REPORT OF THE AUDITOR GENERAL

ON THE ACCOUNTS OF KIRIBATI GOVERNMENT ANNUAL ACCOUNT

PART 1 REVENUE AND EXPENDITURE: GOVERNMENT MINISTRIES

FOR THE YEAR ENDED 31 DECEMBER 2014.

KIRIBATI NATIONAL AUDIT OFFICE

MAY 2016

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A) GUIDE TO READING THIS AUDIT REPORT 2014

This audit report is Part 1 of the whole of Government Annual Account and contains the report on the financial performance of each respective individual Ministry for year ended 31 December 2014. Each report discussed audit results on revenue and expenditure the latter of which include other commitments such as debt servicing, other government expenses and local contribution to development fund. These commitments are further elaborated in Part 2.

i) AUDIT OPINION ISSUED FOR EACH MINISTRY

An opinion is issued for each Ministry on how it has managed the approved and allocated fund by Parliament and to portray the performance of the Ministry in managing its operations during the year under review. Following the audit opinion, as was in previous reports, are audit findings and analysis on areas being audited for the year ended 31/12/14.

The audit was being planned and performed to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the annual accounts or financial reports of each Ministry did not have material misstatements, whether caused by fraud or error.

ii) REVENUE

The actual revenue received is analysed and compared with the approved estimate and followed by audit findings, implications, recommendations and responses to recommendations/issues from concerned Ministries.

iii) EXPENDITURE

The actual expenditure for Ministries were also analysed and compared with approved budget and again followed by audit findings, implications and recommendations as well as responses to recommendations/issues from Ministries. Most of the expenditure items or operational costs are further examined. The responses from Ministries if agreed upon during the Exit Meeting will change the contents of our audit report. On the other hand, if no consensus resolution is reached during the Exit Meeting, our findings and recommendations will remain in the report. This year the Ministries' responses were not included as part of the report but were kept on file for future references once PAC is convened. Hence written management response received is only stated under Management Response Section indicating that responses to recommendations or anomalies had been provided from Ministries concerned.

In summary the report, as was in the previous year, has four sections: 1) Audit Opinion, 2) Audit Findings and Analysis, 3) Implications, 4) Recommendations and 5) Management response.

The currency used in this report is the **Australian Currency.**

B) ABBREVIATIONS AND ACRONYMS

ADB – Asian Development Bank
AO – Accounting Officer
BOS – Board of Survey
DNE – Deceased National Estate
EU – European Union
FNPF – Fiji National Provident Fund
FR – Financial Regulation
FY – Financial Year
GL – General Ledger Report
GOK – Government of Kiribati
ISA – International Standards on Auditing
ISSAI – International Standards of Supreme Audit Institutions
JV – Journal voucher
KNAO – Kiribati National Audit Office
KPPS – Kiribati Police and Prison Services
LCDF – Local Contribution to Development Fund
MCIC – Ministry of Commerce and Industry Cooperative
MCTTD – Ministry of Communication, Transport, Tourism and Development
MELAD – Ministry of Environment, Lands and Agricultural Development
MFAI – Ministry of Foreign Affairs and Immigration
MFED – Ministry of Finance and Economic Development
MFMRD – Ministry of Fisheries and Marine Resources Development
MHMS – Ministry of Health and Medical Services
MIA – Ministry of Internal Affairs
MLHRD – Ministry of Labour and Human Resource Development
MLPID – Ministry of Line and Phoenix Development
MM – Maneaba Ni Maungatabu (Parliament)
MOE – Ministry of Education
MPWU – Ministry of Public Works and Utilities
MWYSA – Ministry of Women, Youth and Social Affairs
NCS – National Condition of Services
OAG – Office of the Attorney General
OB – Office of Te Beretitenti
PAC – Public Account Committee
PSC – Public Service Committee
PSO – Public Service Office
PV – Payment voucher
RBC – Remittance between chest
RERF – Revenue Equalization Reserve Fund
SRO – Senior Responsible Officer
SA – Senior Accountant
SSO – Student Support Officer
UN – United Nations
VAT – Value Added Tax

C) TYPES OF AUDIT OPINIONS

Stated below are the explanations on the types of audit opinions in which auditors normally issue out once auditing has been completed.

i) UNMODIFIED AUDIT OPINION

The Unqualified opinion is expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. This opinion can also be issued where only minor adjustments are needed that do not have any impact on the financial statements:

- Unqualified opinion with an emphasis of matter paragraph: This means the financial statements do present a true and fair view, however, there is a need to emphasise important points to the user for their attention. (ISSAI 1706)
- Unqualified opinion with other matter paragraph: As above, the financial statements do present a true and fair view; however, users' attention is drawn to a matter relevant to their understanding of the audit of the financial statements or the audit report. (ISSAI 1706)

ii) MODIFIED AUDIT OPINION

Qualified Opinion

- should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope, is not as material and pervasive as to require an adverse opinion or disclaimer of opinion. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISSAI 1705, paragraph 7).

Adverse Opinion

- should be expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statement(ISA 705. Paragraph 8).

Disclaimer Opinion

- should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain enough appropriate audit evidence, and, accordingly, is unable to express an opinion on the financial statements (ISA 705, paragraphs 9-10). This also applies to entities that do not have any records at all from which a financial statement could be reconstructed.

D) ACKNOWLEDGEMENT

First of all, I would like to express my deepest appreciation to the staff of the Ministry of Finance and Economic Development (MFED) under the leadership of the Acting Accountant General, Mr Arimwaere Tambwereti, for their great and unrelenting support in providing the required information and documentations promptly upon audit requests the efforts without which would not enable me to complete this audit report in a timely manner.

Furthermore, I would also like to acknowledge with much appreciation the crucial role of our auditors in the collating and compiling of their findings and the notable tireless efforts they had put into their audit work on the financial statements of Government for the year ended 2014. A special thanks also goes to our senior audit staff who had expansively exerted full efforts in guiding the audit team in achieving their ambitious goal. Without maintaining such enthusiasm in delving into new areas, this report of course would not have been as extensive and revealing as was with two previous audit reports.

I sincerely thank you all for your contributions in one way or another towards the speedy, timely and success completion of the audit report on both Part 1 and Part 2 of the annual account of the Government of Kiribati.

I wish to bestow upon us all our traditional Blessing of Te Mauri, Te Raoi ao Te Tabomoa.

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Mrs. Matereta Raiman
Auditor General

Date: 04th May, 2016.

E) EXECUTIVE SUMMARY

I) INTRODUCTION

This part of the audit report sets out the analysis of revenue and expenditure in respect of individual Ministries, Department, Debts Servicing and Other Statutory expenditure for year ended 31 December 2014.

II) SCOPE AND METHODOLOGY

We have performed this audit in accordance with the International Standards for Supreme Audit Institutions (ISSAI) and accepted auditing practice prevalent in Kiribati

Our audit has been carried out in accordance with generally accepted auditing standards with an ultimate objective of reporting back to Parliament on how well each Ministry has utilised or managed the budget that was appropriated in 2014 and, for revenue collectors, how each had successfully collected the revenue as had been budgeted. Our focus is mainly on the comparison of the following:

i) Revenue collected against estimate,

ii) Expenditure incurred, including those listed under the Below the Line Accounts and Other commitments against estimate and

iii) Supplementary Appropriations approved and the revised budget.

III) STATEMENT OF AUDITOR INDEPENDENCE

We confirm that when auditing the Kiribati Government Annual Account Part 1 (Revenue and Expenditure) for the year ended 31 December 2014, we have maintained our independence in accordance with the requirements of the Constitution, CAP 79 and acceptable auditing standards.

In addition, we also confirm that we have no relationships with the accounting staff involved in the preparation of the annual accounts, or interests in the Kiribati Government annual account 2014. We have no unresolved disagreements with management and management has not sought to influence our views on matters relevant to our audit opinion.

IV) EXPENDITURE AND REVENUE BUDGETS - 2014

As normally practiced in all democratic countries worldwide, Government has to prepare and approve annual budget. As usual, the budget, after being prepared by individual ministries/offices and approved by Cabinet, is normally debated and finally approved by Te Maneaba n Maungatabu at the end of each year. During the parliament session held in December 2013, Te Maneaba Ni Maungatabu has approved the 2014 expenditure budget as well as the estimated revenue budget in the sum of **$114,201,780** (expenditure) and **$70,261,770** (revenue) as per annual account 2014 respectively.

V) DEVELOPMENT PROJECTS BUDGET - 2014

The budget for development projects, both locally and externally funded, were also approved by the Maneaba ni Maungatabu in the amounts of **$5,881,710** and **$114,301,519** respectively. As confirmed major contributors for external funded projects include; World Bank, Australia, Taiwan, New Zealand, ADB, Japan and EU.

VI) HIGHLIGHTS

It is pleasing to note an increase in the number of Ministries, Departments, Offices been issued with Unqualified opinion the number of which has increased from one (1) in 2013 to nine (9) Ministries in the year 2014, an indication of major improvements in the management of public funds by Accountable and Accounting Officers of the respective Offices.

2014 financial year is the second year the government, through its respective Ministries, had again incurred a net saving in the sum of $1,881,098, an increase of over eight folds over that in 2013 of $196,018.

VII) APPROVED SUPPLEMENTARY BUDGET – 2014

EXPENDITURE			Supplementary Approved for FY 2014				2014		
Code	Ministry/Title	Original Budget	Supplementary No. 1	Supplementary No. 2	Supplementary No. 3	Total Orig budget plus supplementaries	Revised Budget	Total Actual	(Over)/Under
E02	LCDF	5,881,710	69,509.00	2,059,530.00	1,192,234.00	9,202,983	9,202,983	9,202,983	0
E09	OB	1,363,107		86,014.00	44,511.00	1,493,632	1,493,632	1,700,326	-206,694
E10	PSO	600,987				600,987	600,987	666,702	-65,715
E11	JUDICIARY	1,824,564		97,335.00		1,921,899	1,921,899	1,887,620	34,279
E12	KPPS	7,116,854				7,116,854	7,116,854	7,136,000	-19,146
E13	PSC	227,901				227,901	227,901	238,608	-10,707
E14	MFAI	1,969,859		162,407.00		2,132,266	2,132,266	2,570,157	-437,891
E15	MIA	2,060,351			240,647.00	2,300,998	2,300,998	2,349,336	-48,338
E16	MELAD	2,577,140			14,603.00	2,591,743	2,591,743	2,738,280	-146,537
E17	MM	2,864,380				2,864,380	2,864,380	2,977,971	-113,591
E18	MCIC	1,220,280	59,640.00			1,279,920	1,279,920	1,276,641	3,279
E19	KNAO	684,961				684,961	684,961	680,432	4,529
E20	OAG	589,709		75,848.00		665,557	665,557	665,934	-377
E21	MFMRD	2,156,517				2,156,517	2,156,517	1,940,188	216,329
E22	**MOH**	**14,970,893**		**152,637.00**	**300,000.00**	**15,423,530**	**15,423,530**	**16,376,246**	**-952,716**
E23	**MOE**	**19,829,311**				**19,829,311**	**19,829,311**	**19,645,065**	**184,246**
E24	MCTTD	2,582,449				2,582,449	2,582,449	2,581,147	1,302
E25	MFED	2,851,835				2,851,835	2,851,835	2,805,515	46,320
E26	MWYSA	1,189,197	75,883.00	51,710.00		1,316,790	1,316,790	1,294,219	22,571
E27	MPWU	2,350,738				2,350,738	2,350,738	2,273,917	76,821
E28	MLHRD	3,564,240				3,564,240	3,564,240	3,702,884	-138,644
E29	MLPID	2,701,008				2,701,008	2,701,008	2,684,460	16,548
E30	**DEBT SERVICING**	**9,643,000**	**7,591.00**	**556.00**	**8,828.00**	**9,659,975**	**9,659,975**	**10,087,262**	**-427,287**
E31	**SUBSIDIES, GRANTS & OTHER COMMITMENTS (GOV'T)**	**23,380,789**	**10,000.00**	**2,819,184.00**	**405,439.00**	**26,615,412**	**26,615,412**	**22,772,895**	3,842,517
	TOTAL	114,201,780	222,623.00	5,505,221.00	2,206,262.00	122,135,886	122,135,886	120,254,788	1,881,098

In 2014 the total amount approved (Original Budget) from Parliament as could be sighted above was $114,201,780. However, during the course of the year there were unforeseen but necessary circumstances which prompted some Ministries/Offices to seek for further budget provisions from Government through a supplementary budget. As confirmed, the amount approved for supplementary in respective of some

Ministries/Offices including LCDF, Debt Serving and Other Gov't Expenses was $7,934,106. Consequently, the original budget had therefore increased from $114,201,780 to $122,135,886.

VIII) OVER/UNAUTHORISED EXPENDITURE (2012 – 2014)

EXPENDITURE	FY 2012				FY 2013				FY 2014			
Ministry/Title	Revised Budget	Actual Exp	Net Saving	Overspending	Revised Budget	Actual Exp	Net Saving	Overspending	Revised Budget	Actual Exp	Net Saving	(Over)/Under
LCDF	**8,052,378**	**8,052,378**		**-**	**7,436,223**	**7,898,303**		**- 462,080**	**9,202,983**	**9,202,983**		**0**
OB	1,028,580	1,173,889		- 145,309	1,350,020	1,541,027		- 191,007	1,493,632	1,700,326		- 206,694
PSO	594,484	594,534		- 50	600,785	622,341		- 21,556	600,987	666,702		- 65,715
JUDICIARY	1,565,650	1,554,034	11,616		1,650,467	1,568,448	82,019		1,921,899	1,887,620	34,279	
KPPS	**7,030,624**	**6,916,415**	**114,209**		**7,030,624**	**6,927,840**	**102,784**		**7,116,854**	**7,136,000**		**- 19,146**
PSC	230,629	214,455	16,174		233,691	255,030		- 21,339	227,901	238,608		- 10,707
MFAI	1,161,884	1,286,197		- 124,313	1,835,758	1,894,020		- 58,262	2,132,266	2,570,157		- 437,891
MIA	2,829,486	2,912,865		- 83,379	2,895,618	2,969,234		- 73,616	2,300,998	2,349,336		- 48,338
MELAD	2,519,000	2,583,528		- 64,528	2,556,320	2,739,280		- 182,960	2,591,743	2,738,280		- 146,537
MM	2,258,470	2,585,247		- 326,777	3,058,932	3,212,629		- 153,697	2,864,380	2,977,971		- 113,591
MCIC	1,187,389	1,174,931	12,458		1,228,071	1,163,803	64,268		1,279,920	1,276,641	3,279	
KNAO	671,653	692,282		- 20,629	726,750	700,718	26,032		684,961	680,432	4,529	
OAG	471,229	568,614		- 97,385	590,967	605,111		- 14,144	665,557	665,934		- 377
MFMRD	2,079,548	1,958,883	120,665		2,163,478	1,908,213	255,265		2,156,517	1,940,188	216,329	
MOH	**14,121,242**	**14,053,019**	**68,223**		**14,835,774**	**14,930,041**		**- 94,267**	**15,423,530**	**16,376,246**		**- 952,716**
MOE	**18,638,444**	**18,963,531**		**- 325,087**	**19,592,120**	**19,212,646**	**379,474**		**19,829,311**	**19,645,065**	**184,246**	
MCTTD	2,652,888	2,626,603	26,285		2,566,332	2,415,559	150,773		2,582,449	2,581,147	1,302	
MFED	3,140,594	3,033,267	107,327		2,804,816	2,711,947	92,869		2,851,835	2,805,515	46,320	
MWYSA	-	-		-	-	-		-	1,316,790	1,294,219	22,571	
MPWU	2,284,380	2,350,110		- 65,730	2,331,799	2,308,930	22,869		2,350,738	2,273,917	76,821	
MLHRD	3,350,964	3,888,698		- 537,734	3,545,963	3,702,697		- 156,734	3,564,240	3,702,884		- 138,644
MLPID	2,678,756	3,667,198		- 988,442	2,698,279	2,594,684	103,595		2,701,008	2,684,460	16,548	
DEBT SERVICING	**5,165,187**	**7,202,573**		**- 2,037,386**	**2,082,978**	**2,740,407**		**- 657,429**	**9,659,975**	**10,087,262**		**- 427,287**
SUBSIDIES, GRANTS & OTHER COMMITMENTS (GOV'T)	**19,892,742**	**19,266,026**	**626,716**		**21,966,820**	**20,962,659**	**1,004,161**		**26,615,412**	**22,772,895**	**3,842,517**	
TOTAL	**103,606,201**	**107,319,277**	**1,103,673**	**- 4,816,749**	**105,782,585**	**105,585,564**	**2,284,110**	**- 2,087,090**	**122,135,886**	**120,254,788**	**4,448,741**	**- 2,567,643**

As exhibited above the total over/unauthorised expenditure in 2012 and 2013 was $4.8m and $2.09m respectively. However, in this year 2014 the level of unauthorised expenditure had dramatically increased to $2.57m, a further increase of $0.48m was noted when compared to the overspent reported in 2013. Since the excessive increase of the unauthorised expenditure was noted in 2014 means some Ministries have still not exerted their efforts in trying to reduce the level of their unauthorised expenditure.

IX) OVERSPENT/UNAUTHORISED EXPENDITURE BY MINISTRIES (2012 - 2014)

According to the table above, in 2012 of the total number of Ministries, thirteen Ministries/Offices together with Debt Servicing account have exceeded their allocated revised budget summing to $4.8m whereas in 2013 only twelve Ministries/Offices which exceeded their approved budget including LCDF and Debt servicing accounts the total amount of which was over $2.08m. In this fiscal year 2014, thirteen Ministries/Offices together with Debt servicing have exceeded the allocated revised budget in the amount of $2.5m

X) SUBSIDIES, GRANTS AND OTHER COMMITMENTS

As also highlighted in the table above, the overall total net saving under this account of over $3.8m had not been utilised at all. Therefore the supplementary budget being approved for this account had unnecessary inflated the balance of this account expenses, hence as a result should not have been approved in the first place.

F) COMPLIANCE WITH LEGISLATIVE REQUIREMENTS

A) LEGISLATIVE COMPLIANCE SYSTEMS

We noted not much attention was paid to the provisions of governing legislations and regulations by Accountable/Accounting officers therefore we highly recommend that all supervisors should make sure their accounting officers have on hand and observe governing legislations to guide them when managing public funds.

B) BREACHES OF SIGNIFICANT LEGISLATION

During the audit, one of our main focus is on the Government of Kiribati financial reporting obligations. As part of our planning we identified CAP 79 the Public Finance (Control and Audit) Ordinance 1976 and Financial Regulation 2011 as key legislation and regulation to which Accountable Officers should comply. While our focus is on financial reporting obligations, we do maintain an awareness of other legislations that impact on the government Ministries.

We noted that the following provisions of CAP 79 have not been adhered to:

i) Receipt of revenue

Non-compliance with CAP 79 Public Finance (Control and Audit Ordinance) 1976 as amended Section 36 (1) Under this section:

- *'the accounts of the receipt of revenue by the Departments of Government and the accounts of every receiver of money which is by law payable to the Government shall be subject to examination by the Auditor General in order to ascertain that adequate regulations and procedures have been framed to secure an effective check on the assessment, collection, and proper allocation of revenue, and the Auditor General shall satisfy herself that any such regulations and procedures are being duly carried out'.*

It is very difficult for auditors when auditing Ministries' or offices' records to check the accuracy of revenue collected or receipted in FY 2014. Most of the ministries and departments relied on the records of MFED. It is the sole responsibility of the ministries or departments to maintain their revenue records for audit purposes and to regularly reconcile their records with that held by MFED. It was also noted not all accounting officers that collect revenue keep records of the arrears of revenue.

ii) Non-compliance with Financial Regulations (FR)

Section 168 (FR)

- *"It explains that every accounting officer (AO) shall maintain a vote ledger so as to show at any time in report of every sub-head of a head, as applicable, under his control: (a) the amount authorized including any supplementary authorization, virement etc."*

Audit found that this accounting record had not been maintained by most of the Ministries/ departments to record their spending against the budget leading to unauthorized expenditure or over spending made by most Ministries/ offices in fiscal year 2014. Ministries should also maintain hard copies of their vote ledger for future reference.

Chapter 17-Section 341 and 346 (1) and (2)

- *"It states that Boards of Survey (BOS) will be held after the close of business on the last working day of each financial year and before the opening day of business on the first of the new financial year to examine the cash as defined in regulation 101 and bank balance."*

- *"Also, the annual BOS is required to check the cash book and register of stamps, as applicable, by casting entries for the month and verifying balances with the actual cash and stamps etc. on hand."*

- *"Surprise boards shall be subject to such conditions and shall carry such verifications and checks as may be detailed on their appointment."*

Audit noted that no annual or surprise boards of survey convened on the last working day or at any time appointed by the ministry or department for each financial year. Most of the Ministries/ offices failed to conduct the BOS as required by these regulations.

Moreover, there are many relevant sections or provisions of the Financial Regulation and some are clearly mentioned in this report, which found to have not been regularly followed by those staff concerned. Complying with such regulation would contribute a lot to generating a reliable and sound financial report.

G) REPORT ON THE KIRIBATI GOVERNMENT MINISTRIES

1. OFFICE OF TE BERETITENTI (OB)

1.1 AUDIT OPINION

A qualified audit opinion is issued for the Office of the Beretitenti "**Except for**" the effects of matters as discussed in detail from section 1.3 below.

1.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the qualified audit opinion issued on the performance of the Office of Te Beretitenti in the fiscal year 2013:

- Overspending of expenditure budget 2013
- Un-updating of 2013 Vote Ledger
- Not updating and maintaining of log books
- Failure to retire special Imprest withdrawn within 10 working days as required.

1.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

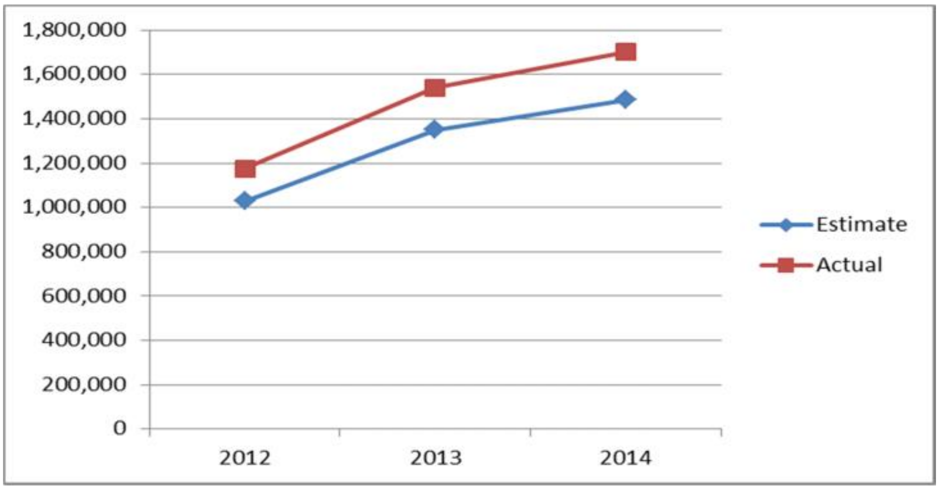
1.3.1 EXPENDITURE (BUDGET)

Findings and Analysis:

1.3.1.1 OB BUDGET SUMMARY AGAINST ACTUAL EXPENDITURE

YEAR	BUDGET	ACTUAL	(OVER)/UNDER
2012	**1,028,580**	**1,173,888**	**(145,308)**
2013	**1,350,020**	**1,541,027**	**(191,007)**
2014	**1,485,797**	**1,700,326**	**(214,529)**

1.3.1.2 COMPARATIVE GRAPH BUDGET EXPENDITURE

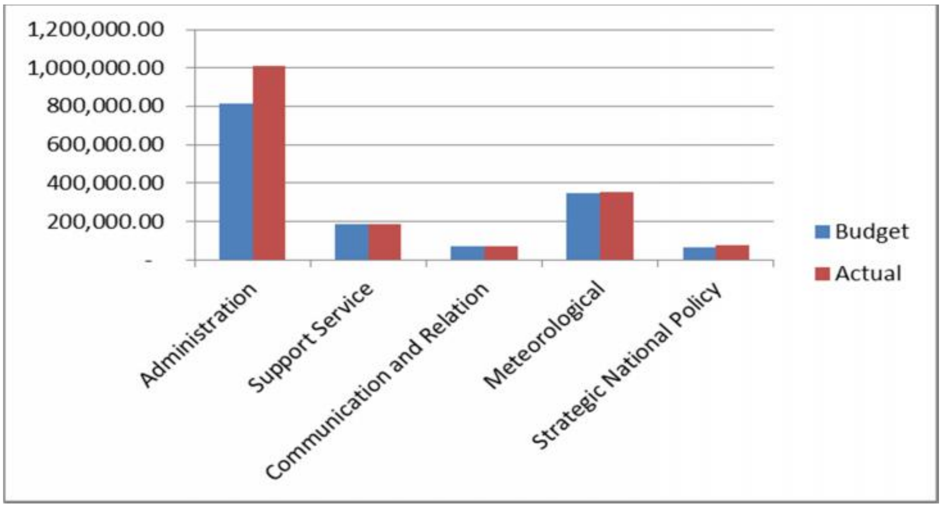


As could be seen from the above, the Office of Te Beretitenti (OB) still exceeded its budget by over $214k despite a slight increase of its budget level of 10% over that of 2013. Given a steady increase in the spending pattern management should ensure its budget level for future years is aligned with its activities and to promptly apply for Supplementary during the year to avoid incurring unauthorized spending.

1.3.1.3 OB EXPENDITURE AGAINST BUDGET BY DIVISIONS – 2014

Output	Divisional Section	Budget	Actual	Over/Under
E0901	Administration	813,243.00	1,007,902.56	(194,659.56)
E0902	Support Service	185,912.00	187,157.27	(1,245.27)
E0903	Communication and Relation	71,551.00	69,895.88	1,655.12
E0904	Meteorological	348,732.00	355,867.38	(7,135.38)
E0905	Strategic National Policy	66,359.00	79,503.23	(13,144.23)
		$ 1,485,797.00	**$ 1,700,326.32**	**$ (214,529.32)**

1.3.1.4 OB COMPARATIVE GRAPH AGAINST BUDGET BY DIVISIONS – 2014



As depicted above, all divisions except one exceeded their approved budget with Administration incurring the most by almost $200k. Management should ensure its divisions regularly reconcile their vote ledgers with MFED and to take remedial actions where necessary to avoid incurring unauthorized spending in their respective outputs.

Management response:
Management response received.

1.3.1.5 TELECOM CHARGES

Findings and analysis:

The audit noted a total value of $938.80, paid on PV 131/14 dated 17/02/2014, been incurred by telephone charges from office land line to mobile phones. The following are office lines been utilized to call mobile phones:

PHONE #	PHONE DETAILS	CHARGES
22078	SA Direct Line	134.19
21139	Extension Line	107.18
21141	Extension Line	449.77
21183	Switchboard	120.53
21645	Secretary	1.88
21917	Deputy Secretary	30.80
22092	Office Ambo President	2.45
21013	State House	92.00
		$ 938.80

Implications:

The absence of a control mechanism on calling mobile phones especially private calls, could unnecessarily inflate the budget.

Recommendation:

- Management should put in place a strong internal control at least to minimize the use of office telephone for private calls especially when such calls are for mobile phones.
- Management should ensure officers calling mobile phones for private usage pay for such calls.

Management response:

Written Management Response received.

1.3.1.6 IMPREST

Findings and analysis:

It was noted during the audit that one officer (refer to table below) had travelled and failed to retire his Imprest within 10 consecutive working days upon return from such official travels before his retirement from government. Details of such outstanding Imprest are provided in the table below:

		Travel			
Min Ref	**Name/Title**	**From**	**To**	**Retired Date**	**Amount**
259/14	Former Secretary	13/08/2009	25/08/2009	14/04/2014	4,422.62
306/14	Former Secretary	24/05/2011	24/05/2011	25/05/2014	4,219.40
307/14	Former Secretary	25/07/2011	24/08/2011	15/05/2014	1,018.22
308/14	Former Secretary	8/04/2011	8/08/2011	15/05/2014	535.84
309/14	Former Secretary	26/09/2011	24/10/2011	15/05/2014	3,334.01
310/14	Former Secretary	25/10/2011	24/11/2011	15/05/2014	611.51
311/14	Former Secretary	3/08/2012	22/03/2012	15/5/2014	3,107.41
				Total	**$ 17,249.01**

As clearly noted above, the officer, before his retirement from government service, had seven travels made in 2009 to 2012 and had still not retired his Imprest until now.

Implication:

- *2013: Failure to retire Imprest within 10 days after return from official trips is a breach of FR11 requirement and would increase the risk of accumulation of loss of funds particularly from those being issued with excess Imprest.*
- *2013: Failure to retire Imprest on a timely manner could cause undue hardship on officials in future in paying back the accumulated debts and thus could adversely affect government coffer.*
- Loss of public funds would result from retiring civil servants who still had not bothered to retire their Imprest and owe government.

Recommendations:

- Imprest retirement policy should be enforced by management and/or accounting officer and officers traveling should be reminded to retire their Imprest upon arrival within 10 consecutive working days.
- *2013: Management should maintain a register for Imprest issued for monitoring and recovery purposes*
- *2013: Management should not issue Imprest for subsequent travels unless the officer had retired all past Imprest and/or had no outstanding dues.*

Management response:
Written Management Response received.

1.3.1.7 LEAVE BALANCES

Findings and analysis:

There were 9 employees from different divisions selected to perform our testing on their leave balances. Of the nine officers' selected one officer had excessive leave balance of 158 working days[1] exceeding 2 years entitlement as this had been accumulated for 3 to 4 years back. This contravenes Cabinet decision minute no. 77/10 where it states all leave balances for civil servants should be taken to clear all outstanding year's entitlement and any leave accumulated beyond 2 years entitlements will be forfeited accordingly.
It was further noted that another officer, according to his leave form details provided, has a negative leave balance (overstayed) of over (10 working days). In this case the ministry should arrange recovery by reducing the gross salary over an agreed number of periods of pay days.

Implication:

Failure to update leave balances that account for two years back only is a violation of Cabinet directive in its minute no. 77/10.

Recommendations:

- Management must enforce and implement the Cabinet Decision Minute No. 77/10 to all staff.
- Management must ensure staff utilizes their current leave entitlements first when taking leave and work backward so the first years' balances are taken before the last 2nd year's leave balance.
- Management should regularly monitor staff leave balances to avoid staff taking leave beyond their remaining balances.
- Management must maintain and update its leave roster.

Management response:
No written response provided for this issue.

[1] Refer to Audit WP Ref: C/2 leave balance 2014.

1.3.1.8 UNAVAILABILITY OF DOCUMENTS

Findings and analysis:

When conducting the audit, we noted 4 requested documents (PVs) etc. as per details in table below were not provided for audit verification. The amount involved was **$3,578.08**. Since these payments were not been provided for audit verification we could not confirm the accuracy of such payments. Therefore, reasonable explanations must be provided by the concerned Ministry.

VOUCHERS NOT YET SUBMITTED FOR AUDIT VERIFICATION

#	Code	Date	Name/PV #/Reference	PayDetail	Actual
2	E09040000204A	17-Jan-14	Consolidate	allowance period 10/01/2014	524.50
3	E09040000204A	17-Jan-14	Consolidate	allowance period 10/01/2014	484.53
8	E09010000241A	03-Feb-14	84/14	For cleaners & drivers working(OS pv 2013)	2,069.05
15	E09020000204A	09-Mar-14	593/14	sitting allowance	500.00
				Total	**$ 3,578.08**

Implications:

- Missing and unavailability of documents requested for audit verification such as payment vouchers to support the payments been made is a complete violation of Cap 79 and government Financial Regulations.
- The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.

Recommendations:

- Management must ensure all documents are fully supported and kept safely for future audit reference.
- Management must ensure its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- Movement register for all accounting source documents should be maintained and ensure the movement of batches are properly recorded and monitored regularly.

Management response:

Most copies of PVs were received except above.

1.3.1.9 PAYROLL - UNSIGNED SALARIES AND/OR NOT RETURNED SALARIES

Findings and analysis:

The audit detected one staff[2] as per indicated below did not sign his/her salary and the accountant also failed to return such salary to MFED promptly. The total amount involved for such un-signing and/or un-returning of salaries was $155.55.

Pay Period	Officer	Amount ($)
25/07/2014	Officer 1	155.55

Implication:

There is a risk that unsigned salary could be misappropriated or lost.

[2] Refer to WP Ref: U2/2 and AS2/2 – Payroll 2014

Recommendations:

Management must provide confirmation by each of those listed in the table to confirm they all had received their salaries for the specified pay period noted above.

Management also must ensure that all cash salaries are signed and where no receipts (RR) is provided for any unsigned salary, the payroll officer should make good for such unsigned salary accordingly.

Accounting officer has to remind each employee to sign against their name before collection of their salaries and/or accounting officer has to return uncollected salaries to the Ministry of Finance and attached the receipt to the signature listing.

Management response:

Response received.

1.3.1.10 LOG BOOK

Findings and analysis:

In conducting of this audit, it was noted that OB driver has failed to submit log book for financial year 2014.

Therefore the audit was unable to check and validate the accuracy of the following itemized expenses:

- Overtime
- Fuel
- To detect mileage used for non-official usage

Implication:

Failure in maintaining a gov't vehicles log books would increase the risk of misuse of gov't vehicles and increase in cost to the budget.

Recommendations:

- Accounting officer has to remind drivers to return their log books at year end to the accounting unit for management references and audit purposes.
- The audit recommends that the log book for vehicles used by Ministry for should be maintained and updated by the driver or those driving the vehicles.

Management response:

No written response provided.

2. PUBLIC SERVICE OFFICE (PSO)

2.1 AUDIT OPINION

A qualified audit opinion is issued for the Public Service Office (PSO) for the year ended 31 December 2014 “**Except for”** the effects of the matters as discussed in detail from section 2.3 below.

2.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the qualified opinion for PSO performance in the fiscal year 2013 as follows.

i) Overspending of approved budget
ii) Lack of Reconciliation
iii) Paying out OB salaries from PSO Output
iv) Failure to retire Imprest on a timely basis

2.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

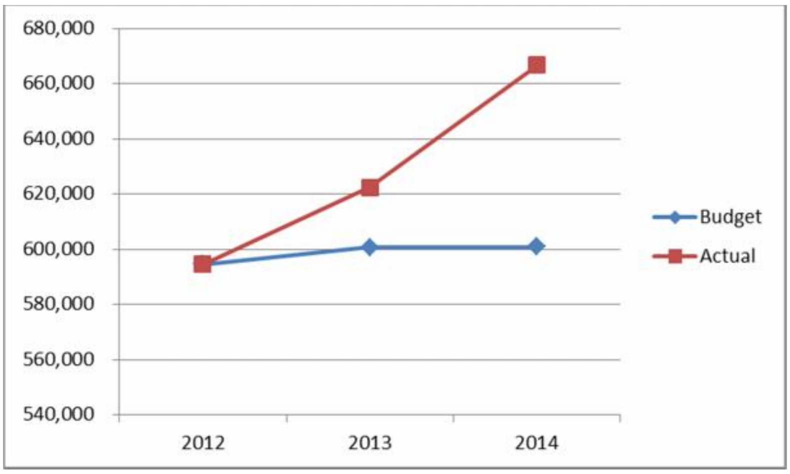
2.3.1 CONTROL OVER EXPENDITURE - PSO

Findings and Analysis:

2.3.1.1 COMPARATIVE EXPENDITURE SUMMARY TABLE FOR 2012-2014

Years	Budget	Actual	(Over)/Under
2012	594,484	594,534	- **50**
2013	600,785	622,341	- **21,556**
2014	600,987	666,702	- **65,715**

2.3.1.2 COMPARATIVE EXPENDITURE GRAPH FOR YEAR 2012-2014

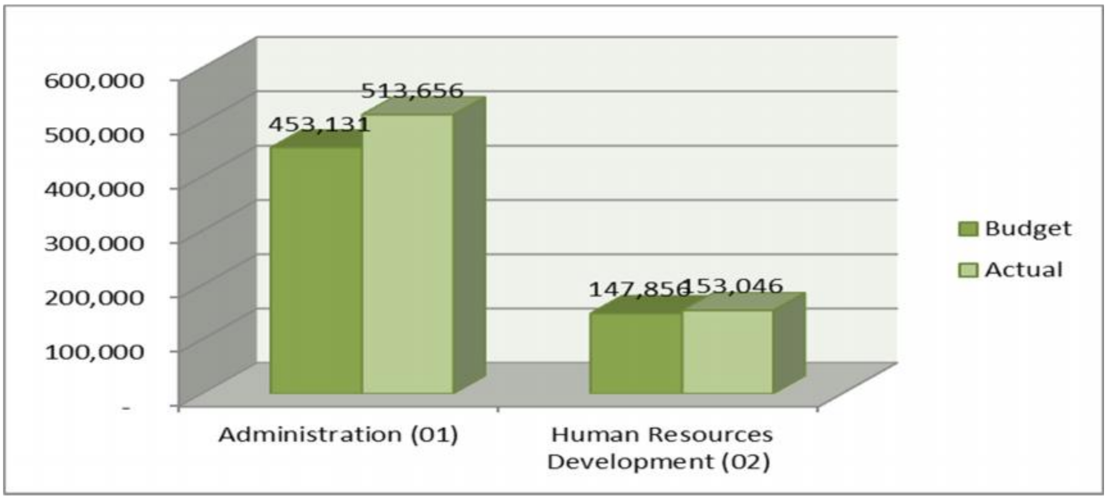


The above graph portrays the trend of expenditure against the estimated budget for years ending 2012 up to 2014. As could be seen the gap between the actual expenditure and budget (estimate) constantly widened while budget level was hardly increased. It is therefore of paramount importance for management to pursue a more realistic budget level that is aligned with its planned activities.

2.3.1.3 PSO EXPENDITURE AGAINST BUDGET FOR DIVISIONS - 2014

Division	01 Administration	02 Human Resource Dev.	Total
Budget (Rev)	453,131	147,856	600,987
Actual	513,656	153,046	666,702
(Over)/Under	- 60,525	- 5,190	- 65,715

2.3.1.4 EXPENDITURE GRAPH AGAINST BUDGET BY DIVISIONS



As exhibited above the overspending reported in year 2014 was predominantly caused by 01 Administration with an amount of over $60k and followed by 02 Human Resource Development with that of over $5k respectively. Thus, an improvement is required in future years for the Ministry to ensure its spending level is maintained within its allocated budget.

Management response:
Written Management Response received.

2.3.1.5 ENTERTAINMENT

Findings and Analysis:
Based on the comparative analysis performed between the Management report figures provided from MFED and Ministry records (Vote Ledger) the audit found the variances of over $2k and $5k for Output 01 Administration and 02 HRD respectively. This is an indication of no reconciliation been made by PSO with records held by MFED. Details of such variances are provided as follow:

Allocation	Management Report	Ministry Record	Variances
E1001-239	1,986.97	4,021.99	$2,035.02
E1002-239	6,935.86	1,733.79	$5,202.07

Further, by looking at the management report 2014 allocation E1001-239 reported a net saving of over $5k (Expenditure Budget of $7,943 less Actual $1,986.97) while E1002-239 had reported a huge overspent of $5.9k ($983.50 Exp. budget - $6,935.86 Actual) respectively. However, on the latter the audit noted substantial transfers been made out of this output of $1,315.50 hence a revised reduced budget $983.50 out of which the $6,935.86 was paid out. Therefore the amount overspent would have reduced slightly to $5.6k if no transfers had been made.

Implications:

- Disclosing of figures that are not reconciled would of course cast significant uncertainty generally on the Reliability and Accuracy of the Financial Report provided.
- Un-reconciled figures would definitely provide management unreliable figures and would be distortionary to budget formulation.
- Failure to maintain level of spending within the budget limit as approved, when added with other substantial overspent from other line ministries, would not only increase the level of withdrawal from the RERF but will also increase the cost to government coffer.
- Internal transfers should be done once the Ministry had agreed with MFED on the balance on hand of that particular output.

Recommendations:

- It is therefore recommended that PSO should conduct a monthly reconciliation with Ministry of Finance to avoid excessive discrepancies, etc.
- The PSO should also ensure to transfer adequate amounts within outputs or allocations that would not obstruct other significant related outputs functions.

Management response:
No written response provided.

2.3.1.6 CONTROL OVER IMPREST

Findings and Analysis:
The following outstanding Imprest of **$11,214.91** was noted during the audit in respect of some officers selected, re list below:

PF #	Name/Title/Post	Amount ($)
2011085	Officer 1	189.20
96055	Officer 2	3,699.22
2008119	Officer 3	2,703.53
2006080	Officer 4	2,570.00
2004140	Officer 5	88.96
2003070	Officer 6	1,629.00
2014148	Officer 7	335.00
	Total	**$11,214.91**

As confirmed the above outstanding Imprest had still not been retired or cleared by the respective officers until to date. Therefore management should ensure the above officers retire their outstanding Imprest and recovery is arranged as soon as practicable so any outstanding dues, if any, are cleared.

Implications:

- Not clearing or recovering outstanding Imprest in full would have an effect on the cash flow of Gov't.
- Not retiring of Imprest within the 10 days grace period and if officers are still allowed to travel is a total breach of Financial Regulation 2011 and Imprest policy.

Recommendations:

- Management should ensure the officers concerned arranged for immediate retirement of their Imprests and where any dues are payable to government, to arrange immediate recovery.
- Further Imprest will not be entertained to the above officers until arrangements have been made to clear the outstanding Imprests.

- *2013: Management should have an Imprest register for ensuring timely retirements of Imprest from those that have returned from official trips.*

Management response:
Written response received for this issue.

2.3.1.7 OVERTIME

Findings and Analysis:
The following issues were noted during the audit for PSO fiscal year 2014 as follow:
- Variance was found between the Management report and Ministry records amounted to $11,612.50. This was due to lack of proper reconciliation between above parties i.e. PSO & Finance.
- Variance of $5,263.66 was also found between Management report and Annual Pay costing.
- PSO had been approved payment for overtime although its budget was exhausted and thus incurred an overspent of $9k for 01 - Administration and an immaterial overspent of $5.00 for 02 - Human Resource Development respectively.

Implications:
- Disclosing of figures that are not reconciled yet would of course cast significant doubt particularly on the Reliability and Accuracy of the Financial Report provided.
- Failure to maintain expenses within the budget allocation, when added with other substantial overspent by other line ministries, would increase the cost to government and a further drain in the RERF.

Recommendations:
- Management should ensure to perform regular reconciliation with Finance to save the Ministry from overspending its budget.
- Management should avoid reporting of excess spending by ensuring that all activities undertaken are within and not beyond the budget as already approved. Payments should be suspended until transfers are made or where the fund had already been exhausted.

Management response:
No written response provided.

2.3.1.8 VOTE LEDGER STATUS - 2014

Findings and Analysis:
The vote ledger obtained from PSO was noted not well maintained and updated as evidenced when the audit went through transactions posted into the PSO Vote ledger and discovered that August was the last date/month been posted into such vote ledger. In this instance, all transactions incurred for month of September to December were not accounted for therefore incorrect figure would result which could lead to unauthorised spending.

Implications:

- By not updating the vote ledger, balances reflected therein would mislead Management in their decision making.
- Not updating the vote book on a regular basis would result in incurring over spending by management and reporting of an incorrect figure on outputs at the end of the year.

Recommendations:

- Management has to ensure that the vote book must be updated and completed on a regular basis and also to take into consideration all activities been omitted during the year.
- Management should also ensure it reconciles transactions in its vote book with MFED records regularly.

Management response:
No response provided nor received for this issue.

2.3.1.9 LOG BOOKS – 2014

Findings and Analysis:
Overall the Ministry vehicle's log books for year 2014 were not maintained and updated regularly by the driver or whoever drives PSO vehicles as follow:

- Log book for Mini Bus registration number BG 221 used for employees transport has been noted available although it was not maintained and updated. Therefore, a number of trips taken during the year were off recorded as the log book provided was not updated by the driver.
- Log book for saloon car registration number TG 353 was noted not available during the period of the audit. Hence further testing was ceased due to the unavailability of such log book.
- PSO should consider the very importance of having a log book maintained and updated to control over the consumption of fuel, overtime for drivers, and to detect mileage used for non-official usage.

Implications:

- It would be not possible for auditors to validate claims been lodged for i) overtime, ii) refueling of vehicles and iii) proper uses of the vehicle are in order, if PSO still fails in submitting its log book for vehicles.
- In the absence of a monitoring system on the consumption of fuel for each vehicle would increase the risk of loss of public funds where use of vehicles were for other purposes.

Recommendations:

- PSO should ensure that its driver must update his log book frequently and has that readily available when needed either by Management or Audit.
- Responsible officer (OM) should make sure to perform a regular review on the driver's log book and also to ensure that whenever overtime is claimed, it must be supported with certified log book details.
- The audit strongly recommends that all payments including overtime that had been processed without supporting log book information should not be entertained as the absence of vehicle log book details would annul the payments.

Management response:
Written response received.

2.3.1.10 TWO YEARS ENTITLEMENT POLICY

Findings and Analysis:

After sighting the leave forms provided for some selected officers the audit found that some senior officers still have excessive leave balances exceeding 2 years entitlement as detailed in the table below:

Officers PF Number	Leave Entitlment	Leave balance	Complying with 2 yrs entitlement policy (Yes/No)
2011085	30	86 working days	No
2006080	30	138.5 working days	No
2010182	30	89 working days	No
2010183	30	102.5 working days	No

As noted above it is evident PSO is also amongst the Gov't Ministries/Offices that had failed to implement the Cabinet Decision of carrying forward only 2 years leave balances.

Implications:

- Not adhering to this decision is a violation of Cabinet Decision Minute No. 77/10.
- Also by not adhering to Cabinet Decision could result in the officer having his/her leave balances prior two years from 2016 automatically forfeited in 2016.
- *2013: Inclusion of leave balances from years beyond 2 years back without any back-up from the SRO (for subordinate staff or Sec Cab (for Secretaries) is a deviation from the 2 year leave policy as per circular minute number 77/10.*

Recommendation:

2013: Being a lead Ministry on this policy management should therefore strictly enforce and implement Cabinet decision first to its employees for other Ministries to follow suit.

Management response:

Written response also received for this issue.

3. JUDICIARY

3.1 AUDIT OPINION

An Unqualified audit opinion is issued for Judiciary for the year ended 31 December 2014 with "**Emphasis of matters"** as discussed in detail from section 3.3 below.

3.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM

Listed below are the significant matters outstanding from previous audits (2013) that cause the issuance of a qualified audit opinion:

- Poor collection of estimated revenue
- Poor collection of arrears of revenue
- Not maintaining and updating of GRR Register/vote Ledger

3.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comments:

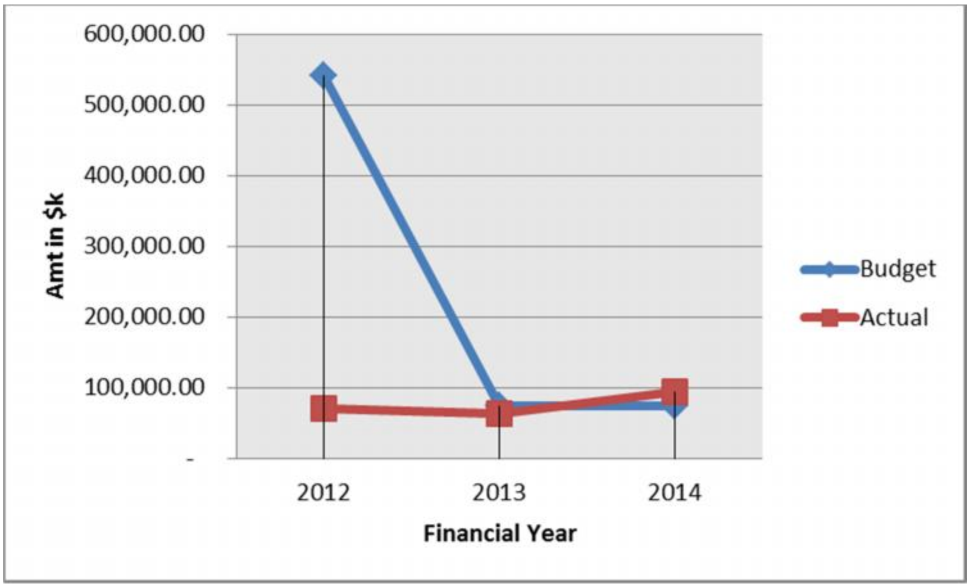
3.3.1 REVENUE (BUDGET)

Findings and Analysis:

3.3.1.1 JUDICIARY SUMMARY REVENUE COLLECTION

Description	2012	2013	2014
Budget	541,200.00	74,400.00	74,400.00
Actual	70,629.00	63,828.00	95,100.99
(Over)/Under	470,571.00	10,572.00	- 20,700.99

3.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

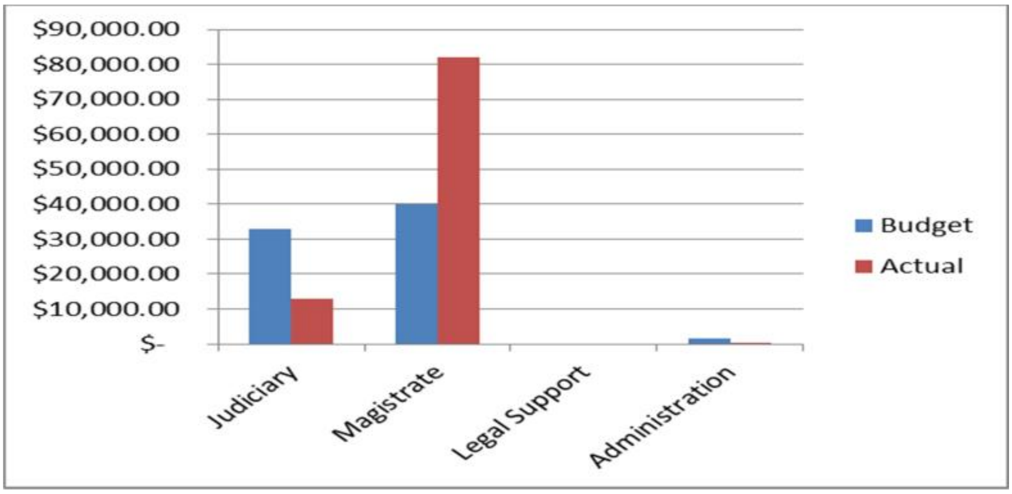


With a steady budget level as reported above (2013 to 2014) the actual revenue collections had kept increasing significantly by over $31k this year. In 2014 the actual revenue collection of over $95k was above the estimated budget of $74k resulting in a net excess collection of $20k. Therefore, the concerned Ministry should be commended for such outstanding performance in exceeding its revenue budget by over $20k.

3.3.1.3 REVENUE AGAINST BUDGET BY DIVISIONS 2014

Description	01 Judiciary	02 Magistrate	03 Legal Support	04 Administration	Total
Budget	$ 33,000.00	$ 40,000.00	$ -	$ 1,400.00	$ 74,400.00
Actual	$ 12,977.71	$ 81,987.28	$ -	$ 136.00	$ 95,100.99
Over/under	$ 20,022.29	$ (41,987.28)	$ -	$ 1,264.00	$ (20,700.99)

3.3.1.4 COMPARATIVE GRAPH OF BUDGET AGAINST ACTUAL - DIVISIONS



It is clearly stated from the above analysis only one division, that is 02 – Magistrate, had exceeded its estimate revenue by over $41k while the remaining two under collected their revenue by $20k and $1k respectively.

Recommendation:

Management should encourage its divisions to exert efforts in collecting their revenues and also to ensure its budget level in future years is reflective of the activities its divisions will perform.

Management response:
Written response received.

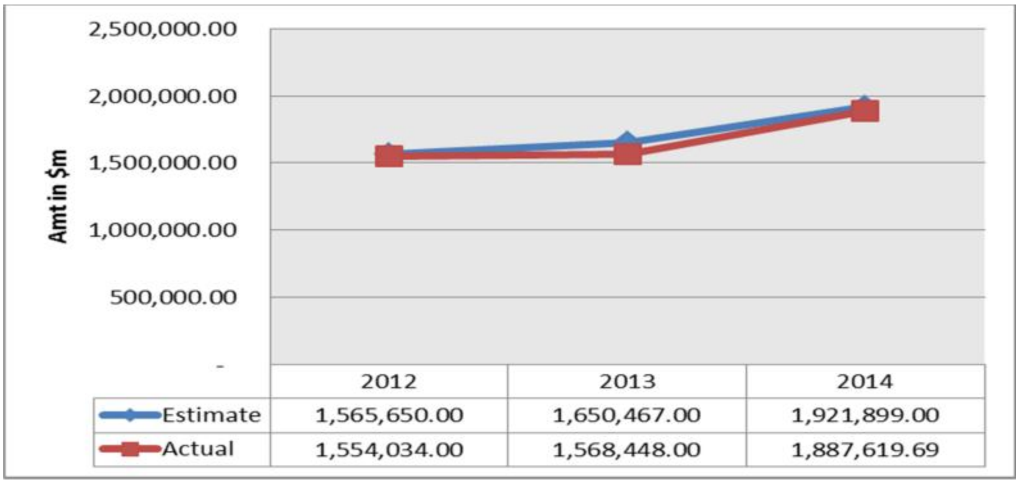
3.3.2 EXPENDITURE (BUDGET)

Findings and Analysis:

3.3.2.1 JUDICIARY BUDGET EXPENDITURE SUMMARY

Description	2012	2013	2014
Estimate	1,565,650.00	1,650,467.00	1,921,899.00
Actual	1,554,034.00	1,568,448.00	1,887,619.69
(Over)/Under	**$ 11,616.00**	**$ 82,019.00**	**$ 34,279.31**

3.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL

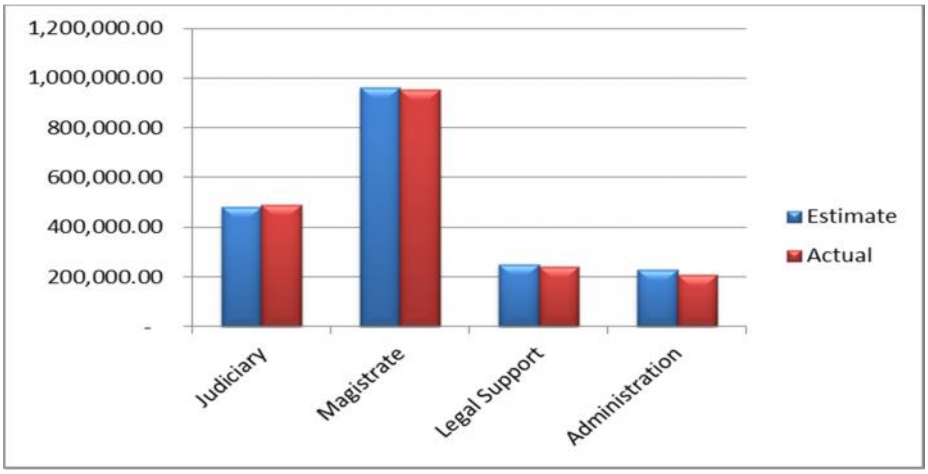


As depicted above with a budget level slightly increasing over the three year period Judiciary managed to keep its spending level within budget and therefore should be commended for such achievement.

3.3.2.3 EXPENDITURE AGAINST ACTUAL BY DIVISIONS 2014

Division	01 Judiciary	02 Magistrate	03 Legal Support	04 Administration	Total
Estimate	481,398.00	963,499.00	250,493.00	226,509.00	1,921,899.00
Actual	488,448.90	954,041.88	239,348.33	205,780.58	1,887,619.69
(Over)/Under	-$ 7,050.90	$ 9,457.12	$ 11,144.67	$ 20,728.42	$ 34,279.31

3.3.2.4 COMPARATIVE GRAPH OF BUDGET EXPENDITURE BY DIVISIONS 2014



As illustrated above, the 01 Judiciary is the only division that exceeded its budget allocation by over $7k while other divisions had saved the budget by substantial sums of; Magistrate $9k, Legal Support $11k and Administration $20k respectively.

Recommendations:

Management should encourage all its divisions to continuously keep their spending within their budget allocations.

Management should ensure its budget level in future is aligned with the activities of each of its individual divisions.

Management response:
Response received.

3.3.2.5 VOTE BOOK

Finding and Analysis:

Audit discovered that the vote book was not up to date when the audit team reviewed the posting entries maintained in an e-copy for Judiciary.

Implications:

Failure to update the vote ledger is a breach of FR 2011 and absence of reconciliation on postings of incurred transactions into vote ledger would make it difficult for management to agree with records kept by MFED.

The absence of above would also undermine the balances as shown at the end of the financial year.

Recommendation:

In conforming with FR 2011 chapter 8 paragraphs 168-169, management must maintain and regularly update its vote book to ease reconciliation with records held by MFED.

Management response:
Response received.

3.3.2.6 LOG BOOK

Findings and analysis:

It was noted that Judiciary log book, as noted hereunder, for 2014 was not made available and provided when requested:

Chief Registrar	**Log book requested for audit verification not submitted.**

Since the above log book was not accessible our audit authentication for expenses on driver's overtime, fuel consumption and so forth could not be verified and validated accordingly.

Implication:

Failure to update log books would make it not possible for auditors to confirm claims been lodged for overtime, refueling and proper usages of such vehicles.

Recommendation:

Accounting officer has to remind drivers to return their log books at end of each fiscal year to the accounting unit for account/management and/or audit purposes failing by which a disciplinary action may warrant.

Management response:
Response received.

3.3.2.7 UNAVAILABILITY OF DOCUMENTS

Findings and Analysis:

During the audit, we noted 15 requested documents (PVs) with total value of $107,354.28, as per details shown below, were not provided by responsible officials when requested for further verification. Due to the unavailability of such requested documents further audit testing and verification could not be carried and therefore management should provide explanation as to why PVs of 2014 were not maintained.

Judiciary Divisions	Output Description	PV No.	Amount ($)
Judiciary Divisions	Transport	367/14	555.60
	External travel	505/14	3,118.75
	External travel	626/14	18,254.00
	Overseas	261/14	8,887.54
	Overseas	296/14	3,648.39
	Hire of Plants/Equipment	268/14	10,000.00
	Hire of Plants/Equipment	778/14	20,000.00
Legal Support	Housing Assistance	17/14	2,600.00
	Housing Assistance	343/14	2,000.00
	Housing Assistance	53/14	2,000.00
	Internal travel	54/14	450.00
	Internal travel	53/14	450.00
Administration	Housing Assistance	177/14	354.00
	Housing Assistance	239/14	354.00
	Housing Assistance	647/14	342.00
	Hire of Plants/Equipment	268/14	30,000.00
	Hire of Plants/Equipment	573/14	4,340.00
		Total	**$ 107,354.28**

Implications:

- Missing or unavailability of documents requested for audit verification is a complete violation of provisions of Cap 79 and government Financial Regulations 2011.

- The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.

Recommendations:

- Management must ensure all documents are fully supported and kept for future audit reference.
- Management must ensure its officials are fully conversant and comply with the provisions of financial government policies, laws and regulations.
- Movement register for all accounting source documents should be maintained and management to ensure the movement of batches are properly recorded and monitored regularly.

Management response:
Response received.

4. KIRIBATI POLICE AND PRISON SERVICES (KPPS)

4.1 AUDIT OPINION

A qualified audit opinion is issued for the Kiribati Police & Prison Services (KPPS) for the year ended 31 December 2014 **Except for** the effects of the matters as discussed in detail from section 4.3 below.

4.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the issuance of a qualified opinion for the Kiribati Police and Prison Services performance in the fiscal year 2013.

- Under collection of revenue estimated
- Un-collected of arrears of revenue
- Not maintaining and updating vote book
- Failure to provide evidence for outstanding Imprest

4.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

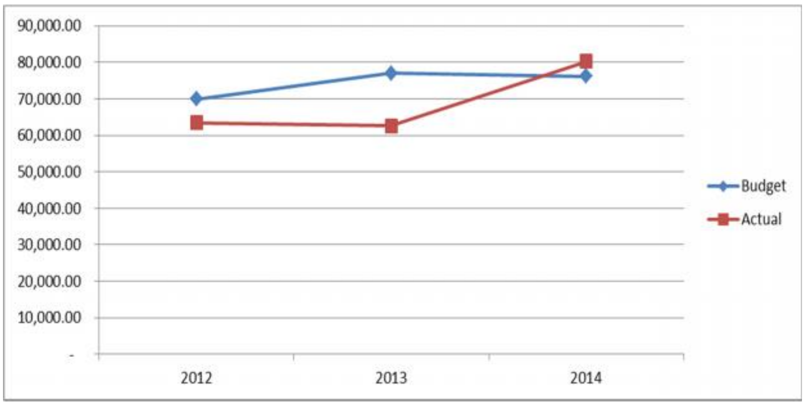
4.3.1 REVENUE (BUDGET)

Findings and analysis:

4.3.1.1 KPPS REVENUE SUMMARY COLLECTION 2012-2014

Year	Budget	Actual	(over)/under
2012	69,900.00	63,378.00	6,522.00
2013	77,000.00	62,534.10	14,465.90
2014	76,200.00	80,202.50	(4,002.50)

4.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

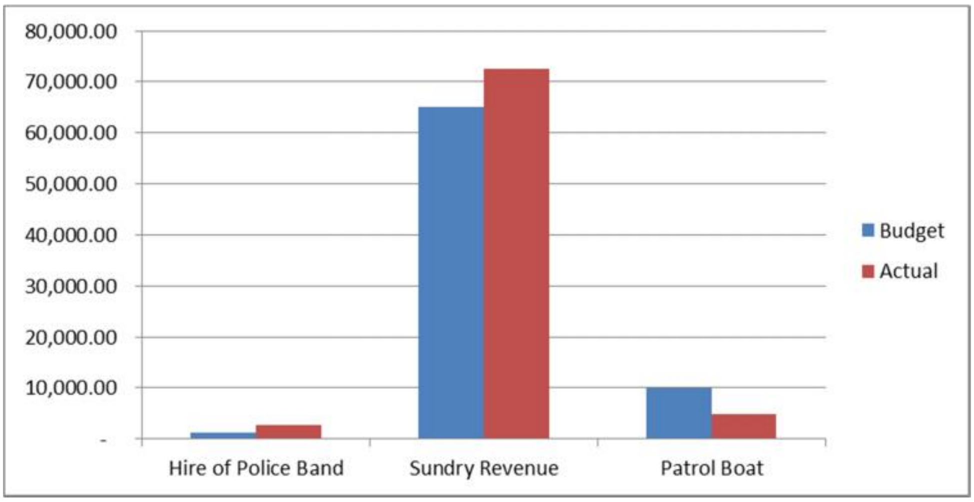


The analysis for the above revenue projection showed that KPPS, for the first time, had shown notable achievement in its revenue collection for year 2014 reporting an excess collection of over $4k (Budget, $76,200 less Actual, $80,202.50) when compared to its previous performance. Management should be commended for this notable achievement and encouraged to apply same in future years.

4.3.1.3 KPPS REVENUES AGAINST BUDGET BY DIVISIONS

Description	01 Adm. Hire of Police Band	01 Adm. Sundry Revenue	04 Search/Rescue Patrol Boat
Budget	1,200.00	65,000.00	10,000.00
Actual	2,749.75	72,539.75	4,913.00
(over)/under	(1,549.75)	(7,539.75)	5,087.00

4.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISION



The graph above depicts that division 01 - Administration, with two separate revenue arms, both had operated above their estimate budget incurring a surplus of $1k for Hire of Police Band and $7k for Sundry Revenue respectively while division 04 - Patrol Boat had failed to collect the allocated budget revenue.

Recommendation:
KPPS should be applauded for such notable achievement in achieving its revenue target and to encourage its other revenue division to exert more efforts in meetings its allocated budget.

Management response:
Audit response received.

4.3.1.5 WEAKNESSES OVER REVENUE CONTROL SYSTEM

Findings and Analysis:
When conducting the audit verification for revenue records and documents (control system over revenue) it was noted that there were weaknesses found as indicated below:

- The KPPS had no cash safe since 2013 till to date.
- Having no proper register for GRR used by KPPS to date.
- Reconciliation was not done on a monthly basis.

Implications:

- The absence of revenue records and other supporting documents would raise doubts on the accuracy of records provided.
- Having no cash safe for cash safekeeping is a deviation from the relevant provisions of FR 2011.

- The absence of a GRR register would mount the problem on cash custody when there is also no cash safe available for the Office.
- The absence of regular reconciliation could veil actions that may have inflicted misappropriation of public funds.

Recommendations:

- Management must ensure all documents are fully supported, maintained and kept for future audit reference.
- Management must ensure its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- KPPS must provide the cash safe for the Account unit for keeping daily receipted revenue (monies/cash) to avoid misappropriation or misuse of public funds (cash).
- Management should quickly open a GRR register to register inward and issued GRRs and ensure this is regularly monitored to deter misappropriation of funds.

Management response:
Management audit response is provided and received.

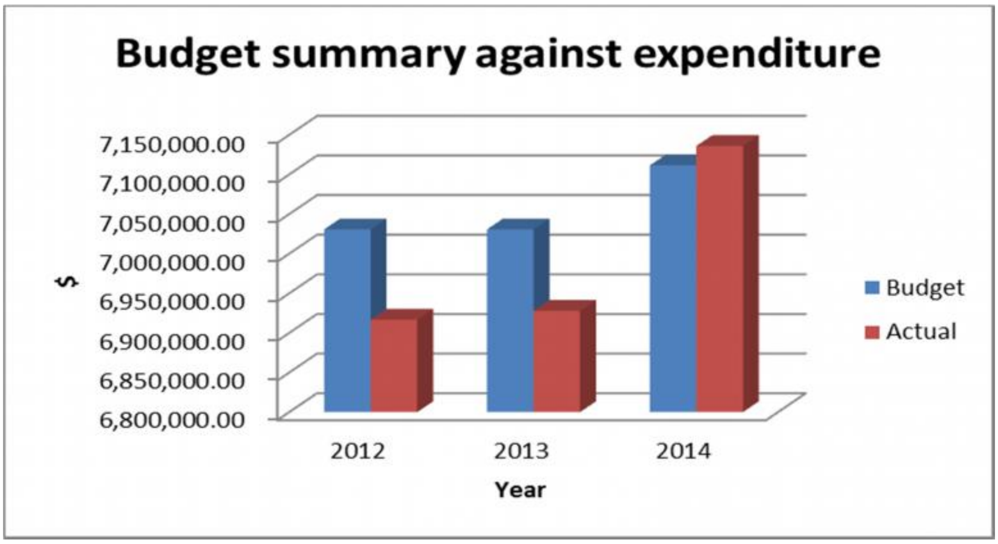
4.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

4.3.2.1 KPPS EXPENDITURE SUMMARY AGAINST BUDGET FOR 2012 TO 2014

Description	2012	2013	2014
Budget	7,030,624.00	7,030,624.00	7,111,483.59
Actual	6,916,495.00	6,927,840.00	7,136,000.43
(over)/under	114,129.00	102,784.00	(24,516.84)

4.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL 2012 T0 2014

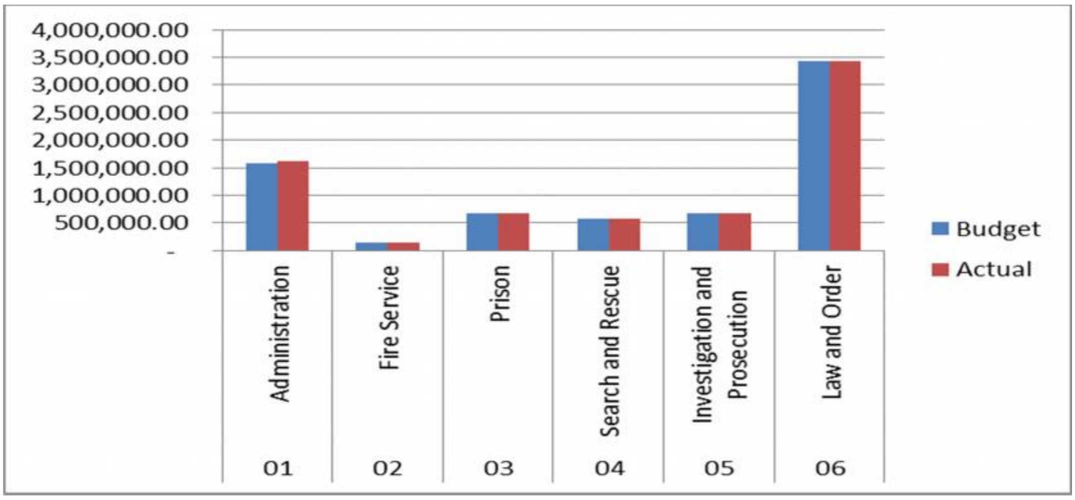


The above comparative bar graph clearly revealed that KPPS, for the first time in 2014 overspent its budget by $24k and its budget level had also increased for the first time by $80,859 over that of 2013 and 2012. This indicated KPPS has additional activities in 2014 the budget level of which may not be sufficient to give support. However, management is requested to provide explanation on the amount overspent and on details of activities that had supported the increase in its budget level.

4.3.2.3 KPPS EXPENDITURE AGAINST BUDGET BY DIVISIONS 2014

	01	02	03	04	05	06
Description	Administration	Fire Service	Prison	Search and Resc	Investigation and Prosecution	Law and Order
Budget	1,591,047.59	154,638.00	675,985.00	579,220.00	673,815.00	3,436,778.00
Actual	1,620,768.12	154,658.46	673,998.61	578,440.26	680,342.20	3,427,792.96
(over)/under	(29,720.53)	(20.46)	1,986.39	779.74	(6,527.20)	8,985.04

4.3.2.4 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL PER DIVISION



As alluded above, three of the six divisions had failed to control their operation costs within budget (estimate) causing the net overspending of over $29k for 01 Administration, $6k for 05 - investigation & prosecution and an immaterial overspent of $20.46 for Fire service respectively. Other divisions which had managed to operate within budget limit incurring a net saving of over $1k for 03 Prison, $779 for 04 Search and Rescue and a net saving of $8k for 06 Law and Order respectively.

Recommendations:

Management should continue to operate within or below the budget limit as already pledged and approved from Parliament.

Management is requested to provide explanation on the amount overspent particularly by Administration and on details of activities that had supported the increase in its budget level.

Management response:

Causes of the overspent were provided from KPPS.

4.3.2.5 RATION

Finding and Analysis:

Audit discovered the wrong claim for KETT Bakery hence the claim provided was for 560 breads *(20 breads each day)* for the period of 28 days *(01/02/14 to 28/02/14)* and been paid on payment voucher 248/14 $756[3] while in fact only 465 breads were received as per ration record details provided below:

[3] Out of the $756 (PV 248/14) $560 was payable to KETT Bakery for delivering 560 breads to Betio Prison.

Description	Loaves(Bread)	Multiply by $1.00	Total Value	Remarks
Total Bread Delivered	560	$ 1.00	$ 560.00	actual amt paid (refer PV 248/14)
Total Betio Prison Bread	465	$ 1.00	$ 465.00	actual amt receipt (Prison Register)
Variance	95	$ 1.00	$ 95.00	Surplus/Loss

Implications:

Failure to cross referencing the Claimant's claim against Prison ration records on loaves actually received would result in overpayment made to the supplier.

Failure to detect excess payment is indeed a careless mistake and would raise doubt on the integrity of the officer making the payment.

Recommendations:

- Management must ensure that officers receiving supplies should cross check the invoice or order against goods received and make adjustments where necessary for correct payment.
- Payments that are not reviewed or checked yet from Prison should not be entertained unless such claims has been reviewed or checked and signed by most responsible officer and supporting documents should be attached to each PV.
- Management should arrange recovery from the officer involved in the wrong payment and apply appropriate disciplinary action.

Management response:

Management response was provided and received.

4.3.2.6 VOTE LEDGER

Finding and Analysis:

The audit revealed the weaknesses of the Account unit for not maintaining and updating its vote ledger for year 2014. This was evidenced when the KPPS was unable to provide the vote book/database upon audit request hence only Payment register was available or provided instead.

Implications:

- Failure to maintain and update vote ledger could lead to unrealistic and incorrect figures appearing under each output and could distort the financial records.
- Absence of a vote ledger or an un-updated one would make it difficult for KPPS to reconcile its records with that held by MFED.

Recommendation:

- Management must ensure its staff maintain and update the vote ledger on regularly basis plus conducting regular reconciliation of its book records with MFED.

Management response:

Written response was also provided for this anomaly.

4.3.2.7 IMPREST OUTSTANDING

Finding and Analysis:

Total accumulated outstanding Imprest was **$47,821.45** from prior years to year 2014 as evidenced from the list provided from MFED indicated in the table below:

Officer #	PF Number	Amount ($)	Officer #	PF Number	Amount ($)
1	94065	**1,972.67**	15	99153	**650.00**
2	96172	**2,614.19**	16	93164	**65.00**
3	7778	**11,201.50**	17	98014	**1,989.00**
4	91014	**903.12**	18	93035	**175.00**
5	95007	**146.75**	19	2005140	**67.00**
6	91011	**424.95**	20	91015	**7,800.00**
7	93171	**6,005.01**	21	91012	**375.00**
8	7788	**335.00**	22	95008	**314.00**
9	2001199	**2,716.95**	23	93157	**952.20**
10	96183	**768.33**	24	98019	**335.00**
11	93154	**5,049.48**	25	2006196	**100.00**
12	95005	**335.00**	26	93042	**419.00**
13	7544	**245.00**	27	2005107	**60.00**
14	93170	**1,802.30**		**Sub total**	**$ 13,301.20**
	Sub total	**34,520.25**		***Grand total***	***47,821.45***

Implications:

- Failure to retire Imprest within 10 days and/or not retired at all after return from official trips is a breach of FR 11 requirement and would increase the risk of accumulation of loss of funds from those being issued with excess Imprest.
- The accumulation of unretired special Imprest from previous years showed a lack of control and monitoring over Imprest issued to KPPS responsible officers and it would ultimately lead to the loss of public funds.

Recommendations:

- Management must maintain a register for Imprest issued for monitoring and recovery purposes.
- KPPS should not issue subsequent Imprest to its officers until their outstanding from previous years had been cleared.
- KPPS should strictly enforce and implement the Imprest retirement period of 10 working days upon arrival from official trips.

Management response:

Written management response also received.

4.3.2.8 KIRIBATI PROVIDENT FUND

Finding and Analysis:

The amount of $2,018.84 was indicating the variances between the MFED records (management report) and audit figure. This variance being noted was the understatement of some employee's KPF contribution as the audit figure was up the actual amount paid as per Management report by over $2k (refers table below). However, explanations are required for the variances from Finance only in order to settle the matter indicated below:

Total Annual Permanent Staff Salary	3,875,549.60
Total Annual Temporary Assistance	11,370.39
	3,886,919.99
Multiply by 7.5%	7.50%
KPF Contribution per Audit Records	**291,519.00**
KPF per Management Report 2014	**289,500.16**
Variance: (Over)/Under	- 2,018.84

Implications:

- KPF contributions are statutory payments and any overstatement or understatement will have an adverse effect on the overall total for the Ministry.
- The overspending or understating is a deviation from the 2014 Appropriation Act and some employees KPF benefits may not be paid.

Recommendations:

- KPPS must ensure to conduct it proper review and regular reconciliation with MFED to avoid discrepancies at the end of financial year.
- MFED should make sure that KPF contributions for each division are not overspent or overstated/understated.

Management response:

No written response received for this issue.

4.3.2.9 LEAVE GRANTS

Finding and Analysis:

After reviewing the management report and KPPS record it was indicated the understated of management total amount significantly by $4,757.22 as described below:

Descritpion	2014
Management Report	**331,692.78**
KPPS Record	**336,450.00**
(Over)/Under	**-$ 4,757.22**

Recommendation:

Management must ensure to conduct proper review and regular reconciliation with MFED to avoid discrepancies at the end of each financial year.

Management response:

Management Response also received.

4.3.2.10 LEAVE BALANCES - 2 YEARS ENTITLEMENT POLICY

Findings and analysis:

There were 16 employees from different divisions selected to perform our testing on their leave balances. Of the 16 officers some had leave balances accumulated for more than 3 to 4 years back thus exceeding the 2 years accumulation entitlement policy and a violation of Cabinet decision minute no. 77/10. Table provided below has details of leave balances in respect of the named officers:

Staff/PF #	Post Title	Entitlement	Leave Balances	2 Years entitlement	Notes
93028	Assitant Commissioner of police	30	170	No	Not apply the 2 years policy
2001214	Police superindent	30	109	No	"
95007	Inspector	30	137	No	"
91011	Inspector		169	No	"
91014	Inspector	26	149	No	"
7544	Inspector	30	137	No	"
7286	Inspector	26	122	No	"
96185	Inspector	26	78	No	"
2002155	Constable	22	188	No	"
99145	Constable	22	100	No	"
98021	Constable	22	96	No	"
2008096	Constable	22	127	No	"
2005147	Constable	22	122	No	"
2005137	Constable	22	104	No	"
95019	Constable	22	120	No	"
4220	Sergeant		495	No	"

Implications:

The intention of having Cabinet Decision Minute No. 77/10 on forfeited leave balances is to avoid unnecessary drain out of public fund therefore failure to implement such decision is a completely violation of Cabinet Decision.

Recommendations:

- Management must strictly adhere and implement the Cabinet Decision Minute No. 77/10 to all staff so only 2 years leave entitlement is accumulated.
- On the other hand, Management should arrange recovery of excessive negative leave balances (overstayed) as clearly stipulated under NCS from staff that have negative balances standing to their credit. The recovery should be made by reducing from their gross salary the number of days overstayed until such overstayed leave had been fully recovered.

Management response:

Management response is provided and received for this mutual issue.

5. PUBLIC SERVICE COMMISSION (PSC)

5.1 AUDIT OPINION

A qualified audit opinion is issued for the Public Service Commission (PSC) for the year ended 31 December 2014 **Except for** the matters as discussed in detail from section 5.3 below.

5.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the qualified audit opinion issued on the performance of the Public Service Commission in the fiscal year 2013.

- Over spending of approved Budget from Parliament
- Un-updating of Vote Ledger 2013 as evidenced during the audit of FY 2013
- Failure to review the overtime of chauffer on a regular basis

5.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

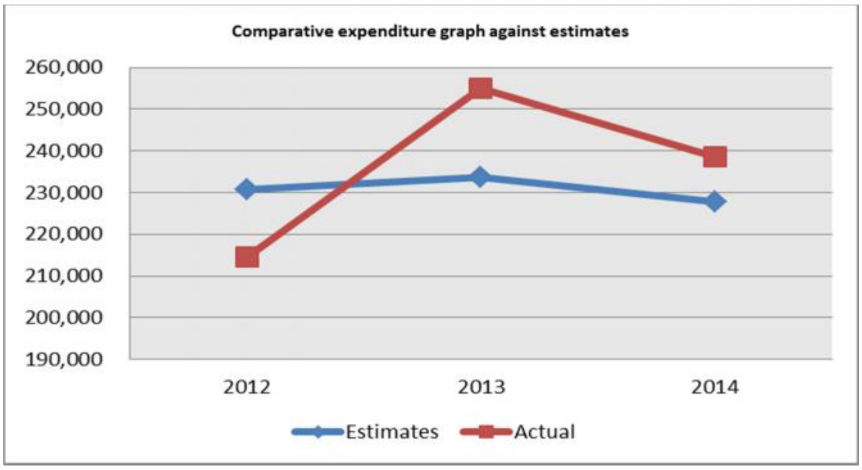
5.3.1 CONTROL OVER EXPENDITURE BUDGET

Finding and Analysis:

5.3.1.1 COMPARATIVE TABLE EXPENDITURE AGAINST ESTIMATES

Year	2012	2013	2014
Estimates	230,629	233,691	227,901
Actual	214,455	255,030	238,608
Variance (Over)/Under	**16,174**	**- 21,339**	**- 10,707**

5.3.1.2 COMPARATIVE GRAPH EXPENDITURE AGAINST ESTIMATES



The above graph portrays the level of expenditure against estimates (budget) for years ending 2012 up to 2014 for comparison. It is pleasing to note a downward trend in the actual spending level which means PSC had painstakingly tried to reduce its spending level within the reduced budget appropriated for the year. However, as

PSC still exceeded its budget level which gradually reduced when compared to previous budget levels, management should seek an increase in its future budget level to account for excess spending incurred in the previous year.

The following were outputs in which PSC exceeded its spending and when discarding KPF overspent of $788, the actual overspending incurred on its operations would reduce to **$10,711:**

Allocation	Description	Amt of Overspent $
E1301-201	KPF Contribution	788.53
E1301-204	Allowances	789.29
E1301-205	Overtime	2,580.65
E1301-215	Transport to work	632.99
E1301-216	Internal travel	3,605.23
E1301-239	Entertainment	925.87
E1301-241	Stationery and Supplies	1,756.02
E1301-250	Local Services	420.69
	Total	**$11,499.27**

It is therefore of paramount importance the Ministry manages its activities within its budget level.

Recommendations:

Management should seek a budget level that accounts for excess spending in the previous year.

Management should regularly reconcile its vote ledger with MFED records and to promptly take appropriate actions, one example is a request for a Supplementary, to avoid incurring unauthorized spending.

Management response:

5.3.1.3 MISALLOCATIONS

Findings and Analysis:

It was found during the audit that some payments made were indeed charged the wrong output/allocation which had resulted in overspending of such outputs. Details of such misallocations are included in the table below:

PV #	Details	Amount ($)	Charge Code	Correct Code
45/14	TSKL	385.00	Stationery – E1301-241	Telecom – E1301-231
60/14	TSKL	160.00	Stationery – E1301-241	Telecom – E1301-231
67/14	TSKL	160.00	Stationery – E1301-241	Telecom – E1301-231
116/14	TSKL	160.00	Stationery – E1301-241	Telecom – E1301-231
174/14	Takoronga fuel	1,187.70	Int. travel – E1301-216	Transport – E1301-215
187/14	Pintrans (Bus ticket)	816.50	Int. travel – E1301-216	Transport – E1301-215
204/14	Big Bite (Catering)	200.00	Stationery – E1301-241	Entertainment E1301-239

Implications:

Charging the wrong code (output) as per stated above would lead to incorrect over spending of the output wrongly charged.

Incorrect spending under the wrongly charged output would lead management astray when deciding on the appropriate level per output for next year's budget level.

Charging wrong outputs raises doubts on the integrity of the accounting officer of the Office.

Recommendations:

Management should ensure to charge a proper and correct allocation (code) according to the nature of spending to avoid misallocation of funds.

Prior authorizing and approving any significant payments accountable and responsible officers should thoroughly review the nature of the payment and code being charged to ensure correct allocation of payment.

Management response:
Written management response for above issue was received.

5.3.1.4 STORE INVENTORY REGISTER

Findings and Analysis:

Audit found that there was no proper inventory register opened separately. Instead one book was opened and used to record various items containing other details of payment such as recharge card, bus ticket etc.

The audit is of the belief there were some office equipment been purchased for the need of PSC but were not accounted for in the register. Therefore the audit could confirm there was no register maintained to record purchase of stores items.

In accordance with relevant provisions of Store Regulation all assets purchased for office use must be recorded in the proper asset register for future references. PSC had also failed in observing and complying with this important provision of the Stores Regulation.

Implications:

The absence of a stores register would make it difficult for the auditors and also the Stock Verifier to confirm the assets on hand with that recorded in the register.

The absence of such could increase the risk of missing purchased assets which would result in loss of public property and funds.

Repetition of certain items purchased may not be discovered as the Ministry has no stock record (register) maintained and this could result in i) Misappropriation of goods/cash ii) loss public funds (costly to the office).

Recommendations:

Management should ensure a register for this purpose is opened and maintained regularly.

The assets been acquired for office needs must be recorded in the proper Store Register indicating details of such items i.e. brand, serial number, etc.

Management response:

Written management response for above issue was received.

5.3.1.5 CONTROL OVER BUS TICKET

Findings and Analysis:

It was found during the audit PSC has no inward register maintained for receiving particulars of bus tickets from its supplier (Pintrans) but only has and maintained an issue out bus ticket register. Thus, as a result, the audit could not compare bus ticket dispatched or delivered by Pintrans with that of PSC inward records.

It was further noted that the total missing bus ticket of $658.7 has been recovered on RR number 274810; dated 21/03/16 amounted to $596 dollars, meaning $62.70 still outstanding and officer concerned should make good of this accordingly.

The above was a reflection of the lack control and monitor over the use and issuance of bus ticket.

Implication:

The absence of the above tickets in the register is an indication of loss of government property and if no stringent policy put in place for imposing disciplinary action on concerned staff the risk of misappropriation and loss of public funds would increase.

Recommendations:

- Management should strengthen the proper and good custody over the use and issuance of bus ticket accordingly.
- RO should perform regular review on bus ticket register and take immediate action whenever faults are detected.
- Management should provide appropriate explanation on the whereabouts of such missing bus tickets and to ensure accounting officer concerned should make good for any losses, should there be any revealed as a result of this finding.

Management response:

Response also received for this issue.

5.3.1.6 NOT FOLLOWING NORMAL PROCEDURES FOR MAINTENANCE.

Findings and Analysis:

It was revealed the maintenance on PSC's tied House was not carried out in accordance with proper and normal maintenance procedures being practiced by all government ministries. A contractor was directly contacted without seeking advice from Accountant and MPWU staff to ensure that i) works to be carried out by contractor are proper and of good quality ii) selecting of such suppliers/contractors follow the normal procedures and iii) funds are available or not to cater expenses for such works, etc.

Recommendation:

PSC should make sure to follow the procurement provisions and comply with normal maintenance procedures as required by the veracious MPWU in order for the work when completed, is cost effective, completion is within reasonable period and the work is of good quality.

Management response:

Written management response for above issue was received.

6. MINISTRY OF FOREIGN AFFAIRS & IMMIGRATION (MFAI)

6.1 AUDIT OPINION

A qualified audit opinion is issued for the Ministry of Foreign Affairs and Immigration (MFAI) for the year ended 31 December 2014 **Except for** the effects of the matters as discussed in detail from section 6.3 below.

6.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the qualified audit opinion for Ministry of Foreign Affairs and Immigration performance in the fiscal year 2013.

- Under collection of estimated revenue
- Poor control over accounting document, records, etc.
- Overspent of Budget 2013
- Missing of Ministry's assets.
- Payments made for office stationeries for prior year (2011)

6.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

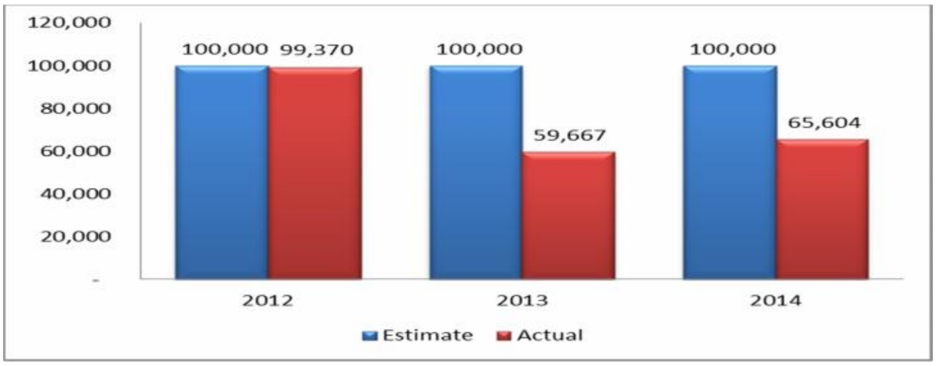
6.3.1 CONTROLS OVER REVENUE:

Findings and Analysis:

6.3.1.1 MFAI BUDGET (REVENUE) SUMMARY 2012-2014

Year	Estimate	Actual	Variance Under/(Over)
2012	100,000	99,370	630
2013	100,000	59,667	40,333
2014	100,000	65,604	34,396

6.3.1.2 COMPARATIVE REVENUE AGAINST BUDGET FOR YEARS 2012-2014

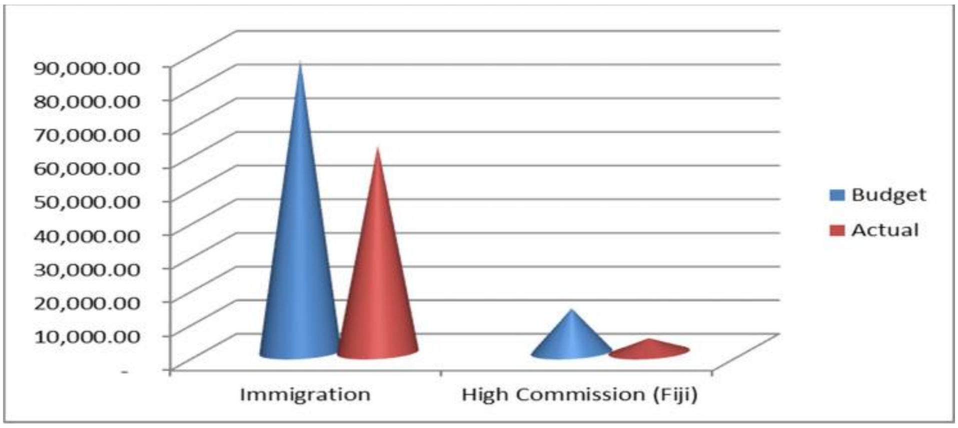


Based on the table and graph above, it was clearly indicated that MFAI for the past three years (2012-2014) had not been able to collect its estimated revenue and the budget level has always been set at $100k. It is therefore of paramount importance for MFAI to revise its revenue budget to a more realistic estimate or, if the estimate is as expected, to exert efforts in collecting the revenue to meet the target of $100k.

6.3.1.3 MFAI REVENUES (ACTUAL) AGAINST BUDGET BY DIVISIONS – 2014

Division	Budget	Revenue	Variance: (Over)/Under
Immigration	87,000	61,457.94	25,542.06
High Commission (Fiji)	13,000	4,145.67	8,854.33
Total	**$100,000**	**$65,603.61**	**34,396.39**

6.3.1.4 COMPARATIVE GRAPH OF BUDGET (ESTIMATE) AGAINST ACTUAL BY DIVISIONS



The graph above shows the level of collections against budget made by the two divisions of MFAI that collect revenue namely; Immigration and KHC. It is sad to note the two divisions do not meet their revenue targets by $61k and $4k[4] respectively.

Other divisions namely, i) Admin (C1401), ii) Mission in Taipei (E1404) and iii) Mission in New York (C1405) have no revenue to collect.

In order to fully contribute to government coffer the Immigration and KHC should provide more realistic revenue estimates to avoid repetitive under collections as again noted in 2014.

Management response:

6.3.2 CONTROLS OVER EXPENDITURE

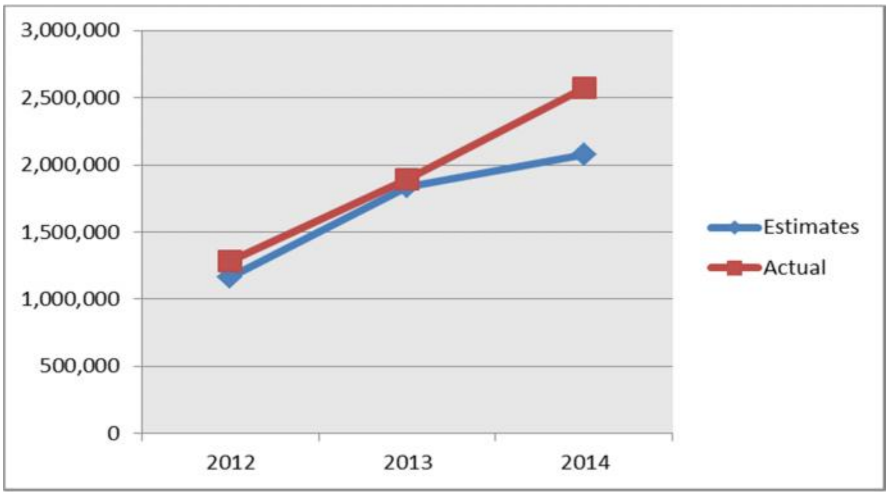
Findings and Analysis:

6.3.2.1 MFAI BUDGET EXPENDITURE SUMMARY

Year	2012	2013	2014
Estimates	1,161,884	1,835,758	2,073,100
Actual	1,286,197	1,894,020	2,570,157
Variance Under/(Over)	**(124,313)**	**(58,262)**	**(497,057)**

[4] Kiribati High Commission (Fiji) would be discussed further in detail following this sub section.

6.3.2.2 COMPARATIVE EXPENDITURE AGAINST BUDGET 2012 - 2014



Exhibited above is the level of actual expenditure against Budget (Estimate) for the past three years to 2014. It is evident the Ministry had escalated its unauthorized spending in 2014 by 7.5 times the overspent in 2013 despite an increase of 11.4% in its budget level.

Recommendation:

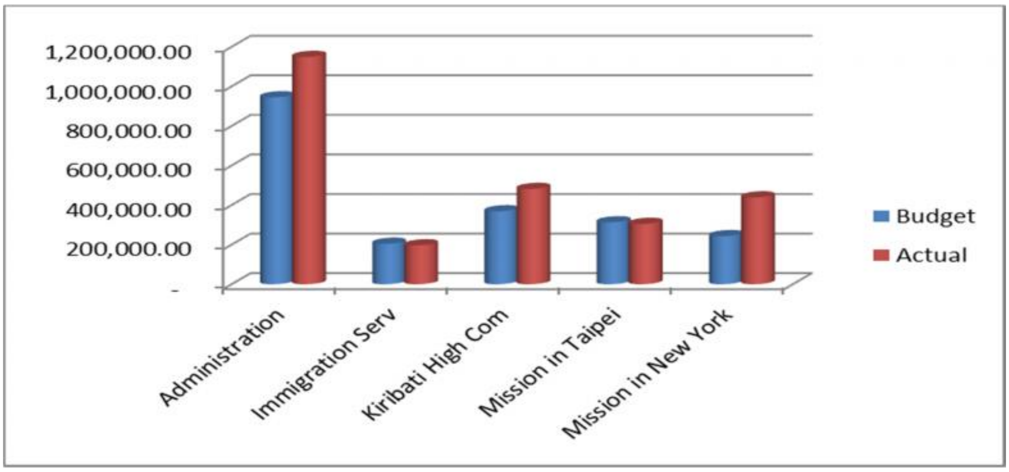
The Ministry should ensure its total budget level is aligned with its divisional activities and applies for timely Supplementary submission to Parliament to cater for extra spending it would incur during the year.

Management response:

6.3.2.3 MFAI BUDGET AGAINST ACTUAL BY DIVISIONS – 2014

Division	Budget	Actual	Variance Under/(Over)
Administration	944,556.00	1,148,815.70	- 204,259.70
Immigration Services	204,300.00	196,293.24	8,006.76
Kiribati High Commission	368,693.00	481,433.58	- 112,740.58
Mission in Taipei	312,705.00	304,825.33	7,879.67
Mission in New York	242,846.00	438,789.09	- 195,943.09
Total	2,073,100.00	2,570,156.94	- 497,056.94

6.3.2.4 COMPARATIVE GRAPH BUDGET AGAINST ACTUAL BY DIVISIONS– 2014



As clearly stated above three of the Ministry's divisions had exceeded their budget estimates by $204k (Administration), $112k (KHC) and $195k by High Mission Office in New York. The remaining two divisions with savings at the end of the year should be commended for having successfully maintained their spending level within their budget.

Recommendation

- MFAI needs to revise its estimate budget in the subsequent fiscal year for the three divisions which had incurred excessive overspending in 2014.
- Management to submit its Supplementary request when it experienced excess spending during the year to avoid incurring unauthorized spending.
- Management to provide reasons for the excessive spending by output per division as stated above.
- Management to ensure its divisions maintain and reconcile their vote ledger with records held by MFED on a monthly basis and make adjustments promptly to avoid incurring unauthorized spending in future years.

Management response:

6.3.2.5 KPF CONTRIBUTION - 2014

Findings and Analysis

The following discrepancies were found between the Audit Figures and Management Report (MFED) during the audit as follows:

Allocation	**1401**	**1402**
Total Annual Gross Salary 2014	$211,070.54	$56,365.00
Multiply by 7.5 % (KPF Rate)	7.5 %	7.5 %
1) Total KPF Contribution (Audit Figure)	$15,830.29	$4,227.38
2) KPF per Management Report (2014)	$14,621.17	$5,295.40
3)KPF as per Budget Figure 2014	$14,380.00	$8,782.00
Discrepancies (between 1 & 2)	**$1,209.12**	**($1,068.03)**
Discrepancies (between 2 & 3)	**$241.17**	**$3,487.00**

In regards of the above variances, an explanation is required from officer concerned to justify such discrepancies. The variance detected above entails the lack of proper review as well as reconciliation by accountable/responsible officers hence improvement for this matter in next financial account is also required.

Although deduction of KPF is automatically eventuated at Salary section of MFED this is also part of the Ministry Account's staff task to reconcile figures appearing in the monthly report obtained from MFED against records on hand and only when this task is overlooked that the discrepancies arise.

Implications:

- The discrepancies reported above would have deprived employees from receiving actual KPF benefit.
- The overpayments appearing in the end of year report would have affected the overall balance of the Ministry's financial report.

Recommendation:

Management should conduct proper review or reconciliation to ensure that all payments of KPF contributions made throughout the financial year are proper and accurate.

Management response:

6.3.2.6 LEAVE BALANCES – 2 YEARS ENTITLEMENT POLICY

Findings and Analysis:
Based on the audit testing it was found that the two selected employees, Secretary and Assistant Protocol Officer, had excessive accumulated leave balances of 160.5 and 57.5 respectively. As confirmed such leave balances exceeded the 2 year leave entitlement which therefore deviates from Cabinet Decision Minute No. 77/10 where it stated that all outstanding leave balances should be taken up only for 2 consecutive years back

Implication:
Failure to follow such decision is a deviation of Cabinet directive as per Minute No. 77/10.

Recommendations:

- Management should update its leave roster and ensure everyone takes leave during the year in order to avoid having leave balances accumulated beyond the requirement period of two years.
- Management should ensure when staff take their annual leave, to utilize the current year's leave entitlement first before taking the balance available in the previous two years, if any, the approach of which is akin to LIFO method.
- Management must ensure that the Cabinet Decision Minute No. 77/10 for leave balances should be enforced and implemented to all MFAI staffs for fairness sake.

Management response:

6.3.2.7 CONTROL OVER LOG BOOK

Findings and Analysis:
The Log Book for BG 205 (Mini Bus) which is employees' transport was noted to have not been updated by the Driver as Mileage details were not noted therein.
The log book for the other Gov't Vehicle Registration Number BG 329 was not maintained to date.

Implications:

- An incomplete log book, in this case the mileage details, would make it difficult to confirm hours been run and could raise doubts on any overtime claimed.
- Unless a monitoring mechanism is in place for fuel consumption, cost of fuel could unnecessarily be inflated and increases the risk of charging government for private usage.
- An updated Log Book would of course support Management in controlling the fuel consumption, and to support overtime claims as well.

Recommendation:
MFAI should therefore strictly enforce the use and updating of Log Books and ensure these books are regularly checked.

Management response:

6.3.3 AUDIT REPORT ON THE ACCOUNT OF KIRIBATI HIGH COMMISSION SUVA, FIJI FOR YEAR ENDED 31/12/14.

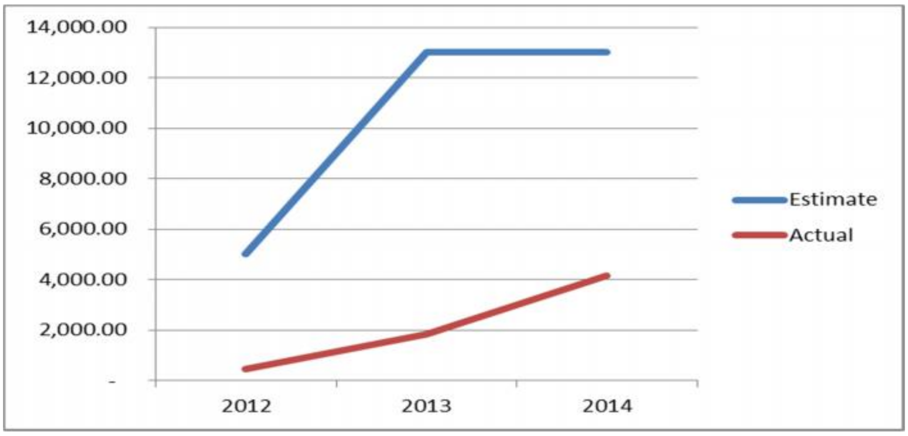
6.3.3.1 CONTROL OVER REVENUE – KHC 2014

Findings and Analysis:

6.3.3.1.1 REVENUE TABLE AGAINST BUDGET – 2012 TO 2014

Year	2012	2013	2014
Budget	5,000.00	13,000.00	13,000.00
Actual	460	1,850.00	4,145.67
Under/(Over)	4,540.00	11,150.00	8,854.33

6.3.3.1.2 COMPARATIVE REVENUE GRAPH AGAINST ESTIMATES 2012 – 2014 - KHC



Illustrative above is the Kiribati High Commission comparative revenue budget and collections for the last three years commencing from financial year ending 31st December 2012 to 2014. As per noted, KHC had still not met its revenue target in 2014 by an amount of $4,145.67.

During the audit it was discovered that Form A no.06/14 amounted to $2,382.00 FJD dated 22/10/14 did not appear in the bank statement. The audit also noted that the dates of some deposits that appear in the bank statement did not match with the deposit slip date. For example, Form A 04/14 $315.00 deposit slip dated 29/04/14 whereas the bank statement dated 01/05/14. Another Form A no.06/14 amounted to $2,382.00FJD dated 22/10/14 did not appear in the Bank Statement for the month of October 2014.

Management response:
Management response received.

6.3.3.1.3 KHC BANK RECONCILIATION – AS AT 31/12/2014

Findings and Analysis:

The monthly bank reconciliation for 2014 was only updated or completed up to end of March 31st 2014 and no other bank reconciliation had been performed to date. As conveyed by responsible officer (Senior Accountant) she was the only one doing all accounting works without the assistance from other colleagues. She will try and finish up everything promptly especially her monthly bank reconciliation as **she also believed this is one of the most useful and effective internal controls over cash on hand and at bank as well.**

It was also found out that the bank statement actual balance as at 31/12/2014 was $312,974.49 FJD equivalent to $186,416.39AUD[5] however; this amount did not match the Annual Account balance of $1,244,573.10 kept by MFED. As a result there was an **excessive variance of $1,058,156.71** or overstatement of KHC bank balance reported in MFED's records and this is therefore subject to prompt reconciliation and adjustment accordingly.

Implications:

- Unsupported excessive variance would undermine the integrity of the posting system by MFED.
- Misstatement of funds and fraud would be triggered if no regular bank reconciliation is conducted by the KHC.
- The nonexistence of proper bank reconciliation with MFED records could also lead to a misleading end of year records on the bank balances of consolidated Government account.
- *2013: Incorrect balances shown on records could lead to unsound financial decisions by high level management. KHC, being recipient and custodian of various funded activities for the likes of student allowances, referral cases etc., should have its bank account(s) closely monitored and regularly updated failing by which could lead to misappropriation and/or fraudulent use of bank funds being veiled at the detriment of beneficiaries.*

Recommendations:

- Proper bank reconciliation statement should be prepared and performed by Senior Accountant at KHC on a monthly basis.
- And also Senior Accountant was encouraged to ensure and reconciles her bank balances against MFED's records including other Gov't Ministries and/or Agencies on a regular basis (Monthly basis).
- Before printing out the annual account balance for KHC, MFED should ensure that KHC reconciled bank account was taken into account to avoid huge overstatement by MFED.
- MFED should urgently start adjusting it bank balance for KHC as at 31/12/14 from over $1.2m to a more accurate and realistic figure approximately of over $186k as per KHC bank statement records.
- MFED should consider curative measures to end the recurring issue of non-bank reconciliation by SA of KHC and to foster segregation of duty either by i) appointing a more competent SA, or ii) exploring avenues of involving some of staff at KHC in the accounting work, or iii) recruit a second accounting assistance from I-Kiribati residing in Fiji to save repatriation costs.

Management response:
Management response received.

[5] Equivalent to $186,416.39AUD at exchange rate; 1.6789, Source: End of Calender Year Rate.

6.3.3.1.4 KHC CASH BOOK STATUS - 2014

Findings and Analysis:

The cash book seems updated in 2014 however the audit realized that the balance shown was not correct and reliable since the amount displayed at year end 31/12/14 was a huge negative balance amounting to **($111,309.21FJD),** meaning the KHC had bank overdraft during that period. However, this was contrary to the balance shown in the bank statement as at 31/12/14 of $312,974.49 FJD.

When reviewing the yearly transactions it was detected that some of the items did not appear in the cash book but appeared in the bank statement (direct debit & credit, bank charges, etc.). This confirmed the Senior Accountant had failed to reconcile her cash book with the bank statement to ensure the balances tie up and any discrepancies noted could be addressed instantly.

Implications:

Incorrect balances shown on Kiribati High Commission records could lead to unsound financial decisions by high level management.

Also in correct balances could veil misappropriation of funds.

Absence of regular bank reconciliation would lead to differences in balances in the bank and that maintained in the cash book and thus exposing the system to fraud.

Recommendations:

Management should regularly reconcile the cash book with the bank statement.

Management should observe the importance of segregation of duty and to ensure this is practiced in the Office.

Management response:
Management response received.

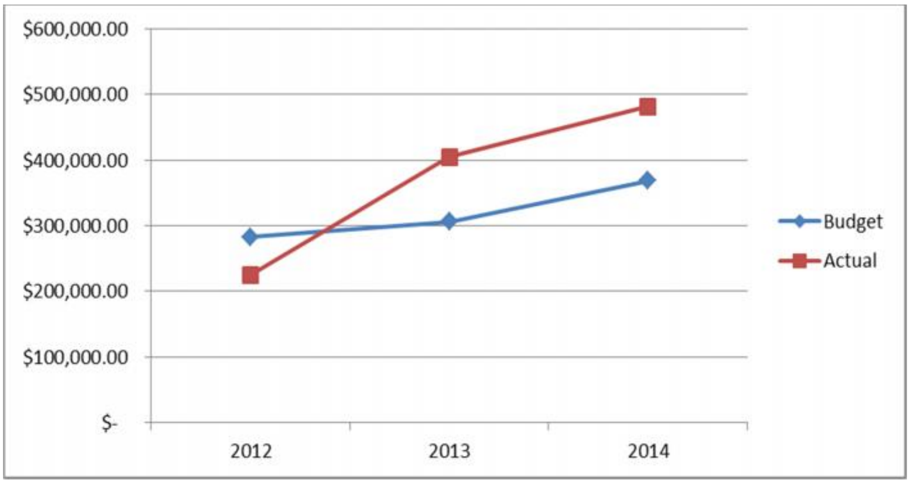
6.3.3.2 CONTROL OVER EXPENDITURE – KHC 2014

Findings and Analysis:

6.3.3.2.1 SUMMARY EXPENDITURE AGAINST BUDGET 2012-14

KHC BUDGET EXPENDITURE SUMMARY			
Details	**2012**	**2013**	**2014**
Budget	$ 282,976.00	$ 306,357.00	$ 368,693.00
Actual	$ 225,184.00	404,256.96	$ 481,433.58
under/over	$ 57,792.00	$ (97,899.96)	$ (112,740.58)

6.3.3.2.2 COMPARATIVE GRAPH EXPENDITURE AGAINST BUDGET 2012-14



The above graph depicts the trend of Expenditure level against Estimate (Budget) for years ending 31 December 2012 to 2014. As observed the actual expenditure pattern goes up exceeding the Budget by $97k and $112k for fiscal years 2013 and 2014 respectively. This was in contrast with the performance in 2012 when KHC had a net saving of over $57k.

6.3.3.2.3 UNDER/OVER EXPENDITURE TABLE BY ALLOCATIONS – KHC 2014

Expenditure 2014				
Code	Description	Revised Budget	Actual	Variance
E14030000201	KPF Contribution	$ 4,395.00	$ 6,382.07	$ (1,987.07)
E14030000202	Salaries	$ 56,992.00	$ 45,170.56	$ 11,821.44
E14030000203	Housing Assistance	$ 18,000.00	$ 14,129.00	$ 3,871.00
E14030000204	Allowance	$ 66,854.00	$ 57,463.85	$ 9,390.15
E14030000205	Overtime	$ 4,368.00	$ 33,251.50	$ (28,883.50)
E14030000206	Temporary Assistance	$ 1,613.00	$ 5,000.00	$ (3,387.00)
E14030000207	Wages	$ 66,643.00	$ 54,759.11	$ 11,883.89
E14030000208	Leave Grants	$ 9,750.00	$ 14,626.19	$ (4,876.19)
	Sub Total	**$ 228,615.00**	**$ 230,782.28**	**$ (2,167.28)**
E14030000215	Transport to work	$ 14,400.00	$ 29,639.24	$ (15,239.24)
E14030000216	Internal Travel	$ 8,724.00	$ 24,790.09	$ (16,066.09)
E14030000227	External Travel	$ 14,860.00	$ 25,453.12	$ (10,593.12)
E14030000231	Telecom	$ 22,088.00	$ 38,823.76	$ (16,735.76)
E14030000232	Electricity and gas	$ 10,126.00	$ 26,650.79	$ (16,524.79)
E14030000239	Entertainment	$ 9,500.00	$ 10,360.69	$ (860.69)
E14030000240	Direct Purchase-Local P	$ -	$ -	$ -
E14030000241	Stationery and Supplies	$ 29,000.00	$ 39,184.30	$ (10,184.30)
E14030000250	Local Service	$ 31,380.00	$ 55,749.31	$ (24,369.31)
	Sub Total	**$ 140,078.00**	**$ 250,651.30**	**$ (110,573.30)**
	Total recurrent expenditure	**$ 368,693.00**	**$ 481,433.58**	**$ (112,740.58)**

As illustrated above, the audit noted that almost all of KHC outputs/allocations were reported overspent except for four emolument items; i) E1403 -202 (net $11k), ii) E1403-203 (net $3k), iii) E1403-204 (net $9k) and iv) E1403-207 (net $11k) respectively. In the absence of a Supplementary it is obvious KHC had failed to sustain its level of spending within its appropriated budget.

Recommendations:

- Management should ensure its vote ledger is regularly updated and to submit a Supplementary for seeking additional funding.
- Management should regularly reconcile its vote ledger balances with MFED records.
- Management should provide a more realistic and inclusive budget for future years.
- Management should put in place an internal control system and policy to avoid excessive over spending.

Management response:
Written management response received.

6.3.3.2.4 FNPF - LACK OF RECONCILIATION

Findings and Analysis:
In performing its testing of FNPF contribution for local employees (Fijian) by obtaining figures from wages, mission's budget and compare with the audit calculation the following underpayment was noted:

Employee FNPF	$111,592.43
Multiply by 8% (FNPF Rate)	8%
Annual FNPF	$8,927.40
KHC Monthly returns	$7,717.92
Variance (under paid)	**$1,209.48**

It is important that KHC fully complies with the FNPF laws in ensuring FNPF deducted from staff is fully paid and in a timely manner in order for those staff to receive the full benefit from such investment.
It was further noted that the FNPF payments for the month of November and December 2013 were included in the **PV17/08 $7,698.80** which was paid out of 2014 provision. The audit also detected that **PV 135/10 $2,048.72** was only for August and September 2014 which means July, October, November and December 2014 were still outstanding, re table provided below.

PV No.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
17/08	$1,014.80	$1,014.80	$808.80	$808.80	$1,213.20	$808.80	$-	$ -	$ -	$-	$-	$-	$5,669.20
135/10	$ -	$ -	$ -	$ -	$ -	$ -	$-	$1,024.36	$1,024.36	$-	$-	$-	$2,048.72
Total Payment for 2014													$7,717.92

The above table indicated the sum of **$7,717.92 (PV 17/08 $5,669.2 & PV 135/10 $2,048.72)** which had been paid to FNPF Office for year 2014 excluded November and December 2013 payments of **$1,014.80 (Nov) and $1,014.80 (Dec)** respectively, however these had been paid in 2014. Thus, the actual amount displayed on PV 17/08 including 2013 FNPF payments (Nov & Dec) was $7,698.80 accordingly.

This means the payment of local staff contribution (Fijian) was not paid on a monthly basis as required under the FNPF law.

Implications:

- The variances noted above would have of course deprived concerned employees (mostly local staff) from receiving such FNPF entitlements accordingly.
- Any huge payments made in current year (2014) which was not budgeted for would lead to unauthorized spending in 2014.
- Irregular payment of FNPF could attract penalty which could further increase the unauthorized spending in the year.

Recommendations:

- Management has to regularly reconcile its FNPF payments to avoid missing out months dues to FNPF Office.
- Management to consider charging staff concerned where penalties for omitted or late months dues are pursued by FNPF Office.
- Management to ensure it has a register for recording payments and regularly updated.

Management response:

Written management response received.

6.3.3.2.5 SALARY AND TEMPORARY

Findings and analysis:

The audit noted the variance of $10,042.56 when comparing the Management report via the Pay Costing noted in the table hereunder:

Management Report	45,170.56
Pay Costing	35,128.00
Variance	$ 10,042.56

The variance detected above was an indication of lack of reconciliation by KHC with records kept by MFED.

Implications:

Variances noted would not provide accurate status of the Ministry spending and could management astray in their decision making

The absence of regular reconciliation would widen the gap between actual Ministry's figures with that of MFED.

Recommendation:

Management should regularly reconcile its figures with MFED and make prompt adjustment as necessary to avoid excessive variances from occurring.

Management response:

Written management response received.

6.3.3.2.6 WAGES ADVANCES

Findings and analysis:

6.3.3.2.6.1 OUTSTANDING ADVANCES

The audit has performed it testing on the advances by obtaining the list of advance and discovered the outstanding of $2,521 FJD for one officer as indicated in the table below:

Names	Fortnight Gross FJ $	Total Amount Advance	Total Recovery Amount	Balance
Officer 1	$ 421.23	$ 4,806.24	$ 2,285.24	$2,521.00

As evidenced from records above, SRO had failed to comply with NCS Sec E1.4 (n) regarding salary (wages) advance which only allows advances in any one of the following circumstances:

- On first appointment
- When proceeding on paid leave
- For the purchase of essential tools
- To pay for an approved corresponding courses
- On compassionate ground

The net balance still owing of $2,521 FJD should therefore be recovered with immediate effect.

There were no letters received from the employees that would support the release of their salary advances and thus would therefore question the validity of the payments and authority under which the KHC officer had paid out such advances.

6.3.3.2.6.2 IMPROPER PAYMENT OF WAGES ADVANCES

The audit also noted that the total amount of $1,667.25 for Wages Advances were deemed improper payment as these payments have no supporting documents attached, only the PV approved and signed by the Accountable Officer. Details of such payments are provided as follows:

Date	Pv No.	Cheque Number	Amount in Fijian $
5/07/2014	14/05	018840	100.00
5/09/2014	14/05	018843	100.00
5/07/2014	08/05	018834	100.00
5/12/2014	12/05	0188838	200.00
5/12/2014	19/05	018848	321.90
15/5/2014	41/05	0188865	407.55
16/05/2014	43/05	no cheque number	237.80
1/09/2014	189/12	019954	200.00
Total			**$ 1,667.25**

Implication:

Any advances paid without proper procedures and no relevant supporting documents attached would create misappropriation of cash and leaking out of Public funds.

Recommendations:

- Management must ensure it ceases such practice of freely paying out salary advances and to ensure conformity with FR requirements.
- Management should recover with immediate effect outstanding salary advances from employees concerned.
- MFED should consider remedial action on KHC staff concerned.

Management response:

Written management response received.

6.3.3.2.7 AGREEMENT OF SERVICE

Findings and analysis:

The agreement of service Contract for Kiribati High Commission staffs were not yet renewed as evidenced in the agreement documented in each of individual staff records as per CPF documents listed below:

Rank	**Latest Agreement of Service-Period of Service**
High Commissioner	A period of twelve months with effect from 15th December 2006
Security officer	Service commence on 31st January and is valid for a period of 12 months
Gardener	Service commence on 31st January and is valid for a period of 12 months

As required, "an employee whose re-engagement is approved may be required to enter into a new agreement or may be offered an extension of his existing agreement on the same terms" And this related to the Extension of Agreement NCS B. 18. However, there was no record of extension sighted for the three staff mentioned in the table above.

Implication:

The absence of extension documents would annul the payments been made and existence of positions in the KHC.

Recommendation:

Management must ensure copies of extension of contracts (for Service Agreement) are updated and kept on records for ease of reference by auditors in future audits.

Management response:

Written management response received.

6.3.3.2.8 OVERTIME

Findings and Analysis:

During the walkthrough testing it was pleasing to note a major by RO in verifying, reviewing and authorizing overtime payments. However, some minor issues were still detected and need improvement as per details provided hereunder:

- PV 151/10 $810.02FJD – No signature of receiver on the PV and hours claimed were too excessive as 16 hours stated in the overtime docket. This payment was also not reflected in the GL report 2014 provided from MFED.
- PV 133/10 $97.20 – Included in this payment was the refund of airfares $10.00 which is totally wrong. Reimbursement of fares should be taken out from Petty Cash Fund and not from the provision for overtime.
- PV 116/10 $350.92 FJD – amount entered in cash book was $310.92FJD chq # 19624 resulting in a difference of $40, no signature of receiver neither the proper allocation to be charged. These are deviations from the Financial Regulation requirement.

Implications

The absence of signature of receiver on the PV while the payment was made is definitely fraud and concerned staff should make good for such improper payments.

The excessive hours claimed would annul the payments already been made.

The improper payments had been made raises doubt on the integrity of officer raising the payment vouchers.

Recommendations:

Management should regularly check the authenticity of payment vouchers to ensure full compliance with FR by its SA.

Management should ensure overtime documents are checked thoroughly for accurate hours worked, over time was authorized and certified by supervisor before payment is made.

In order to fully compliance with FR 2011; Senior Accountant should ensure that every single part of Payment Voucher should be filled from both Ministries each time a payment is prompted.

Management response:
Written management response received.

6.3.3.2.9 CONTROL OVER IMPREST – INTERNAL AND EXTERNAL

Findings and Analysis:

In this financial year 2014 some issues found for Imprest was analogous with last year (2013) audit findings such as i) Imprest register ii) Combined Imprest form and Traveling claim form iii) Outstanding of special Imprest and the retirement of Imprest which are drawn from KHC.

As per noted, the audit was unable to determine the actual total outstanding of Imprest for concerned officers for the year ended 31/12/14 due to the unavailability of updated Imprest register for 2014. The audit also noted that KHC still used PVs for the issuance and retirement of Imprest instead of using combined Imprest form as well as travelling claim form when retiring of Imprest. Further as per reported, most of the Imprest issued out for internal travel were not fully supported. As per confirmed after the audit tests there was no letter attached indicating the purpose of the trip and why such trips were deemed essential therefore this should be strictly monitored in the future.

We therefore confirm that no proper actions were put in place (no improvement) over the issuance and retirement of Imprest as same issues were detected again in this year 2014. This is a reflection of lack of performance by the responsible officer. Therefore, KHC should take note of this seriously and make some changes at least in the next financial year.

Implication:

2013: The absence again of an Imprest register, utilizing a PV instead of a combined Imprest form without attaching relevant supporting documentations, confirms KHC failure in conforming with the normally accepted government procedures in regards to the issuance and retirements (within 10 days) of Imprest.

Recommendations:

Management to enforce maintenance of Imprest register and ensure it is updated regularly by SA.

SA to fully comply with FR requirements in ensuring all supporting documents is attached when issuing out special Imprest to concerned officers (i.e. air ticket, letter detailing the purpose of the trip, etc.)

Management to conform with the retirement of Imprest policy of 10 days when return from official travel.

Management response:
Written management response received.

6.3.3.2.10 PROCUREMENT

Findings and Analysis:

While conducting the audit for KHC financial year 2014 the following issues were found:

- <u>Pv 36/11 $8,500, Cheque No. 019707, Dated 11/10/2014 – Pacific Green</u>
  As per confirmed from SA the above payment was not procured. In this case, KHC had failed to comply with Procurement Act in which payment above $5000 should be procured according to procurement act 2002.
- <u>Pv 12/06 $11,446.00, Cheque No. 018951 Dated 6/03/2014 – Tasman Ventures</u>
  The accuracy and confirmation of the above payment whether it has been procured or not could not be validated by the audit due to unavailability or missing of such PV.
- <u>Upgrading and Renovation Works for HC, FS and KHC Office – Tricorp Construction</u>
  According to the Contract Agreement between the Supplier and KHC the maintenance works must be completed by 30 December 2014 at 5pm. The total cost involved for this project was **$34,646.50 FJD** and the payment should be done in two stages (50% of signing and 50% on completion) as per Sec 6 of this contract agreement. However, it was found while carrying out the audit that the actual amount paid for the above works was **$46,141.25FJD** incurring a variance of over **FJD $11k**. Also the payment was done in four stages and not in two stages as per contract agreement as follows;

Details	Reference	Agreed amt as per agreement signed	KHC Figure	Variance
24/10/2014	PV 123/10	34,646.00	17,323.00	
18/02/2014	PV 72/12		7,000.00	
2/02/2015	PV 08/02/15		11,495.00	
31/12/2014	**NA**		10,323.25	
	Total	34,646.00	**46,141.25**	11,495.25

Further, the different quotations provided from concerned officer for the above maintenance works was seems unclear and not relevant to the above works. Thus KHC should provide proper quotations for the above project accordingly.

- There was no list of three suppliers to select from as required under the procurement provisions.

Implication:

Loss and misuse of Public funds could result by not following the requirements of Procurement Act 2002.

Recommendations:

- Management should observe the importance of and conform to the provisions of the Procurement Act 2002 in order to deter misappropriation of public funds.
- In case where the KHC will expend amount of over $5,000 to acquire the office needs, the audit encouraged SA to provide at least 3 different quotations from different suppliers to comply with Procurement Act 2002.

Management response:
Written management response received.

6.3.3.2.11 STUDENT ALLOWANCE 2ND QUARTER PAYMENT

Findings and Analysis:

During the audit it was noted with concern that one payment for student allowance (Direct Debit) had no supporting letter including the lists of students in which they authorize the ANZ Bank to transfer such significant amount from KHC Bank account to each respective student's bank accounts. A detail of such payment is provided in the table below:

Date	Description	Amount (FJD)	Comment
01/04/2014	Direct Debit 2nd Quarter	$13,523.97	No supporting documents available

Implication:

Unavailability of essential supporting documents would result in nullifying the payment been made.

Recommendation:

Senior Accountant should ensure all supporting document for any payment must be attached and stored in a safe place for future references and audit purposes.

Management should provide supporting documents and confirm that the transfer was in order and to take remedial action where necessary.

Management response:
Written management response received.

6.3.3.2.12 BPC COMPENSATION – 2009

Findings and Analysis;

Included in the DW No. 12/09 AUD$46,220.00 Dated 22/09/09 were five persons who should receive their claims from BPC Compensation. However, the audit confirmed that only two payments were made via KHC Office (Suva) on PV 62/09 FJD$6,240 dated 19/10/09 and PV 58/10 FJD$20,823.33. The other three claims were confirmed paid out at Rabi Island as per noted when performing the audit tests.

According to the chq butt no.012186 Dated 23/10/09 an amount of $49,970.00FJD was withdrawn from KHC Bank account to cater the payments for the other three claims as per DW no.12/09 stated above. Unfortunately, the audit could not confirm such payments since the PV 73/09 which was stated in the Chq butt no. 012186 was noted not available or was missing.

Related to the payment of such compensations was an Imprest drawn by the former SA. The amount of Imprest and incidental she paid herself was deemed to excessive or improper, i.e. PV 72/10 was for $2,390FJD when should only be for 5 days @ 178 = $890.00 plus incidental $1,500FJD). Also as per noted, there was a ticket for two persons also issued out on chq # 012187 valued to $630FJD, dated 23/10/09. As confirmed, that payment was mainly for Former SA **with her spouse** to travel to Rabi Island for disbursing such claims or payments.

Implications:

The absence of segregation of duty within KHC had encouraged abuse of power by accounting supervisor.

The absence of a control mechanism on payments made by SA alone would lead to fraud and misappropriation and loss of government funds.

Recommendations:

Management should ensure SA maintains a register and ensure all Payment vouchers are fully supported and kept in a safe place for ease of reference when needed, FR – 2011 refers.

The former SA to make good for the excess and improper payments she had included in her Imprest.

Management response:
Written management response received.

7. MINISTRY OF INTERNAL AFFAIRS (MIA)

7.1 AUDIT OPINION

A qualified audit opinion is issued for the Ministry of Internal Affairs (MIA) for the year ended 31 December 2014 **Except for** the effects of the matters as discussed in detail from section 7.3 below.

7.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM

The following issues were noted as the causes of the qualified audit opinion for the Ministry of Internal Affairs performance in the fiscal year 2013.

- Exceeding the amount approved (Budget) from Parliament
- Not maintaining and updating the Vote Book for FY 2013
- Lack of control over the Imprest

7.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

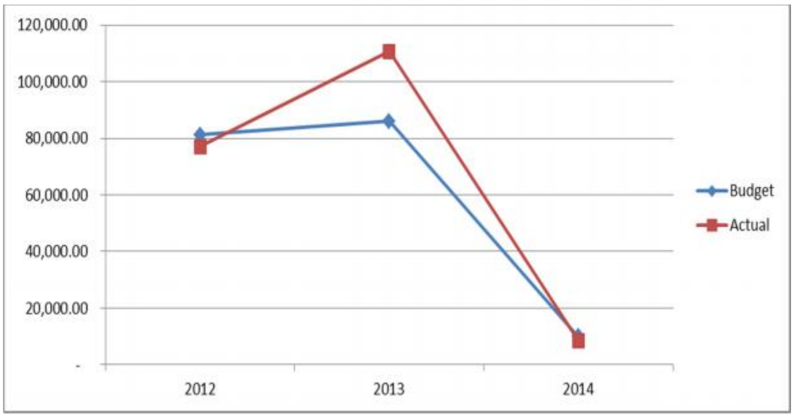
7.3.1 REVENUE (BUDGET)

Finding and Analysis:

7.3.1.1 MIA REVENUE SUMMARY COLLECTION

Year	Budget	Actual	(over)/under
2012	81,160.00	77,056.00	4,104.00
2013	86,000.00	110,664.00	(24,664.00)
2014	10,000.00	8,577.00	1,423.00

7.3.1.2 MIA COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

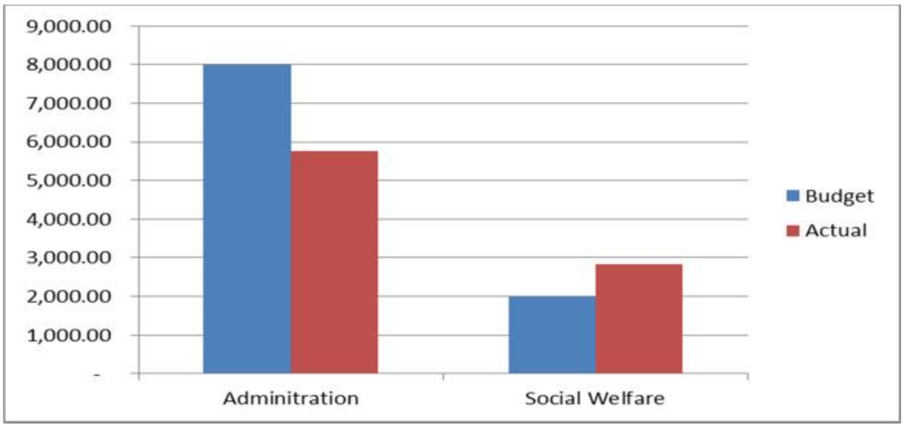


As shown in the above graph, the budget was drastically reduced in 2014 by 88% when compared to that of 2013 and this almost corresponded with the level of revenue received which had also dropped by 92%. Despite such drop in the budget the Ministry had still not been able to meet its revenue target, a shortfall of over $1k. The Ministry should ensure it meets its revenue target in future years.

7.3.1.3 MIA REVENUES BUDGET AGAINST ACTUAL BY DIVISIONS.

Description	Adminitration	Social Welfare
Budget	8,000.00	2,000.00
Actual	5,750.00	2,827.00
(over)/under	$ 2,250.00	$ (827.00)

7.3.1.4 MIA COMPARATIVE GRAPH OF REVENUE BUDGET AGAINST ACTUAL BY DIVISIONS.



The Ministry has 4 divisions of which 2 are generating revenue; 01 Administration and 05 Social Welfare. Division 05-Social Affairs had exceeded its estimate revenue of over $827 whilst division 01 Administration had not reached its revenue target by $2k.

Recommendation

Management must ensure its revenue divisions exerted extra efforts in future to meet their revenue targets.

Management response:
Response received.

7.3.1.5 UNDERSTATED REVENUE COLLECTION RECEIPTS

Findings and analysis:

The MIA receipts of 111804 and 111807 were being understated by $82.10 and this was due to the wrong calculation; as noted MIA reported its Figure as $5,750, however, the audit, after its calculation, detected the value should be $5,832.10 for receipt number 111801 to 111818, thus incurring a difference of $82.10 (understated revenue) as indicated below:

Date	Form A	Receipt No.	MIA Amount	Audit Figure	Variance
13/07/2014	016/14	111801-111818	5,750.00	5,832.10	$82.10

Implication:
The under stated collection is a loss to government's coffer and therefore should be recovered from the officer concerned.

Recommendations:

- Management must ensure that monies receipted are correctly recorded in order to give the accurate figure and complete record for the collection of revenue from time to time or
- Management must recover the loss of $82.10 from the officer concerned and instigate stringent action to deter misappropriation of funds by responsible officers.

Management response:
Written response for this anomaly was received.

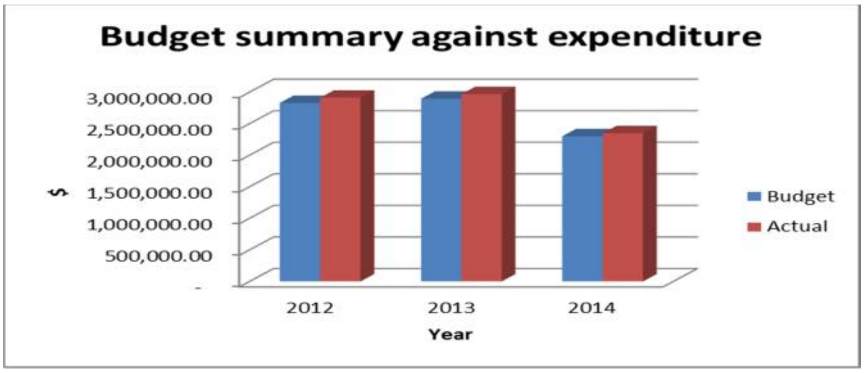
7.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

7.3.2.1 MIA EXPENDITURE SUMMARY

Description	2012	2013	2014
Budget	2,829,486.00	2,895,168.00	2,300,999.00
Actual	2,912,865.00	2,969,234.00	2,348,947.85
(over)/under	(83,379.00)	(74,066.00)	(47,948.85)

7.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL

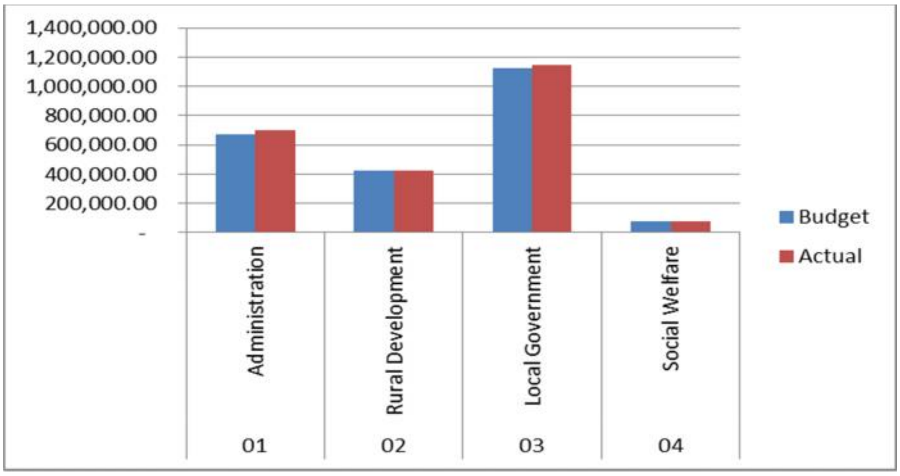


As could be seen from the table above the budget allocation for MIA in 2014 was reduced by 20% despite the excess spending of $74k in 2013 and with a reduction in the budget level had incurred an over spending of 2%. When comparing its actual spending with that incurred in 2013 MIA had managed to cut its spending level by $620k, a major improvement when compared to the previous two years performance. Therefore management should be encouraged to continuously manage its spending level and to ensure its budget level in the future is aligned with its divisions' planned activities.

7.3.2.3 EXPENDITURE AGAINST ACTUAL BY DIVISIONS

	01 Administration	02 Rural Development	03 Local Government	04 Social Welfare
Budget	675,478.00	423,099.00	1,123,855.00	78,576.00
Actual	702,700.62	422,242.86	1,143,911.64	80,087.00
(over)/under	(27,222.62)	856.14	(20,056.64)	(1,511.00)

7.3.2.4 COMPARATIVE GRAPH BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISIONS



As noted from above, the bulk of the overspent in 2014 was incurred by the 3 divisions namely; 01 - Administration with the overspent of $27k, 03 - Local Government Support with the amount of $20k and lastly 05 - Social Welfare of $1k overspent. The 02 - Rural Development division should be commended for having managed to operate within its allocated budget.

Recommendation:

Management should reconsider its budget for future years and to encourage all its divisions to keep their level of spending within their allocated provisions.

Management response:
Management written response was received.

7.3.2.5 CONTROL OVER BUS TICKET

Finding and analysis:

The audit noted the following weaknesses resulting from the poor control over the bus tickets issuance and usages as follows:

1) The amount involved for the missing and unrecorded of bus ticket in the issuance register was $80.50, as stated in the table below and this should be recompensed by the responsible officer:

Denomination	Serial No.	no. of ticket	value	Amount
0.60 cents	558937-558972	35	21.00	
	558998-559000	2	1.20	
	606419-606500	81	48.60	**70.80**
0.70 cents	373500	1	0.70	
	373392-373400	9	6.30	**7.00**
0.90 cents	406000	1	0.90	
	378899-378900	2	1.80	**2.70**
Total				**$ 80.50**

2) There were times when some officers did not sign against their names and the value for the unsigned bus tickets was $151.70[6].

3) The audit also noted numerous bus tickets been collected and signed by one person without authoritative letter and the value was $216.30[7] and, as per recommendation above, the officer signing all the tickets should repay the value noted below:

Implications:

- By not signing against officer's name after collecting bus ticket and failure to note destination and date in the cash book would increase the risk of fraud.
- The collection of tickets for someone else in the absence of an authority would increase the risk of misappropriation and misuse of bus tickets.

Recommendations:

- Management should regularly review its bus ticket register and to take appropriate action where deviations are noted.
- Issuing Officer should ensure all recipients of bus tickets sign against their names and collection by other officers should be supported by written authority.

Management response:
Written management response was also received and kept on file for references.

[6] Break down of this figure could be seen under MIA Ref: AS2, Bus ticket 2014.
[7] Same as stated above

7.3.2.6 UNAVAILABILITY OF DOCUMENTS

Findings and Analysis:

The audit noted that some of the requested documents (PVs) as per details in table below were misplaced and unable to be provided from the ministry concerned for audit verification. The amount of which involved was **$13,471.88** accordingly. Due to the unavailability of these documents we (auditors) could not confirm the accuracy of such payments. Given the records requested were just for last year and if management could still not be able to have those maintained properly one would undoubtedly question the integrity of those charged with custody of government financial documentations, thus, reasonable and valid explanations must be provided by MIA.

Output Details	Allocation	PV #	Details	Amount
External Travel	E1501-227	MIA 74/14	Imprest retirement	$3,961.00
Electricity and Gas	E1501-232	MIA 593/14	HQPV 2587/6 MIA 593/14	3,014.00
		MIA 788/14	HQPV 2184/10 MIA 788/14 PUB	3,717.79
		MIA 1034/14	HQPV 2810/10 MIA 1034/14 PUB	2,779.09
Total				**$13,471.88**

Implications:

- Missing and unavailability of documents requested for audit verification such as payment vouchers to support the payments been made is a complete violation of the provisions of Cap 79 and government Financial Regulations.

- The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.

Recommendations:

- Management must ensure all documents are fully supported and kept for future audit reference.
- Management must ensure its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- Movement register for all accounting source documents should be maintained and ensure the movement of batches are properly recorded and monitored regularly.

Management response:
Written response was received for this issue.

7.3.2.7 LOG BOOK

Findings and analysis:
It was noted that MIA drivers had also failed to update their log book for 2014 therefore the auditors were unable to check and confirm the accuracy of the following itemized expenses for 2014:

- Overtime
- Fuel
- To detect mileage used for non-official usage.

Implications:

- Failure to update log books would make it not possible for auditors to confirm claims been lodged for overtime, refueling and that proper uses of the vehicles are in order.
- Failure to maintain and update log books on a regular basis would increase the risk of misappropriation of funds if no monitoring mechanism is put in place by management to monitor the fuel consumption and usage of government vehicles.

Recommendation:

Accounting officer has to remind drivers to return their log books to the accounting unit for account/management and/or audit purposes and to be updated regularly.

Management should put in place a monitoring mechanism for controlling fuel consumption and to deter private usage of government vehicles.

Management response:

Written response for this issue was also received.

7.3.2.8 OTHER COMMITMENTS

Finding and Analysis:

Description	Budget	Actual	(over)/under
SupportGrant to Council	1,300,673.00	1,237,152.53	$ 63,520.47
Local Council Grant	180,686.00	333,439.35	$ (152,753.35)

The above table depicted locally funded projects through the assistance of MIA. As evidenced above there was a net saving of $63k for Support Grants while under Local Council Grants an excess spending of $152k was incurred.

Implications:

- Excess spending incurred outside the budget allocation is unauthorized spending.
- Distribution of Government Support Grants and Local Council Grants are statutory payments and any overstatement in particular will have an adverse effect on the overall total of other commitments for the Ministry.

Recommendation:

Management must ensure that such funds are budgeted and approved to cater for certain particular projects must be utilized as intended for failure by which would undermine the credibility of the Management has to advise from what source it has managed to continuously pay out the Local Council Grant.

Management response:

Written response for this issue was received.

8. MINISTRY OF ENVIRONMENT LANDS & AGRICULTURAL DIVISION (MELAD)

8.1 AUDIT OPINION

A qualified audit opinion is issued for the Ministry of Environment, Lands and Agricultural Development (MELAD) for the year ended 31 December 2014 **Except for** the effects of the matters as discussed in detail from section 8.3 below.

8.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the qualified audit opinion for Ministry of Environment Lands & Agriculture Development performance in the fiscal year 2013.

- Overspending of Budget 2013
- Failure to maintain and update GRR register book/cash book/vote book
- Deposit was not made on a timely basis
- Lack of proper reconciliation
- Reporting of excessive arrears of revenue
- Outstanding Imprest of over $34k

8.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comments:

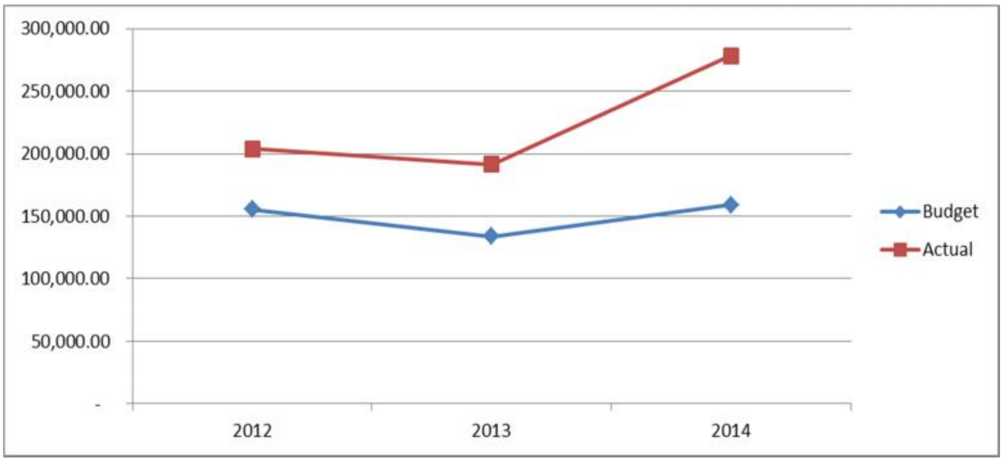
8.3.1 REVENUE (Budget)

Findings and analysis:

8.3.1.1 MELAD REVENUE SUMMARY COLLECTION:

Year	Budget	Actual	(over)/under
2012	155,300.00	203,657.00	(48,357.00)
2013	133,943.00	191,609.90	(57,666.90)
2014	159,150.00	278,091.40	(118,941.40)

8.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

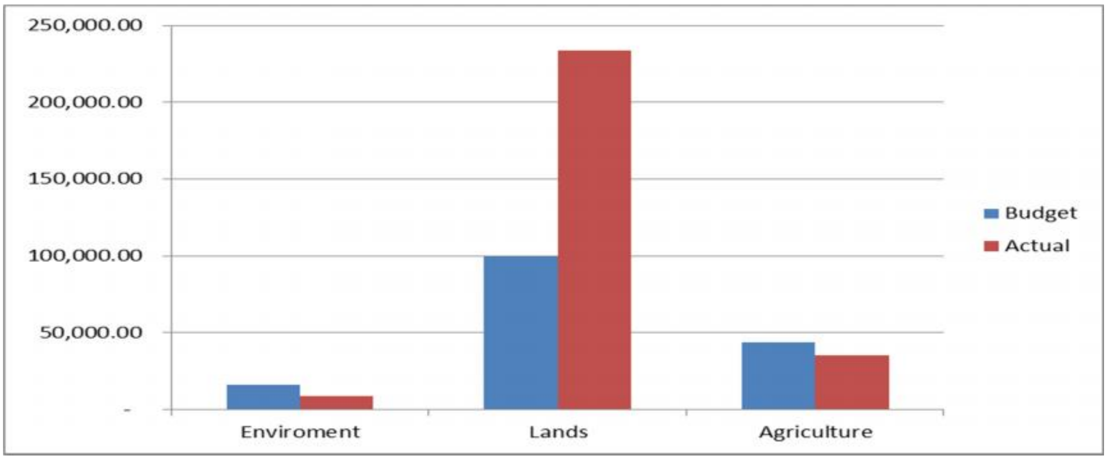


Exhibited above is the level of actual collection against estimate (revenue) budget for years ending 2012 up to 2014. As noted the Ministry's actual collection for year 2014 had escalated when compared to that of 2013 by $61k even when its budget level was also increased by over $25k. The Ministry had continuously exceeded its budget level and should therefore be commended for such achievement.

8.3.1.3 MELAD REVENUES AGAINST BUDGET BY DIVISIONS

Description	Budget	Actual	(Over)/Under
Enviroment	16,120.00	8,910.65	7,209.35
Lands	99,456.00	233,757.15	(134,301.15)
Agriculture	43,574.00	35,091.40	8,482.60

8.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISION



In this financial year 2014, Land & Survey Division is again the major contributor of more than $134k over its budget level while the other two divisions had failed to achieve their revenue estimate by reporting a shortfall of over $7k and $8k respectively. This division should be commended for such achievement and encouraged to maintain such effort in future years.

Recommendation:

The Ministry should be commended for such achievement however, in order to provide a more realistic budget level; to ensure its budget estimate in future years is more aligned to its planned activities.

Management response:

8.3.1.5 REVENUE COLLECTIONS WEAKNESSES

Finding and Analysis:

When conducting the audit, we noted the weaknesses in collection of MELAD revenue by i) the understatement of revenue collection of $39.00, ii) the missing of sub receipt books and iii) not updating account records as indicated below:

i) Agriculture

The understatement of revenue collection for Agriculture division was $39.00 as indicated below:

Sub RR or Phyto rr no.	9029-9050 plus 9051-9070	194.70
Cash book-Main receipt no.	109624	155.70
(over)/under		**$ (39.00)**

Missing of sub receipt book or phyto books: 10001-10050 and 29950-30000

ii) Environment Division

The sub receipts number 118201 – 118400 and 115601 – 115800 requested for audit verifications were not provided and available hence no further testing was carried out by audit team.

iii) Lands Division

The sublease rent was not updated which simply indicated the poor performance in recording and updating sublease rent as follows:

Description	Amount
Sublease list	85,335.00
GL Finance	221,302.98
over/under	**$ (135,967.98)**

However, based on the audit observation regarding sublease, the audit identify significant variance of $135k exist between MFED records and Lands division. The variance resulted from the Land's failure to conduct regular reconciliation on timely basis.

Implications:

- The absence of sub receipt books and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.
- If management failed to maintain a regular review on daily revenue collection and revenue register to capture the issuance of sub receipt book plus main receipt books (GRR) then there will be a risk of manipulating revenue collection and/or misappropriation of cash collected.
- Failure to record sub receipts for collections into main receipt (GRR) and not being accounted for into cash book records is definitely a loss of cash collection.
- Failure to maintain reconciliation on timely basis can result in unrealistic figures which can distort the records and management decision and would increase risk of loss of funds.

Recommendations:

- Management must ensure to conduct a regular review on monies collected and receipted into sub receipt book in order to be receipted into main receipts and accounted for into cash book records for accuracy and completeness.
- *Management to recover the unrecorded cash from the accounts staff concerned and ensure appropriate reprimand is instigated immediately to deter such malpractice.*
- Management must ensure all relevant accounting records must be monitored and stored in a safe environment and kept under the custody of Senior Accountant.
- Management must ensure it conducts a regular reconciliation as this is one of the core tasks of agreeing balances between MFED and the Ministry.

Management response:

Management response received.

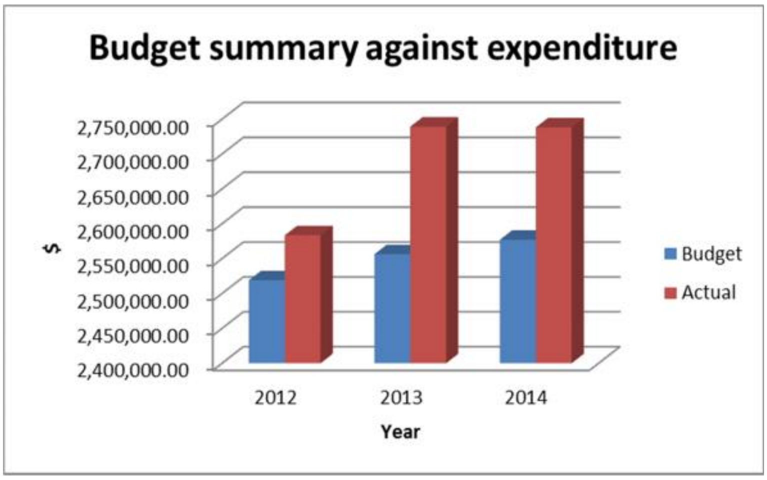
8.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

8.3.2.1 MELAD EXPENDITURE SUMMARY

Description	2012	2013	2014
Budget	2,519,000.00	2,556,320.00	2,577,140.00
Actual	2,583,528.00	2,739,280.28	2,738,280.06
(over)/under	(64,528.00)	(182,960.28)	(161,140.06)

8.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL.

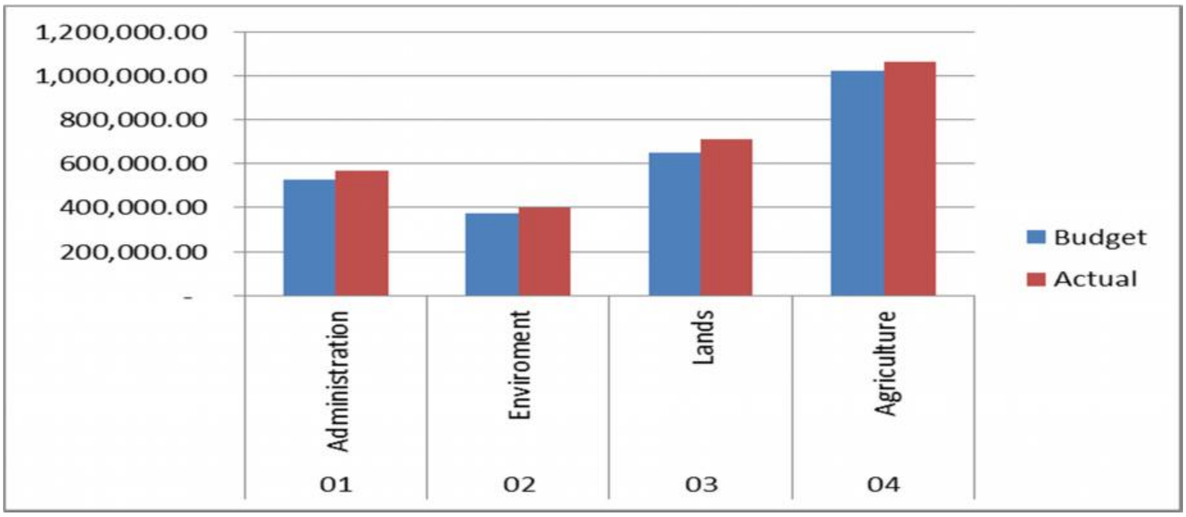


The ministry had again incurred an over expenditure in the year 2014 of over $161k, an amount of which, however, fall slightly below that over spent in 2013 of $182k. The audit noted the budget for 2014 was not increased to align it with the level of spending incurred in 2013 hence the over spending level of 2014 falls within close vicinity of that overspent in 2013. MELAD should sought a budget level that would absorb overspending incurred in previous year to avoid continuously incurring unauthorised spending.

8.3.2.3 MELAD EXPENDITURE BUDGET AGAINST ACTUAL - DIVISIONS

	01	02	03	04
Description	Administration	Enviroment	Lands	Agriculture
Budget	525,190.00	375,254.00	649,111.00	1,024,202.00
Actual	568,228.57	398,170.36	710,026.86	1,061,854.27
(over)/under	(43,038.57)	(22,916.36)	(60,915.86)	(37,652.27)

8.3.2.4 COMPARATIVE GRAPH OF BUGDET EXPENDITURE AGAINST ACTUAL - DIVISIONS



As clearly shown above, all divisions under this Ministry had all exceeded their budget limits by substantial amounts thus incurring an aggregate overspending of over $161k. The bulk of such overspent derived from 03 - Land & Survey with an amount of over $60k followed by 01 -Administration of $43k, and lastly divisions 04 & 02 Agriculture and Environment with an overspent of $37k and $22k respectively.

Implication:

The Net Excess spending, when added with that incurred by other Ministries, would increase the level of withdrawal from the RERF in the absence of other avenues to leverage such unauthorized spending.

Recommendations:

Management must ensure it bids for a higher budget level that would support all its planned operations.

Management ensure all its divisions regularly reconcile their records with that held by MFED and ensure it takes appropriate action to avoid its divisions from incurring over spending by the end of the year.

Management response:
Management response received.

8.3.2.5 UNAVAILABILITY OF DOCUMENTS

Findings and Analysis:

While conducting the audit, one significant payment requested was noted been misplaced and unable to be provided for audit verification as per detailed in the table below. The amount involved was $1,469.25. Since this payment was misplaced and unable to be provided for audit verification we (audit team) could not confirm the accuracy of such payment. Therefore, reasonable explanations must be provided by MELAD.

Divisional Section	PV #	Amount
Land Division	L5225	$ 1,469.25

Implications:

- Missing and unavailability of documents requested for audit verification would raise doubts on the genuinely of such payments and is a violation of Cap 79 and government Financial Regulations.
- The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.

Recommendations:

- Management must ensure all documents are fully supported and kept safely for ease of reference in future audits.
- Management must ensure its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- Movement register for all accounting source documents should be maintained and management to ensure the movement of batches are properly recorded and monitored regularly.

Management response:
Management response received.

8.3.2.6 OUTSTANDING PAYMENT 2013-PAID INTO 2014 BUDGET

Finding and Analysis:

The audit noted the invoices from 2013 with total amount of $3,303.70 were paid out in 2014 budget.

Date	Details	Pv. No.	Amount
29/10/2013	Purchases of Lands division stationeries	07/14	$3,303.70

Implications:

- If management failed to conduct proper reconciliation on monthly basis, this will eventually lead to an overspending in the budget for the current year.
- Long outstanding claims could make it difficult for management to justify and confirm that the claim is in order and thus could lead to duplication of payment.
- Lack of a monitoring mechanism that will show records of service still pending would increase the risk of loss of public funds.

Recommendations:

- Management must ensure to perform regular reconciliation with the MFED to confirm that each particular of transaction has been reflected in the system to avoid discrepancies.
- Management must regularly monitor its vote ledger and ensure it includes its commitment for ease of reference.

Management response:
Management response received.

8.3.2.7 IMPREST-INTERNAL AND EXTERNAL

Finding and Analysis:

The audit noted the following employees had travelled and failed to retire their Imprests within 10 working days after returning from their official travel, re table below:

Date	Imprest #	Officers	Period	Reasons of trip	Country/Island	Amount
22/7/14	452/14	Officer 1	24/7-7/8/14	survey council lease	Tamana/Arorae	**630.00**
			24/7-7/8/15	survey council lease	Tamana/Arorae	**630.00**
			24/7-7/8/16	survey council lease	Tamana/Arorae	**630.00**
11/06/2014	69/14	Officer 2	10/11-24/11/14	world park congress -sydney	sydney	**300.00**
11/07/2014	71/14	Officer 3	11/11/14-16/11/14	Turtle training	N/tarawa	**225.00**
21/5/14	39/14	Officer 4	26/5-19/6/14	40th SB sessions 11-15 june 14	Dubai	**1,360.00**
	39/16	Officer 5	not stated	Workshop	Taiwan	**480.00**
				Total		**$4,255.00**

The above is an outstanding Imprest to end of 2014 and management should ensure conformity with the Imprest retirement policy by the named officers.

Implications:

- Timely retirement of Imprest is in compliance with FR 2011 requirement and would contribute to the strength of the cash flow of Government.
- Failure to retire the Imprest and yet again issued a new one is a total failure of management to comply with the Imprest policy the result of which could increase the risk of loss of public funds if such were not detected at a later stage.
- Accumulation of outstanding Imprests to return could cause hardship on the Imprest holder if recoveries were hastened at a later stage.

Recommendation:

- Management must maintain a register for Imprest to ensure full conformity with the Imprest Policy.
- Imprest retirement policy must be enforced in order that:
  i. All Imprest are retired after 10 working days from the date the officer returned from the official trip.
  ii. No further Imprest will be given to the officer until the previous Imprest had been cleared.
  iii. Management has to ensure all above listed officials have retired their Imprests and to pursue speedy recovery on those having dues to government.

Management response:

Management response received.

8.3.2.8 VOTE BOOK – AGRICULTURE

Finding and Analysis:

Audit discovered that the vote book for Agriculture division was not maintained and kept up to date by the account unit and thus had made it difficult for the Ministry to conduct and perform regular reconciliation with the MFED records.

Implication:

Failure to update the vote ledger and have no review conducted on postings of transactions into vote ledger would make reconciliation difficult and a breach of FR 2011.

Recommendation:

In conforming with FR 2011 chapter 8 paragraphs 168-169, management must maintain and regularly update its vote book to ease reconciliation with records held by MFED.

Management response:
Management response received.

8.3.2.9 SALARY OVERPAYMENT

Finding and Analysis:

The audit revealed that there was a salary overpayment of $2,484.00. This was in respect of Stockman officer, who was continuously paid from 10/01/14 – 30/05/14 when the officer's appointment was terminated on 20/06/13. Details of pay periods in which the officer had been overpaid are provided hereunder:

Year 2013		Year 2014	
Pay period	**Amount**	**Pay period**	**Amount**
28/06/13	103.50	1/10/2014	103.50
7/12/2013	103.50	24/1/14	103.50
8/09/2013	103.50	2/07/2014	103.50
23/8/13	103.50	21/2/14	103.50
9/06/2013	103.50	3/07/2014	103.50
20/9/13	103.50	21/3/14	103.50
10/04/2013	103.50	4/04/2014	103.50
18/10/13	103.50	18/4/14	103.50
11/01/2013	103.50	5/02/2014	103.50
15/11/13	103.50	16/5/14	103.50
29/11/13	103.50	30/5/14	103.50
13/12/13	103.50		
27/12/13	103.50		
Sub Total	**$ 1,345.50**	***Sub Total***	**$ 1,138.50**
		Grand Total	**$ 2,484.00**

Implication:

Management's failure in promptly ceasing salary payment and advising PSC of such termination would cause colossal overpayment as noted in this case thus would increase risk of loss of public funds if overpayments are not recovered.

Recommendations:

- Management must ensure it promptly acts on cases of this kind and applies appropriate actions that would best suit the circumstances of the cases.
- Management must regularly review the performance of their responsible officers and ensure reprimands are promptly applied where necessary.

Management response:
Management response received.

8.3.2.10 UNSIGNED SALARIES

Finding and Analysis:

The audit had detected that the following staff, as listed below, did not sign their salary and the total amount involved was $145.80.

Pay period	Officers	Amount
31/10/14	Officer 1	60.05
31/10/14	Officer 2	85.75
Total		**$ 145.80**

There was neither detail of RR receipts to show that salaries had not been returned nor written authority for collection of the salary.

Implication:

- If the salaries remained uncollected an RR should be issued to confirm return of such the absence of which would result in misappropriation and loss of funds.

Recommendation:

- Management must ensure all cash salaries are signed upon collection by recipients and uncollected or unsigned salary must be supported by RR number to confirm return of such unclaimed salaries.
- The responsible or payroll officer must immediately make good for such unsigned salary.

Management response:
Management response received.

8.3.2.11 HOUSING ASSISTANCE

Finding and Analysis:

The variance was discovered during the audit between the audit figure and management records which simply indicated the under payment of housing assistance to Kiribati Housing Corporation for its employees, re table below:

Employee Title/PF Numbers	House #.	Economic Rate	Annual Payment
Officer 1 PF 2004180	C44U	$ 349.00	$ 4,188.00
Officer 2 PF 2001117	Co23U	349.00	4,188.00
Total Audit Calculation			**$ 8,376.00**
Total Actual Management Report			**$ 7,668.83**
Variance			**-$ 707.17**

Implication:

Variance noted would not provide accurate financial status and could lead management astray in decision making.

Absence of regular reconciliation would result in differences of figures between those of management and MFED.

Recommendation:

Management must regularly reconcile its figures with that of MFED and make prompt adjustment where anomalies are noted.

Management response:
No written response for this issue provided.

8.3.2.12 LEAVE GRANTS

Finding and Analysis:

The audit performed it testing of Leave grant by calculating the number of employees with existing leave grant rate according to staff list for 2014 provided by Assistant Secretary of MELAD and compare with the management report and found the variances noted hereunder:

No. of Employees listed	Leave Grant Rate	Audit Figure	Management Report	Variance
19	750.00	14,250.00	13,390.00	(860.00)

Implication:
Excessive variances reported indicated there was no proper reconciliation conducted between the two parties, MELAD and MFED and thus would result in wrong figures at the year end.

Recommendation:
Management should regularly conduct a review of the accounting work of its support accounting officers and ensure divisions regularly conduct their reconciliations in order to avoid occurrences of overstatement or understatement at the year end.

Management response:
No management response provided for this issue

8.3.2.13 LEAVE BALANCES – 2 YEARS ENTITLEMENTS POLICY

Findings and analysis:

There were 13 employees from different divisions selected to perform our testing on their leave balances. Of the 13 officers some had leave balances exceeding 2 years entitlement as these had been accumulated for more than 3 to 4 years back which of course is not in line with Cabinet decision minute no. 77/10.

Staff/PF Numbers	Post Title	Entitlement	Leave Balance
92026	Officer 1	30	110
2004201	Officer 2	30	67
2013008	Officer 3	30	68
99116	Officer 4	30	76
2013213	Officer 5	30	70
2014135	Officer 6	30	66
2005171	Officer 7	30	93
7760	Officer 8	30	55
92095	Officer 9	30	33
92096	Officer 10	30	81
7740	Officer 11	30	86
92040	Officer 12	30	149
2009236	Officer 13		47

Implication:
Non adherence of Cabinet Decision Minute 77/10 is a violation of Cabinet decision.

Recommendations:

- Management must enforce and implement the Cabinet Decision Minute No. 77/10 to all staff of the Ministry.
- In conforming to the provisions of NCS management must ensure its staff, when taking leave in 2016, to take the 2016 leave entitlement first before taking the previous year's balance.

Management response:
No written response provided for this issue.

9. MANEABA NI MAUNGATABU (PARLIAMENT)

9.1 AUDIT OPINION

A qualified audit opinion is issued for the Maneaba ni Maungatabu for the year ended 31 December 2014 **Except for** the effects of the significant matters as discussed in detail from section 9.3 below. A response is still awaited from the Maneaba ni Maungatabu.

9.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the qualified audit opinion for the Maneaba ni Maungatabu performance in the fiscal year 2013.

- Failure to collect arrears of revenue before end of FY2013
- Not performing proper reconciliation at end of each physical year
- Reporting of over expenditure for fiscal year 2013.
- Outstanding electricity bills for Parliament Restaurant
- Noncompliance with Procurement Act 2002 and
- Poor control over bus ticket

9.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comments:

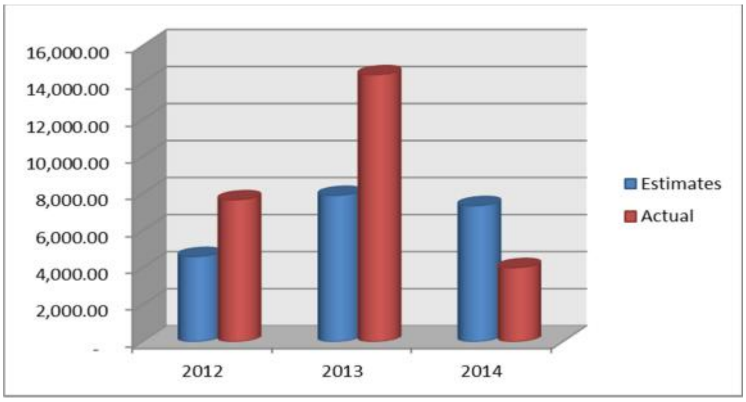
9.3.1 REVENUE (BUDGET)

Findings and Analysis:

9.3.1.1 MNM SUMMARY REVENUE COLLECTION – 2012-14

Year	2012	2013	2014
Estimates	4,600.00	7,900.00	7,350.00
Actual	7,664.00	14,420.03	4,001.25
Under/(Over)	**- 3,064.00**	**- 6,520.03**	**3,348.75**

9.3.1.2 MNM COMPARATIVE GRAPH OF BUDGET REVENUE- 2012-14

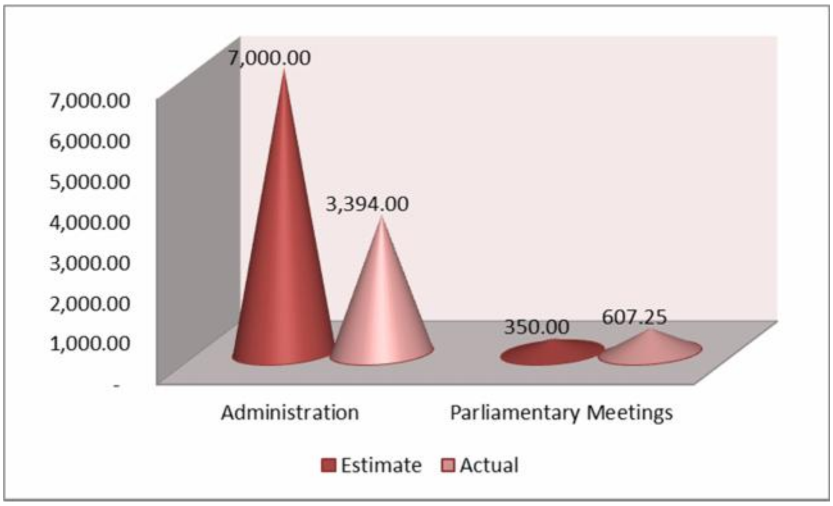


For comparative reasons the above graph was provided for years ending 2012 -2014 actual collections against estimates (budget). Based on the analysis above it obviously indicated that Parliament was unable to collect its estimated revenue of $7k. It only managed to collect $4k thus resulting a shortfall of over $3k, an amount of which is half the excess revenue collected in the year 2013.

9.3.1.3 MNM REVENUES AGAINST BUDGET BY DIVISIONS

Divisions	Administration	Parliamentary Meetings
Estimate	7,000.00	350.00
Actual	3,394.00	607.25
(Over)/Under	**3,606.00**	**(257.25)**

9.3.1.4 MNM COMPARATIVE GRAPH ESTIMATE REVENUE BY DIVISIONS



As clearly indicated from the above graph, Administration has under collected its revenue by $3.6k while Parliamentary Meetings has managed to collect above its estimate by $257 thus resulting in a shortfall of over $3k as earlier mentioned.

Implications

A shortfall in revenue collection, when added with other shortfalls reported by other Ministries, would adversely affect the revenue target to meet the already forecasted budget and thus, if the overall net result for Ministries is a deficit, would strain the RERF.

Recommendation:

Management must ensure to find efficient ways and means of generating its revenue collection in order to meet the estimated revenue every fiscal year or to set a more realistic revenue figure.

Management response:

9.3.1.5 REVENUE SYSTEM WEAKNESSES

Findings and Analysis:

During the audit the control system over revenue at Parliament was noted well monitored and controlled as evidenced when audit discovered that all selected FORM As for testing were properly accounted in cash book, deposited and returned to Finance promptly. Despite such performances, however, revenues being collected were not reviewed by most senior staff prior depositing into the Bank in which signifies that minor omissions or errors would not be detected in the first place.

Implications:

Not performing proper review by responsible senior staff's prior deposit made would increase the risk of fraud, omissions and/or minor errors of which may not be detected on a timely basis.

Such omissions would adversely affect the cash flow of government.

Recommendation:

To save the budget in the future management should ensure that its account section staff constantly conducts a review on the collection and deposits made and maintain their cash register on a regular basis.

Management response:

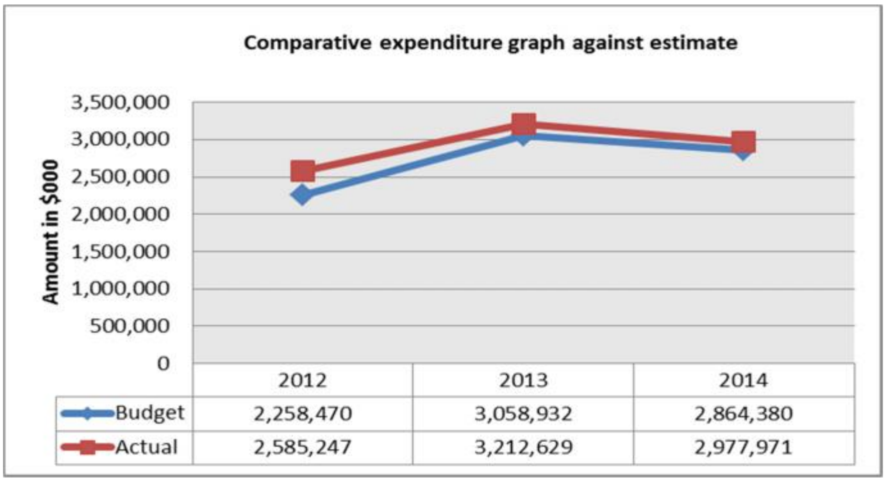
9.3.2 EXPENDITURE (BUDGET)

Findings and Analysis:

9.3.2.1 PARLIAMENT BUDGET SUMMARY AGAINST ACTUAL EXPENDITURE

Year	Budget	Actual	(Over)/Under
2012	2,258,470	2,585,247	**-326,777**
2013	3,058,932	3,212,629	**-153,697**
2014	2,864,380	2,977,971	**-113,591**

9.3.2.2 COMPARATIVE GRAPH BUDGET EXPENDITURE

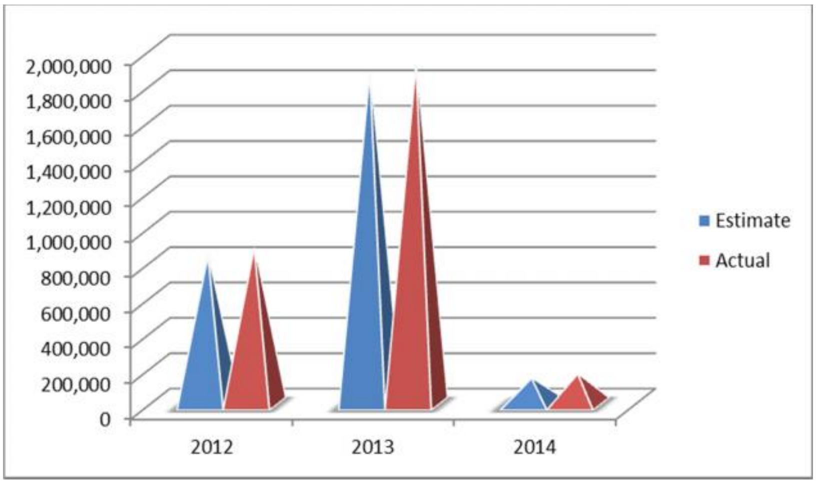


As clearly reflected above, the Parliament had still not been able to keep its spending level within its budget allocation over the past three years (2012-2014) however, over these years the level of over spending had constantly decreased from -$326k in 2012, -$153k in 2013 and -$113k as now reported for 2014.

9.3.2.3 MNM EXPENDITURE AGAINST BUDGET BY DIVISIONS – 2014

Division	Budget	Actual	(Over)/Under
Admin & Support Service (01)	**839,770**	**884,679**	**-44,909**
Parliamentary Meetings (02)	**1,878,740**	**1,923,224**	**-44,484**
Parliamentary Committees (03)	**145,870**	**170,068**	**-24,198**

9.3.2.4 MNM COMPARATIVE GRAPH AGAINST BUDGET BY DIVISIONS – 2014



Exhibited in the graph above the bulk of overspent reported in year 2014 was mainly caused by division 01 Administration with -$44,909 followed by division 02, Parliamentary Meetings with -$44,484 and division 03, Parliamentary Committees with an overspent of -$24,198 respectively.

Implication

Failure to maintain its spending level within its budget allocation would adversely cause more strain in the RERF.

Recommendation

Parliament should seek support for an increase in their budget level.

Management response:

9.3.2.5 KPF CONTRIBUTION

Findings and Analysis:

Indicated in the table below are the variances revealed for KPF contribution between Audit figure, Management report as well as Pay costing obtained from MFED as follow:

1) Audit Figure	*2) Management Rpt*	*3) Pay Costing*	*Variance (1&2)*	*Variance (1&3)*	*Variance (2&3)*
$54,325.20[8]	$52,768.89	$54,075.99	$1,556.31	$249.21	($1,307.10)

According to the table provided above such discrepancies were noted too excessive between Audit figure and Management report of $1,556.31 and ($1,307.10) between management report with that of pay costing respectively. Hence such variances detected must be corrected, adjusted or justified from the concerned Ministry (Parliament) accordingly.

In addition, as earlier mentioned the level of expenditure for Admin & Support Services (01) of $44,909 was an inclusive of KPF contribution overspent amounting to $5,418.35. It is belief that the level of expenditure would be

[8] Annual Salary Gross multiply by KPF contr. Rate 7.5% ($724,336.00 x 7.5% = $54,325.20).

decreased by $5,418.35 if no overspent for KPF contribution for Admin & Support Services. Hence, the level of overspent for Admin & Support Services exclusive of KPF overspent would be $39,490.65 an amount of which is belief the actual overspent if Admin & Support Service KPF contribution was not overspent. However, the audit is on the view that if MFED through it Salary division conducts it reconciliation properly then such overspent would not be reported under Parliament management report. As nothing to do with Parliament concerning the overspent for KPF contribution, it is therefore requested that MFED should also provide it justification on how sometimes the KPF contribution overspent, for instance, division 01 Admin & Support Services of $5,418.35.

Implication:

- Having different records in one Ministry (management report and pay costing) would undermine the integrity and reliability of Ministry system and records (Financial Report).
- The above overspent reported (KPF overspent) if adding with other Ministries overspent would resulted in adversely causing more strain in the RERF.

Recommendation:

- Parliament should regularly reconcile its financial report with records held at Salary Division of MFED. This would also helpful in detecting the KPF contribution balances each time reconciliation is performed.
- Strong internal control instrument must be put in place to avoid future grievances.

Management response;

9.3.2.6 IMPREST - OUTSTANDING

Findings and Analysis:

Due to the non-updating of Parliament records regarding outstanding Imprest the audit then obtained the updated records from Finance and found that the total outstanding Imprest for Parliament was $241,724[9]. These amounts were confirmed still un-cleared under each respective Imprest holder (as per Finance System) to date. Recovery actions should be put in place by Accounts staff of Parliament especially on those who have outstanding Imprest as per names on the list available by MFED or otherwise future Imprest request would not be entertained.

Implication:

Not clearing or recovering outstanding Imprest in full would have an effect on the cash flow of Gov't.

Recommendation:

- Management should ensure that the above stated total Imprest outstanding were agreed with by each concerned respective employee and to pursue speedy recovery actions on those still not bothered to retire or clear their outstanding due.
- Further Imprest will not be entertained to any officer until previous outstanding Imprest had been cleared in full.

Management response:

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[9] List of Imprest outstanding for Parliament can be viewed under AS2 2014 Working Paper – Imprest.

9.3.2.7 CONTROL OVER BUS TICKET

Findings and Analysis:

It was noted during the audit that issues detected for bus ticket were repeated this year audit as per our findings listed below:

- Tickets number issued out were not properly maintained or written in the cash book (bus ticket register)
- No destination or date noted when issuing out new bus ticket to officers by RO
- Some bus tickets were noted missing, by serial numbers amounting to $346.20
- Some Officers as noted did not sign against their names.
- Details of missing Bus ticket as noted under bullet point # 3 above are as follows:

No.	Bus ticket number	Quantity	Value	Amount
1	503701-503756	56	0.6	33.60
2	503791-503800	10	0.6	6.00
3	504301-504303	3	0.6	1.80
4	504084-504100	17	0.6	10.20
5	503844-503848	5	0.6	3.00
6	576205-576300	96	0.6	57.60
7	308795-308800	6	0.7	4.20
8	377818-377800	19	0.7	13.30
9	380516-380600	85	0.7	59.50
10	401148-401151	4	0.8	3.20
11	401196-401200	5	0.8	4.00
12	401405-401500	96	0.8	76.80
13	401393-401400	8	0.8	6.40
14	401029-401100	72	0.8	57.60
15	393356-393365	10	0.9	9.00
	Total			$ 346.20

Implications:

- Not signing against officer's names after collecting bus ticket and failure to note destination and date in the cash book would increase the risk of fraud.
- Absence of bus tickets without confirmations that such were issued is loss of public funds.

Recommendations:

- Management should strengthen custody over bus ticket issuance and usage.
- RO should ensure that Officers issued with bus tickets must sign against their names.
- Management must carry out its regular review on the bus ticket register and take immediate corrective action when faults are detected.
- Management must pursue recovery from officer concerned on the amount of $346.20

Management response:

9.3.2.8 OVERTIME

Findings and Analysis:

The following officer's overtime dockets were noted not available whilst conducting this audit hence the audit was unable to confirm the accuracy of such payments. Details of such are provided as follows:

Officer	Salary scale	Pay period	Amount ($)
Officer 1	Level 19-18	26/12/2014	892.11
Officer 2	Level 19-18	26/12/2014	1,053.51
Officer 3	Level 19-18	26/12/2014	1,294.25
Officer 4	Level 18-17	26/12/2014	771.15
Officer 5	Level 19-18	26/12/2014	2,000.13
		Total	**$6,011.15**

Implication:

Since the above proper supporting document were not produced during the period of the audit there could be a possibility that such significant payments (overtime) were improper and would have resulted in misappropriation or misuse of public funds.

Recommendations:

- Management to provide the missing documents to clear the issue noted above.
- For future management references and audit purposes the Ministry concerned should improve and strengthen the custody of accounting documents for ease of retrieval when required from time to time.

Management response:

9.3.2.9 VOTE LEDGER – 2014

Findings and Analysis:

The audit found that the vote book provided for Parliament was not updated as evidenced when the audit went through all transactions posted into the vote book and detected that last date/month posted for salaries (01&02) and KPF contributions (01&02) was only updated to October and June respectively, which means all activities incurred for rest of months were not accounted for.

Implications:

- Not updating the vote book on a regular basis would result in reporting of an incorrect figure on any output which might be requested from audit end.

- A non-updated vote ledger would make it difficult for management to reconcile its vote balance against that held by MFED and could lead to overspending at the end of the year, as had been noted for this year.

Recommendations:

- Management has to ensure that the vote book must be updated and completed on a regular basis and also to take into consideration all activities been omitted during the year.
- Management should also ensure it reconciles transactions in its vote book with MFED records.

Management response:

9.3.2.10 LOG BOOK

Findings and Analysis:

The log books for Parliament vehicles were noted available and updated except a log book for vehicle no. TC009 used by PAC. As noted, no log book had been used for this vehicle to show any official routes taken during the year.

Implication:

Failure in maintaining a gov't vehicle log books would raises questions in particular on the genuineness of claims for fuel.

Recommendation:

Therefore the audit recommends that each vehicle used by Parliament has a log book and is updated by the driver or whoever used such vehicles.

Management response:

9.3.2.11 ELECTRICITY & GAS

Findings and Analysis:

The variance of $3,133.77 was found between the Parliament records and the Management report provided from Finance. The variance discovered was an indication of having no proper reconciliation been performed between these two parties i.e. Parliament and Finance. In this case, if Parliament's record was absolutely correct then such variance noted above was an overstatement by the Finance.

Implication:

Having no proper reconciliation been performed will raise doubt on the reliability and accuracy of the Financial report.

Recommendation:

Management should conduct a monthly reconciliation with MFED to avoid discrepancies, etc. from occurring.

Management response:

9.3.2.12 LEAVE BALANCES – 2 YEARS ENTITLEMENT

Findings and Analysis:

After verifying leave balances for the three selected officers, I confirmed that one staff (Clerk to Parliament) of the three selected had an outstanding leave balances of 174 w.ds an amount of which had been accumulated for more than two years, which is not in line with Cabinet Decision Minute No. 77/10 where it stated that all outstanding leave balances for all civil servant to be brought forward should only be for 2 years back.

Implications:

Not adhering to this decision is a violation of Cabinet Decision Minute No. 77/10.

Also not adhering to such decision could result in the officer having his leave balances prior two years from 2016 automatically forfeited in 2016.

Recommendations:

Parliament should enforce and implement the Cabinet Decision Minute No. 77/10 to all it staffs for leave balances verification accordingly.

Management should ensure all its staff with more than two years balances as of 2015 take their leaves so all such balances are cleared by the end of 2015.

Management should have its leave Roster maintained for all staff as a means of controlling accumulation of leave balances.

Management response:

9.3.2.13 HIRE OF PLANTS & VEHICLES

Findings and Analysis:

Hire of plants & vehicles – (E1701-285)	Amount ($)
A. Original Budget	$58,800
B. Revised Budget	$49,800
C. Actual Spending (Management Rpt)	$59,615
Variance: (A&C)	***($815)***
Variance: (B&C)	***($9,815)***

Illustrated above was the detail of allocation E1701-285, Hire of plants & vehicles overspent for Parliament at year end 2014. As noted the overspent reflected in the management report 2014 for hire of plants & vehicle was $9,815 ($49,800 less $59,615). However, such overspent would have come down to an immaterial overspent of $815 had Parliament not made a transfer of $9,000 out of this output.

Implications:

- Failure to regularly reconcile its record with MFED could lead to unnecessary overspending.
- Failure to forecast precisely how much such output would require for the whole year before incurring any transfers would result in excessive spending as now experienced with this output.

Recommendations:

- Parliament should ensure to avoid future excessive overspent by making proper transfers within outputs or allocations that would not hinder other related outputs provisions for catering forthcoming activities.
- In future budget preparations Parliament to ensure the budget are sufficient to cater for all planned activities.

Management Response:

10. MINISTRY OF COMMERCE INDUSTRY & COOPERATIVE (MCIC)

10.1 AUDIT OPINION

An Unqualified audit opinion is issued for the Ministry of Commerce, Industry and Cooperative (MCIC) for the year ended 31 December 2014 with **Emphasis of the matters** as discussed in detail from section 10.3 below.

10.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM.

The following issues were noted as the causes of the qualified audit opinion for the Ministry of Commerce Industry and Cooperatives performance in the fiscal year 2013.

- Lack of control over the payment of house assistance
- Not providing contract files for temporary staff selected
- For not updating its Vote Ledger 2013
- Failure to maintain and review log books by concerned officers

10.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comments:

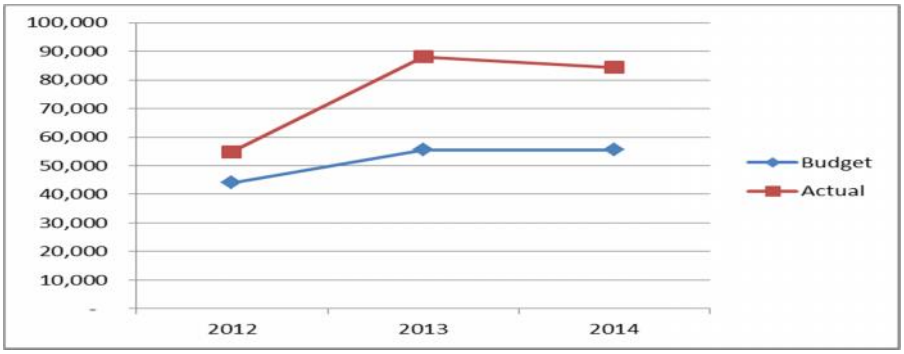
10.3.1 REVENUE (BUDGET)

Findings and analysis:

10.3.1.1 MCIC REVENUE SUMMARY COLLECTION (2012-14)

Year	Budget	Actual	Under/(Over)
2012	44,116	54,871	- 10,755
2013	55,516	88,041	- 32,525
2014	55,520	84,420	- 28,900

10.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

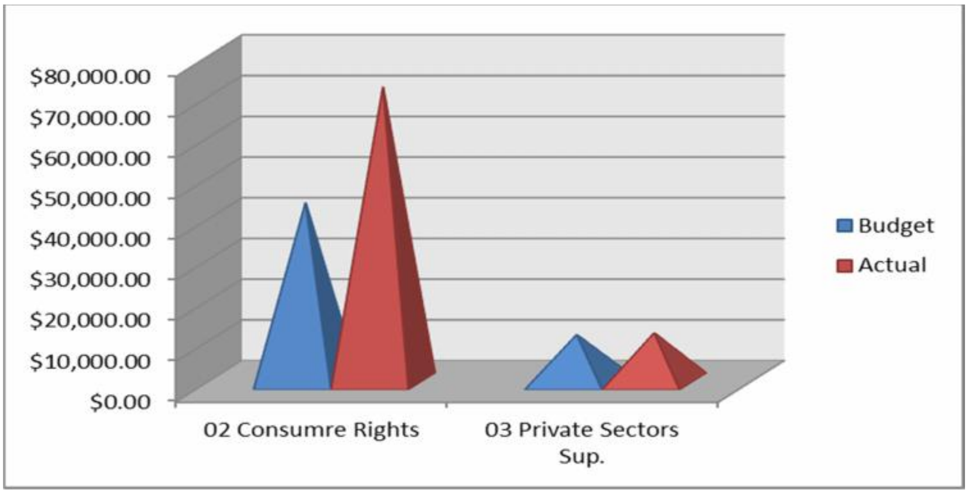


As witnessed from the above line graph, MCIC for the third time had exceeded its revenue budget by over $28k. Therefore management should be commended for such notable achievement in its revenue collection.

10.3.1.3 MCIC REVENUES AGAINST BUDGET BY DIVISIONS - 2014

Description	01 Administration	02 Consumer Rights	03 Private Sectors Sup.	04 Commerce and Industry
Budget		$44,000.00	$11,520.00	
Actual		$72,468.24	$11,951.60	
Over/Under	N/A	-$28,468.24	-$431.60	N/A

10.3.1.4 COMPARATIVE GRAPH OF BUGDET REVENUE AGAINST ACTUAL BY DIVISION



As clearly indicated above, of the four divisions specified in the table above two of which are generating revenue and both had managed to report an excess collection of over $28k for 02 -Business Regulation and $431 dollars for division 03 - Business Promotion respectively.

Recommendation:
Given the above outstanding performance the ministry should be commended for such achievement, however, being one of the gov't ministries to exceed its revenue budget limit over the past three years management has to reconsider its budget level for future years and to continuously exert efforts in collecting its revenue streams.

Management response:

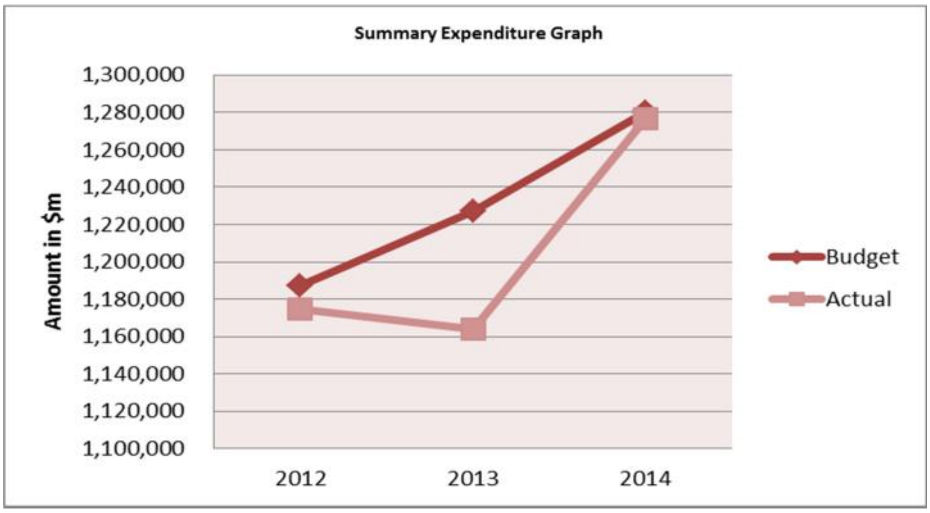
10.3.2 EXPENDITURE (BUDGET)

Findings and analysis:

10.3.2.1 MCIC EXPENDITURE SUMMARY

Year	2012	2013	2014
Budget	1,187,389	1,227,210	1,279,920
Actual	1,174,931	1,163,803	1,276,641
(Over)/ Under	**12,458**	**63,407**	**3,279**

10.3.2.2 COMPARATIVE GRAPH OF EXPENDITURE BUDGET AGAINST ACTUAL

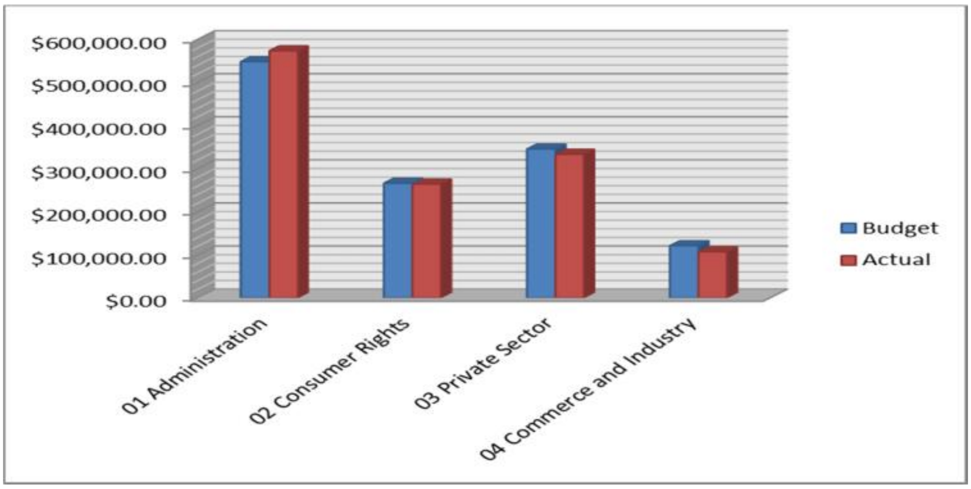


As could be seen from the above graph, a drastic increase in the level of spending by 10% in year 2014 was noted and this was supported by the increase in the budget level by 4% the outcome of which still enable management to spend within its budget allocation. Management should therefore be commended for such notable performance.

10.3.2.3 MCIC EXPENDITURES AGAINST BUDGET BY DIVISION

Division	01 Administration	02 Consumer Rights	03 Private Sector Sup.	04 Commerce & Industry
Budget	$548,147.00	$265,924.00	$345,083.00	$120,766.00
Actual	$573,064.14	$264,022.33	$332,983.72	$106,571.14
Over/Under	-$24,917.14	$1,901.67	$12,099.28	$14,194.86

10.3.2.4 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISION.



The above graph depicts level of spending of all divisions of the Ministry against their estimated budget for the year ending 31/12/14. As noted all divisions had managed to expend within their approved budget except division 01 – Administration, which exceeded its estimate budget by over $24k (refer table above). It is therefore of paramount importance the Ministry should ensure all divisions maintain their level of spending within their allocated budgets in future years to avoid unauthorized overspending.

Recommendation:

Management to ensure its Administration division provides an estimate that is aligned with its activities and maintains its level of spending in future years while other divisions continuously keep their level of spending within their approved budget allocations.

Management response:
Written management response received.

10.3.2.5 SALARY OVERPAYMENT

Findings and Analysis:

One significant issue found during the audit was salary overpayment made to one officer in the sum of $6,502.65 for the periods of 09/06/14-01/12/14. As noted, the officer was on leave without pay during such period and despite that she continued to receive her pay (her salary was banked) as evidently confirmed by sighting her pay sheet.

Further, the audit also noted the variances of $11,274.52 between the Management report and the pay costing (Salary records) for the year ended 31/12/14. This was an indication of lack of reconciliation between these two related parties (Account Unit of MCIC and Salary Unit and (MFED)); hence anomalies noted. Management should provide explanation on the variance and arrange for immediate remedial action.

Implication:

Management's failure in promptly ceasing salary payments, whether cash or banked salaries, would cause overpayment of salary and increase the risk of loss of public funds.

Recommendations:

Management should ensure to cease the salary at the effective date for those who were on leave without pay to avoid unnecessary overpayment which would result in increasing the risk of public fund losses.

MCIC through its account division should ensure recovery of the overpayment of salary from the concerned officer.

Management should regularly check its staff payroll to avoid un-necessary oversights.

Management response:
Written management response received.

10.3.2.6 TEMPORARY ASSISTANCE

Findings and Analysis:

i) Temporary Staff Overpayment of Salaries

After sighting or checking the temporary appointment letters for the year 2014 the audit detected 2 temporary staffs have not been paid according to their approved temporary appointments thus resulting in an overpayment reported as follow:

NAME	TERM OF TEMPORARY - DATE		AMOUNT PAID	AMOUNT DUE	VARIANCE
Temporary Staff 1	3/10/2014	21/3/2014	$ 254.80	$ 182.00	$ 72.80
Temporary Staff 2	14/7/2014	25/7/2014	504.00	358.00	$ 146.00
Temporary Staff 2	28/7/2014	8/08/2014	504.00	358.00	$ 146.00
Temporary Staff 2	8/11/2014	22/8/2014	504.00	358.00	$ 146.00
				Total salary overpayment	**$ 510.80**

ii) Un-availability of temporary files requested

It was further noted that there are other temporary staffs for which the ministry failed to provide their temporary appointment files when requested therefore made it not possible for the audit team to verify the authenticity of the appointment and payments as follow:

NAME	TERM OF TEMPORARY - DATE		TOTAL SALARY
Temporary Staff 3	1/10/2014	5/2/2014	3,861.20
Temporary Staff 4	1/10/2014	18/4/2014	1,571.00
Temporary Staff 5	1/10/2014	4/4/2014	1,625.10
Temporary Staff 6	5/02/2014	25/7/2014	1,438.10
Temporary Staff 7	5/02/2014	30/5/2014	1,918.00
		Total Salary Paid	**$ 10,413.40**

iii) Temporary staff salaried from Local Service Output – E1801-250

The audit noted that one significant payment for one temporary staff was made via PV 82/14 valued to $510.15 dated 12/12/14 and charged the output for Local Service i.e. E1801-250 instead of the Temporary Assistance Output E1801-206. The audit confirmed that the said temporary' staff was currently filling in the vacant post of Consumer affairs officer L11-10/9-7 as the incumbent has taken up her new post of Assistant Secretary. The above temporary staff contract appointment commenced from 17/11/14 – 01/04/15 according to her contract appointment and most of her temporary salary was paid through Salary division except for pay period 24/11/14 - 12/12/14 which were still paid out from the output of Local Service as had been noted in my audit report. The salary should be charged under temporary assistance to conform to recruitment processes and current standing policy.

Implications:

- There is a possibility that the losses of public funds would increase if management still fails to pay salary for temporary staff within the approved appointment contract period.
- Failure to provide temporary appointment letter for above would staff indicates that such payments made were deemed improper and would undermine the credibility of the Ministry.

- Also the absence of appointment letters would annul all payments been made to the so called temporary or contract officers.
- There will be an increased risk of employing staff outside the ER allocation.
- Charging the wrong allocation/output would cause unnecessary overspent of such charged output for instance, code: E1801-250.
- The absence of a monitoring instrument on its employment records would increase the risk of misappropriation of funds.

Recommendations:

- Management should ensure to pay salary for temporary staff only within the approved period as per temporary appointment letter and should also ensure that the recovery action on the above overpayment must be applied accordingly.
- Management should also provide the above requested temporary appointment files to settle this matter and to be deleted from the report accordingly.
- To avoid overpayments of salaries management should ensure to regularly review its temporary and contract appointment letters.
- MCIC should ensure that its future recruitment is in line with provisions made available in the ER
- An explanation is sought from management as to why they still pay their temporary staff under the operation outputs.
- Management to ensure Temporary salary package are always charged to the Temporary Assistant subhead only
- Management should also ensure it has a strong monitoring mechanism established for monitoring temporary and contract recruitments.

Management response:
Written management response received.

10.3.2.7 LOG BOOK

Findings and Analysis:
During the audit the following issues were discovered as follow;

- Log book for Mini Bus Registration number BG 196 used for employees transport has been noted accessible; however, it was not maintained and updated by the driver. This was evidenced by mileage stated in the log book which did not agree with the vehicle automatic record as of date of audit. Further, a number of trips taken during the month of November and December were not recorded in the Log book.
- It had been three consecutive years that the vehicle no. TG 241 had never used a log book to show any official trips taken during the year.

- Log book for vehicle registration number TG 001 was not accessible during the audit as the chauffer left it at home hence no further testing was performed by audit team.

Implication:
Failure in maintaining a gov't vehicle log book would increase risk of misuse of public vehicles and would undermine the genuineness of claims for fuel, driver's overtime, etc by drivers.

Recommendations:

- It is therefore strongly recommended that each vehicle used by MCIC has a log book and must be maintained, updated by the driver or whoever used such vehicles from time to time.

- OM should regularly check and review drivers' log books and also to ensure that future claims for overtime by drivers, in particular, must be well supported with log book detailing each official trip.

Management response:
Management response could not be sighted.

10.3.2.8 VOTE LEDGER – 2014

Findings and analysis:
The vote ledger provided during the audit was noted not maintained as evidenced by the last date/month of posted transactions i.e. May. Other transactions incurred after the month of May have not been accounted for.

Implication:
By not updating the vote ledger the ministry concerned would find it difficult in performing its reconciliation with MFED and thus could result in incorrect figures been reported in the management report.

Recommendation:
The vote ledger should be updated and reviewed regularly in order that every single transaction incurred were correctly posted and that figures shown on record do agree with that of MFED.

Management response:
Written management response received.

10.3.2.9 LEAVE BALANCES

Findings and Analysis:
The concerned ministry, like other ministries, had also failed to comply with the two years entitlement policy (Cabinet Decision Minute No. 77/10) as evidenced when some of its senior officers[10] had excessive leave balances that had been accumulated for more than 2 years back.

Implications:

- Not adhering to this practice is a violation of Cabinet Decision Minute No. 77/10.
- Also not adhering to such decision could result in the officer concerned having his leave balances prior two years from 2016 automatically forfeited in 2016.

[10] Details of these officers could be sighted under Audit WP14: MCIC Annual Leave Entitlement/leave balances

Recommendations:

- MCIC should enforce it implements the Cabinet Decision Minute No. 77/10 to all its staff.
- MCIC should inform and remind staff with more than two years leaves balances as of 2015 to take their leaves immediately failing by which they would have such balances forfeited in the subsequent year, 2016.
- MCIC should have its leave Roster maintained and kept updated for all staff as a means of controlling accumulation of leave balances.
- MCIC to ensure when staff take leave in 2016, to use up the annual year's leave entitlement first as stipulated under NCS, akin to the LIFO method, before taking leave balances of previous years' balances.

Management response:

Management response for this issue could not be sighted.

10.3.2.10 OUTSTANDING IMPREST OF $11,656.55

Findings and Analysis:

As noted during the audit the total amount of outstanding Imprest for MCIC staff is $11,656.55[11]. This huge amount had been accumulated from prior years to date and was caused by officers that have failed to retire their Imprests on a timely manner. Therefore such outstanding Imprests must be recovered or cleared in full by each respective Imprest holder failing by which future Imprest requests would not be entertained.

Implications:

i) Failure to retire Imprest within the regulated 10 days is a breach of the provisions of Financial Regulation 2011.
ii) Failure to comply with the retirement policy for its officials would undermine the integrity of management in managing public funds.
iii) Failure to retire Imprests already withdrawn would increase the risk of having huge accumulated dues that would eventually have a diverse effect on the Gov't cash flow.

Recommendations:

Management should ensure all Imprests are retired within 10 days upon return from official trips in accordance with Financial Regulation. FR Section 12 should be adhered to seriously by gov't ministries for full compliance.

The Accounting Unit (Imprest) must not issue out future Imprest to the respective officers until retirement of Imprest or recovery, if any dues are payable, is being made.

Management response:

Written management response received.

[11] Breakdown of this figure could be viewed under Audit WP ref: T2/3-5 MCIC Imprest outstanding 2014.

11. OFFICE OF THE ATTORNEY GENERAL (OAG)

11.1 AUDIT OPINION

An Unqualified opinion is issued with an **Emphasis of the matters** as discussed in detail under from 11.3 below.

11.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following were issues that resulted in a qualified audit opinion been issued on the performance of the Office of the Attorney General for the fiscal year 2013:

- Under collection of revenue
- Over spending of outputs
- Un-updating of vote ledger 2013
- Un-retiring of Imprest on a timely basis
- Not maintaining of Log books by drivers

11.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

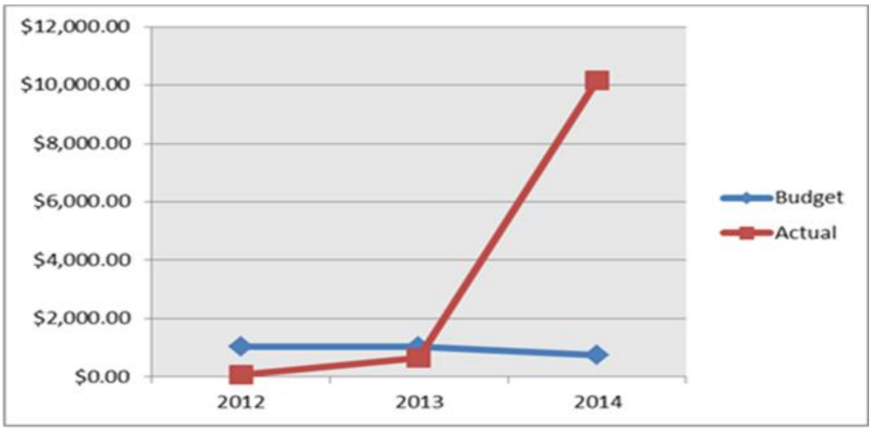
11.3.1 REVENUE - BUDGET

Findings and analysis:

11.3.1.1 REVENUE SUMMARY COLLECTION – OAG 2012-14

Year	2012	2013	2014
Budget	$1,020.00	$1,020.00	$ 750.00
Actual	$ 78.00	$ 658.98	$10,177.50
Variance	**$ 942.00**	**$ 390.02**	**($ 9,427.50)**

11.3.1.2 COMPARATIVE GRAPH OF REVENUE BUDGET AGAINST ACTUAL



As can be seen from the above graph the Ministry had shown for the first time a fabulous triumph in exceeding the estimated budget by $9,427.50, when compared to the past two years at which the Ministry reported the shortfall of $942.00 and $390.02 for years 2012 and 2013 respectively. However, whilst appreciating such achievement it is of paramount importance for the Ministry (Management) to provide a more realistic budget figure in future years to ensure the wide gap between the actual collections against the estimate as now experienced is alleviated.

11.3.1.3 REVENUES BUDGET AGAINST ACTUAL BY DIVISION – OAG 2014

Division	Budget	Actual	(Over)/Under
Administration & Policy Development	$750.00	$10,177.50	($9,427.50)
Civil Law	NA	NA	NA
Criminal Prosecutions	NA	NA	NA

Basically, there were 3 Divisions within the Office of Attorney General and only one of the three divisions generates revenue (i.e. Administration & Policy Development). There were no revenue received from the other two divisions namely Civil Law and Criminal Prosecutions.

The estimate of $750.00 for year 2014 may have been set too low compared with its actual collections of over $10k. Therefore, it is very imperative for OAG to provide more realistic budget that is aligned with activities it expected to generate in future years.

Management response:
Written management response received.

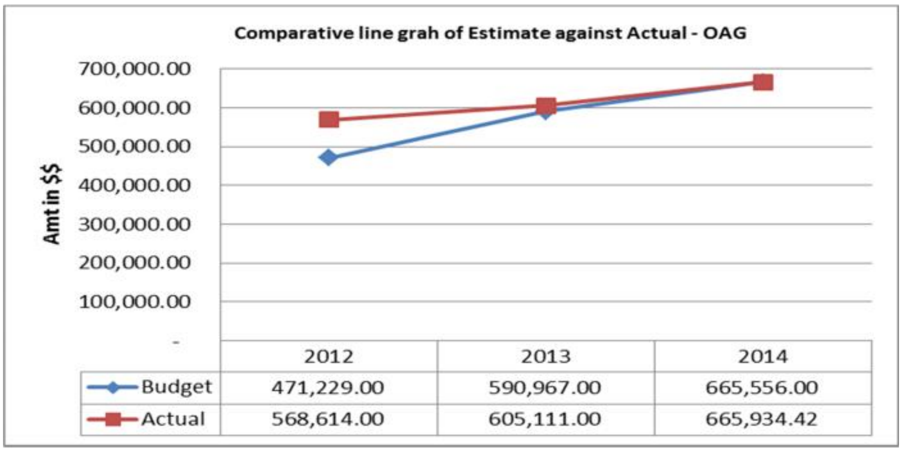
11.3.2 EXPENDITURE - BUDGET

Findings and Analysis:

11.3.2.1 EXPENDITURE BUDGET SUMMARY- OAG

Year	2012	2013	2014
Budget	471,229.00	590,967.00	665,556.00
Actual	568,614.00	605,111.00	665,934.42
Variance Under/(Over)	- 97,385.00	- 14,144.00	-378.42

11.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL

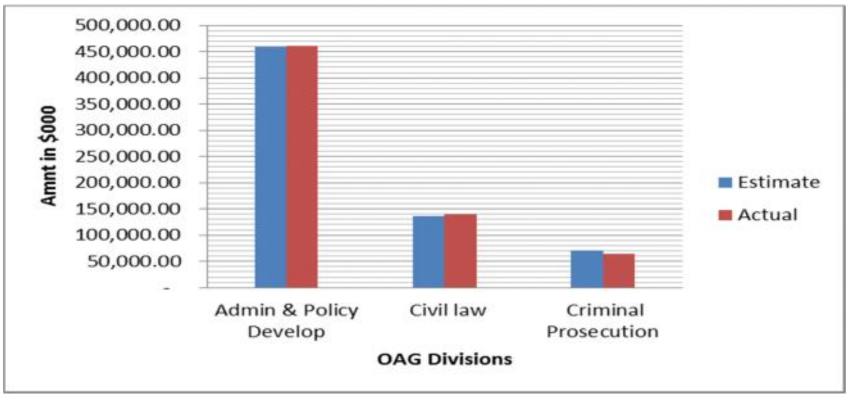


The graph above depicts a comparative level of expenditure against the Budget for the years ending 2012 up to 2014. Although OAG still exceeded its budget for 2014, it is pleasing to note the amount over spent is immaterial. With an increased budget level OAG is encouraged in future years to ensure it exerts monitoring mechanisms to ensure its spending is within the approved level.

11.3.2.3 EXPENDITURE BUDGET AGAINST ACTUAL BY DIVISIONS – 2014

Division	Budget	Actual	Variance
Admin & Policy Develop	458,615.00	461,658.48	- 3,043.48
Civil law	136,069.00	139,540.42	- 3,471.42
Criminal Prosecution	70,872.00	64,735.52	6,136.48
Total	665,556.00	665,934.42	- 378.42

11.3.2.4 OAG EXPENDITURE AGAINST BUDGET BY DIVISIONS



As reflected above, of the three divisions Criminal Prosecution saved its budget by over $6k that had resulted in recouping excess spending incurred by the other two divisions thus resulted in a net immaterial over spent of $378 by the Office. Therefore this division should be commended for its notable achievement.

Management response:
Management response received.

11.3.2.5 UN-POSTING OF PV 21/14 $750.00 – LEAVE GRANT

Findings and Analysis:

As per discovered, Pv no. 21/14 $750.00 dated 10/01/14 was confirmed not posted into the GL/Management report 2014. This was evidenced when the audit extracted all leave grants payments made from OAG records as at 31/12/14 then matches with Finance records hence variance of $750 for Pv no. 21/14 was noted. The audit was of the view there was no proper reconciliation conducted as such discrepancy would have not been missed had a reconciliation been conducted regularly.

Implication:

The un-posting of the above figure into the Management/GL report had resulted in understating the Ministry records thus would not give a true figure for management when preparing its future budget.

Recommendation:

To avoid discrepancy in the future the audit strongly recommends that the Ministry concerned should perform a monthly reconciliation with MFED.

Management response:
Response for this anomaly was also received.

11.3.2.6 HOUSING ASSISTANCE

Findings and Analysis:

The audit found the variance of $2,438.00 for housing assistance between the Ministry records and the GL report figures provided from MFED. A detail of such variance is provided in the table below:

Date	Pv No.	OAG Figure	GL Report Figure	Discrepancy
30/01/2014	28/14	$354.00	$2,792.00	$2,438.00

The above discrepancy revealed there was no reconciliation conducted between OAG and MFED.

Implications:

- Given the differences of records held by both parties, i.e. OAG and MFED, the initiating Ministry would be in a more correct position with its record and therefore MFED's record should be amended accordingly given that MFED's would be the confirmed figure if the Ministry failed to send an amendment advice to MFED, the absence of which could distort the budget level for the subsequent year.
- Overstating the Ministry records would definitely cause an unnecessary over spending of that particular output which could also affect other outputs where transfers were made to that effect.

Recommendations:

- Therefore the audit recommends that the Ministry concerned should conduct regular reconciliation with Finance to detect errors and for timely adjustments.
- OAG to provide confirmation the claims were as stated in their records.

Management response:
Written response for above issue also received.

11.3.2.7 HIRE OF PLANT AND VEHICLE

Findings and Analysis:

Year	Description	Budget	Actual	Variance
2013	Hire of plant and equipment	69,080	67,455	1,625 net saving
2014	Hire of plant and equipment	46,574	40,400	6,174 net saving

As indicated above the level of spending for hire of plant and equipment at year end 31/12/14 was gradually decreased significantly by $27,055, i.e. 2013 $67,455 less 2014 $40,400. It is also clear that the net saving for hire of plant and equipment had increased from subsequent year of 2013 to 2014 by $4,549 accordingly.

In addition, there was a damage caused to PVU Vehicle Registration No. BG 080 which OAG used to hire as their transportation to workplace. As confirmed, OM was the officer responsible for the damage and had agreed, as per agreement signed on June 27, 2014, to repay $20 per forth night from his salary. However with such rate towards the damage value of $5,588.00 it would take more than 10 years to recover the cost ($20X26 p/day=$520 then $5588/$520=10.7 yrs).

Implications:

The rate of $20 per fortnight would take 10 years and 7 months for government to receive its fund back if this deduction continued as agreed and officer is still in office by then.

The absence of a policy on the use of government vehicles and recovery for damages caused would increase the risk of loss of government property.

Recommendations:

Management should strictly control the allocation and use of Gov't vehicles (official or non-official) to avoid risks of damages as has been experienced.

Management should have a policy in place that would necessitate the recovery of damages caused within a short period of time.

Management should review the rate of $20 a pay day to ensure the damage cost of $5,588 is recovered before officer leaves the civil service.

Management response:
Response was also received for above issue.

11.3.2.8 CONTROL OVER BUS TICKET

Findings and Analysis:

Stated below are some issues detected during the audit as follows:

i) Missing of unused bus tickets ($0.50) RR number 351701-352200 valued to $250.00. Ref. Pv 54/14, dated 14/02/14

ii) Missing of another unused bus tickets ($0.80) RR number 359201-359700 valued to $400.00. Ref. same as above.

iii) Above issues showed the slack of responsible officers over the issuance and safeguarding bus tickets of the Office.

Implication:

Missing of bus tickets is an act of fraud which would lead to loss of public funds.

Recommendations:

- Management should ensure the register is reviewed on a regular basis to deter misappropriation of public funds.
- The responsible officer should keep all its bus tickets in a safe to avoid unused bus tickets from gone missing in future.
- Management should also provide explanations in justifying the above issues and to recover the value of the missing tickets from the responsible officer.

Management response:
Written response for this issue also received.

11.3.2.9 VOTE LEDGER

Findings and analysis:
It was found during the audit that the proper Vote Ledger to be used to record all transactions elicited from time to time was not updated and well maintained by concerned officer. This was evidently shown from Database provided that no transactions had been entered for most of outputs/allocations except for some transactions of KPF contributions. As per confirmed OAG had used PV register instead of using a proper Vote Ledger/Book as anticipated.
Due to un-maintaining and non-updating of vote ledger OAG would face difficulties in performing its proper reconciliation against records held by Finance and therefore would not be able to easily detect any variances/errors for making adjustments where necessary.

Implications:

- The risk of overspending some outputs would be increased if the OAG still fails to maintain and update its existing vote ledger.
- The absence of proper reconciliation conducted with Finance records could result in un-detecting of errors/variances thus would literally mislead management when making decisions particularly on its budget estimate for the succeeding fiscal years.

Recommendations:

- Management must ensure that the existing vote ledger should be kept updated and maintained by inserting or posting every transaction been activated.
- Management should conduct a regular reconciliation in order to easily detect errors/variances for making appropriate and timely corrections.

Management response:
Written management response for the above issue was received.

12. MINISTRY OF FISHERIES & MARINE RESOURCES DEVELOPMENT (MFMRD)

12.1 AUDIT OPINION

An Unqualified opinion is issued **again** for the Ministry of Fisheries and Marine Resources Development (MFMRD) for the year ended 31 December 2014 with **Emphasis of the matters** as discussed in detail from section 12.3 below.

12.2 STATUS OF PRIOR MANAGEMENT LETTER

The Ministry was the first amongst all Government Ministries to be issued an Unqualified opinion on its performance for the year ended 2013.

12.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comments:

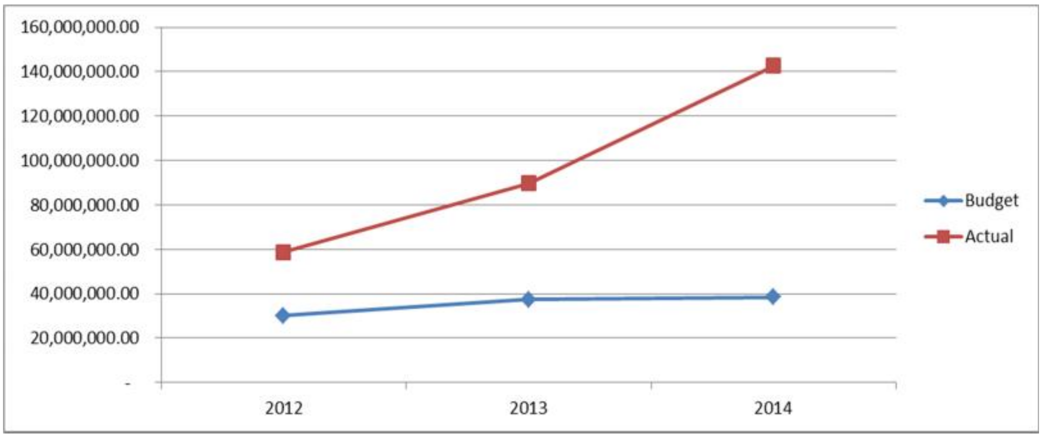
12.3.1 REVENUE (BUDGET)

Findings and analysis:

12.3.1.1 MFMRD REVENUE SUMMARY COLLECTION

Year	Budget	Actual	(over)/under
2012	30,223,500.00	58,829,791.00	(28,606,291.00)
2013	37,352,000.00	89,777,086.68	(52,425,086.68)
2014	38,413,500.00	142,682,264.97	(104,268,764.97)

12.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

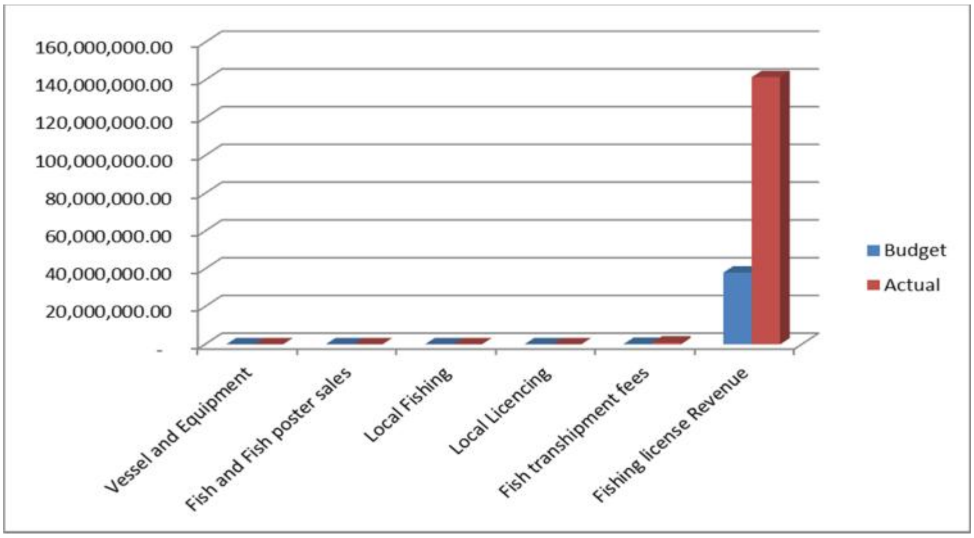


As observed from the above graph, the Ministry again exceeded its revenue budget by over $104m and therefore management should be applauded for such continued strenuous efforts that had boosted Government’s coffer to a much secured level.

12.3.1.3 MFMRD REVENUES AGAINST BUDGET BY DIVISION

Code by Allocations	Descriptions	Budget	Actual	(Over)/Under
C2103-010	Vessel and Equipment	1,500.00	3,254.50	(1,754.50)
C2103-040	Fish and Fish poster sales	18,000.00	30,680.25	(12,680.25)
C2103-041	Local Fishing	57,000.00	69,377.85	(12,377.85)
C2103-042	Local Licensing	67,000.00	41,611.40	25,388.60
C2103-043	Fish transhipment fees	270,000.00	963,591.07	(693,591.07)
C2103-045	Fishing license Revenue	38,000,000.00	141,573,749.90	(103,573,749.90)
	Total Revenue	$ 38,413,500.00	$ 142,682,264.97	-$ 104,268,764.97

12.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISION



The major contributors to the increase in the revenue collection were; fishing license revenue with it excess collection of $103m, fish transshipment fees of $693k, local fishing and fish poster sales of $12k, and lastly vessel and equipment with an extra collection of $1k respectively. Only one output, i.e. Local licensing that had not managed to meet its target by reporting an under collection of $25k (Refer to appendix 1)

Recommendation:

The Ministry should encourage its one division that had not managed to meet its target and the others to maintain such notable performance.

Management response:
Written response was received.

12.3.1.5 REVENUE ACCOUNT RECORDS

Findings:

- General Receipts Register and Phyto (sub receipts) were not maintained therefore the verification of the number of receipts books and sub receipts used could not be verified.
- When conducting the audit verification for MFMRD form A we noted that form A copies for January to December 2014 were not maintained.

- Deposit was not made on timely basis as this could take four days or even a week as clearly indicated by Finance records shown below:

Form A	Receipts Date	Deposits Date	Amount
8/14	15/5/14	19/5/14	2,496.50
13/14	23/7/14	7/8/2014	1,096.00
19/14	3/12/2014	5/12/2014	6,754.73
Total			**$ 10,347.23**

Implications:

- Not maintaining of General Receipt Register for MFMRD could lead to misappropriation of cash if all records were missing and not available for audit verification and could increase risk of loss of government funds
- Absence of regular review by management on records kept by revenue cashiers could encourage misuse of public funds.

Recommendations:

- Management should maintain a General Receipt Register for recording RR books received and issued to divisions.
- Management should regularly review the GRR and reconcile records with that held by each divisional revenue cashier.
- Management should provide RRs and copies of the missing Form As for confirmation and explanation as to why those documents were not made available during the audit.
- Management should ensure all revenue cashiers adhere to the provisions of Cap 79 and FR throughout the tenure of their revenue keeping while working at different revenue sections of the Ministry.

Management response:
Management response (written) was received for above issue.

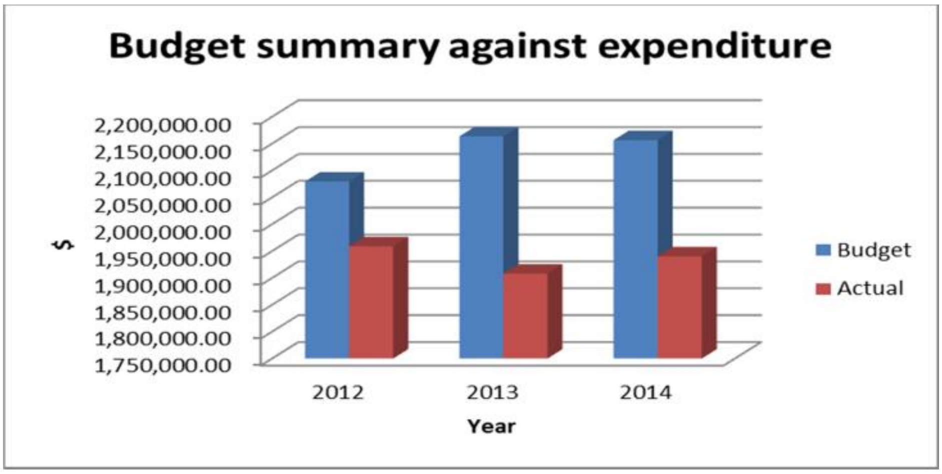
12.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

12.3.2.1 MFMRD EXPENDITURE SUMMARY

Description	2012	2013	2014
Budget	2,079,548.00	2,163,478.00	2,156,517.00
Actual	1,958,883.00	1,908,213.00	1,940,187.87
(over)/under	120,665.00	255,265.00	216,329.13

12.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL.

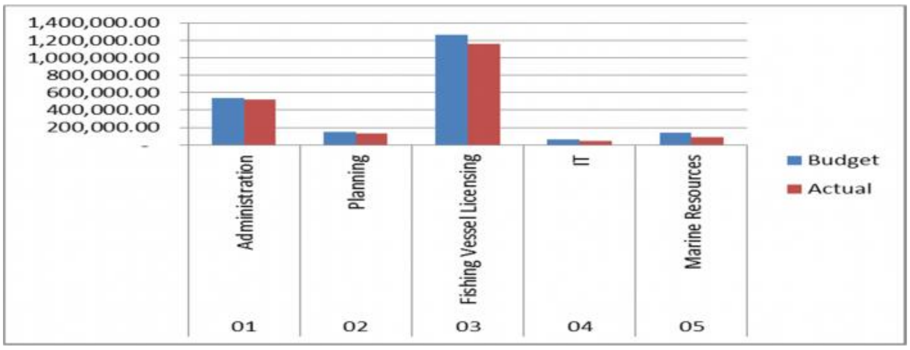


With a slight reduction in its budget level in 2014 and an increase in its actual spending when compared to that provided and incurred in 2013 the Ministry had still managed to save its budget by more than $200k by the end of the year. It has not only saved the budget but also contributed enormously to the overall government revenue, therefore management should be commended for such a notable continued effort.

12.3.2.3 MFMRD EXPENDITURE BUDGET AGAINST ACTUAL BY DIVISIONS.

Description	01 Administration	02 Planning	03 Fishing Vessel Licensing	04 IT	05 Marine Resources
Budget	540,350.00	150,976.00	1,265,642.00	60,082.00	139,467.00
Actual	518,318.10	130,875.47	1,156,487.67	46,617.26	87,889.28
(over)/under	22,031.90	20,100.53	109,154.33	13,464.74	51,577.72

12.3.2.4 COMPARATIVE GRAPH OF BUGDET EXPENDITURE AGAINST ACTUAL PER DIVISION



As depicted above, all divisions under MFMRD have managed to operate within their allocated budget and therefore should all be applauded for such outstanding performance.

Recommendations:

The Ministry to continuously encourage all its divisions to exert extra efforts in boosting their revenue collections and to adopt same procedure that had enabled them to operate within their allocated budgets

Management to revisit its budget level so to align it with its divisions' activities

Management response:
Management written response was also received.

12.3.2.5 CONTROL OVER BUS TICKETS

- There was no inward register for recording the number of bus tickets purchased provided. Hence we were not able to verify the bus tickets on hand.
- Some bus tickets were gone missing and not accounted for in the issuance register and the amount involved was $520.00 as indicated below:

Denomination	Serial No.	No of Bus Tickets	Value	Balance
0.50	340001-340101	100	50.00	
	340101-340200	100	50.00	
	340201-340300	100	50.00	150.00
0.70	380901-381000	100	70.00	
	381101-381100	100	70.00	
	381101-381200	100	70.00	210.00
0.80	337701-337800	100	80.00	
	337801-337900	100	80.00	160.00
Total				**$ 520.00**

Implication:
Not updating the bus ticket issue book would increase risk of misappropriation and loss of bus tickets.

Recommendations:

- Issuing of bus tickets should be strictly controlled by accounting officer and same officer to ensure issued tickets are signed and/or collections by others are fully supported.
- Reviewing and checking over the issuance of bus ticket must be done on a timely manner and where fraudulent actions detected remedial recovery actions must be impose accordingly.
- Management should ensure bus tickets purchased are recorded in the register and when issued and this is regularly monitored.

Management response:
Response for the above was also received.

12.3.2.6 LOG BOOKS

Findings and analysis:
In conducting this audit, it was noted that MFMRD drivers had failed to submit their log books for fiscal year 2014 for audit authentication thus had made it not possible for us to check and confirm the accuracy of some expenses such as; i) Overtime lodged for drivers, ii) Consumption of fuel iii) mileage used for non-official runs.

Implications:

- Failure to provide log book would make it not possible for auditors to confirm claims been lodged for overtime, refueling and proper uses of the vehicle are in order.
- Failure of such record would also make it not possible for accounting officers of the ministry to support the payment vouchers relating to drivers claims.

Recommendations:

- Management should ensure the log books are made readily available for audit purposes.
- Management to regularly review its drivers’ log books so claims for overtimes and related claims are in order and could be substantiated.

Management response:
Response for this issue had been received.

12.3.2.7 LEAVE BALANCES

Findings and analysis: `

There were 8 employees from different divisions selected to perform our testing on their leave balances. Of the 8 selected employees 1 officer had leave balances exceeding 2 years entitlement as this had been accumulated for more than 3 to 4 years back which is not in line with Cabinet decision minute no. 77/10. The remaining 7 employees however had negative leave balances as evidently revealed in the table below:

TITLE	PF #	Annual Bal
Marine Officer Class 11	2008058	118
Account Officer	97084	-28
Fisheries Assistant	2008127	-38
Licensing Database Clerk	2011164	-4.5
Fisheries Enforcement officer	2008114	-24
Fisheries Officer	2014059	-4
Vessel Monitoring system officer	6808	-44
Project Officer	2007022	-8

Implications:

- The whole purpose of the Cabinet Decision Minute 77/10 on forfeited leave balances is to avoid unnecessary drain out of public funds. Therefore failure to abide by it is totally a violation of Cabinet Decision.
- The absence of a leave roster maintained by each division could lead to managers not been able to monitor the balance of leave for each staff, hence the excess and negative balances been detected.
- Staff having exceeded their leave entitlements are in breach of; i) NCS D.8 Attendance on duty, ii) D.9 Absent without leave and iii) D.10 Absence in excess of 10 days.
- Failure to take immediate reprimand and remedial action undermines the integrity of responsible officers.

Recommendations:

- Management must enforce and implement the Cabinet Decision Minute No. 77/10 to all its staff.
- Management must immediately take appropriate actions under NCS that are appropriate for staff having exceeded their annual leave entitlements.

Management response:
Response for this issue had been received.

13. MINISTRY OF HEALTH & MEDICAL SERVICES (MHMS)

13.1 AUDIT OPINION

A qualified audit opinion is issued for the Ministry of Health and Medical Services (MHMS) for the year ended 31 December 2014 **Except for** the effects of the significant matters as discussed in detail under from section 13.3 below.

13.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM

The following issues were noted as the causes of the qualified audit opinion for Ministry of Health and Medical Services performance in the fiscal year 2013.

- Failure to maintained revenue register for private ward
- Overspending of approved budget from Parliament
- Overpayment of salary made to one employee
- Failure to maintained and updated Store Register 2013
- Reporting of outstanding Imprest of over $16k
- Poor control over ration

13.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

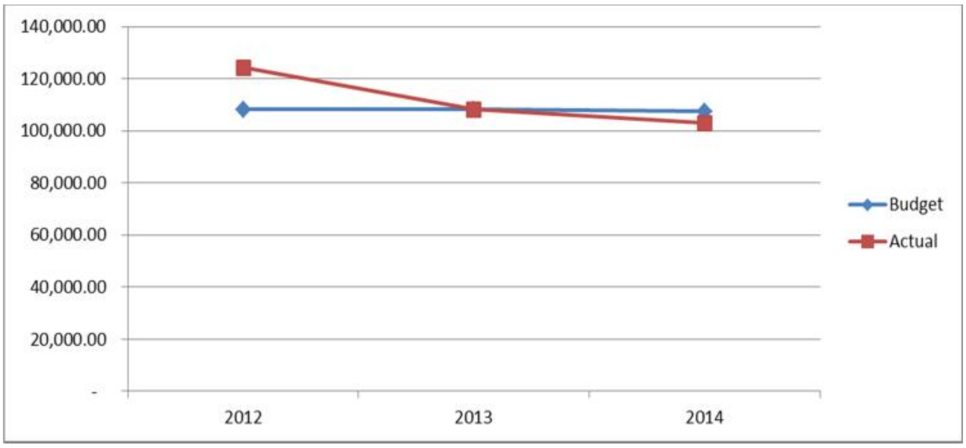
13.3.1 REVENUE (BUDGET)

Finding and Analysis:

13.3.1.1 MHMS REVENUE SUMMARY COLLECTION

Year	Budget	Actual	(over)/under
2012	108,126.00	124,354.00	(16,228.00)
2013	108,126.00	108,271.45	(145.45)
2014	107,470.00	102,986.35	4,483.65

13.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

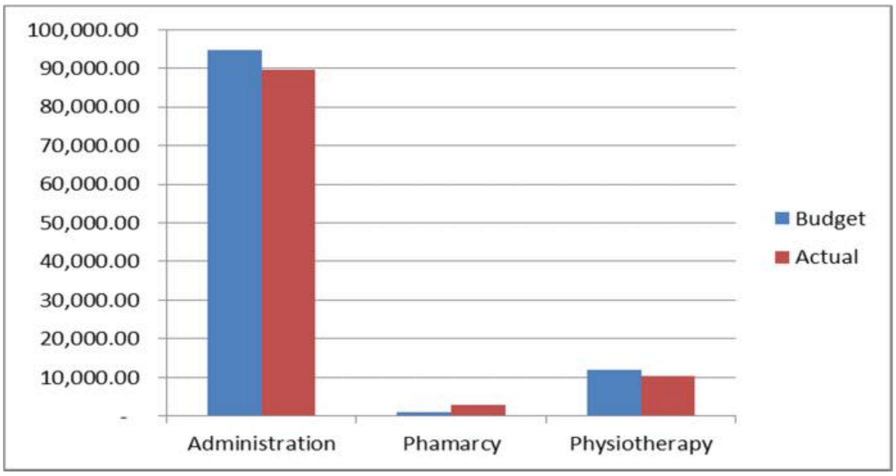


According to the above graph it was clearly designated that MHMS was not able, for the first time, to collect its estimated revenue for fiscal year 2014 of over $107k though a gradually decrease by $656 of it estimation was noted. The Ministry (MHMS) had only managed to collect $102k incurring a shortfall of over $4k. However, this was big contrast when compared with last two years collection when MHMS managed to collect above it estimate budget of $145 and $16k for year 2013 and 2012 respectively.

13.3.1.3 MHMS REVENUE AGAINST BUDGET BY DIVISIONs 2014

Description	Budget	Actual	(over)/under
Administration	94,600.00	89,667.85	4,932.15
Phamarcy	1,000.00	2,988.80	(1,988.80)
Plysiotherapy	11,870.00	10,329.70	1,540.00

13.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISION 2014



As we know, there were 14 divisions active within the MHMS of which only three divisions had generates revenue[12] as per depicts in the graph above. Based on the analysis above, only one division, 07 Pharmacy had managed to assemble revenue above estimate budget by $1k whilst the remaining two divisions fail to collect their revenue targets by which reporting a shortfall of over $4k (Administration) and $1k (Physiotherapy) respectively.

Recommendation:

Management must ensure to achieve its target at year end by collecting revenue above it estimate budget and/or to set more realistic budget revenue as anticipated to be collected by revenue collectors accordingly.

Management response:
Response received.

13.3.1.5 PRIVATE WARD

Finding and Analysis

The audit reiterated that the Private ward still failed to maintain it Admission Register in this year 2014, having one of the outstanding issues at which no immediate remedial actions been imposed by ministry concerned to date. Hence, MHMS should open up a new register that consist columns for; i) name of patient, ii) room number occupied, iii) number of days spent, iv) amount paid and v) the receipt number issued.

[12] Refer to i) Budget 2014, ii) Management Report 2014.

Implication:

2013: If management fail to maintain and up to date register, there is a possibility that number of patients admitted at the Private ward will not be captured in the account section and this could lead to misappropriation of revenue collection.

Recommendation

2013: Audit recommended that the Ministry must maintain a register in order to properly record the number of patients being accommodated at the Private ward, including number of days, room number, amount payable and receipt number when paid.

Management response:
Response received.

13.3.1.6 REVENUE DEPOSIT NOT MADE ON DAILY BASIS

Findings and Analysis:

The audit test revealed there were number of daily collections; most were of high sums that were not banked on daily basis as indicated in the table below:

Form A		RR No.			
Date	Form A No.	From	To	Deposit Date	Amount
08/09-9/01/14	002/14	074945	075000	22/01/14	$1,710
13/01-14/01/14	003/14	077401	077492	"	$1,357.70
14/01 - 16/01/14	004/14	077493	077600	"	$1,219.50
16 /01- 17/01/14	005/14	077601	077664	"	$632.50
30/06,01/07-, 2/7/14	073/14	116433	116468	18/07/14	$627.30
31/7 - 01/8/14 - 06/08	080/14	121315	121348	12/08/14	$816.20
20/10,-24/10, 27-31/10/14	096/14	122801	122984	7/11/2014	$4,177.80

Implications:

Poor management of daily collections raises doubt on the integrity of the system and senior management.

In the absence of a monitoring system and irregularity of management in reviewing cash on hand and deposits made would increase the risk of misappropriation and loss of funds.

Recommendations:

- Given the remoteness of the Office from the Bank, management should have in place a monitoring system and to conduct regular spot checks to ensure safe custody of cash on hand until banking is done.
- Management to regularly check deposits made to deter cash loss when deposits are made at a later date.
- Management to ensure more frequent deposits are made if daily deposit is not possible.
- Management should also ensure that all Form As must be submitted to Finance promptly for ease of references

Management response:
Response received.

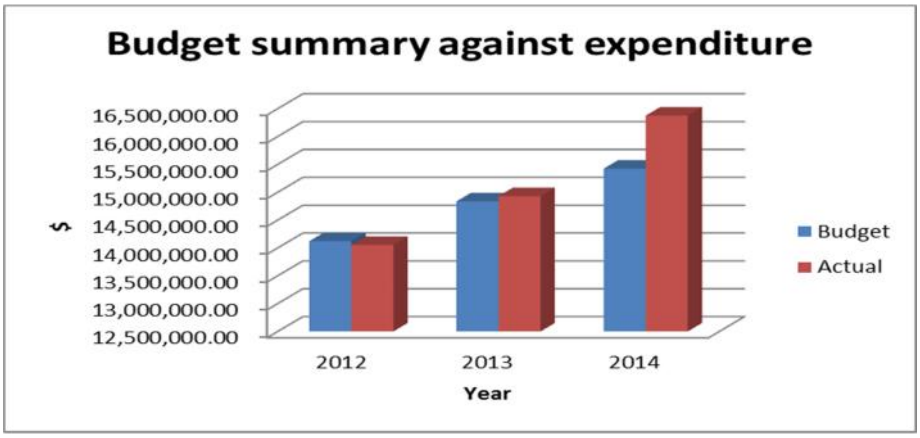
13.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

13.3.2.1 MHMS EXPEDNITURE SUMMARY 2012 t0 2014

Year	Budget	Actual	(over)/under
2012	14,121,242.00	14,053,019.00	68,223.00
2013	14,835,777.00	14,930,040.00	(94,263.00)
2014	15,423,530.00	16,376,246.20	(952,716.20)

13.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL 2012 - 2014



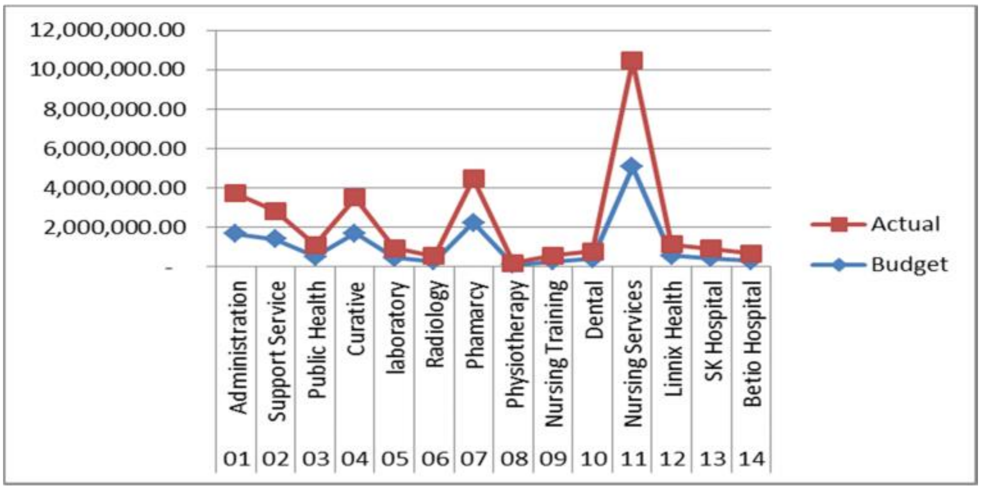
The above bar graph indicated that for the past two years (2013 – 2014) MHMS had continued to report unauthorized expenditure of over $94k (2013) and $952k (2014) respectively, although an extra budget was offered for such fiscal years of over $714k and 587k for 2013 and 2014 respectively. It is clearly showed that MHMS was still unable to control and monitor the intensity of it expenditure throughout the financial year ending 2014, hence improvement is required and anticipated in the subsequent financial year i.e. 2015.

13.3.2.3 MHMS EXPEDENDITURE AGAINST BUDGET BY DIVISIONs 2014

Table 1. Overall Overspending by Division

Allocation	Division	Revised Budget	Actual	Variance
E2201	Administration	1,684,451.00	2,033,992.97	(349,541.97)
E2202	Support Services	1,398,322.00	1,445,944.25	(47,622.25)
E2203	Public Health	521,600.00	576,727.41	(55,127.41)
E2204	Curative	1,699,313.00	1,706,115.50	(6,802.50)
E2205	Laboratory	474,501.00	477,202.62	(2,701.62)
E2206	Radiology	277,802.00	268,339.73	9,462.27
E2207	Pharmacy	2,238,762.00	2,239,874.69	(1,112.69)
E2208	Physiotherapy	111,027.00	92,674.48	18,352.52
E2209	Nursing Training	273,281.00	297,702.81	(24,421.81)
E2210	Dental	396,371.00	380,439.67	15,931.33
E2211	Nursing Services	5,073,732.00	5,386,776.78	(313,044.78)
E2212	Linnix Health	559,643.00	567,789.20	(8,146.20)
E2213	South Kiribati Hospital	426,242.00	502,886.44	(76,644.44)
E2214	Betio Hospital	288,483.00	399,779.65	(111,296.65)
		$ 15,423,530.00	$ 16,376,246.20	$ (952,716.20)

13.3.2.4 COMPARATIVE GRAPH OF BUDGET EXPENDIUTRE AGAINST ACTUAL BY DIVISION 2014



The above line graph showed that most of the divisions failed to operate within the approved budget range, except for three divisions which are; a) 06 Radiology with net saving of $9k, b) 08 Physiotherapy of $18k and c) 10 Dental with that of $15k. The major divisions that contributed the most to the overall overspending for the Ministry are highlighted hereunder:

- Administration (01) $349K,
- Nursing Services (11) $313K,
- Betio Hospital (14) $111K
- South Kiribati Hospital (13) $76K
- Public Health (3) $55K,
- Supportive services (02) $47K, etc.

With a net unauthorized spending of almost a million dollars, $952k management should seriously consider its budget level that will closely be aligned with its activities in future years.

Recommendation:

Management must ensure it operation cost should be within its appropriated budget level to save overspent from occurring in future years' time.

Management response:
Response received.

13.3.2.5 PAYROLL-2014

13.3.2.5.1 KIRIBATI PROVIDENT FUND (KPF)

Findings and Analysis:

When conducting the audit verification on KPF, the audit discovered there were over and under calculations of employees' contributions as indicated in the table below:

		A	B			C	1	2	3	
Code	Accounts	Mgn't Rep - Budget	Gen Led	Salaries + Temporary	Contribution Rate	Audit figure on KPF Contribution	Variance btwn A & B	Variance btwn A & C	Variance btwn B & C	REMARKS
E22010000201	KPF Contribution	19,904.00	19,880.54	310,639.79	7.5%	23,297.98	23.46	(3,393.98)	3,417.44	UNDERSTATED CONTRIBUTION
E22020000201	KPF Contribution	45,163.00	53,498.98	685,835.19	7.5%	51,437.64	(8,335.98)	(6,274.64)	(2,061.34)	OVERSTATED CONTRIBUTION
E22030000201	KPF Contribution	18,426.00	21,834.73	439,556.78	7.5%	32,966.76	(3,408.73)	(14,540.76)	11,132.03	UNDERSTATED CONTRIBUTION
E22040000201	KPF Contribution	35,718.00	41,068.51	297,577.39	7.5%	22,318.30	(5,350.51)	13,399.70	(18,750.21)	OVERSTATED CONTRIBUTION
E22050000201	KPF Contribution	15,251.00	17,363.18	168,233.70	7.5%	12,617.53	(2,112.18)	2,633.47	(4,745.65)	OVERSTATED CONTRIBUTION
E22060000201	KPF Contribution	10,000.00	7,852.09	95,933.50	7.5%	7,195.01	2,147.91	2,804.99	(657.08)	OVERSTATED CONTRIBUTION
E22070000201	KPF Contribution	15,817.00	17,397.67	175,449.65	7.5%	13,158.72	(1,580.67)	2,658.28	(4,238.95)	OVERSTATED CONTRIBUTION
E22080000201	KPF Contribution	5,387.00	3,743.62	50,235.50	7.5%	3,767.66	1,643.38	1,619.34	24.04	UNDERSTATED CONTRIBUTION
E22090000201	KPF Contribution	4,559.00	11,390.58	128,522.45	7.5%	9,639.18	(6,831.58)	(5,080.18)	(1,751.40)	OVERSTATED CONTRIBUTION
E22100000201	KPF Contribution	16,727.00	12,455.35	183,251.75	7.5%	13,743.88	4,271.65	2,983.12	1,288.53	UNDERSTATED CONTRIBUTION
E22110000201	KPF Contribution	208,223.00	244,391.41	3,512,329.00	7.5%	263,424.68	(36,168.41)	(55,201.68)	19,033.27	UNDERSTATED CONTRIBUTION
E22120000201	KPF Contribution	26,749.00	27,387.67	272,586.40	7.5%	20,443.98	(638.67)	6,305.02	(6,943.69)	OVERSTATED CONTRIBUTION
E22130000201	KPF Contribution	17,639.00	20,967.14	185,023.49	7.5%	13,876.76	(3,328.14)	3,762.24	(7,090.38)	OVERSTATED CONTRIBUTION
E22140000201	KPF Contribution	12,610.00	18,833.81	167,948.60	7.5%	12,596.15	(6,223.81)	13.85	(6,237.67)	OVERSTATED CONTRIBUTION

It was clearly stated from the above table the overspent could be resulted in the number of employees that were not included in the PAYEE list for contribution payments and/or there were vacant posts not occupied or without provisions as our calculations was based on annual gross per output including temporary assistance multiply by existing rate 7.5%. Hence, in this matter, MFED should provide valid explanations on the above understated and overstated KPF contributions as belief MHMS has nothing to do with that of KPF issues noted above. However, MHMS has the responsibility to reconcile its salary and temporary expenses with actual staff it employs and notify MFED for corrective action.

Implication:

This overspending of KPF contribution is a deviation from the 2014 Appropriation Act and is a loss of funds if such payments do not relate to any MHMS staff.

Recommendation:

Management must regularly reconcile its records with that held by MFED and to ensure that KPF contributions for each division are not overstated or understated accordingly.

Management response:
Response received.

13.3.2.5.2 SALARY

Findings and Analysis:

The table below showed comparison of Ministry's salary budget against MFED's record as follows:

		X	Y	Z	1	2	3
Code	Accounts	Mgn't Rep - Budget	Gen Led	PayCosting	Variance btwn X & Y	Variance btwn X & Z	Variance btwn Y & Z
E22010000202	Salaries	312,357.00	157,734.79	332,526.08	154,622.21	(20,169.08)	(174,791.29)
E22020000202	Salaries	644,885.00	644,885.30	714,870.87	(0.30)	(69,985.87)	(69,985.57)
E22030000202	Salaries	348,087.00	348,086.68	288,274.86	0.32	59,812.14	59,811.82
E22040000202	Salaries	201,432.00	297,577.39	490,831.74	(96,145.39)	(289,399.74)	(193,254.35)
E22050000202	Salaries	139,629.00	157,825.90	158,870.00	(18,196.90)	(19,241.00)	(1,044.10)
E22060000202	Salaries	61,866.00	90,248.70	105,834.01	(28,382.70)	(43,968.01)	(15,585.31)
E22070000202	Salaries	167,969.00	167,530.05	181,557.10	438.95	(13,588.10)	(14,027.05)
E22080000202	Salaries	61,918.00	49,023.00	49,909.50	12,895.00	12,008.50	(886.50)
E22090000202	Salaries	107,522.00	127,522.45	151,297.45	(20,000.45)	(43,775.45)	(23,775.00)
E22100000202	Salaries	205,268.00	177,155.05	182,393.90	28,112.95	22,874.10	(5,238.85)
E22110000202	Salaries	2,940,496.00	3,120,408.00	3,265,867.70	(179,912.00)	(325,371.70)	(145,459.70)
E22120000202	Salaries	189,436.00	272,586.40	360,576.40	(83,150.40)	(171,140.40)	(87,990.00)
E22130000202	Salaries	133,999.00	180,023.09	269,753.49	(46,024.09)	(135,754.49)	(89,730.40)
E22140000202	Salaries	168,129.00	167,948.60	251,531.40	180.40	(83,402.40)	(83,582.80)
		$ 5,682,993.00	**$ 5,958,555.40**	**$ 6,804,094.50**	**$ (471,812.23)**	**$ (1,098,636.66)**	**$ (845,539.10)**

As noted above there was a variance of $275k between Finance GL Report and Management report, $845k between Finance Pay Costing (column Z) and GL management report in which the audit found that these amounts were too excessive and must be corrected or adjusted by MFED itself accordingly.

Implications:
Given the above discrepancies noted it would emasculate the credibility and integrity of the related workforce.

Recommendation:
MFED, in this case as the concerned ministry should have come up with possible solutions to overcome the above issue.

Management response:
Response received.

13.3.2.6 UNSIGNED SALARIES AND/OR NOT RETURNED SALARIES

Findings & Analysis:

The audit had detected that the following staff as per list below did not sign for their salary and the total amount involved was **$4,060.95**[13]:

[13] Further details of this anomaly could be viewed under Audit WP Ref: D2/1 MOH 2014 (excel format).

Pay Period	Name/Title/PF Number	Amount
5/02/2014	unknown	94.05
5/02/2014	2004239	126.35
5/02/2014	2005154	60.00
5/02/2014	6594	576.25
5/02/2014	2011146	110.90
5/02/2014	2006276	109.70
30/5/2014	unknown	168.35
7/11/2014	2005220	188.70
7/11/2014	92035	233.95
7/11/2014	unknown	63.00
10/03/2014	unknown	168.35
10/03/2014	unknown	20.00
17/10/2014	unknown	64.70
28/11/2014	98147	252.00
12/12/2014	6579	676.80
12/12/2014	92035	241.60
26/12/2014	unknown	615.55
26/12/2014	unknown	290.70
	Total	**$4,060.95**

After scrutinizing the salary pay listing provided from MFED (Salary Unit) in respect of the above officers stated the audit found that No RR stated or attached with such pay listing which has simply indicated that either the salaries were paid out but not signed for or they are cash losses.

Implication:

An unsigned salary with no RR is definitely a misappropriation of funds.

Recommendations:

- Management must provide confirmations by all those listed in the table above to confirm whether they all had received their salaries for the period specified above or otherwise.
- Management must ensure all cash salaries are signed and where no receipt (RR) is provided for any unsigned salary, the payroll officer should make good for such unsigned salary instantly.
- Accounting officer has to remind each employee to sign the signature listing before collection of their salaries and/or accounting officer has to return uncollected salaries to the Ministry of Finance and attach the RR receipt to the signature listing.

Management response:
Written Management Response received.

13.3.2.7 UNAVAILABILITY OF DOCUMENTS

Findings and analysis:
In the conduct of the audit for MHMS, there were 76 requested documents (PVs) as per details in table below that were not provided for audit verification. The amount involved was $1,323,467.97[14]. Due to the unavailability of above requested documents the audit could not validate the correctness of such payments. Therefore, reasonable explanations must be provided by MHMS.

[14] Refer to Audit WP Ref: C/13, Insufficient Documents, 2014.

Implications:

- Missing and unavailability of documents requested for audit verification such as payment vouchers to support the payments been made is a complete violation of Cap 79 and other governing rules such as FR 2011, Store Regulation, etc.
- The absence of payment vouchers as well as the supporting documents could veil actions that may have inflicted misappropriation of public funds.

Recommendations:

- Management must ensure all documents are fully supported and kept for future audit reference.
- Management must ensure its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- Movement register for all accounting source documents should be maintained and ensure the movement of batches are properly recorded and monitored regularly.

Management response:
Response received.

13.3.2.8 LOG BOOK

Findings and analysis:

It was noted that MHMS driver has failed to submit log book for 2014. As a result the audit was unable to check and confirm the accuracy of i) overtime being claimed, ii) consumption on fuels per vehicle and iii) mileage run for official usage, etc.

Implications:

- Failure to submit log books would make it not possible for auditors to confirm claims been lodged for overtime, refueling and proper usage of the vehicle.
- Failure to maintain and update gov't vehicles log books would increase the risk of misappropriation of funds and private usage of government vehicles.

Recommendations:

Accounting officer has to remind and encourage drivers to maintain and update their log books on a regular basis for ease of references and audit purposes.

Management should regularly review its drivers' log books.

Management should have a mechanism in place to control unnecessary fuel consumption

Management response:
Response received.

13.3.2.9 CONTROL OVER RATION

Findings and Analysis:

The following variances for items purchased were discovered between the payment vouchers and the stock ledger as detailed in the table hereunder:

Min. Ref	Items	Purchased	Stock Ledger (S/L)	Amount on PV	S/L Amount	Variances
PV 63/14	Loaf of bread	2,500	2,000	$2,500.00	$2,000.00	$500.00
PV 392/14	Bag of sugar	145	144	$4,995.25	$4,579.20	$416.05
	Total					***$916.05***

It was further noted that there were other items been purchased during the year as listed below and were not recorded yet into the stock ledger which has simply indicated the poor control over the recording of items purchased for ration.

Min. Ref	Supplier	Items purchased	Amount involve
PV 53/14	Moel Trading	Sunshine – 400g	$2,520.00
PV 1822/14	Slim Price	100 ctns best buy Mackerel oil	4,560.00
PV 1823/14	Slim Price	101 ctns best buy Mackerel oil	4,561.00
		Total	**$11,641.00**

In addition, after conducting a physical check on goods in store the audit noted that the storage place for items purchased is not safe as there are other goods which had been damaged by pests (2 ctns of noodles) and some others still remained unused (for example, Weet Bix) and will soon expire.

Implications:

Management should maintain and update its stock ledger balances each time purchases are made and rations are issued to avoid not only running out of stock but to avoid holding stock on hand for too long.

Management should regularly check the condition of its store room for improvement purposes.

2013: Recommendation:

- *Management should conduct regular physical stock take on monthly basis with the supervisor (kitchen) in order to control the movement of stock and to know the stock level for reordering.*
- *Management must conduct spot check to review stock ledger to ensure that all purchased stock must agree with the payment being made (invoice).*
- *It is highly recommended that the MHMS must ensure that strong control mechanism should be put in place to ensure all purchased stock are recorded and updated in the stock ledger.*

Management response:
Response received.

13.3.2.10 LEAVE BALANCES

Findings and Analysis:

The audit noted that MHMS was one of the many ministries that fail to comply and implement the Cabinet Decision Minute No. 77/10 where it stated that all civil servant outstanding leave balances to be brought forward should only be for 2 years entitlement. This was evidenced when the audit noted that some employees[15] of this ministry are still having huge outstanding leave balances of over 100 w.ds for which had been accumulated for more than 2 to 3 years back which is not in line with the above quoted cabinet decision.

On the other hand there are some employees with negative leave balances (overstayed) and recovery action had not been instigated yet.

Implication:
Failure to implement Cabinet directive would result in staff concerned having their leave balances for more than 2 years forfeited in 2016.

Recommendations:

- Management should have a leave roster updated to avoid accumulation of leave balances beyond 2 year's entitlement.
- Management should ensure staff with colossal leave balances take leave immediately and have the current year's entitlement utilized first and then prior year's later.
- MHMS should enforce and implement the Cabinet Decision Minute No.77/10 to all staffs.

Management response:
Response received.

13.3.2.11 VOTE LEDGER NOT PROVIDED

Findings and Analysis:
It was noted during the audit that the Vote ledger for MHMS was not provided and therefore audit could not go further to check and verify the transactions incurred during the year.

Implications:

- Failure to provide vote ledger would undermine the credibility and reliability of the workforce particularly on the financial report of the ministry.

- The absence of a vote ledger would make it difficult for management to reconcile its output balances with that held by MFED and thus could lead the ministry into over spending which should have not been the case had a regular reconciliation had been made.

Recommendation:
Management must ensure it has an updated vote ledger and reconciliation is conducted on a regular basis with MFED.
Management response:
Response received.

[15] Details of these selected employees leave balances could be sighted under Audit WP Ref: AS2 Leave Balances.

14. MINISTRY OF EDUCATION (MOE)

14.1 AUDIT OPINION

An Unqualified audit opinion is issued for the Ministry of Education (MOE) for the year ended 31 December 2014 with **Emphasis of the matters** as discussed in detail from section 14.3 below.

14.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the audit opinion for Ministry of Education performance in the fiscal year 2013.

- Lack of control over the library revenue collection.
- Insufficient control over KTC revenue.
- Non cessation of salary for retired primary teachers.

14.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

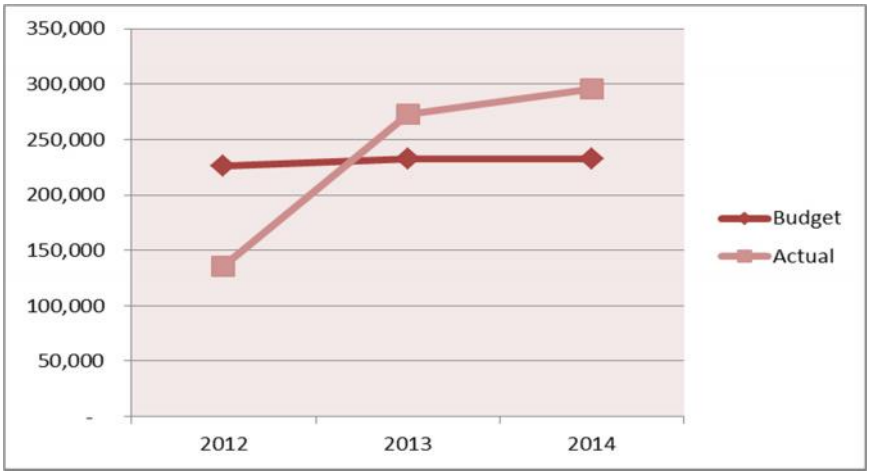
14.3.1 REVENUE (BUDGET)

Finding and Analysis:

14.3.1.1 MOE REVENUE SUMMARY COLLECTION

Year	2012	2013	2014
Budget	226,356	232,693	232,693
Actual	135,096	272,559	295,453
Under/(Over)	**91,260**	**- 39,866**	**- 62,760**

14.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

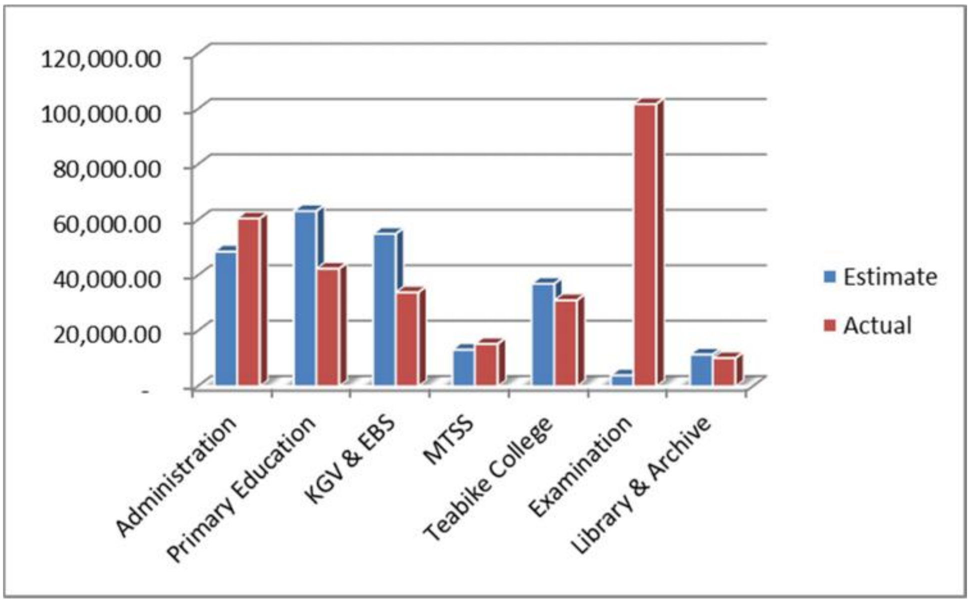


It is pleasing to note from the above analytical graph that in year 2014 the ministry's collection far outweighed the estimated budget by over $62k, an amount of which almost double that collected 2013. However we noted the budget level was same with 2013 despite an over collection of over $39k.

14.3.1.3 MOE REVENUES AGAINST BUDGET BY DIVISIONS

Output	Budget	Actual	(Over)/Under
01 Administration	48,653.00	60,574.95	- 11,921.95
02 Primary education	63,234.00	42,471.00	20,763.00
04 KGV & EBS secondary	55,014.00	33,935.45	21,078.55
05 MTSS	13,261.00	15,338.00	- 2,077.00
06 Teabike College (TC)	37,008.00	31,077.80	5,930.20
08 Examination	4,009.00	101,850.50	- 97,841.50
10 Library and Archive	11,514.00	10,205.40	1,308.60
Total	232,693.00	295,453.10	**- 62,760.10**

14.3.1.4 COMPARATIVE GRAPH OF BUGDET REVENUE AGAINST ACTUAL PER DIVISION



As evidenced from the above data of those over collected their revenue one division had exceeded its budget by over $97k and there are two of those failing to meet their targets with under collections of over $21k each. It is therefore of paramount importance for the Ministry to ensure its budget level is aligned with the activities of its respective divisions and to encourage divisions that fall short in their collections to exert more efforts so to meet their targets.

Recommendation:

The audit strongly recommended that the Ministry should encourage and to ensure that those divisions that had failed to meet their targets exert more efforts in future years.

Management should also ensure that its budget level is aligned with the activities of each division.

Management response:
Written response was received.

14.3.1.5 OUTSTANDING SCHOOL FEES AND LIBRARY FINES

Findings and Analysis:

As noted during the audit there were outstanding fees and library fines yet to be collected as follow:

1) Outstanding School Fees;
    - Rurubao Primary School $20,322.00
    - Meleang Tabai Secondary School (MTSS) $600.00
    - KGV & EBS Secondary School $15,675.00
    - Teabike Secondary School $13,210.00
2) Outstanding Library Fines;
    - Library Fines $1,410.00

Implications:

- Failure to collect above outstanding fees/fines would encourage nonpayment by current compliers and thus could adversely affect the government cash flow.
- Failure to follow-up on non-payers would result in an accumulated arrears the recovery of which could become difficult.
- The absence of proper control or lack of monitoring revenue collected would undermine the credibility of the collection system adopted by MOE.
- Management should ensure it has a mechanism in place that would observe a level playing field across the board to save grievances from full compliers of paying timely fees/fines.

Recommendations:

- Management has to ensure that above outstanding fees/fines must be collected to reduce the level of arrears of revenue for MOE.
- Management has to review its existing revenue collection system and consider establishing a more robust internal revenue control device with regular reminder to ensure that all outstanding fees/fines are paid promptly as anticipated accordingly.

Management response:

Written response was received.

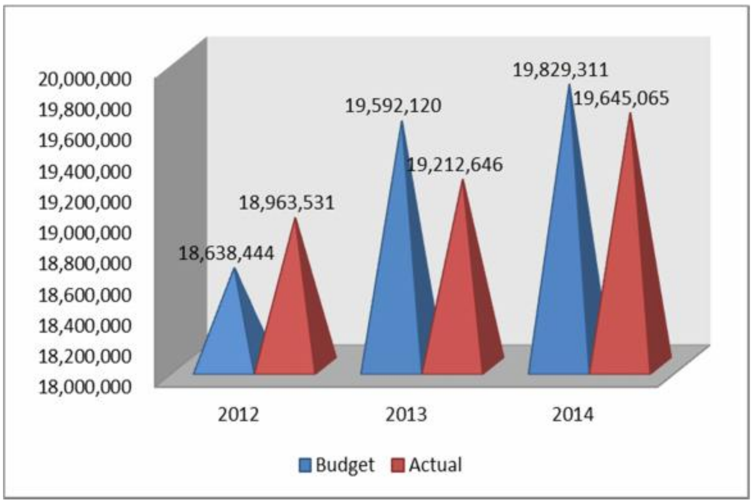
14.3.2 EXPENDITURE (BUDGET)

Findings and Analysis:

14.3.2.1 MOE EXPENDITURE SUMMARY - 2012-14.

Year	Budget	Actual	(Over)/Under
2012	18,638,444	18,963,531	- 325,087
2013	19,592,120	19,212,646	379,474
2014	19,829,311	19,645,065	184,246

14.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL

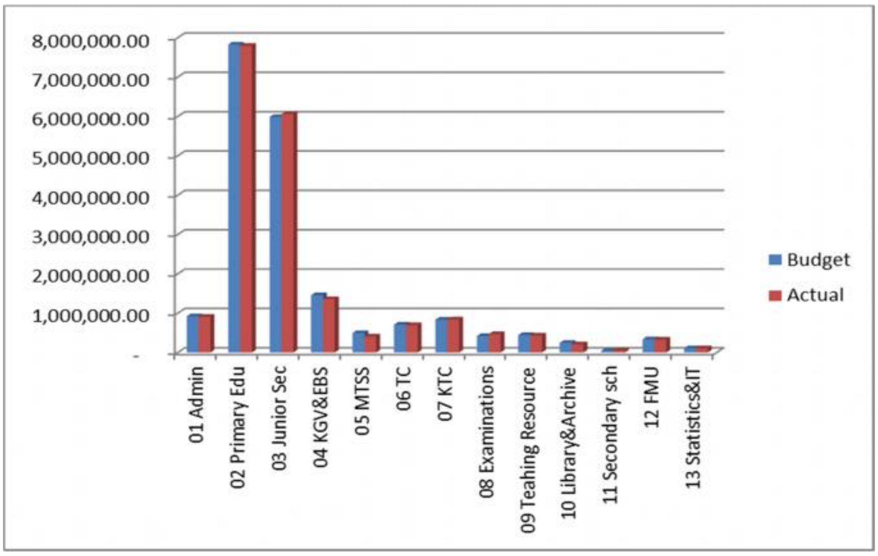


With a slight increase in its budget by 1.1% the Ministry, for the second time, reported a net saving of over $184k. This demonstrated the Ministry had managed to keep its level of spending within its allocated budget and should therefore be commended for that.

14.3.2.3 MOE EXPENDITURE AGAINST BUDGET BY DIVISIONS

Output	Budget	Actual	(Over)/Under
01 Administration	921,045.00	905,998.74	15,046.26
02 Primary education service	7,826,005.00	7,791,309.58	34,695.42
03 Junior secondary education	5,986,155.00	6,058,728.85	- **72,573.85**
04 KGV & EBS secondary	1,456,977.00	1,355,915.17	101,061.83
05 MTSS	495,120.00	406,059.14	89,060.86
06 Teabike College (TC)	707,659.00	696,051.29	11,607.71
07 KTC	834,492.00	839,523.07	- **5,031.07**
08 Examinations	419,074.00	466,381.95	- **47,307.95**
09 Teaching Resource	443,306.00	431,495.49	11,810.51
10 library and Archive	246,150.00	207,483.27	38,666.73
11 Secondary Schools	48,355.00	52,608.71	- **4,253.71**
12 FMU	337,720.00	328,706.41	9,013.59
13 Statistics and IT	107,253.00	104,802.50	2,450.50
Total	***19,829,311.00***	***19,645,064.17***	***184,246.83***

14.3.2.4 COMPARATIVE GRAPH OF BUGDET EXPENDITURE AGAINST ACTUAL PER DIVISION



The bar graph exhibited above displayed the trend of expenditure by divisions for the year ended 31/12/14. According to the above graph/ table almost all divisions under this ministry had managed to operate within their budget range except for 4 divisions which have exceeded their estimated budget by the respective amounts as shown below:

- 03 Junior Secondary Education with overspent of $72k,
- 08 Examinations with an amount of over $47k overspent,
- 07 KTC with an overspent of $5k and
- 11 Secondary School with that of overspent $4k

These divisions should be encouraged to manage and ensure their spending level in future years is within the allocated budget.

Recommendations:

Management to encourage those able to keep within their budget allocation to continuously do same and to ensure close monitoring on other divisions to prevent overspending again in future years.

Management to ensure its budget level is aligned with the activities of its individual divisions.

Management response:
Written response received.

14.3.2.5 CONTROL OVER LOG BOOKS

Findings and Analysis:

Audit noted that all log books for MOE vehicles were not available or provided during the conducting of this audit.

Implications:

- Failure in maintaining and updating a gov't vehicle log book would raise questions particularly on the genuineness of claims for fuel, overtime for drivers and usage of such.

- Failure to monitor the log book by management could increase the risk of misappropriation and loss of public funds as well as misusing of gov't vehicles.

Recommendations:

- Management should ensure each vehicle has a log book and must be maintained and updated by the driver or whoever used such vehicles.
- MOE should ensure that the log book is also amongst the records that should be readily available for future audits.
- Management should ensure it also has a mechanism in place to control the fuel for each vehicle.

Management response:

Written response for this issue was received.

14.3.2.6 UNAVAILABILITY OF PVS REQUESTED TOTALED TO $104,672.75

Findings and Analysis:

While carrying out this audit there were other requested payment vouchers amounting to **$104,672.75** as per details provided below, that were not produced for audit authentication, hence, no further audit testing was performed. Therefore valid explanations should be provided by the concerned Ministry as why such PVs were gone missing or to provide those that responsible officials had managed to retrieve for confirmation of their existence.

Division	Payment Voucher No.	Amount	Division	Payment Voucher No.	Amount	
Teaching Resources	moe 3344/14	3,461.40	**Library & Archives**	MOE 1918	12,000.00	
	moe 3603/14	2,306.25		MOE 3619	4,038.68	
	moe 3602/14	3,268.13		MOE 3009	2,100.00	
	moe 3981/14	2,064.00		MOE 1962	1,580.00	
	moe 1120/14	1,146.50		MOE 882	1,800.00	
	MOE 2319/14	1,690.00		MOE 3419	3,586.16	
	moe 4112/14	22,998.25		***sub total***	**25,104.84**	
	moe 4104/14	6,758.05	**FMU**	MOE 1512	1,800.00	
	moe 4206/14	23,582.45		moe 1580	1,206.27	
	moe 4218/14	2,502.70		moe 2363	1,732.50	
Statistic & IT	moe 3068	3,185.00		moe 2690	1,866.41	
	sub total	**3,185.00**		***sub total***	**6,605.18**	
	sub total	**69,777.73**		***sub total***	**34,895.02**	**$ 104,672.75**

Implications:

- The absence of the PV would make it difficult for the audit to authenticate the amount been paid.
- Unavailability or Missing documents is a violation of Cap 79 and other related government regulations such as FR – 2011 and would annul the payments already made.
- Unavailability of documentations sought during the audit would undermine the integrity of the accounting officers concerned.

Recommendations:

- MOE should ensure that all payment vouchers (as they were only last year's records) are available for ease of management and audit references in the future.
- MOE should ensure its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.

- MOE should ensure the movement register for all accounting documents is maintained and ensure the movement of batches are properly recorded and monitored regularly.

Management response:
Written response for this issue was also received.

14.3.2.7 CONTROL OVER BUS TICKET

Findings and Analysis:

The bus ticket register for year 2014 was not available or produced during the audit thus had prevented auditors from conducting tests on the issuance of bus tickets to each respective staff. This register is a very important document for confirming that the issuance of bus tickets is in order.

Implications:

- Missing and Unavailability of valid documents requested for audit verification is a complete violation of Cap 79 and Government Financial Regulations (FR 2011).
- There is a possibility that bus tickets can be misused or misappropriated.

Recommendations:

- Good custody over bus ticket register must be strengthened by management
- The Accountable and Responsible officers should ensure the register is completed each time a ticket is issued to the individual staff.
- MOE must regularly review the bus ticket register and take immediate corrective action when faults are detected.
- Management to provide a bus ticket register for confirmation this is being managed properly.

Management response:
Written response received.

14.3.2.8 MISALLOCATION

Findings and Analysis:
Audit detected two payments made were indeed charged the wrong output or allocation as indicated below:

PV number	Payable to	Amount ($)	Code charged	Proper Code
1576/14	KSSL	$2,358.00	E2302-216 Internal travel	E2302-225 Relocation Expenses
1684/14	Ueen Bubutei Maiana	$1,709.70	E2302-216 Internal travel	E2302-225 Relocation Expenses

Implications:
Charging the wrong output/allocation would lead to the unnecessary overspending of the output/allocation mistakenly charged.

Such failure in wrongly charged output would also lead Management astray especially when deciding on the appropriate budget level for succeeding years.

Charging wrong outputs raises questions or doubts on the integrity of the accounting system of the Ministry.

Recommendations:

MOE through it Account Unit should ensure to charge a proper and correct allocation (code) according to the nature and purpose of such output/allocation so as to avoid future misallocations of funds.

Prior authorizing and approving any significant payments accountable and responsible officers should thoroughly review the nature of the payment and code being charged to ensure allocation of payments are in order.

Management response:
Written response received.

14.3.2.9 TRANSPORT TO NORMAL WORKPLACE

Findings and analysis:

According to PV 1809/14 amounted to $465.95, dated 05/02/15 one private vehicle with registration plate numbers of TC 2896 $14.36, had been refuelled by the Ministry. There was no written document to confirm or indicating that such vehicle was actually been used for official purposes.

It was further noted that PV 1866/14 (refuelling sheet) also revealed that the amount of $6.30 for 5 litres super was spent for one vehicle with no registration number, stated only the name appeared on the refuelling sheet. Also no official written document could be seen or attached with PV indicating the usage of such vehicle (if non stated number is private vehicle) are in order.

Implications:

- The absence of authority to refuel private vehicles would annul the payments already made for the three stated vehicles above.
- The nonexistence of a strong internal control system on refueling of vehicles for refueling private vehicles being used for official purposes would increase the risk of misappropriation and loss of public funds.

Recommendation:

The audit strongly recommended that MOE should have a refuel monitoring system and policy on engagement of private vehicles for official use in place.
Management to pursue recovery from those responsible in refuelling those vehicles highlighted above if there was no prior authority for refuelling their vehicles from MOE funds.

Management response:
Written response received.

14.3.2.10 TWO YEARS ENTITLEMENT POLICY

Findings and Analysis:

Based on the leave balance register provided, it was obvious that MOE, like other Ministries, still had not followed or comply with the newly two years entitlement policy as already approved by Cabinet (Cabinet Decision Minute No. 77/10 refers). This was evidenced by the excessive leave balance of some of MOE staff who had more than 100 working days as indicated in the table hereunder.

On the other hand there are also staffs that had exceeded their leave balances and had been allowed to continuously take leave, details of which are also included hereunder:

	TITLE/POSITION	PF Number	Annual Balance
1	Officer 1	7941	101.5
2	Officer 2	99025	128
3	Officer 3	2011166	106
4	Officer 4	2001176	103
5	Officer 5	98052	147
6	Officer 6	2003009	104.5
7	Officer 7	2002073	116
8	Officer 8	7610	126
9	Officer 9	7605	121
10	Officer 10	2005168	-12
11	Officer 11	2009023	-2
12	Officer 12	2009036	-7
13	Officer 13	2011152	-9.5
14	Officer 14	2010219	-3

Implication:

None compliance to this decision is an utterly violation of Cabinet Decision and letting staff continuously taking leave despite their negative leave balances is a violation of NCS and all would lead to unnecessary drain out of public funds.

Recommendations:

- The audit recommends that MOE should enforce and implement the Cabinet Decision Minute No.77/10 for fairness sake to all their staffs.
- Management should ensure when their staff take leave in 2016 to ensure the 2016 leave entitlement is taken first before taking previous year's leave entitlements until the outstanding leave balances are cleared.
- Strong internal control system over leave balances should be implemented to avoid future negative outstanding leave balances.
- Management should ensure it recovers the negative leave balances from staff concerned by reducing their basic salaries until the number of over stayed leave is recouped.

Management response:

Written response received.

15. MINISTRY OF COMMUNICATION, TRANSPORT & TOURISM DEVELOPMENT (MCTTD)

15.1 AUDIT OPINION

An Unqualified audit opinion is issued for the Ministry of Communication, Transport & Tourism Development (MCTTD) for the year ended 31 December 2014 with **Emphasis of the matters** as discussed in detail from section 15.3 below.

15.2 SIGNIFICANT MATTERS OUTSTANDING FROM PREVIOUS AUDIT

The following issues were noted as the causes of the qualified audit opinion issued on the performance of the Ministry of Communication Transport and Tourism Development in the financial year 2013:

- Failure to provide register for boarding fees
- Overpayment of salary to one staff
- Unsigned salary of over $4k

15.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

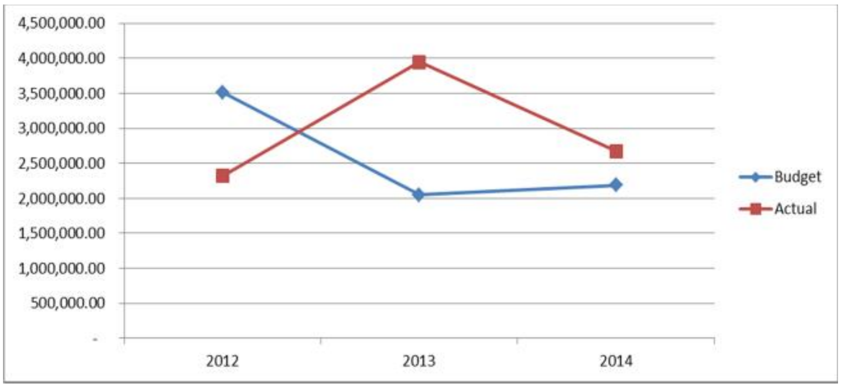
15.3.1 CONTROL OVER REVENUE (BUDGET)

Findings and Analysis:

15.3.1.1 MCTTD REVENUE SUMMARY COLLECTION:

Year	Budget	Actual	(over)/under
2012	3,514,000.00	2,319,034.00	1,194,966.00
2013	2,047,000.00	3,944,266.89	(1,897,266.89)
2014	2,189,200.00	2,671,218.31	(482,018.31)

15.3.1.2 MCTTD COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

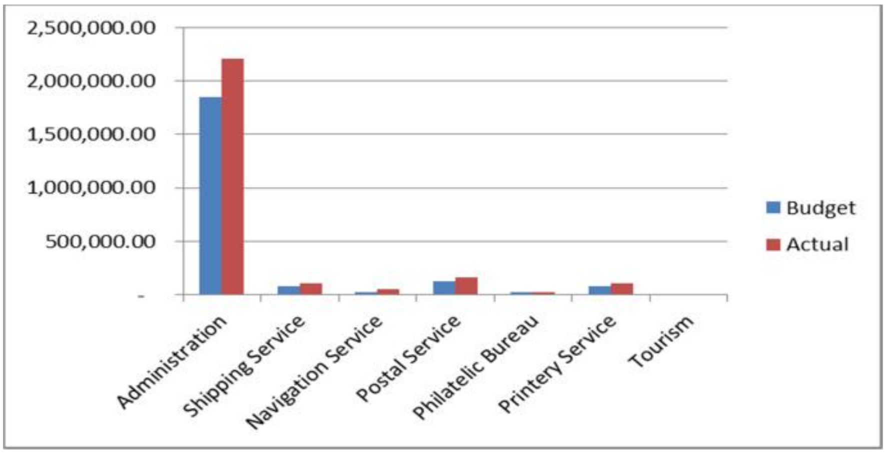


With an increased revenue budget the Ministry, for the second time, collected more than the budget by 22%. However when compared to actual collection in 2013 the actual amount collected in 2014 fall short by over $1.2m or 32%.

15.3.1.3 COMPARATIVE GRAPH OF BUGDET REVENUE AGAINST ACTUAL BY DIVISION

Description	Administration	Shipping Service	Navigation Service	Postal Service	Philatelic Bureau	Printery Service	Tourism
Budget	1,850,000.00	82,000.00	25,000.00	125,200.00	22,000.00	80,000.00	5,000.00
Actual	2,210,348.46	106,694.75	51,651.33	166,417.25	20,347.15	108,513.82	7,245.55
(over)/under	(360,348.46)	(24,694.75)	(26,651.33)	(41,217.25)	1,652.85	(28,513.82)	(2,245.55)

15.3.1.4 COMPARATIVE GRAPH OF BUGDET REVENUE AGAINST ACTUAL BY DIVISION



The above graph depicted the actual amount of revenue collected against the budget by division for fiscal year 2014. As observed, all Divisions except Philatelic Bureau had achieved or exceeded the estimate revenue as provided by allocations as follow:

Output	Budget	Actual	(Over)/Under
01Administration			
Jaxa (Air Service)	600,000.00	838,264.11	(238,264.11)
Jaxa (Downrange)	700,000.00	646,877.00	53,123.00
Open Ship Registration	550,000.00	725,207.35	(175,207.35)
02 Shipping Services			
Recruitment & Exam fee	15,000.00	39,342.10	(24,342.10)
License for Foreign vess	40,000.00	44,666.85	(4,666.85)
License for domestic vess	25,000.00	15,846.80	9,153.20
Seaworthiness	2,000.00	6,839.00	(4,839.00)
03 Navigation Services	25,000.00	51,651.33	(26,651.33)
06 Postal Services			
Sundry revenue	1,000.00	19,432.31	(18,432.31)
Letter post terminal	100.10	15,140.43	(15,040.43)
Sale of stamps	28,000.00	12,615.50	(15,384.50)
Parcel post terminal	100.00	182.00	(82.00)
Private box rental	6,000.00	3,934.00	(2,066.00)
Commission on money	90,000.00	115,113.01	(25,113.01)
08 Printery service			
Printing sales	80,000.00	108,513.82	(28,513.82)

As reflected above almost all outputs, except two, had collected more than the budget allocation and therefore all managers of such outputs should be commended for such notable achievements.

Implication:

The excess revenue collection, coupled with the saving, if any, in the expenditure outputs, when added with other Ministries', would contribute enormously to saving withdrawals from the RERF which in turn would generate interests for the benefits of the citizens.

2013: Recommendation:

- *Management to ensure all agreements are adhered to in order to save costs and continuously assist in boosting revenue.*

- *Being one of the major revenue collectors for government, management should ensure it provides a more realistic estimate each year.*

Management response:

Written management response was received.

15.3.1.5 LACK OF CUSTODY OVER ACCOUNT DOCUMENTS

Finding and Analysis:

15.3.1.5.1 CASH BOOK

The cash book was noted missing and no new one opened for recording purposes and this could be evidenced when the Ministry (Headquarter) uses the data base in recording transactions incurred (monies receipted, etc.). This is prone to manipulation and therefore management should have a hard copy for recording transactions and as a backup for future reference.

15.3.1.5.2 PHILATELIC OVERSEAS SALES

- Overseas suppliers register was not maintained or list of names for overseas suppliers was not provided.
- The last quarterly report for Pacific Stamps and Maxstern & CO were not provided for audit verification.

Audit could not understand why records of 2014 could not be provided and an explanation therefore is herewith sought.

Implications emerged from above issues:

- If the revenue records and other accounting documents requested for audit verification were not provided it would raise doubts on the authenticity of revenue been collected.

- The absence of records could lead to risks of misappropriation and loss of public funds.

- Failure to provide above requested accounting documents would also undermine the credibility and reliability of the workforce especially on the one responsible for safekeeping public funds.

Recommendations:

- Management must ensure that regular review is carried out on all its revenue divisions to ensure all revenue cashiers conform with the laws and regulations governing revenue collections.

- Management must ensure all documents are fully supported, maintained, kept securely in a safe environment and made readily accessible for future management and audit references.

- Management must ensure its officials are fully conversant and comply with the provisions of related governing rules or regulations such as FR 2011, Store Regulation and so forth.
- Management should observe the provisions of NCS for imposing on staff that grossly neglect the important provisions relating to safeguarding of public funds.

Management response:
Written response for above issues was provided from concerned Ministry.

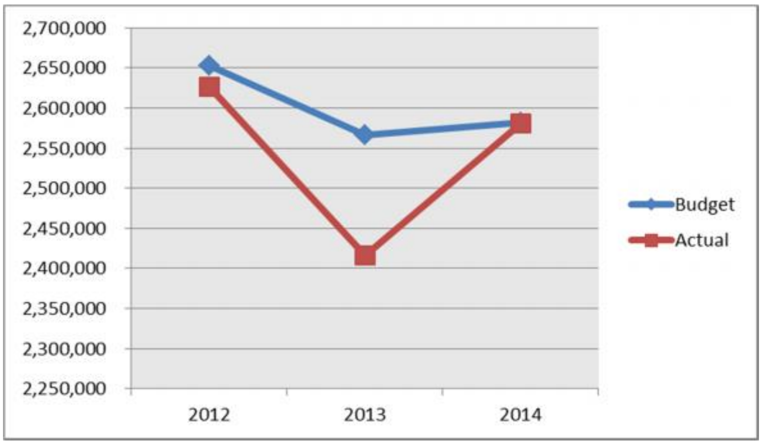
15.3.2 CONTROL OVER EXPENDITURE

Finding and Analysis:

15.3.2.1 COMPARATIVE EXPENDITURE AGAINST BUDGET.

Year	2012	2013	2014
Budget	2,652,888	2,566,332	2,582,449
Actual	2,626,603	2,415,559	2,581,147
(Over)/Under	26,285	150,773	1,302

15.3.2.2 COMPARATIVE GRAPH OF EXPENDITURE BUDGET AGAINST ACTUAL

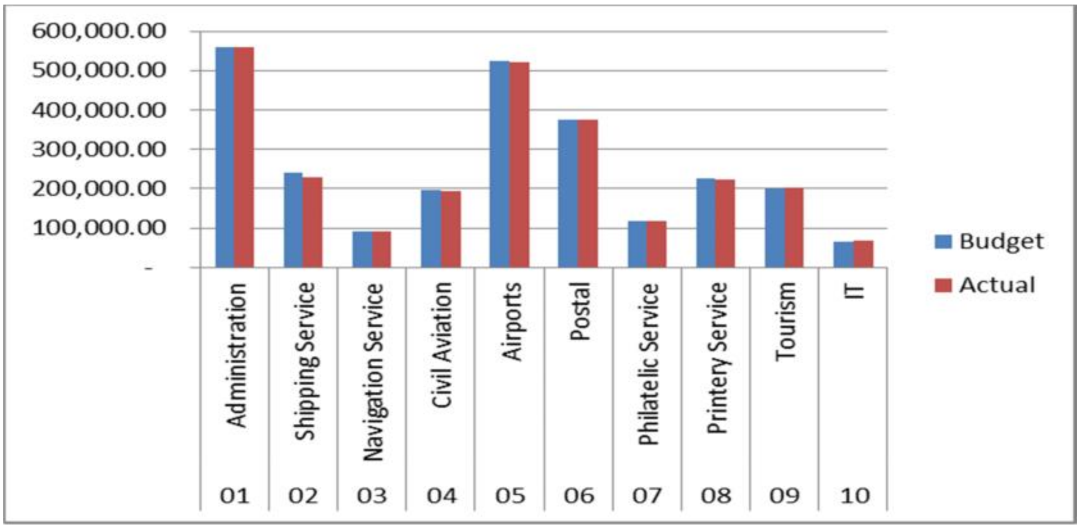


It is pleasing to note the Ministry had continuously for three consecutive years to keep its operations within its allocated budget and therefore management should be applauded for such notable achievements.

15.3.2.3 2013 MCTTD EXPENDITURE AGAINST BUDGET BY DIVISIONS

	01	02	03	04	05	06	07	08	09	10
Descriptions	Administration	Shipping Service	Navigation Service	Civil Aviation	Airports	Postal	Philatelic Service	Printery Service	Tourism	IT
Budget	558,657.00	239,587.00	91,724.00	195,530.00	523,573.00	373,950.00	116,661.00	225,310.00	200,846.00	65,611.00
Actual	560,215.72	229,095.25	90,870.86	194,392.74	520,484.56	373,754.00	118,507.72	224,359.17	202,157.98	67,308.36
(over)/under	$ (1,558.72)	$ 10,491.75	$ 853.14	$ 1,137.26	$ 3,088.44	$ 196.00	$ (1,846.72)	$ 950.83	$ (1,311.98)	$ (1,697.36)

15.3.2.4 COMPARATIVE GRAPH OF EXPENDITURE (ACTUAL) AGAINST BUDGET BY DIVISIONS



Of the ten divisions four had spent slightly above their budget limit and management should encourage these divisions: 01-Administration with an overspent of over $1k, 07-Philatelic with $1k, 09 - Tourism and 10 - IT division with an overspent reported of $2k in total.

Recommendation:
Management to encourage all its divisions to continuously aim to maintain their level of spending within their approved budget level.

Management response:

15.3.2.5 CONTROL OVER BUS TICKET

Finding and Analysis:

A very poor control over bus ticket was discovered as, as observed, a lot of bus tickets been issued were unable to be verified as indicated below:

- The issuance of bus tickets for the period 1/01/2014 to 16/06/2014 could not be verified due to management failure in providing the bus ticket register for such period.
- The bus ticket numbers 44587 to 445881, valued $3.20 (4 x .80 cents =$3.20) which had been issued out were not recorded in the register.

Implication:
The above issues would increase risks misappropriation and loss of public funds.

Recommendation:

- Good custody over bus tickets must be strengthened by management.
- Responsible officers must ensure the register is completed each time a ticket is issued out to individual officers.
- Management must regularly review or check the bus ticket register to ensure it is in order and maintained or updated and to take immediate corrective action when faults are detected.

Management response:
Written response had been received.

15.3.2.6 IMPREST – EXTERNAL TRAVEL

Finding and Analysis:
As noted the total accumulated to year 2014 has reached $5,543.57 in respective of four officers as evidenced from the list provided from MFED as indicated in the table hereunder:

Employee PF Number	Position	Amount ($)
2006186	Officer 1	613.59
2012127	Officer 2	3,330.00
2010107	Officer 3	1,329.98
2013151	Officer 4	270.00
Total	**Total**	**$ 5,543.57**

Implications:

- Failure to retire Imprest within 10 days and/or not retired at all upon return from official trips is a breach of FR 11 requirement and would increase the risk of accumulation of outstanding dues from those that had been allowed to continuously travel without having retired their previous Imprests.
- The accumulation of unretired special Imprests from previous years showed a lack of control and monitoring over Imprest issued by MCTTD responsible officers and this of course could ultimately lead to loss of public funds.

Recommendations:

- Management must open, maintain and update a register for Imprest issued for monitoring and recovery purposes.
- MCTTD should not issue future Imprest to its officers until such outstanding from previous years had been cleared or arrangement for recovery had been made.

Management response:
Management response received.

15.3.2.7 KIRIBATI PROVIDENT FUND

Finding and Analysis:

The amount of $959.78 was indicating the variances between the MFED records (management report) and audit figure. The variance shown was the understatement of some employee's contribution therefore explanations are required from MFED for the variances noted, being the Ministry managing the KPF for all civil servants. MCTTD however, has a crucial role in ensuring the deductions appearing in their monthly reports reflect 7.5% of its staff total salary and temporary each pay period. Details of such variances are elaborated in the following table below:

Total Annual Permanent salary			940,830.15
Total Annual temporary gross salary			121,189.85
			1,062,020.00
Multiply 7.5%			7.50%
KPF contribution			79,651.50
KPF Contribution Permanent & Temporary Gross Pay			79,651.50
KPF Contribution Management report			78,691.72
Variance			**959.78**

Implication:

Kiribati Provident Fund contributions are constitutional payments and any overstatement or understatement will not only have an adverse effect on the overall Ministry total budget but could also affect the benefit of some employees the deductions of which relate to their salaries.

Recommendation:

MCTTD must ensure to conduct its monthly review and regular reconciliation with records held by MFED to avoid unnecessary discrepancies at the end of financial year.

Management response:

Written response for this issue was received.

15.3.2.8 LEAVE BALANCES - 2 YEARS ENTITLEMENT POLICY

Findings and analysis:

There were 5 employees from different divisions selected to perform our testing on their leave balances. Of the 5 officers some had leave balances exceeding 2 years entitlement as these had been accumulated for more than 3 to 4 years back which is not in line with Cabinet decision minute no. 77/10.

Staff PF Number	Title/Post	Leave Entitlement	Leave Balance
2001175	Officer 1	30	250.5
2006186	Officer 2	30	78
93109	Officer 3	30	237
7551	Officer 4	30	79
7826	Officer 5	30	249

Implication:

Failure to arrange for staff to take leave this year would result in staff concerned having their prior 2 years leave entitlements forfeited in 2016.

Continuing in accounting for more than 2 years leave entitlement is a breach of Cabinet directive.

Recommendation:

Management to correctly account for the 2 years leave accumulation from 2016 by ensuring staff, when taking leave in 2016, to offset first their 2016 leave entitlement and to work backwards until their 2014 leave balance, if any if the officer had not taken any leave in 2014, is exhausted.

Management response:

Response to be provided by Admin.

16. MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT (MFED)

16.1 AUDIT OPINION

An Unqualified audit opinion is issued for the Ministry of Finance and Economic Development (MFED) for the year ended 31 December 2014 **with Emphasis of the matters** as discussed in detail from section 16.3 below.

16.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the audit opinion for Ministry of Finance and Economic Development performance in the fiscal year 2013.

- Under collection of Real Revenue excluding RERF drawdown
- Unavailability of requested Form A amounted to $23,433.25 and Payment Vouchers totaled to $88,854.72
- Failure to retire Imprests withdrawn by the required due dates

16.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comments:

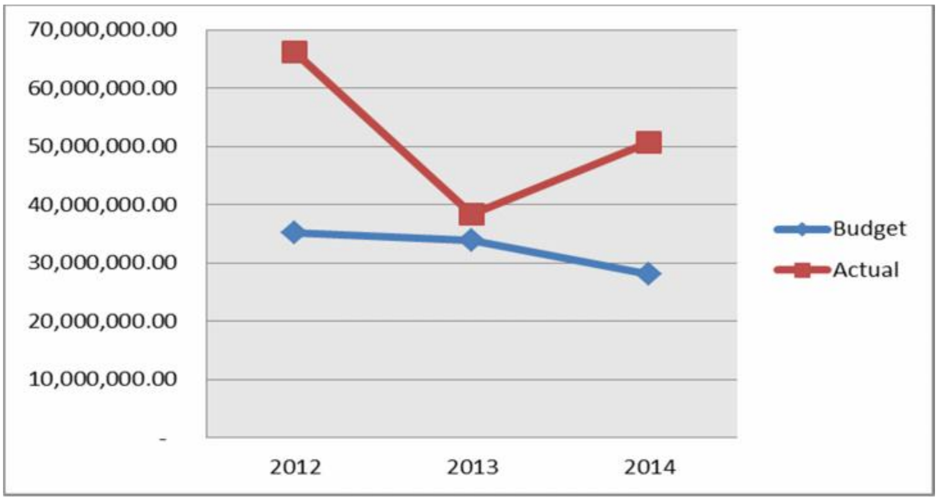
16.3.1 REVENUE (BUDGET)

Findings and Analysis:

16.3.1.1 BUDGET REVENUE SUMMARY AGAINST ACTUAL COLLECTION

Year	2012	2013	2014
Budget	35,132,800.00	33,964,400.00	28,112,700.00
Actual	66,280,859.00	38,357,038.00	50,678,817.62
Under/(Over)	**- 31,148,059.00**	**- 4,392,638.00**	**- 22,566,117.62**

16.3.1.2 MFED REVENUE COMPARATIVE GRAPH AGAINST BUDGET

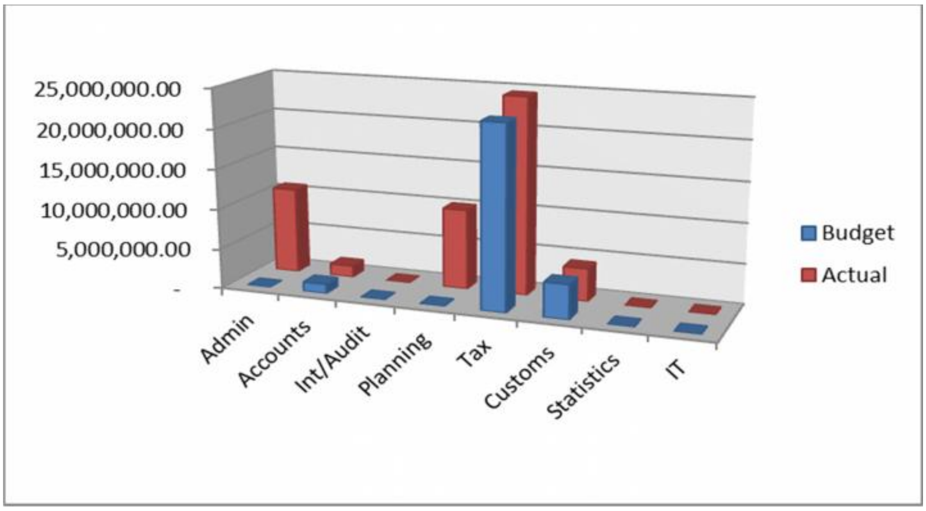


As demonstrated above, MFED for the first time over the last two years had successively managed to collect over and above its real revenue, i.e. exclusive of the RERF drawdown of $10m, by over $12m. Thus, the Ministry should be commended for such notable achievement and to ensure it maintains similar efforts in future years.

16.3.1.3 MFED REVENUE AGAINST BUDGET BY DIVISIONS

Code	Division	Budget	Actual	Under/(Over)
C2501	Administration	-	10,733,153.96	- 10,733,153.96
C2502	Accounts HQ	1,160,000.00	1,437,600.37	- 277,600.37
C2503	Internal Audit	-	-	
C2505	Tax	22,671,000.00	24,429,596.55	- 1,758,596.55
C2506	Customs	4,281,200.00	4,078,456.69	202,743.31
C2507	Statistics	500.00	10.05	489.95
C2508	IT Unit	-	-	-
	Total Excluding RERF	28,112,700.00	40,678,817.62	- 12,566,117.62
C2504	Planning	-	10,000,000.00	- 10,000,000.00
	Total Including RERF	28,112,700.00	50,678,817.62	- 22,566,117.62

16.3.1.4 COMPARATIVE GRAPH OF REVENUE AGAINST ACTUAL COLLECTION PER DIVISION



From the above comparative graph analysis it was clearly stated that the main revenue streams are as highlighted in bullet points below with comments on variances:

- 01 - Administration with its collection of over $10m
- 05 - Taxation (Major Revenue) of over $1.7m
- 02 - Accounts (HQ) with excess over $222k
- 06 - Customs (Major Revenue) under collection of revenue by $202k and
- 07 - Statistics with under collection by $489 dollars.

It was further noted that revenue collected under 01-Admin was not budgeted for in 2014. These were the direct credits made to the No.1 Bank account and had been allocated under HQ of MFED, hence no budget code was provided.

It is also confirmed that 06 Customs collection for its branch office in Kiritimati have not been included herein. As per conveyed from responsible officer Customs branch office collections were deposited in the No. 5 Bank Account and returns made to Head Quarter (Customs in Betio) on a monthly basis. Hover returns when requested were not provided for confirmation that collections had all been included in HQ's collections.

Recommendations:
Management to provide explanation as to why direct credits made to No.1 Bank account were not correctly posted under the relevant revenue codes.

Management to ensure its divisions continuously exert strenuous efforts in meeting their major revenue targets. Management to ensure its future revenue budget level is aligned with the activities of its individual divisions.

Management response:
Written response is received.

16.3.2 EXPENDITURE (BUDGET)

Findings and Analysis:

16.3.2.1 MFED COMPARATIVE EXPENDITURE AGAINST BUDGET

Year	2012	2013	2014
Budget	3,140,594.00	2,804,817.00	2,851,835.00
Actual	3,033,267.00	2,711,947.00	2,805,514.60
Under/(Over)	**107,327.00**	**92,870.00**	**46,320.40**

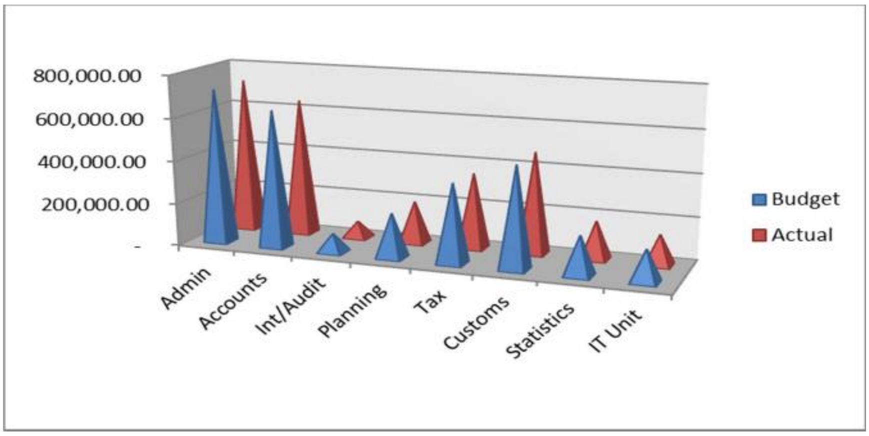
16.3.2.2 MFED COMPARATIVE EXPENDITURE GRAPH AGAINST BUDGET

It is evident from the above MFED for the past three consecutive years had managed to maintain its level of spending below budget and should therefore be commended for such notable performance.

16.3.2.3 MFED COMPARATIVE EXPENDITURE TABLE BY DIVISIONS - 2014

Code	Division	Budget	Actual	Under/(Over)
E2501	Admin	726,263.00	726,660.44	- 397.44
E2502	Accounts (HQ)	644,505.00	645,102.47	- 597.47
E2503	Internal Audit	88,718.00	79,476.14	9,241.86
E2504	Planning	210,239.00	199,671.72	10,567.28
E2505	Tax	372,000.00	355,993.68	16,006.32
E2506	Customs	475,651.00	476,744.44	- 1,093.44
E2607	Statistics	185,000.00	179,628.96	5,371.04
E2508	IT Unit	149,459.00	142,236.75	7,222.25
	Total	2,851,835.00	2,805,514.60	46,320.40

16.3.2.4 MFED COMPARATIVE EXPENDITURE GRAPH BY DIVISIONS - 2014



In referring to the above graph/table, only three divisions amongst the eight divisions within MFED exceeded their divisional estimated budgets by insignificant amounts of $397.44 (01-Admin), $597.47 (02-)Accounts and $1k (06-Customs) respectively. Savings by the remaining five divisions resulted in a net saving of over $46k. (Refer to appendix 1)

Recommendation:

Management should be commended as well on such prominent performance.

Management Response:

16.3.2.5 CONTROL OVER BUS TICKET

Findings and Analysis:

The table provided below shows the number of missing bus ticket from the Finance as sighted during the audit. These bus tickets were confirmed delivered to Finance by Pintrans as evidenced by the signature of responsible officer from Finance indicating that such were actually received in hand. Details of such are provided in the table below:

Date	Missing Bus Ticket	Value	Quantity	Total
14/01/2014	358699-358700	90c	1	0.9
14/01/2014	343601-343700	50c	100	50
	Total			**50.9**

Implication:

There is a possibility that such missing bus tickets could be misappropriated or misused in which would lead or contribute to the public fund losses.

Recommendations;

- Management should provide explanation as to why such large numbers of tickets were missing to settle this matter and to be taken out from the report once satisfactory response is received.
- Management must carry out a regular review on the bus ticket register and take immediate corrective action where faults are detected.

Management response:
Written response also provided for this issue.

16.3.2.6 LEAVE BALANCES – 2 YEARS ENTITLEMENTS

Findings and Analysis:

It was found during the audit that the leave balances for all finance staffs have not been updated. This was evidenced when the acting OM was still working on such leaves balances while the audit was carried out, hence, no further testing was performed as the responsible officer still could not provide any update leaves balances for any selected officer within MFED.

Implications:

- The absence of a leave roster and register for leave balances is a contravention of FR and NCS and indication of non-compliance with Cabinet policy on the 2 year leave entitlement.
- The absence of such record would make it difficult for management to take recovery action on others that may have exceeded their leave entitlements.

Recommendations:

- Management should ensure it maintains a leave roster and leave balance register for controlling accumulation of leave balances and taking immediate recovery action on those exceeding their leave balances.
- MFED should quickly apply Cabinet's directive on the 2 year leave policy for those having leave balances for more than 2 years' leave entitlement.
- Management should ensure when staff take annual leave, to offset the current year's leave entitlement first before taking balances of previous years'.

Management response:
Written response also received.

16.3.2.7 VOTE LEDGER 2014

Findings and Analysis:

The Vote ledger for Finance was not updated as could be seen on the database provided but only the payment voucher register.

Implication:
Failure to update the vote ledger would make reconciliation difficult and would lead management astray in their decision making as figures reported may be incorrect.

Recommendation:
Management should ensure the posting to the vote ledger is up to date to enhance reconciliation at the end of financial year.

Management response:
Written response for this anomaly had been received.

16.3.2.8 KPF CONTRIBUTION

Findings and Analysis:

Total Annual Gross Salary 2014 including Temporary Assistance	$1,331,520.19
Multiply by 7.5% (KPF Rate)	7.50%
KPF contribution	$ 99,864.01
KPF per Management report 2014	$ 96,148.64
Variance	**$ 3,715.37**

After the analytical review performed the above variances of over $3k was discovered between the Management reports and audit figure. As noted, KPF contribution stated in the Management Report was understated by $3k and this could affect or divest officers of their KPF benefits. Thus, explanation is required from MFED as to how such variance could be corrected.

Implications:

- The variances noted above, i.e. overstated or understated would deprive the employee from receiving the full KPF benefit.
- Where over payments are made on the other hand, the government would of course face hardship in paying out the wrong and excess KPF for employees concerned and is thus, a loss of public funds.
- Variances, particularly excess amounts, noted in the report would undermine MFED management on the whole of government employees' KPF benefits and safety of the government budget.

Recommendation:

It is therefore strongly recommended that MFED should provide valid explanations to justify the variances disclosed in the table above.

Management response:
Written response had been received.

16.3.2.9 PAYROLL – DEDUCTIONS OF SALARY

Findings and Analysis:

Apart from various deductions made to salaries of each government officer this year the audit focused more on the deductions made for recovering negative leave balances (overstayed) from the salaries of employees overstayed their leave entitlements. Under NCS the number of overstayed leave is treated as leave without pay therefore employees having exceeded their leave entitlements should not receive salary for the equivalent number of overstayed leave.

The audit noted when inquiring on the Salary Section treatment of such that the deduction varies as it depends, as per the advice, on the letter received from line ministries:

- If the letter specifically stated that deduction should be deducted from her/his salary of any amount per fortnight, then the deductions would be made from the net salary = *our comment – wrong treatment if no JV was raised.*
- If the letter specified that deduction is of one off, then this will be deducted from the Gross Salary = *our comment – not exactly correct, as all overstayed leaves will have to be recovered from the gross salary of*

the current year, re NCS provision, and a JV will only be raised where recoveries were to be made for previous year's overstayed leave thus then necessitating the recovery from net salary.

Implications:

Failure to recover any overstayed leave from the current year's gross salary is a contravention of the provisions of NCS and an incorrect recovery procedure.

Recovering of overstayed leave from net salary without a matching JV being raised is incorrect accounting practice.

Recommendations:

MFED should correctly deduct overstayed leaves from gross salary of all employees overstayed their leave entitlements.

MFED should raise JVs on past years' overstayed leaves to adjust all balances and recover overpayments incurred from net salary for periods when employee should not receive a salary.

Management response:
Written response for this issue was received.

16.3.2.10 OVERTIME DOCKETS

Findings and Analysis:

The following staff overtime dockets were noted not available or obtainable while conducting this audit, re details shown below:

PF Numbers	Position/Title	Pay period	Overtime Amount
2012139	Officer 1	20/10/14	507.27
2012039	Officer 2	20/10/14	195.92
2003152	Officer 3	20/10/14	162.75
2009024	Officer 4	20/10/14	111.16
		Total	**$977.10**

Management should provide explanation why documentations for 2014 were not easily made available.

Implication:

The absence of supporting documentations to the overtime PV would annul the payment been made and the absence of the PV would make it difficult for the audit to authenticate the amount been paid.

Recommendation:

MFED should ensure that all PVs are available including their supporting documentations for future auditing purposes, and to ensure that unsupported PVs are not processed for payment.

Management response:
Management written response was also received.

16.3.2.11 OUTSTANDING IMPREST - MFED

Findings and analysis:

The total accumulated outstanding Imprest for Finance as per Accounting Unit records was $54,613.14[16]. This showed MFED had failed to conform with the Imprest policy that they are expected to administer. In passing we noted this amount had not been confirmed yet by the responsible officer as she still reconciling the outstanding dues to date.

2013 Implications:

- *Failure to monitor the retirement of Imprest would result in accumulation of outstanding dues and is a breach of the provisions of FR 2011*
- *Failure to comply with the Imprest retirement policy for its own officials would undermine the integrity of management in managing public funds*
- *Cash flow of government would be affected by the accumulated outstanding dues.*

2013 Recommendations:

- *Management should ensure all Imprest are retired within 10 days after completion of official trips in accordance with Financial Regulation. Full compliance in this case should be encouraged and practiced accordingly (FR Section 12)*
- *Management should regularly check Imprest Unit register for conforming to the issuing of Imprests.*
- *MFED through its Accounting Unit (Imprest) must not issue imprest to the respective officer until recovery is being made.*
- *MFED should apply other avenues that would assist in clearing or reducing all outstanding Imprests paid from local funds.*

Management Response:
Written response for this issue was also received.

[16] List for such outstanding dues could be sighted under Audit WP Ref: AS2 Outstanding Imprest 2014.

17. MINISTRY OF WOMEN, YOUTH AND SOCIAL AFFAIRS (MWYSA)

17.1 AUDIT OPINION

An Unqualified audit opinion is issued for the Ministry of Women, Youth and Social Affairs (MWYSA) for the year ended 31 December 2014 with **Emphasis of the matters** as discussed in detail under section 17.3 below. MWYSA should be commended for its outstanding performance in its first year of operation.

17.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM

Being a new Ministry established in 2014, there were therefore no previous issues to include in this section.

17.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

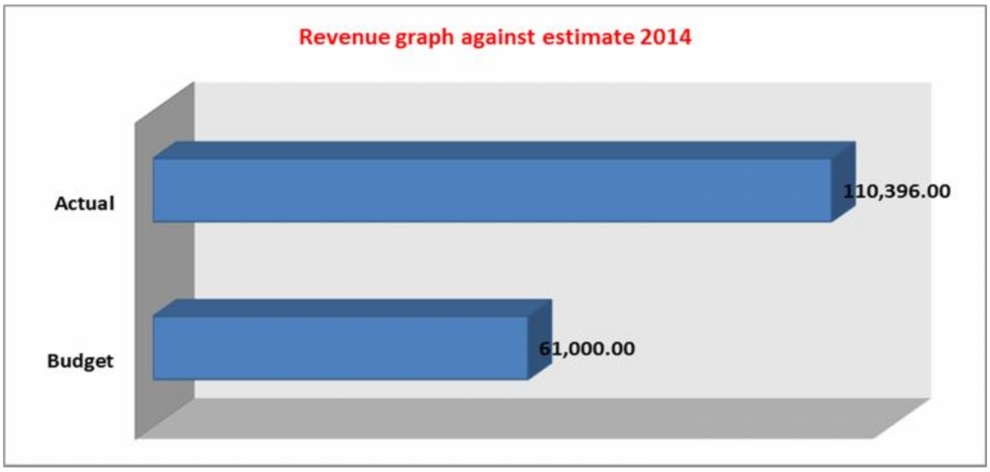
17.3.1 REVENUE (BUDGET)

Finding and Analysis:

17.3.1.1 MWYSA REVENUE SUMMARY COLLECTION – 2014

Description	Budget	Actual	Variance (Over)/Under
2014	61,000.00	110,396.00	(49,396.00)

17.3.1.2 MWYSA GRAPH OF BUDGET REVENUE AGAINST ACTUAL - 2014

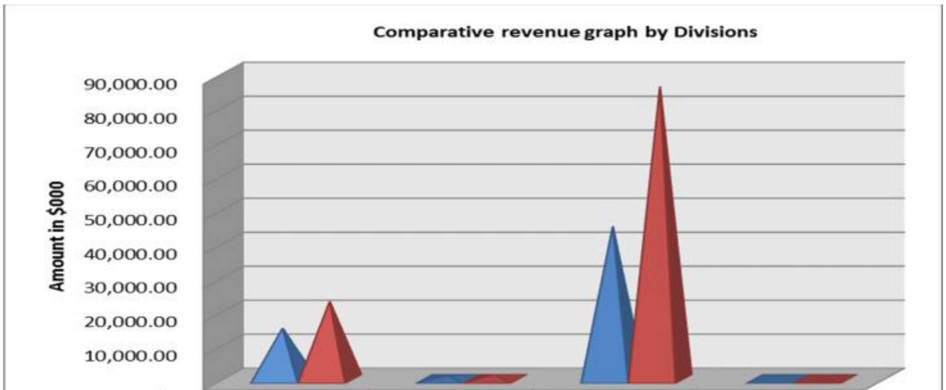


It is pleasing to note that the Ministry, for the first time in its year of operation, has managed to collect revenue above its estimated budget by over $49k and therefore should be commended for such good performance.

17.3.1.3 MWYSA REVENUES BUDGET AGAINST ACTUAL BY DIVISIONS

Description	Sports	Women	Civil Registration	NGO	Total
Budget	15,000.00	1,000.00	45,000.00	-	61,000.00
Actual	22,910.00	1,330.00	86,140.57	15.43	110,396.00
(Over)/Under	(7,910.00)	(330.00)	(41,140.57)	(15.43)	(49,396.00)

17.3.1.4 MWYSA COMPARATIVE GRAPH OF REVENUE BUDGET AGAINST ACTUAL BY DIVISIONS



	Sports	Women	Civil Registration	NGO
Budget	15,000.00	1,000.00	45,000.00	-
Actual	22,910.00	1,330.00	86,140.57	15.43

As shown above major revenue was earned by 3 divisions of MWYSA, all of which exceeded their budget allocations by large amounts, and also included is NGO but for which no provision was provided in 2014. All these divisions should be commended for such notable achievements and encouraged to do same in future years.

Recommendation

Management must ensure all its revenue streams are included in its future budget.

Management response:

Management response received.

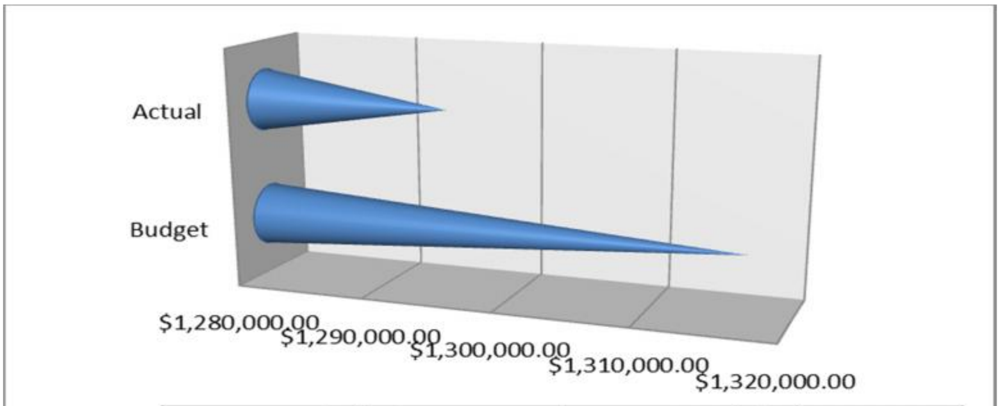
17.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

17.3.2.1 MWYSA EXPENDITURE SUMMARY 2014

Year	Budget	Actual	Variance: (Over)/Under
2014	$1,316,790.00	$1,294,611.95	$22,178.05

17.3.2.2 MWYSA GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL 2014



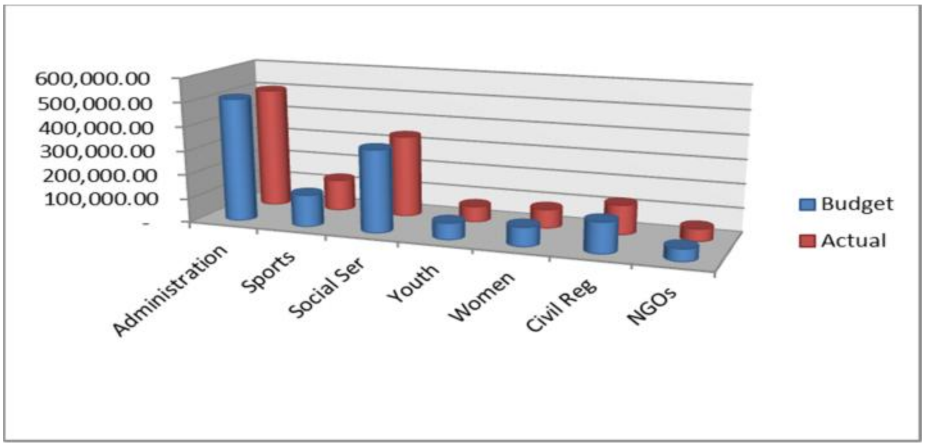
	Budget	Actual
FY 2014	$1,316,790.00	$1,294,611.95

As could be seen from the above graph, the level of actual expenditure for year 2014 was below the amount appropriated by Parliament of $1,316,790 resulting in a net saving of over $22k (Budget less Actual $1,294,611.95). MWYSA should again be commended on its notable performance.

17.3.2.3 MWYSA EXPENDITURE AGAINST ACTUAL BY DIVISIONS

Divisions	*Budget*	*Actual*	*(Over)Under*
01 Administration	511,821.00	501,973.39	9,847.61
02 Sports	133,301.00	131,482.66	1,818.34
03 Social Services	343,686.00	340,606.66	3,079.34
04 Youth	69,158.00	65,913.38	3,244.62
05 Women	79,805.00	79,261.07	543.93
06 Civil Registration	127,641.00	122,982.64	4,658.36
07 NGOs	51,378.00	52,392.15	**(1,014.15)**
Total	**1,316,790.00**	**1,294,611.95**	**22,178.05**

17.3.2.4 COMPARATIVE GRAPH BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISIONS



As indicated above, all divisions except NGO reported substantial net savings and therefore should be encouraged to maintain and do same in future years.

Recommendations:

Management should encourage its NGO division to ensure to keep within its allocated budget in future years.

Management to ensure its future budget estimates, both for revenue and expenditure, are aligned with the scheduled activities its individual divisions planned for each coming years.

Management response:
Written response received.

17.3.2.5 TWO YEARS LEAVE ENTITLEMENT

Findings and Analysis:
Although it is a new Ministry, MWYSA has staff been transferred from previous employing Ministries with previous leave balances still attached, hence some, especially staff with leave entitlement of 30 w.d.s, were noted to have accumulated their leave balances for more than 2 years, re details shown in the table below:

PF NUMBERS	BALANCE BEFORE AUDIT VERIFICATION	BALANCE AFTER AUDIT VERIFICATION	COMMENT
2004214	129 W/days	64 W/days	Not yet comply
98137	91 W/days	71 W/days	Same as above
2002131	216 W/days	49 W/days	Same as above

Implication:
Failure to adhere to the 2 year leave entitlement policy is a violation of Cabinet Decision Minute No.77/10 and would contribute to the drain out of public funds.

Recommendations:
- MWYSA should ensure all staff with balances beyond 2 years leaves entitlement takes leave in 2016 and to offset first the 2016 leave entitlement before offsetting previous years' balances.
- Management must have a leave roster prepared, maintained and updated regularly as a means of controlling and monitoring leaves taken and ensuring leave balances remaining are within acceptable range.

Management response:
Response for this issue was also received.

17.3.2.6 CONTROL OVER LOG BOOK

Findings and Analysis:
As conveyed by one of the drivers all log books for MWYSA vehicles were maintained, updated and all returned towards the end of fiscal year 2014. However, upon audit request these were not provided as the current responsible officer does not know the whereabouts of such log books. Hence, no further testing was conducted due to the inaccessible of such log books. Details of such vehicles log books are provided in the table as follow:

Vehicle Type	Vehicle Number	Log Book Details as per conveyed
Mini Bus	BG 332	Returned towards end of 2014.
Double Cap	BG 177	Returned towards end of 2014.
Saloon Car	TG 328	Returned towards end of 2014.

Implications:

- Failure to provide the updated Log Books for Ministry vehicles would of course make it impossible for auditors to confirm claims been lodged already for overtime, refueling and so forth. This absence of such would make it difficult to confirm the accurateness of drivers claims on the above and thus would contribute to the unnecessary drain out of public funds.

- Management failure in monitoring log books could lead to drivers not bothering to maintain and update their log books which could thus increase the risk of misappropriation and loss of public funds.

Recommendations:

- It is therefore, recommended that Management must regularly review Drivers log books and ensuring that such log books must are updated and kept safely by drivers.

- Management should also ensure that the log books are made readily available when sought for in future audits.

Management response:
Response for this issue was also received.

17.3.2.7 SALARY OVERPAYMENT

Findings and Analysis:
The table below was briefly explaining in details the overpayment of $355.59 in respect of one staff from MWYSA. As noted, the officer concerned was on a short term leave without pay effective from 10/06/14 and reinstated on the 21/08/14. However, on the 19/09/14 the officer had received the amount of $1,321.39 for the period of 22/08/14 up to 19/09/14 an amount of which did not agree with the audit calculation, re details shown as follows:

Leave Without Pay	10/06/2014			
Reinstatement	21/08/2014			
Pay day after reinstatement date	**No. of Days involved**	**Audit Figure**	**Pay costing**	**Variance**
21/08/2014 - 22/08/2014	2	87.80	-	***87.80***
25/08/2014 - 05/09/2014	10	439.00	-	***439.00***
08/09/2014 - 19/09/2014	10	439.00	1,321.39	- ***882.39***
Total	**22**	**965.8**	**1321.39**	- ***355.59***

Implication:
An oversight on the actual salary paid could undermine the credibility of the accounting officers handling salary payments and would also increase the risk of losses of public funds.
Recommendations:
Strong internal control mechanism for salary payments and a recovery policy should be put in place to deter malpractices and to speed up recovery processes.

Management to ensure recovery is activated from overpaid officer.

Management response:
Written response received.

17.3.2.8 OUTSTANDING IMPREST OF $79,989.33

Finding and Analysis:

It has been confirmed from the MFED that the total amount of outstanding Imprest for MWYSA was $79,989.33[17]. This showed a lack of control over the retirement of Imprest withdrawn by respective officers within the ministry and MWYSA, like other ministries, has also failed to comply with Imprest policy as speculated in FR 2011 where all officers must retire their Imprests within 10 consecutive working days upon arrival from such official trips.

Implications:

Above excessive outstanding dues, when adding with other Ministries outstanding Imprests, would have adverse effect on the Gov't cash flow if there are amounts due back to government but were not paid.

Locally funded trips once completed would in effect counter the Imprests still standing due to the credit of officer concerned and thus would distort the budget especially in the balance sheet.

With externally funded trips where the officer is paid incidentals from local funds, the budget will be affected and risk of loss of funds will be high or cash flow of government affected if officer failed to retire the Imprest upon return from the official trip.

Recommendations:

Management must enforce and implement Imprest policy to all it staffs to avoid accumulation of outstanding dues accordingly.

Management must not issue out future Imprests to the respective officers until recovery or arrangements of such have been made.

Management response:
Written response had been received.

17.3.2.9 TEMPORARY ASSISTANCE

Findings and Analysis:

After sighting or checking through the appointment/contract letters for MWYSA 2014 temporary/contract files, it was found that 3 temporary staffs have been working and paid without their approved temporary/contract appointment letters while 4 were working not according to their appointment letters as indicated in the table below.

TEMPORARIES WORKING WITHOUT APPOINTMENT LETTERS

NAME	PERIOD OF WHICH HAVE BEEN PAID FOR		TOTAL SALARY
Temporary Staff 1	21/03/2014	5/2/2014	709.20
Temporary Staff 2	4/04/2014	26/12/2014	7,924.51
Temporary Staff 3	16/5/2014	7/11/2014	866.80
		Total Salary Paid (Overstated)	**$ 9,500.51**

[17] Details of this figure could be sighted under Audit WP Ref: T2/3-4 2014 Outstanding Imprest (excel format).

TEMPORARIES WORKING NOT ACCORDING TO APPOINTMENT LETTERS

NAME	TERM OF TEMPORARY APPOINMENT		AMOUNT PAID	AMOUNT DUE	VARIANCE
Temporary Staff 4	25/04/2014	25/06/2014	7,389.12	885.16	6,503.96
Temporary Staff 5	15/04/2014	15/06/2014	1,056.51	860.86	195.65
Temporary Staff 6	22/04/2014	22/06/2014	5,520.79	1,463.20	4,057.59
Temporary Staff 7	5/05/2014	7/05/2014	1,465.86	1,250.68	215.18
				Total Sal Overstated	**10,972.38**

Implications:

- There is a possibility of incurring and increasing losses of public funds if management still pays salary for temporary staff whose contract appointments do not support the pay periods.
- By continuously paying the contract appointees beyond their contract period would annul the payments been made and would of course undermine the credibility of the Ministry as well as contributing to the unnecessary drain out of public funds.
- The scope of work beyond the TOR of the contract or temporary appointment would also annul the payment made to such temporary staff.

Recommendations:

- Management should ensure to pay salary for temporary staff only within the approved period as per temporary appointment or contract letters.
- Management should ensure it has updated the temporary appointments for those it wishes to retain in its workforce and to arrange immediate recovery from those the appointments of which had not been renewed.
- Management should provide temporary files that were not made available during the audit to settle and clear this issue from the report.
- Management should ensure it regularly reviews its temporary and contract appointment records to avoid future oversights and unauthorized payments of salaries.
- Management should also ensure that its future recruitment is in line with provisions of the Establishment Register.
- Management should also ensure it has a strong internal control mechanism established for monitoring temporary and contract recruitments.

Management response:
Written management response was also received.

18. MINISTRY OF PUBLIC WORKS AND UTILITIES (MPWU)

18.1 AUDIT OPINION

A qualified audit opinion is issued for the Ministry of Public Works and Utilities (MPWU) for the year ended 31 December 2014 **Except for** the effects of the significant matters as discussed in detail under section 18.3 below.

18.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

Listed below are the significant matters outstanding from the previous audit.

- Shortfall of revenue reported of over $4k
- Poor custody over the accounting documents
- Un-recorded of items purchased in the Store Ledger
- Un-timely retirement of Imprest noted

18.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

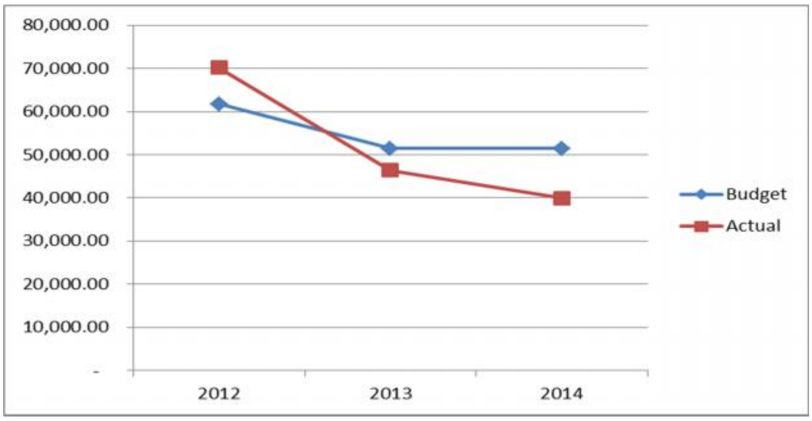
18.3.1 CONTROL OVER REVENUE

Findings and analysis:

18.3.1.1 MPWU BUDGET SUMMARY AGAINST ACTUAL FOR YEARS 2012-14

	2012	2013	2014
Budget	**61,700.00**	**51,400.00**	**51,400.00**
Actual	**70,206.00**	**46,411.00**	**39,981.00**
Over/Under	**$ (8,506.00)**	**$ 4,989.00**	**$ 11,419.00**

18.3.1.2 COMPARATIVE REVENUE AGAINST BUDGET FOR YEARS 2012-2014

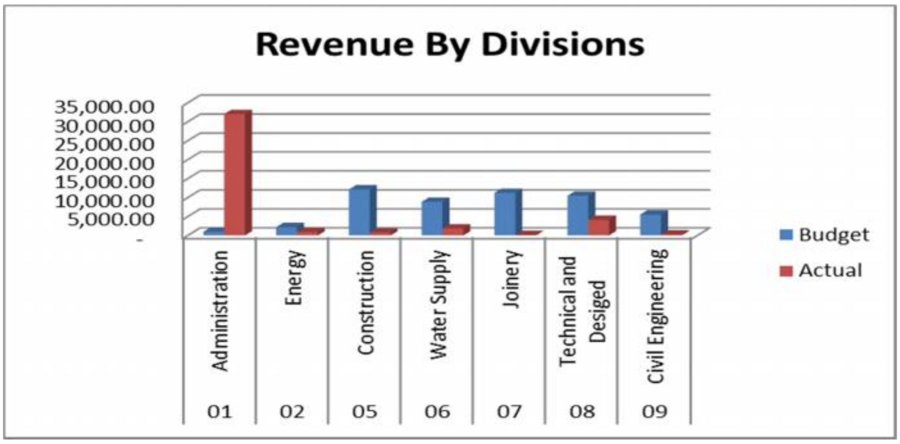


According to the above graph, the Ministry had again under collected its revenue by $11k, an escalation of $7k from 2013. Either this resulted from slack in exerting efforts in meeting their estimated revenue or management had ambitiously set the revenue budget too high.

18.3.1.3 MPWU REVENUES AGAINST BUDGET BY DIVISIONS 2014

	01 Administration	02 Energy	05 Construction	06 Water Supply	07 Joinery	08 Technical and Desiged	09 Civil Engineering
Budget	980.00	2,190.00	12,150.00	8,880.00	11,250.00	10,450.00	5,500.00
Actual	32,026.15	884.50	755.31	1,826.10	111.50	4,098.05	279.55
over/under	(31,046.15)	1,305.50	11,394.69	7,053.90	11,138.50	6,351.95	5,220.45

18.3.1.4 COMPARATIVE REVENUES AGAINST BUDGET BY DIVISIONS 2014



As illustrated above only one division far exceeded its budget by over $31k while the remaining divisions collected under collected their revenue budgets by a total $42,464.99.00 which resulted in net under collection of $11k. It was noted during the audit that each division does not maintain its revenue collection record as these are maintained by the Accountant thus lifted the responsibility of monitoring the collection status by division Heads hence the poor collection outcome noted in 2014.

Recommendation:

- Management should ensure each divisional Head is responsible for managing and meeting their revenue budget.
- Management should regularly monitor the collection by divisions and ensure regular reconciliation of records is conducted between division Head and Accountant.

Management response:
Written management response received.

18.3.1.5 MISALLOCATION OF REVENUE 2014

Findings:
When conducting the audit, we noted the total amount involved in misallocation and posting of $5,600 as indicated below:

Details of Revenue	MPWU Figure	Audit Figure	Variance	Remark
Sundry Revenue	32,026.15	26,426.15	5,600.00	miss-posted

As illustrated above, the amount of $5,600 charged under Sundry revenue was a miss - posting as the description of a receipt number 118477 of $5,600 was a payment for a tender of Mini Bus 178 and recorded under a subhead of C2502-003 (Finance revenue code). In this incidence, the MPWU had overstated its sundry revenue by such amount therefore adjustment of this anomaly should be considered seriously by responsible officer as it still distort the financial report for MPWU.

Implications:
Having no proper reconciliation between MPWU and MFED records would leave errors unattended and distort the end of year reports accordingly.

The miss-posting incurred would undermine the credibility and reliability of postings prompted by the Ministry.

Recommendation:
Reconciliation must be done on monthly basis in order that transactions have miss posted were adjusted accordingly.

Management response:
Written response received.

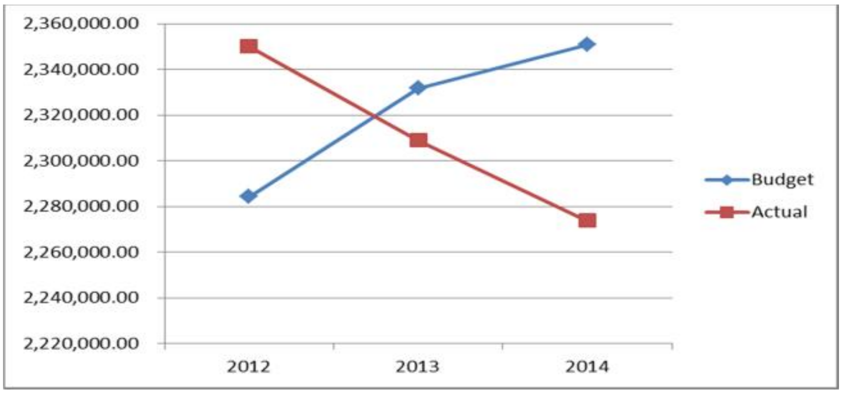
18.3.2 CONTROL OVER EXPENDTIDURE

Findings and Analysis:

18.3.2.1 MPWU BUDGET SUMMARY AGAINST ACTUAL EXPENDITURE FOR YEARS 2012-2014

Details	2012	2013	2014
Budget	2,284,380.00	2,331,798.00	2,350,738.00
Actual	2,350,110.00	2,308,930.00	2,273,917.07
over/under	$ (65,730.00)	$ 22,868.00	$ 76,820.93

18.3.2.2 COMPARATIVE EXPENDITURE AGAINST BUDGET FOR YEARS 2012-2014 MPWU

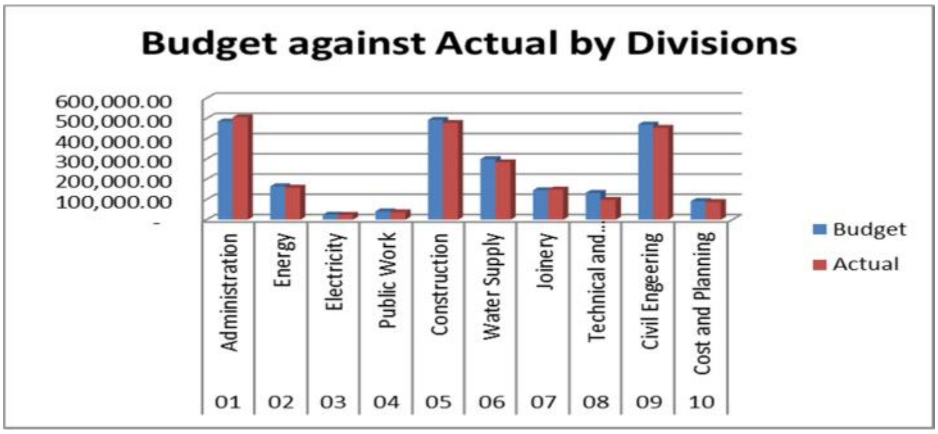


As indicated in the above graph, MPWU had again successfully managed to reduce further and managed its level of spending within its appropriated budget and should therefore be commended for such notable achievement.

18.3.2.3 MPWU BUDGET SUMMARY AGAINST ACTUAL EXPENDITURE BY DIVISIONS 2014

Code	Division	Revised Budget	Actual	over/under
2701	Administration	485,304.00	506,224.50	(20,920.50)
2702	Energy	164,914.00	158,320.83	6,593.17
2703	Electricity	24,942.00	23,677.63	1,264.37
2704	Public Works	41,314.00	36,818.42	4,495.58
2705	Construction	492,961.00	478,015.61	14,945.39
2706	Water Supply	299,741.00	283,425.84	16,315.16
2707	Joinery	146,105.00	148,702.89	(2,597.89)
2708	Technical and Design	132,762.00	97,484.06	35,277.94
2709	Civil Engineering	470,604.00	453,632.21	16,971.79
2710	Cost and Planning	92,091.00	87,615.08	4,475.92
		$ 2,350,738.00	**$ 2,273,917.07**	**$ 76,820.93**

18.3.2.4 COMPARATIVE GRAPH BUDGET AGAINST ACTUAL EXPENDITURE BY DIVISIONS 2014



As Illustrated above, all divisions except for Administration and Joinery had managed to save an aggregate sum that far outweighed the over spending by the two aforementioned divisions and collectively boosted the net saving for the Ministry in 2014 to $76k.

Recommendations:
The Ministry should continue and maintain this spectacular effort in monitoring and controlling its level of spending in future years.

Management should reconsider its budget level and ensure it is aligned with activities the Ministry pursues to accomplish in the fiscal year.

Management response:
Written response received.

18.3.2.5 TRANSPORT TO WORK

1. Unsigned Bus Ticket

Findings and analysis:
The audit discovered that the MPWU had not properly issued out bus tickets to its staff as evidenced by:

- The date when issuing out of bus ticket was not indicated
- The purpose of the trip when issuing the ticket was not indicated

➢ The staffs concerned did not sign against their names when receiving their bus tickets which involved the amount of $74.60[18].

Implication:
There is a possibility that bus tickets can be misused or misappropriated.

Recommendation:

- Good custody over bus ticket register must be strengthened by management
- Officers issued with bus tickets must sign against their names.
- The Accountable and Responsible officers shall ensure the register is completed each time a ticket is issued to the individual staff.
- Management must regularly review the bus ticket register and take immediate corrective action when faults are detected.

Management response:
Written response received.

18.3.2.6 TELECOM CHARGES - CONTROL OVER MOBILES

Findings and Analysis:
The audit discovered the amount of $3,228.68 was telephone charges for mobile phones and had been paid by ministry, re details shown in the table below:

PHONE #	DETAILS OF PHONE	PERIODS	TOTAL CALLS TO MOBILE/INTERNATIONAL	VALUE	REMARKS	PV #
21943	CE Office Bairik	1/8/2014 - 31/8/2014	254	146.23		
26105	Switchboard	1/8/2014 - 31/8/2014	232	184.34		
26142	Switchboard	1/8/2014 - 31/8/2014	101	52.12		
26143	Switchboard	1/8/2014 - 31/8/2014	247	159.07		
26493	SA Office	1/8/2014 - 31/8/2014	20	17.06		
25623	Switchboard	1/8/2014 - 31/8/2014	25	19.47		
25396	PO Office	1/8/2014 - 31/8/2014	8	10.70		
				$ 588.99		
21943	CE Office Bairik	1/9/2014 - 30/9/2014	34	16.83	International Calls to Marshall Islands Phone Numbers: a) 00692 4555401 b) 00692 4565027	
26105	Switchboard	1/9/2014 - 30/9/2014	64	38.37		
26142	Switchboard	1/9/2014 - 30/9/2014	11	4.68		
26143	Switchboard	1/9/2014 - 30/9/2014	81	43.91		
26473	Minister's office	1/9/2014 - 30/9/2014			***Not rejected calls - paid by the ministry***	
26982	PS Office	1/9/2014 - 30/9/2014				
25623	Switchboard	1/9/2014 - 30/9/2014	18	9.80		
25396	PO Office	1/9/2014 - 30/9/2014	8	5.61		
				$ 119.20		735/14
21943	CE Office Bairik	1/06/2014 - 30/6/2014	27	380.87		
26105	Switchboard	1/06/2014 - 30/6/2014	316	186.08		
26143	Switchboard	1/06/2014 - 30/6/2014	234	162.41		
26493	SA Office	1/06/2014 - 30/6/2014	18	16.58		
				$ 745.94	***Not rejected calls - paid by the ministry***	539/14
21943	CE Office Bairik	1/5/2014 - 31/5/2014	3	26.73		
21943	CE Office Bairik	1/5/2014 - 31/5/2014	306	155.84		
26105	Switchboard	1/5/2014 - 31/5/2014	203	143.31		
26142	Switchboard	1/5/2014 - 31/5/2014	201	81.67		
26143	Switchboard	1/5/2014 - 31/5/2014	357	246.74		
				$ 654.29	***Not rejected calls - paid by the ministry***	502/14
21943	CE Office Bairik	1/4/2014 - 30/4/2014	12	197.37		
26105	Switchboard	1/4/2014 - 30/4/2014	213	138.96	International Calls to Marshall Islands Phone Numbers: a) 00692 4565027 b) 00692 4555401	
26142	Switchboard	1/4/2014 - 30/4/2014	62	27.71		
26143	Switchboard	1/4/2014 - 30/4/2014	221	139.21		
25623	Switchboard	1/4/2014 - 30/4/2014	163	82.44		
				$ 585.69	***Not rejected calls - paid by the ministry***	435/14
21943	CE Office Bairik	1/1/2014 - 31/01/2014	242	109.68		
26068	Toll Booth Caus	1/1/2014 - 31/01/2014	137	168.27		
26105	Switchboard	1/1/2014 - 31/01/2014	167	95.96		
26143	Switchboard	1/1/2014 - 31/01/2014	67	30.64		
25623	Switchboard	1/1/2014 - 31/01/2014	303	130.01		
				$ 534.56	***Not rejected calls - paid by the ministry***	252/14
Calls to mobile phones and overseas calls				**$ 3,228.67**		

[18] The breakdown of this amount could be seen under Audit WP Ref: C/1 Bus ticket, 2014 (excel format)

Implications:

Absence of a control mechanism on outward calls to mobiles would increase the risk of misappropriation and loss of public funds.

Recommendation:

Management must ensure it has a control mechanism or policy in place to control private calls and calls to mobiles.

Management response:

Written management response received.

18.3.2.7 UNAVAILABILITY, MISPLACED OR MISSING OF DOCUMENTS

Findings and Analysis:

18.3.2.7.1 ALLOWANCE

The audit was unable to confirm and verify the accuracy of shift allowance expenses since responsible officers at registry have failed to produce proper and accurate copies of allowance, re details as per table below:

Pay Period	Employee's Status	Post/Title	Pay Costing Amount
16/5/2014	Temporary/Contract	Security	2,036.76
18/4/2014	Temporary/Contract	Tool Booth	364.66
18/4/2014	Temporary/Contract	Tool Booth	364.66
18/4/2014	Temporary/Contract	Tool Booth	364.66
14/11/2014	Temporary/Contract	Tool Booth	270.27
Total			**$ 3,401.01**

18.3.2.7.2 TEMPORARY

The following names shown below were among the selected sample the audit conducted its test upon and only to find their temporary appointment forms were not available when requested therefore the audit could not go further to properly scrutinized such temporary appointments:.

- Temporary Officer 1 occupying IT post.
- Temporary Officer 2 occupying Carpentry Tradesman
- Temporary Officer 3 occupying Carpentry Tradesman
- Temporary Officer 4 occupying Tool Booth post.

18.3.2.7.3 OTHER REQUESTED DOCUMENTS

Throughout the audit there were 69 requested PV documents, as per details below that were not available or provided for audit verification. The amount involved for all PVs was $279,512.10[19]. As these payments were confirmed not available or missing we could therefore not confirm the accuracy of such payments. Therefore, reasonable explanations must be provided by the MPWU why the PVs were missing or to provide those that management managed to retrieve lately.

Implications:
Unavailability or Missing documents is a defilement of Cap 79 and other related government regulations such as FR – 2011 and would annul the payments already made.

Unavailability of documentations sought during the audit would undermine the integrity of the accounting officers concerned.

Poor filing system would increase the risk of misappropriation and loss of funds.

Recommendation:

- Management must ensure its filing system is in order with all documents filed safely for future audit reference.
- Management must ensure its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- Management should ensure the movement register for all accounting documents is maintained and ensure the movement of batches are properly recorded and monitored regularly.

Management response:
Written management response received.

18.3.2.8 CONTROL OVER LOG BOOKS

Findings and analysis:
As noted MPWU driver, like some other drivers, has failed to submit the log book for 2014. Therefore the audit could not go further in performing its testing.

Implications:
Failure to submit log books would make it not possible for auditors to confirm claims been lodged for overtime, refueling, etc.

Failure to monitor the log book by management could lead to drivers not bothering to maintain the vehicle log book and this would increase the risk of misappropriation and loss of public funds.

[19] Refer to Audit Working Paper under Unavailability of documents. MPWU 2014

Recommendation:
Management to regularly monitor the log books kept by drivers

Management to ensure the log book is amongst the records that should be readily available for future audits.

Management response:
Written response received.

18.3.2.9 LEAVE BALANCE – 2 YEARS ENTITLEMENT POLICY

Findings and analysis:
Nine (9) employees were selected from different divisions to perform our testing on their leave balances. Of the nine 3 had leave balances[20]exceeding 2 years entitlement and this clearly is an indication of the Ministry's failure in complying with the Cabinet decision minute no. 77/10. The officers concerned are as listed hereunder:

PF #	Title	Leave Balance
95082	Officer 1	317
92062	Officer 2	79
2003135	Officer 3	70

Implications:
Failure to comply with Cabinet Decision Minute 77/10 is no excuse and therefore management should quickly review its staff balances to comply accordingly.

Recommendation:
Management must enforce and implement the Cabinet Decision Minute No. 77/10 to all staff so to limit the accumulation of leave balances to only 2 years leave entitlement.

Management must ensure staff take their current year's leave entitlement first (an approach akin to LIFO method) before taking previous year's leave balances until the two years accumulated leave balances are exhausted.

Management response:
Written response received.

[20] Refer to Audit WP Ref: C/2 2014.

19. MINISTRY OF LABOUR & HUMAN RESOURCE DEVELOPMENT (MLHRD)

19.1 AUDIT OPINION

A qualified audit opinion is issued for the Ministry of Labor and Human Resource Development (MLHRD) for the year ended 31 December 2014 **Except for** the effects of the matters as discussed in detail from section 19.3 below.

19.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the qualified audit opinion for the Ministry of labor & Human Resources Development performance in the fiscal year 2013.

- Huge spending in the estimate budget which result in the overspent.
- Outstanding Imprest of over $29k.
- Lack of control over the Vote Ledger.

19.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

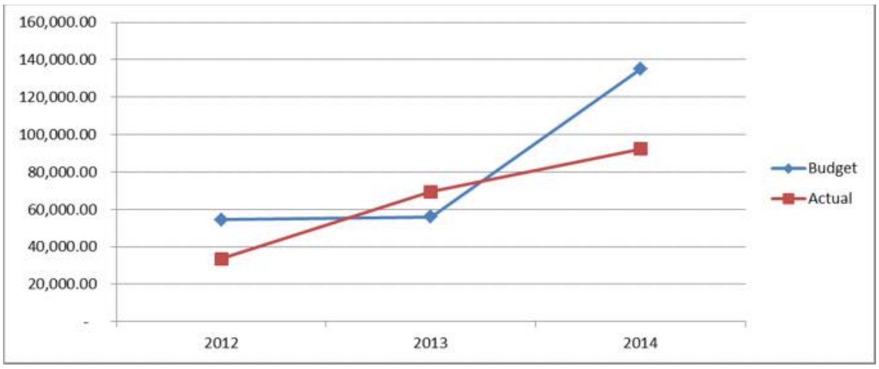
19.3.1 REVENUE BUDGET

Finding and Analysis:

19.3.1.1 MLHRD REVENUE SUMMARY COLLECTION

Year	Budget	Actual	(over)/under
2012	54,480.00	33,517.00	20,963.00
2013	56,005.00	69,355.00	(13,350.00)
2014	135,021.00	92,244.93	42,776.07

19.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

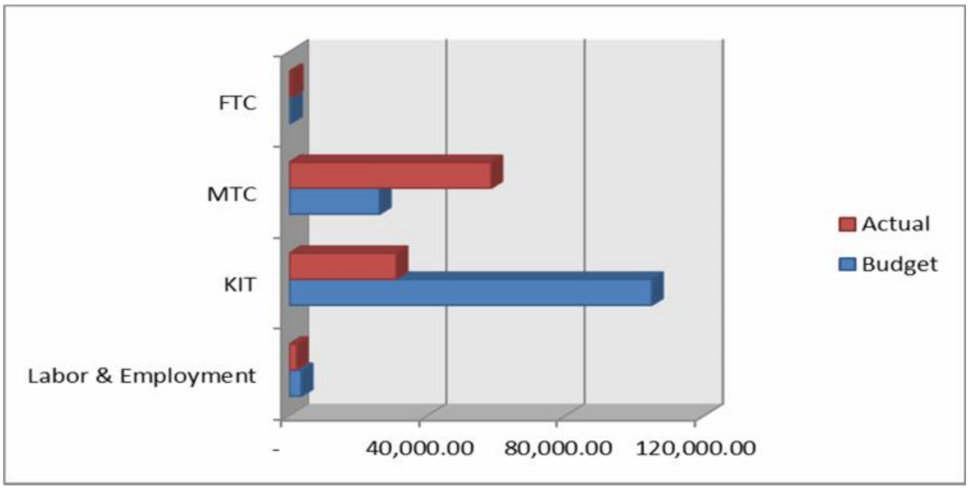


The table/graph above showed the shortfall in revenue of $42k by the Ministry as a whole, when the collection of over $92k was below the revenue target of $135k thus resulting in shortfall of over $42k. In 2013 revenue collected far outweighed the budget by $13k.

19.3.1.3 MLHRD REVENUES AGAINST BUDGET BY DIVISIONS

Divisions	Budget	Actual	(Over)/Under
Labor and Employment	3,500.00	2,144.00	1,356.00
KIT	104,910.00	31,014.03	73,895.97
MTC	26,111.00	58,411.90	- 32,300.90
FTC	500.00	675.00	- 175.00
Total	**135,021.00**	**92,244.93**	**42,776.07**

19.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISION



Based on the above graph/table analysis, it is obvious two of the four revenue divisions collected more than their divisional budgets by $32k (MTC) and $175 (FTC) respectively while the other two were under by $73k (KIT) and $1k (HQ) respectively.

Implication:

The net shortfall in revenue would contribute to the drawdown in the RERF.

Recommendation:

The ministry should encourage its two divisions to collect the revenue as anticipated in the budget.
The ministry should ensure its budget level is aligned with the activities of its respective divisions.

Management response:
Written response received.

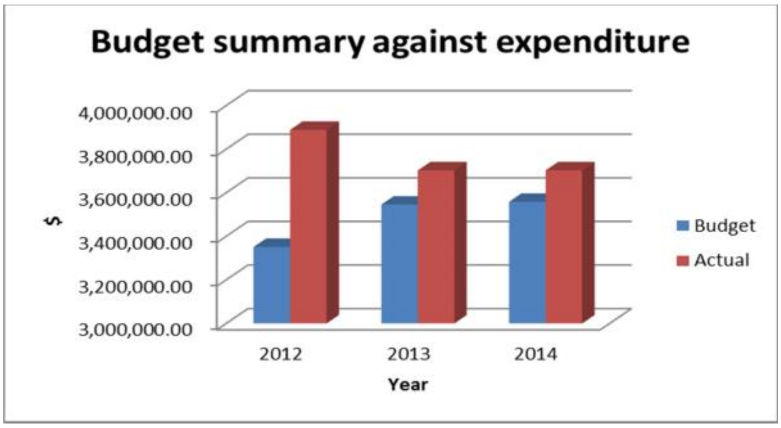
19.3.2 EXPENDITURE BUDGET

Findings and Analysis;

19.3.2.1 MLHRD EXPENDITURE SUMMARY

Description	2012	2013	2014
Budget	3,350,964.00	3,545,665.00	3,558,740.00
Actual	3,888,698.00	3,702,696.70	3,702,883.82
(over)/under	(537,734.00)	(157,031.70)	(144,143.82)

19.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL.

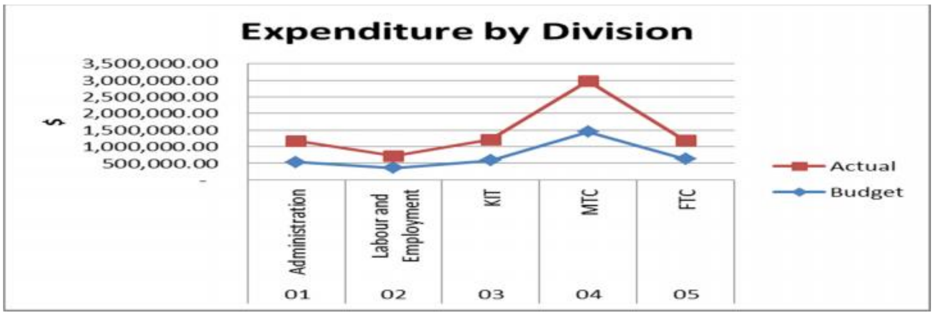


As could be witnessed from the analysis above, for the last three consecutive years the Ministry had exceeded its budget level by enormous amounts.

19.3.2.3 MLHRD EXPENDITURE BUDGET AGAINST ACTUAL BY DIVISIONS

Description	01 Administration	02 Labour and Employment	03 KIT	04 MTC	05 FTC
Budget	537,190.00	363,359.00	585,842.00	1,446,121.00	626,228.00
Actual	632,259.29	359,557.91	627,133.00	1,525,780.79	558,152.83
(over)/under	(95,069.29)	3,801.09	(41,291.00)	(79,659.79)	68,075.17

19.3.2.4 COMPARATIVE GRAPH OF BUGDET EXPENDITURE AGAINST ACTUAL PER DIVISION



Out of the five (5) divisions within MLHRD, three (3) of which have failed to operate within the budget range causes the overspent of the ministry by $144k. Only two Divisions which are Labor & Employment and FTC divisions managed to spend within their budget allocations. (Table/Graph above refers).

Recommendation:

The Management must strengthen and strictly control the level of its expenditure in order to operate within its approved budget to avoid unauthorized spending.
Management should ensure its future budgets are aligned with the activities of each of its individual divisions.

Management response:
Written response received.

19.3.2.5 CONTROL OVER BUS TICKETS

Finding and analysis:

Stated below were some of the issues detected for the bus tickets in respect of KIT division within MLHRD as follows:

1. The amount involved for the missing and unrecorded bus ticket is $25.20 as identified in the table below:

Denomination	Serial No.	no. of ticket	value	Amount
0.60 cents	573499-573500	2	1.2	**1.2**
0.80 cents	426242-426271	30	24	**24.00**
Total				**$ 25.20**

2. KIT Bus ticket register did not record details of tickets issued in the months of Jan up to September 2014; hence no further audit authentication was performed.
3. The audit revealed numerous bus tickets in the value of $58.10 have been issued and signed by one person on behalf of the other fellow staffs without authoritative letter (Refer Audit WP: AS2/14, Bus ticket, MLHRD).

Implication:

The practice of signing bus tickets for others in the absence of a supportive authorized is a contravention of FR. Signing of tickets by one person could increase the risk of misappropriation and loss of public funds.

Recommendations:

- Good custody over bus ticket register and issuance must be strengthened by management.
- Officers issued with bus tickets must sign against their names and collection of other fellow staffs' tickets must have authoritative letter from the concerned officer.
- Management should regular review the bus ticket issuance book and take immediate actions when faults are detected.

Management response:
Written response received.

19.3.2.6 IMPREST-EXTERNAL AND INTERNAL TRAVEL

Findings and analysis:

When conducting the audit it was noted that the following staff had failed to comply with the Imprest policy where all employees are required to retire their Imprests after 10 working days from the date the officer returned from official trip. Details of officers with amounts still outstanding read as follows:

Output Details	Allocation	PV numbers	Concerned Officers	Amount
Internal Travel	**E2801_216**	306/14	Officer 1	2,730.00
		T/C 336/14	Officer 2	2,783.62
		T/C 488/14	Officer 1	630.00

External Travel	E2801_227	148/14	Officer 2	1,119.24
		MLHRD 159/14	Officer 1	4,527.76
		MLHRD 170/14	Officer 2	982.23
Total				**$ 12,772.85**

Implication:

Timely retirement of Imprest is in compliance with Financial Regulation 2011 requirement and would contribute to the strengthening of cash flow of Government and vice versa.

Recommendations:

- Management must maintain a register for Imprest to monitor the retirement of such by officials.
- Management must ensure that all Imprests withdrawn are retired after 10 working days from the date the officer return from official trip.
- Management must ensure that those with outstanding Imprests are not issued any when next travel until they had all cleared their Imprests or had entered into an agreement for recovery.
- Management should ensure all Imprests for retired officials, if any, are also recovered.

Management response:

Written response received.

19.3.2.7 UNAVAILABILITY OF DOCUMENTS

Findings and Analysis:

As noted, there were 13 documents (PVs) requested but were not made available for audit verification. The total amount involved for such was $81,588.18. In the absence of such we (auditors) could not confirm the accuracy of such payments therefore reasonable explanations must be provided by MLHRD on why the PVs of 2014 are not available. The PVs involved are shown in the table hereunder:

MLHRD DIVISIONS	OUTPUT	PV NO.	AMOUNT
MTC	E2804-232	689/14	20,286.00
	E2804-250	231/14	1,073.29
	E2804-250	473/14	1,514.60
MLHRD HQ	E2803-227	320/14	300.00
	E2803-227	344/14	497.05
KIT	E2803-216	133/14	300.00
	E2803-216	339/14	430.00
	E2803-216	192/14	356.00
	E2803-232	178/14	11,064.38
	E2803-232	197/14	11,851.88
	E2803-232	211/14	10,276.88
	E2803-232	417/14	11,550.00
	E2803-232	242/14	12,088.10
TOTAL			$ 81,588.18

Implications:

- Missing and unavailability of requested documents that relate to only last year's for audit verification such as payment vouchers to support the payments been made is a complete violation of Cap 79 and government Financial Regulations.
- The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.

Recommendations:

- Management must ensure all documents are safely filed and fully supported for future audit reference.
- Management must ensure its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- Movement register for all accounting source documents should be maintained and ensure the movement of batches are properly recorded and monitored regularly.

Management response:
Written management response received.

19.3.2.8 LOG BOOKS

Findings and analysis:

In conducting of the audit, it was noted that MLHRD drivers for its divisional sections had failed to submit their log books for 2014 as indicated in the table below:

MTC	vehicle log books requested were not submitted for audit verifiation till to date
FTC	vehicle log books requested were not submitted for audit verifiation till to date
MLHRD	vehicle log books were not updated
KIT	vehicle log books were not updated

The absence of the log books and incompleteness hindered the audit verification on the proper use of Ministry's vehicles and confirmation on the accuracy of the following itemized expenses for 2014:

- Overtime
- Fuel
- To detect mileage used for non-official usage.

Implications:

Failure to update log books would make it not possible for auditors to confirm claims been lodged for overtime, refueling and proper usages of the vehicles.

Such could increase risk of misappropriation and loss of public funds.

Recommendation:

Accounting officers have to remind drivers to update their log books and to return such books to the accounting unit for account/management and/or audit purposes.

Management response:
Written response received.

19.3.2.9 VOTE BOOK

Finding and Analysis:

Audit discovered that Vote book was up to date within the Ministry HQ including its division of MTC & FTC while no vote book was maintained by KIT division.

Implication:

Failure to update the vote ledger would make it difficult for the ministry/divisions to monitor their spending and thus could result in undetected overspending by the end of the year.

The absence of such or incompleteness is a contravention of FR 2011 and would make reconciliation with MFED records not possible.

Recommendations:

In conforming with FR 2011 chapter 8 paragraphs 168-169, management must maintain and regularly update its vote book to ease reconciliation with records held by MFED.

Management should also encourage its officials to fully observe other relevant governing legislations and regulation such FR 2011, Store Regulation, etc.

Management response:
Management written response received.

19.3.2.10 OVERTIME

Finding and analysis:

Upon verification of overtime for the five (5) selected staff it was noted that the calculation was correct however, the amounts shown on the overtime dockets did not match nor agree with the pay costing figure, re details indicated hereunder:

Date	Staff PF #	Overtime Dockets Provided	Pay Costing Figure	Variance
25/7/2014	2011094	312.00	381.83	(69.83)
26/12/2014	2014056	150.88	1,038.06	(887.18)
26/12/2014	2013167	206.18	515.46	(309.28)
26/12/2014	Contract (Cooker)	241.29	603.22	(361.93)
			Total Overpayment	**$ (1,628.22)**

Implications:

- Payment of amounts beyond the overtime claims is a careless mistake that would result in unauthorised overpayment and thus would unnecessarily inflate the budget.
- The above overstated or overpaid overtime would also increase the risk of misappropriation and loss of public funds.

Recommendations:

Management must take immediate recovery and appropriate reprimand actions towards the manipulation of these overtime records, if found correct.

Management must ensure it practices segregation of duty within its ministry/divisions and those signing the PVs documents must ensure all supporting documents match the claims and amounts shown on the PVs.

Management response:
Written response received.

19.3.2.11 LEAVE BALANCES - 2 YEARS LEAVE ENTITLEMENT POLICY

Findings and analysis:

There were 5 employees from different divisions selected to perform our testing on their leave balances. All the 5 officers had leave balances exceeding 2 years entitlement as these had been accumulated for more than 3 to 4 years back which of course is not in line with Cabinet Decision Minute No. 77/10.

MLHRD Divisions	PF Number	Occupation	Leave Balance
Headquarter	2006074	Officer 1	93 w/days
	2009157	Officer 2	58.5 w/days
	2005298	Officer 3	103 w/days
KIT	2003112	Officer 4	64 w/days
	902060	Officer 5	99 w/days

Implication:
The whole purpose of the Cabinet Decision Minute 77/10 on 2 years carry forward leave balances is to avoid unnecessary drain out of public funds. Therefore not adhering to this decision is a violation of Cabinet decision.

Recommendations:

- Management must enforce and implement the Cabinet Decision Minute No. 77/10.
- Management should ensure it has, maintains and regularly view its leave roster for staff annual leaves.
- Management should ensure its staff when taking leave in 2016 to offset first their leave entitlement in 2016 before moving back to previous years' leave balances.

Management response:
Written response received.

20. MINISTRY OF LINE & PHOENIX ISLANDS DEVELOPMENT (MLPID)

20.1 AUDIT OPINION

An Unqualified audit opinion is issued for the Ministry of Line and Phoenix Islands Development (MLPID) for the year ended 31 December 2014 with **Emphasis of the effects** of significant matters as discussed in detail from sections 20.3 to 20.3.2.13 and on **Other paragraph matters** as shown in LCDF paragraph (20.3.2.14) shown below.

20.2 STATUS OF PRIOR MANAGEMENT LETTER

Appended below were the previous issues noted of which determined the Audit Opinion for Ministry of Linnix and Phoenix Island Development (MLPID) in the FY 2013:

- Reporting of the excessive accumulated outstanding of electricity bills as at 31/12/2013
- Deposit not made on daily basis as required
- Failure to perform proper Bank Reconciliation
- Salary overpayment made to one staff
- Unsupported Payment Vouchers that were requested for audit test
- None compliance with Procurement Act 2002

20.3 MATTERS ARISING FROM THE AUDIT

The following significant matters have been raised for your attention and comment:

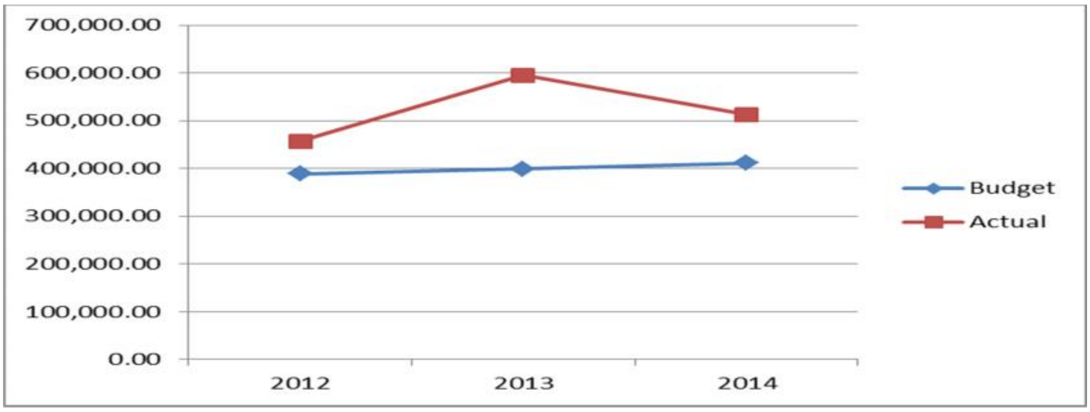
20.3.1 CONTROLS OVER REVENUE

Findings and Analysis:

20.3.1.1REVENUE SUMMARY COLLECTION: MLPID 2014

Year	Budget	Actual	Variance (Over)/Under
2012	388,700.00	456,594.00	(67,894.00)
2013	399,000.00	594,883.22	(195,883.22)
2014	411,172.00	513,027.86	(101,855.86)

20.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST REVENUE – (2012-2014)



Overall, the trend of revenue collected for the past three years fluctuated as evidently shown in the above graph. As per the report, this year 2014, the ministry was again successful in exceeding its revenue budget by over $101k. However, when compared to the 2013 actual collection, the amount was slightly down by 48%.

20.3.1.3 REVENUE TABLE BY DIVISIONS AGAINST ESTIMATES – 2014

DESCRIPTION	CODE	ORIGINAL BUDGET	ACTUAL	UNDER/(OVER)
SUNDRY RECOVERIES	C2901-08	3,598.00	7,083.20	(3,485.20)
RENTAL OF GOV'T PREMISES	C2901-50	23,644.00	9,961.32	13,682.68
CARPENTRY & JOINERY	C2903-127	2,028.00	1,390.00	638.00
RENTAL OF HOUSES	C2904-51	69,904.00	66,480.97	3,423.03
SALES OF ELECTRICITY	C2905-06	257,000.00	381,205.44	(124,205.44)
WATER SUPPLY FEES	C2907-07	47,288.00	36,773.13	10,514.87
SOLAR SALT SALES	C2909-07	5,140.00	878.40	4,261.60
COMPUTER SERVICES	C2910-06	1,542.00	7,770.40	(6,228.40)
SALES OF BUSINESS PLANS	C2911-07	1,028.00	1,485.00	(457.00)
		411,172.00	513,027.86	**(101,855.86)**

Given the table above, it was discovered that the bulk of the over collection derived from sales of electricity of over ($124k) followed by Computer services ($6k), sundry revenue and sales of business plans of over ($3k & $457) respectively. Although the Ministry reported an over collection of revenue, there are 5 divisions that had failed to meet their estimated revenue by amounts shown above.

20.3.1.4 RENTAL OF GOK HOUSES – ARREARS OF REVENUE

Findings and Analysis:

The audit noted for the first time that the Ministry had reported a shortfall revenue of house rent amounting to $3,423.03 (i.e. Budget $69,904.00 less Actual $66,480.97). However, in comparison to last year's, 2013, collection the ministry had managed to collect above its approved budget by a significant amount of over $24k.

It was revealed during the audit the shortfall could not exist if all tenants, especially Company employees, paid up all their outstanding rent on a timely manner. As per reported, the outstanding of house rent had significantly increased from $**6,358.71 to $13,302.71** for years 2013 and 2014 respectively**.** These outstanding rents derived from the following tenants:

Outstanding list for house rental for year 2013 & 2014 respectively;

Tenant	Year	Amount	Year	Amount ($)
BPA - Staff	*2013*	482.81	*2014*	1,105.48
COPRA – Staff	*2013*	733.31	*2014*	1,163.04
KOIL – Staff	*2013*	87.70	*2014*	177.67
CPPL – Staff	*2013*	-	*2014*	-
TSKL – Staff	*2013*	496.90	*2014*	1,481.00
KPF – Staff	*2013*	115.40	*2014*	415.44
INSURANCE – Staff	*2013*	573.60	*2014*	1,122.06
CCH – Staff	*2013*	1,999.93	*2014*	4,015.78
PVU – Staff	*2013*	1,869.06	*2014*	3,769.62
DBK – Staff	*2013*	-	*2014*	52.62
GRAND TOTAL	**2013**	**$ 6,358.71**	**2014**	**$ 13,302.71**

Implications:

Failure to recover the above revenue (arrears) will automatically affect the inflow of funds into Kiritimati bank account.

The accrued arrears will become difficult to recover especially from those that will be transferred back to Tarawa and will retire from the service thus would increase loss of public funds.

Recommendations:

Therefore, the ministry should put in place a strong internal follow up mechanism to minimize the arrears from escalating.

To strengthen and enforce Sec C.4 of Agreement between Landlord (Ministry) and Tenant which could be terminated if the tenant fails to comply with the condition of this agreement particularly the payment of house rent.

Responsible Officer should conduct regular meetings with branch managers of all SOEs that are currently using the GOK houses for settling outstanding rent arrears and to agree on sanctions to apply in the event of failure to ensure prompt monthly payments of rent to the Ministry.

Management response:
Written management response received.

20.3.1.5 CARPENTRY AND JOINERY (PUBLIC WORKS) – SHORTFALL OF REVENUE $638.00

Findings and Analysis:

Year	Code	Budget	Actual	Under/(Over)
2013	C2903-127	1,000.00	1,481.45	(481.45)
2014	C2903-127	2,028.00	1,390.00	638.00

As clearly stated in the table above, this fiscal year 2014 the revenue collected for Carpentry and Joinery was below the estimated (Budget) by $638.00 dollars. Though the amount itself is insignificant, when compared to 2013 the collection was more than the budget by $481.45.

It was further noted the responsible and accountable Officer for Carpentry and Joinery (Public Works) revenue collection did not maintain records of their revenue as this was handled by M/Linnix Account division. This was evidenced during the discussion between the audit and one staff from Public Works in regards to their revenue system and records. During the discussion the audit comprehended that No proper records had been maintained and updated until to date and they continually rely and depend on the M/Linnix account section records every fiscal year.

Implications:

Not achieving the revenue target will have an impact on RERF as more withdrawal from RERF will result.

Not maintaining own separate and proper records but relying on M/Linnix Account section will surely result in un-detecting of errors or omissions.

Recommendations:

The ministry should encourage each division to maintain its own record, follow up non payers and to ensure regular reconciliation is conducted with records held by M/Linnix Account section.

Management should ensure all divisional Heads are involved in the budget preparation so the targets are aligned with the activities of each individual division.

Management response:
Written management response received for this issue.

20.3.1.6 BANK RECONCILIATION STATEMENT – NO. 5 BANK ACCOUNT 2014

Findings and Analysis:

The bank reconciliation statement was still not produced in the correct format to date. This analogous issue was also detected in our previous audit reports but has still not been addressed by the Accounts Division. Despite the aforementioned the MLPID has commenced frequent matching of their cash book records against the bank statement and noted where applicable any variances but still was not in the required standard format.

As confirmed from the actual bank statement of No. 5 Account the balance appeared as at 31/12/14 was **$245,470.95**. This was a big contrast to that appeared in the annual account which stated a balance of **$2,503,161.13;** thus resulting in an overstated figure by MFED of over **$2.25m**. The audit noted there had not been any reconciliation conducted by MLinnix Account with records held by MFED in Tarawa. The audit therefore would not be able to confirm which of the three figures represent the actual cash position of MLinnix as at the end of 2014.

Implications:

2013: Without a proper bank reconciliation statement, direct debits or any other bank errors would not easily be detected which could ultimately lead to loss of public funds. Lack of proper bank reconciliation statement contravened FR 16.13.

The absence of reconciliation with records held by MFED would undermine the balances appearing in the government annual account and could result in issuing a disclaimer opinion.

Failure to agree (M/Linnix and MFED) on the balance as appearing in the bank statement and to provide supporting list to explain the variances noted would provide avenue for misappropriating government funds and of course increase risk of loss of public funds.

Recommendations:

The audit strongly recommends that the M/Linnix responsible and accountable staff should use the proper format when preparing the monthly bank reconciliation statement.

Management should seriously consider reprimanding staff concerned for having repeatedly failed to comply with the correct bank reconciliation process.

Management should regularly review the work of the concerned staff and to quickly take remedial action.

The Senior Accountant should ensure also to conduct a regular reconciliation with records held by MFED to agree on the balances and should be able to provide explanations to support the anomalies detected in the Annual Account 2014.

Management response:
Written management response received.

20.3.1.7 GOVERNMENT RENTAL PREMISES – SHORTFALL AND ARREARS OF REVENUE 2014

Findings and Analysis:

Year	Code	Budget	Actual	Under/(Over)
2013	C2901-02A	23,000.00	8,074.88	14,925.12
2014	C2901-50	23,644.00	9,961.32	13,682.68

As reflected above the actual revenue collected at year end 31/12/2014 of over $9k was slightly higher than that collected in 2013 by $1k (i.e. $9,961.32 less $8,074.88) with the budget level also slightly increased. However there had not been any improvement noted in both years as the collections all fall short of the appropriated budget by more than $14k and $13k respectively.

The audit found that most of the tenants who occupied Gov't Premises for diverse purposes, either for commercial or office accommodation had not paid in full their rentals as per details in the table provided hereunder:

Date	Tenant	Balance	Remarks
30/09/2012	Bobotin Kiribati Limited	18,073.26	
31/08/2015	Dojin Trading	10,632.22	Dojin still disputed this outstanding balance
31/08/2015	Lap Enterprises	7,783.68	
31/08/2015	Kiribati Provident Fund	6,804.44	
31/03/2014	Fair Price	7,306.70	Fair Price also disputed this amount due
30/05/2015	TSKL - Internet Café	5,383.63	
30/05/2015	DBK	2,875.73	
30/05/2015	Immigration	4,772.25	
30/05/2015	Education	2,461.51	
30/05/2015	Post Office	2,473.89	
30/04/2015	Taxation	3,350.08	
30/05/2015	Custom Office	1,942.21	
30/04/2015	TSKL	5,246.00	
	Total	**$79,105.59**	Total amount to be paid from above tenants

Based on the table above the total arrears of revenue for Gov't Premises Rental is $79,105.59 the amount of which had accumulated since 2000. As conveyed by responsible officer, some tenant had disputed their outstanding balances (for instance, Dojin and Fair Price) and claimed that their outstanding dues had already been settled and cleared. But this was really difficult for the current officer to agree as these records have been there before she came to continue the duty of the former responsible officer who has retired from the civil services. Hence, the outstanding due was unchanged to date.

Implications:

Cash flow for M/Linnix will be affected if the tenants do not make regular payments and arrears of revenue could escalate to a level beyond the financial ability of the listed organisations to pay.

There is no level playing field across the board for all organisations occupying government premises as those not paying are enjoying the facilities at the cost of the full compliers and of course the budget.

Recommendations:

- The ministry should regularly reconcile its tenant records and promptly pursue recovery of outstanding arrears.
- Also the Ministry should provide aging analysis regarding their arrears of revenue for Gov't Premises Rental and ensure all arrears are within the statute bar limitation of 6 years.
- Management should have a policy in place that will ensure full compliance by tenants.

Management response:
Written management response received.

20.3.1.8 WATER SUPPLY – OUTSTANDING OF WATER BILLS $112,566.61

Findings and Analysis:

According to the list of unpaid water bills for 2014, the total amount of outstanding incurred in year 2014 has accumulated to $112,566.61 as per details appearing in the table hereunder.

Year	Clients	Amount
2014	Ronton	31,910.32
2014	Tabwakea	26,639.39
2014	Privates Household	43,199.36
2014	Others[21]	10,817.54
	Grand Total	**$ 112,566.61**

The amount of outstanding reported this year of over $112k showed a poor performance in collecting of outstanding bills from slack clients. As observed there had not been any recovery actions been put in place by the Ministry except the disconnection of water supply to households that had not bothered to pay outstanding bills. It is of paramount importance for MLPID to hasten recovery of arrears to avoid such from escalating while ensuring current dues are paid as and when due.

Implication:

Lack of collection of arrears of revenue will result in a cash flow problem which would contribute to unnecessary drain out of public funds as well as widening the gap that could hinder speedy repayments by defaulters.

[21] Others – 2014 Outstanding water bills for St. Francis Staff, SPIVEY, Main Camp and Poland

Recommendations:

Prompt payments of water bills should be encouraged to all clients to avoid accumulation of arrears of revenues in the future.

Imposing of proper recovery actions should be exercised to all clients with huge accumulated arrears of water bills.

Management response:
Written management response received.

20.3.1.9 SHORTFALL OF REVENUE $4,261.60 – SOLAR SALT MLPID 2014

Findings and Analysis:

Year	2013	2014
Budget	5,000.00	5,140.00
Actual	19,127.80	878.40
Under/(Over)	**(14,127.80)**	**4,261.60**

As can be seen from above table, the Ministry had reported a shortfall of revenue for solar salt by $4,261.40 when compared to the previous year 2013 when the collection far exceeded the budget by over $14k. Apparently, one of the causes of the shortfall of salt revenue as conveyed was the pattern of demand from both local and external respective consumers. If the demand increases so would the revenue and vice versa.

As reported by the responsible officer there were 500 bags (25 kg each) of salt being transported to Tarawa around December 2014 for selling out to the Public. Upon receiving of such salts, it was confirmed only 385 bags were actually received meaning the other 15 bags of salt were gone missing. To date the Ministry still could not confirm the whereabouts of the missing salt bags.

It was further reported by the RO (at Agency Linnix, Tarawa) the 385 bags were stored in one container at Betio and awaiting further decision from MLPID concerning the missing bags of salt. They had managed to sell out 28 bags thus leaving 357 bags in store.

However, the Audit could not validate the accuracy of the above especially the number of bags (Salt) which were transported from Kiritimati Island to Tarawa due to the unavailability of relevant and related documents (i.e. transhipment documents, bill of lading, authorisation letter from MLPID, etc.)

Implications:

Cash flow problem would arise if management does not have a monitoring mechanism on the transportation and sale of their products within the local markets.

The absence of a policy for receiving and processing sales by their agents would increase the risk of missing bags and loss of public funds.

Recommendations:

Management should ensure it has a policy in place that would provide security for salt bags sent to their different agents for sale.

Management has to regularly follow up receipt and sales progress from their agents in different depots, countries, etc.

Management must encourage all its divisions to exert efforts in generating revenue to meet their budgets.

Management should encourage its sales officers to seek other potential buyers for widening their market base and boost their revenue.

Management should ensure that all documents related to the shipments of such salts must be kept in a proper and safe environment for ease of reference.

Management response:
Written management response received.

20.3.1.10 ARREARS OF REVENUE FOR SALES OF ELECTRICITY

Findings and Analysis:

Stated below were some of the issues detected while conducting this audit;

- In 2014 the actual revenue collected for electricity was below the amount collected in year 2013 by $46,570.27 (**2014:** $381,205.44, **2013:** $427,775.71).
- Although an excess collection of over $381k was reported, the concerned Ministry still had arrears of revenue for sales of electricity details of which is provided in the table below:

Year	2014
Domestic	$5,591.46
Commercial	$497,992.26
Disconnected	$16,287.95
Total	***$519,871.67(decrease by 10%)***

- Included in the above arrears are amounts owed by retired civil servants, transferred officers, etc. who have left Kiritimati Island without clearing their electricity bills with MLPID. The account section has been informed by Electricity Unit concerning the amount due from each officer who has left the country for their information and necessary actions where applicable.
- And the division has no records maintained for their current revenue except outstanding electricity bills. Again the audit strongly encourages the division to open up a register/database and commence recording their revenue accordingly for monitoring and follow – up purposes.
- Further, as mentioned earlier the actual collection of revenue for electricity sales was $381,205.44 (Budget $257,000) whilst the fuel consumption for power supply as approved and funded by Gov't was $786,201 incurring a variance of $404,995.56 an amount of which might be noted as a Government subsidize. The audit is on the view that M/Linnix has to continuously exert pressure on the arrears collection (electricity sales) so as to nearly match up the amount being collected with the amount being subsidized for power supply.
- Therefore, in this incidence, M/Linnix should also be charged and pay up its electricity bills alongside other line Ministries and Companies branches in Kiritimati Island on a timely basis, failure by which would mean dis-connectivity in the electricity services.

Implications:

The failure in collecting of the arrears of revenue from electricity will of course result in a cash flow hardship which would also contribute to drain out of public funds.

The accumulated outstanding bills from respective commercial operators and users, which of course constitute more than 90% of total arrears of revenue as per above, indicated Government has provided such excessive subsidies to these operators at detriment of public funds.

Recommendations:

i) The Ministry through its electricity Unit should have come up with possible solutions to expedite prompt recovery actions.

ii) In regards to transferred and/or retired officers' electricity bills the division should find means of recovering the arrears from such former employees.

iii) Management should ensure all current electricity dues are paid promptly and to arrange installment payments with current officers having arrears of electricity standing to their credit.

iv) And in order to meet or match the fuel cost supply which is funded by Gov't every financial year the concerned ministry should consider increasing the annual revenue budget as well to maintain the high level of actual collection for revenue.

Management response:

Written management response received.

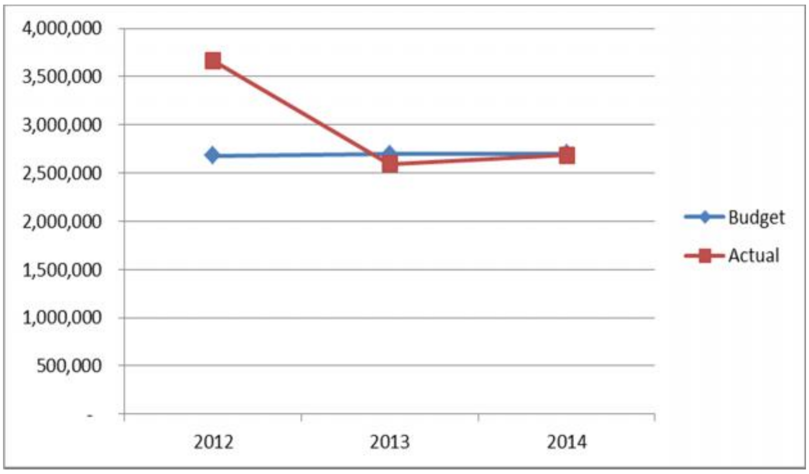
20.3.2 CONTROL OVER EXPENDITURE

Findings and Analysis:

20.3.2.1 BUDGET EXPENDITURE SUMMARY: 2012-14

Description	2012	2013	2014
Budget	2,678,756	2,698,279	2,701,008
Actual	3,667,198	2,594,684	2,684,460
(over)/under	**(988,442.00)**	**103,595.29**	**16,547.91**

20.3.2.2 COMPARATIVE EXPENDITURE GRAPH AGAINST ESTIMATE BUDGET: 2012-14

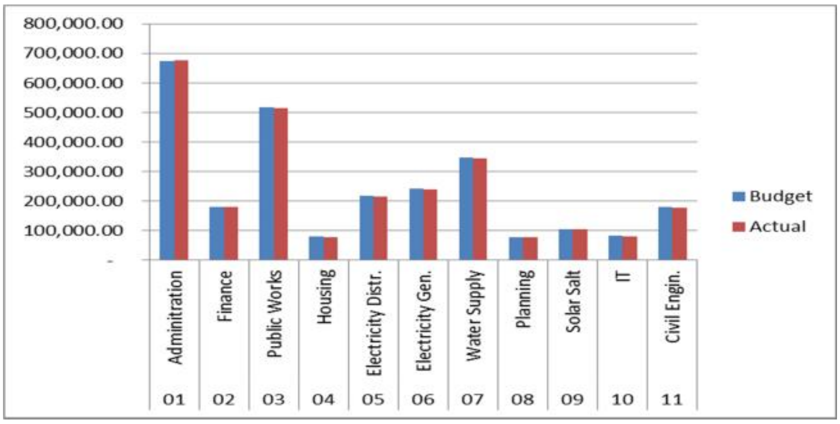


Based on the above graph, the Ministry had reported a net saving in financial year 2014 of over $16k an amount of which has belief was below the net saving reported for preceding year (2013) of $103k. However, in 2012 the concerned ministry was unable to manage it operating costs incurring un-authorized expenditure of over $988k respectively. Hence, for this year 2014 MLPID had showed and maintained it major improvement by reporting it net savings for the past two years, therefore should be applauded for such remarkable improvement accordingly.

20.3.2.3 EXPENDITURE TABLE BY DIVISIONS OF MLPID – 2014

	01	02	03	04	05	06	07	08	09	10	11	
Division	Adminitration	Finance	Public Works	Housing	Electricity Distr.	Electricity Gen.	Water Supply	Planning	Solar Salt	IT	Civil Engin.	Total
Budget	673,545.00	179,914.00	517,771.00	79,581.00	216,119.00	242,096.00	347,259.00	78,030.00	104,940.00	81,467.00	180,286.00	2,701,008.00
Actual	677,228.53	178,666.30	514,960.89	78,097.89	215,637.84	239,614.69	343,200.76	75,573.07	104,645.67	80,495.44	176,339.00	2,684,460.08
(Over)/under	$ (3,683.53)	$ 1,247.70	$ 2,810.11	$ 1,483.11	$ 481.16	$ 2,481.31	$ 4,058.24	$ 2,456.93	$ 294.33	$ 971.56	$ 3,947.00	16,547.92

20.3.2.4 COMPARATIVE EXPENDITURE GRAPH AGAINST ESTIMATES BUDGET – 2014



As clearly stated above, all divisions for MLPID had reported a net savings except division 01, Administration when reporting an overspending of $3,683.53 (Budget $673,545 less Actual $677,228.53).

20.3.2.5 KPF - LACK OF RECONCILIATION

Findings and Analysis:

Basically the audit performed its testing on KPF contribution by obtaining figures from Salary (MFED) and compare with the audit calculation and found the variances noted hereunder:

Management Report for 2014												
Details	2901	2092	2903	2904	2905	2906	2907	2908	2909	2910	2911	Total
Salary	$ 238,866.08	$ 73,923.80	$ 326,627.25	$ 28,968.00	$ 101,605.30	$ 91,852.75	$ 148,101.36	$ 31,514.40	$ 34,021.10	$ 24,816.00	$ 74,544.50	**$ 1,174,840.54**
Tempoaray	$ 12,344.60	$ 3,985.00	$ 34,437.50	$ 1,092.00	$ 2,319.20	$ 4,906.80	$ 11,240.40	$ -	$ 3,348.00	$ -	$ -	**$ 73,673.50**
	$ 251,210.68	**$ 77,908.80**	**$ 361,064.75**	**$ 30,060.00**	**$ 103,924.50**	**$ 96,759.55**	**$ 159,341.76**	**$ 31,514.40**	**$ 37,369.10**	**$ 24,816.00**	**$ 74,544.50**	**$ 1,248,514.04**
Audit figure												
7.5%												
Salary	$ 17,914.96	$ 5,544.29	$ 24,497.04	$ 2,172.60	$ 7,620.40	$ 6,888.96	$ 11,107.60	$ 2,363.58	$ 2,551.58	$ 1,861.20	$ 5,590.84	$ 88,113.04
Temporary	$ 925.85	$ 298.88	$ 2,582.81	$ 81.90	$ 173.94	$ 368.01	$ 843.03	$ -	$ 251.10	$ -	$ -	$ 5,525.51
Total	**$ 18,840.80**	**$ 5,843.16**	**$ 27,079.86**	**$ 2,254.50**	**$ 7,794.34**	**$ 7,256.97**	**$ 11,950.63**	**$ 2,363.58**	**$ 2,802.68**	**$ 1,861.20**	**$ 5,590.84**	**$ 93,638.55**
Management report	**$ 19,392.76**	**$ 5,619.14**	**$ 24,428.89**	**$ 2,254.68**	**$ 7,686.84**	**$ 6,981.69**	**$ 12,088.06**	**$ 2,363.93**	**$ 2,666.57**	**$ 1,861.44**	**$ 5,592.08**	**$ 90,936.08**
Variance	$ (551.96)	$ 224.02	$ 2,650.97	$ (0.18)	$ 107.50	$ 275.28	$ (137.43)	$ (0.35)	$ 136.11	$ (0.24)	$ (1.24)	$ 2,702.47
	Overstated	understated	understated	overstated	understated	understated	overstated	overstated	understated	ovestated	overstated	

Implications:

KPF payments are statutory payments and any overstatement or understatement will have an adverse effect on i) Overall total (budget) for the Ministry ii) Status of employees' KPF privilege.

Some employees' KPF contribution may not be paid in full as anticipated due to the over/understatement reported above.

Recommendations:

It is therefore recommended that MLPID through its account section must ensure to conduct proper review and regular reconciliation with MFED to avoid future discrepancies (over/understated) at the end of the financial year.

To put in place a strong device to detect future over and under payment of KPF contribution spontaneously as it is one of the statutory payments which need to be well monitored and controlled under the custody of each administration.

Management response:
Written management response received.

20.3.2.6 SALARY AND TEMPORARY

Findings and Analysis:

The audit noted the variance of $49, 949.48 by comparing the Management report via the Pay Costing noted hereunder:

Management Report for 2014												
Details	2901	2092	2903	2904	2905	2906	2907	2908	2909	2910	2911	Total
Salary	$238,866.08	$73,923.80	$326,627.25	$28,968.00	$101,605.30	$91,852.75	$148,101.36	$31,514.40	$34,021.10	$24,816.00	$74,544.50	$1,174,840.54
Temporary	$12,344.60	$3,985.00	$34,437.50	$1,092.00	$2,319.20	$4,906.80	$11,240.40	$ -	$3,348.00	$ -	$ -	$73,673.50
	$251,210.68	**$77,908.80**	**$361,064.75**	**$30,060.00**	**$103,924.50**	**$96,759.55**	**$159,341.76**	**$31,514.40**	**$37,369.10**	**$24,816.00**	**$74,544.50**	**$1,248,514.04**
Pay Costing records 2014												
Salary (included temporary)	$247,786.58	$74,657.30	$325,486.60	$30,060.00	$101,282.90	$92,979.00	$161,111.02	$31,514.40	$34,860.00	$24,273.00	$74,553.76	$1,198,564.56
	$3,424.10	**$3,251.50**	**$35,578.15**	**$0.00**	**$2,641.60**	**$3,780.55**	**($1,769.26)**	**$0.00**	**$2,509.10**	**$543.00**	**($9.26)**	**$49,949.48**

Implications:

- Variances noted would not provide accurate status of the Ministry and could lead management astray in their decision making.
- Not matching of records (Management report via Pay costing) under custody of one office would undermine creditability and integrity of the workforce within the Ministry,

Recommendations:

Management should regularly reconcile its figures with that of MFED and make prompt adjustments where necessary.

Management should also regularly review the accounting works of its accountable and responsible officer.

Management response:
Written management response received.

20.3.2.7 LEAVE GRANTS – DISCREPANCIES OF $11,007.50

Findings and Analysis:

Itemized in the table below were the discrepancies of leave grant between Audit figure[22] (column 7) and Management report (column 8) found during the audit:

[22] The audit figure derives from the listing (total no. of employees, vacant post, occupied post) provided from the Ministry responsible officer which is Assistant Secretary.

Allocations	Allocation Details	No. of mployee required to be filled it	No. of Vacant not filled	No. of Post Occupied	Rate As Per Leave Grants	Amount	Management Report	Variance	
29010000208	Administration	34	8	26	$ 750.00	$ 19,500.00	$ 21,570.00	$ (2,070.00)	overstated
29020000208	Finance	10	1	9	$ 750.00	$ 6,750.00	$ 6,750.00	$ -	ok
29030000208	Works	45	6	39	$ 750.00	$ 29,250.00	$ 34,437.50	$ (5,187.50)	overstated
29040000208	Housing	4	0	4	$ 750.00	$ 3,000.00	$ 3,000.00	$ -	ok
29050000208	Electricity	15	1	14	$ 750.00	$ 10,500.00	$ 10,500.00	$ -	ok
29060000208	Power Generation	21	2	19	$ 750.00	$ 14,250.00	$ 13,500.00	$ 750.00	understated
29070000208	Water Supply	29	5	24	$ 750.00	$ 18,000.00	$ 21,750.00	$ (3,750.00)	overstated
29080000208	Planning	4	1	3	$ 750.00	$ 2,250.00	$ 2,250.00	$ -	ok
29090000208	Solar Salt	5	0	5	$ 750.00	$ 3,750.00	$ 3,000.00	$ 750.00	understated
29100000208	IT	3	1	2	$ 750.00	$ 1,500.00	$ 2,250.00	$ (750.00)	overstated
29110000208	Civil Engineering	11	1	10	$ 750.00	$ 7,500.00	$ 8,250.00	$ (750.00)	Overstated
		181	26	155	$ 8,250.00	$ 116,250.00	$ 127,257.50	$ (11,007.50)	

Implication:

Lack of proper reconciliation would result in overspending or understatement of some payments as had been noted in aforementioned findings.

Recommendation:

Therefore, the audit strongly recommends that Management should carry out its reconciliation on a timely basis so as to avoid future errors from occurring.

Management response:

Written management response received.

20.3.2.8 CASH BOOK STATUS AND UNCOLLECTED CHEQUE

Findings and Analysis:

1) Cash Book Status

The Cash Book for MLPID was not updated as evidenced when the amount of $16,191.46 been deposited one day prior the cash counting was not yet entered into the cash book. Details of such are provided below:

Pay In RR #			
224189 -229632 (22/09/15-22/09/15)	$6,536.26	deposit 22/09/2015	not yet entered in the cash book
224125-224188 (18/09/15-21/09/15)	$9,955.20	deposit 22/09/2015	

It was further noted that all cash collected each working day were stored and kept somewhere prior being deposited in the ANZ Bank as there was no Safe for the Ministry, a contravention of FR 6.5. As reported Ministry has had no Safe since F/Y 2008. This has been reported in earlier audit reports but still the ministry has not bothered to obtain one for cash custody.

2) Uncollected Cheque of $5,777.65

The amount of $5,777.65[23] was not collected by each respective PAYEE. The audit discussed with cheque payment officer vis-à-vis the reason why this cheque had been held for a long time but she could not explain further in detail the control or way forward in respect rectifying this problem. As the audit went through the officer cash book and confirmed that such uncollected cheque had been entered or posted in the cash book accordingly.

It was further noted that some of the above uncollected cheques were dated January and February 2014, an indication that these cheques had become stale and therefore should be replaced with immediate effect.

Implications emerged from above findings:

- By not updating the revenue cash book any requested amount would not be correct as a result and also would undermine the credibility of the officer responsible.
- If MPLID continued not having a cash safe, the custody of cash and other monetary documents would be at stake and would increase the risk of misappropriation and loss of public funds.
- Uncollected cheque in a huge amount would ultimately lead to loss of funds when such becomes stale.
- It is also likely that following year budget would be affected if above cheque is issued out from next year's budget.

Recommendations:

- Revenue cashier should ensure that prior or after depositing cash collections at the Bank her cash book must be updated constantly to save omissions.
- Management must prioritize the purchase of its cash safe for the custody of cash and other important monetary documents.
- Senior Accountant should ensure a daily review and check on revenue cashier's collections and pay-ins until such time a Safe is available for custody of revenue of the Ministry.
- Management should put in place a policy in ensuring accounts division fully conform with the FR requirements failing by which stringent reprimand actions will apply instantaneously.

Management response:
Written management response received.

20.3.2.9 ELECTRICITY AND GAS

Findings and Analysis:

Year	Code	Description	Rev. Budget	Actual	Variance	Comment
2013	E2901-67A	Electricity and Gas	6,132.00	6,131.30	0.70	minimal net saving
2014	E2901-232	Electricity and Gas	8,654.00	8,653.48	0.52	minimal net saving

The above table clearly indicated the level of spending for electricity and gas against it revised budget as already offered. As can be seen, the actual spending had kept increasing from year 2013 to 2014 significantly by $2k. The M/Linnix had managed to report a minimal net savings of 0.70 cent and 0.52 cent for year 2013 and 2014 respectively.

[23] Details of such uncollected cheque could be viewed under Audit WP Ref: U2/3-2 (excel format) – 2014

It was further noted during the audit that the Agency Linnix Office had been utilized for sometimes the provision of electricity & gas for fuel cost as indicated in the table provided below:

Date	PV No.	Allocation charged	Particular	Supplier	Amount
2/05/2014	Pv 60/14	E2901-232	Fuel cost	Betio Gas Station	281.8
7/05/2014	Pv 64/14	E2901-232	Fuel cost	Taborio Gas Station	88.64
25/06/2014	Pv 90/14	E2901-232	Fuel cost	Taborio Gas Station	127.58
13/08/2014	Pv 104/14	E2901-232	Fuel cost	Taborio Gas Station	192.58
18/08/2014	Pv 102/14	E2901-232	Fuel cost	Betio Gas Station	290.75
			Total		**981.35**

Based on the above table provided, it is clear that M/Linnix through it Agency Office at Bairiki had not been able to utilize wisely the provision for electricity & gas as intended for. The Ministry would not report such minimal net savings if they were actually charge the proper and correct allocation. Charging the wrong allocation/output that is electricity and the officer authorize such payment reflects the lack control over the ministry payment and would undermine the credibility of the workforce as a whole.

Implications:

Charging the wrong allocation/output for catering other activities would affect the provision of such allocation which could lead to an overspent as a result.

It would also raise doubtfulness on the credibility and reliability of the Ministry concerned.

Recommendations:

It is therefore recommended that M/Linnix through it Agency Office should provide justifications on the usage of electricity & gas provision to cater the fuel cost as per noted.

Proper and strong internal control mechanism over the payment should put in place to avoid miss-allocations in future years' time.

Management response:
Written management response received.

20.3.2.10 DRIVER'S LOG BOOK – 2014

Findings and Analysis:
In conducting the audit, it was noted that MPLID drivers have failed to submit their log books for 2014. Hence the audit was unable to check and confirm the accuracy of the following itemized expenses:

- Overtime
- Fuel
- To detect mileage used for non-official usage.

Implication:

Failure to submit log books would make it not possible for auditors to confirm claims been lodged for overtime, refueling and proper uses of such vehicles accordingly.

Recommendation:

Therefore, the audit recommends that Management should remind all its drivers to maintain and update their log books frequently and to return such to the responsible officer at each year end for scrutiny, references and audit purposes.

Management response:

Written management response received.

20.3.2.11 CONTROL OVER IMPREST

Findings and Analysis:

Total outstanding Imprest for MLPID at year ending 2014 has increased to $73,305.00[24] as can be evidenced from the list hereunder, an indication that MLPID had failed to comply with the 10 day policy of retiring Imprests once officers had completed their trips, re list provided hereunder:

Date	Details	Code	PV Numbe	Imprest Drawn	Imprest Retired within 10 days
30/04/14	Officer 1 (Planning) - Official tour Reconciliation 2013 a/c 6/03/14 to 25/03/14	2902_216	191/5	$3,310.00	No
6/12/2014	Officer 2 (Account)-Auditi Exiting meeting and closing of 2013 of 2013 02/04-20/05/14	2902_216	186/6	$6,460.00	No
14/07/14	Officer 3 (Planning) - Attending Training Sydney 2/04-30/04/14 Abated allowance	2910_216	222/7	$2,160.80	No
20/10/14	Officer 4 (Planning) - Solar Salt Consultation visist 27/08-17/09/14	2908_216	346/10	$3,550.00	No

Implications:

- Failure to retire Imprest within 10 days and/or not retired at all after return from official trips is a breach of FR 2011 requirement and would increase the risk of loss of funds from those being issued with excess Imprest.
- The accumulation of unretired special Imprest from previous years showed a lack of control and monitoring over Imprest issued by MLPID responsible officers and it would ultimately lead to the loss of public funds.
- The completion of the trip that is locally funded would in effect satisfy the use of the funds which should therefore counteract the charges made in the account except for incidentals if not supported by appropriate invoices or charges. In such incidences the management report would be distorted if no immediate remedial action is effected after the completion of each official trip.

[24] List for this amount could be seen under 2014 Working Paper : AS2/6 Imprest and D2/1

Recommendations:

- Management must maintain a register for Imprest issued for monitoring and recovery purposes.
- MLPID should not entertain future Imprest requests to its officers until their outstanding from previous years had been cleared in full.
- MPLID should have in place a strong control over Imprest ensuring that all Imprests should be retired within 10 days upon return from any official trips taken during the year.

Management response:
Written management response received.

20.3.2.12 HIRE OF PLANT AND VEHICLE (PVU)

Findings and Analysis:

There was no proper reconciliation been performed between the MLPID and MFED as evidenced when the audit revealed the difference of over $9k (MFED figure of $171,825: MLPID figure of $162,422). Such variances noted would be an overstatement made by Finance if MLPID records were actually correct and/or vice versa.

Implication:

- The absence of reconciliation between the two parties, MPLID and MFED will cast doubt on the reliability and accuracy of the PVU charges appearing in the end of year record.

Recommendation:

- Management should ensure a monthly reconciliation is conducted so records tie up with those held by MFED.

Management response:
Written management response received.

20.3.2.13 CONTRAVENE OF RELEVANT SECTION OF PROCUREMENT ACT 2002

Findings and Analysis:

The total amount of $10,390.11 was not scrutinized properly whilst at the same time the payment of such amount was not procured:

Date	Details	PV No	Invoice No.		Amount
3/06/2014	Isell Hawaii	79/3	242	2,959.34	
			248	154.14	
			247	410.92	
			243	479.61	
	3 Brother TN450 Tonner Cartridges		245	213.74	
	3 Brother TN450 Tonner Cartridges		244	213.74	
			246	103.60	5,280.91
31/12/14	JMB	682/12			
	1 motorcycle		224075	3,350.00	
	1 air conditioner		224075	721.20	
	EA Desk Top set		224075	1,038.00	5,109.20
	TOTAL				**$ 10,390.11**

Based on the findings reflected in the above table the audit revealed that the concerned Ministry has not complied with relevant provisions of Procurement Act 2002 as there was no evidence confirming MLPID had invited different tender's prior selection of above suppliers.

Implication:

Payments made without complying with normal procedures and relevant provisions of Procurement Act 2002 could be treated as improper payments as it is highly likely that such payments will be received by in-genuine payees.

Recommendation:

Management to ensure provisions of the Procurement Act 2002 are complied with by its accountable officers.

Management response:
Written management response received.

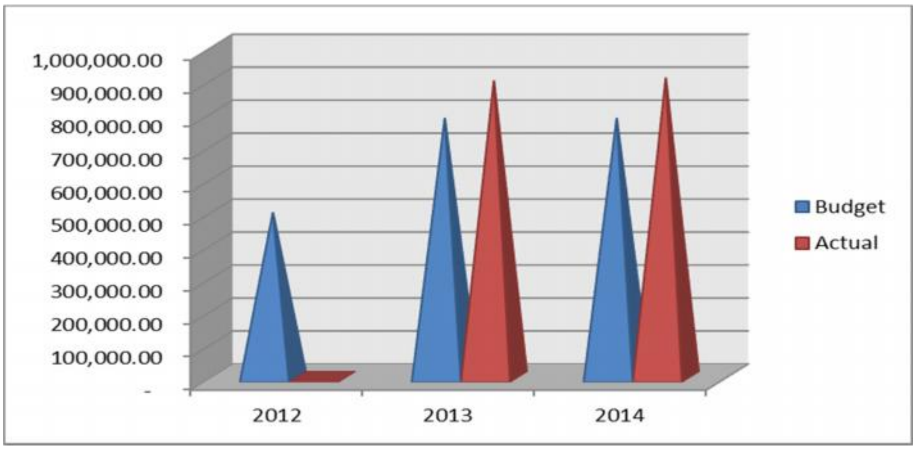
20.3.2.14 LOCAL CONTRIBUTION TO DEVELOPMENT FUND (LCDF) – POWER SUPPLY

Findings and Analysis:

Summary Expenditure for Power Supply - Kiritimati

Year	Budget	Actual	(Over)/Under
2012	500,000.00	-	500,000.00
2013	786,201.00	900,148.90	(113,947.90)
2014	786,201.00	909,210.00	(123,009.00)

Comparative expenditure graph against actual for Power Supply - Kiritimati



As clearly stated above, in 2014 MLPID again reported an excess spending of $123k an amount of which was slightly above the excess spending reported in fiscal year 2013 of $113k. While in year 2012, the amount of $500k offered was not utilized by the ministry as indicated by displaying a nil balance for actual spending of Power Supply in the 2012 Annual Account.

As I could recall from my previous audit report i.e. 2013, issues which were highlighted during the audit especially the payment of fuel in the amount of $19,418 was again detected in this financial year 2014. The audit is of the belief that there is possibility of having identical issues as the audit was just carried out for year 2013 nearly the end of 2014 (October). It was further noted that the payment for fuel in 2014 was also made without confirming the remaining liter of fuel on hand and balance of fuel held by KOIL of which could lead to the unnecessarily drain out of public funds.

However, as per conveyed by a responsible officer (Account project officer) that there is control system put in place for 2015 to monitor the remaining amount of fuel on hand kept by KOIL office but this would be confirmed once auditing for 2015 account is carried out accordingly.

2013 Implications:

- *Continuing paying the fixed amount of $19k without prior proper checks on the volume of fuel actually needed will consequently lead to the unnecessary drain out of public fund, adding more to cash flow problem.*
- *The absence of a monitoring mechanism could lead to eventual misappropriation of funds.*

2013 Recommendations:

- *MLPID to ensure payment for fuel be made for each power station separately and only upon producing: a) the confirmation on the level of remaining balance of fuel at each station and b) the confirmation of the remaining balance of fuel kept at the KOIL.*
- *A monthly reconciled report should be provided to MLPID for scrutiny and spot checks to confirm the records and actual refueling at each depot.*
- *Both KOIL and MLPID accounts should ensure their ending balances be properly reconciled.*

Management response:
Written management response received.