database, the audit noted the following issues:

- A database for food and rations is not updated as the two records MOE and MFED are not matched (evidence can be provided).

- The audit found that the Ministry of Education and the Ministry of Finance use different coding as illustrated below:

Table 2: Coding of food & ration expenses between Ministry of Finance and MOE

Code (Allocation)	Management Report (Min. of Finance GL)	Ministry of Education (MOE Database)
E2306-242	Teabike College	KTC
E2305-242	MTSS	Teabike College
E2304-242	KGV & EBS	Statistics & IT

The above table showed the difference of coding for food and ration expense between the two ministries MOE and Ministry of Finance.

- Code E2306-242 was for Teabike College under the Management report (Finance) while under MOE database was for KTC
- Code E2305-242 was for MTSS under the Management report (Finance) while for Teabike under MOE database
- Code E2304-242 was for KGV&EBS under Management report (Finance) while for Statistics & IT under the MOE database

Management Response

=> Currently Correct proper codes for the concerned divisions for Rations are maintained and monitored accordingly. It is worth to note that this very same issue different coding between MFED and Ministry has been quite an issue. It had been agreed that NEPO colleagues had to work first with Treasury unit (before production of Budget Book to be appropriated) in regard to Charted accounts / codes to be created while deleting /inactive those no longer in use.

15.3.2. Deficiencies in the record of 'Secondary Mission Schools'

Other Government Commitments	MFED	MOE	Difference
Secondary Mission Schools	4,526,891	4,790,608	-263,717

The audit found a difference of \$263,717 between Finance records and Ministry Database (MOE) meaning that there is no reconciliation performed by the two ministries.

Management Response

=> Reconciliation nowadays is frequently carried out.

AUDIT RECOMMENDATION: The ministry should maintain and update its databases as in accordance with FR 2.1.1 and also to reconcile these records against Ministry of Finance records.

16. MINISTRY OF TOURISM COMMERCE INDUSTRY & COOPERATIVE

16.1. Issues over the Controlling of Revenues

16.1.1. Lack of Revenue Reconciliation

'Revenue should be reconciled at the end of each month between the concern Ministry and Ministry of finance.' (Financial Regulation section 9.12)

Audit Findings & Analysis

The audit noted that there is no evidence provided by the ministry to show that revenue reconciliation is performed at the end of each month.

Management Response

Way forward to control revenues:

- *MTCIC Account book are kept in all Box Files. Electronic works are kept in database.*
- *Independent Check is normally done every week with Senior Accountant or Accountant and not MTCIC Secretary. Cash are kept in safe as we don't have a strong room.*
- *An Accountable Officer had not yet exercise supervision over the receipts of public revenue and to unsure it's punctual collection.*
- *But this can be reviewed and checked when Revenue Financial report is circulated every month and every year.*
- *Reconciliation is also carried out to ensure that all our collections are taken into accounts, and this is very important for adjustment if there is misallocation.*
- *Evidence is attached.*

AUDIT RECOMMENDATION: MFED should send GL reports to ministries in a timely manner so that ministries are able to proceed with revenue & expense reconciliation at the end of each month.

16.2. Issues over the Controlling of Expenditures

16.2.1. Lack of control over purchase of office equipment expense

Financial Regulation 9.1. *'It is the duty of the accounting officer to monitor expenditures and to charge to their correct code'.*

Audit Finding and Analysis

16.2.2. Misallocation of purchase of Vehicle

The purchase of vehicle was coded incorrectly under office equipment code 243 when it should be recorded as a Fixed Asset expense under code 287.

Management Response

According to an explanation by the ministry during the Exit meeting 02/08/22, vehicle is not budgeted for in 2020. At that time, the secretary has no transport, so they used savings from admin outputs and charged office equipment since the code for fixed asset is not there in the budget.

AUDIT RECOMMENDATION: The ministry should charge correctly the purchase of vehicle as in line to FR section 9.1.

17. MINISTRY OF JUSTICE

17.1. Issues over the Controlling of Expenditures

17.1.1. Weakness in the control over salaries & wages

'The Ministry should periodically verify the accuracy of salaries and wages paid to employees.' (Financial Regulation section 21.1)

Audit Finding and Analysis

There is no evidence that the ministry regularly performs a verification of employees' salaries to be in line with their authorised position and number of hours worked.

Management Response

Weakness in reconciliation is the key for addressing the issue. We'll make sure to work together with Human Resource Officer in a sense that all correspondences concerning each staff have to go through Account first before despatching for final processing at Ministry of Finance or Salary. Normally we work with Unconsolidated reports for each payday and from there we amend for Employees appearing under MOJ but are based in other Ministries and those who were placed in wrong divisions. As for Operating costs, we usually submit once general ledger reports received from Treasury but not on a monthly basis. Our way forward is to make sure to work with Attendance report together with sick leave and leave without pay and make sure to provide returns for salary deduction in Payroll system.

AUDIT RECOMMENDATION: The ministry should comply with FR section 21.1 in controlling salaries and wages.

17.1.2. Lack of control over purchase of office equipment expense

Section 9.2, accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.

Audit Finding and Analysis

17.1.2.1. Violation of procurement Act 2002

'Section 51- to at least attach three suppliers' quotations in looking for quality and cheaper cost'.

The audit found the following two purchases under office equipment that did not follow Procurement Act to seek at least three quotations from suppliers to find best quality and affordable cost:

- PV# 2710/20 \$8,089.31- Purchase of two motorbikes, 4 helmets and 1 cabinet and others
- PV# 2413/20 \$9,162.62- Purchase of 2 set sofa (3pcs) & (4pcs) total valued \$3,800, mattress king size double cost \$2,039.72 and 2 mattresses king size single total cost \$3,322.90

Management Response

Normally MOJ sought for quotes first by phone to Suppliers but failed to attach to payments above. This is because once all quotes received, Supplier who got the most items or cheaper quotes was selected and informed for invoice for payment. We thought we had done our part per Request for Quotes when contacting Suppliers for prices on items needed. This will be accorded to the requirement of the procurement Act.

AUDIT RECOMMENDATION: The ministry should perform proper control over the purchase of office equipment in accordance with section 51 of the Procurement Act and FR section 9.2.

18. JUDICIARY

18.1. Issues over the Controlling of Revenues

18.1.1. Lack of Revenue Reconciliation

'Revenue should be reconciled at the end of each month between the concern Ministry and Ministry of finance.' (Financial Regulation section 9.12)

Audit Findings & Analysis

The audit noted that there is no evidence provided by the ministry to show that revenue reconciliation is performed at the end of each month.

Management Response

As far as we confirmed, we accept what the Audit have found out that no reconciliation was done that year as we believe that all revenues received were all receipted on Government receipt mainly on South Tarawa and Betio plus outer islands. From now on, we will do the reconciliation accordingly.

AUDIT RECOMMENDATION: MFED should send GL reports to ministries in a timely manner so that ministries are able to proceed with revenue & expense reconciliation at the end of each month.

18.2. Issues over the Controlling of Expenditures

18.2.1. Lack control over purchase of office equipment expense

Financial Regulation Section 9.2, *accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.*

Audit Finding and Analysis

18.2.1.1. Violation of procurement Act 2002

According to section 51 of the above Act, the ministry should at least attach three suppliers' quotations in looking for quality and cheaper cost.

Upon examination of four payment vouchers as listed below, the audit noted that the ministry did not usually attach at least three quotations from suppliers when purchasing office equipment.

Date	PV#	Details	Amount
03/04/2020	jud 0294/20	4 laptops	\$6,745.50
19/06/2020	jud 0531/20	2 split types of aircon	\$2,922.75
27/07/2020	jud 0648/20	Desktop, HP Monitor, & Multi adaptor	\$4,105.00
03/09/2020	jud 0772/20	1 laptop	\$2,405.90

Management Response

What was actually done before the purchase of assets is to seek for 3 quotations, so this is also carried out by Judiciary but were not attached to the Payments Vouchers as for the past years, this is also allowed by Ministry of Finance as the payments were all approved and Passed for Payments even though, no procurement or requisition forms attached. To add on to our response, the procurements have been filed in our office and we tried to locate them but still could not found them. Procurement Act is now restricted from 2021 so if you don't attach a procurement or requisition form, then the payment will be pending and could not be Passed for Payment. Therefore, we agree that no procurement forms were attached to the payment voucher, but the payments is still approved and passed for payments from MFEP.

AUDIT RECOMMENDATION: The ministry should perform proper control over the purchase of office equipment in accordance with section 51 of the Procurement Act and FR section 9.2.
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19. MINISTRY OF FISHERIES MARINE & RESOURCES DEVELOPMENT

19.1. Issues over the Controlling of Revenues

19.1.1. Lack of Revenue Reconciliation

'Revenue should be reconciled at the end of each month between the concern Ministry and Ministry of finance.' (Financial Regulation section 9.12)

Audit Findings & Analysis

The audit noted that there is no evidence provided by the ministry to show that revenue reconciliation is performed at the end of each month.

Management Responses

Unfortunately, we cannot locate those reconciliations but as relayed by my staff former Senior Accountant usually reconcile Fishing license as this is important for Finance record to properly allocate revenues that goes through their bank statement. Way Forward: For information Our Revenue collector is now assigned with reconciling all recurrent and project revenues under her custody.

Revenues collected:

- i. Sales on ice cubes at Ananau causeway Eco Fish Farm (Project Funds)
- ii. Sales on Spare parts (boats engines) Tanaea
- iii. Sales on Fishing Gears (Project) Ambo
- iv. Fish sales (Quarantine Bonriki)

The ministry other revenues are directly from overseas agents based on invoice from ministry, especially Fishing license plus accessories. These are reconciled by Senior Accountant.

AUDIT RECOMMENDATION: MFED should send GL reports to ministries in a timely manner so that ministries are able to proceed with revenue & expense reconciliation at the end of each month.

19.2. Issues over the Controlling of Expenditures

19.2.1. Lack of control over expenditures

Financial Regulation Section 9.2, *accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.*

Audit Finding and Analysis

19.2.1.1. Violation of Travelling imprest policies

- NCS E5.4 (j) states that Travelling imprest shall be retired 2 weeks upon return of employees from official trips. The audit found two traveling imprest TC033/20 and TC086/20 both amounted \$1,032 were not retired two weeks after official travel.
- Financial Regulation 12.9 states that standing imprest must be fully paid before the last day of the financial year. The audit found an outstanding imprest from 2019 Travelling Claim no. 02/20 amounted \$3,050 was not retired before end of 2019 but was retired in May 2020.

Management Response

We do confirm that Special Imprest for \$1,032 issued to two officers in November 2019 were retired past the ten days' notice from the travelling claims they returned on Dec 16 so they should clear their imprest before year end, however this prolonged to March the following year. If you look at the claim there is no refund as well as arrears to recover. This travel claim should have been processed and included in 2019 account because the annual account for 2019 is still in process and not closed yet. We do apologize for this but a common sickness to all or most staff in all ministries is retiring their imprests late and usually once they are to travel again. Way Forward: Circular to be issued to ALL STAFF to retire their Special imprest five days after return from travel and those who don't, their names will be send to their Officer in Charge and Admin to consider appropriate discipline or penalties. Regular of weekly circular of list of outstanding to be sent to ALL STAFF or Hods.

AUDIT RECOMMENDATION: The ministry should strictly enforce the retirement policy to ensure that imprest be retired within two weeks upon return of employees from official trips.

19.3. Other Internal Control audit issues

According to Financial Regulation, section 2.1.1, the ministry should maintain and updated all accounting records both manually and electronic means.

19.3.1. No duty roster to confirm overtime claims

The audit was unable to confirm selected overtime allowances for three securities work in Tanaea total \$16,978.36 due to the unavailability of duty roster to ensure their attendance to agree with overtime claims.

Management Responses

There is already a duty roster available for security guard and shared to account for verification of overtime claim. In addition, a time in and out record was also used to verify the security's hours of work, for only those who were on duty to watch Tanaea premises. As for other security watching the other stations that lack the time machine, they used logbooks.

To date fingerprint for Security watching the Tanaea premises is not possible noting office closed after working hours that avoid security guards to access the fingerprint machine. Logbooks during their shifts have been updated daily during their shift and report to office if there is incident encountered that are beyond their control during their shift

Regarding the Shift Allowance for Security Guards, this is not entertained due to the following issues

- Their duty roster for security guards is to safeguard the two premises which is Tanaea and Eco-Farm and they don't engage in a daily shift as per practiced by police and nurses but a weekly shift.*
- Whenever their shift round is complete, one must take a one week off from duty which is abnormal hence we are not entertaining them to claim for such allowance*

Ways Forward

Admin is now considering hiring security firms to safeguard CFD premises, Tanaea, Temaiku and Ambo and this will likely reduce the excess claim for security guards' overtime noting their shift will change from evening to morning during working hours and the firm to take over after working hours and throughout the evening.

AUDIT RECOMMENDATION: The duty roster should be maintained and updated by the ministry and provided for review during the auditing.

20. MINISTRY OF HEALTH MEDICAL SERVICES

20.1. Issues over the Controlling of Revenues

20.1.1. Lack of Revenue Reconciliation

‘Revenue should be reconciled at the end of each month between the concern Ministry and Ministry of finance.’ (Financial Regulation section 9.12)

Audit Findings & Analysis

There is no evidence provided by the ministry to show that revenue reconciliation is performed at the

Management Response

MHMS account agreed to this audit comments. Account cashier used to follow up with MFED to ensure that all of her revenue was deposited into the Gov't No. 1 account but failed to reconcile her revenue records with MFED record. This has been recognized, and revenue reconciliation is now performed to avoid misallocations of MHMS revenues, as well as records are preserved for auditing purposes.

AUDIT RECOMMENDATION: The Ministry should perform a timely reconciliation as in compliance with FR section 9.12

20.2. Issues over the Controlling of Expenditures

20.2.1. Lack of Expense Reconciliation

‘Expenses should be reconciled at the end of each month between the concern Ministry and Ministry of finance.’ (Financial Regulation section 9.12)

Audit Finding and Analysis

The review of some expenses like food and rations and specialist purchases indicate that no reconciliation has been performed at the end of the month as evidenced by the difference of records between the MHMS database and the Ministry of Finance. (Figures can be provided)

Management Response

The account officer confirms that a regular reconciliation is performed on a quarterly basis. This is done to control over expenditures and avoid overspending. The differences between the MHMS database and the MFED record resulted in changes in calculations and amendments from MFED. Since that reconciliation copies for the year 2020 are not kept for clarification, this audit query is critical and should be noted for future reference that in resolving these discrepancies, proper reconciliation should be carried out and account officers will ensure that copies of reconciliation are kept for auditing purposes. Please find attached reconciliation for the year 2022 carried out and already filed for future audit information.

20.2.2. Weakness in the control over salaries & wages

'The Ministry should periodically verify the accuracy of salaries and wages paid to employees.' (Financial Regulation section 21.1)

Audit Finding and Analysis

There is no evidence that the ministry regularly performs a verification of employees' salaries to be in line with their authorised position and number of hours worked.

Management Response

Refer to same response on expense reconciliation.

AUDIT RECOMMENDATIONS: The Ministry should reconcile its expense at the end of each month to comply with FR section 9.12 and to verify salaries and wages as in accordance with FR section 21.1.

20.2.3. Violation of advance policy

'Advances from the Consolidated account, section 7 of CAP 9 Public Finance and Control Audit Act had been repelled therefore no more advances to be made from the Consolidated account.'

Audit Finding and Analysis

The following issues had violated the Advance policy under CAP 79:

- The audit found two advance payments from the recurrent account total \$859,202.58 (PV#0336/22/20 & 0592/22//20) were made to finance Project on Covid 19 preparedness
- The audit noted that when these funds were returned from the project only \$500,000 was allocated back while the remaining \$359,202.58 was not yet reversed to the consolidated account.

Management Response

The management agrees on the above-mentioned contributions made to fund Covid 19 preparedness. Since the consequences of the Covid 19 pandemic have been extensive, the MHMS office has prioritized immediate preparation for general practice to contribute to a potential Covid 19 protection. Hence the purpose of the above payments from recurrent budget. The payment approved by procurement committee and reimbursement to required when covid 19 fund released (project fund). Management and the account took note of this and will work on how the remaining \$359,202.58 should be reversed to the consolidated account.

AUDIT RECOMMENDATION: The audit should avoid advancing funds from the recurrent account as this is not allowed under the advance policy as per CAP 79.

20.3. Weaknesses in the Control over expenditures

20.3.1. Violation of Procurement Act 2002

'Section 51- to at least attach three suppliers' quotations in looking for quality and cheaper cost'.

Audit Finding and Analysis

The following payments under building and maintenance did not attach at least three quotations from suppliers:

- PV# 1535/20 amounted \$4,911.70 repairing remote gate for minister's residence
- PV# 0983/20 amounted \$3,658 for repairing new stove

Management Response

Part A The management strongly agree to this audit query that the account office has not complied with Section 21 of the Procurement Act 2002. However, the office has taken note of this query and will make sure that all purchase orders placed in 2022 must first obtain quotes from at least three suppliers.

AUDIT RECOMMENDATION: The ministry should include at least three quotations for each payment as in compliance with the requirements of Procurement Act 2002.

20.4. Other Internal Control audit issues

According to Financial Regulation, section 2.1.1, the ministry should maintain and updated all accounting records both manually and electronic means.

Audit Finding and Analysis

20.4.1. Weak maintenance of ministry accounting records & database

20.4.1.1. Differences found between Finance and MHMS records for food & ration

The audit found that the ministry did not maintain the record on food and ration expenditures as indicated by the following issues:

- A difference was found between GL (Finance) and MHMS database (Figures can be provided).
- Ration expenditure was not updated as some records were not entered in the register and the absence of individual stock ledger card
- The 'In' (Purchase) and 'Out' (Release) register showed that several negative inventories' balances were reported at the end of the year. (Register can be provided).

20.4.1.2. Difference found between MHMS and Ministry Finance for Specialist purchases

Table 3 Specialist Purchases- Ministry of Health's records against Ministry of Finance

	Public Health	Laboratory	Pharmacy
	E22030000246	E22050000246	E22070000246
GL-Finance	332,159.66	169,975.24	2,288,087.42
Database-MHMS	322,159.66	224,342.99	2,319,357.88
Difference	10,000.00	(54,367.75)	(31,270.46)

The above table showed the differences in records on specialist purchases for the three divisions under the Ministry of Health against Ministry of Finance (GL).

Management response:

As previously said, the reconciliation process with the MHMS account office was not properly conducted, and copies were not kept for clarification on these differences; nevertheless, a proper reconciliation and ensuring copies are kept in a file is our way forward for 2022 (file attached). So far, we begin updating a

kitchen ration record on July 11, 2022. This is our method of controlling daily kitchen ration expenditures and monitoring remaining kitchen ration balances. (Please find the attached fyi) The management confirms that no proper reconciliation from the account office was performed for the year 2020, resulting in the differences shown in the table above. To support the accuracy record on GL and Database records (MHMS), I'd like to emphasize that the MHMS account staffs are performing proper reconciliation.

AUDIT RECOMMENDATION: The ministry should maintain and update its databases as in accordance with FR 2.1.1

21. MINISTRY OF WOMEN YOUTH SPORT & SOCIAL AFFAIRS

21.1. Issues over the Controlling of Expenditures

21.1.1 Lack of Expense Reconciliation

‘Expenses should be reconciled at the end of each month between the concern Ministry and Ministry of finance.’ (Financial Regulation section 9.12)

Audit Finding and Analysis

Expense reconciliation between the ministry and MFED is performed but not regularly done at the end of each month.

Management Response

The ministry could not perform a reconciliation every month due to the increasing load faced by the account team without any increase to the workforce to accommodate such an increase. However, the account unit managed to perform their reconciliation which is for January to July 2020. This was done manually which why the database could not provide any reconciliation information. The copy of reconciliation is attached. Reconciliation for August to December 2020 were performed not to all but to typical codes when the need arises. This is due to the newly introduced program on Social Benefits Payments which is a very pressing task to the ministry, and which is believed by some officers or staff from other ministries participating in the process. The program was introduced in September 2020 where almost all staff and officers of the ministry participate.

AUDIT RECOMMENDATIONS: MFED should send GL reports to ministries in a timely manner so that ministries are able to proceed with expense reconciliation at the end of each month.

21.1.2. Lack of control over expenditures

Financial Regulation 9.1. ‘It is the duty of the accounting officer to monitor expenditures and to charge to their correct code’. Section 9.2, accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.

Audit Finding and Analysis

21.1.2.1. Violation of Travelling imprest policies

NCS E5.4 (j) states that Travelling imprest shall be retired 2 weeks upon return of employees from official trips. The audit found one travel trip (T/C015/26/20) in which the employee did not retire imprest two weeks but more than a month upon return from official trip.

Management Response

As practised across the ministry, the retirement usually processed on time except for those with issues of funding. In this case, TC 015/26/20 is the retirement of Raeterenga's imprest. Raeterenga whom was relieving EA Young loera at the time of the travel so she joined the travelling team when HM MWYSSA took his families with him in the trip. As provided in her travelling claim copy, she had filled up her form prior the 2 weeks after return, but the imprest was held with the account to confirm first funding for her, to be project funded or recurrent funded. The advice later received to process her claim from the recurrent fund which why the process just performed reminding the officer again to sign in Claimant part on the Travelling Claim Form.

21.1.2.2. Misallocation of Senior Citizen Benefits (SCB)

Two Payment vouchers total to \$765.75 was wrongly processed from SCB (other government commitments) allocation when they should be paid out from the Disability and School mission allowances' codes in the amount of \$200 and \$568.75 respectively.

Management Response

PV 15/26/20 was an unclaimed disability support allowance for the month of August to November 2020 at the rate of \$50.00. As checked with the GL, the PV was correctly posted to the Disability GL but the staff raising the payment correct the allocation on the PV manually without adjusting the one recorded inside the database. This is a common mistake across all ministries which why the Treasury at MFED is no longer accepting PVs with handwritten adjustments especially when allocations changed and Line Ministries are now sticking to the new practice, whenever there is a need to change or amend the allocation, PVs returned, new versions printed and signed again by Line Ministries SRO.

The PV referenced 57/26/20 is a sitting allowance for the School Fee Meeting. The payment was allocated to the Senior Citizen Benefit which is not correct. The ministry believed that this is a wrong allocation that should have been adjusted to its right code but failed to do so given the following grounds:

- i) As previously stated, the ministry was overloaded by the newly introduced program on social benefits as the program is a very pressing tasks and the workforce did not change to cater for these extra tasks. In 2021, 1 additional post established for the social benefit in the 2021 ER and 1 recruited on pay service scheme to assist in the account unit to cover up when permanent staff joined the disbursement team on these social benefits program.*
- ii) PV register for the recurrent and Other Commitment payments share only 1 register that is not encouraging in the reconciliation process. Now the ministry had split PV registers to the recurrent and Other Commitment and provide different format of numbering for easier identification during the reconciliation process.*

21.1.2.3. Issues with Support Fund for Unemployment (SFU)

- The approved budget for SFU in 2020 was \$20 million compared to only \$8.6 million actual commitments hence a significant underspent of \$11.3 million.

- The audit found double payments for two unemployed people collecting their allowances in two different areas.

Management Response

The underspent of \$11.3m is due to the following:

- *this was a newly introduced program*
- *registrations or applications from all over Kiribati started to be received slowly in June*
- *with the applications received, this was followed by the process of entering the database*
- *payments were made by lot basis.*
- *Round 1 (Jan-Apr \$200) was done by lot, that is, lot 1 to lot 6 starting from September 2020 right through to February 2021. This was to cater for the forms that were still being worked on*
- *Round 2 and Round 3 were straight forward payments given data was complete on beneficiaries*
- *it is evident that by the end of 2020, MWYSSA just managed to make 4 lots of payment only for the months of Jan-Apr*
- *this will also support why in 2021, a supplementary was made to cater for the remaining payments from 2020*

AUDIT RECOMMENDATIONS:

-In ensuring that there is control over travel expenditures the audit would recommend the Ministry to comply with NCS E5.4 (j).

-Accounting officers should monitor expenditures and to charge them correctly.

-Prior processing of payments for SFU the responsible officer should perform a 100% check of listings to run using one of the Access functions to find for duplicate names.

22. MINISTRY OF FINANCE ECONOMIC DEVELOPMENT

22.1. Issues over the Controlling of Revenues

22.1.1. Lack of Revenue Reconciliation

‘Revenue should be reconciled at the end of each month between the concern Ministry and Ministry of finance.’ (Financial Regulation section 9.12)

Audit Findings & Analysis

Revenue reconciliation is performed but not in a timely manner at the end of each month.

Management Response

The Tax office usually performs a revenue reconciliation on a monthly basis. The main issue faced is the delay in the posting from the Treasury Unit. An example would be, the July revenue reconciliation is requested by the Tax Office, the reconciliation will be provided a month later. Way forward: With the FMIS project currently being implemented, this will assist the Treasury Team in speeding up the delays involved from their end.

22.1.2. Non submission of arrears of revenue

‘A return of arrears of revenue should be submitted to the Accountant General at the end of the year.’ (Financial Regulation section 4.35)

Audit Findings & Analysis

As part of monitoring revenue, the audit noted that the ministry did not submit at the end of the year a return of arrears of revenues to the Accountant General.

In our observation, the audit found \$51 million arrears of revenue not yet reflected in the Annual account and were dated six months to six years back.

Management Response

Tax arrears for 2022 was provided. This is the first time receiving this request from Treasury. We have not received any requests on outstanding tax arrears for previous years. Besides, the \$51m is not reflected in the Annual Account because this much is not realistic to report on as some taxpayers are deceased, closed, gone for good, inactive so therefore the Debt Management team are now working to confirm this as a way forward to the Tax office.

AUDIT RECOMMENDATION: The ministry should reconcile its Revenues in a timely manner to comply with FR 9.12 and to submit a return of arrears of revenue at the end of the year to comply with FR section 4.35.

22.2. Issues over the Controlling of Expenditures

22.2.1. Lack of Expense Reconciliation

‘Expenses should be reconciled at the end of each month between the concern Ministry and Ministry of finance.’ (Financial Regulation section 9.12)

Audit Finding and Analysis

Expense reconciliation is performed but not in a timely manner at the end of each month.

Management Response

In 2020, the expense reconciliation was done and recorded for the month of Jan to June only however there was no recording for the following months due to the Account Headquarters’ capacity with only two staff in 2020. We can provide supporting documents if needed from your side.

22.2.2. Weakness in the control over salaries & wages

‘The Ministry should periodically verify the accuracy of salaries and wages paid to employees.’ (Financial Regulation section 21.1)

Audit Finding and Analysis

There is no evidence that the ministry regularly performs a verification of employees’ salaries to be in line with their authorised position and number of hours worked.

Management Response

Way Forward-The Salary deduction commenced in 2021 based on the attendance Policy implemented by Finance in 2021.

AUDIT RECOMMENDATION: The ministry should reconcile its Expense at the end of the month to comply with FR section 9.12 and verified Salaries and wages on a regular basis to comply with FR 21.1

22.2.3. Lack of Control over purchase of office equipment expense

Section 9.2, *accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.*

Audit Finding and Analysis

22.2.3.1. Violation of Procurement Act 2002, section 21

'Section 51- to at least attach three suppliers' quotations in looking for quality and cheaper cost'.

The following payments under office equipment did not attach at least three quotations from suppliers:

- HQPV2162/06 mfed:1347/20 amounted \$2,390.00 (authorized signature is dirty)
- HQPV:2455/09 mfed:1893/20 amounted \$2,075.63

Management Response

There is no requisition form attached as business quotes were sought via phone call and the KOES was the only provider that has the 5 Cabinet order available at the time.

Way Forward- Starting from 2021 LPO, PV and Payment cannot release/process without Requisition Form (3 quotations)

22.2.3.2. Broken chairs

HQPV2913/12 mfed:2427/20 amounted \$6,385 is a purchase of 20 set executive chairs and 10 tables for Statistic division. Upon physical observation of these assets we noted that 4 chairs have been broken.

Management Response

Way Forward - Stop the ordering/buying on low-quality chair/furniture and Commerce should raise the quality standard on imported good especially furniture.

AUDIT RECOMMENDATIONS: The Ministry should always seek at least three quotations for each payment and to exercise due economy when expending its annual budget to purchase quality items.

23. MANEABA NI MAUNGATABU¹

23.1. Lack of control over purchase of office equipment expense

Section 9.2, *accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.*

Audit Finding and Analysis

23.1.1. Violation of Procurement Act 2002

'Section 51 states that the ministry should at least attach three suppliers' quotations in looking for quality and cheaper cost'.

The review of PV#2654/20 amounted \$2,770 for purchase of one microwave cost \$290.00, one refrigerator at \$1,790.00 and one washing machine automatic 6.0 kg at \$690.00- we noted that the ministry did not attach at least three suppliers' quotations.

Management Response

Still searching for this PV no. 2654/20 and will provide once we have the copy of this payment.

AUDIT RECOMMENDATION: The ministry should perform proper control over office equipment as in compliance to the procurement Act 2002 to attach at least three suppliers' quotations.

24. MINISTRY OF INTERNAL AFFAIRS

24.1. Lack of controls over Expenditures

Section 9.2, *accounting officers should exercise due economy in expending money not because it has been voted, there should be a verifiable need for that expenditure.*

Audit Finding and Analysis

24.1.1. Lost and broken laptops

The audit examined 3 laptops PV# MIA 356/20 total amount \$5,970 and found out that one was in good condition, one has been lost while the last one was broken.

Management Response

According to the MIA inventory record, the 3 laptops were purchased for 1 for HM, 1 for Senior Local Government Officer that was broken as a result of a faulty power point confirmed by Energy Technicians from MISE. The other one was for IT Helpdesk as regarded missing at the time of auditing. The incumbent resigned in 2021 therefore brought the laptop to copy and delete some files but had returned it to IT Unit.

¹ Maneaba Ni Maungatabu refers to House of Parliament

24.1.2. Issues with Support Grants (Other Government commitments)

The review of budget shows that support grant is significantly underspent by over \$807k.

Management Response

We agreed with the underspent and agreed it must have been from the delay of monthly account returns from outer island. Our way forward is to encourage that returns are submitted from councils before any new warrants are issued.

AUDIT RECOMMENDATIONS: The ministry should perform proper control over office equipment as in line to FR 9.1 and to encourage Outer Island Councils to submit returns for Support Grants in a timely manner for recording and other purposes.

24.2. Other Internal Control audit issues

According to Financial Regulation, section 2.1.1, the ministry should maintain and update all accounting records both manually and electronic means.

Audit Finding and Analysis

24.2.1. Differences found in the record of Support Grant

The audit noted a difference of \$650,141.00 for support grant between MIA and MFED and this relates to the amount of Support grant not yet returned from the Outer Island councils.

Management Response

Actually, differences existed at the finalisation of accounts where some changes made were not reflected in the ministry's vote ledger (database)

AUDIT RECOMMENDATION: The ministry should maintain and update its databases as in accordance with FR 2.1.1